



Progress beyond

ESG Webinar transcription - October 2, 2020

Martial Tardy, moderator

Hello everyone, I'm Martial Tardy. I will be the moderator for this webcast dedicated to Solvay's environmental, social and governance strategies. I will immediately hand the floor over to Ilham Kadri, the CEO of the Solvay Group. She will expose what we do in these matters and take your questions. We will collect them through the chat tool that you see on your screen. Thank you. Ilham, the floor is yours.

Ilham Kadri, CEO

Thank you very much Martial and hello everyone, thank you for joining us. I'm thrilled to speak with you today about how ESG - which is something I feel very strongly about- is at the core of everything we do at Solvay.

These are certainly very intense times, managing through this Covid pandemic. No doubt like many of you, I have faced personally several crises in the past - September 11, 08/09 financial crisis, SARS, EBOLA, and we are all working very hard to protect our people, and support our customers whilst ensuring that we preserve the resilience and sustainability of our business.

Solvay has been around for more than 160 years, and our Purpose - bonding people, ideas and elements to reinvent progress -, is equipping us to both overcome and emerge stronger from the crisis. In a world that will expect a new standard of hygiene, we are industry leaders in thermoplastic resins and medical grade materials that can withstand repeated sterilization and disinfection processes.

We responded fast and provided hydrogen peroxide, hand sanitizer, face shields and other protective equipment to those with the most critical needs around the world. We are also making essential components for ventilators, test kit ingredients, surgical masks, intubation shields and fluids for oxygen delivery systems.

All in all, what I want to tell you is that chemistry is essential and the challenges created by COVID-19 clearly demonstrate why Solvay's core operations and our approach to ESG under our Solvay One Planet program, are critical to the world's wellbeing.

And today I am excited to share with you elements of our Solvay ONE Planet ambition. We will start with a quick look back, and then I will share information on the E, the S, and the G from a perspective of what we are doing today, and our commitments for a better Planet tomorrow.

First, I'd like to spend a moment on Solvay's past, and how it will help shape our future. Over the past 10 years, Solvay has evolved its portfolio towards more sustainable solutions -- for example in the past 5 years we divested businesses such as PVC and Acetow for cigarette filters, and many others moving the compass more quickly towards sustainable technologies.



And with the acquisition of Cytec also in that timeframe, Solvay accelerated its presence as a leader in lightweighting for cleaner mobility for example. These transactions, together with organic growth helped lift the portion of sustainable solutions in our portfolio from 33% in 2014 up to 50% today.

A sustainable Solution at Solvay is defined as a product in a given application which brings higher social and environmental contribution to our customers' performance and at the same time demonstrates a lower environmental impact. Solvay assesses the sustainability profile of its products using a rigorous methodology we call SPM or Sustainable Portfolio Management, which is by the way externally audited and is referenced by the Harvard Business School as a business case. We are among very few companies to have such transparent and audited communication of our results.

So let's review where that brings us today. Our solutions are aligned with key growth drivers and built to make a positive social & environmental impact.

Today, using our SPM tool, 50% of our solutions - more than € 5bn of our sales - have higher growth potential thanks to their strong sustainability credentials. Among those, some solutions have more than one impact. Look at this: 2.2 bn€ of our sales help reduce our customers' overall climate impact; 3.5 bn€ of our sales help reduce the consumption of world resources; and 2.7 bn€ of our sales contribute to improving quality of life.

Solvay is, in other words, an ESG solutions company. I will now share a few examples to bring this to life.

First – I'd like to highlight CLEAN MOBILITY.

As you know, the automotive and aerospace industries are looking for cleaner, safer and more energy efficient solutions. And we meet that need.

Our solutions make vehicles lighter, thereby reduce the fuel consumption and therefore, the CO2 emissions. In addition we are a leader in materials for hybrid and electric batteries, as well as for e bikes.

Look at this example, our Solef® PVDF brand used for lithium-ion batteries was awarded the Efficient Solutions label by the Solar Impulse Foundation. This polymer is used as a battery separator coating in electric vehicles; it offers higher voltage and higher energy density. It can save up to 1.67 Million tons of CO2 over a vehicle's useful life - that's a substantial reduction.

By 2030, electric vehicles are expected to account for 30% of new cars, just in Europe. It is a market sector that we are helping develop through our dedicated platform and where we have an ambition of half a billion euros in sales by 2030.

Let me give you another example. Our Silica Premium Range® of products, used to create tires that reduce rolling resistance by up to 25%, which helps lower fuel consumption by ~7% and can bring a potential saving of 16 Million tons of CO2 when used over a vehicle's useful life - this technology is one of the most efficient ways to reduce a vehicle's CO2 emissions.

As you know, our composites technology offers an attractive value proposition for aircraft manufacturers, by reducing the weight of the aircraft, increasing the fuel efficiency and reducing emissions. And the secular trend of higher composites usage on aircrafts supports these benefits. This technology is increasing in penetration since its inception in the defense industry over the past 50 years. This business is over €1 billion today for us. And the unique resin-infused technology



developed by Solvay, is used in high performance engines for aircrafts. It enables our customers to reduce fuel consumption and CO2 emissions by 15% versus traditional engines.

And with a nod to the past, recent one, Solvay's contribution to Solar Impulse 10 years ago helped Bertrand Piccard and André Borschberg realise this outstanding project of flying round the world using only solar energy. Indeed 15 Solvay technologies and products and more than 6,000 parts made with Solvay material were aboard the solar aircraft!

As you know, our world needs accessible HEALTHCARE especially as populations grow. We provide advanced polymers for pharmaceutical packaging and medical devices; we provide active ingredients for medication including products for Covid tests and vaccines; and we offer the broadest selection of high-performance polymers for medical devices.

Let me highlight a few examples – our Udel® (PSU) and VERADEL® polymers and brands clean blood in hemodialysis. Our products bring comfort to about 3 million patients worldwide who are treated for chronic kidney failure, and about 1.5 million patients undergoing open heart surgeries each year.

Our solutions also clean the air we breathe. For example, the Solvair® brands help clean exhaust gases across many industries and municipal activities, removing up to ~99% of SO_x, HF and HCl emissions, improving waste-to-energy conversion by up to 88%, and improving our customers' energy efficiency ratio by over 65%. And as you know, demand is growing globally, especially in Asian markets.

Now, we all know that population increase will strain the planet's capacity to feed everyone. We are in fact helping to solve this challenge with solutions that increase agricultural yields; and offer more bio-based ingredients for agriculture.

Our AgRHO brand improves seed quality and performance in diverse soils for example by favoring water and nutrient uptake in seeds. This product can increase yields while decreasing fertilizer usage by 13%.

Turning to another example, Vanillin is the world's most popular flavoring, but natural vanilla derived from beans is limited in supply and is also expensive. Our natural Rhovanil brand derived from rice husk - which is a waste - is a great natural alternative, and it also helps to prevent rice husk from being a mere waste.

But... What brought us here today will not be enough to take us where we want to go....Boler and faster...

The growth of our world's population brings opportunities but also challenges: we are consuming the planet's resources at an unsustainable rate.

The need for our ability to turn life's molecules - including advanced polymers, compounds, and specialty chemicals - into environmental and social benefits has never been more urgent than it is today. At Solvay, we are committed to delivering our products and solutions efficiently, safely, and in a financially sustainable way.

We crafted our GROW strategy, if you may remember we announced it in November 2019, taking these factors into account, and earlier this year we unveiled Solvay One Planet, our holistic sustainability roadmap that complements our strategy.



Solvay has historically, like many other players, been an early mover on climate. But looking forward, Solvay One Planet goes well beyond Climate, with a focus that now also encompasses Resources and Better Life. This is totally new. Said differently, our focus on What is good for People and for the Planet will also be good for the profits.

Let me start with CLIMATE, this is our first area of focus. We have been more energy intensive than the chemical industry average, with continued reliance on coal. We recognized that the old status quo was not good enough for today's world.

So in February of this year, we committed to reduce our absolute emissions by 26% by 2030, in alignment with the Paris agreement.

To do so, we are phasing out the use of coal in energy production globally wherever renewable alternatives exist. Exiting Coal is a big deal for a company who has been using this primary energy source for more than 158 years.

And today I am pleased that we are raising the bar again - we are today committing to set Science Based Targets within 2 years. We will in fact partner with our suppliers and customers to define appropriate Scope 3 targets.

Now with an eye to a cleaner future, we are implementing many programs to reduce our energy consumption around the world. For example, our plant in Rheinberg, in Germany, shortly just after I joined the company, uses a new biomass boiler, running on wood waste supplied by local companies. This cuts CO2 emissions by 30%, and improves its cost competitiveness as well.

In our Dombasle site in France for example, we partner with Veolia to create a Solid Recovered Fuel boiler using industrial and household wastes. The total reduction of CO2 emissions represents 240 kilotons per year.

Now, with our customers, within the frame of our partnerships with Apple's Supplier Clean Energy Program, we launched The Solvay Jasper County Solar Farm in South Carolina in the United States of America: covering an area equivalent to 500 soccer fields. The facility houses more than 250,000 solar panels producing enough power annually for 15,000 homes.

Solvay is in fact among the top 10 companies with the largest installed solar capacity in the United States and we are the only manufacturing company in the top 10.

Let me now switch gears to natural resources. Our approach to biodiversity is novel, because we address root causes such as land acidification, or marine ecotoxicity: and we plan to reduce these pressures by 30% by 2030. This issue in fact goes well beyond our company and our industry, so we are also working in partnership with other external bodies to define an international biodiversity indicator - we call it the Global Biodiversity Score.

On water, which is very close to my heart: our target is to reduce by 25% freshwater intake by 2030. We will achieve this by increasing our water usage efficiency, we will increase grey water recycling particularly in areas of water scarcity and of course in collaboration with communities.

Some of the challenges we face go well beyond the impact of a single company. This does not daunt us. Indeed, it motivates us to work collaboratively and in partnership with others, including thousands of customers and suppliers. Those relationships harmonise good ESG practices in the industry and help to drive a meaningful positive impact on the world's scarce resources.



Here we are committing to reduce by 30% our non-recoverable industrial waste or landfilled or incinerated without energy recovery in fact. We will achieve this by reducing the waste we generate, of course, and by increasing the recycling initiatives.

We are also going beyond... and we are re-thinking how to develop a circular business with customers and brand owners in partnership with the Ellen MacArthur Foundation. We commit to more than double our revenues based on renewable or recycled resources and achieve 15 percent circularity by 2030. It is in fact a huge opportunity to grow the business while designing-out waste, giving products a second life, and regenerating natural systems. At Solvay, we believe that circularity is the future, it will create economic growth and new jobs, restore the environment and benefit society.

In addition, to the Natural Vanillin example I spoke about earlier, we are collaborating with customers and suppliers all along the value chain to create a circular economy because it didn't exist, it doesn't exist.

Here is an example: did you know that one out of every two electric vehicles contains our high-performance polymers? The future of used batteries is a major issue. We are going to recycle lithium-ion batteries to give them a second life and extract precious metals. We have just partnered with Veolia, a leader in waste management globally, to help the automotive industry finally close the loop.

Also, we have just established a partnership with one of our customers: Mitsubishi Chemicals Advanced Materials, which has the capability to recover and recycle advanced materials such as PEEK.

Moving now to the next slide, our innovation is key to our future growth and sustainability is not negotiable. In fact, we embed sustainability into all of our decision making processes - be it M&A, CapEX and of course Research & Innovation.

We are committed to continue our portfolio shift toward opportunities that grow our sustainable solutions to reach a minimum of 65% of sales by 2030. In fact, in the past 6 years, the growth of our Solutions has been three times higher than the average sales growth of our portfolio, and as you know, our EBITDA margins have been preserved. So sustainability is not just good, it has to be good for the bottom line and it will support the growth of the top line. Looking forward, you can expect us to deliver superior growth as we further increase the proportion of our solutions.

So you may ask yourself how innovations will support delivering the Solvay One Planet goals? For the sake of time I will highlight only just a few.

ActiZone - you may have heard me in our quarter 2 earnings call – is a new disinfectant technology that can protect surfaces from viruses that can kill 99.9% germs and protect surfaces for up to 24 hours, much longer than any products on the market today. I'm extremely excited about this blockbuster given the focus on hygiene today and its impact on health, and I'm supported by the high engagement and interest of our FMCG companies and customers.

Second, our innovation strengths have also enabled us to address concerns over the PFAS family of chemicals. As I have shared, many years ago we phased out the use of PFOA and PFNA and used replacements in full compliance with applicable laws and regulations. I've already explained that we seek to set the highest standards and with that in mind we decided to take the next step and go beyond. We mobilised our best experts and quadrupled our research for alternatives and have developed a non-fluorosurfactant technology, which we introduced in fact already earlier this year, in January, to our customers and partners who are qualifying it. We expect qualifications to be



completed by mid 2021. Such technology responds to current unmet needs and provides an excellent example of how the right combination of innovation, industrial expertise and collaboration with our customers can unlock solutions and value.

Finally, green hydrogen enables full decarbonisation in sectors that today use difficult-to-replace carbon intensive feedstocks. In particular, fuel cells powered by green hydrogen are increasingly recognized as the winning solution for zero-emission long-haul, or heavy-duty and commercial vehicles. Our clean hydrogen solution was created to address this market. The global market opportunity for products into proton exchange membrane electrolysis and fuel cells could reach nearly €1 billion in 2030. And we are very close to launching it commercially, and will share more with you at that time.

These innovations, together with our existing technologies, will support our drive toward a higher sustainable solutions portfolio.

Now I would like to move to the S: the social aspects, which are part of our Purpose and Vision: Creating Sustainable Shared Value for all.

In fact, to be responsible in today's world is synonymous to care. And actions speak louder than words. I will share some of the actions we take, because they also illustrate some of the values embedded into our Purpose.

We signed for example four key collective agreements at the global level with employee representatives from the major countries where we operate. With Solvay Cares, Solvay guarantees social benefits for employees in all countries.

There is also the quality of the social dialogue, which is unique in this company, not only in Europe with European work councils but also globally through the Solvay Global Forum, and also with our agreement with IndustriALL. Concretely this means that every year, IndustriALL representatives meet Solvay employees to check on compliance through joint assessment missions at any of our sites, chosen with IndustriALL.

Now, to the way we engage with our employees during our first Citizen Day in 2019. A total of 168 sites, representing 94% of all Group employees, volunteered to take part in locally run projects inspired by the UN Climate Action Summit: preserving in fact the environment. We worked closely with stakeholders including local charities and organizations. In fact our 24,000 employees mobilised to make a difference.

We cannot hold ourselves to be responsible or sustainable if we ignore the hardships caused by the Covid sanitary crisis. That is why we created a safety net for all Solvay employees worldwide, irrespective of where they live, be it in a country with an established welfare system or not.

Our commitment is threefold: we guarantee up to one month of salary to any employee who is on medical leave due to COVID-19; we maintain FULL employee health benefits in all circumstances throughout the crisis; and we guarantee of the 70% of gross monthly base pay for up to 3 months in case of furlough.

We also progress beyond with the creation of the Solvay Solidarity Fund. The Fund provided support to all our employees and their families who experience hardship due to COVID-19. We knew it was gonna be tough. It was funded by a remarkable combination of voluntary pay reductions by our leadership, our employees, our Board of Directors and our shareholders... and by the way, generous voluntary contributions from our shareholders. To date, €12M have been



collected. Our top 30 senior leaders gifted 15% of their salaries for the remainder of the year, for a total of €1.5M and we also received many voluntary contributions from employees.

I am truly appreciative - indeed I am humbled - by the response of investors and employees to our call for action. As a result of that generosity, we are actively supporting more than 100 families with our fund all around the world: in the US, the UK, Belgium, Italy, France, China or Japan.

We also partner with our suppliers, in India for example, to extend the reach of our ESG programs. As the world's leading producer of guar derivatives, we are partnering with customers to make guar cultivation more sustainable in Rajasthan, in India. The initiative also empowers women through training focused on hygiene, health, and nutrition. The outcome is amazing, it means guar farmers can earn a better living, and lead healthier lives, bring their kids to schools; we can obtain higher quality of guar, and our customers can benefit from improved supply security quality, by the way well valued by final consumers.

We are also inspired by our NGO partners to stretch further. Here we have Bertrand Piccard's Solar Impulse Foundation. It aims as you may know to select, label and promote 1,000 solutions that protect the environment in a profitable way.

And also, in the circular economy space, we are proud to be one of the 12 strategic partners chosen by the Ellen MacArthur Foundation. The mission here of this Foundation is to accelerate the transition to a circular economy by helping create ecosystems including the financial community.

So as you see, our people including our employees and our communities are at the core of everything we do, and so with our Solvay One Planet we are enhancing our higher social practices and targets.

Safety is essential. We safeguard the health and safety of our employees and communities with robust programs, and I can't think about any number but a zero-accident mindset at every level of our operations, and safety metrics in our pay plans and goals.

Beyond health and safety, we nurture a culture that seeks unity but not uniformity, that protects human rights and freedom from discrimination and harassment, and that bases decisions on performance, meritocracy, fairness and opportunity. We are following the highest ethical standards, supported by our new Code of Business Integrity. This is the foundation on which we build our commitment to always do the right thing.

So consistent with these values, we are aiming to become a completely gender-balanced organization at mid- and senior-level management by 2035. We are also one of few companies in the world giving 16 weeks parental leave to any co-parent regardless of the gender by 2021.

So now, while most governance systems rely on structure alone, ours has the added benefits of relying on people for whom doing the right thing is personal and deeply rooted in history.

The Board treats all shareholders equally - one share, one vote - and our two complementary oversight bodies support our global best practices that go beyond Belgian market practices obviously.

We are a global company and our Board and management teams fully reflect this. Our Board, comprised of 15 members, is diverse and experienced, not only from the gender lens. We have many nationalities and covering industries relevant for Solvay. We have added four new Board



members over the past three years, further enriching and deepening the wisdom and perspectives available to us.

Every year by the way, Solvay embarks on an engagement program to solicit the feedback of our major shareholders on ESG topics as well as explain our approach to ESG. This engagement is essential and not limited to investors but also other stakeholders, such as our own employees.

How companies make financial and strategic decisions tells you a lot about what they care about — and ESG values appear throughout our board and management practices. The oversight of Solvay's sustainability is the responsibility of the whole Board, and not delegated to one Board Committee.

At the management level, sustainability is integrated in all key strategic decisions, including research and innovation, capital expenditure, M&A activities and investment decisions. Most companies' credit facilities lack any ESG criteria in fact. We, however, have nine banking partners that incorporate positive ESG elements into their terms.

Compensation. In line with Solvay's G.R.O.W. strategy, Solvay One Planet and our new Purpose statement, the Remuneration Committee reviewed last year the performance measures used to incentivize Solvay's employees, including the management team. We have what you call the Global Performance Sharing Program, employees at all levels of the organization - not only at the top - are incentivized on both business (80%) and sustainability (20%) objectives. The compensation of leaders includes sustainability targets in their short and long term incentives as you can see.

So now before we turn to Q&A, let me leave you with a few closing thoughts.

Managing the escalating challenges created by our growing population is becoming critical for everyone on our planet - and we have only one. Solvay's capacity to address many of these challenges with our solutions, with our customers, by our actions as a company, and by our strategies enabling good ESG practices by our customers and suppliers is therefore essential to the world.

Transparency is key, transparency promotes accountability and this is why our integrated annual reports promote ESG disclosures that adhere to the highest standards determined by leading ESG reporting frameworks, as you can see, including SASB, TCFD, GRI, IIRC, and even WBCSD. I am heartened that our practices have been widely recognised by leading independent ESG raters including MSCI, FTSE4Good, DJSI and others. And I also appreciate the fact that Vigeo Eiris, now owned by Moody's, ranks Solvay as joint #1 position with another specialty player in the chemical sector.

What I have just summarized describes Solvay's purpose: we bond. For a better planet and a better life for all. Bonding is especially apt for us as it also captures a key property of the chemistry that supports everything we do. We bond as teams, as a company, as a community of shareholders and stakeholders, as members of networks of customers and suppliers, as key participants in the evolving circular economy, and as stewards for the future generations of the planet we share.

And in doing so, we will deliver superior and sustainable value that can be shared for all.

Thank you very much and now we will move to the Q&A portion of our broadcast.



Martial Tardy, moderator

Thank you Ilham. We've had quite a few questions coming in. We will cluster them and summarize them and will try to cover as much ground as possible.

Ilham, we are going to start with a pretty fundamental one.

How do you intend to bring continued growth in a sustainable way on a planet that just is not getting any bigger?

Ilham Kadri, CEO

Very good question Martial. Well listen, our diversified portfolio is oriented towards you know the secular trends we talked about such as the optimization of natural resources, lightweighting, we need to provide lighter materials, electrification is key these days and the needs related to longer life expectancy.

Without the contribution of chemistry there will be no sustainable and circular world, I really believe it. Chemistry is necessary, and can contribute to the growth of living standards by developing more efficient, more robust and more circular ways of producing and innovating.

And the transition to a more circular economy will create many new opportunities for sustainable growth and therefore opportunities for growing the top line profitably.

Many challenges remain you know though, especially in the recyclability of certain materials such as for example the carbon composites or the thermoset, which we are working on for example through our thermoplastics composites materials.

So yeah, we've been working relentlessly, including through partnerships - we can not do it alone - such as, as you've seen, with the Ellen MacArthur Foundation. The recent partnership with Veolia which is a great demonstration that two complementary companies can join forces into building the recycling of battery materials as one example.

Martial Tardy, moderator

Thank you. We have a lot of interest from our audience today about the Capex associated with your bold ambitions over the next 10 years. What is the Capex?

Ilham Kadri, CEO

Well, the capex associated with these objectives is included in fact in our global investment plans which we announced within our GROW strategy. This ESG presentation was a bit delayed due to Covid-19 but all the capex and all the Solvay ONE Planet and all the innovation you've seen have been already, you know, developed behind the curtain or behind the scene since now more than 18 months.

And as you know, I say this many times, we are being very disciplined in how we allocate our capex, and focusing indeed on better capital allocation and that's what I've said since day one through centralizing the capital allocation in the hands of the executive committee and I.



On average, our targets will represent an estimated 10% of capex over time. We should note also that many climate projects also have good return on investment and exceed the cost of capital and are also supported by governmental and authorities right. So that's also important to know.

Martial Tardy, moderator

Ok thank you. It looks like we've a bit of a lack of understanding. How does the Sustainable Portfolio Management work exactly at Solvay, the SPM tool?

Ilham Kadri, CEO

The SPM tool is something I discovered at Solvay when I joined the company. It only started in 08/09 so we have now dozens of years of experience. The SPM focuses on sustainable business solutions. So, the methodology is designed to boost Solvay's business performance and deliver higher growth by letting decision-makers know how Solvay's products contribute to sustainability, but considering two factors: the manufacturing environmental footprint and its correlated risks and opportunities – that's the vertical axis – it's a quantitative assessment, we have 19 impact indicators.

And the how - within their applications - they bring benefits or face challenges in a market perspective – that's the horizontal axis – it's a qualitative assessment. There are more or less 60 questions on social and environmental topics. Specifically when we go downstream, on product use until end of life, we measure the carbon emissions systematically through that life cycle analysis, and this is the scope 3 basically.

So, SPM is a tool, it is externally audited and it helps us to make smarter decisions. It can detect and should detect sustainability risks and opportunities along the entire value chain. It helps put intention inside the organization today what you think is sustainable today, won't be sustainable tomorrow. And this is important for us to develop action plans, deliver innovative solutions that balance economic, social, and environmental values. So SPM is a compass, is a tool with assessments that are performed every year in order to capture the most recent signals from the market, from customers, consumers, from the authorities as well, like the Green Deal, a type of approach that brings a very dynamic perspective to ensure that we are ahead in innovation and ahead of legislations.

Martial Tardy, moderator

We have a question asking for concrete examples. Can you give me examples of neutral or challenged applications?

Ilham Kadri, CEO

Yes, easy example in the neutral, we have smartphones right. So smartphones using solar panel energy, it can be actually a positive right, it can be in the green business solutions. If not, it's probably more in the challenge, in the neutral sorry.

The challenges can be something like soda ash, used to make glass bottles for alcohol and beer because, according to the World Health Organisation, alcohol abuse is problematic for health and is associated with 3 million deaths every year.



Or if we use coal right as primary energy and that's where you see our red side, or challenges. And as much as we start moving to cleaner energy, exiting coal and moving to biomass, we move some products and some technologies and some solutions from red to neutral to hopefully green.

Martial Tardy, moderator

Well, that's a good transition. I would like to put together a lot of questions around climate. First of all, we have someone saying here that you mentioned Science Based Targets and asking if you do plan to align your CO2 targets with this?

Ilham Kadri, CEO

Yes Martial, the Science Based Targets initiative is as you may know, a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

It champions science-based target setting as a powerful way of boosting companies' competitive advantage in the transition to the low-carbon economy.

We discussed it a lot inside the company. Solvay has the goal of curbing greenhouse gas emissions by 26% and aligning its trajectory with the "well below 2°C temperature increase" goal outlined in the 2015 Paris Agreement. The SBTi is requiring a bit more and we will adapt our trajectory to be in line with the SBTi requirements.

This is in line with the philosophy behind the Solvay One Planet sustainability ambition: we need to address our negative impacts in line with what the world needs.

Martial Tardy, moderator

Thank you. You mentioned it a little while ago but we do have questions on soda ash. How does Solvay plan to mitigate carbon intensity of the business given the very energy intensive of the coal-based activity that is soda ash?

Ilham Kadri, CEO

As I said, we have set ambitious targets to reduce CO2 emissions, in line with and in support of the Group commitment and part of our Solvay ONE Planet goals.

We have deep knowledge of the emissions market and we are monitoring very closely the rising CO2 price in the European market for example, we are anticipating the potential impact by hedging operations. We've been hedging actively our energy and CO2 exposure from several quarters to a few years ahead. And we have embarked on an energy transition program to replace coal/coke/anthracite by other fuels while increasing our competitiveness.

We have invested in Rosignano, in Bernburg, in Rheinberg plants. Recently we exited coal from another plant. Last year, we did this in Rheinberg and Bernburg. This year we are doing it in Dombasle, in France.

And we have also worked on energy efficiency programs in all our sites; there is a summary in our presentation and we'll discuss this with the market very soon.



On carbon price, I must tell you that regardless of the carbon price today and in our own business cases, we put it at 50 and we stretched it at the SPM at 75 and I'm asking the team to put it at a hundred right. So you know, we put a higher threshold, a milestone in terms of CO2 price in all of our business cases and investments.

Martial Tardy, moderator

Ok raising the bar, thank you. We have a couple of questions on the topic of governance. How does your current compensation policy integrate ESG criteria or your ESG ambitions?

Ilham Kadri, CEO

Yeah I mean our compensation policy was modified to align it with the G.R.O.W strategy. I cannot imagine you launch a new strategy, and that you don't align it with the pocket right. You need to do so.

So the leadership compensation structure is the following: fixed compensation with the salary, then you have short term incentives metrics. The Group performance is a split which includes underlying EBITDA growth, free cash flow conversion and Solvay ONE Planet goals, sustainability goals, which impacts up to 10% for the Group actual performance.

And then you have the long term incentives where we introduced PSUs, so performance shares units, which is a combination between EBITDA growth metric, ROCE which is very important, we've changed it from CFROI, listening to our investors and also the GHG emissions reduction, up to 20% as part of the long term incentives.

Martial Tardy, moderator

Thank you. It looks like we have a few M&A people in the audience, with a question coming back: could M&A accelerate your transition to more sustainable solutions?

Ilham Kadri, CEO

Yes absolutely, all significant portfolio decisions integrate the use of - as we told you - the SPM framework, the sustainable portfolio management tool, as a key decision criteria, alongside other factors obviously such as technology, profits, cash returns and total shareholders return. The fact is that portfolio changes in the past 5 years have helped to improve "Sustainable Solutions" part of our portfolio from 33% in 2014 up to over 50% today. Actually half of the improvements was from portfolio changes, and the other half from organic growth.

So indeed any future portfolio moves will help us to accelerate achievement of our target, which is a minimum you can expect.

Martial Tardy, moderator

Ok. I propose another topic, which would be waste and recyclability. If I can summarize a number of questions like this: what are you doing to protect natural resources?



Ilham Kadri, CEO

Well a few examples, and you've seen the first ones probably even before the covid-19 crisis kicked in. We have put a target on biodiversity. I think this is very important to us and I believe what should become a standard out there.

A few examples: the reduction of water intake, I told you this is very close to my heart, I mean, we need to recycle grey water in our industries, in our homes and plants. Rosignano for example, we had a project to reuse municipal waste water as cooling water to reduce fresh water intake at the site, which is extremely important. In Panoli in India for example, recycling of waste water allowing reduction of specific water consumption, and this is key.

Many projects are in the pipeline requiring significant investment to close open loops by adding cooling towers for example.

The other piece next to water we are looking at is the waste valorisation again. It's again the circularity inside your own assets. So we have valorisation for example of silica waste in cement, transformation of Polyamide, for example spinning waste into raw materials to make some more products in Brazil. We have local initiatives of waste recycling in our Composite materials, which is very important. We have actually reduced the specific waste generation by more than 30% in the past 2 years in Composites. And some investors may remember, we didn't see much of top line growth going to the bottom line because we were inefficient, because of waste. Composites processings, you know, can be very manual or labor intense. And by doing that and tackling the waste, recycling it, cutting it, we are actually more profitable. Last year we had probably one of the best year in composite materials thanks to waste management.

Martial Tardy, moderator

Thank you. We have a number of questions, a few questions coming in regarding the topic of PFAS. What is Solvay's current position on that topic?

Ilham Kadri, CEO

Thank you for the question. This is certainly a very important topic, so let me start with some background for context.

As we said, Solvay has never manufactured or sold PFOA and PFNA process aids.

Second, our polymers are not used in fire-fighting foam products, which are often cited as a key source of PFAS in the environment.

Third, Solvay completely phased out the use of PFOA and PFNA by 2013 globally, well in advance of various regulatory requirements worldwide.

And today we use a limited number of fluorosurfactant process aides – often referred to as replacement products – and obviously we do that when it is required and responsibly.

But we also wanted to go beyond that: and where replacements are not yet possible, Solvay is introducing state-of-the-art technologies that will enable nearly 100% elimination of fluorosurfactant emissions from its manufacturing. That's extremely important to us.



I also told you that a while ago and freshly arriving to the company that we accelerated our investments. In fact we quadrupled our investment in research and innovation and worked with our customers. So that's why I'm very pleased to announce today a new non-fluorosurfactant technology. And this is a great example on how using innovation to focus on a more sustainable future and how our customers are working very closely with us to qualify so that we can begin commercializing sales in 2021.

Martial Tardy, moderator

Thank you. Still around sustainability, obviously, we have one specific question about the sustainability aspect of Solvay being in an Oil & Gas business given the Group's ambitions? Some are asking if unconventional O&G business fits to the Solvay portfolio?

Ilham Kadri, CEO

Listen, sustainability is not a buzzword at Solvay, and not in my book. It is a strong element of our new purpose and vision, which by the way we launched in January and in February, including the ONE Planet objectives and roadmap I shared with you.

I don't want to make any judgement on the past M&As here, the way I see, it is simply that I inherited assets and these are part of Solvay today. My role is to make the best out of them and extract best value for shareholders.

Going forward sustainability remains a priority for Solvay... and it will be an important part of our decisions, including M&A, research and innovation, capital allocation, keeping the TSR in mind.

Martial Tardy, moderator

Thank you. That would be pretty much everything for my questions. We've tried to cover as much ground as possible. If you still have additional questions that were not answered, please reach out to Investor Relations. A replay will be available very soon on our website. Thank you very much Ilham and goodbye.

Ilham Kadri, CEO

Thank you very much Martial, thank you all.