

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

---

**Form 10-K**

---

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Fiscal Year Ended** **December 31, 2021**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Transition Period from** **to**

**Commission File No. 001-32260**

---

**Westlake Corporation**

(Exact name of registrant as specified in its charter)

---

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**76-0346924**  
(I.R.S. Employer  
Identification No.)

**2801 Post Oak Boulevard, Suite 600**  
**Houston, Texas 77056**  
(Address of principal executive offices, including zip code)  
**(713) 960-9111**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	WLK	The New York Stock Exchange
1.625% Senior Notes due 2029	WLK29	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant on June 30, 2021, the end of the registrant's most recently completed second fiscal quarter, based on a closing price on June 30, 2021 of \$90.09 on the New York Stock Exchange was approximately \$3.0 billion.

There were 127,920,658 shares of the registrant's common stock outstanding as of February 16, 2022.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Certain information required by Part II and Part III of this Form 10-K is incorporated by reference from the registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A with respect to the registrant's 2022 Annual Meeting of Stockholders to be held on May 13, 2022.

---

**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I</b>	
<b>Item</b>	
1) Business	1
1A) Risk Factors	11
1B) Unresolved Staff Comments	25
2) Properties	25
3) Legal Proceedings	25
4) Mine Safety Disclosure	25
Information about our Executive Officers	25
<b>PART II</b>	
5) Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	28
6) [Reserved]	30
7) Management's Discussion and Analysis of Financial Condition and Results of Operations	31
7A) Quantitative and Qualitative Disclosures about Market Risk	51
8) Financial Statements and Supplementary Data	52
9) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	102
9A) Controls and Procedures	102
9B) Other Information	102
9C) Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	102
<b>PART III</b>	
10) Directors, Executive Officers and Corporate Governance	103
11) Executive Compensation	103
12) Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	103
13) Certain Relationships and Related Transactions, and Director Independence	103
14) Principal Accountant Fees and Services	103
<b>PART IV</b>	
15) Exhibits and Financial Statement Schedules	104
16) Form 10-K Summary	107

---

## Explanatory Note

References in this Annual Report on Form 10-K (this "report") to "we," "our," "us" or like terms refer to Westlake Corporation, formerly known as Westlake Chemical Corporation ("Westlake" or the "Company").

### Cautionary Statements about Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Certain of the statements contained in this Form 10-K are forward-looking statements. All statements, other than statements of historical facts, included in this Form 10-K that address activities, events or developments that we expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expected" or comparable terminology, or by discussions of strategies or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that these expectations will prove to be correct. Forward-looking statements relate to matters such as:

- future operating rates, margins, cash flows and demand for our products;
- industry market outlook, including the price of crude oil;
- widespread outbreak of an illness or any other communicable disease, or any other public health crisis, including the coronavirus ("COVID-19") pandemic, and efforts to contain its transmission;
- our plans to respond to the challenges presented by the COVID-19 pandemic, including planned reductions of costs and increases of operating efficiencies;
- production capacities;
- the impact of ongoing supply chain constraints and workforce availability caused by the COVID-19 pandemic;
- currency devaluation;
- our ability to borrow additional funds under our credit agreement;
- our ability to meet our liquidity needs;
- our ability to meet debt obligations under our debt instruments;
- our intended quarterly dividends;
- future capacity additions and expansions in the industries in which we compete;
- results of acquisitions including the results, effects and benefits of the acquisitions of the Boral Target Companies, LASCO, Dimex and Hexion epoxy (each as defined below);
- timing, funding and results of capital projects;
- pension plan obligations, funding requirements and investment policies;
- compliance with present and future environmental regulations and costs associated with environmentally-related penalties, capital expenditures, remedial actions and proceedings, including any new laws, regulations or treaties that may come into force to limit or control carbon dioxide and other greenhouse gas emissions or to address other issues of climate change;
- effects of pending legal proceedings; and
- timing of and amount of capital expenditures.

We have based these statements on assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe were appropriate in the circumstances when the statements were made. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, we continue to face many risks and uncertainties. Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed under "Risk Factors" and those described from time to time in our other filings with the SEC including, but not limited to, the following:

- the ultimate timing, outcome and results of integrating the operations of the Boral Target Companies, LASCO, Dimex and Hexion epoxy and the ultimate outcome of our operating efficiencies applied to the products and services of the Boral Target Companies, LASCO, Dimex and Hexion epoxy; the effects of the Acquisitions (as defined below), including the combined company's future financial condition, results of operations, strategy and plans; and expected synergies and other benefits from the Acquisitions and our ability to realize such synergies and other benefits;
- general economic and business conditions;
- the cyclical nature of the chemical and building products industries;
- the availability, cost and volatility of raw materials and energy;
- uncertainties associated with the United States, European and worldwide economies, including those due to political tensions and unrest in the Middle East and elsewhere;
- uncertainties associated with pandemic infectious diseases, particularly COVID-19;
- current and potential governmental regulatory actions in the United States and other countries;
- industry production capacity and operating rates;
- the supply/demand balance for our products;
- competitive products and pricing pressures;
- instability in the credit and financial markets;
- access to capital markets;
- terrorist acts;
- operating interruptions (including leaks, explosions, fires, weather-related incidents, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, spills and releases and other environmental risks);
- changes in laws or regulations, including trade policies;
- technological developments;
- information systems failures and cyberattacks;
- foreign currency exchange risks;
- our ability to implement our business strategies; and
- creditworthiness of our customers.

Many of such factors are beyond our ability to control or predict. Any of the factors, or a combination of these factors, could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels. Every forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

### **Industry and Market Data**

Industry and market data used throughout this Form 10-K were obtained through internal company research, surveys and studies conducted by unrelated third parties and publicly available industry and general publications, including information from IHS Markit ("IHS"). We have not independently verified market and industry data from external sources. While we believe internal company estimates are reliable and market definitions are appropriate, neither such estimates nor these definitions have been verified by any independent sources.

### **Production Capacity**

Unless we state otherwise, annual production capacity estimates used throughout this Form 10-K represent rated capacity of the facilities at December 31, 2021. We calculated rated capacity by estimating the number of days in a typical year that a production unit of a plant is expected to operate, after allowing for downtime for regular maintenance, and multiplying that number by an amount equal to the unit's optimal daily output based on the design feedstock mix. Because the rated capacity of a production unit is an estimated amount, actual production volumes may be more or less than the rated capacity.

## PART I

### Item 1. Business

#### General

We are a vertically integrated global manufacturer and marketer of performance and essential materials and housing and infrastructure products that enhances the lives of people every day. Our products include some of the most widely used materials in the world, which are fundamental to many diverse consumer and industrial markets, including residential construction, flexible and rigid packaging, automotive products, healthcare products, water treatment, coatings as well as other durable and non-durable goods. We have historically operated in two principal operating segments, Vinyls and Olefins. As a result of recent acquisitions, in the fourth quarter of 2021, we reorganized our business into two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products. Performance and Essential Materials includes Westlake North American Vinyls, Westlake North American Chlor-alkali & Derivatives, Westlake European & Asian Chlorovinyls, Westlake Olefins and Westlake Polyethylene. Housing and Infrastructure Products includes Westlake Royal Building Products, Westlake Pipe & Fittings, Westlake Global Compounds and Westlake Dimex. The change has been retrospectively reflected in the periods presented in this Form 10-K. We are highly integrated along our materials chain with significant downstream integration from ethylene and chlor-alkali (chlorine and caustic soda) into vinyls, polyethylene and styrene monomer. We also have substantial downstream integration from PVC into our building products, PVC pipes and fittings and PVC compounds in our Housing and Infrastructure Products segment.

We began operations in 1986. Since 1986, we have grown rapidly into an integrated global producer of chemicals and building products. We achieved this growth by acquiring existing plants or constructing new plants and completing numerous capacity or production line expansions. We regularly consider acquisitions and other internal and external growth opportunities that would be consistent with, or complementary to, our overall business strategy.

In 2014, we formed Westlake Chemical Partners LP ("Westlake Partners") to operate, acquire and develop ethylene production facilities and related assets. Also in 2014, Westlake Partners completed an initial public offering of common units (the "Westlake Partners IPO"). As of February 16, 2022, Westlake Partners' assets consisted of a 22.8% limited partner interest in Westlake Chemical OpCo LP ("OpCo"), as well as the general partner interest in OpCo. Prior to the Westlake Partners IPO, OpCo's assets were wholly-owned by us. OpCo's assets include two ethylene production facilities at our olefins facility in Lake Charles, one ethylene production facility at our Calvert City site and a 200-mile common carrier ethylene pipeline that runs from Mont Belvieu, Texas to the Longview, Texas site, which includes our Longview polyethylene production facility. We retain a 77.2% limited partner interest in OpCo, a 40.1% limited partner interest in Westlake Partners (consisting of 14,122,230 common units), a general partner interest in Westlake Partners and incentive distribution rights. The operations of Westlake Partners are consolidated in our financial statements. We are party to certain agreements with Westlake Partners and OpCo whereby, among other things, OpCo sells us 95% of the ethylene it produces on a cost-plus basis that is expected to generate a fixed margin per pound of \$0.10. We use this ethylene in the production processes of our Performance and Essential Materials segment. For more information, see "—Performance and Essential Materials Business" below.

On January 2, 2019, we completed the acquisition of NAKAN™, a global compounding solutions business. NAKAN's products are used in a wide-variety of applications, including in the automotive, building and construction, and medical industries. With this acquisition, our PVC compounding business now has facilities worldwide in China, France, Germany, Italy, Japan, Mexico, Spain, the United States and Vietnam, as well as a world-class research facility in France and several application laboratories.

On November 12, 2019, we completed the acquisition of an additional 34.8% of the membership interests in LACC, LLC ("LACC") from Lotte Chemical USA Corporation, a subsidiary of Lotte Chemical Corporation ("Lotte"), for approximately \$817 million (the "Transaction"). Prior to the Transaction, we owned approximately 12% of the membership interests in LACC. As of December 31, 2021, we owned an aggregate 46.8% membership interest in LACC. The LACC ethylene plant has 2.2 billion pounds per year of ethylene production capacity and is adjacent to our chlor-alkali facility in Lake Charles. During the third quarter of 2019, the LACC ethylene plant began commercial operations. As a result of the Transaction, we receive our proportionate share of LACC's ethylene production on a cash-cost basis, which is expected to benefit our integrated downstream operations.

In January 2022, we notified Lotte of our exercise of an option to acquire an additional 3.2% membership interest in LACC from Lotte for approximately \$90 million.

On June 20, 2021, we, through one of our wholly-owned subsidiaries, entered into an Equity Purchase Agreement (the "Boral Purchase Agreement") by and among Boral Building Products Inc., a Michigan corporation, Boral Stone Products LLC, a Delaware limited liability company, Boral Lifetile Inc., a California corporation, Boral Windows LLC, a Utah limited liability company, Boral Industries Inc., a California corporation ("Boral Industries"), and, solely for the limited purposes set forth therein, we and Boral Limited, an Australian corporation ("Boral"). Pursuant to the terms of the Boral Purchase Agreement, we agreed to acquire from Boral Industries all of the issued and outstanding equity interests of certain subsidiaries of Boral Industries engaged in Boral's North American building products businesses in roofing, siding, trim and shutters, decorative stone and windows (the "Boral Target Companies"). On October 1, 2021, we completed the acquisition of the Boral Target Companies (the "Boral Acquisition"). The total closing purchase consideration was \$2,132 million subject to working capital post-closing adjustments as well as a potential earn-out payment of up to \$65 million if the windows division of Boral Target Companies generates EBITDA in excess of a specified target in its fiscal year ending June 30, 2024. The assets acquired and liabilities assumed and the results of operations of this business are included in the Housing and Infrastructure Products segment.

On August 19, 2021, we completed the acquisition of, and acquired all of the equity interests in LASCO Fittings, Inc. ("LASCO"), a manufacturer of injected-molded PVC fittings that serve the plumbing, pool and spa, industrial, irrigation and retail markets in the United States from Aalberts U.S. Holding Corp. and Aalberts N.V. (the "LASCO Acquisition"). The total closing purchase consideration was \$277 million. The assets acquired and liabilities assumed and the results of operations of LASCO are included in the Housing and Infrastructure Products segment.

On September 10, 2021, we completed the acquisition of, and acquired all of the equity interests in, DX Acquisition Corp. ("Dimex"), a producer of various consumer products made from post-industrial-recycled polyvinyl chloride, polyethylene and thermoplastic elastomer materials, including, landscape edging; industrial, home and office matting; marine dock edging; and masonry joint controls (the "Dimex Acquisition" and, together with the Boral Acquisition and the LASCO Acquisition, the "2021 Acquisitions"). The total closing purchase consideration was \$172 million. The assets acquired and liabilities assumed and the results of operations of Dimex are included in the Housing and Infrastructure Products segment.

On February 1, 2022, we completed the acquisition of the global epoxy business of Hexion Inc. ("Hexion epoxy"). The total closing purchase consideration was approximately \$1,200 million, subject to post-closing adjustments (the "Hexion Acquisition" and, together with the 2021 Acquisitions, the "Acquisitions"). The assets acquired and liabilities assumed and the results of operations of Hexion epoxy will be included in the Performance and Essential Materials segment. This acquisition represents a significant strategic expansion of Westlake's Performance and Essential Materials businesses into additional high-growth, innovative and sustainable-oriented applications – such as wind turbine blades and light-weight automotive structural components. Because epoxies are produced from chlorine and caustic soda, the transaction also provides vertical integration with Westlake's global chlor-alkali businesses.

## **Performance and Essential Materials Business**

### ***Products***

Principal products in our integrated Performance and Essential Materials segment include ethylene, polyethylene, styrene, chlor-alkali (chlorine and caustic soda) and chlorinated derivative products, ethylene dichloride ("EDC"), VCM and PVC. We manage our integrated vinyls production chain to optimize product margins and capacity utilization.

We manufacture ethylene through three of the OpCo plants and our portion of LACC's production capacity located in Lake Charles and Calvert City. Chlor-alkali materials are produced at our three plants located in Lake Charles, two plants located in Germany and one plant each located in Calvert City, Plaquemine, Geismar, Natrium, Longview and Beauharnois. Our VCM is produced at our two plants in Lake Charles, two plants located in Germany and one plant each at Calvert City, Plaquemine and Geismar. Our PVC is produced at our four plants located in Germany and one plant each at Calvert City, Plaquemine, Geismar and Aberdeen. Polyethylene and associated products are produced at our two polyethylene plants in Lake Charles and three polyethylene plants and a specialty polyethylene wax plant at our Longview site. Our chlorinated derivative products are produced at our plants in Lake Charles and Natrium. Styrene monomer is produced at our plant located in our Lake Charles facility. Our Asian manufacturing facilities are located near Shanghai, in China, and in Kaohsiung, Taiwan, through our 95%- and 60%-owned joint ventures, respectively, where we produce chlor-alkali, PVC and associated products. As of February 16, 2022, we (directly and through OpCo, our investment in LACC, and our 95%- and 60%-owned joint ventures in China and Taiwan, respectively) had approximately 41 billion pounds per year of aggregate production capacity at numerous manufacturing sites in North America, Europe and Asia in our Performance and Essential Materials segment.



The following table illustrates our Performance and Essential Materials segment production capacities at February 16, 2022 by principal product and the end uses of these products:

<u>Product <sup>(1)</sup></u>	<u>Annual Capacity <sup>(2)</sup></u> <u>(Millions of pounds)</u>	<u>End Uses</u>	<u>Principal Manufacturing Facilities <sup>(4) (5) (6)</sup></u>
Ethylene <sup>(3)</sup>	4,750	VCM, polyethylene, EDC, styrene, ethylene oxide/ethylene glycol	Calvert City, Kentucky Lake Charles, Louisiana
Chlorine	7,190	VCM, EDC, organic/inorganic chemicals, bleach and water treatment	Calvert City, Kentucky Geismar, Louisiana Lake Charles, Louisiana Plaquemine, Louisiana Natrium, West Virginia Gendorf and Knapsack, Germany
Caustic Soda	7,910	Pulp and paper, organic/inorganic chemicals, neutralization and alumina	Calvert City, Kentucky Geismar, Louisiana Lake Charles, Louisiana Plaquemine, Louisiana Natrium, West Virginia Gendorf and Knapsack, Germany
VCM	7,940	PVC, PVC Compounds	Calvert City, Kentucky Geismar, Louisiana Lake Charles, Louisiana Plaquemine, Louisiana Gendorf and Knapsack, Germany
Specialty PVC	980	Automotive sealants, cable sheathing, medical applications and other applications	Burghausen, Cologne, and Gendorf, Germany
Commodity PVC	6,820	Construction materials including pipe, siding, profiles for windows and doors, film and sheet for packaging and other applications	Calvert City, Kentucky Geismar, Louisiana Plaquemine, Louisiana Aberdeen, Mississippi Cologne and Knapsack, Germany
Low-Density Polyethylene ("LDPE")	1,500	High clarity packaging and bags, shrink films, food packaging, coated paper board, cup stock, paper folding cartons, lids, closures and general purpose molding	Lake Charles, Louisiana Longview, Texas
Linear Low-Density Polyethylene ("LLDPE")	1,070	Heavy-duty films and bags, general purpose liners	Lake Charles, Louisiana Longview, Texas
Chlorinated Derivative Materials	2,290	Coatings, flavorants, films, refrigerants, water treatment applications, chemicals and pharmaceutical production	Lake Charles, Louisiana Natrium, West Virginia
Styrene	570	Consumer disposables, packaging material, appliances, paints and coatings, resins and building materials	Lake Charles, Louisiana

(1) EDC, a VCM intermediate product, is not included in the table.

(2) Includes capacity related to our 95%- and 60%-owned Asian joint ventures.

(3) Includes production capacity in Lake Charles and Calvert City owned by OpCo and our portion of LACC's production capacity in Lake Charles. For additional information on OpCo, see "Ethylene" below.

(4) Except as noted in notes (5) and (6) below, we own each of these facilities.

(5) We lease the land on which our Gendorf, Burghausen, Knapsack and Cologne, Germany facilities and the Longview, Texas facility are located.

(6) We lease a portion of the land on which our Aberdeen and Calvert City facilities are located.

*Ethylene.* Ethylene is the world's most widely used petrochemical in terms of volume. It is the key building block used to produce a large number of higher value-added chemicals including polyethylene, EDC, VCM and styrene. OpCo has the capacity to produce approximately 3.0 billion pounds of ethylene per year at our Lake Charles site, and we have the capability to consume all of OpCo's production that we purchase at Lake Charles to produce EDC, VCM, polyethylene and styrene monomer. In addition, we (through OpCo) produce ethylene co-products including chemical grade propylene, crude butadiene, pyrolysis gasoline and hydrogen. We (through OpCo) sell our entire output of these co-products to external customers. The ethylene from OpCo's facility in Calvert City and LACC is utilized to produce VCM at our facilities. We obtain the remainder of the ethylene we need for our business from third party purchases. The use of ethane feedstock by our ethylene plants enables us to enhance our low-cost materials chain integration.

*Chlorine and Caustic Soda.* We are the second-largest chlor-alkali producer in the world. We combine salt and electricity to produce chlorine and caustic soda, commonly referred to as chlor-alkali, at our Lake Charles, Plaquemine, Natrium, Calvert City, Geismar, Beauharnois, Longview (WA), Gendorf, Knapsack and Kaohsiung facilities. We use our chlorine production in our VCM and chlorinated derivative products plants. We currently have the capacity to supply all of our chlorine requirements internally. Any remaining chlorine is sold into the merchant chlorine market. Our caustic soda is sold to external customers who use it for, among other things, the production of pulp and paper, organic and inorganic chemicals and alumina.

*VCM.* VCM is used to produce PVC, solvents and PVC-related products. We use ethylene and chlorine to produce EDC, which is used in turn, to produce VCM. We have the capacity to produce approximately 6.3 billion pounds and 1.6 billion pounds of VCM per year at our North American and European facilities, respectively. The majority of our VCM is used internally in our PVC operations. VCM and EDC not used internally are sold externally.

*PVC.* PVC, the world's third most widely used plastic, is an attractive alternative to traditional materials such as glass, metal, wood, concrete and other plastic materials because of its versatility, durability and cost-competitiveness. PVC is produced from VCM, which is, in turn, made from chlorine and ethylene.

We are the second-largest PVC producer in the world. With the completion of our previously announced expansion projects at our Geismar and Burghausen plants in 2019, we have the capacity to produce approximately 6.8 billion pounds and 1.0 billion pounds of commodity and specialty PVC per year, respectively, at our various facilities globally. We use some of our PVC internally in the production of our building products, PVC pipes and fittings and PVC compounds in the Housing and Infrastructure Products segment. The remainder of our PVC is sold to downstream fabricators and the international markets.

*Polyethylene.* Polyethylene, the world's most widely consumed polymer, is used in the manufacture of a wide variety of film, coatings and molded product applications primarily used in packaging. Polyethylene is generally classified as either LDPE, LLDPE or high-density polyethylene ("HDPE"). The density correlates to the relative stiffness of the end-use products. The difference between LDPE and LLDPE is molecular, and products produced from LLDPE, in general, have higher strength properties than products produced from LDPE. LDPE exhibits better clarity and other physical properties and is used in end products such as bread bags, food wraps, milk carton coatings and food packaging. LLDPE is used for higher film strength applications such as stretch film and heavy-duty sacks. HDPE is used to manufacture products such as grocery, merchandise and trash bags, rigid plastic containers, plastic closures and pipe.

We are a leading producer of LDPE by capacity in North America and predominantly use the autoclave technology (versus tubular technology), which is capable of producing higher-margin specialty polyethylene products. In 2021, our annual capacity of approximately 1.5 billion pounds of LDPE was available in numerous formulations to meet the needs of our diverse customer base. We also have the capacity to produce approximately 1.1 billion pounds of LLDPE per year in various formulations. We produce LDPE and LLDPE at both the Lake Charles and Longview (TX) facilities. Our Lake Charles and Longview facilities also have the capability to produce HDPE. We sell polyethylene to external customers as a final product in pellet form.

*Chlorinated Derivative Materials.* Our chlorinated derivative products include ethyl chloride, perchloroethylene, trichloroethylene, tri-ethane<sup>®</sup> solvents, VersaTRANS<sup>®</sup> solvents, calcium hypochlorite, hydrochloric acid ("HCL") and pelletized caustic soda ("PELS"). We have the capacity to produce approximately 2.3 billion pounds of chlorinated derivative products per year, primarily at our Lake Charles, Natrium, Beauharnois and Longview (WA) facilities. The majority of our chlorinated derivative products are sold to external customers who use these products for, among other things, refrigerants, water treatment applications, chemicals and pharmaceutical production, food processing, steel pickling, solvent and cleaning chemicals and natural gas and oil production.

*Styrene.* Styrene is used to produce derivatives such as polystyrene, acrylonitrile butadiene styrene, unsaturated polyester and synthetic rubber. These derivatives are used in a number of applications including consumer disposables, food packaging, housewares, paints and coatings, building materials, tires and toys. We produce styrene at our Lake Charles plant, where we have the capacity to produce approximately 570 million pounds of styrene per year, all of which is sold to external customers.

*Electricity.* Our Lake Charles, Plaquemine and Natrium cogeneration assets have the capacity to generate electricity of approximately 420, 240 and 100 megawatts, respectively, per year. Our North American joint ventures include a 50% interest in RS Cogen L.L.C. ("RS Cogen") that generates electricity, of which our share is approximately 212 megawatts.

### ***Feedstocks***

We are highly integrated along our materials production chain. We (through OpCo) produce most of the ethylene required to produce our polyethylene and styrene. Ethylene can be produced from either petroleum liquid feedstocks, such as naphtha, condensates and gas oils, or from natural gas liquid feedstocks, such as ethane, propane and butane. Both of OpCo's Lake Charles ethylene plants use ethane as the primary feedstock. Pursuant to a feedstock supply agreement between us and OpCo, OpCo receives ethane feedstock at our Lake Charles site through several pipelines from a variety of suppliers in Texas and Louisiana. We own a 50% interest in a 104-mile natural gas liquids pipeline from Mont Belvieu to our Lake Charles site. OpCo owns a 200-mile ethylene pipeline that runs from Mont Belvieu to our Longview (TX) site. Additionally, through OpCo, we produce most of the ethylene required at our Calvert City facility utilizing ethane feedstock. The LACC ethylene facility is located adjacent to our chlor-alkali facility in Lake Charles and has an ethylene production capacity of 2.2 billion pounds per year. During the third quarter of 2019, the LACC ethylene plant began its commercial operations. At December 31, 2021, we, through one of our subsidiaries, owned 46.8% of the membership interests in LACC. We receive our proportionate share in ethylene production on a cash-cost basis and primarily use it to produce VCM. In addition to ethylene supplied by OpCo and LACC, we also acquire ethylene from third parties in order to supply a portion of our ethylene requirements. In Germany, we have access to, and partially own, an ethylene pipeline.

We acquire butene and hexene to manufacture polyethylene and benzene to manufacture styrene. We receive butene and hexene at the Lake Charles site and hexene at the Longview (TX) site via rail car from several suppliers. We receive benzene via barges, ships and pipeline pursuant to short-term arrangements. We purchase butene and hexene pursuant to multi-year contracts.

The salt requirements for several of our larger chlor-alkali plants are supplied internally from salt domes we either own or lease and the salt is transported by pipelines we own. We purchase the salt required for our other chlor-alkali plants pursuant to long-term contracts. Electricity and steam for one of our Lake Charles facilities are produced by both on-site cogeneration units and through a toll arrangement with RS Cogen, a joint venture in which we own a 50% interest. RS Cogen operates a process steam, natural gas-fired cogeneration facility adjacent to the site. Electricity and steam for the Plaquemine facility are supplied internally by our on-site cogeneration unit. A portion of our Natrium facility's electricity requirements is produced by our on-site generation unit, and the remainder is purchased. We purchase electricity for our remaining facilities under long-term contracts. We purchase VCM for our Asian PVC plant on a contract and spot basis.

### ***Sustainability***

As a leading global producer of plastics, we understand the importance of reducing the environmental impact of our feedstocks, production and usage, and developing innovations, together with our customers, to meet their objectives while also reducing their environmental impact. To further these objectives, we have launched environmentally friendly product innovations. In 2021, we introduced our GreenVin™ Caustic Soda and GreenVin™ PVC products in Germany. Due to the extensive global use of PVC and caustic soda, these developments present an opportunity for Westlake customers to enhance the sustainable qualities of their products.

Caustic Soda is an essential ingredient for the production of many materials, ranging from paper, detergents, construction materials, food packaging, pharmaceuticals and water treatments products. The plants of our German subsidiary Vinnolit, have been producing caustic soda in chlor-alkali electrolysis exclusively with the energy-saving and environmentally friendly membrane process since 2009. Since the central process step is electrified, power from renewable sources can be used to save CO<sub>2</sub> emissions by displacing fossil fuels. By using such renewable power sources, the CO<sub>2</sub> footprint of GreenVin™ Caustic Soda is reduced by approximately 30% compared to conventional Vinnolit caustic soda.

PVC is an essential ingredient in making some of the world's most prevalent items, including residential siding, pipe and fittings for various water, sewer and industrial applications, PVC profiles for windows, doors, fence, resin paste and artificial leather among others and decking along with films for various inflatables, wallcovering, tapes and roofing applications. The CO<sub>2</sub> footprint of Vinnolit's new lower-carbon PVC, which was introduced to the market under the brand name GreenVin™ and is produced with power from renewable sources, is reduced by approximately 25% compared to conventional Vinnolit PVC.

### ***Marketing, Sales and Distribution***

We have a dedicated sales force for our business, organized by product line and region that sells our products directly to our customers. In addition, we rely on distributors to market products to smaller customers. Our polyethylene customers are some of the nation's largest producers of film and flexible packaging. We and OpCo sell ethylene and ethylene co-products to external customers. OpCo's primary ethylene co-products are chemical grade propylene, crude butadiene, pyrolysis gasoline and hydrogen. We have storage agreements and exchange agreements that provide us and OpCo with access to customers who are not directly connected to the pipeline system that we own. OpCo ships crude butadiene and pyrolysis gasoline by rail or truck. Additionally, we transport our polyethylene and styrene by rail or truck. Further, styrene can be transported by barge or ship.

We use some of our PVC internally in the production of our building products, pipes and fittings and PVC compounds in the Housing and Infrastructure Products segment. The remainder of our PVC is sold to downstream fabricators and the international markets. We have the capacity to use a majority of our chlorine internally to produce VCM and EDC, most of which, in turn, is used to produce PVC. We also use our chlorine internally to produce chlorinated derivative products. We sell the remainder of our chlorine and substantially all of our caustic soda production to external customers. The majority of our products are shipped from production facilities directly to the customer via pipeline, truck, rail, barge and/or ship. The remaining products are shipped from production facilities to third party chemical terminals and warehouses until being sold to customers.

No single customer accounted for 10% or more of net sales for the Performance and Essential Materials segment in 2021.

### ***Competition***

The markets in which our Performance and Essential Materials businesses operate are highly competitive. Competition in the materials market is based on product availability, product quality and consistency, product performance, customer service and price. Our competitors in the ethylene, polyethylene and styrene markets are some of the world's largest chemical companies, including Chevron Phillips Chemical Company, Dow Inc., ExxonMobil Chemical Company, Formosa Plastics Corporation, LyondellBasell Industries, N.V., NOVA Chemicals Corporation and Sasol Limited. We compete in the chlor-alkali and PVC markets with other producers including Formosa Plastics Corporation, INOVYN ChlorVinyls Limited, KEM ONE Group SAS, Olin Corporation, Orbia Advanced Corporation, Oxy Chem, LP, Shintech, Inc. and VYNOVA Group.

### **Housing and Infrastructure Products Business**

#### ***Our Brands and Products***

We manufacture and sell housing and infrastructure products including residential PVC siding; PVC trim and moldings; roofing applications; decorative stone; windows; PVC decking; PVC films for various inflatables, wallcovering, tape and roofing applications; polymer composite roof tiles; PVC pipe and fittings for various water, sewer, electrical and industrial applications; PVC compounds used in various housing, medical and automobile products; and a variety of consumer and commercial products such as landscape edging; industrial, home and office matting; marine dock edging; and masonry joint controls.

Our housing and infrastructure products consist of several product groups including: (i) exterior and interior building products, which includes siding, trim and mouldings, stone, roofing, windows and outdoor living products; (ii) PVC pipe, specialty PVC pipe and fittings; and (iii) PVC compounds. Many of our products are made from PVC, including products for water and sewer systems and home and light commercial applications for siding, trim and mouldings, outdoor living products, windows and PVC compounds.

*Siding.* Our siding products include insulated siding and vinyl siding and accessory products. Additionally, we offer premium siding products such as Celect® Cellular Composite Siding and, as a result of the Boral Acquisition, TruExterior® Siding. Our siding business is also a leader in non-wood shutters and siding accessories along with an array of specialty tools to aid installation. Our brands include Royal® Siding, Portsmouth Shake and Shingle™, Foundry® Specialty Siding, TruExterior® Siding&Trim, Celect® Cellular Exteriors, Mid-America® Exteriors, Tapco Tools®, and many more.

*Trim and Mouldings.* We offer a wide variety of trim and moulding products, including exterior and interior products for homes, multi-family and light commercial structures that are used as substitute for wood and wood composite offerings. Our brands include Royal® Trim and Mouldings, TruExterior® Siding&Trim, and, Kleer Lumber®, among others.

*Stone.* We are a leader in the masonry stone veneer category, with both mortar applied products and mechanically fastened products that are used as a substitute for stone in interior applications such as fireplaces, kitchens and bathrooms, as well as exterior walls and accents. Our stone brands include Cultured Stone<sup>®</sup>, Eldorado Stone<sup>®</sup>, Versetta Stone<sup>®</sup>, StoneCraft Industries<sup>™</sup> and Dutch Quality Stone, among others.

*Roofing.* Our DaVinci<sup>®</sup> Roofscapes is a premium composite roofing. Additional product offerings include concrete and clay roof tiles and stone coated steel roofing. Our other major roofing name brands include NewPoint<sup>™</sup>, Concrete Roof Tile, USTile<sup>®</sup> Clay Roofing Products, United Steel<sup>™</sup>, and Stone Coated Roofing among others.

*Windows.* As a result of the Boral Acquisition, we are a regional fabricator of vinyl windows in the South and Southeast markets of the United States. Our brands include Legacy Collection<sup>™</sup>, the Krestmark<sup>®</sup> Collection, and the Magnolia Collection<sup>™</sup>.

*Outdoor Living Products.* Our outdoor living products include Zuri<sup>®</sup> Premium Decking and Kindred<sup>®</sup> Outdoor kitchens and fire bowls.

*PVC Pipe.* We manufacture and sell pipe ranging from ½ inch to 36 inch in diameter, in gasketed, solvent welded, and restrained joint configurations. Our pipe products are used in residential water and sewer applications; municipal potable water and sewer infrastructure; plumbing and industrial applications, including drain, waste & vent ("DWV"); electrical duct and conduit; turf irrigation, water well and other major water transport market segments. We manufacture and market pipe for water, sewer, irrigation and conduit pipe products under the NAPCO brand name.

*Specialty PVC Pipe.* Our specialty PVC pipe includes the Certa-Lok<sup>®</sup> pipe and Certa-Lok<sup>®</sup> CLIC joining systems, which provide restrained joints with rapid assembly, designed for use in potable water, sewer, fire protection, agriculture, well-casing, electrical conduit and other piping system applications in the residential and various infrastructure markets. Other specialty products include a system for high rise DWV installations that incorporates low smoke and flame properties. Our Molecularly Oriented PVC ("PVCO") pipe is produced with less PVC than conventional pipe. We also manufacture and market specialty pipe under the Certa-Set<sup>®</sup>, Certa-Set<sup>®</sup>CLIC, Certa-Flo<sup>®</sup>, Certa-Com<sup>®</sup>, Yelomine<sup>®</sup>, Fluid-Tite<sup>®</sup>, Kwik-Set<sup>®</sup>, Sure-Fit<sup>®</sup>, Cobra Lock<sup>®</sup>, and Kor-Flo<sup>®</sup> brand names, among others.

*Fittings.* Our fittings products include a range of injection molded and custom fabricated fittings including: injection mold DWV fittings for residential, low-rise and high-rise commercial installations; molded gasketed and solvent weld sewer fittings up to 15 inches, molded gasketed municipal pressure fittings and molded fittings for the pool, spa, industrial markets and electrical assemblies; and fabricated custom fittings up to 36 inches for municipal and plumbing installations. We manufacture and market specialty fittings under the NAPCO, LASCO, and Surge Guard<sup>®</sup> brand names, among others.

*PVC Compounds.* PVC compounds are customized formulations that offer specific end-use properties based on customer-determined manufacturing specifications. PVC compounds are made by combining PVC resin with various additives in order to make either rigid and impact-resistant or soft and flexible compounds. The various compounds are then fabricated into end-products through extrusion, calendaring, injection-molding or blow-molding. Flexible PVC compounds are used for wire and cable insulation, medical applications and packaging, flooring, wall coverings, automotive interior and exterior trims and packaging. Rigid extrusion PVC compounds are commonly used in window and door profiles, vertical blinds and construction products, including pipe and siding. Injection-molding PVC compounds are used in specialty products such as computer housings and keyboards, appliance parts and containers. Powder compounds are primarily used in window and door profiles and pipe and fittings.

*Recycled Products.* Westlake Dimex is a producer of various products made from post-industrial-recycled polyvinyl chloride, polyethylene and thermoplastic elastomer materials. These products include landscape edging; industrial, home and office matting; marine dock edging; and masonry joint controls.

### **Raw Materials and Suppliers**

Our North American PVC facilities within the Performance and Essential Materials segment supply most of the PVC required by building products for our housing exteriors and PVC pipes and fittings plants. Our raw materials for stone, roofing and accessories, windows, shutters and specialty tool products are externally purchased. PVC required for the PVC compounds plants is either internally sourced from our North American and Asian facilities within the Performance and Essential Materials segment or externally purchased based on the location of the plants. The remaining feedstocks required, including pigments, fillers, stabilizers and other ingredients, are purchased under short-term contracts based on prevailing market prices.

### **Manufacturing**

We operate 63 manufacturing locations primarily in the United States and Canada where we produce siding, trim and mouldings, stone, roofing, windows, outdoor living products, PVC pipes, specialty PVC pipes and fittings. In addition, we have 12 manufacturing locations across the world where we produce PVC compounds, including locations in North America, Europe and Asia. The following table illustrates the properties owned and leased by the Housing and Infrastructure Products business:

	Manufacturing Facilities	
	Owned	Leased
North America	45	23
Europe	3	1
Asia	3	—

### **Marketing, Sales and Distribution**

We sell a majority of our siding, trim and mouldings, stone, roofing, windows and outdoor living products, PVC pipe, specialty PVC pipe and fittings through a combination of our internal sales force and some manufacturer's representatives. In the United States and Canada, we operate 37 leased and 5 owned distribution centers and warehouses that service and supply our products to local customers, contractors and distributors. We also engage in advertising programs primarily directed at trade professionals and homeowners that are intended to develop awareness and interest in our products. In addition, we display our products at trade shows. Our 12 PVC Compounds facilities across the world sell through a combination of our internal sales force and distributors.

No single customer accounted for 10% or more of net sales for the Housing and Infrastructure Products segment in 2021.

### **Competition**

The markets in which our housing and infrastructure businesses operate are highly competitive. Competition in the housing and infrastructure products market is based on product quality, product innovation, customer service, product consistency, on-time delivery and price. We compete in the housing and infrastructure products market with other producers and fabricators including Associated Materials LLC., CertainTeed Corporation, Cornerstone Building Brands, Inc., Diamond Plastics Corporation, IPEX Inc., JM Eagle Inc., Trex Company, Inc. and The Azek Company and with producers of PVC compounds including GEON Performance Solutions and Teknor Apex Company, Inc.

### **Seasonality**

Though we generally experience demand for our products throughout the year, our sales, particularly of housing products have historically experienced some seasonality. We have typically experienced moderately higher levels of sales of our residential products in the first half of the year due to inventory restocking and improved weather for construction. Our sales are affected by the individual decisions of distributors and dealers on the levels of inventory they carry, their views on product demand, their financial condition and the manner in which they choose to manage inventory risk. Our sales are also generally impacted by the number of days in a quarter or a year that contractors and other professionals are able to install our products. This can vary dramatically based on, among other things, weather events such as rain, snow and extreme temperatures. We have generally experienced lower levels of sales of our housing products in the fourth quarter due to adverse weather conditions in certain markets, which typically reduces the construction and renovation activity during the winter season.

### **Environmental**

As is common in our industry, we are subject to environmental laws and regulations related to the use, storage, handling, generation, transportation, emission, discharge, disposal and remediation of, and exposure to, hazardous and non-hazardous substances and wastes in all of the countries in which we do business. National, state or provincial and local standards regulating air, water and land quality affect substantially all of our manufacturing locations around the world. Compliance with such laws and regulations has required and will continue to require capital expenditures and increase operating costs.

It is our policy to comply with all environmental, health and safety requirements and to provide safe and environmentally sound workplaces for our employees. In some cases, compliance can be achieved only by incurring capital expenditures. In 2021, we made capital expenditures of \$33 million related to environmental compliance. We estimate that we will make capital expenditures of approximately \$56 million in 2022 and \$83 million in 2023, respectively, related to environmental compliance. The expected 2022 and 2023 capital expenditures are relatively higher than the amounts we have spent related to environmental compliance in recent years in large part due to capital expenditures related to previously existing and new Environmental Protection Agency (the "EPA") regulations and corrective actions required by the EPA to resolve the flare enforcement matter discussed below. The remainder of the 2022 and 2023 estimated expenditures are related to equipment replacement and upgrades. We anticipate that stringent environmental regulations will continue to be imposed on us and the industry in general. Although we cannot predict with certainty future expenditures, management believes that our current spending trends will continue.

From time to time, we receive notices or inquiries from government entities regarding alleged violations of environmental laws and regulations pertaining to, among other things, the disposal, emission and storage of chemical substances, including hazardous wastes. Pursuant to Item 103 of the SEC's Regulation S-K, the following environmental matters involve a governmental authority as a party to the proceedings and potential monetary sanctions that we believe could exceed \$1 million (which is less than one percent of our current assets on a consolidated basis as of December 31, 2021):

- For several years, the EPA has been conducting an enforcement initiative against petroleum refineries and petrochemical plants with respect to emissions from flares. On April 21, 2014, we received a Clean Air Act Section 114 Information Request from the EPA which sought information regarding flares at the Calvert City facility and certain Lake Charles facilities. The EPA has informed us that the information provided leads the EPA to believe that some of the flares are out of compliance with applicable standards. The EPA has indicated that it is seeking a consent decree that would obligate us to take corrective actions relating to the alleged noncompliance. We believe the resolution of these matters may require the payment of a monetary sanction in excess of \$1 million.

We do not believe that the resolution of these flare matters will have a material adverse effect on our financial condition, results of operations or cash flows.

Also see our discussion of our environmental matters contained in Item 1A, "Risk Factors" below, Item 3, "Legal Proceedings" below and Note 22 to our consolidated financial statements included in Item 8 of this Form 10-K.

## **Human Capital**

Westlake is committed to acting in a safe, ethical, environmentally, and socially responsible manner. We have been a public company for 17 years, but we still think of our employees as members of our extended family. We value the integrity, creativity, dedication and diversity of ideas that our employees bring to work every day.

### ***Diversity, Equity and Inclusion (DEI)***

As a global company, we recognize the diversity of our employees, customers and communities, and believe in creating an inclusive and equitable environment that represents a broad spectrum of backgrounds and cultures. A significant portion of our management team and our Board of Directors comes from diverse backgrounds, and we are focused on hiring and retaining diverse and talented employees. Our Board of Directors has charged the Compensation Committee with oversight responsibility of the Company's DEI efforts.

As an Asian American and Pacific Islander ("AAPI")-controlled business, we feel a special commitment to ensuring that Westlake continues to offer opportunities for employees of all backgrounds and experiences. As of December 31, 2021, approximately 37% of our employees in the United States and Canada self-identified as Black, indigenous, Hispanic, or AAPI. Although we do not collect demographic data in our European and Asian workforces, we know that we are a diverse, multinational company.

### ***Training and Professional Development***

As part of our retention and promotion efforts, we invest in internal leadership development. Westlake regularly provides its employees with training opportunities, including safety training, technical courses, compliance with company policies, business and professional development training, and professional growth classes. In conjunction with technical training, we believe that the non-technical training helps to create well-rounded, and highly-driven, employees. In addition, we periodically conduct employee surveys to gauge employee engagement and identify areas for additional focus.

### **Headcount**

As of December 31, 2021, we had approximately 14,550 employees in the following areas:

<b>Category</b>	<b>Number</b>
Performance and Essential Materials segment	5,400
Housing and Infrastructure Products segment	8,760
Corporate and other	390

Our employees are distributed across 16 countries. As of December 31, 2021, approximately 72% were employed in the United States. Approximately 24.7% of our employees are represented by labor unions, and all of these union employees are working under collective bargaining agreements that expire at various times through 2026. We have multiple collective bargaining agreements in Europe, North America and Asia, covering different groups of our work force. There were no strikes, lockouts or work stoppages in 2021, and we believe that our relationship with our employees and unions is open and positive.

Attracting, developing and retaining talented people is crucial to executing our strategy. Our ability to recruit and retain such talent depends on a number of factors, including compensation and benefits, career opportunities and work environment. We provide our employees with competitive compensation packages, development programs that enable continued learning and growth, and comprehensive and competitive benefit packages worldwide. Our compensation and benefits arrangements generally are tailored to local markets of operation.

### **Health and Safety**

The health and safety of our employees and our operations is our highest priority. Our health and safety programs are designed around global standards with appropriate variations addressing the multiple jurisdictions and regulations, specific hazards and unique working environments of our manufacturing, research and development, and administrative office locations. We require each of our locations to perform regular safety audits to ensure proper safety policies, program procedures, analyses and training are in place.

Our focus on safety starts at the top with our Board of Directors. Safety is a key performance indicator that is reported on and discussed at every Board meeting. Our Health, Safety and Environment ("HSE") team plays a pivotal role in overseeing all related policy protections, risk identification and other aspects of our business.

Several of our U.S. manufacturing sites have been recognized by the U.S. Occupational Safety & Health Administration's ("OSHA") Voluntary Protection Program ("VPP") for their low injury rates, employee engagement and safety programs. All of our chemical sites in Germany satisfy the Deutsche Industrie Norm ISO 45001 certification program, which is comparable to VPP.

With respect to the ongoing COVID-19 pandemic, we have adopted safety guidelines and practices, including safety and health training for existing and new employees, remote working, health screening of employees, contact tracing for reported exposure, enforcing self-isolation after exposure, provisions for mask wearing, modifications to the in-office work environment, social distancing, increased sanitation stations and increased cleaning of offices and workstations.



## **Intellectual Property and Technology**

We rely upon both trademark and service mark protection to protect our brands, and have registered or applied to register many of these on a world-wide basis. We have over 1000 active and pending trademark registrations worldwide for our various business segments. We also rely on a combination of patents and un-patented proprietary know-how and trade secrets to preserve our competitive technology position in the market. We have over 900 issued patents and pending patent applications in the United States and several other countries. While some of our production capacity operates under licenses from third parties, other parts of our production operate under technology that was developed internally. Consequently, we offer our own independently developed technology for licensing when the opportunity makes sense on a commercial basis. Although the Company considers its patents, licenses, trademarks and trade secrets in the aggregate to constitute a valuable asset that provides competitive advantage to us, we do not regard any one of our businesses as being materially dependent upon any single or group of related patents, trademarks, licenses, or trade secrets.

## **Available Information**

Our website address is [www.westlake.com](http://www.westlake.com). Our website content is available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. We make available on this website under "Investor Relations/Financials," free of charge, our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those materials as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding SEC registrants, including us.

We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Ethics and any waiver from a provision of our Code of Ethics by posting such information on our website at [www.westlake.com](http://www.westlake.com) under "Investor Relations/Governance."

## **Item 1A. Risk Factors**

### **Risk Factors Relating to Our Operations**

*The impact and effects of public health crises, pandemics and epidemics, including the ongoing coronavirus ("COVID-19") pandemic, could materially adversely affect our business, financial condition and results of operations.*

Public health crises, pandemics and epidemics, such as the COVID-19 pandemic, could materially adversely affect our business, financial condition and results of operations. The COVID-19 pandemic has resulted in authorities implementing numerous measures to try to contain the disease, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns, among others. There have been widespread adverse impacts on the global economy, many of our facilities and on our employees, customers and suppliers. We have encountered supply chain constraints and disruptions and workforce availability issues as a result of COVID-19 related actions.

Despite the availability of vaccines in all of the jurisdictions in which we operate, the COVID-19 pandemic may continue unabated or worsen, including as a result of the emergence of more infectious strains of the virus or vaccine hesitancy. The perceived risk of infection and health risks associated with COVID-19 has and will continue to alter behaviors of consumers and policies of companies around the world.

We have modified certain business practices (including those related to employee travel, employee work locations and employee work practices) to conform to government restrictions and best practices encouraged by governmental and regulatory authorities. We may take further actions as required by government authorities or that we determine are in the best interests of our employees, customers, partners, and suppliers. However, the inability to operate our facilities or the reduced demand for our products could adversely affect our business. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to perform certain functions could be harmed. The ultimate extent of the impact of COVID-19 on our business, financial condition and results of operations will depend largely on future developments, including the duration and spread of COVID-19 within the United States and the parts of the world in which we operate, the impact of governmental actions designed to prevent the spread of COVID-19 and the development, availability, timely distribution and acceptance of effective treatments and vaccines worldwide, all of which are highly uncertain and cannot be predicted with certainty at this time.

***Cyclical in the petrochemical industry has in the past, and may in the future, result in reduced operating margins or operating losses.***

Our historical operating results reflect the cyclical and volatile nature of the petrochemical industry. The industry is mature and capital intensive. Margins in this industry are sensitive to supply and demand balances both domestically and internationally, which historically have been cyclical. The cycles are generally characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from excess new capacity additions, leading to reduced operating rates and lower margins.

Moreover, profitability in the petrochemical industry is affected by the worldwide level of demand along with vigorous price competition which may intensify due to, among other things, new industry capacity. In general, weak economic conditions reduce demand and put pressure on margins. It is not possible to predict accurately the supply and demand balances, market conditions and other factors that will affect industry operating margins in the future.

New capacity additions, principally of olefins in North America, Asia and the Middle East, a number of which have been recently completed, may lead to periods of over-supply and lower profitability. As a result, our Performance and Essential Materials segment operating margins may be negatively impacted.

***We sell commodity products in highly competitive markets and face significant competition and price pressure.***

We sell our products in highly competitive markets. Due to the commodity nature of many of our products, competition in these markets is based primarily on price and to a lesser extent on performance, product quality, product deliverability and customer service. As a result, we generally are not able to protect our market position for these products by product differentiation and may not be able to pass on cost increases to our customers. Accordingly, increases in raw material and other costs may not necessarily correlate with changes in prices for these products, either in the direction of the price change or in magnitude. Specifically, timing differences in pricing between raw material prices, which may change daily, and contract product prices, which in many cases are negotiated monthly or less often, sometimes with an additional lag in effective dates for increases, have had and may continue to have a negative effect on profitability. Significant volatility in raw material costs tends to place pressure on product margins as sales price increases could lag behind raw material cost increases. Conversely, when raw material costs decrease, customers could seek relief in the form of lower sales prices.

***Volatility in costs of raw materials and energy may result in increased operating expenses and adversely affect our results of operations and cash flows.***

Significant variations in the costs and availability of raw materials and energy may negatively affect our results of operations. These costs have risen significantly in the past due primarily to oil and natural gas cost increases. We purchase significant amounts of ethane feedstock, natural gas, ethylene and salt to produce several basic chemicals. We also purchase significant amounts of electricity to supply the energy required in our production processes. The cost of these raw materials and energy, in the aggregate, represents a substantial portion of our operating expenses. The prices of raw materials and energy generally follow price trends of, and vary with market conditions for, crude oil and natural gas, which are highly volatile and cyclical, as well as the ability of domestic producers to export natural gas liquids, ethane and ethylene. Changes to regulatory policies applicable to the German energy sector for industrial users have contributed to higher prices for industrial users of energy in the past and may continue to do so in the future. Our results of operations have been and could in the future be significantly affected by increases in these costs.

Price increases increase our working capital needs and, accordingly, can adversely affect our liquidity and cash flows. In addition, because we utilize the first-in, first-out ("FIFO") method of inventory accounting, during periods of falling raw material prices and declining sales prices, our results of operations for a particular reporting period could be negatively impacted as the lower sales prices would be reflected in operating income more quickly than the corresponding drop in feedstock costs. We use derivative instruments in an attempt to reduce price volatility risk on some feedstock commodities. In the future, we may decide not to hedge any of our raw material costs or any hedges we enter into may not have successful results. Also, our hedging activities involve credit risk associated with our hedging counterparties, and a deterioration in the financial markets could adversely affect our hedging counterparties and their abilities to fulfill their obligations to us.

Lower prices of crude oil, such as those experienced from the third quarter of 2014 through 2020, led to a reduction in the cost advantage for natural gas liquids-based ethylene crackers in North America, such as ours, as compared to naphtha-based ethylene crackers. As a result, our margins and cash flows were negatively impacted. Lower crude oil and natural gas prices could lead to a reduction in hydraulic fracturing in the United States, which could reduce the availability of feedstock and increase prices of feedstock for our operations. Higher natural gas prices could also adversely affect our ability to export products that we produce in the United States. In addition to the impact that this has on our exports from the United States, reduced competitiveness of U.S. producers also has in the past increased the availability of chemicals in North America, as U.S. production that would otherwise have been sold overseas was instead offered for sale domestically, resulting in excess supply and lower prices in North America. We could also face the threat of imported products from countries that have a cost advantage. Furthermore, additional export storage facilities for natural gas liquids, ethane and ethylene may lead to higher exports of such products from the United States or greater restrictions on hydraulic fracturing could restrict the availability of our raw materials in the United States, thereby increasing our costs.

***External factors beyond our control can cause fluctuations in demand for our products and in our prices and margins, which may negatively affect our results of operations and cash flows.***

External factors beyond our control can cause volatility in raw material prices, demand for our products, product prices and volumes and deterioration in operating margins. These factors can also magnify the impact of economic cycles on our business and results of operations. Examples of external factors include:

- general economic conditions, including in the United States, Europe and Asia;
- new capacity additions in North America, Europe, Asia and the Middle East;
- the level of business activity in the industries that use our products;
- competitor action;
- technological innovations;
- currency fluctuations;
- increases in interest rates;
- international events and circumstances;
- pandemics and other public health threats and efforts to contain their transmission;
- war, sabotage, terrorism and civil unrest;
- governmental regulation, including in the United States, Europe and Asia;
- public attitude towards climate change and safety, health and the environment;
- perceptions of our products by potential buyers of our products, as well as the public generally, and related changes in behavior, including with respect to recycling;
- severe weather and natural disasters; and
- credit worthiness of customers and vendors.

A number of our products are highly dependent on durable goods markets, such as housing and construction, which are themselves particularly cyclical. Weakness in the U.S. residential housing market and economic weakness in Europe could have an adverse effect on demand and margins for our products.

We may reduce production at or idle a facility for an extended period of time or exit a business because of high raw material prices, an oversupply of a particular product and/or a lack of demand for that particular product, which makes production uneconomical. Temporary outages sometimes last for several quarters or, in certain cases, longer and cause us to incur costs, including the expenses of maintaining and restarting these facilities. Factors such as increases in raw material costs or lower demand in the future may cause us to further reduce operating rates, idle facilities or exit uncompetitive businesses.

A lower level of economic activity in the United States, Europe or globally could result in a decline in demand for our products, which could adversely affect our net sales and margins and limit our future growth prospects. In addition, these risks could cause increased instability in the financial and insurance markets and could adversely affect our ability to access capital and to obtain insurance coverage that we consider adequate or is otherwise required by our contracts with third parties.

***The housing market may not continue to grow at the same rate, or may decline, and any decline in the homebuilding industry may adversely affect our operating results.***

We cannot predict whether and to what extent the housing market in the United States will continue to grow, particularly if interest rates for mortgage loans and construction costs rise. Other factors that might impact growth in the homebuilding industry include uncertainty in domestic and international financial, credit and consumer lending markets amid slow economic growth or recessionary conditions in various regions or industries around the world, including as a result of the COVID-19 pandemic, tight lending standards and practices for mortgage loans that limit consumers' ability to qualify for mortgage financing to purchase a home, higher home prices, population declines or slower rates of population growth or U.S. Federal Reserve policy changes. Given these factors, we can provide no assurance that the present housing market will continue to be strong.

If there is limited economic growth, a decline in employment and consumer income, a general change in consumer behavior, including as a result of the COVID-19 pandemic, and/or tightening of mortgage lending standards, practices and regulation, or if interest rates for mortgage loans or home prices rise, there could be a corresponding adverse effect on our financial condition, results of operations or cash flows, including, but not limited to, the amount of revenues or profits we generate in our housing and infrastructure products segment.

***We operate internationally and are subject to related risks, including exchange rate fluctuations, exchange controls, political risk and other risks relating to international operations.***

We operate internationally and are subject to the risks of doing business on a global basis. These risks include, but are not limited to, fluctuations in currency exchange rates, currency devaluations, imposition or the threat of trade barriers (which could, among other things, negatively impact our ability to export our products outside of the United States), imposition or the threat of tariffs and duties (which could, among other things, lead to lower demand for our products outside of the United States), restrictions on the transfer of funds, changes in law and regulatory requirements, involvement in judicial proceedings in unfavorable jurisdictions, economic instability and disruptions, political unrest and epidemics. U.S. foreign trade policies could lead to the imposition of additional trade barriers and tariffs on us in foreign jurisdictions. Our operating results could be negatively affected by any of these risks.

***Our inability to compete successfully may reduce our operating profits.***

The industries in which we operate are highly competitive. Historically, there have been a number of mergers, acquisitions, spin-offs and joint ventures in the industry. This restructuring activity has resulted in fewer but more competitive producers, many of which are larger than we are and have greater financial resources than we do. Among our competitors are some of the world's largest chemical companies and chemical industry joint ventures. Competition within the petrochemical industry and in the manufacturing of housing and infrastructure products is affected by a variety of factors, including:

- product price;
- balance of product supply/demand;
- material, technology and process innovation;
- technical support and customer service;
- quality;
- reliability of raw material and utility supply;
- availability of potential substitute materials; and
- product performance.

Changes in the competitive environment could have a material adverse effect on our business and our operations. These changes could include:

- the emergence of new domestic and international competitors;
- the rate of capacity additions by competitors;
- the additions of export storage facilities for natural gas liquids, ethane and ethylene;
- changes in customer base due to mergers;
- the intensification of price competition in our markets;
- the introduction of new or substitute products by competitors; and

- the technological innovations of competitors.

***Our production facilities process some volatile and hazardous materials that subject us to operating risks that could adversely affect our operating results.***

We have manufacturing sites in North America, Europe and Asia. Our operations are subject to the usual hazards associated with chemical, plastics, housing and infrastructure products manufacturing and the related use, storage, transportation and disposal of feedstocks, products and wastes, including:

- pipeline leaks and ruptures;
- explosions;
- fires;
- severe weather and natural disasters;
- mechanical failure;
- unscheduled downtime;
- labor difficulties;
- transportation interruptions;
- transportation accidents involving our products;
- remediation complications;
- chemical spills, discharges or releases of toxic or hazardous substances or gases;
- other environmental risks;
- sabotage;
- terrorist attacks; and
- political unrest.

Global climate change could result in heightened hurricane activity in the Gulf of Mexico and other weather and natural disaster hazards worldwide. If this materializes, severe weather and natural disaster hazards could pose an even greater risk for our facilities, particularly those in Louisiana.

All these hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment and environmental damage, and may result in a suspension of operations and the imposition of civil or criminal penalties. We are from time to time subject to environmental claims brought by governmental entities or third parties. A loss or shutdown over an extended period of operations at any one of our chemical manufacturing facilities would have a material adverse effect on us. We maintain property, business interruption and casualty insurance that we believe is in accordance with customary industry practices, but we cannot be fully insured against all potential hazards incident to our business, including losses resulting from war risks or terrorist acts. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial condition, results of operations or cash flows.

We are exposed to significant losses from products liability, personal injury and other claims relating to the products we manufacture. Additionally, individuals currently seek, and likely will continue to seek, damages for alleged personal injury or property damage due to alleged exposure to chemicals at our facilities or to chemicals otherwise owned, controlled or manufactured by us. We are also subject to present and future claims with respect to workplace exposure, workers' compensation and other matters. Any such claims, whether with or without merit, could be time consuming, expensive to defend and could divert management's attention and resources. We maintain and expect to continue to maintain insurance for products liability, workplace exposure, workers' compensation and other claims, but the amount and scope of such insurance may not be adequate or available to cover a claim that is successfully asserted against us. In addition, such insurance could become more expensive and difficult to maintain and may not be available to us on commercially reasonable terms or at all. The results of any future litigation or claims are inherently unpredictable, but such outcomes could have a material adverse effect on our financial condition, results of operations or cash flows.

***We rely on a limited number of outside suppliers for specified feedstocks and services.***

We obtain a significant portion of our raw materials from a few key suppliers. If any of these suppliers is unable to meet its obligations under any present or future supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials. Any interruption of supply or any price increase of raw materials could have a material adverse effect on our business and results of operations. A vendor may choose, subject to existing contracts, to modify its relationship due to general economic concerns or concerns relating to the vendor or us, at any time. Any significant change in the terms that we have with our key suppliers, or any significant additional requirements from our suppliers that we provide them additional security in the form of prepayments or with letters of credits, could materially adversely affect our financial condition, results of operations or cash flows.

***We rely heavily on third party transportation, which subjects us to risks and costs that we cannot control. Such risks and costs may materially adversely affect our operations.***

We rely heavily on railroads, barges, pipelines, ships, trucks and other shipping companies to transport raw materials to the manufacturing facilities used by our businesses and to ship finished products to customers. These transport operations are subject to various hazards and risks, including extreme weather conditions, work stoppages and operating hazards (including pipeline leaks and ruptures and storage tank leaks), as well as interstate transportation regulations. In addition, the methods of transportation we utilize, including shipping chlorine and other chemicals by railroad, may be subject to additional, more stringent and more costly regulations in the future. If we are delayed or unable to ship finished products or unable to obtain raw materials as a result of any such new regulations or public policy changes related to transportation safety, or these transportation companies fail to operate properly, or if there were significant changes in the cost of these services due to new or additional regulations, or otherwise, we may not be able to arrange efficient alternatives and timely means to obtain raw materials or ship goods, which could result in a material adverse effect on our business and results of operations.

***We may pursue acquisitions, dispositions and joint ventures and/or other transactions that may impact our results of operations and financial condition. We may have difficulties integrating the operations of the Boral Target Companies, LASCO, Dimex, Hexion epoxy, and future acquired businesses.***

We seek opportunities to maximize efficiency and create stockholder value through various transactions. These transactions may include domestic and international business combinations, purchases or sales of assets or contractual arrangements or joint ventures. In this regard, we regularly consider acquisition opportunities that would be consistent or complementary to our existing business strategies. To the extent permitted under our credit facility, the indenture governing our senior notes and other debt agreements, some of these transactions may be financed by additional borrowings by us. Although we would pursue these transactions because we expect them to yield longer-term benefits if the efficiencies and synergies we expect are realized, they could adversely affect our results of operations in the short term because of the costs associated with such transactions and because they may divert management's attention from existing business operations. These transactions may not yield the business benefits, synergies or financial benefits anticipated by management. Integration of acquired operations could lead to restructuring charges or other costs.

Our ability to realize the anticipated benefits of the Acquisitions will depend, to a large extent, on our ability to integrate our business with the businesses of the Boral Target Companies, LASCO, Dimex and Hexion epoxy. The combination of such independent businesses is a complex, costly and time-consuming process. As a result, we have devoted, and will continue to devote significant management attention and resources to integrating each of the Boral Target Companies', LASCO's, Dimex's and Hexion epoxy's business practices and operations with our existing business practices and operations. The integration process may disrupt the businesses and, if implemented ineffectively or if impacted by unforeseen negative economic or market conditions or other factors, we may not realize the full anticipated benefits of the Acquisitions. Our failure to meet the challenges involved in integrating such businesses could adversely affect our results of operations.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships, or diversion of management's attention. Even if the operations of our businesses and the businesses of the Boral Target Companies, LASCO, Dimex and Hexion epoxy are integrated successfully, we may not realize the full benefits of the Acquisitions, including the synergies, cost savings or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. Furthermore, additional unanticipated costs may be incurred in the integration of the businesses. All of these factors could decrease or delay the expected benefits of the Acquisitions and negatively impact us.

If we are unable to integrate or to successfully manage businesses that we may acquire in the future, our business, financial condition and results of operations could be adversely affected. We may not be able to realize the operating efficiencies, synergies, cost savings or other benefits expected from acquisitions for a number of reasons, including the following:

- we may fail to integrate the businesses we acquire into a cohesive, efficient enterprise;
- our resources, including management resources, are limited and may be strained if we engage in a large acquisition or significant number of acquisitions, and acquisitions may divert our management's attention from initiating or carrying out programs to save costs or enhance revenues; and
- our failure to retain key employees and contracts of the businesses we acquire.

***Our operations and assets are subject to extensive environmental, health and safety laws and regulations.***

We use large quantities of hazardous substances and generate hazardous wastes and emissions in our manufacturing operations. Due to the associated quantities of hazardous substances and wastes, our industry is highly regulated and monitored by various environmental regulatory authorities such as the EPA, federal or state analogs in other countries and the European Union, which promulgated the Industrial Emission Directive ("IED"). As such, we are subject to extensive international, national, state and local laws, regulations and directives pertaining to pollution and protection of the environment, health and safety, which govern, among other things, emissions to the air, discharges onto land or waters, the maintenance of safe conditions in the workplace, the remediation of contaminated sites, and the generation, handling, storage, transportation, treatment and disposal of waste materials. Some of these laws, regulations and directives are subject to varying and conflicting interpretations. Many of these laws, regulations and directives provide for substantial fines and potential criminal sanctions for violations and require the installation of costly pollution control equipment or operational changes to limit pollution emissions or reduce the likelihood or impact of hazardous substance releases, whether permitted or not. For example, all of our petrochemical facilities in the United States and Europe may require improvements to comply with certain changes in process safety management requirements.

New laws, rules and regulations as well as changes to laws, rules and regulations may also affect us. For example, on April 17, 2012, the EPA promulgated maximum achievable control technology standards for major sources and generally available control technology standards for area sources of PVC production. The rule sets emission limits and work practice standards for total organic air toxics and for three specific air toxics: vinyl chloride, chlorinated di-benzo dioxins and furans and hydrogen chloride and includes requirements to demonstrate initial and continuous compliance with the emission standards. In June 2012, the EPA received petitions for reconsideration of the rule. On November 9, 2020, the EPA proposed rule amendments to address issues raised in the petitions for reconsideration. While this rule is the subject of legal challenge and EPA reconsideration, the rule has not been stayed. Although we cannot predict the outcome or timing of the legal challenges or EPA reconsideration, the EPA's proposed rule amendments could require us to incur further capital expenditures, or increase our operating costs, to levels higher than what we have previously estimated.

In March 2011, the EPA proposed amendments to the national emission standards for hazardous air pollutants ("NESHAPs") for mercury emissions from mercury cell chlor-alkali plants. These proposed amendments would require improvements in work practices to reduce fugitive mercury emissions. In addition, on January 8, 2021, the EPA proposed amendments to the 2003 NESHAPs for mercury cell chlor-alkali plants residual risk and technology review. Among other things, the proposed rule would require work practice standards for the cell rooms and instrumental monitoring of cell room fugitive emissions, modify regulatory provisions regarding startup, shutdown, and malfunctions, and add standards for fugitive chlorine emissions from mercury cell chlor-alkali plants, which are not currently regulated under the NESHAP. The EPA extended the public comment period on the proposed rule to March 24, 2021. The EPA has yet to publish the final rule and we cannot predict the timing or content of the final regulation. We operate a mercury cell production unit at our Natrium facility. If the proposed amendments were finalized, they could result in additional restrictions on our operations or increased compliance costs.

Our operations produce greenhouse gas ("GHG") emissions, which have been the subject of increased scrutiny and regulation. In December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France. The resulting Paris Agreement calls for the parties to undertake "ambitious efforts" to limit the average global temperature and to conserve and enhance sinks and reservoirs of greenhouse gases. The United States signed the Paris Agreement in April 2016, and the Paris Agreement went into effect in November 2016. In November 2019, the United States submitted formal notification to the United Nations that it intended to withdraw from the Paris Agreement. The withdrawal took effect in November 2020. However, President Biden signed an executive order on January 20, 2021 for reentry of the United States into the Paris Agreement and on February 19, 2021, President Biden formally rejoined the Paris Agreement. As part of rejoining the Paris Agreement, President Biden announced that the United States would commit to a 50 to 52 percent reduction from 2005 levels of GHG emissions by 2030 and set the goal of reaching net-zero GHG emissions by 2050. Legislation to regulate GHG emissions has periodically been introduced in the United States Congress, and such legislation may be proposed or adopted in the future. There has been a wide-ranging policy debate regarding the impact of these gases and possible means for their regulation. Some of the proposals would require industries to meet stringent new standards that would require substantial reductions in carbon emissions. The adoption and implementation of any international, federal or state legislation or regulations that restrict emissions of GHGs could result in increased compliance costs or additional operating restrictions.

Various jurisdictions have considered or adopted laws and regulations on GHG emissions, with the general aim of reducing such emissions. The EPA currently requires certain industrial facilities to report their GHG emissions, and to obtain permits with stringent control requirements before constructing or modifying new facilities with significant GHG emissions. In the European Union, the Emissions Trading Scheme obligates certain emitters to obtain GHG emission allowances to comply with a cap and trade system for GHG emissions. In addition, the European Union has committed to reduce domestic GHG emissions by at least 55% below the 1990 level by 2030. As our chemical manufacturing processes result in GHG emissions, these and other GHG laws and regulations could affect our costs of doing business.

Similarly, the Toxic Substances Control Act ("TSCA") imposes reporting, record-keeping and testing requirements, and restrictions relating to the production, handling, and use of chemical substances. The TSCA reform legislation enacted in June 2016 expanded the EPA's authority to review and regulate new and existing chemicals. Under the reform legislation, the EPA is required to, among other things, undertake rule making within statutory time frames related to: (1) chemical risk evaluation, designation and management; (2) reporting of mercury supply, use and trade; and (3) management of persistent, bioaccumulative, and toxic chemical substances ("PBTs"). In response to this mandate, the EPA issued rules establishing the EPA's process and criteria for identifying high priority chemicals for risk evaluation and setting the EPA's approach for determining whether these high priority chemicals present an unreasonable risk to health or the environment. Pursuant to its rules, the EPA designated certain chemical substances as high priority for risk evaluation. We manufacture several of these chemical substances. Although we cannot predict with certainty the extent of our future liabilities and costs at this time, we do not anticipate that the evaluation of these chemical substances will have a material adverse effect on our business, financial condition, operating results or cash flows. In addition, the TSCA inventory reset rule required industry reporting of chemicals manufactured or processed in the United States over a 10-year period ending in 2016. This reporting is used by the EPA to identify which chemicals are active or inactive on the TSCA Inventory. Beginning in 2019, chemical manufacturers and processors are required to notify and obtain approval by the EPA before reintroducing inactive chemicals into commerce. A final mercury reporting rule published in June 2018 requires manufacturers, including manufacturers who use mercury in a manufacturing process, to report information about their mercury supply, use and trade. The first periodic reporting deadline under the mercury reporting rule was July 1, 2019. The EPA used the information collected to develop an inventory of mercury and mercury-added products as well as mercury-use manufacturing processes. The EPA also recommended actions and rule amendments based on the collected information. We cannot predict the timing or content of these actions or amendments, or their ultimate cost to, or impact on us.

On June 28, 2021, the EPA proposed reporting and recordkeeping requirements for Per- and Polyfluoroalkyl Substances ("PFAS") under TSCA. The proposed rule would require manufacturers, and importers, that have manufactured or imported PFAS chemicals since January 1, 2011, to electronically report information regarding PFAS uses, production volumes, disposal, exposures, and hazards. The EPA has not yet issued a final rule; however, PFAS chemicals have come under increased scrutiny by federal, state, and local governments. For example, many states have banned the use of PFAS in certain consumer products and set Maximum Contaminant Levels for PFAS in drinking water. The EPA is also considering regulating certain PFAS chemicals under the Safe Drinking Water Act, and has announced that it intends to develop a proposed National Primary Drinking Water Regulation for perfluorooctanesulfonic acid ("PFOS") and perfluorooctanoic acid ("PFOA"), two of the most common PFAS chemicals. We are unable to predict the impact these requirements and concepts may have on our future costs of compliance.



Under the IED, European Union member state governments are expected to adopt rules and implement environmental permitting programs relating to air, water and waste for industrial facilities. In this context, concepts such as the "best available technique" are being explored. Future implementation of these concepts may result in technical modifications in our European facilities. In addition, under the Environmental Liability Directive, European Union member states can require the remediation of soil and groundwater contamination in certain circumstances, under the "polluter pays principle." We are unable to predict the impact these requirements and concepts may have on our future costs of compliance.

Local, state, federal and foreign governments have increasingly proposed or implemented restrictions on certain plastic-based products, including single-use plastics and plastic food packaging. Plastics have also faced increased public scrutiny due to negative coverage of plastic waste in the environment. Increased regulation on the use of plastics could cause reduced demand for our polyethylene products, which could adversely affect our business, operating results and financial condition.

These rules or future new, amended or proposed laws or rules could increase our costs or reduce our production, which could have a material adverse effect on our business, financial condition, operating results or cash flows. In addition, we cannot accurately predict future developments, such as increasingly strict environmental and safety laws or regulations, and inspection and enforcement policies, as well as resulting higher compliance costs, which might affect the handling, manufacture, use, emission, disposal or remediation of products, other materials or hazardous and non-hazardous waste, and we cannot predict with certainty the extent of our future liabilities and costs under environmental, health and safety laws and regulations. These liabilities and costs may be material.

We also may face liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances at our facilities or to chemicals that we otherwise manufacture, handle or own. Although these types of claims have not historically had a material impact on our operations, a significant increase in the success of these types of claims could have a material adverse effect on our business, financial condition, operating results or cash flows.

Environmental laws may have a significant effect on the nature and scope of, and responsibility for, cleanup of contamination at our current and former operating facilities, the costs of transportation and storage of raw materials and finished products, the costs of reducing emissions and the costs of the storage and disposal of wastewater. The U.S. Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), similar state laws and certain European directives impose joint and several liability for the costs of remedial investigations and actions on the entities that generated waste, arranged for disposal of the wastes, transported to or selected the disposal sites and the past and present owners and operators of such sites. All such potentially responsible parties (or any one of them, including us) may be required to bear all of such costs regardless of fault, legality of the original disposal or ownership of the disposal site. In addition, CERCLA, similar state laws and certain European directives could impose liability for damages to natural resources caused by contamination.

Although we seek to take preventive action, our operations are inherently subject to accidental spills, discharges or other releases of hazardous substances that may make us liable to governmental entities or private parties. This may involve contamination associated with our current and former facilities, facilities to which we sent wastes or by-products for treatment or disposal and other contamination. Accidental discharges may occur in the future, future action may be taken in connection with past discharges, governmental agencies may assess damages or penalties against us in connection with any past or future contamination, or third parties may assert claims against us for damages allegedly arising out of any past or future contamination. In addition, we may be liable for existing contamination related to certain of our facilities for which, in some cases, we believe third parties are liable in the event such third parties fail to perform their obligations.

***Capital projects are subject to risks, including delays and cost overruns, which could have an adverse impact on our financial condition and results of operations.***

We have capital expansion plans for our facilities. Expansion projects may be subject to delays or cost overruns, including delays or cost overruns resulting from any one or more of the following:

- unexpectedly long delivery times for, or shortages of, key equipment, parts or materials;
- shortages of skilled labor and other personnel necessary to perform the work;
- delays and performance issues;
- failures or delays of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor and raw materials;
- work stoppages and other labor disputes;
- unanticipated actual or purported change orders;
- disputes with contractors and suppliers;

- design and engineering problems;
- latent damages or deterioration to equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties of our contractors and suppliers;
- sabotage;
- terrorist attacks;
- interference from adverse weather conditions; and
- difficulties in obtaining necessary permits or in meeting permit conditions.

Significant cost overruns or delays could materially affect our financial condition and results of operations. Additionally, actual capital expenditures could materially exceed our planned capital expenditures.

***Our level of debt could adversely affect our ability to operate our business.***

As of December 31, 2021, our indebtedness, including the current portion, totaled \$5.2 billion, and our debt represented approximately 38% of our total capitalization. Our annual interest expense for 2021 was \$176 million, net of interest capitalized of \$3 million. Our level of debt and the limitations imposed on us by our existing or future debt agreements could have significant consequences on our business and future prospects, including the following:

- a portion of our cash flows from operations will be dedicated to the payment of interest and principal on our debt and will not be available for other purposes;
- we may not be able to obtain necessary financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- our less leveraged competitors could have a competitive advantage because they have greater flexibility to utilize their cash flows to improve their operations;
- we may be exposed to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which would result in higher interest expense in the event of increases in interest rates;
- we could be vulnerable in the event of a downturn in our business that would leave us less able to take advantage of significant business opportunities and to react to changes in our business and in market or industry conditions; and
- should we pursue additional expansions of existing assets or acquisition of third-party assets, we may not be able to obtain additional liquidity at cost effective interest rates.

These factors could be magnified or accelerated to the extent we were to finance future acquisitions with significant amounts of debt.

***To service our indebtedness and fund our capital requirements, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and pay cash dividends will depend on our ability to generate cash in the future, including any distributions that we may receive from Westlake Partners. This is subject to general economic, financial, currency, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not generate sufficient cash flows from operations, we may not receive sufficient distributions from Westlake Partners, and currently anticipated cost savings and operating improvements may not be realized on schedule. We also generate revenues denominated in currencies other than that of our indebtedness and may have difficulty converting those revenues into the currency of our indebtedness. We may need to refinance all or a portion of our indebtedness on or before maturity. In addition, we may not be able to refinance any of our indebtedness, including our credit facility and our senior notes, on commercially reasonable terms or at all. All of these factors could be magnified if we were to finance any future acquisitions with significant amounts of debt.

***The Credit Agreement and the indenture governing certain of our senior notes impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some actions.***

The Credit Agreement and the indenture governing certain of our senior notes impose significant operating and financial restrictions on us. These restrictions limit our ability to:

- incur additional indebtedness;

- create liens;
- sell all or substantially all of our assets or consolidate or merge with or into other companies; and
- engage in sale-leaseback transactions.

These limitations are subject to a number of important qualifications and exceptions. The Credit Agreement also requires us to maintain a quarterly total leverage ratio.

These covenants may adversely affect our ability to finance future business opportunities or acquisitions. A breach of any of these covenants could result in a default in respect of the related debt. If a default occurred, the relevant lenders could elect to declare the debt, together with accrued interest and other fees, to be immediately due and payable. In addition, any acceleration of debt under the Credit Agreement will constitute a default under some of our other debt, including the indentures governing our senior notes.

***Our participation in joint ventures and similar arrangements exposes us to a number of risks, including risks of shared control.***

We are party to several joint ventures and similar arrangements, including an investment, together with Lotte Chemical USA Corporation ("Lotte"), in a joint venture, LACC, LLC ("LACC"), to build and operate an ethylene facility. Our participation in joint ventures and similar arrangements, by their nature, requires us to share control with unaffiliated third parties. If there are differences in views among joint venture participants in how to operate a joint venture that result in delayed decisions or the failure to make decisions, or our joint venture partners do not fulfill their obligations, the affected joint venture may not be able to operate according to its business plan and fulfill its obligations. In that case, we may be required to write down the value of our investment in a joint venture, increase the level of financial or other commitments to the joint venture or, if we have contractual agreements with the joint venture, our operations may be materially adversely affected. Any of the foregoing could have a material adverse effect on our financial condition, results of operations or cash flows.

***Our operations could be adversely affected by labor relations.***

The vast majority of our employees in Europe and Asia, and some of our employees in North America, are represented by labor unions and works councils. Our operations may be adversely affected by strikes, work stoppages and other labor disputes.

***We have certain material pension and other post-retirement employment benefit ("OPEB") obligations. Future funding obligations related to these obligations could restrict cash available for our operations, capital expenditures or other requirements or require us to borrow additional funds.***

We have U.S. and non-U.S. defined benefit pension plans covering certain current and former employees. Certain non-U.S. defined benefit plans associated with our European operations have not been funded and we are not obligated to fund those plans under applicable law. As of December 31, 2021, the projected benefit obligations for our pension and OPEB plans were \$825 million and \$62 million, respectively. The fair value of pension investment assets was \$583 million as of December 31, 2021. The total underfunded status of the pension obligations calculated on a projected benefit obligation basis as of December 31, 2021 was \$242 million, including the Westlake Defined Benefit Plan and the Vinnolit Pension Plan (locally known as 'Grund- und Zusatzversorgung' in Germany), which were underfunded by \$83 million and \$128 million, respectively, on an individual plan basis.

The unfunded OPEB obligations as of December 31, 2021 were \$62 million. We will require future operating cash flows to fund our pension and OPEB obligations, which could restrict available cash for our operations, capital expenditures and other requirements. We may also not generate sufficient cash to satisfy these obligations, which could require us to seek funding from other sources, including through additional borrowings, which could materially increase our outstanding debt or debt service requirements.

***If our goodwill, indefinite-lived intangible assets or other intangible assets become impaired in the future, we may be required to record non-cash charges to earnings, which could be significant.***

Under GAAP, we review goodwill and indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or circumstances indicate that their carrying value may not be recoverable. Other intangible assets are reviewed if events or circumstances indicate that their carrying value may not be recoverable. The process of impairment testing for our goodwill and intangible assets involves a number of judgments and estimates made by management including the fair values of assets and liabilities, future cash flows, our interpretation of current economic indicators and market conditions, overall economic conditions and our strategic operational plans with regards to our business units. If the judgments and estimates used in our analysis are not realized or change due to external factors, then actual results may not be consistent with these judgments and estimates, and our goodwill and intangible assets may become impaired in future periods. If our goodwill, indefinite-lived intangible assets or other intangible assets are determined to be impaired in the future, we may be required to record non-cash charges to earnings during the period in which the impairment is determined, which could be significant and have an adverse effect on our financial condition and results of operations.

***Failure to adequately protect critical data and technology systems could materially affect our operations.***

Information technology system failures, network disruptions and breaches of data security due to internal or external factors including cyber-attacks could disrupt our operations by causing delays or cancellation of customer orders, impede the manufacture or shipment of products or cause standard business processes to become ineffective, resulting in the unintentional disclosure of information or damage to our reputation. Cyber-attacks could include, but are not limited to, ransomware attacks, malicious software, attempts to gain unauthorized access to our data and the unauthorized release, corruption or loss of our data and personal information, interruptions in communication, loss of our intellectual property or theft of our sensitive or proprietary technology, loss or damage to our data delivery systems, or other cybersecurity and infrastructure systems, including our property and equipment. We have taken steps to address these risks by implementing network security and internal control measures, including employee training, comprehensive monitoring of our networks and systems, maintenance of backup and protective systems and disaster recovery and incident response plans. Our employees, systems, networks, products, facilities and services remain potentially vulnerable to sophisticated cyber-assault, especially while certain employees are working remotely during the COVID-19 pandemic, and, as such, there can be no assurance that a system failure, network disruption or data security breach will not have a material adverse effect on our business, financial condition, operating results or cash flows.

***Fluctuations in foreign currency exchange and interest rates could affect our consolidated financial results.***

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses into U.S. dollars at the average exchange rate during each reporting period, as well as assets and liabilities into U.S. dollars at exchange rates in effect at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our net sales, operating income and the value of balance sheet items denominated in foreign currencies. Because of the geographic diversity of our operations, weaknesses in various currencies might occur in one or many of such currencies over time. From time to time, we may use derivative financial instruments to further reduce our net exposure to currency exchange rate fluctuations. However, fluctuations in foreign currency exchange rates, such as the strengthening of the U.S. dollar against major currencies, including, in particular, the Euro and the Canadian dollar, could nevertheless materially adversely affect our financial results.

In addition, we are exposed to volatility in interest rates. When appropriate, we may use derivative financial instruments to reduce our exposure to interest rate risks. However, our financial risk management program may not be successful in reducing the risks inherent in exposures to interest rate fluctuations.

***Our property insurance has only partial coverage for acts of terrorism and, in the event of terrorist attack, we could lose net sales and our facilities.***

Our insurance carriers maintain certain exclusions for losses from terrorism from our property insurance policies. While separate terrorism insurance coverage is available, premiums for full coverage are very expensive, especially for chemical facilities, and the policies are subject to high deductibles. Available terrorism coverage typically excludes coverage for losses from acts of war and from acts of foreign governments as well as nuclear, biological and chemical attacks. We have determined that it is not economically prudent to obtain full terrorism insurance, especially given the significant risks that are not covered by such insurance. Where feasible we have secured some limited terrorism insurance coverage on our property where insurers have included it in their overall programs. In the event of a terrorist attack impacting one or more of our facilities, we could lose the net sales from the facilities and the facilities themselves, and could become liable for any contamination or for personal or property damage due to exposure to hazardous materials caused by any catastrophic release that may result from a terrorist attack.

**Risks Related to Taxes**

***A change in tax laws, treaties or regulations, or their interpretation or application, could have a negative impact on our business and results of operations.***

We operate in many different countries and in many states within the United States, and we are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate. A material change in these tax laws, treaties or regulations, or their interpretation or application, could have a negative impact on our business and results of operations.

***We depend in part on distributions from Westlake Partners to generate cash for our operations, capital expenditures, debt service and other uses. Westlake Partners' tax treatment depends on its status as a partnership for federal income tax purposes, and it not being subject to a material amount of entity-level taxation. If the Internal Revenue Service ("IRS") were to treat Westlake Partners as a corporation for federal income tax purposes, or if Westlake Partners became subject to entity-level taxation for state tax purposes, its cash available for distribution would be substantially reduced, which would also likely cause a substantial reduction in the value of its common units that we hold.***

The anticipated after-tax economic benefit of an investment in the common units of Westlake Partners depends largely on Westlake Partners being treated as a partnership for U.S. federal income tax purposes. Despite the fact that Westlake Partners is organized as a limited partnership under Delaware law, it would be treated as a corporation for U.S. federal income tax purposes unless it satisfies a "qualifying income" requirement. Based on Westlake Partners' current operations and current Treasury Regulations, Westlake Partners believes it satisfies the qualifying income requirement.

Prior to its initial public offering, Westlake Partners requested and obtained a favorable private letter ruling from the IRS to the effect that, based on facts presented in the private letter ruling request, income from the production, transportation, storage and marketing of ethylene and its co-products constitutes "qualifying income" within the meaning of Section 7704 of the Internal Revenue Code of 1986, as amended. However, no ruling has been or will be requested regarding Westlake Partners' treatment as a partnership for U.S. federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause Westlake Partners to be treated as a corporation for U.S. federal income tax purposes or otherwise subject Westlake Partners to taxation as an entity.

If Westlake Partners were treated as a corporation for federal income tax purposes, it would pay U.S. federal income tax on its taxable income at the corporate tax rate. Because a tax would be imposed upon Westlake Partners as a corporation, its cash available for distribution to its unitholders would be substantially reduced. Therefore, treatment of Westlake Partners as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to its unitholders, likely causing a substantial reduction in the value of its common units.

Westlake Partners' partnership agreement provides that if a law is enacted or an existing law is modified or interpreted in a manner that subjects Westlake Partners to taxation as a corporation or otherwise subjects Westlake Partners to entity-level taxation for U.S. federal, state, local or foreign income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law or interpretation on Westlake Partners. At the state level, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. Westlake Partners currently owns assets and conducts business in several states, most of which impose entity-level franchise or gross receipt taxes on partnerships. Imposition of similar entity-level taxes on Westlake Partners in other jurisdictions in which Westlake Partners conducts operations in the future could substantially reduce its cash available for distribution.

## Risks Related to the Ownership of Our Securities

*We will be controlled by our principal stockholder and its affiliates as long as they own a majority of our common stock, and our other stockholders will be unable to affect the outcome of stockholder voting during that time. Our interests may conflict with those of the principal stockholder and its affiliates, and we may not be able to resolve these conflicts on terms possible in arms-length transactions.*

As long as TTWF LP (the "principal stockholder") and its affiliates (the "principal stockholder affiliates") own a majority of our outstanding common stock, they will be able to exert significant control over us, and our other stockholders, by themselves, will not be able to affect the outcome of any stockholder vote. As a result, the principal stockholder, subject to any fiduciary duty owed to our minority stockholders under Delaware law, will be able to control all matters affecting us (some of which may present conflicts of interest), including:

- the composition of our Board of Directors and, through the Board, any determination with respect to our business direction and policies, including the appointment and removal of officers and the determination of compensation;
- any determinations with respect to mergers or other business combinations or the acquisition or disposition of assets;
- our financing decisions, capital raising activities and the payment of dividends; and
- amendments to our amended and restated certificate of incorporation or amended and restated bylaws.

The principal stockholder will be permitted to transfer a controlling interest in us without being required to offer our other stockholders the ability to participate or realize a premium for their shares of common stock. A sale of a controlling interest to a third party may adversely affect the market price of our common stock and our business and results of operations because the change in control may result in a change of management decisions and business policy. Because we have elected not to be subject to Section 203 of the General Corporation Law of the State of Delaware, the principal stockholder may find it easier to sell its controlling interest to a third party than if we had not so elected.

In addition to any conflicts of interest that arise in the foregoing areas, our interests may conflict with those of the principal stockholder affiliates in a number of other areas, including:

- business opportunities that may be presented to the principal stockholder affiliates and to our officers and directors associated with the principal stockholder affiliates, and competition between the principal stockholder affiliates and us within the same lines of business;
- the solicitation and hiring of employees from each other; and
- agreements with the principal stockholder affiliates relating to corporate services that may be material to our business.

We may not be able to resolve any potential conflicts with the principal stockholder affiliates, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party, particularly if the conflicts are resolved while we are controlled by the principal stockholder affiliates. Our amended and restated certificate of incorporation provides that the principal stockholder affiliates have no duty to refrain from engaging in activities or lines of business similar to ours and that the principal stockholder affiliates will not be liable to us or our stockholders for failing to present specified corporate opportunities to us.

***Public and investor sentiment towards climate change and other environmental, social and governance ("ESG") matters could adversely affect our cost of capital and the price of our common stock.***

There have been intensifying efforts within the investment community (including investment advisors, investment fund managers, sovereign wealth funds, public pension funds, universities and individual investors) to promote the divestment of, or limit investment in, the stock of companies in the petrochemical industry. There has also been pressure on lenders and other financial services companies to limit or curtail financing of companies in the industry. Because we operate within the petrochemical industry, if these efforts continue or expand, our stock price and our ability to raise capital may be negatively impacted.

Members of the investment community are increasing their focus on ESG practices and disclosures by public companies, including practices and disclosures related to climate change and sustainability, DEI initiatives and heightened governance standards. As a result, we may continue to face increasing pressure regarding our ESG disclosures and practices. Additionally, members of the investment community may screen companies such as ours for ESG disclosures and performance before investing in our stock. Over the past few years, there has also been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG investments. With respect to any of these investors, our ESG disclosures and efforts may not satisfy the investor requirements or their requirements may not be made known to us. If we or our securities are unable to meet the ESG standards or investment criteria set by these investors and funds, we may lose investors or investors may allocate a portion of their capital away from us, our cost of capital may increase, and our stock price may be negatively impacted.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Information concerning the principal locations from which our products are manufactured are included in the tables set forth under the captions "Performance and Essential Materials Business—*Products*" and "Housing and Infrastructure Products Business—*Products*" contained in "Item 1. Business."

**Headquarters**

Our principal executive offices are located in Houston, Texas. Some of our office space is leased, at market rates, from an affiliate of our principal stockholder. See Note 20 to the consolidated financial statements appearing elsewhere in this Form 10-K and "Certain Relationships and Related Party Transactions" in our proxy statement to be filed with the SEC pursuant to Regulation 14A with respect to our 2022 annual meeting of stockholders (the "Proxy Statement").

**Item 3. Legal Proceedings**

In addition to the matters described under "Item 1. Business—Environmental" and Note 22 to our consolidated financial statements included in Item 8 of this Form 10-K, we are involved in various legal proceedings incidental to the conduct of our business. We do not believe that any of these legal proceedings will have a material adverse effect on our financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosure**

Not Applicable.

**Information about our Executive Officers**

*James Y. Chao* (age 74). Mr. Chao has been our Chairman of the Board of Directors since July 2004 and became a director in June 2003. From May 1996 to July 2004, he served as our Vice Chairman. Mr. Chao has over 45 years of global experience in the chemical industry. In addition, Mr. Chao has been the Chairman of the Board of Westlake Partners' general partner since its formation in March 2014. From June 2003 until November 2010, Mr. Chao was the executive chairman of Titan Chemicals Corp. Bhd. He has served as a Special Assistant to the Chairman of China General Plastics Group and worked in various financial, managerial and technical positions at Mattel Incorporated, Developmental Bank of Singapore, Singapore Gulf Plastics Pte. Ltd. and Gulf Oil Corporation. Mr. Chao, along with his brother Albert Chao, assisted their father T.T. Chao in founding Westlake Corporation (formerly known as Westlake Chemical Corporation). He is the brother of Albert Y. Chao and Dorothy C. Jenkins, father of David T. Chao and uncle of John T. Chao. Mr. Chao received his B.S. degree from Massachusetts Institute of Technology and an M.B.A. from Columbia University.

*Albert Y. Chao* (age 72). Mr. Chao has been our President since May 1996 and a director since June 2003. Mr. Chao became our Chief Executive Officer in July 2004. Mr. Chao has over 40 years of global experience in the chemical industry. In 1985, Mr. Chao assisted his father T.T. Chao and his brother James Chao in founding Westlake Corporation (formerly known as Westlake Chemical Corporation), where he served as Executive Vice President until he succeeded James Chao as President. In addition, Mr. Chao has been the President, Chief Executive Officer and a director of Westlake Partners' general partner since its formation in March 2014. He has held positions in the Controller's Group of Mobil Oil Corporation, in the Technical Department of Hercules Incorporated, in the Plastics Group of Gulf Oil Corporation and has served as Assistant to the Chairman of China General Plastics Group and Deputy Managing Director of a plastics fabrication business in Singapore. He is the brother of James Y. Chao and Dorothy C. Jenkins, father of John T. Chao and uncle of David T. Chao. Mr. Chao is a trustee emeritus of Rice University. Mr. Chao received a bachelor's degree from Brandeis University and an M.B.A. from Columbia University.

*M. Steven Bender* (age 65). Mr. Bender has been our Executive Vice President and Chief Financial Officer since July 2017. From February 2008 to July 2017, Mr. Bender served as our Senior Vice President and Chief Financial Officer. In addition, Mr. Bender served as our Treasurer from July 2011 to April 2017, a position he also held from February 2008 until December 2010. From February 2007 to February 2008, Mr. Bender served as our Vice President, Chief Financial Officer and Treasurer and from June 2005 to February 2007, he served as our Vice President and Treasurer. In addition, Mr. Bender has been a director of Westlake Partners' general partner since its formation in March 2014, its Executive Vice President and Chief Financial Officer since February 2021, and its Senior Vice President and Chief Financial Officer from March 2014 to February 2021. Prior to joining Westlake, from June 2002 until June 2005, Mr. Bender served as Vice President and Treasurer of KBR, Inc., and from 1996 to 2002 he held the position of Assistant Treasurer for Halliburton Company. Prior to that, he held various financial positions within that company. Additionally, he was employed by Texas Eastern Corporation for over a decade in a variety of increasingly responsible audit, finance and treasury positions. Mr. Bender received a Bachelor of Business Administration from Texas A&M University and an M.B.A. from Southern Methodist University. Mr. Bender is also a Certified Public Accountant.

*Robert F. Buesinger* (age 65). Mr. Buesinger has been our Executive Vice President, Housing and Infrastructure Products, IT and Digital since February 2022 and was our Executive Vice President, Vinyl Products since July 2017. From April 2010 to July 2017, Mr. Buesinger served as our Senior Vice President, Vinyls. Prior to joining us, Mr. Buesinger served as the General Manager and President of Chevron Phillips Chemical Company L.P.'s Performance Pipe Division from February 2010 to March 2010. From June 2008 to January 2010, Mr. Buesinger held the position of General Manager in the Alpha Olefins and Poly Alpha Olefins business of Chevron Phillips Chemical Company L.P. From April 2005 to May 2008, he served as the President and Managing Director of Chevron Phillips Singapore Chemicals Pte. Ltd. and Asia Region General Manager for Chevron Phillips Chemical Company L.P. Prior to that, he held various technical and sales management positions within that company. Mr. Buesinger holds a B.S. in Chemical Engineering from Tulane University.

*L. Benjamin Ederington* (age 51). Mr. Ederington has been our Senior Vice President, General Counsel, Chief Administrative Officer and Corporate Secretary since July 2017. From December 2015 to July 2017, Mr. Ederington served as our Vice President, General Counsel, Chief Administrative Officer and Corporate Secretary and, from October 2013 to December 2015, he served as our Vice President, General Counsel and Corporate Secretary. In addition, Mr. Ederington has been a director of Westlake Partners' general partner since its formation in March 2014, its Senior Vice President, General Counsel, Chief Administrative Officer and Corporate Secretary since February 2021, and its Vice President, General Counsel and Secretary from March 2014 to February 2021. Prior to joining Westlake, he held a variety of senior legal positions at LyondellBasell Industries, N.V. and its predecessor companies, LyondellBasell Industries AF SCA and Lyondell Chemical Company, including most recently as Associate General Counsel, Commercial & Strategic Transactions. He began his legal career more than 20 years ago at the law firm of Steptoe & Johnson, LLP. Mr. Ederington holds a B.A. from Yale University and received his J.D. from Harvard University.

*Roger L. Kearns* (age 58). Mr. Kearns has been our Executive Vice President and Chief Operating Officer since January 2021. From April 2018 to December 2020, Mr. Kearns served as our Executive Vice President, Vinyls Chemicals. Prior to joining Westlake, from 2008 to April 2018, he was a member of the Executive Committee at Solvay S.A. in Belgium. From 2013 to 2018, he had responsibility for Solvay's advanced materials business cluster, as well as its corporate research organization and its North America region. From 2008 to 2012 he was responsible for overseeing Solvay's Asia-Pacific businesses, including its vinyls operations in the region. Prior to that, from 2004 through 2007, he was President of Solvay Advanced Polymers in the United States and earlier, from 2001 through 2003, he led Solvay's performance compounds business unit. Since beginning his career with Solvay in 1986, he held a series of manufacturing, technical, corporate development, marketing and business management positions in the United States, Europe and Asia. Mr. Kearns holds a bachelor's degree in Chemical Engineering from the Georgia Institute of Technology and an MBA from Stanford University.



*Andrew Kenner* (age 57). Mr. Kenner has been our Senior Vice President, Operations since January 2021. From July 2017 to December 2020, Mr. Kenner served as our Senior Vice President, Chemical Manufacturing and, from July 2008 to July 2017, he served as our Vice President, Manufacturing. Mr. Kenner joined us after a 19-year career at Valero Energy Corporation where he served as Vice President and General Manager of Valero's Delaware City Refinery and its Houston Refinery, as well as other leadership positions in Valero's refining system. Mr. Kenner received a B.S. in Aerospace Engineering from Texas A&M University and a M.S. in Chemical Engineering from the University of Texas at Austin.

*Johnathan S. Zoeller* (age 46). Mr. Zoeller has been our Vice President and Chief Accounting Officer since March 2020. From August 2018 to March 2020, Mr. Zoeller served as our Vice President and Corporate Controller. In addition, Mr. Zoeller has been the Vice President and Chief Accounting Officer of Westlake Partners' general partner since March 2020. Mr. Zoeller joined us with over 19 years of public accounting experience, the majority of which was spent at KPMG LLP, where he was responsible for clients in the chemicals, oilfield services and oil/gas exploration and production industries. Mr. Zoeller held a variety of senior accounting positions at KPMG, including most recently as Partner, Audit from October 2011 to August 2018. He began his career with Arthur Andersen LLP in 1998. Mr. Zoeller holds a Bachelor of Accounting degree and a Master of Accounting degree from the University of Mississippi. He is a Certified Public Accountant.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*****Stockholder Matters***

As of February 16, 2022, there were 34 holders of record of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol "WLK."

***Unregistered Sales of Equity Securities***

We did not have any unregistered sales of equity securities during the quarter or fiscal year ended December 31, 2021 that we have not previously reported on a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

***Issuer Purchases of Equity Securities***

The following table provides information on our purchase of equity securities during the quarter ended December 31, 2021:

<b>Period</b>	<b>Total Number of Shares Purchased <sup>(1)</sup></b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup></b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></b>
October 2021	—	\$ —	—	\$ 101,151,083
November 2021	398	102.04	—	101,151,083
December 2021	2,024	89.93	—	101,151,083
<b>Total</b>	<b>2,422</b>	<b>\$ 91.92</b>	<b>—</b>	

(1) Represents 398 and 2,024 shares withheld in November 2021 and December 2021, respectively, in satisfaction of withholding taxes due upon the vesting of restricted stock units granted to our employees under the 2013 Plan.

(2) In November 2014, our Board of Directors authorized a \$250 million stock repurchase program (the "2014 Program"). In November 2015, our Board of Directors approved the expansion of the 2014 Program by an additional \$150 million. In August 2018, our Board of Directors approved the further expansion of the existing 2014 Program by an additional \$150 million. As of December 31, 2021, 7,431,520 shares of our common stock had been acquired at an aggregate purchase price of approximately \$449 million under the 2014 Program. Transaction fees and commissions are not reported in the average price paid per share in the table above. Decisions regarding the amount and the timing of purchases under the 2014 Program will be influenced by our cash on hand, our cash flows from operations, general market conditions and other factors. The 2014 Program may be discontinued by our Board of Directors at any time.

**Equity Compensation Plan Information**

Securities authorized for issuance under equity compensation plans are as follows:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	2,502,349 <sup>(1)</sup>	\$ 72.43 <sup>(2)</sup>	2,551,487
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>2,502,349</b>	<b>\$ 72.43 <sup>(2)</sup></b>	<b>2,551,487</b>

(1) Includes shares reserved for issuance pursuant to restricted stock units, stock options and performance stock units.

(2) Price applies only to the stock options included in column (a). Exercise price is not applicable to the other awards included in column (a).

Other information regarding our equity compensation plans is set forth in the section entitled "Executive Compensation" in our Proxy Statement, which information is incorporated herein by reference.

**Item 6. [Reserved]**

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

We are a vertically integrated global manufacturer and marketer of performance and essential materials and housing and infrastructure products. We have historically operated in two principal operating segments, Vinyls and Olefins. As a result of recent acquisitions, we reorganized our business into two principal operating segments, Performance and Essentials Materials and Housing and Infrastructure Products in the fourth quarter of 2021. Performance and Essential Materials segment includes Westlake North American Vinyls, Westlake North American Chlor-alkali & Derivatives, Westlake European & Asian Chlorovinyls, Westlake Olefins and Westlake Polyethylene. Housing and Infrastructure Products segment includes Westlake Royal Building Products, Westlake Pipe & Fittings, Westlake Global Compounds and Westlake Dimex. The change has been retrospectively reflected in the periods presented in this Form 10-K. We are highly integrated along our materials chain with significant downstream integration from ethylene and chlor-alkali (chlorine and caustic soda) into vinyls, polyethylene and styrene monomer. We also have substantial downstream integration from PVC into our building products, PVC pipes and fittings and PVC compounds in our Housing and Infrastructure Products segment.

### *Performance and Essentials Materials*

Ethane-based ethylene producers have experienced a cost advantage over naphtha-based ethylene producers during periods of higher crude oil prices. This cost advantage has resulted in a strong export market for polyethylene and other ethylene derivatives and has benefited operating margins and cash flows for our Performance and Essential Materials segment during such periods. However, we have seen a significant reduction in the cost advantage enjoyed by North American ethane-based ethylene producers during periods of lower crude oil prices. In the past year, we have seen volatility in ethane and ethylene prices, primarily due to changes in demand resulting from the COVID-19 pandemic, anticipated timing for certain new ethylene capacity additions and availability of natural gas liquids. Additionally, we have seen volatility in ethane and ethylene prices in 2021 due to winter storm Uri and Hurricane Ida that resulted in shutdowns of many industry production facilities on the Gulf Coast and delayed or extended the timing of planned turnarounds of various ethylene crackers.

Our performance and essential materials such as ethylene, PVC, polyethylene and chlor-alkali are some of the most widely used materials in the world and are upgraded into a wide variety of higher value-added products used in many end-markets. Our performance and essential materials are used by customers in food and specialty packaging; industrial and consumer packaging; medical health applications; PVC pipe applications; consumer durables; mobility and transportation; and infrastructure products. Chlor-alkali and petrochemicals are typically manufactured in large volume by a number of different producers using widely available technologies. The chlor-alkali and petrochemical industries exhibit cyclical commodity characteristics, and margins are influenced by changes in the balance between supply and demand and the resulting operating rates, the level of general economic activity and the price of raw materials. Due to the significant size of new plants, capacity additions are built in large increments and typically require several years of demand growth to be absorbed. The cycle is generally characterized by periods of tight supply, leading to high operating rates and margins, followed by a decline in operating rates and margins primarily as a result of excess new capacity additions.

Westlake is the second-largest chlor-alkali producer and the second-largest PVC producer in the world. Demand for our products in the first half of 2020 was negatively impacted by the onset of the COVID-19 pandemic. Global demand for most of our products started strengthening in the second half of 2020 and remained strong throughout 2021, and we expect global demand for most of our products to remain robust in 2022. Depending on the performance of the global economy, potential changes in international trade and tariffs policies, the trend of crude oil prices, the timing of the new capacity additions in North America, Asia and the Middle East in 2022 and beyond, and the sustainability of the current, strong demand for most of our products, our financial condition, results of operations or cash flows could be negatively or positively impacted.

We purchase significant amounts of ethane feedstock, natural gas, ethylene and salt from external suppliers for use in production of performance and essential materials. We also purchase significant amounts of electricity to supply the energy required in our production processes. While we have agreements providing for the supply of ethane feedstock, natural gas, ethylene, salt and electricity, the contractual prices for these raw materials and energy vary with market conditions and may be highly volatile. Factors that have caused volatility in our raw material prices in the past, and which may do so in the future include:

- the availability of feedstock from shale gas and oil drilling;
- supply and demand for crude oil;
- shortages of raw materials due to increasing demand;
- ethane and liquefied natural gas exports;

- capacity constraints due to higher construction costs for investments, construction delays, strike action or involuntary shutdowns;
- the general level of business and economic activity; and
- the direct or indirect effect of governmental regulation.

Significant volatility in raw material costs tends to put pressure on product margins as sales price increases could lag behind raw material cost increases. Conversely, when raw material costs decrease, customers may seek immediate relief in the form of lower sales prices. We currently use derivative instruments to reduce price volatility risk on feedstock commodities and lower overall costs. Normally, there is a pricing relationship between a commodity that we process and the feedstock from which it is derived. When this pricing relationship deviates from historical norms, we have from time to time entered into derivative instruments and physical positions in an attempt to take advantage of this relationship.

Our historical results have been significantly affected by our plant production capacity, our efficient use of that capacity and our ability to increase capacity. Since our inception, we have followed a disciplined growth strategy that focuses on plant acquisitions, new plant construction and internal expansion. We evaluate each expansion project on the basis of its ability to produce sustained returns in excess of our cost of capital and its ability to improve efficiency or reduce operating costs. We also regularly look at acquisition opportunities that would be consistent with, or complimentary to, our overall business strategies. Depending on the size of the acquisition, any such acquisitions could require external financing.

As noted above in Item 1A, "Risk Factors," we are subject to extensive environmental regulations, which may impose significant additional costs on our operations in the future. Further, concerns about GHG emissions and their possible effects on climate change has led to the enactment of regulations, and to proposed legislation and additional regulations, that could affect us in the form of increased cost of feedstocks and fuel, other increased costs of production and decreased demand for our products. While we do not expect any of these enactments or proposals to have a material adverse effect on us in the near term, we cannot predict the longer-term effect of any of these regulations or proposals on our future financial condition, results of operations or cash flows.

### ***Housing and Infrastructure Products***

Our Housing and Infrastructure Products segment is primarily comprised of building products, PVC pipes and fittings and PVC compound products. Our sales are affected by the individual decisions of distributors and dealers on the levels of inventory they carry, their views on product demand, their financial condition and the manner in which they choose to manage inventory risk. A significant portion of our performance in this segment is driven by the activities in the residential construction and repair and remodeling markets in North America. Performance of our housing and infrastructure products businesses over time are generally reflective of the trends of building permits and housing starts in the New Residential Construction Survey by the U.S. Census Bureau and Repair and Remodeling Index (RRI) provided by the National Association of Home Builders ("NAHB") among others. Looking ahead, we expect that the approval of the Infrastructure Investment and Jobs Act in November 2021 will have a favorable impact on certain industries related to our Housing and Infrastructure Products segment in the future.

The following table presents annual historical housing starts per the U.S. Census Bureau and the 2022 outlook per the NAHB:

<b>Period</b>	<b>Single and Multi-family Housing Starts (in thousands of units)</b>	<b>% Change</b>
2019	1,290	3%
2020	1,380	7%
2021	1,597	16%
2022	1,605	

North American PVC facilities within the Performance and Essential Materials segment supply most of the PVC required for our building products and PVC pipes and fittings plants. Our raw materials for stone, roofing and accessories, windows, shutters and specialty tool products are externally purchased. PVC required for the PVC compounds plants is either internally sourced from our North American and Asian facilities within the Performance and Essential Materials segment or externally purchased based on the location of the plants. The remaining feedstocks required, including pigments, fillers, stabilizers and other ingredients, are purchased under short-term contracts based on prevailing market prices.

Factors that have caused volatility in our raw material prices and production processes in the past, and which may do so in the future include significant fluctuation in prices of these raw materials in response to, among other things, variable worldwide supply and demand across different industries, speculation in commodities futures, general economic or environmental conditions, labor costs, competition, import duties, tariffs, worldwide currency fluctuations, freight, regulatory costs, and product and process evolutions that impact demand for the same materials. Increasing raw material prices directly impact our cost of sales and our ability to maintain margins depends on implementing price increases in response to increasing raw material costs. The market for our products may or may not accept price increases, and as such, our future financial condition, results of operations or cash flows could be materially impacted.

### **Non-GAAP Financial Measures**

The body of accounting principles generally accepted in the United States is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows that (1) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the registrant; or (2) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this report, we disclose non-GAAP financial measures, primarily earnings before interest, taxes, depreciation and amortization ("EBITDA"). We define EBITDA as net income before interest expense, income taxes, depreciation and amortization. The non-GAAP financial measures described in this Form 10-K are not substitutes for the GAAP measures of earnings and cash flows.

EBITDA is included in this Form 10-K because our management considers it an important supplemental measure of our performance and believes that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We regularly evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates by using EBITDA. In addition, we utilize EBITDA in evaluating acquisition targets. Management also believes that EBITDA is a useful tool for measuring our ability to meet our future debt service, capital expenditures and working capital requirements, and EBITDA is commonly used by us and our investors to measure our ability to service indebtedness. EBITDA is not a substitute for the GAAP measures of net income, income from operations and net cash provided by operating activities and is not necessarily a measure of our ability to fund our cash needs. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. EBITDA has material limitations as a performance measure because it excludes interest expense, depreciation and amortization and income taxes. Reconciliations for EBITDA are included in the "Results of Operations" section below.

### **Significant Developments**

#### ***COVID-19, Industry Conditions and Our Business***

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak a pandemic and recommended containment and mitigation measures worldwide. The pandemic has resulted in widespread adverse impacts on the global economy. We experienced significant disruptions in the second quarter of 2020 as the pandemic and its impact on the global economy spread through most of our markets. We were designated as an essential industry by many governments based on the nature of the products we manufacture. While demand for some of our products used in cleaning, packaging and medical applications and manufacturing continued to be firm, we expected lower demand for certain of our other products that led us to proactively temporarily idle production at several of our smaller non-integrated plants and reduce operating rates at others in the beginning of the second quarter of 2020. Since the middle of the second quarter of 2020, a general ease in government restrictions in many jurisdictions across the world has resulted in a gradual increase in demand for our products. As a result, all of our idled plants recommenced production. Except for the impact of the winter storm Uri and Hurricane Ida, operating rates have improved for most of our plants since the second half of 2020 due to continuing increase in demand for our products. Though the government restrictions across the world generally eased through the fourth quarter of 2021, there is considerable uncertainty regarding the extent to which COVID-19 will continue to spread and the extent and duration of governmental and other measures implemented to try to slow the spread of the virus. Factors that could impact the spread of COVID-19 include timing and logistics with respect to the distribution of vaccines globally, the efficacy of the available vaccines (including with respect to the more recent variants of COVID-19), vaccine hesitancy and the availability of other treatments. We continue to monitor the volatile environment and may reduce operating rates or idle production if the pandemic and its financial impacts persist or worsen. Considering the uncertain and volatile environment, we could continue to experience significant disruptions to our business operations in the near future.

## ***Acquisitions***

### ***Hexion Global Epoxy Business***

On November 24, 2021, Westlake, through one of its wholly-owned subsidiaries, entered into a Stock Purchase Agreement (the "Hexion Purchase Agreement") by and among Hexion Inc. ("Hexion"), an Ohio corporation, and, solely for the limited purposes set forth therein, Westlake. Pursuant to the terms of the Hexion Purchase Agreement, Westlake agreed to acquire Hexion's global epoxy business for a purchase price of approximately \$1,200 million in cash, subject to certain closing date adjustments as set forth in the Hexion Purchase Agreement. On February 1, 2022, we completed the acquisition of Hexion's global epoxy business (the "Hexion Acquisition"). The assets acquired and liabilities assumed and the results of operations of Hexion's epoxy business will be included in the Performance and Essential Materials segment. This acquisition represents a significant strategic expansion of Westlake's Performance and Essential Materials businesses into additional high-growth, innovative and sustainable-oriented applications – such as wind turbine blades and light-weight automotive structural components. Because epoxies are produced from chlorine and caustic soda, the transaction also provides vertical integration with our global chlor-alkali businesses.

### ***Boral Target Companies***

On June 20, 2021, Westlake, through one of its wholly-owned subsidiaries, entered into an Equity Purchase Agreement (the "Boral Purchase Agreement") by and among Boral Building Products Inc., a Michigan corporation, Boral Stone Products LLC, a Delaware limited liability company, Boral Lifetile Inc., a California corporation, Boral Windows LLC, a Utah limited liability company, Boral Industries Inc., a California corporation ("Boral Industries"), and, solely for the limited purposes set forth therein, Westlake and Boral Limited, an Australian corporation ("Boral"). Pursuant to the terms of the Boral Purchase Agreement, Westlake agreed to acquire from Boral Industries all of the issued and outstanding equity interests of certain subsidiaries of Boral Industries engaged in Boral's North American building products businesses in roofing, siding, trim and shutters, decorative stone and windows (the "Boral Target Companies"). On October 1, 2021, we completed the acquisition of the Boral Target Companies (the "Boral Acquisition"). The total closing purchase consideration was \$2,132 million subject to working capital post-closing adjustments as well as a potential earn-out payment of up to \$65 million if the windows division of the Boral Target Companies generates EBITDA in excess of a specified target in its fiscal year ending June 30, 2024. The assets acquired and liabilities assumed and the results of operations of this business are included in the Housing and Infrastructure Products segment.

### ***Westlake Dimex Inc.***

On August 2, 2021, Westlake, through one of its wholly-owned subsidiaries, entered into that certain Stock Purchase Agreement (the "Dimex Purchase Agreement") with DX Acquisition Corp., a Delaware corporation ("Dimex"), each of Dimex's stockholders, and for limited purposes, Westlake and Grey Mountain Partners Fund III Holdings, L.P., pursuant to which Westlake agreed to acquire Dimex. On September 10, 2021, we completed the acquisition of, and acquired all of the equity interests in, Dimex (the "Dimex Acquisition") and subsequently renamed the acquired company Westlake Dimex Inc. ("Westlake Dimex"). The total closing purchase consideration was \$172 million, subject to working capital post-closing adjustments. The assets acquired and liabilities assumed and the results of operations of Westlake Dimex are included in the Housing and Infrastructure Products segment. Westlake Dimex is a producer of various consumer products made from post-industrial-recycled polyvinyl chloride, polyethylene and thermoplastic elastomer materials, including, landscape edging; home, office and industrial matting; marine dock edging; and masonry joint controls.

### ***LASCO Fittings, Inc.***

On July 4, 2021, Westlake, through one of its wholly-owned subsidiaries, entered into that certain Equity Purchase Agreement with Aalberts U.S. Holding Corp., a Delaware corporation ("Aalberts") and wholly-owned subsidiary of Aalberts N.V., pursuant to which Westlake agreed to acquire LASCO Fittings, Inc., a Delaware corporation ("LASCO"), from Aalberts. On August 19, 2021, we completed the acquisition of, and acquired all of the equity interests in, LASCO (the "LASCO Acquisition"). The total closing purchase consideration was \$277 million. The assets acquired and liabilities assumed and the results of operations of LASCO are included in the Housing and Infrastructure Products segment. LASCO is a manufacturer of injected-molded PVC fittings that serve the plumbing, pool and spa, industrial, irrigation and retail markets in the United States.



***Senior Notes Offering***

On August 19, 2021, we completed the registered public offering for \$1,700 million aggregate principal amount of senior notes, comprised of \$300 million aggregate principal amount of 0.875% senior notes due 2024 (the "0.875% 2024 Senior Notes"), \$350 million aggregate principal amount of 2.875% senior notes due 2041 (the "2.875% 2041 Senior Notes"), \$600 million aggregate principal amount of 3.125% senior notes due 2051 (the "3.125% 2051 Senior Notes") and \$450 million aggregate principal amount of 3.375% senior unsecured notes due 2061 (the "3.375% 2061 Senior Notes" and, together with the 0.875% 2024 Senior Notes, the 2.875% 2041 Senior Notes and the 3.125% 2051 Senior Notes, the "Notes"). The net proceeds from the offering of the Notes were used to fund a portion of the purchase prices of the 2021 Acquisitions. See "Liquidity and Capital Resources—Debt" below and Note 11 to the consolidated financial statements included in this Form 10-K for more information.

***Hurricane Ida***

On August 29, 2021, Hurricane Ida made a landfall in Louisiana as a category 4 storm. Due to Hurricane Ida, several of our facilities in the region experienced disruption to their operations, resulting in lost production and sales and higher maintenance expense. Our facilities impacted by Hurricane Ida have resumed production.

***Petro 2 Facility Flash Fire***

In September 2021, OpCo's Petro 2 ethylene unit commenced turnaround activities. On September 27, 2021, shortly after the turnaround commenced, there was a flash fire at the quench tower of the Petro 2 facility. Several contractors working on the quench tower were injured. Although there was no sustained fire or offsite impact resulting from the incident and the quench tower did not sustain significant damage, due to the subsequent investigation by the Occupational Safety and Health Administration, the duration of the turnaround was extended and concluded in December 2021. There are lawsuits pending in connection with the flash fire at the quench tower.

## Results of Operations

### Segment Data

The table below and descriptions that follow represent the consolidated results of operations of the Company for the years ended December 31, 2021, 2020 and 2019.

#### Net External Sales

The table below presents net external sales on a disaggregated basis for our two principal operating segments. Performance materials net external sales primarily consists of sales of PVC and polyethylene. Essential materials net external sales primarily consist of sales of caustic soda, styrene, and related derivative materials. Housing products net external sales primarily consist of sales of housing exterior and interior products, residential pipes and fittings and residential PVC compounds. Infrastructure products net external sales primarily consist of sales of non-residential pipes and fittings and non-residential PVC compounds.

	Year Ended December 31,		
	2021	2020	2019
(dollars in millions, except per share data)			
<b>Net external sales</b>			
Performance and Essential Materials			
Performance materials	\$ 5,997	\$ 3,428	\$ 3,574
Essential materials	2,673	2,037	2,610
Total performance and essential materials	8,670	5,465	6,184
Housing and Infrastructure Products			
Housing products	2,334	1,497	1,390
Infrastructure products	774	542	544
Total housing and infrastructure products	3,108	2,039	1,934
Total	\$ 11,778	\$ 7,504	\$ 8,118
<b>Income (loss) from operations</b>			
Performance and Essential Materials	\$ 2,549	\$ 231	\$ 569
Housing and Infrastructure Products	356	256	136
Corporate and other	(105)	(58)	(49)
Total income from operations	2,800	429	656
Interest expense	(176)	(142)	(124)
Other income, net	53	44	38
Provision for (benefit from) income taxes	607	(42)	108
Net income	2,070	373	462
Net income attributable to noncontrolling interests	55	43	41
Net income attributable to Westlake Corporation	\$ 2,015	\$ 330	\$ 421
Diluted earnings per share	\$ 15.58	\$ 2.56	\$ 3.25
EBITDA <sup>(1)</sup>	\$ 3,693	\$ 1,246	\$ 1,407

(1) See above for discussions on non-GAAP financial measures. See "Reconciliation of EBITDA to Net Income, Income from Operations and Net Cash Provided by Operating Activities" below.

	Year Ended December 31,			
	2021		2020	
	Average Sales Price	Volume	Average Sales Price	Volume
<b>Product sales price and volume percentage change from prior year</b>				
Performance and Essential Materials	+58 %	+1 %	-6 %	-6 %
Housing and Infrastructure Products	+33 %	+19 %	— %	+5 %
Company average	+51 %	+6 %	-4 %	-3 %

**Average Industry Prices <sup>(1)</sup>**

	Year Ended December 31,		
	2021	2020	2019
<b>Average domestic prices</b>			
Natural Gas (\$/MMBtu) <sup>(2)</sup>	3.9	2.1	2.7
Ethane (cents/lb) <sup>(3)</sup>	10.4	6.4	7.3
Propane (cents/lb) <sup>(4)</sup>	24.7	11.0	12.7
Ethylene (cents/lb) <sup>(5)</sup>	42.9	17.5	18.5
Polyethylene (cents/lb) <sup>(6)</sup>	94.5	57.5	59.0
Styrene (cents/lb) <sup>(7)</sup>	83.5	56.0	79.1
Caustic soda (\$/short ton) <sup>(8)</sup>	787	674	692
Chlorine (\$/short ton) <sup>(9)</sup>	387	180	175
PVC (cents/lb) <sup>(10)</sup>	105.3	74.0	68.4
<b>Average export prices</b>			
Polyethylene (cents/lb) <sup>(11)</sup>	81.2	44.2	41.0
Caustic soda (\$/short ton) <sup>(12)</sup>	380	250	273
PVC (cents/lb) <sup>(13)</sup>	77.4	39.6	34.9

**Housing Starts Data <sup>(14)</sup>**

	Year Ended December 31,		
	2021	2020	2019
	(in thousands of units)		
Single and Multi-family Housing Starts	1,597	1,380	1,290

(1) Industry pricing data was obtained through IHS Markit ("IHS"). We have not independently verified the data.

(2) Average Burner Tip contract prices of natural gas over the period.

(3) Average Mont Belvieu spot prices of purity ethane over the period.

(4) Average Mont Belvieu spot prices of non-TET propane over the period.

(5) Average North American spot prices of ethylene over the period.

(6) Average North American Net Transaction prices of polyethylene low density GP-Film grade over the period.

(7) Average North American contract prices of styrene over the period.

(8) Average USGC-CSLi index values for caustic soda over the period. As stated by IHS, "the caustic soda price listing represents the USGC-CSLi values. USGC-CSLi does not reflect contract price discounts, implementation lags, caps or other adjustments factors. Additionally, it is not intended to represent a simple arithmetic average of all market transactions occurring during the month. Rather, the USGC-CSLi is most representative of the month-to-month caustic soda price movement for contract volumes of liquid 50% caustic soda rather than the absolute value of contract prices at a particular point in time. It is intended to serve only as a benchmark."

(9) Average North American contract prices of chlorine over the period.

(10) Average North American contract prices of pipe grade PVC over the period. As stated by IHS, "the contract resin prices posted reflect an "index" or "market" for prices before discounts, rebates, incentives, etc."

(11) Average North American export price for low density polyethylene GP-Film grade over the period.

- (12) Average North American low spot export prices of caustic soda over the period.  
(13) Average North American spot export prices of PVC over the period.  
(14) Housing starts data per the U.S. Census Bureau.

#### Reconciliation of EBITDA to Net Income, Income from Operations and Net Cash Provided by Operating Activities

The following table presents the reconciliation of EBITDA to net income, income from operations and net cash provided by operating activities, the most directly comparable GAAP financial measures, for each of the periods indicated.

	Year Ended December 31,		
	2021	2020	2019
	(dollars in millions)		
Net cash provided by operating activities	\$ 2,394	\$ 1,297	\$ 1,301
Changes in operating assets and liabilities and other	(301)	(778)	(785)
Deferred income taxes	(23)	(146)	(54)
Net income	2,070	373	462
Less:			
Other income, net	53	44	38
Interest expense	(176)	(142)	(124)
Benefit from (provision for) income taxes	(607)	42	(108)
Income from operations	2,800	429	656
Add:			
Depreciation and amortization	840	773	713
Other income, net	53	44	38
EBITDA	\$ 3,693	\$ 1,246	\$ 1,407

#### 2021 Compared with 2020

##### Summary

For the year ended December 31, 2021, net income attributable to Westlake Corporation was \$2,015 million, or \$15.58 per diluted share, on net sales of \$11,778 million. This represents an increase in net income attributable to Westlake Corporation of \$1,685 million, or \$13.02 per diluted share, compared to 2020 net income attributable to Westlake Corporation of \$330 million, or \$2.56 per diluted share, on net sales of \$7,504 million. Income from operations was \$2,800 million for the year ended December 31, 2021 as compared to \$429 million for the year ended December 31, 2020, an increase of \$2,371 million. The increase in net income and income from operations was primarily due to significantly higher global sales prices and integrated margins for our major products due to the strengthening of demand for our products resulting from continued improvement in global economic activity from the severe impact of the COVID-19 pandemic in 2020, strong residential construction and repair and remodeling markets in North America and strong demand from the packaging and other consumer markets. Net income and income from operations for the year ended December 31, 2021 were positively impacted by higher margin contribution on ethylene produced by LACC. Net income and income from operations for the year ended December 31, 2021 was negatively impacted by higher feedstock costs, fuel costs and selling, general and administrative expense. The year ended December 31, 2020 net income included an income tax rate benefit of \$95 million resulting from the carryback of federal net operating losses permitted by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Net sales increased by \$4,274 million to \$11,778 million in 2021 from \$7,504 million in 2020, mainly due to higher sales prices for our major products as well as higher sales volumes for Housing and Infrastructure Products due to our acquisitions in 2021.

*Net Sales.* Net sales increased by \$4,274 million, or 57%, to \$11,778 million in 2021 from \$7,504 million in 2020, primarily attributable to higher sales prices for our major products as well as higher sales volumes for Housing and Infrastructure Products due to our acquisitions in 2021. Average sales prices for 2021 increased by 51% as compared to 2020 due to the strong demand for our products resulting from continued improvement in global economic activity, strong residential construction, repair and remodeling markets in North America, and strong demand from the packaging and other consumer markets. Sales volumes increased by 6% in 2021 as compared to 2020, primarily due to the 2021 Acquisitions.

*Gross Profit.* Gross profit margin percentage increased to 30% in 2021 from 14% in 2020. The increase in gross profit margin was primarily due to higher sales prices and margins for our major products. Gross profit margin for the year ended December 31, 2021 was also positively impacted by the margin contributed from LACC's produced ethylene. Gross profit margin for the year ended December 31, 2021 was negatively impacted by higher feedstock and fuel costs.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased by \$102 million to \$551 million in 2021 from \$449 million in 2020. This increase was mainly due to higher employee compensation, selling and consulting expenses and the inclusion of expenses related to the 2021 Acquisitions.

*Amortization of Intangibles.* Amortization expense increased by \$14 million to \$123 million in 2021 from \$109 million for 2020, primarily due to the amortization of intangibles associated with the 2021 Acquisitions.

*Restructuring, Transaction and Integration-related Costs.* Restructuring, transaction and integration-related costs were \$21 million in 2021 as compared to \$36 million in 2020. The restructuring, transaction and integration-related costs of \$21 million for the year ended December 31, 2021 primarily consisted of costs associated with the 2021 Acquisitions. Restructuring, transaction and integration-related costs of \$36 million in the year ended December 31, 2020 was primarily related to the closure of a non-integrated PVC plant located in Germany and included the \$8 million write-off of certain assets and other expenses associated with the plant closure.

*Interest Expense.* Interest expense increased by \$34 million to \$176 million in 2021 from \$142 million in 2020, primarily as a result of higher average debt outstanding in 2021 as compared to the year ended December 31, 2020 and the settlement of interest rate lock arrangements associated with the issuance of the Notes. See "Liquidity and Capital Resources—Debt" below and Note 11 to the consolidated financial statements included in this Form 10-K for further discussion of our indebtedness.

*Other Income, Net.* Other income, net of \$53 million in 2021 was higher as compared to other income, net of \$44 million in 2020. This increase was primarily due to higher expected return on pension plan assets.

*Income Taxes.* The effective income tax rate was an expense of 23% in 2021 as compared to a benefit of 13% in 2020. The change in effective tax rate in 2021 as compared to 2020 was primarily due to the income tax rate benefit in the year ended December 31, 2020 resulting from the carryback of federal net operating loss to taxable years that were taxed at the U.S. corporate tax rate of 35% as permitted under the CARES Act, partially offset by the reduction in the Section 199 domestic manufacturing deduction as a result of the net operating loss carryback.

### ***Performance and Essential Materials Segment***

*Net Sales.* Net sales for the Performance and Essential Materials segment increased by \$3,205 million, or 59%, to \$8,670 million in 2021 from \$5,465 million in 2020. Average sales prices for the Performance and Essential Materials segment increased by 58% in 2021 as compared to 2020. The higher performance materials sales prices were due to higher polyethylene and PVC resin sales prices. The higher essential materials sales prices were primarily driven by the higher prices for caustic due to improved global economic activity. Sales volumes for the Performance and Essential Materials segment remained relatively consistent in 2021 as compared to 2020.

*Income from Operations.* Income from operations for the Performance and Essential Materials segment increased by \$2,318 million to \$2,549 million in 2021 from \$231 million in 2020. This increase in income from operations was primarily due to higher sales prices and margins for polyethylene, PVC resin and caustic soda, mainly resulting from the continued improvement in global economic activity from the severe impact of the COVID-19 pandemic in 2020. The increase in income from operations as compared to the prior year was negatively impacted by higher feedstock and fuel costs. Income from operations for the year ended December 31, 2021 was also impacted by Winter Storm Uri and Hurricane Ida, while income from operations for the year ended December 31, 2020 was negatively impacted by the onset of the COVID-19 pandemic and Hurricanes Laura and Delta.

### ***Housing and Infrastructure Products Segment***

*Net Sales.* Net sales for the Housing and Infrastructure Products segment increased by \$1,069 million, or 52%, to \$3,108 million in 2021 from \$2,039 million in 2020. In addition to the net sales from the businesses we acquired in the second half of 2021, the increase in net sales was also driven by higher sales prices for our major products in the housing and infrastructure businesses. Average sales prices increased by 33% from 2020 to due to strong demand for our major products in the residential construction and repair and remodeling markets. Sales volumes for the Housing and Infrastructure Products segment increased by 19% in 2021 as compared to 2020 due to strong demand as well as the businesses we acquired in the second half of 2021.

*Income from Operations.* Income from operations for the Housing and Infrastructure Products segment increased by \$100 million to \$356 million in 2021 from \$256 million in 2020. The increase in income from operations was primarily due to significantly higher sales prices and margins driven by robust housing construction and remodeling activity resulting from the continued economic recovery from the COVID-19 pandemic. Additionally, 2021 experienced higher energy costs as well as the impacts from Winter Storm Uri and Hurricane Ida, while income from operations for the year ended December 31, 2020 was negatively impacted by the onset of the COVID-19 pandemic and Hurricanes Laura and Delta.

## 2020 Compared with 2019

### Summary

For the year ended December 31, 2020, net income attributable to Westlake Corporation was \$330 million, or \$2.56 per diluted share, on net sales of \$7,504 million. This represents a decrease in net income attributable to Westlake Corporation of \$91 million, or \$0.69 per diluted share, compared to 2019 net income attributable to Westlake Corporation of \$421 million, or \$3.25 per diluted share, on net sales of \$8,118 million. Net income for the year ended December 31, 2020 decreased as compared to the prior year primarily due to lower global sales prices for several of our major products, including caustic soda, and lower sales volumes for caustic soda resulting from the impact of the COVID-19 pandemic and lower crude oil prices. Net income for 2020 was also impacted by the shutdowns of our Lake Charles facilities in the second half of 2020 due to Hurricanes Laura and Delta, which resulted in lower plant operating rates, higher maintenance expense and lower production for many of our major products. In addition, in 2020 we had a higher interest expense related to higher average borrowings. These decreases were partially offset by the income tax rate benefit of \$95 million, or \$0.74 per diluted share, resulting from the carryback of federal net operating losses permitted by the CARES Act, higher sales volumes for housing and infrastructure products, higher contributions from our ethylene joint venture LACC, LLC ("LACC") and lower fuel costs and selling, general and administrative expenses. Income from operations was \$429 million for the year ended December 31, 2020 as compared to \$656 million for the year ended December 31, 2019, a decrease of \$227 million. The decrease in income from operations was primarily due to lower global sales prices for our major products, lower sales volume for caustic soda, lower operating rates and higher maintenance expense due to Hurricanes Laura and Delta. The decreases were partially offset by higher sales volumes for housing and infrastructure products and higher contributions from LACC, lower fuel costs and selling, general and administrative costs. Net sales decreased by \$614 million to \$7,504 million in 2020 from \$8,118 million in 2019, mainly due to lower sales prices and volumes for several of our major products, including caustic soda, partially offset by higher sales volumes for housing and infrastructure products in the second half of the year ended December 31, 2020.

*Net Sales.* Net sales decreased by \$614 million, or 8%, to \$7,504 million in 2020 from \$8,118 million in 2019, primarily attributable to lower sales prices and volumes for several of our major products, including caustic soda, partially offset by higher sales volumes for housing and infrastructure products. Average sales prices for 2020 decreased by 4% as compared to 2019 due to slower global economic activity as a result of the COVID-19 pandemic and lower crude oil prices. Sales volumes decreased by 3% in 2020 as compared to 2019.

*Gross Profit.* Gross profit margin percentage decreased to 14% in 2020 from 16% in 2019. The gross profit margin decreased primarily due to lower global sales prices for several of our major products and lower sales volumes for caustic soda resulting from the impact of the COVID-19 pandemic and lower crude oil prices. Gross profit margin was also impacted by the shutdown of our Lake Charles facilities in the second half of 2020 due to Hurricanes Laura and Delta, which resulted in lower plant operating rates, higher maintenance expense and lower production for many of our major products. These decreases were partially offset by higher sales volumes for housing and infrastructure products and lower fuel costs.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased by \$9 million to \$449 million in 2020 from \$458 million in 2019. This decrease was mainly due to lower employee compensation and selling expenses.

*Amortization of Intangibles.* Amortization expense for 2020 was \$109 million, which was comparable to \$109 million for 2019.

*Restructuring, Transaction and Integration-related Costs.* Restructuring, transaction and integration-related costs were \$36 million in 2020 as compared to \$37 million in 2019. The restructuring, transaction and integration-related costs for 2020 primarily related to the closure of a non-integrated PVC plant located in Germany and included the \$8 million write-off of certain assets and other expenses associated with the plant closure. The restructuring, transaction and integration-related costs for 2019 primarily consisted of restructuring expenses of \$26 million and acquisition costs.

*Interest Expense.* Interest expense increased by \$18 million to \$142 million in 2020 from \$124 million in 2019, primarily as a result of higher average debt outstanding in 2020 as compared to 2019. The higher average debt balance in 2020 was primarily due to the borrowing of \$1 billion under our revolving credit facility in March 2020 out of an abundance of caution (which we fully repaid in June 2020), the issuance of the €700 million aggregate principal amount of 1.625% 2029 Senior Notes in July 2019, which were outstanding for the full calendar year in 2020 (as compared to less than half a year in 2019), and the issuance of the \$300 million aggregate principal amount of 3.375% 2030 Senior Notes in June 2020 and lower interest capitalization due to lower activity with respect to capital expenditure projects during 2020 as compared to the prior year, partially offset by the purchase in lieu of redemption of the 6 ½% 2029 GO Zone Bonds, the 6 ½% 2035 GO Zone Bonds and the 6 ½% 2035 IKE Zone Bonds. See "Liquidity and Capital Resources—Debt" below and Note 11 to the consolidated financial statements included in this Form 10-K for further discussion of our indebtedness.

*Other Income, Net.* Other income, net of \$44 million in 2020 was higher as compared to other income, net of \$38 million in 2019. This increase was primarily due to higher expected return on pension plan assets.

*Income Taxes.* The effective income tax rate was a benefit of 13% in 2020 as compared to an expense of 19% in 2019. The change in effective tax rate in 2020 as compared to the prior year was primarily due to the income tax rate benefit resulting from the carryback of federal net operating loss to taxable years that were taxed at the U.S. corporate tax rate of 35% as permitted under the CARES Act, partially offset by the reduction in the Section 199 domestic manufacturing deduction as a result of the net operating loss carryback.

### ***Performance and Essential Materials Segment***

*Net Sales.* Net sales for the Performance and Essential Materials segment decreased by \$719 million, or 12%, to \$5,465 million in 2020 from \$6,184 million in 2019. Average sales prices for the Performance and Essential Materials segment decreased by 6% in 2020, as compared to 2019. The lower performance materials sales prices were due to lower polyethylene prices as a result of increased production from new industry capacity and lower PVC resin sales prices due to slower global economic activity as a result of the COVID-19 pandemic. The lower essential materials sales prices were driven by lower caustic soda prices. Average sales volumes decreased by 6% in 2020 as compared to 2019 due to the slower global economic activity as a result of the COVID-19 pandemic. Lower performance materials global sales volumes were due to lower polyethylene and PVC resin sales volumes and lower essential materials sales volumes were driven by lower caustic soda sales volume.

*Income from Operations.* Income from operations for the Performance and Essential Materials segment decreased by \$338 million to \$231 million in 2020 from \$569 million in 2019. This decrease in income from operations was primarily due to lower caustic soda and PVC resin sales prices and lower PVC resin and polyethylene sales volumes, partially offset by lower purchased ethylene, ethane feedstock and fuel costs. Trading activity in 2020 resulted in a gain of approximately \$4 million as compared to a loss of \$26 million in 2019.

### ***Housing and Infrastructure Products Segment***

*Net Sales.* Net sales for the Housing and Infrastructure Products segment increased by \$105 million, or 5%, to \$2,039 million in 2020 from \$1,934 million in 2019. Sales volumes for the Housing and Infrastructure Products segment increased by 5% in 2020 as compared to 2019, primarily due to higher demand for our major products in the residential construction and repair and remodeling markets, partially offset by lower infrastructure products sales due to the impact of the COVID-19 pandemic.

*Income from Operations.* Income from operations for the Housing and Infrastructure Products segment increased by \$120 million to \$256 million in 2020 from \$136 million in 2019. The increase in income from operations was primarily due to higher sales volumes and prices for our major housing products and lower feedstock costs partially offset by lower sales for infrastructure products. The income from operations for the year ended December 31, 2020 was also negatively impacted by the onset of the COVID-19 pandemic and Hurricanes Laura and Delta.

## **Cash Flows**

### ***Operating Activities***

Operating activities provided cash of \$2,394 million in 2021, as compared to cash provided by operating activities of \$1,297 million in 2020. The \$1,097 million increase in cash flows from operating activities was mainly due to the increase in income from operations, which was partially offset by working capital changes and an unfavorable change related to the turnaround at OpCo's Petro 2 facility and other turnaround activities. Changes in components of working capital, which we define for purposes of this cash flow discussion as accounts receivable, inventories, prepaid expenses and other current assets, less accounts payable and accrued and other liabilities, used cash of \$383 million in 2021, as compared to \$17 million of cash used in 2020, an unfavorable change of \$366 million. The majority of the unfavorable changes in 2021 were driven by higher accounts receivable and higher inventories, partially offset by higher accounts payable and accrued and other liabilities. The unfavorable change in accounts receivable was primarily driven by higher sales prices resulting in higher trade customer balances. The higher inventories, accounts payable and accrued and other liabilities in 2021 were primarily driven by higher inventory cost and an increase in operating activities, as compared to 2020.

Operating activities provided cash of \$1,297 million in 2020 as compared to cash provided by operating activities of \$1,301 million in 2019. The changes in cash flows from operating activities in 2020, as compared to 2019, were mainly driven by the decrease in income from operations, the income tax refund of \$188 million under the CARES Act and working capital changes. Changes in components of working capital, which we define for purposes of this cash flow discussion as accounts receivable, inventories, prepaid expenses and other current assets, less accounts payable and accrued and other liabilities used cash of \$17 million in 2020, as compared to \$68 million of cash provided in 2019, an unfavorable change of \$85 million. Unfavorable changes in working capital were due to a change in accounts receivable, which was driven by higher sales in the fourth quarter of 2020 and the expected additional income tax refund resulting from the CARES Act, as discussed previously. Favorable changes in working capital were due to lower inventories and higher accounts payable and accrued liabilities, primarily driven by the changes in inventory levels and operating activities.

### ***Investing Activities***

Net cash used for investing activities during 2021 was \$3,213 million as compared to net cash used of \$509 million in 2020. The increase in investing activities in 2021 was primarily due to the acquisitions of Boral, LASCO and Dimex for \$2,554 million in the aggregate, net of cash acquired. Capital expenditures were \$658 million in 2021 compared to \$525 million in 2020. The higher capital expenditures in 2021 were primarily associated with the turnaround at OpCo's Petro 2 facility. Capital expenditures in 2021 and 2020 were primarily related to projects to improve production capacity or reduce costs, maintenance and safety projects and environmental projects at our various facilities. During 2021, we contributed \$22 million to LACC and \$2 million to an unconsolidated investee compared to a net return of investment of \$40 million from LACC in 2020.

Net cash used for investing activities during 2020 was \$509 million as compared to net cash used of \$1,954 million in 2019. Capital expenditures were \$525 million in 2020 compared to \$787 million in 2019. The decrease in capital expenditures was primarily due to fewer expansion projects in 2020, as compared to 2019. Capital expenditures in 2020 were primarily related to projects to improve production capacity or reduce costs, maintenance and safety projects and environmental projects at our various facilities. In 2020, we received \$44 million from our joint venture, LACC, representing a return of investment and we contributed \$4 million. The Company's contribution to unconsolidated subsidiaries in 2020 was primarily comprised of \$14 million towards our investment in RS Cogen. Investing activities in 2019 were primarily due to acquisitions for \$314 million, net of cash acquired, the purchase of the additional 34.8% interest in LACC for \$817 million in November 2019 and payment of \$45 million to fund the construction costs of LACC. Capital expenditures in 2019 included certain announced expansion projects as well as projects to improve production capacity or reduce costs, maintenance and safety and environmental projects at our various facilities.

### ***Financing Activities***

Net cash provided by financing activities during 2021 was \$1,437 million as compared to net cash used of \$216 million in 2020. The activities during 2021 were primarily related to the registered public offering of \$300 million aggregate principal amount of the 0.875% 2024 Senior Notes, \$350 million aggregate principal amount of the 2.875% 2041 Senior Notes, \$600 million aggregate principal amount of the 3.125% 2051 Senior Notes and \$450 million aggregate principal amount of the 3.375% 2061 Senior Notes and the payment of debt issuance costs of \$18 million related to the Notes. The remaining activities in 2021 were primarily related to the \$145 million payment of cash dividends, the \$48 million payment of cash distributions to noncontrolling interests and repurchases of our common stock for an aggregate purchase price of \$30 million.

Net cash used for financing activities during 2020 was \$216 million as compared to net cash provided of \$630 million in 2019. In 2020, out of abundance of caution, we borrowed \$1,000 million under our revolving credit facility, which we subsequently fully repaid in June 2020. In 2020, we completed the registered public offering of \$300 million aggregate principal amount of the 3.375% 2030 Senior Notes and we purchased in lieu of optional redemption the \$100 million 6 ½% 2029 GO Zone Senior Notes, the \$89 million 6 ½% 2035 GO Zone Senior Notes and the \$65 million 6 ½% 2035 IKE Zone Senior Notes. The remaining activities in 2020 were primarily related to the \$137 million payment of cash dividends, the \$55 million payment of cash distributions to noncontrolling interests, repurchases of common stock of \$54 million and repayment of short-term notes payable of \$17 million. In 2019, we received proceeds of \$784 million from the issuance of the 1.625% 2029 Senior Notes and \$63 million from the issuance of Westlake Partners common units. The remaining activities in 2019 were primarily related to the \$132 million payment of cash dividends, the \$50 million payment of cash distributions to noncontrolling interests and repurchases of common stock for an aggregate purchase price of \$30 million.

## **Liquidity and Capital Resources**

### ***Liquidity and Financing Arrangements***

Our principal sources of liquidity are from cash and cash equivalents, cash from operations, short-term borrowings under the Credit Agreement and our long-term financing.



In November 2014, our Board of Directors authorized a \$250 million stock repurchase program (the "2014 Program"). In November 2015, our Board of Directors approved the expansion of the 2014 Program by an additional \$150 million. In August 2018, our Board of Directors approved the further expansion of the existing 2014 Program by an additional \$150 million. As of December 31, 2021, we had repurchased 7,431,520 shares of our common stock for an aggregate purchase price of approximately \$449 million under the 2014 Program. During the year ended December 31, 2021, 355,800 shares of our common stock were repurchased for an aggregate purchase price of \$30 million under the 2014 Program. Purchases under the 2014 Program may be made either through the open market or in privately negotiated transactions. Decisions regarding the amount and the timing of purchases under the 2014 Program will be influenced by our cash on hand, our cash flow from operations, general market conditions and other factors. The 2014 Program may be discontinued by our Board of Directors at any time.

On October 4, 2018, Westlake Partners and Westlake Partners GP, the general partner of Westlake Partners, entered into an Equity Distribution Agreement with UBS Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC to offer and sell Westlake Partners common units, from time to time, up to an aggregate offering amount of \$50 million. This Equity Distribution Agreement was amended on February 28, 2020 to reference a new shelf registration for utilization under this agreement. No common units have been issued under this program in 2019, 2020 or 2021.

We believe that our sources of liquidity as described above are adequate to fund our normal operations and ongoing capital expenditures. Funding of any potential large expansions such as our recent Acquisitions or potential future acquisitions or the repayment of debt may likely necessitate, and therefore depend on our ability to obtain, additional financing in the future. We may not be able to access additional liquidity at cost effective interest rates due to the volatility of the commercial credit markets.

On August 19, 2021, we completed the registered public offering of the Notes. See "Liquidity and Capital Resources—Debt" below for more information.

#### ***Cash and Cash Equivalents***

As of December 31, 2021, our cash and cash equivalents totaled \$1,908 million. In addition, we have the Credit Agreement available to supplement cash if needed, as described under "Debt" below.

#### ***Debt***

As of December 31, 2021, our indebtedness totaled \$5,180 million. See Note 11 to the consolidated financial statements appearing elsewhere in this Form 10-K for a discussion of our long-term indebtedness. Defined terms used in this section have the definitions assigned to such terms in Note 11 to the consolidated financial statements included in Item 8 of this Form 10-K.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based on our current level of operations and unless we were to undertake a new expansion or large acquisition, we believe our cash flows from operations, available cash and available borrowings under the Credit Agreement will be adequate to meet our normal operating needs for the foreseeable future.

#### ***Credit Agreement***

On July 24, 2018, we entered into a new \$1 billion revolving credit facility that is scheduled to mature on July 24, 2023 (the "Credit Agreement"). The Credit Agreement bears interest at either (a) LIBOR plus a spread ranging from 1.00% to 1.75% or (b) Alternate Base Rate plus a spread ranging from 0.00% to 0.75% in each case depending on the credit rating of the Company. As of December 31, 2021, we had no borrowings outstanding under the Credit Agreement. As of December 31, 2021, we had no outstanding letters of credit and had borrowing availability of \$1 billion under the Credit Agreement. The Credit Agreement contains certain affirmative and negative covenants, including a quarterly total leverage ratio financial maintenance covenant. As of December 31, 2021, we were in compliance with the total leverage ratio financial maintenance covenant.

The Credit Agreement also contains certain events of default and if and for so long as certain events of default have occurred and are continuing, any overdue amounts outstanding under the Credit Agreement will accrue interest at an increased rate, the lenders can terminate their commitments thereunder and payments of any outstanding amounts could be accelerated by the lenders. None of our subsidiaries are required to guarantee our obligations under the Credit Agreement.

The Credit Agreement includes a \$150 million sub-limit for letters of credit, and any outstanding letters of credit will be deducted from availability under the facility. The Credit Agreement also provides for a discretionary \$50 million commitment for swingline loans to be provided on a same-day basis. We may also increase the size of the facility, in increments of at least \$25 million, up to a maximum of \$500 million, subject to certain conditions and if certain lenders agree to commit to such an increase.

#### *3.60% Senior Notes due 2022*

In July 2012, we issued \$250 million aggregate principal amount of the 3.60% 2022 Senior Notes. We may optionally redeem the 3.60% 2022 Senior Notes at any time and from time to time prior to April 15, 2022 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after April 15, 2022, we may optionally redeem the 3.60% 2022 Senior Notes for 100% of the principal plus accrued interest. The holders of the 3.60% 2022 Senior Notes may require us to repurchase the 3.60% 2022 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 3.60% 2022 Senior Notes).

#### *0.875% Senior Notes due 2024*

In August 2021, we completed the registered public offering of \$300 million aggregate principal amount of the 0.875% 2024 Senior Notes. We may optionally redeem the 0.875% 2024 Senior Notes at any time and from time to time on or after August 15, 2022 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 0.875% 2024 Senior Notes may require us to repurchase the 0.875% 2024 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 0.875% 2024 Senior Notes).

#### *3.60% Senior Notes due 2026 and 5.0% Senior Notes due 2046*

In August 2016, we completed the private offering of \$750 million aggregate principal amount of our 3.60% 2026 Senior Notes and \$700 million aggregate principal amount of our 5.0% 2046 Senior Notes. In March 2017, the Company commenced registered exchange offers to exchange the 3.60% 2026 Senior Notes and the 5.0% 2046 Senior Notes for new notes that are identical in all material respects to the 3.60% 2026 Senior Notes and the 5.0% 2046 Senior Notes, except that the offer and issuance of the new Securities and Exchange Commission-registered notes have been registered under the Securities Act of 1933, as amended (the "Securities Act"). The exchange offers expired on April 24, 2017, and approximately 99.97% of the 3.60% 2026 Senior Notes and 100% of the 5.0% 2046 Senior Notes were exchanged. The notes that were not exchanged in the exchange offers have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities law.

#### *Revenue Bonds*

In December 1997, we entered into a loan agreement with a public trust established for public purposes for the benefit of the Parish of Calcasieu, Louisiana. The public trust issued \$11 million principal amount of tax-exempt waste disposal revenue bonds in order to finance our construction of waste disposal facilities for an ethylene plant. The waste disposal revenue bonds expire in December 2027 and are subject to redemption and mandatory tender for purchase prior to maturity under certain conditions. Interest on the waste disposal revenue bonds accrues at a rate determined by a remarketing agent and is payable quarterly. The interest rate on the waste disposal revenue bonds at December 31, 2021 and 2020 was 0.14% and 0.14%, respectively.

#### *1.625% Senior Notes due 2029*

In July 2019, we completed the registered public offering of €700 million aggregate principal amount of the 1.625% 2029 Senior Notes due July 17, 2029. The Company received approximately \$779 million of net proceeds from the offering. We may optionally redeem the 1.625% 2029 Senior Notes at any time and from time to time prior to April 17, 2029 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after April 17, 2029, we may optionally redeem the 1.625% 2029 Senior Notes for 100% of the principal amount plus accrued interest. The holders of the 1.625% 2029 Senior Notes may require us to repurchase the 1.625% 2029 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 1.625% 2029 Senior Notes).

### *3.375% Senior Notes due 2030*

In June 2020, we completed the registered public offering of \$300 million aggregate principal amount of the 3.375% 2030 Senior Notes due June 15, 2030. The Company received approximately \$297 million of net proceeds from the offering, and used a portion of the net proceeds to fund the purchase in lieu of optional redemption of the 6 ½% 2029 GO Zone Bonds, the 6 ½% 2035 GO Zone Bonds and the 6 ½% 2035 IKE Zone Bonds. We may optionally redeem the 3.375% 2030 Senior Notes at any time and from time to time prior to March 15, 2030 (three months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after March 15, 2030, we may optionally redeem the 3.375% 2030 Senior Notes for 100% of the principal amount plus accrued interest. The holders of the 3.375% 2030 Senior Notes may require us to repurchase the 3.375% 2030 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 3.375% 2030 Senior Notes).

### *3.50% 2032 GO Zone Refunding Bonds*

In November 2017, the Louisiana Local Government Environmental Facility and Development Authority (the "Authority") completed the offering of \$250 million aggregate principal amount of 3.50% tax-exempt revenue refunding bonds due November 1, 2032 (the "Refunding Bonds"), the net proceeds of which were used to redeem \$250 million aggregate principal amount of the Authority's 6 ¾% tax-exempt revenue bonds due November 1, 2032 issued by the Authority under the GO Zone Act in December 2007. In connection with the issuance of the Refunding Bonds, we issued \$250 million of the 3.50% 2032 GO Zone Refunding Senior Notes. The Refunding Bonds are subject to optional redemption by the Authority upon the direction of the Company at any time on or after November 1, 2027, for 100% of the principal plus accrued interest.

### *2.875% Senior Notes due 2041*

In August 2021, we completed the registered public offering of \$350 million aggregate principal amount of the 2.875% 2041 Senior Notes. We may optionally redeem the 2.875% 2041 Senior Notes at any time and from time to time prior to February 15, 2041 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 2.875% 2041 Senior Notes being redeemed that would be due if the 2.875% 2041 Senior Notes matured on February 15, 2041, discounted to the redemption date on a semi-annual basis, plus 20 basis points, and plus accrued and unpaid interest. In addition, we may optionally redeem the 2.875% 2041 Senior Notes at any time on or after February 15, 2041 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 2.875% 2041 Senior Notes may require us to repurchase the 2.875% 2041 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 2.875% 2041 Senior Notes).

### *4.375% Senior Notes due 2047*

In November 2017, we completed the registered public offering of \$500 million aggregate principal amount of 4.375% Senior Notes due November 15, 2047. We may optionally redeem the 4.375% 2047 Senior Notes at any time and from time to time prior to May 15, 2047 (six months prior to the maturity date) for 100% of the principal plus accrued interest and a discounted "make whole" payment. On or after May 15, 2047, we may optionally redeem the 4.375% 2047 Senior Notes for 100% of the principal amount plus accrued interest. The holders of the 4.375% 2047 Senior Notes may require us to repurchase the 4.375% 2047 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 4.375% 2047 Senior Notes).

### *3.125% Senior Notes due 2051*

In August 2021, we completed the registered public offering of \$600 million aggregate principal amount of the 3.125% 2051 Senior Notes. We may optionally redeem the 3.125% 2051 Senior Notes at any time and from time to time prior to February 15, 2051 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 3.125% 2051 Senior Notes being redeemed that would be due if the 3.125% 2051 Senior Notes matured on February 15, 2051, discounted to the redemption date on a semi-annual basis, plus 25 basis points, and plus accrued and unpaid interest. In addition, we may optionally redeem the 3.125% 2051 Senior Notes at any time on or after February 15, 2051 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 3.125% 2051 Senior Notes may require us to repurchase the 3.125% 2051 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 3.125% 2051 Senior Notes).

### *3.375% Senior Notes due 2061*

In August 2021, we completed the registered public offering of \$450 million aggregate principal amount of the 3.375% 2061 Senior Notes. We may optionally redeem the 3.375% 2061 Senior Notes at any time and from time to time prior to February 15, 2061 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 3.375% 2061 Senior Notes being redeemed that would be due if the 3.375% 2061 Senior Notes matured on February 15, 2061, discounted to the redemption date on a semi-annual basis, plus 25 basis points, and plus accrued and unpaid interest. In addition, we may optionally redeem the 3.375% 2061 Senior Notes at any time on or after February 15, 2061 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 3.375% 2061 Senior Notes may require us to repurchase the 3.375% 2061 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 3.375% 2061 Senior Notes).

### *8.73% 2022 RS Cogen Debt*

In July 2000, RS Cogen, our 50%-owned joint venture, entered into a \$75 million aggregate principal amount senior credit facility institutional loan at an interest rate of 8.73%. All of the assets of RS Cogen are pledged as collateral under its senior credit facility. Borrowings under this senior credit facility are repayable quarterly over the remaining term. The Company does not guarantee RS Cogen's debt commitments and RS Cogen is not a guarantor for any of the Company's other long-term debt obligations. The balance outstanding under this loan was \$19 million at December 31, 2021.

### *2026 Term Loans*

In March 2021, Taiwan Chlorine Industries, Ltd., our 60%-owned joint venture, entered into five-year loan agreements for a maximum total limit of approximately \$22 million. The interest rate on these loans at December 31, 2021 was 0.20%. The unsecured loans include a government rate subsidy and have a 5-year maturity. The balance outstanding under these loans was approximately \$9 million at December 31, 2021.

The indenture governing the 3.60% 2022 Senior Notes, the 0.875% 2024 Senior Notes, the 3.60% 2026 Senior Notes, the 1.625% 2029 Senior Notes, the 3.375% 2030 Senior Notes, the 3.50% 2032 GO Zone Refunding Senior Notes, the 2.875% 2041 Senior Notes, the 5.0% 2046 Senior Notes, the 4.375% 2047 Senior Notes, the 3.125% 2051 Senior Notes, and the 3.375% 2061 Senior Notes contains customary events of default and covenants that, among other things and subject to certain exceptions, restrict us and certain of our subsidiaries' ability to (1) incur certain secured indebtedness, (2) engage in certain sale and leaseback transactions and (3) consolidate, merge or transfer all or substantially all of its assets.

As of December 31, 2021, we were in compliance with all of our long-term debt covenants.

### ***Westlake Chemical Partners LP Credit Arrangements***

Our subsidiary, Westlake Chemical Finance Corporation, is the lender party to a \$600 million revolving credit facility with Westlake Chemical Partners LP ("Westlake Partners"), originally entered into on April 29, 2015 and amended in August and December 2017. In addition, on March 19, 2020, Westlake Partners and Westlake Chemical Finance Corporation entered into an amendment to the revolving credit facility, to extend the maturity date to March 19, 2023 and add a phase-out provision for LIBOR, which is to be replaced by an alternate benchmark rate. Borrowings under the revolving credit facility bear interest at LIBOR plus a spread ranging from 2.0% to 3.0% (depending on Westlake Partners' consolidated leverage ratio), payable quarterly. Westlake Partners may pay all or a portion of the interest on any borrowings in kind, in which case any such amounts would be added to the principal amount of the loan. As of December 31, 2021, outstanding borrowings under the revolving credit facility totaled \$377 million and bore interest at the LIBOR rate plus 2.0%.

Our subsidiary, Westlake Polymers LLC, is the administrative agent to a \$600 million revolving credit facility with OpCo. The revolving credit facility is scheduled to mature in September 2023. As of December 31, 2021, outstanding borrowings under the credit facility totaled \$23 million and bore interest at the LIBOR rate plus 2.0%, which is accrued in arrears quarterly.

We consolidate Westlake Partners and OpCo for financial reporting purposes as we have a controlling financial interest. As such, the revolving credit facilities described above between our subsidiaries and Westlake Partners and OpCo are eliminated upon consolidation.

### ***Contractual and Other Obligations***

The Company's material cash requirements for contractual and other obligations in the near term (next 12 months) and the long term period (2023 and thereafter) include long-term debt, interest payments, operating leases, pension benefits funding, post-retirement healthcare benefits, purchase obligations and asset retirement obligations.

*Debt Obligations and Interest Payments.* As of December 31, 2021, we had debt obligations of \$269 million and related interest expense of \$165 million due within the near term, and debt obligations of \$5,014 million and related interest expense of \$3,001 million due over the long-term period, respectively. Maturities of our debt consist of \$269 million in 2022, \$300 million in 2024, and \$759 million in 2026. There are no other scheduled maturities of debt in 2022 through 2026. See Note 11, "Long-Term Debt," in the Notes to Consolidated Financial Statements in Item 8 for further information on our debt obligations and the expected timing of future principal and interest payments.

*Operating leases.* As of December 31, 2021, there was \$119 million in operating lease obligations due within the near term, and \$553 million due over the long-term period, respectively. See Note 7, "Leases," in the Notes to Consolidated Financial Statements in Item 8 for further detail of our obligations and the timing of expected future payments.

*Pension Benefits Funding and Post-retirement Healthcare Benefits.* Pension benefits funding obligations due within the near term were \$6 million while post-retirement healthcare benefit payment obligations due within the near term were \$8 million as of December 31, 2021. As of December 31, 2021, we had \$77 million and \$53 million of pension benefit funding and post-retirement healthcare benefit obligations due over the long-term period, respectively. The estimate of the timing of future payments under our defined benefit pension plans which cover certain eligible employees in the United States and non-U.S. countries and our post-retirement healthcare benefits to the employees of certain subsidiaries who meet certain minimum age and service requirements involves the use of certain assumptions, including retirement ages and payout periods. See Note 14, "Employee Benefits," in the Notes to Consolidated Financial Statements in Item 8 for further information on our obligations and the timing of expected future payments.

*Purchase Obligations.* Purchase obligations include agreements to purchase goods and services that are enforceable and legally binding and that specify all significant terms, including a minimum quantity and price. We are party to various obligations to purchase goods and services, including commitments to purchase various feedstock, utilities, nitrogen, oxygen, product storage, pipeline usage and logistic support, in each case in the ordinary course of our business, as well as various purchase commitments for our capital projects. As of December 31, 2021, we had \$1,890 million of enforceable and legally binding purchase commitments due within the near term, and \$5,220 million due over the long-term period.

*Asset Retirement Obligations.* As of December 31, 2021, we had an immaterial amount of asset retirement obligations due within the near term, and \$61 million due over the long-term period. Asset retirement obligations includes the estimated costs and timing of payments to satisfy our recognized asset retirement obligations. We recognize asset retirement obligations in the period in which the liability becomes probable and reasonably estimable. Initially, the asset retirement obligation is recorded at fair value and capitalized as a component of the carrying value of the long-lived asset to which the obligation relates. See Note 1, "Description of Business and Significant Accounting Policies," in the Notes to Consolidated Financial Statements in Item 8 for further detail of our asset retirement obligations.

### ***Critical Accounting Policies and Estimates***

Critical accounting policies are those that are important to our financial condition and require management's most difficult, subjective or complex judgments. Different amounts would be reported under different operating conditions or under alternative assumptions. We have evaluated the accounting policies used in the preparation of the accompanying consolidated financial statements and related notes and believe those policies are reasonable and appropriate. Our significant accounting policies are summarized in Note 1 to the consolidated financial statements appearing elsewhere in this Form 10-K.

Critical accounting estimates are those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operation. Our more critical accounting estimates include those related to long-lived assets, fair value estimates, accruals for long-term employee benefits, accounts receivable, income taxes and environmental and legal obligations. Inherent in such estimates are certain key assumptions. We periodically update the estimates used in the preparation of the financial statements based on our latest assessment of the current and projected business and general economic environment. We believe the following to be our most critical accounting estimates required for the preparation of our financial statements.

*Long-Lived Assets.* Key estimates related to long-lived assets include useful lives, recoverability of carrying values and existence of any retirement obligations. Such estimates could be significantly modified. The carrying values of long-lived assets could be impaired by significant changes or projected changes in supply and demand fundamentals (which would have a negative impact on operating rates or margins), new technological developments, new competitors with significant raw material or other cost advantages, adverse changes associated with the United States and world economies, the cyclical nature of the chemical and refining industries and uncertainties associated with governmental actions.

We evaluate long-lived assets for potential impairment indicators whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, including when negative conditions such as significant current or projected operating losses exist. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and the operational performance of our businesses. Actual impairment losses incurred could vary significantly from amounts estimated. Long-lived assets assessed for impairment are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Additionally, future events could cause us to conclude that impairment indicators exist and that associated long-lived assets of our businesses are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

The estimated useful lives of long-lived assets range from one to 40 years. Depreciation and amortization of these assets, including amortization of deferred turnaround costs, under the straight-line method over their estimated useful lives totaled \$840 million, \$773 million and \$713 million in 2021, 2020 and 2019, respectively. If the useful lives of the assets were found to be shorter than originally estimated, depreciation or amortization charges would be accelerated.

We defer the costs of planned major maintenance activities, or turnarounds, and amortize the costs over the period until the next planned turnaround of the affected unit. Total costs deferred on turnarounds were \$215 million, \$24 million and \$40 million in 2021, 2020 and 2019, respectively. As of December 31, 2021, deferred turnaround costs, net of accumulated amortization, totaled \$261 million. Amortization in 2021, 2020 and 2019 of deferred turnaround costs was \$56 million, \$48 million and \$55 million, respectively. Expensing turnaround costs as incurred would likely result in greater variability of our quarterly operating results and would adversely affect our financial position and results of operations.

Additional information concerning long-lived assets and related depreciation and amortization appears in Notes 6 and 8 to the consolidated financial statements appearing elsewhere in this Form 10-K.

*Fair Value Estimates.* We develop estimates of fair value to allocate the purchase price paid to acquire a business to the assets acquired and liabilities assumed in an acquisition, to assess impairment of long-lived assets, goodwill and intangible assets and to record marketable securities and pension plan assets. We use all available information to make these fair value determinations, including the engagement of third-party consultants. At December 31, 2021, our recorded goodwill was \$2,024 million. In addition, we record all pension plan assets and certain marketable securities at fair value. The fair value of these items is determined by quoted market prices or from observable market-based inputs. See Note 16 to the consolidated financial statements appearing elsewhere in this Form 10-K for more information.

*Business Combinations and Intangible Assets Including Goodwill.* We account for business combinations using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. Any changes in the estimated fair values of the net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will change the amount of the purchase price allocable to goodwill. Any subsequent changes to any purchase price allocations that are material to our consolidated financial results will be adjusted in the same period's financial statements, including the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. All acquisition costs are expensed as incurred and in-process research and development costs are recorded at fair value as an indefinite-lived intangible asset and assessed for impairment thereafter until completion, at which point the asset is amortized over its expected useful life. Separately recognized transactions associated with business combinations are generally expensed subsequent to the acquisition date. The application of business combination accounting requires the use of significant estimates and assumptions. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable. The fair value of the customer relationships acquired are estimated by management through a discounted cash flow model using the multi-period excess earnings methodology, which involves the use of significant estimates and assumptions related to revenue growth rates, operating margins, discount rates, and customer attrition rates, among other items. The fair value of the technology and trade names acquired is estimated by management through a discounted cash flow model using the relief from royalty methodology, which involves the use of significant estimates and assumptions related to revenue growth rates, and discount rates.

Goodwill is evaluated for impairment when events or changes in circumstances indicate the fair value of a reporting unit with goodwill has been reduced below its carrying value, and otherwise at least annually. We have historically operated in two principal operating segments, Vinyls and Olefins. In the fourth quarter of 2021, we reorganized our business into two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products. As part of the reorganization, we assessed and re-defined reporting units effective as of the beginning of the fourth quarter of 2021, including reallocation of goodwill on a relative fair value basis as applicable to affected reporting units. Goodwill impairment analyses were performed as of the effective reorganization date both before and after the reorganization. We will perform our annual impairment assessment for both the Performance and Essential Materials and Housing and Infrastructure Products reporting units in October each year. We may elect to perform an optional qualitative assessment to determine whether a quantitative impairment analysis is required. The qualitative assessment considers factors such as macroeconomic conditions, industry and market considerations, cost factors related to raw materials and labor, current and projected financial performance, changes in management or strategy, and market capitalization. Alternatively, we may unconditionally elect to bypass the qualitative assessment and perform a quantitative goodwill impairment assessment in any period.

We elected to perform the quantitative assessment for both of our segments' reporting units during 2021. The quantitative analysis compares a reporting unit's fair value to its carrying amount to determine whether goodwill is impaired. The fair values of the reporting units are calculated using both a discounted cash flow methodology and a market value methodology. The discounted cash flow projections are based on a forecast to reflect the cyclicality of the business. The forecast is based on historical results and estimates by management, including its strategic and operational plans, and financial performance of the market. The future cash flows are discounted to present value using an applicable discount rate. The significant assumptions used in determining the fair value of the reporting unit using the market value methodology include the determination of appropriate market comparables and the estimated multiples of EBITDA a willing buyer is likely to pay. Even if the fair values of the reporting units decreased by 10% from the fair values determined in the most recent quantitative tests performed during 2021, the carrying values of the reporting units would not have exceeded their fair values. See Item 1A, "Risk Factors—If our goodwill, indefinite-lived intangible assets or other intangible assets become impaired in the future, we may be required to record non-cash charges to earnings, which could be significant."

The results of operations of acquired businesses are included in our consolidated financial statements from the acquisition date.

*Long-Term Employee Benefit Costs.* Our costs for long-term employee benefits, particularly pension and postretirement medical and life benefits, are incurred over long periods of time and involve many uncertainties over those periods. The net periodic benefit cost attributable to current periods is based on several assumptions about such future uncertainties and is sensitive to changes in those assumptions. It is our responsibility, often with the assistance of independent experts, to select assumptions that represent the best estimates of those uncertainties. It is also our responsibility to review those assumptions periodically and, if necessary, adjust the assumptions to reflect changes in economic or other factors.

Accounting for employee retirement plans involves estimating the cost of benefits that are to be provided in the future and attempting to match, for each employee, that estimated cost to the period worked. To accomplish this, we rely extensively on advice from actuaries, and we make assumptions about inflation, investment returns, mortality, employee turnover and discount rates that ultimately impact amounts recorded. Changes in these assumptions may result in different expense and liability amounts. One of the more significant assumptions relates to the discount rate for measuring benefit obligations. At December 31, 2021, the projected pension benefit obligations for U.S. and non-U.S. plans were calculated using assumed weighted average discount rates of 2.6% and 1.4%, respectively. The discount rates were determined using a benchmark pension discount curve and applying spot rates from the curve to each year of expected benefit payments to determine the appropriate discount rate. As a result of the funding relief provided by the enactment of the Bipartisan Budget Act of 2015, no minimum funding requirements are expected during 2022 for the U.S. pension plans. Additional information on the 2022 funding requirements and key assumptions underlying these benefit costs appear in Note 14 to the consolidated financial statements appearing elsewhere in this Form 10-K.

The following table reflects the sensitivity of the benefit obligation of our pension plans to changes in the actuarial assumptions:

	2021	
	U.S. Plans	Non-U.S. Plans
	(dollars in millions)	
Projected benefit obligation, end of year	\$ 673	\$ 152
Discount rate increases by 100 basis points	(72)	(21)
Discount rate decreases by 100 basis points	87	26

A one-percentage point increase or decrease in assumed healthcare trend rates would not have a significant effect on the amounts reported for the healthcare plans.

While we believe that the amounts recorded in the consolidated financial statements appearing elsewhere in this Form 10-K related to these retirement plans are based on the best estimates and judgments available, the actual outcomes could differ from these estimates.

*Income Taxes.* We utilize the liability method of accounting for income taxes. Under the liability method, deferred tax assets or liabilities are recorded based upon temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax expense or benefit is the result of changes in the deferred tax assets and liabilities during the period. Valuation allowances are recorded against deferred tax assets when it is considered more likely than not that the deferred tax assets will not be realized. Additional information on income taxes appears in Note 17 to the consolidated financial statements appearing elsewhere in this Form 10-K.

*Environmental and Legal Obligations.* We consult with various professionals to assist us in making estimates relating to environmental costs and legal proceedings. We accrue an expense when we determine that it is probable that a liability has been incurred and the amount is reasonably estimable. While we believe that the amounts recorded in the accompanying consolidated financial statements related to these contingencies are based on the best estimates and judgments available, the actual outcomes could differ from our estimates. Additional information about certain legal proceedings and environmental matters appears in Note 22 to the consolidated financial statements appearing elsewhere in this Form 10-K.

*Asset Retirement Obligations.* We recognize asset retirement obligations in the period in which the liability becomes probable and reasonably estimable. Initially, the asset retirement obligation is recorded at fair value and capitalized as a component of the carrying value of the long-lived asset to which the obligation relates. The liability is recorded at its future value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded. We have conditional asset retirement obligations for the removal and disposal of hazardous materials from certain of our manufacturing facilities. Additional information on asset retirement obligations appears in Note 1, under Asset Retirement Obligations, to the consolidated financial statements appearing elsewhere in this Form 10-K.

We also have conditional asset retirement obligations that have not been recognized because the fair values of the conditional legal obligations cannot be measured due to the indeterminate settlement date of the obligations. Settlements of the unrecognized conditional asset retirement obligations are not expected to have a material adverse effect on our financial condition, results of operations or cash flows in any individual reporting period.



## **Recent Accounting Pronouncements**

See Note 1 to the consolidated financial statements included in Item 8 of this Form 10-K for a full description of recent accounting pronouncements, including expected dates of adoption and estimated effects on results of operations and financial condition.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

### ***Commodity Price Risk***

A substantial portion of our products and raw materials are commodities whose prices fluctuate as market supply and demand fundamentals change. Accordingly, product margins and the level of our profitability tend to fluctuate with changes in the business cycle. We try to protect against such instability through various business strategies. Our strategies include ethylene product feedstock flexibility and moving downstream into our other products where pricing is more stable. We use derivative instruments in certain instances to reduce price volatility risk on feedstocks and products. Based on our open derivative positions on ethane at December 31, 2021, a hypothetical \$0.10 increase in the price of a gallon of ethane would have increased our income before income taxes by \$17 million and a hypothetical \$0.10 increase in the price of a million British thermal units of natural gas would have decreased our income before income taxes by \$1 million.

### ***Interest Rate Risk***

We are exposed to interest rate risk with respect to fixed and variable rate debt. At December 31, 2021, we had \$5,263 million aggregate principal amount of fixed rate debt. We are subject to the risk of higher interest cost if and when this debt is refinanced. If interest rates were 1.0% higher at the time of refinancing, our annual interest expense would increase by approximately \$53 million. Also, at December 31, 2021, we had \$20 million principal amount of variable rate debt outstanding, which primarily represents the tax-exempt waste disposal revenue bonds. We do not currently hedge our variable interest rate debt, but we may do so in the future. The average variable interest rate for our variable rate debt of \$20 million as of December 31, 2021 was 0.17%. A hypothetical 100 basis point increase in the average interest rate on our variable rate debt would not result in a material change in the interest expense. During June and July 2021, in order to manage the interest rate risk associated with potential borrowings, we entered into treasury lock agreements to fix the treasury yield component of the interest cost. These agreements settled in August 2021 on the issuance of the Notes.

LIBOR is used as a reference rate for borrowings under our revolving line of credit. The phase-out of LIBOR commenced at the end of 2021 and is set to conclude by June 30, 2023. We do not expect the impact of the LIBOR phase out to be material as we did not have any external LIBOR-based borrowings outstanding at December 31, 2021.

### ***Foreign Currency Exchange Rate Risk***

We are exposed to foreign currency exchange rate risk associated with our international operations. However, the effect of fluctuations in foreign currency exchange rates caused by our international operations has not had a material impact on our overall operating results. We may engage in activities to mitigate our exposure to foreign currency exchange risk in certain instances through the use of currency exchange derivative instruments, including forward exchange contracts, cross-currency swaps or spot purchases. A forward exchange contract obligates us to exchange predetermined amounts of specified currencies at a stated exchange rate on a stated date. A cross-currency swap obligates us to make periodic payments in the local currency and receive periodic payments in our functional currency based on the notional amount of the instrument. In January 2018, we entered into foreign exchange hedging contracts designated as net investment hedges with an aggregate notional value of €220 million designed to reduce the volatility in stockholders' equity from changes in currency exchange rates associated with our net investments in foreign operations. In July 2019, we terminated a portion of the foreign exchange hedging contract with a notional value of €70 million. The notional value of the remaining net investment hedges was €150 million at December 31, 2021. The arrangement is scheduled to settle in 2026.

In July 2019, we completed the registered public offering of €700 million aggregate principal amount of the 1.625% 2029 Senior Notes. We designated this euro-denominated debt as a non-derivative net investment hedge of a portion of our net investments in euro functional-currency denominated subsidiaries to offset foreign currency fluctuations.

**Item 8. Financial Statements and Supplementary Data**

**Index to Consolidated Financial Statements**

	<u>Page</u>
Management's Report on Internal Control over Financial Reporting	53
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	54
Consolidated Financial Statements:	
Consolidated Balance Sheets as of December 31, 2021 and 2020	57
Consolidated Statements of Operations for the Years Ended December 31, 2021, 2020 and 2019	58
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019	59
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2021, 2020 and 2019	60
Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019	61
Notes to Consolidated Financial Statements	62

Financial statement schedules not included in this Form 10-K have been omitted because they are not applicable or because the required information is shown in the financial statements or notes thereto.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Westlake Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Westlake's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Westlake management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (2013). Based on its assessment, Westlake's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2021 based on those criteria.

During the year ended December 31, 2021, the Company acquired the issued and outstanding equity interests of certain subsidiaries of Boral Industries engaged in Boral's North American building products businesses ("Boral Target Companies"). Because the Company acquired Boral Target Companies during the current fiscal year, management has excluded Boral Target Companies from the scope of its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. This exclusion is in accordance with the general guidance published by the Staff of the SEC that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the first year of consolidation. Boral Target Companies' total assets and total net sales represented 4.7% and 2.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of internal control over financial reporting as of December 31, 2021 as stated in their report that appears on the following page.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Westlake Corporation

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Westlake Corporation (formerly known as Westlake Chemical Corporation) and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, of comprehensive income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded certain subsidiaries acquired from Boral Industries engaged in Boral's North American building products businesses ("Boral Target Companies") from its assessment of internal control over financial reporting as of December 31, 2021 because they were acquired by the Company in a purchase business combination during 2021. We have also excluded the Boral Target Companies from our audit of internal control over financial reporting. The Boral Target Companies are wholly-owned subsidiaries whose total assets and total net sales excluded from management's assessment and our audit of internal control over financial reporting represent 4.7% and 2.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Acquisition of Boral Target Companies - Valuation of Certain Customer Relationship Intangible Assets***

As described in Notes 1 and 2 to the consolidated financial statements, on October 1, 2021, the Company completed its acquisition of the Boral Target Companies for a total purchase price of \$2,132 million. The Company records business combinations using the acquisition method of accounting. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values, which resulted in the recognition of \$645 million of customer relationship intangible assets. As disclosed by management, the fair value of the customer relationships acquired is estimated with a discounted cash flow model using the multi-period excess earnings methodology, which involves the use of significant estimates and assumptions related to revenue growth rates, operating margins, discount rates, and customer attrition rates, among other items.

The principal considerations for our determination that performing procedures relating to the valuation of certain acquired customer relationship intangible assets from the acquisition of the Boral Target Companies is a critical audit matter are the significant judgment by management in determining the fair value of certain customer relationship intangible assets; this in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates, operating margins, discount rates, and customer attrition rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to acquisition accounting, including controls over management's valuation of certain customer relationship intangible assets and controls over the determination of significant assumptions related to revenue growth rates, operating margins, discount rates, and customer attrition rates. These procedures also included, among others, reading the purchase agreement and testing management's process for estimating the fair value of certain customer relationship intangible assets. Testing management's process included evaluating the appropriateness of the multi-period excess earnings method, testing the completeness and accuracy of the underlying data, and evaluating the reasonableness of management's significant assumptions related to revenue growth rates, operating margins, discount rates, and customer attrition rates. Evaluating the reasonableness of the revenue growth rates and operating margins involved considering the past performance of the acquired businesses, consistency with economic and industry forecasts, and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the multi-period excess earnings method and in evaluating the reasonableness of the significant assumptions related to discount rates and customer attrition rates.

/s/PricewaterhouseCoopers LLP

Houston, Texas  
February 23, 2022

We have served as the Company's auditor since 1986, which includes periods before the Company became subject to SEC reporting requirements.

**WESTLAKE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2021	2020
(in millions of dollars, except par values and share amounts)		
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,908	\$ 1,313
Accounts receivable, net	1,868	1,214
Inventories	1,407	918
Prepaid expenses and other current assets	80	32
Total current assets	5,263	3,477
Property, plant and equipment, net	7,606	6,920
Operating lease right-of-use assets	562	461
Goodwill	2,024	1,083
Customer relationships, net	1,083	444
Other intangible assets, net	497	168
Equity method investments	1,007	1,059
Other assets, net	417	223
<b>Total assets</b>	<b>\$ 18,459</b>	<b>\$ 13,835</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 879	\$ 536
Accrued and other liabilities	1,196	821
Current portion of long-term debt, net	269	—
Total current liabilities	2,344	1,357
Long-term debt, net	4,911	3,566
Deferred income taxes	1,681	1,368
Pension and other post-retirement benefits	291	391
Operating lease liabilities	461	376
Other liabilities	243	199
Total liabilities	9,931	7,257
Commitments and contingencies (Note 22)		
Stockholders' equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 134,651,380 and 134,651,380 shares issued at December 31, 2021 and 2020, respectively	1	1
Common stock, held in treasury, at cost; 6,735,639 and 6,821,174 shares at December 31, 2021 and 2020, respectively	(399)	(401)
Additional paid-in capital	581	569
Retained earnings	7,808	5,938
Accumulated other comprehensive loss	(36)	(64)
Total Westlake Corporation stockholders' equity	7,955	6,043
Noncontrolling interests	573	535
Total equity	8,528	6,578
<b>Total liabilities and equity</b>	<b>\$ 18,459</b>	<b>\$ 13,835</b>

The accompanying notes are an integral part of these consolidated financial statements.

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2021	2020	2019
	(in millions of dollars, except per share data and share amounts)		
Net sales	\$ 11,778	\$ 7,504	\$ 8,118
Cost of sales	8,283	6,481	6,858
Gross profit	3,495	1,023	1,260
Selling, general and administrative expenses	551	449	458
Amortization of intangibles	123	109	109
Restructuring, transaction and integration-related costs	21	36	37
Income from operations	2,800	429	656
<b>Other income (expense)</b>			
Interest expense	(176)	(142)	(124)
Other income, net	53	44	38
Income before income taxes	2,677	331	570
Provision for (benefit from) income taxes	607	(42)	108
Net income	2,070	373	462
Net income attributable to noncontrolling interests	55	43	41
<b>Net income attributable to Westlake Corporation</b>	<b>\$ 2,015</b>	<b>\$ 330</b>	<b>\$ 421</b>
Earnings per common share attributable to Westlake Corporation:			
Basic	\$ 15.66	\$ 2.57	\$ 3.26
Diluted	\$ 15.58	\$ 2.56	\$ 3.25
Weighted average common shares outstanding:			
Basic	128,002,911	127,850,592	128,395,184
Diluted	128,697,982	128,089,058	128,757,293

The accompanying notes are an integral part of these consolidated financial statements.



**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2021	2020	2019
	(in millions of dollars)		
Net income	\$ 2,070	\$ 373	\$ 462
Other comprehensive income (loss), net of income taxes			
Pension and other post-retirement benefits			
Pension and other post-retirement benefits reserves adjustment	60	(37)	(32)
Income tax benefit (provision) on pension and other post-retirement benefits	(16)	10	8
Foreign currency translation adjustments			
Foreign currency translation	2	23	17
Income tax benefit (provision) on foreign currency translation	(17)	18	(4)
Other comprehensive income (loss), net of income taxes	29	14	(11)
Comprehensive income	2,099	387	451
Comprehensive income attributable to noncontrolling interests, net of tax of \$2, \$1 and \$2 for 2021, 2020 and 2019, respectively	56	47	42
Comprehensive income attributable to Westlake Corporation	\$ 2,043	\$ 340	\$ 409

The accompanying notes are an integral part of these consolidated financial statements.

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	Common Stock		Common Stock, Held in Treasury		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Number of Shares	Amount	Number of Shares	At Cost					
(in millions of dollars, except share amounts)									
<b>Balances at December 31, 2018</b>	134,651,380	\$ 1	6,183,125	\$ (382)	\$ 556	\$ 5,477	\$ (62)	\$ 486	\$ 6,076
Net income	—	—	—	—	—	421	—	41	462
Other comprehensive income (loss)	—	—	—	—	—	—	(12)	1	(11)
Common stock repurchased	—	—	517,712	(30)	—	—	—	—	(30)
Shares issued—stock-based compensation	—	—	(434,228)	35	(25)	(9)	—	—	1
Stock-based compensation	—	—	—	—	24	—	—	—	24
Dividends declared	—	—	—	—	—	(132)	—	—	(132)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(50)	(50)
Issuance of Westlake Chemical Partners LP common units	—	—	—	—	(2)	—	—	65	63
<b>Balances at December 31, 2019</b>	134,651,380	1	6,266,609	(377)	553	5,757	(74)	543	6,403
Net income	—	—	—	—	—	330	—	43	373
Other comprehensive income	—	—	—	—	—	—	10	4	14
Common stock repurchased	—	—	995,529	(54)	—	—	—	—	(54)
Shares issued—stock-based compensation	—	—	(440,964)	30	(13)	(12)	—	—	5
Stock-based compensation	—	—	—	—	29	—	—	—	29
Dividends declared	—	—	—	—	—	(137)	—	—	(137)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(55)	(55)
<b>Balances at December 31, 2020</b>	134,651,380	1	6,821,174	(401)	569	5,938	(64)	535	6,578
Net income	—	—	—	—	—	2,015	—	55	2,070
Other comprehensive income	—	—	—	—	—	—	28	1	29
Common stock repurchased	—	—	355,800	(30)	—	—	—	—	(30)
Shares issued—stock-based compensation	—	—	(441,335)	32	(19)	—	—	—	13
Stock-based compensation	—	—	—	—	31	—	—	—	31
Dividends declared	—	—	—	—	—	(145)	—	—	(145)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(48)	(48)
Noncontrolling interests	—	—	—	—	—	—	—	30	30
<b>Balances at December 31, 2021</b>	134,651,380	\$ 1	6,735,639	\$ (399)	\$ 581	\$ 7,808	\$ (36)	\$ 573	\$ 8,528

The accompanying notes are an integral part of these consolidated financial statements.

**WESTLAKE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2021	2020	2019
(in millions of dollars)			
<b>Cash flows from operating activities</b>			
Net income	\$ 2,070	\$ 373	\$ 462
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	840	773	713
Stock-based compensation expense	31	29	25
Loss from disposition and write-off of property, plant and equipment	28	33	49
Deferred income taxes	23	146	54
Other losses, net	16	21	1
Changes in operating assets and liabilities, net of effect of business acquisitions			
Accounts receivable	(528)	(161)	59
Inventories	(309)	29	112
Prepaid expenses and other current assets	(27)	2	(1)
Accounts payable	242	67	(89)
Accrued and other liabilities	239	46	(13)
Other, net	(231)	(61)	(71)
Net cash provided by operating activities	<u>2,394</u>	<u>1,297</u>	<u>1,301</u>
<b>Cash flows from investing activities</b>			
Acquisition of businesses, net of cash acquired	(2,554)	—	(314)
Additions to investments in unconsolidated subsidiaries	(24)	(18)	(862)
Additions to property, plant and equipment	(658)	(525)	(787)
Return of investment from an unconsolidated subsidiary	—	44	—
Other, net	23	(10)	9
Net cash used for investing activities	<u>(3,213)</u>	<u>(509)</u>	<u>(1,954)</u>
<b>Cash flows from financing activities</b>			
Debt issuance costs	(18)	(3)	(7)
Distributions to noncontrolling interests	(48)	(55)	(50)
Dividends paid	(145)	(137)	(132)
Proceeds from debt issuance and drawdown of revolver, net	1,671	1,299	784
Proceeds from issuance of Westlake Chemical Partners LP common units, net	—	—	63
Proceeds from (repayment of) short-term notes payable, net	8	(17)	2
Repayment of revolver and senior notes	—	(1,254)	—
Repurchase of common stock for treasury	(30)	(54)	(30)
Other, net	(1)	5	—
Net cash provided by (used for) financing activities	<u>1,437</u>	<u>(216)</u>	<u>630</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(14)	15	(2)
Net increase (decrease) in cash, cash equivalents and restricted cash	604	587	(25)
Cash, cash equivalents and restricted cash at beginning of the year	1,337	750	775
Cash, cash equivalents and restricted cash at end of the year	<u>\$ 1,941</u>	<u>\$ 1,337</u>	<u>\$ 750</u>

The accompanying notes are an integral part of these consolidated financial statements.

**WESTLAKE CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(in millions of dollars, except share amounts and per share data)****1. Description of Business and Significant Accounting Policies*****Description of Business***

Westlake Corporation, formerly known as Westlake Chemical Corporation (the "Company") operates as an integrated global manufacturer and marketer of performance and essential materials and housing and infrastructure products. These products include some of the most widely used materials in the world, which are fundamental to many diverse consumer and industrial markets, including residential construction, flexible and rigid packaging, automotive products, healthcare products, water treatment, coatings as well as other durable and non-durable goods. The Company's customers range from large chemical processors and plastics fabricators to small construction contractors, municipalities and supply warehouses throughout North America, Europe and Asia. The industries in which the Company operates are subject to price fluctuations and volatile feedstock pricing typical of a commodity-based industry, the effects of which may not be immediately passed along to customers. The Company changed its name from Westlake Chemical Corporation to Westlake Corporation on February 18, 2022.

***Westlake Chemical Partners LP***

In 2014, the Company formed Westlake Chemical Partners LP ("Westlake Partners") to operate, acquire and develop ethylene production facilities and related assets. Westlake Partners' assets consist of a limited partner interest in Westlake Chemical OpCo LP ("OpCo"), as well as the general partner interest in OpCo. OpCo's assets include two ethylene production facilities at the Company's Lake Charles, Louisiana site, one ethylene production facility at the Company's Calvert City, Kentucky site and a 200-mile common carrier ethylene pipeline that runs from Mont Belvieu, Texas to the Company's Longview, Texas site. As of December 31, 2021, the Company held a 77.2% limited partner interest in OpCo and a controlling interest in Westlake Partners. The operations of Westlake Partners are consolidated in the Company's financial statements.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company directly or indirectly owns more than a 50% voting interest and exercises control and, when applicable, entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in majority-owned companies where the Company does not exercise control and investments in nonconsolidated affiliates (20%-50% owned companies, joint ventures and partnerships) are accounted for using the equity method of accounting. Undistributed earnings from joint ventures included in retained earnings were immaterial as of December 31, 2021. All intercompany transactions and balances are eliminated in consolidation.

Noncontrolling interests represent the direct equity interests held by investors in the Company's consolidated subsidiaries, Westlake Partners, Taiwan Chlorine Industries, Ltd. and Suzhou Huasu Plastics Co., Ltd.

The Company holds a 50% interest in RS Cogen, LLC ("RS Cogen") with Entergy Power RS, LLC ("Entergy") holding the remaining interest. Effective January 2021, the Company consolidated RS Cogen into its consolidated financial statements and classified Entergy's 50% interest in RS Cogen as a component of noncontrolling interest on the consolidated balance sheet.

***Recasting of Certain Prior Period Information***

The Company has historically operated in two principal operating segments, Vinyls and Olefins. In the fourth quarter of 2021, the Company reorganized its business into two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products. The Olefins, PVC, VCM, chlorine, caustic soda and chlorinated derivative materials and polyethylene are included in the Performance and Essential Materials segment. Building products, pipe and fittings and PVC compounds are included in the Housing and Infrastructure Products segment. These reporting changes have been retrospectively reflected in the segment results for all periods presented.

Certain reclassifications have been made to the prior-year financial statements to conform to the current year presentation.

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in conformity with the accounting principles generally accepted in the United States.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments that are readily convertible into cash and have a maturity of three months or less at the date of acquisition.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Company to concentration of risk consist principally of trade receivables from customers engaged in manufacturing polyethylene products, polyvinyl chloride ("PVC") products and PVC pipe products. The Company performs periodic credit evaluations of the customers' financial condition and generally does not require collateral. The Company maintains allowances for potential losses.

**Allowance for Credit Losses**

The determination of the allowance for credit losses is based on estimation of the amount of accounts receivable that the Company believes are unlikely to be collected. Estimating this amount requires analysis of the financial strength of the Company's customers, the use of historical experience, the Company's accounts receivable aged trial balance, customer specific collectability analysis and an evaluation of economic conditions. The allowance for credit losses is reviewed quarterly. Past due balances over 90 days and high-risk accounts as determined by the analysis of financial strength of customers are reviewed individually for collectability.

**Inventories**

Inventories primarily include product, material and supplies. Inventories are stated at lower of cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") or average method.

**Property, Plant and Equipment**

Property, plant and equipment are carried at cost, net of accumulated depreciation. Cost includes expenditures for improvements and betterments that extend the useful lives of the assets and interest capitalized on significant capital projects. Capitalized interest was \$3, \$4 and \$9 for the years ended December 31, 2021, 2020 and 2019, respectively. Repair and maintenance costs are charged to operations as incurred. Gains and losses on the disposition or retirement of fixed assets are reflected in the consolidated statement of operations when the assets are sold or retired.

Depreciation is provided by utilizing the straight-line method over the estimated useful lives of the assets as follows:

<b>Classification</b>	<b>Years</b>
Buildings and improvements	40
Plant and equipment	10-25
Other	3-15

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets assessed for impairment are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. Assets are considered to be impaired if the carrying amount of an asset exceeds the future undiscounted cash flows. The impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell.

## WESTLAKE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)*****Impairment of Goodwill and Intangible Assets***

Goodwill is tested for impairment at least annually, or when events or changes in circumstances indicate the fair value of a reporting unit with goodwill has been reduced below its carrying value. The Company performed impairment tests for the Performance and Essential Materials and Housing and Infrastructure Products segments' goodwill in October 2021, and the impairment tests indicated that the recorded goodwill was not impaired. There has been no impairment of the goodwill since the goodwill was initially recorded. Other intangible assets with finite lives are amortized over their estimated useful lives and reviewed for impairment in accordance with the provisions of the accounting guidance. See Note 8 for more information on the Company's annual goodwill impairment tests.

***Equity Method Investments***

The Company accounts for investments using the equity method of accounting if the Company has the ability to exercise significant influence over, but not control of, an investee. Significant influence generally exists if the Company has an ownership interest representing between 20% and 50% of the voting rights. Under the equity method of accounting, investments are stated initially at cost and are adjusted for subsequent additional investments and the proportionate share of profit or losses and distributions. The Company records its share of the profits or losses of the equity investments, net of income taxes, in the consolidated statements of income. The equity method investments are evaluated for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such investments may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, management compares the estimated fair value of investment to the carrying value of investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying value and management considers the decline in value to be other-than-temporary, the excess of the carrying value over the estimated fair value is recognized in the consolidated financial statements as an impairment.

***Other Assets, net***

Other assets, net include turnaround costs, investments in unconsolidated subsidiaries, restricted cash, deferred charges and other long-term assets.

The Company accounts for turnaround costs under the deferral method. Turnarounds are the scheduled and required shutdowns of specific operating units in order to perform planned major maintenance activities. The costs related to the significant overhaul and refurbishment activities include maintenance materials, parts and direct labor costs. The costs of the turnaround are deferred when incurred at the time of the turnaround and amortized (within depreciation and amortization) on a straight-line basis until the next planned turnaround, which typically range from three to six years. Deferred turnaround costs are presented as a component of other assets, net. The cash outflows related to these costs are included in operating activities in the consolidated statement of cash flows.

***Business Combinations***

The Company records business combinations using the acquisition method of accounting. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values. The excess of the purchase price over the estimated fair value is recorded as goodwill. Changes in the estimated fair values of net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will adjust the amount of the purchase price allocable to goodwill. Measurement period adjustments are reflected in the period in which they occur.

***Income Taxes***

The Company utilizes the liability method of accounting for deferred income taxes. Under the liability method, deferred tax assets or liabilities are recorded based upon temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax expense or benefit is the result of changes in the deferred tax assets and liabilities during the period. Valuation allowances are recorded against deferred tax assets when it is considered more likely than not that the deferred tax assets will not be realized.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

***Foreign Currency Translation***

Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at the exchange rate as of the end of the year. Statement of operations items are translated at the average exchange rate for the year. The resulting translation adjustment is recorded as a separate component of stockholders' equity.

***Revenue Recognition***

Revenue is recognized when the Company transfers control of inventories to its customers. Amounts recognized as revenues reflect the consideration to which the Company expects to be entitled in exchange for those inventories. Provisions for discounts, rebates and returns are incorporated in the estimate of variable consideration and reflected as a reduction to revenue in the same period as the related sales.

Control of inventories generally transfers upon shipment for domestic sales. The Company excludes taxes collected on behalf of customers from the estimated contract price. For export contracts, the point at which control passes to the customer varies depending on the terms specified in the customer contract.

The Company generally invoices customers and recognizes revenue and accounts receivable upon transferring control of inventories. In limited circumstances, the Company transfers control of inventories shortly before it has an unconditional right to receive consideration, resulting in recognition of contract assets. The Company also receives advance payments from certain customers, resulting in recognition of contract liabilities. Contract assets and liabilities are generally settled within the period and are not material to the consolidated balance sheets. The Company expenses sales commissions when incurred. These costs are recorded within selling, general and administrative expenses. Aside from the amounts disclosed within Note 9, the Company does not disclose the value of unsatisfied performance obligations because its contracts with customers (1) have an original expected duration of one year or less or (2) have only variable consideration that is calculated based on market prices at specified dates and is allocated to wholly unsatisfied performance obligations.

ASU No. 2014-09, Revenue from Contracts with Customers ("ASC 606") requires disclosure of disaggregated revenue into categories that depict the nature of how the Company's revenue and cash flows are affected by economic factors. The Company discloses revenues by business and segment in Note 23.

***Leases***

The Company is obligated under various long-term and short-term operating leases for rail cars, buildings, land and other transportation and storage assets. The Company determines whether an arrangement is, or contains, a lease at contract inception. Some of the Company's arrangements contain both lease and non-lease components. For certain transportation equipment leases, the Company accounts for the lease and non-lease components as a single lease component. The Company records right-of-use assets and corresponding lease liabilities for operating leases with terms greater than one year. Operating lease right-of-use assets and liabilities are recorded at the present value of the fixed lease payments over the life of the lease. The majority of the Company's leases do not provide an implicit rate. Therefore, the Company uses its incremental borrowing rate at lease commencement to measure operating lease right-of-use assets and lease liabilities. Certain of the Company's leases provide for renewal and purchase options. Renewal and purchase options are evaluated at lease commencement and included in the lease term if they are reasonably certain to be exercised. Short-term leases are recognized in rental expense on a straight-line basis over the lease term and are not recorded in the consolidated balance sheets. The Company's finance leases are not material to the consolidated financial statements.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

***Transportation and Freight***

Amounts billed to customers for freight and handling costs on outbound shipments are included in net sales in the consolidated statements of operations. Transportation and freight costs incurred by the Company on outbound shipments are included in cost of sales in the consolidated statements of operations.

***Price Risk Management***

The Company recognizes derivative instruments on the balance sheet at fair value, and changes in a derivative's fair value are currently recognized in earnings or comprehensive income, depending on the designation of the derivative. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in comprehensive income and is recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings currently. The derivative instruments did not have a material impact on the Company's consolidated financial statements.

***Asset Retirement Obligations***

The Company has conditional asset retirement obligations for the removal and disposal of hazardous materials from certain of the Company's manufacturing facilities.

The Company recognizes asset retirement obligations in the period in which the liability becomes probable and reasonably estimable. Recognized asset retirement obligations are initially recorded at fair value and capitalized as a component of the carrying value of the long-lived asset to which the obligation relates. The liability is accreted to its future value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded. As of December 31, 2021, the Company had \$1 and \$23 of asset retirement obligations recorded as accrued and other liabilities and other liabilities, respectively. As of December 31, 2020, the Company had \$12 and \$17 of asset retirement obligations recorded as accrued and other liabilities and other liabilities, respectively.

The Company also has conditional asset retirement obligations that have not been recognized because the fair values of the conditional legal obligations cannot be measured due to the indeterminate settlement date of the obligations. Settlements of the unrecognized conditional asset retirement obligations are not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows in any individual reporting period.

***Environmental Costs***

Environmental costs relating to current operations are expensed or capitalized, as appropriate, depending on whether such costs provide future economic benefits. Remediation liabilities are recognized when the costs are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology and undiscounted site-specific costs. Environmental liabilities in connection with properties that are sold or closed are realized upon such sale or closure, to the extent they are probable and estimable and not previously reserved. Recognition of any joint and several liabilities is based upon the Company's best estimate of its final pro rata share of the liability.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The coronavirus ("COVID-19") pandemic resulted in widespread adverse impacts on the global economy in 2020. As the COVID-19 pandemic and its impacts on the global economy continue, the Company may experience impacts on its business operations. However, the impact that COVID-19 will have on the financial condition, results of operations and cash flows of the Company cannot be estimated with certainty at this time as it will depend on future developments, including, among others, the timing and logistics with respect to the distribution of vaccines globally and the efficacy of the available vaccines (including with respect to the more recent variants of COVID-19), vaccine hesitancy and the availability of other treatments, the ultimate duration of the pandemic, geographic spread and severity of the virus, the consequences of governmental and other measures designed to prevent the spread of the virus, actions taken by customers, suppliers and other third parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume.



**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

**Recent Accounting Pronouncements***Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers Update (ASU No.2021-08)*

In October 2021, the Financial Accounting Standards Board ("FASB") issued an accounting standards update that requires acquiring entities to recognize and measure contract assets and contract liabilities in a business combination in accordance with the accounting guidance on Revenue from Contracts with Customers (ASC 606). The guidance in this update improves comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. The accounting standard will be effective for reporting periods beginning after December 15, 2022. Early adoption of the guidance is permitted. The Company is in the process of evaluating the impact of this standard on the Company's consolidated financial position, results of operations and cash flows.

**Recently Adopted Accounting Standards***Income Taxes (ASU No. 2019-12)*

In December 2019, the FASB issued an accounting standards update removing certain exceptions for investments, intraperiod allocations and interim calculations and adding guidance to reduce complexity in accounting for income taxes. The accounting standard became effective for reporting periods beginning after December 15, 2020. The Company adopted this accounting standard effective January 1, 2021, and the adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

*Reference Rate Reform (ASU No. 2020-04)*

In March 2020, the FASB issued an accounting standards update to provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform, if certain criteria are met. The amendments in this update are effective for all entities from March 12, 2020 through December 31, 2022. The Company adopted this accounting standard effective October 1, 2021, and the adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

**2. Acquisitions*****Boral Target Companies in North America.***

On June 20, 2021, the Company, through a wholly-owned subsidiary, entered into an Equity Purchase Agreement (the "Boral Purchase Agreement") by and among Boral Building Products Inc., a Michigan corporation, Boral Stone Products LLC, a Delaware limited liability company, Boral Lifetile Inc., a California corporation, Boral Windows LLC, a Utah limited liability company, Boral Industries Inc., a California corporation ("Boral Industries"), and solely for the limited purposes set forth therein, the Company, and Boral Limited, an Australian corporation ("Boral"). Pursuant to the terms of the Boral Purchase Agreement, the Company agreed to acquire from Boral Industries all of the issued and outstanding equity interests of certain subsidiaries of Boral Industries engaged in Boral's North American building products businesses in roofing, siding, trim and shutters, decorative stone and windows (the "Boral Target Companies") for a purchase price of \$2,150 in cash, subject to working capital post-closing adjustments. The Boral Purchase Agreement also includes a potential earn-out payment from the Company to Boral Industries of up to \$65 if the windows division of the Boral Target Companies generates EBITDA in excess of a specified target in its fiscal year ending June 30, 2024. On October 1, 2021, the Company completed its acquisition of Boral Target Companies (the "Boral Acquisition") for a total purchase price of \$2,132 in an all-cash transaction and accounted for the acquisition under the business combination method in accordance with Accounting Standard Codification Topic 805 ("ASC 805"), Business Combinations. The Boral Target Companies acquisition is consistent with the Company's vertical integration strategy of enhancing margin stability and downstream products. The additional product lines through the acquisition will broaden the Company's footprint in the fast-growing housing markets in North America. The assets acquired and liabilities assumed and the results of operations of Boral Target Companies are included in the Housing and Infrastructure Products segment.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

A summary of the purchase consideration follows:

Base purchase price	\$ 2,150
Net working capital adjustment	(2)
Closing indebtedness	(16)
Total purchase price consideration	<u>\$ 2,132</u>

For the year ended December 31, 2021, the Company recognized acquisition-related costs of \$17 for advisory, consulting and professional fees, and other expenses that were expensed as restructuring, transaction and integration-related costs as a component of the income from operations.

The following table summarizes the fair value of identified assets acquired and liabilities assumed at the date of acquisition. The preliminary allocation of consideration transferred is based on management's estimates, judgments and assumptions. These estimates, judgments and assumptions are subject to change upon final valuation and should be treated as preliminary values. Management estimated that consideration paid exceeded the fair value of the net assets acquired. Therefore, goodwill of \$771 was recorded, most of which will not be deductible for income tax purposes. The goodwill is assigned to the Company's Housing and Infrastructure Products segment. The final allocation of purchase consideration could include changes in the estimated fair value of (1) inventories; (2) property, plant and equipment; (3) intangible assets comprising of customer relationships, trade names, developed technologies; (4) deferred income taxes; and (5) other assets.

The information below represents the purchase price allocation:

Cash	\$ 5
Accounts receivable	119
Inventories	156
Prepaid expenses and other current assets	3
Property, plant and equipment	489
Operating lease right-of-use assets	87
Intangible assets	952
Other assets	18
Total assets acquired	<u>1,829</u>
Accounts payable	46
Accrued and other liabilities	103
Deferred income taxes	244
Operating lease liabilities	73
Other liabilities	2
Total liabilities assumed	<u>468</u>
Total identifiable net assets acquired	<u>1,361</u>
Goodwill	<u>771</u>
Total purchase consideration	<u>\$ 2,132</u>

The excess of the total equity value of Boral based on the purchase consideration over net assets acquired was recorded as goodwill. The goodwill is primarily attributable to the synergies expected to arise after the acquisition. The synergies relate to enhanced leading positions in the home building products and materials sector and increased margin stability.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

The following table summarizes the components of identifiable intangible assets acquired and their estimated useful lives as of the acquisition date:

	Fair Value	Remaining Useful Life (in years)
Trade name	\$ 200	21 - 22
Technology	107	20 - 22
Customer relationships	645	12 - 22
Total Identified Intangible Assets	<u>\$ 952</u>	

There are no indefinite-lived intangible assets derived acquired as a result of the Boral Target Companies acquisition. Definite lived intangible assets acquired as a result of the Boral acquisition are amortized on a straight-line basis to reflect the pattern in which the economic benefits of the intangible assets are realized.

The fair value for Trade name and Technology were estimated using the income approach, specifically the relief-from-royalty method which estimates the cost savings that accrue to the owner of the intangible assets that would otherwise be payable as royalties or licenses fees on revenues earned through the use of the asset. The fair value of Customer Relationships was estimated using the multi-period excess earnings method. The excess earning method model estimates revenues and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets. The resulting cash flow, which is attributable solely to the asset acquired, is then discounted at a rate of return commensurate with the risk of the asset to calculate the present value.

*Unaudited Pro Forma Financial Information*

The acquired Boral Target Companies contributed net revenues and net loss of \$275 and \$15, respectively, to the Company for the period from October 1, 2021 to December 31, 2021. The following unaudited pro forma summary presents the results of operations as if the acquisition of Boral Target Companies occurred on January 1, 2020:

	2021		2020	
Revenues	\$	12,653	\$	8,553
Net income attributable to Westlake Corporation	\$	2,035	\$	268

The amounts have been calculated after applying the Company's accounting policies and adjusting the results of Boral Target Companies to reflect additional depreciation, amortization, and other purchase accounting adjustment assuming the fair value adjustments to the property and equipment and intangibles assets and other purchase accounting adjustments have been applied on January 1, 2020. The pro forma amounts do not include any potential synergies, cost savings or other expected benefits of the acquisition, and are presented for illustrative purposes only and are not necessarily indicative of results that would have been achieved if the acquisition had occurred as of January 1, 2020 or of future operating performance.

## WESTLAKE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)  
(in millions of dollars, except share amounts and per share data)***LASCO Fittings, Inc.***

On July 4, 2021, the Company, through a wholly-owned subsidiary, entered into an Equity Purchase Agreement with Aalberts U.S. Holding Corp., a Delaware corporation ("Aalberts") and wholly-owned subsidiary of Aalberts N.V., pursuant to which, the Company, agreed to acquire LASCO Fittings, Inc., a Delaware corporation ("LASCO"), from Aalberts. LASCO is a manufacturer of injected-molded PVC fittings that serve the plumbing, pool and spa, industrial, irrigation and retail markets in the United States. On August 19, 2021, the Company completed its acquisition of, and acquired all of the equity interests in, LASCO (the "LASCO Acquisition"). The total closing purchase consideration was \$277. The acquisition is being accounted for under the acquisition method of accounting. The assets acquired and liabilities assumed and the results of operations of LASCO are included in the Housing and Infrastructure Products segment. LASCO net sales and net income since the acquisition date and the acquisition-related costs recognized in the consolidated statement of operations for the year ended December 31, 2021 were not material to the Company's consolidated statement of operations. The pro forma impact of this acquisition has not been presented as it is not material to the Company's consolidated statements of operations for the years ended December 31, 2021 and 2020. The Company recognized intangible assets of \$77, of which \$50 is included in customer relationships, net on the Company's consolidated balance sheets as of December 31, 2021, and goodwill of \$106 with the remainder of the purchase consideration primarily allocated to property, plant, and equipment, net and working capital balances. The goodwill is expected to be deductible for income tax purposes. The goodwill recognized is primarily attributable to the expected value to be achieved from the acquisition synergies. The intangible assets that have been acquired are being amortized over a period of 17 to 18 years.

***Dimex LLC.***

On August 2, 2021, the Company, through a wholly-owned subsidiary, entered into a Stock Purchase Agreement with DX Acquisition Corp., a Delaware corporation ("Dimex"), each of Dimex's stockholders, and for limited purposes, the Company and Grey Mountain Partners Fund III Holdings, L.P., pursuant to which the Company agreed to acquire Dimex. Dimex is a producer of various consumer products made from post-industrial-recycled polyvinyl chloride, polyethylene and thermoplastic elastomer materials, including landscape edging; industrial, home and office matting; marine dock edging; and masonry joint controls. On September 10, 2021, the Company completed its acquisition of, and acquired all of the equity interests in, Dimex (the "Dimex Acquisition" and, together with the Boral Acquisition and the LASCO Acquisition, the "2021 Acquisitions"). The total closing purchase consideration was \$172. The acquisition is being accounted for under the acquisition method of accounting. The assets acquired and liabilities assumed and the results of operations of Dimex are included in the Housing and Infrastructure Products segment. Dimex net sales and net income since the acquisition date and the acquisition-related costs recognized in the consolidated statement of operations for the year ended December 31, 2021 were not material to the Company's consolidated statement of operations. The pro forma impact of this acquisition has not been presented as it is not material to the Company's consolidated statements of operations for the years ended December 31, 2021 and 2020. The Company recognized intangible assets of \$69, of which \$45 is included in customer relationships, net on the Company's consolidated balance sheets as of December 31, 2021, and goodwill of \$66, most of which will not be deductible for income tax purposes, with the remainder of the purchase consideration primarily allocated to property, plant, and equipment, net and working capital balances. The goodwill is primarily attributable to the expected value to be achieved from the acquisition synergies. The intangible assets that have been acquired are being amortized over a period of 17 to 19 years.

***Hexion Epoxy Business.***

On November 24, 2021, the Company, through a wholly-owned subsidiary, entered into a Stock Purchase Agreement (the "Hexion Purchase Agreement") by and among Hexion Inc. ("Hexion"), an Ohio corporation, and solely for the limited purposes set forth therein, the Company. Pursuant to the terms of the Hexion Purchase Agreement, the Company agreed to acquire Hexion's global epoxy business for a purchase price of approximately \$1,200 in cash, subject to certain closing date adjustments as set forth in the Hexion Purchase Agreement (the "Hexion Acquisition"). On February 1, 2022, the Company completed the acquisition of, and acquired all of the equity interests in, the Hexion Acquisition. The assets acquired and liabilities assumed and the results of operations of Hexion's global epoxy business will be included in the Performance and Essential Materials segment. Due to the recent closing of this acquisition, certain financial information related to this acquisition, including the fair value of total consideration transferred or estimated to be transferred, is not yet finalized.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

**3. Financial Instruments*****Restricted Cash and Cash Equivalents***

The Company had restricted cash and cash equivalents of \$33 and \$24 at December 31, 2021 and 2020, respectively. The Company's restricted cash and cash equivalents are primarily related to balances that are restricted for payment of distributions to certain of the Company's current and former employees and are reflected primarily in other assets, net in the consolidated balance sheets.

**4. Accounts Receivable**

Accounts receivable consist of the following at December 31:

	2021	2020
Trade customers	\$ 1,764	\$ 1,086
Related parties	3	9
Allowance for credit losses	(26)	(17)
	1,741	1,078
Federal and state taxes	62	92
Other	65	44
Accounts receivable, net	<u>\$ 1,868</u>	<u>\$ 1,214</u>

**5. Inventories**

Inventories consist of the following at December 31:

	2021	2020
Finished products	\$ 842	\$ 524
Feedstock, additives, chemicals and other raw materials	374	227
Materials and supplies	191	167
Inventories	<u>\$ 1,407</u>	<u>\$ 918</u>

**6. Property, Plant and Equipment**

Property, plant and equipment consist of the following at December 31:

	2021	2020
Land	\$ 284	\$ 207
Buildings and improvements	818	652
Plant and equipment	9,355	8,687
Other	629	557
	11,086	10,103
Less: Accumulated depreciation	(4,134)	(3,710)
	6,952	6,393
Construction in progress	654	527
Property, plant and equipment, net	<u>\$ 7,606</u>	<u>\$ 6,920</u>

Depreciation expense on property, plant and equipment of \$604, \$558 and \$519 is included primarily in cost of sales in the consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019, respectively.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

**7. Leases**

Lease-related asset and liability balances were as follows:

	December 31, 2021	December 31, 2020
<b>Operating Leases</b>		
Right-of-use assets	\$ 562	\$ 461
Accrued and other liabilities	\$ 106	\$ 89
Operating lease liabilities	461	376
Total operating lease liabilities	\$ 567	\$ 465
Weighted Average Remaining Term (in years)	9	8
Weighted Average Lease Discount Rate	2.7 %	3.1 %

The Company's operating lease cost is comprised of payments related to operating leases recorded in the consolidated balance sheet and short-term rental payments for leases that are not recorded in the consolidated balance sheet. Variable operating lease cost was not material to the consolidated statements of operations for the years ended December 31, 2021 and 2020. The components of operating lease expense were as follows:

	December 31, 2021	December 31, 2020
Operating lease cost <sup>(1)</sup>	\$ 117	\$ 117
Short-term lease cost	85	70
Total operating lease cost	\$ 202	\$ 187

(1) Includes fixed lease payments for operating leases recorded in the consolidated balance sheet.

Maturities of lease liabilities were as follows at December 31, 2021:

	Operating Leases
2022	\$ 119
2023	103
2024	83
2025	63
2026	52
Thereafter	252
Total lease payments	672
Less: imputed interest	(105)
Present value of lease liabilities	\$ 567

**Related Party Leases**

The Company leases certain assets under operating leases with related parties. Right-of-use assets and the associated operating lease liabilities for related party operating leases were approximately \$33 and \$41 as of December 31, 2021 and December 31, 2020, respectively. The Company recognized operating lease cost for fixed lease payments to related parties of \$11 and \$12 for the years ended December 31, 2021 and 2020, respectively.

**WESTLAKE CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**
**8. Goodwill and Other Intangible Assets**
**Goodwill**

The following table summarizes gross carrying amounts and changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020. The Company reorganized its operating segments during the fourth quarter of 2021. Prior year information has been updated to conform with the current year presentation for changes in operating segments discussed in Notes 1 and 23.

	Performance and Essential Materials Segment	Housing and Infrastructure Products Segment	Total
Balance at December 31, 2019	\$ 898	\$ 176	\$ 1,074
Effects of changes in foreign exchange rates	3	6	9
Balance at December 31, 2020	901	182	1,083
Goodwill acquired during the year	—	943	943
Effects of changes in foreign exchange rates	1	(3)	(2)
Balance at December 31, 2021	<u>\$ 902</u>	<u>\$ 1,122</u>	<u>\$ 2,024</u>

As part of the reorganization of operating segments, the Company assessed and re-defined reporting units effective as of the beginning of the fourth quarter of 2021, including reallocation of goodwill on a relative fair value basis as applicable to affected reporting units. Goodwill impairment analyses were performed as of the effective reorganization date both before and after the reorganization. The fair values of the reporting units were determined using both a discounted cash flow methodology and a market value methodology. Based upon this assessment, the Company determined that it was more likely than not that the fair value of the reporting units exceeds its carrying value both prior to the reorganization and after the reorganization.

The discounted cash flow projections were based on a long-term forecast to reflect the cyclicity of the Company's businesses. The forecast was based on prices and spreads projected by IHS Markit ("IHS"), a chemical industry organization offering market and business advisory services for the chemical market, historical results and estimates by management, including its strategic and operational plans. Other significant assumptions used in the discounted cash flow projection included projected sales volumes based on production capacities. The future cash flows were discounted to present value using a discount rate ranging from 8.8% to 10.8%. The significant assumptions used in determining the fair values of the reporting units using the market value methodology include the determination of appropriate market comparables and the estimated multiples of net income before interest expense, income taxes, depreciation and amortization ("EBITDA") a willing buyer is likely to pay.

Prior to the reorganization of the operating segments, the Company performed its annual impairment analysis for the legacy Vinyls segment reporting units during the second quarter of 2021, and determined that it was more likely than not that the fair value of each of the Vinyls segment reporting units exceeds its carrying value.

**Intangible Assets**

Intangible assets consisted of the following at December 31:

	2021			2020			Weighted Average Life
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	
Customer relationships	\$ 1,581	\$ (498)	\$ 1,083	\$ 845	\$ (401)	\$ 444	15
Other intangible assets:							
Licenses and intellectual property	311	(109)	202	178	(94)	84	16
Trade name	342	(63)	279	125	(50)	75	17
Other	34	(18)	16	35	(26)	9	13
Total other intangible assets	<u>\$ 687</u>	<u>\$ (190)</u>	<u>\$ 497</u>	<u>\$ 338</u>	<u>\$ (170)</u>	<u>\$ 168</u>	

Scheduled amortization of intangible assets for the next five years is as follows: \$167, \$115, \$110, \$107 and \$98 in 2022, 2023, 2024, 2025 and 2026, respectively.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

**9. Equity Method Investments**

***LACC, LLC Joint Venture***

In 2015, Eagle US 2 LLC ("Eagle"), a wholly-owned subsidiary of the Company, and Lotte Chemical USA Corporation, a subsidiary of Lotte Chemical Corporation ("Lotte"), formed a joint venture, LACC, LLC ("LACC"), to design, build and operate an ethylene facility with 2.2 billion pounds per year of ethylene production capacity. Pursuant to a contribution and subscription agreement between Eagle and LACC, Eagle contributed \$225 to LACC to fund construction costs of the ethylene plant, representing approximately 12% of the membership interests in LACC.

On November 12, 2019, the Company, through Eagle, completed the acquisition of an additional 34.8% of the membership interests in LACC from Lotte for approximately \$817. In January 2022, the Company notified Lotte of its exercise of an option to acquire an additional 3.2% of the membership interests in LACC from Lotte for approximately \$90. As of December 31, 2021, the Company's investment exceeded the underlying equity in net assets by approximately \$166 which was assigned to goodwill and not amortized.

The ethylene plant was built adjacent to the Company's chlor-alkali facility in Lake Charles. During the third quarter of 2019, the ethylene plant began commercial operations.

The Company accounts for its investment in LACC under the equity method of accounting. The LACC joint venture is a cost-sharing arrangement between the members of LACC. The members of LACC receive their proportionate shares of ethylene offtake each month and fund cash operating costs, excluding depreciation and amortization. As a result, LACC recognizes net losses equal to depreciation and amortization each period. The Company's equity in losses from LACC, which is equal to its share of depreciation and amortization expenses, is recognized in cost of sales in the consolidated statements of operations. The Company's investment in LACC is recorded as a component of equity method investments in the consolidated balance sheets. The Company's capital contributions to fund its share of capital expenditures are classified within investing activities in the consolidated statements of cash flows.

The Company's ethylene offtake from LACC was approximately 909 million and 787 million pounds during the years ended December 31, 2021 and 2020, respectively.

Changes in the Company's investment in LACC for the years ended December 31, 2021 and 2020 were as follows:

	<u>Investment in LACC</u>
Balance at December 31, 2019	\$ 1,038
Cash contributions	4
Depreciation and amortization	(37)
Return of investment	(44)
Balance at December 31, 2020	<u>961</u>
Cash contributions	22
Depreciation and amortization	(40)
Balance at December 31, 2021	<u>\$ 943</u>



**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

*Services Provided to LACC and Lotte*

The Company provides certain utilities and other services to LACC and Lotte. Pursuant to a construction and reimbursement agreement, LACC and Lotte agreed to reimburse the Company for construction costs over a 6.5-year period beginning in 2020. In addition to the reimbursements for construction costs, the Company charges LACC and Lotte certain fixed fees under an operating, maintenance and logistics agreement. The Company accounts for the reimbursement of construction costs and the fixed fees as components of the total transaction price and recognizes it ratably in net sales over approximately 25 years. The remaining performance obligations at December 31, 2021, representing these fixed components of the transaction price, totaled \$55 and \$76 from LACC and Lotte, respectively. The associated contract liabilities recorded from LACC and Lotte totaled \$14 and \$18 as of December 31, 2021, respectively, and \$10 and \$12 as of December 31, 2020, respectively. In addition to the reimbursements for construction costs and other fixed fees, the Company charges LACC and Lotte certain variable fees.

*Other Equity Method Investments*

In addition to LACC, the Company has other equity method investments amounting to \$64 and \$98 as of December 31, 2021 and 2020, respectively. See Note 20 for more detailed information.

**10. Accounts Payable**

Accounts payable consist of the following:

	December 31, 2021	December 31, 2020
Accounts payable—third parties	\$ 849	\$ 529
Accounts payable to related parties	15	—
Notes payable	15	7
Accounts payable	<u>\$ 879</u>	<u>\$ 536</u>

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

**11. Long-Term Debt**

Long-term debt consisted of the following at December 31:

	December 31, 2021			December 31, 2020		
	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Long-Term Debt	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Long-Term Debt
3.60% senior notes due 2022 (the "3.60% 2022 Senior Notes")	\$ 250	\$ —	\$ 250	\$ 250	\$ (1)	\$ 249
0.875% senior notes due 2024 (the "0.875% 2024 Senior Notes")	300	(2)	298	—	—	—
3.60% senior notes due 2026 (the "3.60% 2026 Senior Notes")	750	(5)	745	750	(6)	744
Loan related to tax-exempt waste disposal revenue bonds due 2027	11	—	11	11	—	11
1.625% senior notes due 2029 (the "1.625% 2029 Senior Notes")	794	(8)	786	859	(10)	849
3.375% senior notes due 2030 (the "3.375% 2030 Senior Notes")	300	(4)	296	300	(4)	296
3.50% senior notes due 2032 (the "3.50% 2032 GO Zone Refunding Senior Notes")	250	(1)	249	250	(1)	249
2.875% senior notes due 2041 (the "2.875% 2041 Senior Notes")	350	(11)	339	—	—	—
5.0% senior notes due 2046 (the "5.0% 2046 Senior Notes")	700	(22)	678	700	(23)	677
4.375% senior notes due 2047 (the "4.375% 2047 Senior Notes")	500	(8)	492	500	(9)	491
3.125% senior notes due 2051 (the "3.125% 2051 Senior Notes")	600	(23)	577	—	—	—
3.375% senior notes due 2061 (the "3.375% 2061 Senior Notes")	450	(19)	431	—	—	—
8.73% RS Cogen debt due 2022 (the "8.73% 2022 RS Cogen Debt")	19	—	19	—	—	—
Term loan 2026 (the "2026 Term Loan")	9	—	9	—	—	—
<b>Total long-term debt</b>	<b>5,283</b>	<b>(103)</b>	<b>\$ 5,180</b>	<b>3,620</b>	<b>(54)</b>	<b>3,566</b>
Less current portion:						
3.60% 2022 Senior Notes	(250)	—	(250)	—	—	—
8.73% 2022 RS Cogen Debt	(19)	—	(19)	—	—	—
<b>Long-term debt, net of current portion</b>	<b>\$ 5,014</b>	<b>\$ (103)</b>	<b>\$ 4,911</b>	<b>\$ 3,620</b>	<b>\$ (54)</b>	<b>\$ 3,566</b>

## WESTLAKE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)*****Credit Agreement***

On July 24, 2018, the Company entered into a new \$1,000 revolving credit facility that is scheduled to mature on July 24, 2023 (the "Credit Agreement") and, in connection therewith, terminated the previous \$1,000 revolving credit facility that was scheduled to mature on August 23, 2021 (the "Prior Credit Agreement"). The Credit Agreement bears interest at either (a) LIBOR plus a spread ranging from 1.00% to 1.75% or (b) Alternate Base Rate plus a spread ranging from 0.00% to 0.75% in each case depending on the credit rating of the Company. At December 31, 2021, the Company had no borrowings outstanding under the Credit Agreement. As of December 31, 2021, the Company had no outstanding letters of credit and had \$1,000 of borrowing availability under the Credit Agreement. The Credit Agreement contains certain affirmative and negative covenants, including a quarterly total leverage ratio financial maintenance covenant. As of December 31, 2021, the Company was in compliance with the total leverage ratio financial maintenance covenant. The Credit Agreement also contains certain events of default and if and for so long as certain events of default have occurred and are continuing, any overdue amounts outstanding under the Credit Agreement will accrue interest at an increased rate, the lenders can terminate their commitments thereunder and payments of any outstanding amounts could be accelerated by the lenders.

The Credit Agreement includes a \$150 sub-limit for letters of credit, and any outstanding letters of credit will be deducted from availability under the facility. The Credit Agreement also provides for a discretionary \$50 commitment for swingline loans to be provided on a same-day basis. The Company may also increase the size of the facility, in increments of at least \$25, up to a maximum of \$500, subject to certain conditions and if certain lenders agree to commit to such an increase.

***3.60% Senior Notes due 2022***

In July 2012, the Company issued \$250 aggregate principal amount of the 3.60% 2022 Senior Notes. The 3.60% 2022 Senior Notes are unsecured and were issued with an original issue discount of \$1. There is no sinking fund and no scheduled amortization of the 3.60% 2022 Senior Notes prior to maturity. The Company may optionally redeem the 3.60% 2022 Senior Notes in accordance with the terms of the 3.60% 2022 Senior Notes.

***0.875% Senior Notes due 2024***

In August 2021, the Company completed the registered public offering of \$300 aggregate principal amount of the 0.875% 2024 Senior Notes. The Company may optionally redeem the 0.875% 2024 Senior Notes at any time and from time to time on or after August 15, 2022 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 0.875% 2024 Senior Notes may require us to repurchase the 0.875% 2024 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 0.875% 2024 Senior Notes).

***3.60% Senior Notes due 2026 and 5.0% Senior Notes due 2046***

In August 2016, the Company issued \$750 aggregate principal amount of the 3.60% 2026 Senior Notes and \$700 aggregate principal amount of the 5.0% 2046 Senior Notes. In March 2017, the Company commenced registered exchange offers to exchange the 3.60% 2026 Senior Notes and the 5.0% 2046 Senior Notes for new notes that are identical in all material respects to the 3.60% 2026 Senior Notes and the 5.0% 2046 Senior Notes, except that the offer and issuance of the new Securities and Exchange Commission-registered notes have been registered under the Securities Act of 1933, as amended (the "Securities Act"). The exchange offers expired on April 24, 2017, and approximately 99.97% of the 3.60% 2026 Senior Notes and 100% of the 5.0% 2046 Senior Notes were exchanged. The 3.60% 2026 Senior Notes that were not exchanged in the 3.60% 2026 Senior Notes exchange offer have not been registered under the Securities Act or any state securities laws and may not be offered or sold in the U.S. absent registration or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities law.

***Revenue Bonds***

In December 1997, the Company entered into a loan agreement with a public trust established for public purposes for the benefit of the Parish of Calcasieu, Louisiana. The public trust issued \$11 principal amount of tax-exempt waste disposal revenue bonds in order to finance the Company's construction of waste disposal facilities for an ethylene plant. The waste disposal revenue bonds expire in December 2027 and are subject to redemption and mandatory tender for purchase prior to maturity under certain conditions. The interest rate on the waste disposal revenue bonds at December 31, 2021 and 2020 was 0.14% and 0.14%, respectively.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

***1.625% Senior Notes due 2029***

On July 17, 2019, the Company completed the registered public offering of €700 aggregate principal amount of the 1.625% 2029 Senior Notes. The Company received approximately \$779 of net proceeds from the offering. The 1.625% 2029 Senior Notes will accrue interest from July 17, 2019 at a rate of 1.625% per annum, payable annually in arrears on July 17 of each year, beginning July 17, 2020. The Company may optionally redeem the 1.625% 2029 Senior Notes in accordance with the terms of the 1.625% 2029 Senior Notes. The Company designated this euro-denominated debt as a non-derivative net investment hedge of a portion of the Company's net investments in euro functional-currency denominated subsidiaries to offset foreign currency fluctuations.

***3.375% Senior Notes due 2030***

On June 12, 2020, the Company completed the registered public offering of \$300 aggregate principal amount of the 3.375% 2030 Senior Notes. There is no sinking fund and no scheduled amortization of the 3.375% 2030 Senior Notes prior to maturity. The 3.375% 2030 Senior Notes accrue interest from June 12, 2020 at a rate of 3.375% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning December 15, 2020. The Company may optionally redeem the 3.375% 2030 Senior Notes in accordance with the terms of the 3.375% 2030 Senior Notes.

***3.50% 2032 GO Zone Refunding Bonds***

In November 2017, the Louisiana Local Government Environmental Facility and Development Authority (the "Authority") completed the remarketing of \$250 aggregate principal amount of 3.50% tax-exempt revenue refunding bonds due November 1, 2032 (the "3.50% 2032 GO Zone Bonds"), the net proceeds of which were used to redeem \$250 aggregate principal amount of the Authority's 6 <sup>3</sup>/<sub>4</sub>% tax-exempt revenue bonds due November 1, 2032 issued by the Authority under the GO Zone Act in December 2007. In connection with the remarketing of the 3.50% 2032 GO Zone Bonds, the Company issued \$250 aggregate principal amount of the 3.50% 2032 GO Zone Refunding Senior Notes. The 3.50% 2032 GO Zone Bonds are subject to optional redemption by the Authority upon the direction of the Company at any time on or after November 1, 2027, for 100% of the principal amount plus accrued interest.

***2.875% Senior Notes due 2041***

In August 2021, the Company completed the registered public offering of \$350 aggregate principal amount of the 2.875% 2041 Senior Notes. The Company may optionally redeem the 2.875% 2041 Senior Notes at any time and from time to time prior to February 15, 2041 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 2.875% 2041 Senior Notes being redeemed that would be due if the 2.875% 2041 Senior Notes matured on February 15, 2041, discounted to the redemption date on a semi-annual basis, plus 20 basis points, and plus accrued and unpaid interest. In addition, the Company may optionally redeem the 2.875% 2041 Senior Notes at any time on or after February 15, 2041 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 2.875% 2041 Senior Notes may require us to repurchase the 2.875% 2041 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 2.875% 2041 Senior Notes).

***4.375% Senior Notes due 2047***

In November 2017, the Company completed the registered public offering of \$500 aggregate principal amount of the 4.375% 2047 Senior Notes. The 4.375% 2047 Senior Notes are unsecured and mature on November 15, 2047. There is no sinking fund and no scheduled amortization of the 4.375% 2047 Senior Notes prior to maturity. The Company may optionally redeem the 4.375% 2047 Senior Notes in accordance with the terms of the 4.375% 2047 Senior Notes.

## WESTLAKE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)*****3.125% Senior Notes due 2051***

In August 2021, the Company completed the registered public offering of \$600 aggregate principal amount of the 3.125% 2051 Senior Notes. The Company may optionally redeem the 3.125% 2051 Senior Notes at any time and from time to time prior to February 15, 2051 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 3.125% 2051 Senior Notes being redeemed that would be due if the 3.125% 2051 Senior Notes matured on February 15, 2051, discounted to the redemption date on a semi-annual basis, plus 25 basis points, and plus accrued and unpaid interest. In addition, the Company may optionally redeem the 3.125% 2051 Senior Notes at any time on or after February 15, 2051 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 3.125% 2051 Senior Notes may require us to repurchase the 3.125% 2051 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 3.125% 2051 Senior Notes).

***3.375% Senior Notes due 2061***

In August 2021, the Company completed the registered public offering of \$450 aggregate principal amount of the 3.375% 2061 Senior Notes. The Company may optionally redeem the 3.375% 2061 Senior Notes at any time and from time to time prior to February 15, 2061 (six months prior to the maturity date) for a redemption price equal to the greater of (i) 100% of the principal amount plus accrued and unpaid interest and (ii) the sum of the present values of the remaining scheduled payments on the 3.375% 2061 Senior Notes being redeemed that would be due if the 3.375% 2061 Senior Notes matured on February 15, 2061, discounted to the redemption date on a semi-annual basis, plus 25 basis points, and plus accrued and unpaid interest. In addition, the Company may optionally redeem the 3.375% 2061 Senior Notes at any time on or after February 15, 2061 for 100% of the principal amount plus accrued and unpaid interest. The holders of the 3.375% 2061 Senior Notes may require us to repurchase the 3.375% 2061 Senior Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of repurchase, upon the occurrence of both a "change of control" and, within 60 days of such change of control, a "below investment grade rating event" (as such terms are defined in the indenture governing the 3.375% 2061 Senior Notes).

***8.73% 2022 RS Cogen Debt***

In July 2000, RS Cogen, the Company's 50%-owned joint venture, entered into a \$75 aggregate principal amount senior credit facility institutional loan at an interest rate of 8.73%. All of the assets of RS Cogen are pledged as collateral under its senior credit facility. Borrowings under this senior credit facility are repayable quarterly over the remaining term. The Company does not guarantee RS Cogen's debt commitments and RS Cogen is not a guarantor for any of the Company's other long-term debt obligations. The balance outstanding under this loan was \$19 at December 31, 2021.

***2026 Term Loans***

In March 2021, Taiwan Chlorine Industries, Ltd., the Company's 60%-owned joint venture, entered into five-year loan agreements for a maximum total limit of approximately \$22. The interest rate on these loans at December 31, 2021 was 0.20%. The unsecured loans include a government rate subsidy and have a 5-year maturity. The balance outstanding under these loans was approximately \$9 at December 31, 2021.

The indenture governing the 3.60% 2022 Senior Notes, the 0.875% 2024 Senior Notes, the 3.60% 2026 Senior Notes, the 1.625% 2029 Senior Notes, the 3.375% 2030 Senior Notes, the 3.50% 2032 GO Zone Refunding Senior Notes, the 2.875% 2041 Senior Notes, the 5.0% 2046 Senior Notes, the 4.375% 2047 Senior Notes, the 3.125% 2051 Senior Notes, and the 3.375% 2061 Senior Notes (together, the "Notes") contains customary events of default and covenants that, among other things and subject to certain exceptions, restrict us and certain of the Company's subsidiaries' ability to (1) incur certain secured indebtedness, (2) engage in certain sale and leaseback transactions and (3) consolidate, merge or transfer all or substantially all of its assets. The Notes are unsecured and none of the Company's subsidiaries have guaranteed any series of the Notes.

As of December 31, 2021, the Company was in compliance with all of its long-term debt covenants.

The weighted average interest rate on all long-term debt was 3.2% and 3.4% at December 31, 2021 and 2020, respectively. Unamortized debt issuance costs on long-term debt were \$42 and \$28 at December 31, 2021 and 2020, respectively.

## WESTLAKE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

Aggregate scheduled maturities of long-term debt during the next five years consist of \$269 in 2022, \$300 in 2024, and \$759 in 2026. There are no other scheduled maturities of debt in 2022 through 2026.

**12. Stockholders' Equity**

The Company's Board of Directors has declared regular quarterly dividends to holders of its common stock aggregating \$145, \$137 and \$132 for the years ended December 31, 2021, 2020 and 2019, respectively.

**Common Stock**

Each share of common stock entitles the holder to one vote on all matters on which holders are permitted to vote, including the election of directors. There are no cumulative voting rights. Accordingly, holders of a majority of the total votes entitled to vote in an election of directors will be able to elect all of the directors standing for election. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of the common stock will share equally on a per share basis any dividends when, as and if declared by the Board of Directors out of funds legally available for that purpose. If the Company is liquidated, dissolved or wound up, the holders of the Company's common stock will be entitled to a ratable share of any distribution to stockholders, after satisfaction of all the Company's liabilities and of the prior rights of any outstanding class of the Company's preferred stock. The Company's common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Company's common stock.

**Preferred Stock**

The Company's charter authorizes the issuance of shares of preferred stock. The Company's Board of Directors has the authority, without shareholder approval, to issue preferred shares from time to time in one or more series, and to fix the number of shares and terms of each such series. The Board may determine the designations and other terms of each series including dividend rates, whether dividends will be cumulative or non-cumulative, redemption rights, liquidation rights, sinking fund provisions, conversion or exchange rights and voting rights.

**Stock Repurchase Program**

In November 2014, the Company's Board of Directors approved a \$250 share repurchase program (the "2014 Program"). In November 2015, the Company's Board of Directors approved the expansion of the 2014 Program by an additional \$150. In August 2018, the Company's Board of Directors approved the expansion of the 2014 Program by an additional \$150. The number of shares repurchased by the Company under the 2014 Program was 355,800, 995,529 and 517,712 for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, the Company had repurchased a total of 7,431,520 shares of its common stock for an aggregate purchase price of approximately \$449.

Any shares repurchased under the 2014 Program are held by the Company as treasury stock and may be used for general corporate purposes, including for the 2013 Omnibus Incentive Plan. In 2014, the Company began delivering treasury shares to employees and non-employee directors for options exercised and for the settlement of restricted stock units. The cost of treasury shares delivered is determined using the specific identification method.

**13. Accumulated Other Comprehensive Income (Loss)**

Changes in accumulated other comprehensive income (loss) by component were as follows:

	Pension and Other Post-Retirement Benefits Liability, Net of Tax	Cumulative Foreign Currency Exchange, Net of Tax	Total
Balances at December 31, 2019	\$ 3	\$ (77)	\$ (74)
Net other comprehensive income (loss) attributable to Westlake Corporation	(27)	37	10
Balances at December 31, 2020	(24)	(40)	(64)
Net other comprehensive income (loss) attributable to Westlake Corporation	44	(16)	28
Balances at December 31, 2021	\$ 20	\$ (56)	\$ (36)

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

**14. Employee Benefits*****Defined Contribution Plans****U.S. Plans*

The Company has a defined contribution savings plan covering the eligible U.S. regular full-time and part-time employees, whereby eligible employees may elect to contribute up to 100% of their annual eligible compensation, subject to an annual plan limit in line with the annual elective contribution limit as determined by the Internal Revenue Service. The Company matches its employee's contribution up to a certain percentage of such employee's compensation, per the terms of the plan. The Company may, at its discretion and per the terms of the plan, make an additional non-matching contribution in an amount as the Board of Directors may determine. For the years ended December 31, 2021, 2020 and 2019, the Company recorded approximately \$24, \$21 and \$20, respectively, to expense for these contributions.

Further, within the plan, the Company also makes an annual retirement contribution to substantially all employees of certain subsidiaries. The Company's contributions to the plan are determined as a percentage of employees' pay. For the years ended December 31, 2021, 2020 and 2019, the Company charged approximately \$35, \$34 and \$32, respectively, to expense for these contributions.

*Non-U.S. Plans*

The Company has defined contribution plans in several countries covering eligible employees of the Company. The Company's contributions to the plans are based on applicable laws in each country. Contributions to the Company's non-U.S. defined contribution plans are made by both the employee and the Company. For the years ended December 31, 2021, 2020 and 2019, the Company charged approximately \$4, \$4 and \$4, respectively, to expense for its contributions to these plans.

***Defined Benefit Plans****U.S. Plans*

The Company has noncontributory defined benefit pension plans that cover certain eligible salaried and wage employees of certain subsidiaries. However, eligibility for the Company's plans has been frozen. Benefits for salaried employees under these plans are based primarily on years of service and employees' pay near retirement. Benefits for wage employees are based upon years of service and a fixed amount as periodically adjusted. The Company recognizes the years of service prior to the Company's acquisition of the subsidiary's facilities for purposes of determining vesting, eligibility and benefit levels for certain employees of the subsidiary and for determining vesting and eligibility for certain other employees of the subsidiary. The measurement date for these plans is December 31.

*Non-U.S. Plans*

The Company has defined benefit pension plans covering current and former employees associated with the Company's operations. These pension plans are closed to new participants. Benefits for employees for these plans are based primarily on employees' pay near retirement. The majority of these pension plans are unfunded and have no plan assets. The measurement date for the non-U.S. plans is December 31.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

Details of the changes in benefit obligations, plan assets and funded status of the Company's pension plans are as follows:

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Change in benefit obligation</b>				
Benefit obligation, beginning of year	\$ 748	\$ 173	\$ 703	\$ 144
Benefit obligation assumed with acquisition	—	1	—	—
Service cost	3	2	3	2
Interest cost	11	1	17	2
Actuarial loss (gain)	(35)	(9)	64	14
Benefits paid	(52)	(4)	(39)	(4)
Plan amendments	(2)	—	—	—
Settlements	—	(1)	—	—
Foreign exchange effects	—	(11)	—	13
Other	—	—	—	2
Benefit obligation, end of year	\$ 673	\$ 152	\$ 748	\$ 173
<b>Change in plan assets</b>				
Fair value of plan assets, beginning of year	\$ 563	\$ 21	\$ 526	\$ 19
Actual return	52	1	78	1
Employer contribution	2	4	2	4
Benefits paid	(52)	(4)	(39)	(4)
Administrative expenses paid	(3)	—	(4)	—
Settlements	—	(1)	—	—
Foreign exchange effects	—	—	—	1
Fair value of plan assets, end of year	\$ 562	\$ 21	\$ 563	\$ 21
Funded status, end of year	\$ (111)	\$ (131)	\$ (185)	\$ (152)

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Amounts recognized in the consolidated balance sheet at December 31</b>				
Current liabilities	\$ (2)	\$ (3)	\$ (2)	\$ (4)
Noncurrent liabilities	(109)	(128)	(183)	(148)
Net amount recognized	\$ (111)	\$ (131)	\$ (185)	\$ (152)

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Amounts recognized in accumulated other comprehensive income (loss)</b>				
Net loss (gain)	\$ (43)	\$ 23	\$ 6	\$ 34
Prior service credit	(2)	(4)	—	(4)
Total before tax <sup>(1)</sup>	\$ (45)	\$ 19	\$ 6	\$ 30

(1) After-tax totals for pension benefits were \$21 and \$(24) for 2021 and 2020, respectively, and are reflected in stockholders' equity as accumulated other comprehensive income (loss).



**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

In the U.S., the Pension Protection Act of 2006 (the "Pension Protection Act") established a relationship between a qualified pension plan's funded status and the actual benefits that can be provided. Restrictions on plan benefits and additional funding and notice requirements are imposed when a plan's funded status is less than certain threshold levels. For the 2021 plan year, the funded status for the Company's U.S. pension plans are above 80% and, as such, are exempt from the Pension Protection Act's benefit restrictions.

Pension plans with an accumulated benefit obligation in excess of plan assets at December 31 are as follows:

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Information for pension plans with an accumulated benefit obligation in excess of plan assets</b>				
Projected benefit obligation	\$ (673)	\$ (130)	\$ (748)	\$ (164)
Accumulated benefit obligation	(673)	(128)	(748)	(163)
Fair value of plan assets	562	—	563	13

The following table provides the components of net periodic benefit costs, other changes in plan assets and benefit obligation recognized in other comprehensive income.

	Year Ended December 31,					
	2021		2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Components of net periodic benefit cost</b>						
Service cost	\$ 3	\$ 2	\$ 3	\$ 2	\$ 3	\$ 2
Administrative expenses	3	—	3	—	4	—
Interest cost	11	1	17	2	23	3
Expected return on plan assets	(38)	(1)	(35)	(1)	(33)	(1)
Net amortization	—	3	—	1	—	—
Net periodic benefit cost (gain)	\$ (21)	\$ 5	\$ (12)	\$ 4	\$ (3)	\$ 4
<b>Other changes in plan assets and benefit obligation recognized in other comprehensive income (OCI)</b>						
Net loss (gain) emerging	\$ (49)	\$ (9)	\$ 22	\$ 13	\$ 20	\$ 13
Prior service credit	(2)	—	—	—	—	—
Effect of plan change	—	—	—	—	—	(4)
Amortization of net gain (loss)	—	(2)	—	(1)	—	—
Total recognized in OCI	\$ (51)	\$ (11)	\$ 22	\$ 12	\$ 20	\$ 9
Total net periodic benefit cost and OCI	\$ (72)	\$ (6)	\$ 10	\$ 16	\$ 17	\$ 13

The estimated prior service credit and net loss for the defined benefit plans to be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during 2022 are expected to be \$1 and \$2, respectively.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

The weighted-average assumptions used to determine pension plan obligations and net periodic benefit costs for the plans are as follows:

	2021		2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Weighted average assumptions used to determine benefit obligations at December 31</b>						
Discount rate	2.6 %	1.4 %	2.1 %	0.8 %	3.0 %	1.3 %
Rate of compensation increase	— %	2.6 %	— %	2.6 %	— %	2.6 %
<b>Weighted average assumptions used to determine net periodic benefit costs for years ended December 31</b>						
Discount rate for benefit obligations	2.1 %	0.8 %	3.0 %	1.3 %	4.1 %	2.0 %
Discount rate for service cost	2.4 %	0.8 %	3.2 %	1.4 %	4.2 %	2.2 %
Discount rate for interest cost	1.5 %	0.8 %	2.6 %	1.6 %	3.7 %	2.2 %
Expected return on plan assets	7.0 %	4.0 %	7.0 %	4.0 %	7.0 %	4.0 %
Rate of compensation increase	— %	2.6 %	— %	2.6 %	— %	2.6 %

The discount rates for the Company's U.S. and non-U.S. plans are determined using a benchmark pension discount curve and applying spot rates from the curve to each year of expected benefit payments to determine the appropriate discount rate for the Company. The assumed long-term return on plan assets is estimated by considering factors such as the plan's overall investment strategy, current economic conditions and historical averages.

The Company's U.S. pension plan investments are held in the Westlake Defined Benefit Plan. The Company's overall investment strategy for these pension plan assets is to achieve a balance between moderate income generation and capital appreciation. The investment strategy includes a mix of approximately 60% of investments for long-term growth, and 40% for near-term benefit payments with a diversification of asset types. These pension funds' investment policies target asset allocations from approximately 60% equity securities and 40% fixed income securities in order to pursue a balance between moderate income generation and capital appreciation.

Equity securities primarily include investments in large-cap and small-cap companies located in the U.S. and international developed and emerging markets stocks. Fixed income securities are comprised of investment and non-investment grade bonds, including U.S. Treasuries and U.S. and non-U.S. corporate bonds of companies from diversified industries. Each pension fund investment policy allows a discretionary range in various asset classes within the asset allocation model of up to 10%. The Company does not believe that there are significant concentrations of risk in the pension plan assets due to its strategy of asset diversification. At December 31, 2021, plan assets did not include direct ownership of the Company's common stock.

Under the accounting guidance for fair value measurements, inputs used to measure fair value are classified in one of three levels:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

The investments in the collective trust and mutual funds are valued using a market approach based on the net asset value of units held. The fair values of the Company's plan assets at December 31, by asset category, are as follows:

	2021					
	U.S. Plans			Non U.S. Plans		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Cash and common stock:</b>						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 6	\$ —	\$ 6
<b>Collective investment trust and mutual funds—Equity securities:</b>						
Large-cap funds <sup>(1)</sup>	62	125	187	—	2	2
Small-cap funds <sup>(2)</sup>	—	14	14	—	—	—
International funds <sup>(3)</sup>	93	33	126	—	4	4
<b>Collective investment trust and mutual funds—Fixed income:</b>						
Bond funds <sup>(4)</sup>	127	99	226	—	9	9
Short-term investment funds	—	9	9	—	—	—
	<u>\$ 282</u>	<u>\$ 280</u>	<u>\$ 562</u>	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ 21</u>

	2020					
	U.S. Plans			Non U.S. Plans		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Cash and common stock:</b>						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 6	\$ —	\$ 6
<b>Collective investment trust and mutual funds—Equity securities:</b>						
Large-cap funds <sup>(1)</sup>	64	132	196	—	2	2
Small-cap funds <sup>(2)</sup>	—	14	14	—	—	—
International funds <sup>(3)</sup>	84	50	134	—	6	6
<b>Collective investment trust and mutual funds—Fixed income:</b>						
Bond funds <sup>(4)</sup>	116	96	212	—	7	7
Short-term investment funds	—	7	7	—	—	—
	<u>\$ 264</u>	<u>\$ 299</u>	<u>\$ 563</u>	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ 21</u>

- (1) Substantially all of the assets of these funds are invested in large-cap U.S. companies. The remainder of the assets of these funds is invested in cash reserves.
- (2) Substantially all of the assets of these funds are invested in small-cap U.S. companies. The remainder of the assets of these funds is invested in cash reserves.
- (3) Substantially all of the assets of these funds are invested in international companies in developed markets (excluding the U.S.). The remainder of the assets of these funds is invested in cash reserves.
- (4) This category represents investment grade bonds of U.S. issuers, including U.S. Treasury notes.

The Company's funding policy for its U.S. plans is consistent with the minimum funding requirements of federal law and regulations, and based on preliminary estimates, the Company does not expect to make any contributions to the pension plans in 2022.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

**Multi-employer Plans**
*Non-U.S. Plans*

The Company participates in two multi-employer plans, Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG and Pensionskasse der Wacker-Chemie GmbH VVaG, which provide benefits to certain of the Company's employees in Germany. These multi-employer plans are closed to new participants. The benefit obligations are covered up to a certain salary threshold by contributions made by the Company and employees to the plans.

Contributions to the Company's multi-employer plans are expensed as incurred and were as follows:

	Year Ended December 31,		
	2021	2020	2019
	Non-U.S. Plans	Non-U.S. Plans	Non-U.S. Plans
Contributions to multi-employer plans <sup>(1)</sup>	\$ 10	\$ 5	\$ 9

(1) The plan information for both the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG and Pensionskasse der Wacker-Chemie GmbH VVaG plans is publicly available. The plans provide fixed, monthly retirement payments on the basis of the credits earned by the participating employees. To the extent that the plans are underfunded, future contributions to the plans may increase and may be used to fund retirement benefits for employees related to other employers. The Company does not consider either of its multi-employer plans individually significant.

**Other Post-retirement Benefits**

In the U.S., the Company provides post-retirement healthcare and life insurance benefits for certain employees and their dependents who meet minimum age and service requirements. The Company has the right to modify or terminate some of these benefits.

The Company also has a post-retirement plan in Canada which is unfunded and provides medical and life insurance benefits for certain employees and their dependents.

The following table provides a reconciliation of the benefit obligations of the Company's unfunded post-retirement healthcare plans.

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Change in benefit obligation</b>				
Benefit obligation, beginning of year	\$ 63	\$ 4	\$ 65	\$ 4
Service cost	1	—	1	—
Interest cost	1	—	1	—
Actuarial loss (gain)	(2)	(1)	3	—
Benefits paid	(8)	—	(7)	—
Plan amendments	4	—	—	—
Benefit obligation, end of year	\$ 59	\$ 3	\$ 63	\$ 4
<b>Change in plan assets</b>				
Fair value of plan assets, beginning of year	\$ —	\$ —	\$ —	\$ —
Employer contribution	8	—	7	—
Benefits paid	(8)	—	(7)	—
Fair value of plan assets, end of year	\$ —	\$ —	\$ —	\$ —
Funded status, end of year	\$ (59)	\$ (3)	\$ (63)	\$ (4)

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Amounts recognized in the consolidated balance sheet at December 31</b>				
Current liabilities	\$ (8)	\$ —	\$ (8)	\$ —
Noncurrent liabilities	(51)	(3)	(55)	(5)
Net amount recognized	\$ (59)	\$ (3)	\$ (63)	\$ (5)

	2021		2020	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Amounts recognized in accumulated other comprehensive income (loss)</b>				
Net gain	\$ (2)	\$ (1)	\$ —	\$ —
Prior service cost	4	—	—	—
Total before tax <sup>(1)</sup>	\$ 2	\$ (1)	\$ —	\$ —

(1) After-tax totals for post-retirement healthcare benefits were \$(1) and \$0 for 2021 and 2020, respectively, and are reflected in stockholders' equity as accumulated other comprehensive income (loss).

The following table provides the components of net periodic benefit costs, other changes in plan assets and benefit obligation recognized in other comprehensive income.

	Year Ended December 31,					
	2021		2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Components of net periodic benefit cost</b>						
Service cost	\$ 1	\$ —	\$ 1	\$ —	\$ 1	\$ —
Interest cost	1	—	1	—	2	—
Net periodic benefit cost	\$ 2	\$ —	\$ 2	\$ —	\$ 3	\$ —
<b>Other changes in plan assets and benefit obligation recognized in OCI</b>						
Net loss (gain) emerging	\$ (2)	\$ (1)	\$ 3	\$ —	\$ 3	\$ —
Prior service cost	4	—	—	—	—	—
Total recognized in OCI	\$ 2	\$ (1)	\$ 3	\$ —	\$ 3	\$ —
Total net periodic benefit cost and OCI	\$ 4	\$ (1)	\$ 5	\$ —	\$ 6	\$ —

The estimated prior service cost and net gain for the post-retirement healthcare benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during 2022 are expected to be \$1 and \$0, respectively.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

The weighted-average assumptions used to determine post-retirement healthcare plan obligations and net periodic benefit costs for the plans are as follows:

	2021		2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
<b>Weighted average assumptions used to determine benefit obligations at December 31</b>						
Discount rate	2.2 %	3.5 %	1.5 %	2.7 %	2.5 %	3.2 %
Health care cost trend rate						
- Initial rate	6.3 %	5.6 %	6.5 %	5.6 %	6.8 %	5.7 %
- Ultimate rate	4.5 %	4.0 %	4.5 %	4.0 %	4.5 %	4.0 %
- Years to ultimate	8	19	9	20	10	21
<b>Weighted average assumptions used to determine net periodic benefit costs for years ended December 31</b>						
Discount rate for benefit obligations	1.5 %	2.7 %	2.5 %	3.2 %	3.7 %	3.9 %
Discount rate for service cost	2.1 %	2.7 %	2.8 %	3.2 %	4.0 %	3.9 %
Discount rate for interest cost	0.9 %	2.7 %	2.2 %	3.2 %	3.4 %	3.9 %
Health care cost trend rate						
- Initial rate	6.5 %	5.6 %	6.8 %	5.7 %	7.0 %	5.8 %
- Ultimate rate	4.5 %	4.0 %	4.5 %	4.0 %	4.5 %	4.0 %
- Years to ultimate	8	19	9	20	10	21

The discount rate is determined using a benchmark pension discount curve and applying spot rates from the curve to each year of expected benefit payments to determine the appropriate discount rate for the Company. A one percentage-point increase or decrease in assumed healthcare trend rates would not have a significant effect on the amounts reported for the healthcare plans.

***Estimated Future Benefit Payments***

The following benefit payments are expected to be paid:

	Pension Benefits	Other Post-retirement Benefits
<b>Estimated future benefit payments:</b>		
Year 1	\$ 49	\$ 8
Year 2	49	8
Year 3	48	8
Year 4	48	6
Year 5	47	4
Years 6 to 10	228	16

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

**15. Stock-Based Compensation**

Under the Westlake Chemical Corporation 2013 Omnibus Incentive Plan (as amended and restated in 2017, the "2013 Plan"), all employees and non-employee directors of the Company, as well as certain individuals who have agreed to become the Company's employees, are eligible for awards. Shares of common stock may be issued as authorized in the 2013 Plan. At the discretion of the administrator of the 2013 Plan, employees and non-employee directors may be granted awards in the form of stock options, stock appreciation rights, stock awards, restricted stock units or cash awards (any of which may be a performance award). Outstanding stock option awards have a 10-year term and vest (1) ratably on an annual basis over a three-year period or (2) at the end of a five-year period. Outstanding restricted stock units and performance stock units vest either (1) ratably on an annual basis over a two to five-year period or (2) at the end of a three or six-year period. In accordance with accounting guidance related to share-based payments, stock-based compensation expense for all stock-based compensation awards is based on estimated grant-date fair value. The Company recognizes these stock-based compensation costs net of a forfeiture rate and on a straight-line basis over the requisite service period of the award for only those shares expected to vest. For the years ended December 31, 2021, 2020 and 2019, the total recognized stock-based compensation expense related to equity awards issued under the 2013 Plan was \$31, \$29 and \$24, respectively.

Option activity and changes during the year ended December 31, 2021 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	1,578,870	\$ 67.39		
Granted	276,535	86.54		
Exercised	(239,131)	53.51		
Cancelled	(46,618)	82.76		
Outstanding at December 31, 2021	<u>1,569,656</u>	<u>\$ 72.43</u>	<u>6.6</u>	<u>\$ 40</u>
Exercisable at December 31, 2021	<u>929,365</u>	<u>\$ 69.77</u>	<u>5.4</u>	<u>\$ 27</u>

For options outstanding at December 31, 2021, the options had the following range of exercise prices:

Range of Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)
\$30.05 - \$61.87	391,971	4.3
\$63.98 - \$65.81	442,247	7.6
\$68.09 - \$79.83	316,977	6.3
\$86.54 - \$86.54	261,157	9.1
\$107.75 - \$107.75	157,304	6.1

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of the year and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2021. This amount changes based on the fair market value of the Company's common stock. For the years ended December 31, 2021, 2020 and 2019, the total intrinsic value of options exercised was \$9, \$11 and \$1, respectively.

As of December 31, 2021, \$7 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.7 years. Income tax benefits of \$2, \$2 and \$0 were realized from the exercise of stock options during the years ended December 31, 2021, 2020 and 2019, respectively.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

The Company used the Black-Scholes option pricing model to value its options. The table below presents the weighted average value and assumptions used in determining each option's fair value. Volatility was calculated using historical trends of the Company's common stock price.

	<b>Stock Option Grants</b>		
	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Weighted average fair value	\$ 25.18	\$ 15.55	\$ 21.02
Risk-free interest rate	0.6 %	1.4 %	2.5 %
Expected life in years	5	5	5
Expected volatility	36.9 %	29.4 %	28.9 %
Expected dividend yield	1.2 %	1.6 %	1.2 %

Non-vested restricted stock units as of December 31, 2021 and changes during the year ended December 31, 2021 were as follows:

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested at December 31, 2020	619,656	\$ 75.22
Granted	286,596	86.52
Vested	(202,204)	84.26
Forfeited	(27,749)	76.31
Non-vested at December 31, 2021	<u>676,299</u>	<u>\$ 77.73</u>

As of December 31, 2021, there was \$25 of unrecognized stock-based compensation expense related to non-vested restricted stock units. This cost is expected to be recognized over a weighted-average period of 2.1 years. The total fair value of restricted stock units that vested during the years ended December 31, 2021, 2020 and 2019 was \$18, \$12 and \$28, respectively.

Performance stock unit payout is based on the greater of the average annual economic-value added results for the Company (equal to net operating profit after tax less a capital charge based upon the weighted average cost of capital) and relative total shareholder return as compared to a peer group of companies. The units have payouts that range from zero to 200 percent of the target award.

Non-vested performance stock units as of December 31, 2021 and changes during the year ended December 31, 2021 were as follows:

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested at December 31, 2020	183,790	\$ 91.10
Granted	86,875	109.94
Vested	—	—
Forfeited	(14,271)	97.23
Non-vested at December 31, 2021	<u>256,394</u>	<u>\$ 97.14</u>

As of December 31, 2021, there was \$10 of unrecognized stock-based compensation expense related to non-vested performance stock units. This cost is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of performance stock units that vested during the years ended December 31, 2021, 2020, and 2019 was \$0.

The Company used a Monte Carlo simulation model to value the performance stock units on the grant date. The table below presents the assumptions used in determining grant date fair value. Volatility was calculated using historical trends of the Company's common stock price.



**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

	Performance Stock Units		
	Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	0.2 %	1.4 %	2.5 %
Expected life in years	2.87	2.88	2.88
Expected volatility of Westlake Corporation common stock	49.4 %	32.0 %	30.3 %
Expected volatility of peer companies	30.7% - 65.6%	15.7% - 47.4%	14.5% - 47.8%
Average correlation coefficient of peer companies	0.65	0.49	0.49
Grant date fair value	\$ 109.94	\$ 74.61	\$ 114.38

**Westlake Chemical Partners LP Awards**

The Company's wholly-owned subsidiary and the general partner of Westlake Partners, Westlake Chemical Partners GP LLC ("Westlake Partners GP"), maintains a unit-based compensation plan for directors and employees of WLKP GP and Westlake Partners.

The Westlake Partners 2014 Long-term Incentive Plan ("Westlake Partners 2014 Plan") permits various types of equity awards including but not limited to grants of phantom units and restricted units. Awards granted under the Westlake Partners 2014 Plan may be settled with Westlake Partners units or in cash or a combination thereof. Compensation expense for these awards was not material to the Company's consolidated financial statements for the years ended December 31, 2021, 2020 and 2019.

**16. Fair Value Measurements**

The Company has financial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, net, accounts payable and long-term debt, all of which are recorded at carrying value. The amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, net and accounts payable approximate their fair value due to the short maturities of these instruments. The carrying and fair values of the Company's long-term debt at December 31, 2021 and 2020 are summarized in the table below. The Company's long-term debt instruments are publicly-traded. A market approach, based upon quotes from financial reporting services, is used to measure the fair value of the Company's long-term debt. Because the Company's long-term debt instruments may not be actively traded, the inputs used to measure the fair value of the Company's long-term debt are classified as Level 2 inputs within the fair value hierarchy.

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.60% 2022 Senior Notes	\$ 250	\$ 252	\$ 249	\$ 259
0.875% 2024 Senior Notes	298	287	—	—
3.60% 2026 Senior Notes	745	805	744	846
Loan related to tax-exempt waste disposal revenue bonds due 2027	11	11	11	11
1.625% 2029 Senior Notes	786	824	849	897
3.375% 2030 Senior Notes	296	319	296	332
3.50% 2032 GO Zone Refunding Senior Notes	249	271	249	276
2.875% 2041 Senior Notes	339	339	—	—
5.0% 2046 Senior Notes	678	885	677	905
4.375% 2047 Senior Notes	492	592	491	597
3.125% 2051 Senior Notes	577	582	—	—
3.375% 2061 Senior Notes	431	432	—	—
8.73% 2022 RS Cogen Debt	19	19	—	—
2026 Term Loans	9	9	—	—

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

**17. Income Taxes**

The components of income before income taxes are as follows:

	Year Ended December 31,		
	2021	2020	2019
Domestic	\$ 2,298	\$ 233	\$ 460
Foreign	379	98	110
	<u>\$ 2,677</u>	<u>\$ 331</u>	<u>\$ 570</u>

The Company's provision for (benefit from) income taxes consists of the following:

	Year Ended December 31,		
	2021	2020	2019
<b>Current</b>			
Federal	\$ 434	\$ (208)	\$ 20
State	57	6	9
Foreign	93	14	25
Total current	<u>584</u>	<u>(188)</u>	<u>54</u>
<b>Deferred</b>			
Federal	19	154	69
State	13	(13)	11
Foreign	(9)	5	(26)
Total deferred	<u>23</u>	<u>146</u>	<u>54</u>
Total provision for (benefit from) income taxes	<u>\$ 607</u>	<u>\$ (42)</u>	<u>\$ 108</u>

A reconciliation of taxes computed at the statutory rate to the Company's income tax expense is as follows:

	Year Ended December 31,		
	2021	2020	2019
Provision for federal income tax, at statutory rate	\$ 563	\$ 70	\$ 120
State income tax provision, net of federal income tax effect	56	2	10
Foreign income tax rate differential	22	2	(6)
CARES Act net operating loss carryback tax benefit	—	(95)	—
Noncontrolling interests	(11)	(9)	(8)
Change in valuation allowance	(29)	3	(17)
Other, net	6	(15)	9
Total income tax expense (benefit)	<u>\$ 607</u>	<u>\$ (42)</u>	<u>\$ 108</u>

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

The tax effects of the principal temporary differences between financial reporting and income tax reporting at December 31 are as follows:

	2021	2020
Net operating loss carryforward	\$ 96	\$ 105
Credit carryforward	23	25
Operating lease liabilities	136	113
Accruals	68	63
Pension	64	90
Inventories	22	13
Other	26	43
Deferred taxes assets—total	435	452
Property, plant and equipment	(1,134)	(1,080)
Intangibles	(288)	(137)
Operating lease right-of-use asset	(134)	(112)
Turnaround costs	(27)	(17)
Consolidated partnerships	(256)	(181)
Equity method investments	(223)	(227)
Other	(17)	(18)
Deferred tax liabilities—total	(2,079)	(1,772)
Valuation allowance	(4)	(33)
Total net deferred tax liabilities	\$ (1,648)	\$ (1,353)
<b>Balance sheet classifications</b>		
Noncurrent deferred tax asset	\$ 33	\$ 15
Noncurrent deferred tax liability	(1,681)	(1,368)
Total net deferred tax liabilities	\$ (1,648)	\$ (1,353)

At December 31, 2021, the Company had federal, foreign and state net operating loss carryforwards ("NOLs") of approximately \$22, \$188 and \$722, respectively. The federal NOL was acquired in connection with the acquisition of Dimex. The federal NOL and certain foreign and state NOLs do not expire, while certain other foreign and state NOLs expire in varying amounts between 2022 and 2041. The federal NOL and certain state NOLs are subject to limitations on an annual basis. At December 31, 2021, the Company had various federal, foreign and state credits carryforwards of \$2, \$2 and \$19, respectively, which either do not expire or expire in varying amounts between 2022 and 2036. Management believes the Company will realize the benefit of a portion of the net operating loss carryforwards before they expire, but to the extent that the full benefit may not be realized, a valuation allowance has been recorded. The valuation allowance decreased by \$29 in 2021, primarily due to the release in valuation allowance resulting from a change in management judgment regarding the realizability of certain foreign deferred tax assets, including net operating loss carryforward, as a result of the change in expectations of income in future years.

The Company has recognized a liability for uncertain income tax positions of \$18 as of December 31, 2021. The Company does not believe it is likely that any material amounts will be paid in 2022. The ultimate resolution and timing of payment for remaining matters continues to be uncertain.

The Company files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. The Company is no longer subject to examinations by tax authorities before the year 2014.

#### 18. Earnings and Dividends per Share

The Company has unvested restricted stock units outstanding that are considered participating securities and, therefore, computes basic and diluted earnings per share under the two-class method. Basic earnings per share for the periods are based upon the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share include the effects of certain stock options and performance stock units.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

	Year Ended December 31,		
	2021	2020	2019
Net income attributable to Westlake Corporation	\$ 2,015	\$ 330	\$ 421
Less:			
Net income attributable to participating securities	(10)	(1)	(2)
Net income attributable to common shareholders	<u>\$ 2,005</u>	<u>\$ 329</u>	<u>\$ 419</u>

The following table reconciles the denominator for the basic and diluted earnings per share computations shown in the consolidated statements of operations:

	Year Ended December 31,		
	2021	2020	2019
Weighted average common shares—basic	128,002,911	127,850,592	128,395,184
Plus incremental shares from:			
Assumed exercise of options and vesting of performance stock units	695,071	238,466	362,109
Weighted average common shares—diluted	<u>128,697,982</u>	<u>128,089,058</u>	<u>128,757,293</u>
Earnings per common share attributable to Westlake Corporation:			
Basic	\$ 15.66	\$ 2.57	\$ 3.26
Diluted	<u>\$ 15.58</u>	<u>\$ 2.56</u>	<u>\$ 3.25</u>

Excluded from the computation of diluted earnings per share for the years ended December 31, 2021, 2020 and 2019 are options to purchase 461,618, 1,151,776 and 562,773 shares of common stock, respectively. These options were outstanding during the periods reported but were excluded because the effect of including them would have been antidilutive.

#### ***Dividends per Share***

Dividends per common share for the years ended December 31, 2021, 2020 and 2019 were as follows:

	Year Ended December 31,		
	2021	2020	2019
Dividends per common share	<u>\$ 1.1350</u>	<u>\$ 1.0650</u>	<u>\$ 1.0250</u>

#### **19. Supplemental Information**

##### ***Other Assets, Net***

Other assets, net were \$417 and \$223 at December 31, 2021 and 2020, respectively. Deferred turnaround costs, net of accumulated amortization, included in other assets, net were \$261 and \$102 at December 31, 2021 and 2020, respectively.

##### ***Accrued and Other Liabilities***

Accrued and other liabilities were \$1,196 and \$821 at December 31, 2021 and 2020, respectively. Accrued rebates, which is a component of accrued and other liabilities, was \$213 and \$128 at December 31, 2021 and 2020, respectively. Other than the lease liability disclosed in Note 7, no other component of accrued and other liabilities was more than five percent of total current liabilities. Accrued liabilities with related parties were \$49 and \$61 at December 31, 2021 and 2020, respectively.

##### ***Non-cash Investing Activity***

Capital expenditure related liabilities, included in accounts payable and accrued and other liabilities, were \$156, \$86, and \$85 at December 31, 2021, 2020, and 2019, respectively.

## WESTLAKE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

**Restructuring, Transaction and Integration-related Costs**

For the year ended December 31, 2021, the restructuring, transaction and integration-related costs of \$21 primarily consisted of integration-related consulting fees and costs associated with the Company's 2021 Acquisitions. For the year ended December 31, 2020, the restructuring, transaction and integration-related costs of \$36 primarily consisted of restructuring expenses of \$34 related to the decision to close a non-integrated plant located in Germany that was part of the Performance and Essential Materials segment. For the year ended December 31, 2019, the restructuring, transaction and integration-related costs of \$37 primarily consisted of restructuring expenses of \$26 and acquisition costs. The restructuring expenses represent charges associated with the write-off of certain assets in the Performance and Essential Materials segment.

**Other Income, Net**

For the year ended December 31, 2021, other income, net included income from pension and post-retirement plans, income from unconsolidated subsidiaries and interest income of \$23, \$13 and \$7, respectively. For the year ended December 31, 2020, other income, net included income from pension and post-retirement plans, income from unconsolidated subsidiaries and interest income of \$14, \$16 and \$14, respectively. For the year ended December 31, 2019, other income, net included income from unconsolidated subsidiaries and interest income of \$17 and \$20, respectively.

**Operating Lease Supplemental Cash Flow**

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31,		
	2021	2020	2019
Operating cash flows from operating leases <sup>(1)</sup>	\$ 114	\$ 114	\$ 112
Right-of-use assets obtained in exchange for operating lease obligations	215	112	119

(1) Includes cash paid for amounts included in the measurement of operating lease liabilities recorded in the consolidated balance sheets.

**Cash Flow Information**

	Year Ended December 31,		
	2021	2020	2019
Cash paid (refunded) for:			
Interest paid, net of interest capitalized	\$ 130	\$ 140	\$ 116
Income taxes paid (refunded)	466	(135)	77

**20. Related Party and Affiliate Transactions**

The Company and Lotte have a joint venture, LACC, to design, build and operate an ethylene facility with 2.2 billion pounds per year of ethylene production capacity. See Note 9 for details of the Company's transactions with LACC.

The Company leases office space for management and administrative services from an affiliate of the Company's principal stockholder. For each of the years ended December 31, 2021, 2020 and 2019, the Company incurred lease payments of approximately \$3.

Cypress Interstate Pipeline L.L.C., a natural gas liquids pipeline joint venture company in which the Company owns a 50% equity stake, transports natural gas liquid feedstocks to the Company's Lake Charles complex through its pipeline. The Company accounts for its investments in Cypress Interstate Pipeline L.L.C. under the equity method of accounting. The investment in Cypress Interstate Pipeline L.L.C. at December 31, 2021 and 2020 was \$7 and \$7, respectively. For the years ended December 31, 2021, 2020 and 2019, the Company incurred pipeline lease service fees of approximately \$14, \$13 and \$14, respectively, payable to this joint venture for usage of the pipeline. The amounts due to this joint venture were \$1 and \$1 at December 31, 2021 and 2020, respectively.

**WESTLAKE CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

The Company owns an approximately 20% interest in both YNCORIS GmbH & Co. KG (formerly known as InfraServ Knapsack GmbH & Co. KG) and InfraServ Gendorf GmbH & Co. KG (collectively "Infraserv"). The Company accounts for its investments in Infraserv under the equity method of accounting. The Company has service agreements with these entities, including contracts to provide electricity, technical and leasing services to certain of the Company's production facilities in Germany. The investment in Infraserv was \$57 and \$64 at December 31, 2021 and 2020, respectively. For the years ended December 31, 2021, 2020 and 2019, the Company incurred charges aggregating approximately \$174, \$149 and \$155, respectively, for these services. The amounts accrued for these related parties were approximately \$43 and \$41 at December 31, 2021 and 2020, respectively.

Dividends received from equity method investments were \$15, \$12 and \$11 for the years ended December 31, 2021, 2020 and 2019, respectively.

One of the Company's directors serves as Chairman, Chief Executive Officer and President of American Air Liquide Holdings, Inc. and Executive Vice President of the Air Liquide Group ("Air Liquide"). The Company purchased oxygen, nitrogen and utilities and leased cylinders from various affiliates of American Air Liquide Holdings, Inc. including Airgas and subsidiaries that were acquired in 2016 by Air Liquide aggregating approximately \$39, \$34 and \$32 for the years ended December 31, 2021, 2020 and 2019, respectively. The Company also sold certain utilities to Air Liquide aggregating approximately \$8, \$7 and \$7 during the years ended December 31, 2021, 2020 and 2019, respectively. The amounts payable to Air Liquide were \$3 and \$3 at December 31, 2021 and 2020, respectively, and the amounts receivable from Air Liquide were \$1 and \$1 at December 31, 2021 and 2020, respectively.

**21. Westlake Chemical Partners LP**

In 2014, the Company formed Westlake Partners to operate, acquire and develop ethylene production facilities and related assets. Also in 2014, Westlake Partners completed its initial public offering of 12,937,500 common units.

On March 29, 2019, Westlake Partners purchased an additional 4.5% newly issued limited partner interests in OpCo for approximately \$201 and completed a private placement of 2,940,818 common units at a price of \$21.40 per common unit for total proceeds of approximately \$63. TTWF LP, the Company's principal stockholder and a related party, acquired 1,401,869 units out of the 2,940,818 common units issued in the private placement. At December 31, 2021, Westlake Partners had a 22.8% limited partner interest in OpCo, and the Company retained a 77.2% limited partner interest in OpCo and a significant interest in Westlake Partners through the Company's ownership of Westlake Partners' general partner, 40.1% of the limited partner interests (consisting of 14,122,230 common units) and incentive distribution rights.

On October 4, 2018, Westlake Partners and Westlake Partners GP, the general partner of Westlake Partners, entered into an Equity Distribution Agreement with UBS Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC to offer and sell Westlake Partners' common units, from time to time, up to an aggregate offering amount of \$50. This Equity Distribution Agreement was amended on February 28, 2020 to reference a new shelf registration for utilization under this agreement. No common units were issued under this program as of December 31, 2021.

**22. Commitments and Contingencies**

The Company is involved in a number of legal and regulatory matters, principally environmental in nature, that are incidental to the normal conduct of its business, including lawsuits, investigations and claims. The outcome of these matters are inherently unpredictable. The Company believes that, in the aggregate, the outcome of all known legal and regulatory matters will not have a material adverse effect on its consolidated financial statements; however, under certain circumstances, if required to recognize costs in a specific period, when combined with other factors, outcomes with respect to such matters may be material to the Company's consolidated statements of operations in such period. The Company's assessment of the potential impact of environmental matters, in particular, is subject to uncertainty due to the complex, ongoing and evolving process of investigation and remediation of such environmental matters, and the potential for technological and regulatory developments. In addition, the impact of evolving claims and programs, such as natural resource damage claims, industrial site reuse initiatives and state remediation programs creates further uncertainty of the ultimate resolution of these matters. The Company anticipates that the resolution of many legal and regulatory matters, and in particular environmental matters, will occur over an extended period of time.

## WESTLAKE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

*Antitrust Proceedings.* The Company and other caustic soda producers were named as defendants in multiple purported class action civil lawsuits filed since March 2019 in the U.S. District Court for the Western District of New York. The lawsuits allege the defendants conspired to fix, raise, maintain and stabilize the price of caustic soda, restrict domestic (U.S.) supply of caustic soda and allocate caustic soda customers. The other defendants named in the lawsuits are Olin Corporation, K.A. Steel Chemicals (a wholly-owned subsidiary of Olin), Occidental Petroleum Corporation, Occidental Chemical Corporation d/b/a OxyChem, Shin-Etsu Chemical Co., Ltd., Shintech Incorporated, Formosa Plastics Corporation, and Formosa Plastics Corporation, U.S.A. Each of the lawsuits is filed on behalf of the respective named plaintiff or plaintiffs and a putative class comprised of either direct purchasers or indirect purchasers of caustic soda in the U.S. The plaintiffs seek an unspecified amount of damages and injunctive relief. Three of the defendants, Occidental Petroleum Corporation, Shin-Etsu Chemical Co., Ltd. and Formosa Plastics Corporation, were dismissed on jurisdictional or other grounds. The other six defendants, including the Company, remain in the case. The defendants' joint motion to dismiss the direct purchaser lawsuits was denied and the cases have proceeded to discovery. Beginning in October 2020, similar class action proceedings were also filed in Canada before the Superior Court of Quebec as well as before the Federal Court. These proceedings seek the certification or authorization of a class action on behalf of all residents of Canada who purchased caustic soda (including, in one of the cases, those who merely purchased products containing caustic soda) from October 1, 2015 through the present or such date deemed appropriate by the court. On December 10, 2021, the Superior Court of Québec stayed its proceedings, until after a final certification decision is released in the Federal Court proceedings. At this time, the Company is not able to estimate the impact, if any, that these lawsuits could have on the Company's consolidated financial statements either in the current period or in future periods.

*Environmental.* As of December 31, 2021 and 2020, the Company had reserves for environmental contingencies totaling approximately \$56 and \$53, respectively, most of which was classified as noncurrent liabilities. The Company's assessment of the potential impact of these environmental contingencies is subject to considerable uncertainty due to the complex, ongoing and evolving process of investigation and remediation, if necessary, of such environmental contingencies, and the potential for technological and regulatory developments.

*Calvert City Proceedings.* For several years, the Environmental Protection Agency (the "EPA") has been conducting remedial investigation and feasibility studies at the Company's Calvert City, Kentucky facility pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). As the current owner of the Calvert City facility, the Company was named by the EPA as a potentially responsible party ("PRP") along with Goodrich Corporation ("Goodrich") and its successor-in-interest, Avient Corporation (formerly known as PolyOne Corporation, "Avient"). On November 30, 2017, the EPA published a draft Proposed Plan, incorporating by reference an August 2015 draft Remedial Investigation ("RI") report, an October 2017 draft Feasibility Study ("FS") report and a Technical Impracticability Waiver document dated December 19, 2017. On June 18, 2018, the EPA published an amendment to its Proposed Plan. The amended Proposed Plan describes a final remedy for the onshore portion of the site comprised of a containment wall, targeted treatment and supplemental hydraulic containment. The amended Proposed Plan also describes an interim approach to address the contamination under the river that would include recovery of any mobile contaminants by an extraction well along with further study of the extent of the contamination and potential treatment options. The EPA's estimated cost of implementation is \$107, with an estimated \$1 to \$3 in annual operation and maintenance ("O&M") costs. In September 2018, the EPA published the Record of Decision ("ROD") for the site, formally selecting the preferred final and interim remedies outlined in the amended Proposed Plan. In October 2018, the EPA issued Special Notice letters to the PRPs for the remedial design phase of work under the ROD. In April 2019, the PRPs and the EPA entered into an administrative settlement agreement and order on consent for remedial design. In October 2019, the PRPs received special notice letters for the remedial action phase of work at the site. The Company, jointly with the other PRPs, submitted a good faith offer response in December 2019. On September 17, 2020, the EPA and the Department of Justice filed a proposed consent decree for the remedial action with the U.S. District Court for the Western District of Kentucky. On November 16, 2020, the Department of Justice filed a motion to approve and enter the consent decree. On January 28, 2021, the Court granted the unopposed motion to enter the consent decree, which became effective the same day. The Company's allocation of liability for remedial and O&M costs at the Calvert City site, if any, is governed by a series of agreements between the Company, Goodrich and Avient. These agreements and the associated litigation are described below.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

In connection with the 1990 and 1997 acquisitions of the Goodrich chemical manufacturing complex in Calvert City, Goodrich agreed to indemnify the Company for any liabilities related to preexisting contamination at the complex. For its part, the Company agreed to indemnify Goodrich for post-closing contamination caused by the Company's operations. The soil and groundwater at the complex, which does not include the Company's nearby PVC facility, had been extensively contaminated by Goodrich's operations. In 1993, Goodrich spun off the predecessor of Avient, and that predecessor assumed Goodrich's indemnification obligations relating to preexisting contamination. In 2003, litigation arose among the Company, Goodrich and Avient with respect to the allocation of the cost of remediating contamination at the site. The parties settled this litigation in December 2007 and the case was dismissed. In the settlement, the parties agreed that, among other things: (1) Avient would pay 100% of the costs (with specified exceptions), net of recoveries or credits from third parties, incurred with respect to environmental issues at the Calvert City site from August 1, 2007 forward; and (2) either the Company or Avient might, from time to time in the future (but not more than once every five years), institute an arbitration proceeding to adjust that percentage. In May 2017, Avient filed a demand for arbitration. In this proceeding, Avient sought to readjust the percentage allocation of future costs and to recover approximately \$11 from the Company in reimbursement of previously paid remediation costs. The Company's cross demand for arbitration seeking unreimbursed remediation costs incurred during the relevant period was dismissed from the proceedings when Avient paid such costs in full at the beginning of the arbitration hearing.

On July 10, 2018, Avient sued the Company in the U.S. District Court for the Western District of Kentucky and sought to invalidate the arbitration provisions in the parties' 2007 settlement agreement and enjoin the arbitration it had initiated in 2017. On July 30, 2018, the district court refused to enjoin the arbitration and, on January 15, 2019, the court granted the Company's motion to dismiss Avient's suit. On February 13, 2019, Avient appealed those decisions to the U.S. Court of Appeals for the Sixth Circuit. The court of appeals issued an opinion and final order on September 6, 2019, affirming the district court.

The arbitration hearing began in August 2018 and concluded in December 2018. On May 22, 2019, the arbitration panel issued its final award. It determined that Avient was responsible for 100% of the allocable costs at issue in the proceeding and that Avient would remain responsible for 100% of the costs to operate the existing groundwater remedy at the Calvert City site. In August 2019, Avient filed a motion to vacate before the U.S. District Court for the Western District of Kentucky, seeking to invalidate the final award under the Federal Arbitration Act. On February 11, 2020, the U.S. District Court for the Western District of Kentucky denied Avient's motion to vacate and affirmed the arbitration final award. Avient did not file a notice of appeal before the March 10, 2020 deadline to contest the court's decision. Accordingly, the final award was affirmed, and the arbitration proceeding is fully and finally resolved.

At this time, the Company is not able to estimate the impact, if any, that any subsequent arbitration or judicial proceeding could have on the Company's consolidated financial statements either in the current period or in later periods. Any cash expenditures that the Company might incur in the future with respect to the remediation of contamination at the Calvert City complex would likely be spread out over an extended period. As a result, the Company believes it is unlikely that any remediation costs allocable to it will be material in terms of expenditures made in any individual reporting period.

*Environmental Remediation: Reasonably Possible Matters.* The Company's assessment of the potential impact of environmental contingencies is subject to considerable uncertainty due to the complex, ongoing and evolving process of investigation and remediation, if necessary, of such environmental contingencies, and the potential for technological and regulatory developments. As such, in addition to the amounts currently reserved, the Company may be subject to reasonably possible loss contingencies related to environmental matters in the range of \$65 to \$130.

#### ***Other Commitments***

The Company has various unconditional purchase obligations, primarily to purchase goods and services, including commitments to purchase various utilities, feedstock, nitrogen, oxygen, product storage and pipeline usage. At December 31, 2021, unrecorded unconditional total purchase obligations were \$5,079, which included approximately \$922 in 2022, \$695 in 2023, \$590 in 2024, \$571 in 2025, \$511 in 2026, and \$1,790 thereafter.



**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(in millions of dollars, except share amounts and per share data)**

### **23. Segment and Geographic Information**

#### ***Segment Information***

The Company has historically operated in two principal operating segments, Vinyls and Olefins. In conjunction with the 2021 Acquisitions discussed in Note 2, and a resulting significant increase in the size of the Company's housing and infrastructure products operations, the Company reorganized its business into two principal operating segments, Performance and Essential Materials and Housing and Infrastructure Products, during the fourth quarter of 2021. These segments are strategic business units that offer a variety of different materials and products. The Company manages each segment separately as each business requires different technology and marketing strategies. These reporting changes have been retrospectively reflected in the segment results for all periods presented.

The Company's Performance and Essential Materials segment manufactures and markets polyethylene, styrene monomer, ethylene co-products, PVC, VCM, ethylene dichloride ("EDC"), chlor-alkali (chlorine and caustic soda), and chlorinated derivative products. The Company's ethylene production is used in the Company's polyethylene, styrene and VCM operations. In addition, the Company sells ethylene and ethylene co-products, primarily propylene, crude butadiene, pyrolysis gasoline and hydrogen, to external customers. The Company's primary North American manufacturing facilities are located in its Calvert City, Kentucky; Lake Charles, Plaquemine and Geismar, Louisiana and Longview, Texas sites. The Company produces ethylene and polyethylene at its facilities in Lake Charles, Louisiana; Calvert City, Kentucky and Longview, Texas. The Company produces chlorine, caustic soda, VCM, EDC, PVC, hydrogen and chlorinated derivative materials at its facilities in Lake Charles, Plaquemine and Geismar, Louisiana; Calvert City, Kentucky; Natrium, West Virginia; Longview, Washington; Beauharnois, Quebec and Aberdeen, Mississippi. In addition to North America, the Company also has manufacturing facilities in Europe and Asia.

No single customer accounted for more than 10% of sales in the Performance and Essential Materials segment for the years ended December 31, 2021, 2020 or 2019.

The Housing and Infrastructure Products segment manufactures and markets products including residential siding, trim and mouldings, stone, roofing, windows, outdoor living products, PVC pipe and fittings and PVC compounds. As of December 31, 2021, the Company owned or leased 75 manufacturing facilities in North America, Europe and Asia. The Company's North American PVC facilities within the Performance and Essential Materials segment supply most of the PVC required for the building products and pipes and fittings plants. The raw materials for stone, roofing and accessories, windows, shutters and specialty tool products are externally purchased. PVC required for the PVC compounds plants is either internally sourced from Company's North American or Asian facilities or externally purchased at market prices based on the location of the plants.

No single customer accounted for more than 10% of sales in the Housing and Infrastructure Products segment for the years ended December 31, 2021, 2020 or 2019.

The accounting policies of the individual segments are the same as those described in Note 1.

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

	Year Ended December 31,		
	2021	2020	2019
<b>Net external sales</b>			
Performance and Essential Materials			
Performance materials	\$ 5,997	\$ 3,428	\$ 3,574
Essential materials	2,673	2,037	2,610
Total performance and essential materials	8,670	5,465	6,184
Housing and Infrastructure Products			
Housing products	2,334	1,497	1,390
Infrastructure products	774	542	544
Total housing and infrastructure products	3,108	2,039	1,934
	<u>\$ 11,778</u>	<u>\$ 7,504</u>	<u>\$ 8,118</u>
<b>Intersegment sales</b>			
Performance and Essential Materials			
	\$ 798	\$ 432	\$ 393
Housing and Infrastructure Products			
	—	—	2
	<u>\$ 798</u>	<u>\$ 432</u>	<u>\$ 395</u>
<b>Income (loss) from operations</b>			
Performance and Essential Materials			
	\$ 2,549	\$ 231	\$ 569
Housing and Infrastructure Products			
	356	256	136
Corporate and other			
	(105)	(58)	(49)
	<u>\$ 2,800</u>	<u>\$ 429</u>	<u>\$ 656</u>
<b>Depreciation and amortization</b>			
Performance and Essential Materials			
	\$ 665	\$ 637	\$ 581
Housing and Infrastructure Products			
	168	128	124
Corporate and other			
	7	8	8
	<u>\$ 840</u>	<u>\$ 773</u>	<u>\$ 713</u>
<b>Other income, net</b>			
Performance and Essential Materials			
	\$ 33	\$ 30	\$ 23
Housing and Infrastructure Products			
	10	4	—
Corporate and other			
	10	10	15
	<u>\$ 53</u>	<u>\$ 44</u>	<u>\$ 38</u>
<b>Provision for (benefit from) income taxes</b>			
Performance and Essential Materials			
	\$ 542	\$ (122)	\$ 88
Housing and Infrastructure Products			
	80	71	12
Corporate and other			
	(15)	9	8
	<u>\$ 607</u>	<u>\$ (42)</u>	<u>\$ 108</u>
<b>Capital expenditures</b>			
Performance and Essential Materials			
	\$ 567	\$ 462	\$ 714
Housing and Infrastructure Products			
	88	55	67
Corporate and other			
	3	8	6
	<u>\$ 658</u>	<u>\$ 525</u>	<u>\$ 787</u>

**WESTLAKE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
(in millions of dollars, except share amounts and per share data)

A reconciliation of total segment income from operations to consolidated income before income taxes is as follows:

	Year Ended December 31,		
	2021	2020	2019
Income from operations for reportable segments	\$ 2,800	\$ 429	\$ 656
Interest expense	(176)	(142)	(124)
Other income, net	53	44	38
Income before income taxes	<u>\$ 2,677</u>	<u>\$ 331</u>	<u>\$ 570</u>

	December 31, 2021	December 31, 2020
<b>Total assets</b>		
Performance and Essential Materials	\$ 11,938	\$ 10,885
Housing and Infrastructure Products	5,021	1,720
Corporate and other	1,500	1,230
	<u>\$ 18,459</u>	<u>\$ 13,835</u>

**Geographic Information**

	Year Ended December 31,		
	2021	2020	2019
<b>Net sales to external customers <sup>(1)</sup></b>			
United States	\$ 8,157	\$ 5,100	\$ 5,530
Foreign			
Canada	980	601	573
Germany	628	458	478
China	216	173	175
Italy	181	103	119
Taiwan	95	74	84
Other	1,521	995	1,159
	<u>\$ 11,778</u>	<u>\$ 7,504</u>	<u>\$ 8,118</u>

	December 31, 2021	December 31, 2020
<b>Long-lived assets</b>		
United States	\$ 6,633	\$ 5,930
Foreign		
Germany	634	666
Other	339	324
	<u>\$ 7,606</u>	<u>\$ 6,920</u>

(1) Net sales are attributed to countries based on location of customer.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

***Disclosure, Controls and Procedures***

We carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer (our principal executive officer) and our Executive Vice President and Chief Financial Officer (our principal financial officer), of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this Form 10-K. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2021 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

***Internal Control Over Financial Reporting***

Westlake's management's report on internal control over financial reporting appears on page 53 of this Annual Report on Form 10-K. In addition, PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of internal control over financial reporting as of December 31, 2021, as stated in their report that appears on page 54 of this Annual Report on Form 10-K.

***Changes in Internal Control Over Financial Reporting***

Except as described below, there were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During the year ended December 31, 2021, we acquired the issued and outstanding equity interests of certain subsidiaries of Boral Industries engaged in Boral's North American building products businesses ("Boral Target Companies"). We are in the process of integrating Boral North America into our overall internal control over financial reporting process. Because we acquired Boral Target Companies during the current fiscal year, we excluded Boral Target Companies from the scope of our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021. This exclusion is in accordance with the general guidance published by the Staff of the SEC that an assessment of a recent business combination may be omitted from management's report on internal control over financial reporting in the first year of consolidation. Boral Target Companies' total assets and total net sales represented 4.7% and 2.3% respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

### PART III

**Item 10. Directors, Executive Officers and Corporate Governance.**

Pursuant to Item 401(b) of Regulation S-K, the information required by this item with respect to our executive officers is set forth in Part I of this Form 10-K.

**Item 11. Executive Compensation.**

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

**Item 14. Principal Accountant Fees and Services.**

The information required by Items 10, 11, 12, 13 and 14 is incorporated by reference to the Proxy Statement, which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act within 120 days of December 31, 2021.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

- (a)(1) The financial statements listed in the Index to Consolidated Financial Statements in Item 8 of this Form 10-K are filed as part of this Form 10-K.
- (a)(2) All schedules are omitted because the information is not applicable, not required, or has been furnished in the Consolidated Financial Statements or Notes thereto in Item 8 of this Form 10-K.
- (a)(3) Exhibits

<u>Exhibit No.</u>	<u>Exhibit Index</u>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on August 6, 2004 (incorporated by reference to Westlake's Registration Statement on Form S-1/A, filed on August 9, 2004).</u></a>
3.2	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on May 16, 2014 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on May 16, 2014, File No. 001-32260).</u></a>
3.3	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on May 19, 2017 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on May 19, 2017, File No. 001-32260).</u></a>
3.4	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on May 14, 2021 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on May 13, 2021, File No. 001-32260).</u></a>
3.5	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Westlake as filed with the Delaware Secretary of State on February 18, 2022 (incorporated by reference to Westlake's Current Report on Form 8-K, filed on February 18, 2022, File No. 001-32260).</u></a>
3.6	<a href="#"><u>Bylaws of Westlake (incorporated by reference to Westlake's Registration Statement on Form S-1/A, filed on August 9, 2004).</u></a>
3.7	<a href="#"><u>Amended and Restated Bylaws of Westlake (incorporated by reference to Westlake's Current Report on Form 8-K, filed on February 18, 2022, File No. 001-32260).</u></a>
4.1	<a href="#"><u>Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.1 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2019, File No. 1-32260).</u></a>
4.2	<a href="#"><u>Indenture dated as of January 1, 2006 by and among Westlake, the potential subsidiary guarantors listed therein and JPMorgan Chase Bank, National Association, as trustee (incorporated by reference to Westlake's Current Report on Form 8-K, filed on January 13, 2006, File No. 1-32260).</u></a>
4.3	<a href="#"><u>Sixth Supplemental Indenture, dated as of July 17, 2012, among the Company, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 16, 2012, File No. 1-32260).</u></a>
4.4	<a href="#"><u>Seventh Supplemental Indenture, dated as of February 12, 2013, among the Company, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.16 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2012, filed on February 22, 2013, File No. 1-32260).</u></a>
4.5	<a href="#"><u>Eighth Supplemental Indenture (including the form of the Notes), dated as of August 10, 2016, among Westlake Corporation, the Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to Westlake's Current Report on Form 8-K, filed on August 10, 2016, File No. 001-32260).</u></a>
4.6	<a href="#"><u>Tenth Supplemental Indenture (including the form of the Notes), dated as of November 29, 2017, among Westlake Corporation, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to Westlake's Current Report on Form 8-K, filed on November 28, 2017, File No. 001-32260).</u></a>

<b>Exhibit No.</b>	<b>Exhibit Index</b>
4.7	<a href="#">Eleventh Supplemental Indenture (including the form of the Notes), dated as of November 28, 2017, among Westlake Corporation, the Subsidiary Guarantors (as defined therein) and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to Westlake's Current Report on Form 8-K, filed on November 28, 2017, File No. 001-32260).</a>
4.8	<a href="#">Twelfth Supplemental Indenture (including the form of the Notes), dated as of July 17, 2019, between Westlake Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to Westlake's Current Report on Form 8-K filed on July 17, 2019, File No. 1-32260).</a>
4.9	<a href="#">Thirteenth Supplemental Indenture (including the form of Notes), dated as of June 12, 2020, between Westlake Corporation and The Bank of New Mellon Trust Company, N.A., as trustee (incorporated by reference to Westlake's Current Report on Form 8-K filed on June 12, 2020, File No. 1-32260).</a>
4.10	<a href="#">Fourteenth Supplemental Indenture (including the Notes), dated as of August 19, 2021, between Westlake Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to Westlake's Current Report on Form 8-K, filed on August 19, 2021, File No. 001-32260).</a>
4.11	<a href="#">Paying Agency Agreement dated as of July 17, 2019, between Westlake Corporation and The Bank of New York Mellon, London Branch, as paying agent (incorporated by reference to Exhibit 4.4 to Westlake's Current Report on Form 8-K, filed on July 17, 2019, File No. 1-32260).</a>
	Westlake and its subsidiaries are party to other long-term debt instruments not filed herewith under which the total amount of securities authorized does not exceed 10% of the total assets of Westlake and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Westlake agrees to furnish a copy of such instruments to the SEC upon request.
10.1	<a href="#">Amended and Restated Loan Agreement, dated as of November 1, 2017, by and between the Louisiana Local Government Environmental Facilities and Community Development Authority and Westlake Corporation (incorporated by reference to Exhibit 4.6 to Westlake's Current Report on Form 8-K, filed on November 28, 2017, File No. 001-32260).</a>
10.2	<a href="#">Senior Unsecured Revolving Credit Agreement between Westlake Chemical OpCo LP and Westlake Development Corporation dated as of August 4, 2014 (incorporated by reference to Exhibit 10.9 to Westlake Chemical Partners LP's Current Report on Form 8-K filed on August 8, 2014, File No. 001-36567).</a>
10.3	<a href="#">Amended and Restated Senior Unsecured Revolving Credit Agreement by and among Westlake Chemical OpCo LP, Westlake Polymers LLC and the lenders party thereto, dated as of June 1, 2017 (incorporated by reference to Exhibit 10.9 to Westlake Chemical Partners LP's Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 28, 2020, File No. 001-36567).</a>
10.4	<a href="#">First Amendment to Amended and Restated Senior Unsecured Revolving Credit Agreement (incorporated by reference to Exhibit 10.1 to Westlake Chemical Partners LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-36567) filed on November 6, 2018).</a>
10.5	<a href="#">Senior Unsecured Revolving Credit Agreement by and among Westlake Chemical Partners LP and Westlake Chemical Finance Corporation, dated as of April 29, 2015 (incorporated by reference to Exhibit 10.1 to Westlake Chemical Partners LP's Current Report on Form 8-K filed on April 30, 2015, File No. 1-36567).</a>
10.6	<a href="#">First Amendment to Senior Unsecured Revolving Credit Agreement by and between Westlake Chemical Partners LP, as borrower, and Westlake Chemical Finance Corporation, as lender, dated as of August 1, 2017 (incorporated by reference to Exhibit 10.1 to Westlake Chemical Partners LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, File No. 01-36567).</a>
10.7	<a href="#">Second Amendment to Senior Unsecured Revolving Credit Agreement by and between Westlake Chemical Partners LP, as borrower, and Westlake Chemical Finance Corporation, as lender, dated as of November 28, 2017 (incorporated herein by reference to Exhibit 10.12 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 21, 2018, File No. 001-32260).</a>
10.8	<a href="#">Third Amendment to Senior Unsecured Revolving Credit Agreement by and between Westlake Chemical Partners LP, as borrower, and Westlake Chemical Finance Corporation, as lender, dated as of March 19, 2020 (incorporated herein by reference to Exhibit 10.1 to Westlake Chemical Partner LP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed on May 6, 2020, File No. 001-36567).</a>
10.9	<a href="#">Form of Registration Rights Agreement between Westlake and TTWF LP (incorporated by reference to Westlake's Registration Statement on Form S-1/A, filed on July 2, 2004).</a>

<b>Exhibit No.</b>	<b>Exhibit Index</b>
10.10+	<a href="#">Westlake Corporation 2013 Omnibus Incentive Plan (as amended and restated as of May 19, 2017) (incorporated by reference to Appendix B to Westlake's Definitive Proxy Statement on Schedule 14A filed on April 7, 2017, File No. 1-32260).</a>
10.11+	<a href="#">Westlake Corporation Amended and Restated Annual Incentive Plan adopted by the Compensation Committee of the Board of Directors on March 24, 2011 (incorporated by reference to Westlake's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed on May 4, 2011, File No. 1-32260).</a>
10.12	<a href="#">Investment Management Agreement among Westlake Corporation, Westlake Chemical OpCo LP and Westlake Chemical Partners LP, dated as of August 1, 2017 (incorporated herein by reference to Exhibit 10.1 to Westlake's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed on November 7, 2017, File No. 001-32260).</a>
10.13	<a href="#">Credit Agreement dated as of July 24, 2018, by and among Westlake Corporation, the lenders from time to time party thereto, the issuing banks party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, relating to a \$1 billion senior unsecured revolving credit facility (incorporated by reference to Exhibit 10.1 to Westlake's Current Report on Form 8-K filed on July 26, 2018, File No. 001-32260).</a>
10.14+	<a href="#">Form of Stock Option Award Letter for 2018 Executive Officer Awards (incorporated by reference to Exhibit 10.21 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 21, 2018, File No. 001-32260).</a>
10.15+	<a href="#">Form of Restricted Stock Unit Award Letter for 2018 Executive Officer Awards (incorporated by reference to Exhibit 10.22 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 21, 2018, File No. 001-32260).</a>
10.16+	<a href="#">Form of Special Incentive Award Letter for 2018 Executive Officer Awards (incorporated by reference to Exhibit 10.24 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 21, 2018, File No. 001-32260).</a>
10.17+	<a href="#">Form of Performance Stock Unit Award Letter for 2019 Executive Officer Awards (incorporated by reference to Exhibit 10.25 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 20, 2019, File No. 001-32260).</a>
10.18+	<a href="#">Form of Stock Option Award Letter for 2021 Executive Officer Awards (incorporated by reference to Exhibit 10.19 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 24, 2021, File No. 001-32260).</a>
10.19+	<a href="#">Form of Restricted Stock Unit Award Letter for 2021 Executive Officer Awards (incorporated by reference to Exhibit 10.20 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 24, 2021, File No. 001-32260).</a>
10.20+	<a href="#">Form of Performance Stock Unit Award Letter for 2021 Executive Officer Awards (incorporated by reference to Exhibit 10.21 to Westlake's Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 24, 2021, File No. 001-32260).</a>
10.21†	<a href="#">Stock Purchase Agreement dated, November 24, 2021, between Hexion Inc. Westlake Olefins LLC and, solely for purposes of Section 13.13, Westlake Corporation</a>
21†	<a href="#">Subsidiaries of Westlake.</a>
23.1†	<a href="#">Consent of PricewaterhouseCoopers LLP.</a>
31.1†	<a href="#">Rule 13a-14(a) / 15d-14(a) Certification (Principal Executive Officer).</a>
31.2†	<a href="#">Rule 13a-14(a) / 15d-14(a) Certification (Principal Financial Officer).</a>
32.1††	<a href="#">Section 1350 Certification (Principal Executive Officer and Principal Financial Officer).</a>
101.INS†	XBRL Instance Document-The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH†	XBRL Taxonomy Extension Schema Document.
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document.



<u>Exhibit No.</u>	<u>Exhibit Index</u>
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document and contained in Exhibit 101.

---

† Filed herewith.

†† Furnished herewith.

+ Management contract, compensatory plan or arrangement.

\* On February 18, 2022, Westlake Chemical Corporation changed its corporate name to Westlake Corporation. Accordingly, filings made prior to such date were made under the name Westlake Chemical Corporation.

**Item 16. Form 10-K Summary.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTLAKE CORPORATION

Date: February 23, 2022

/s/ ALBERT CHAO

**Albert Chao, President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ ALBERT CHAO <b>Albert Chao</b>	President, Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2022
/s/ M. STEVEN BENDER <b>M. Steven Bender</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 23, 2022
/s/ JOHNATHAN S. ZOELLER <b>Johnathan S. Zoeller</b>	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 23, 2022
/s/ JAMES CHAO <b>James Chao</b>	Chairman of the Board of Directors	February 23, 2022
/s/ DAVID T. CHAO <b>David T. Chao</b>	Director	February 23, 2022
/s/ JOHN CHAO <b>John Chao</b>	Director	February 23, 2022
/s/ MICHAEL J. GRAFF <b>Michael J. Graff</b>	Director	February 23, 2022
/s/ MARIUS A. HAAS <b>Marius A. Haas</b>	Director	February 23, 2022
/s/ DOROTHY C. JENKINS <b>Dorothy C. Jenkins</b>	Director	February 23, 2022
/s/ KIMBERLY S. LUBEL <b>Kimberly S. Lubel</b>	Director	February 23, 2022
/s/ MARK A. MCCOLLUM <b>Mark A. McCollum</b>	Director	February 23, 2022
/s/ R. BRUCE NORTHCUTT <b>R. Bruce Northcutt</b>	Director	February 23, 2022
/s/ JEFFREY W. SHEETS <b>Jeffrey W. Sheets</b>	Director	February 23, 2022

EXECUTION VERSION

**STOCK PURCHASE AGREEMENT**

dated as of

November 24, 2021

between

**HEXION INC.**

**WESTLAKE OLEFINS LLC**

AND,

SOLELY FOR PURPOSES OF SECTION 13.13,

**WESTLAKE CHEMICAL CORPORATION**

relating to the purchase and sale of 100% of the stock of

**HEXION COATINGS AND COMPOSITES (US) INC.**

---

## TABLE OF CONTENTS

	<u>Page</u>
	<u>Article 1</u>
	<u>Definitions</u>
<u>Section 1.01. Definitions</u>	<u>1</u>
<u>Section 1.02. Other Definitional and Interpretative Provisions</u>	<u>18</u>
	<u>Article 2</u>
	<u>Purchase and Sale</u>
<u>Section 2.01. Purchase and Sale</u>	<u>19</u>
<u>Section 2.02. Purchased Assets</u>	<u>19</u>
<u>Section 2.03. Excluded Assets</u>	<u>21</u>
<u>Section 2.04. Assumed Liabilities</u>	<u>22</u>
<u>Section 2.05. Excluded Liabilities</u>	<u>23</u>
<u>Section 2.06. Assignment of Contracts and Rights</u>	<u>23</u>
<u>Section 2.07. Purchase Price</u>	<u>25</u>
<u>Section 2.08. Estimated Closing Calculations</u>	<u>25</u>
<u>Section 2.09. Closing</u>	<u>25</u>
<u>Section 2.10. Post-Closing Purchase Price Adjustment</u>	<u>26</u>
<u>Section 2.11. Adjustment of Purchase Price</u>	<u>28</u>
<u>Section 2.12. Withholding</u>	<u>28</u>
	<u>Article 3</u>
	<u>Representations and Warranties of Seller</u>
<u>Section 3.01. Existence and Power</u>	<u>29</u>
<u>Section 3.02. Authorization</u>	<u>29</u>
<u>Section 3.03. Governmental Authorization</u>	<u>29</u>
<u>Section 3.04. Noncontravention</u>	<u>29</u>
<u>Section 3.05. Capitalization</u>	<u>30</u>
<u>Section 3.06. Ownership of Shares</u>	<u>30</u>
<u>Section 3.07. Purchased Companies</u>	<u>30</u>
<u>Section 3.08. Financial Statements</u>	<u>31</u>
<u>Section 3.09. Absence of Certain Changes</u>	<u>32</u>
<u>Section 3.10. No Undisclosed Material Liabilities</u>	<u>32</u>
<u>Section 3.11. [Reserved]</u>	<u>32</u>
<u>Section 3.12. Material Contracts</u>	<u>32</u>
<u>Section 3.13. Litigation</u>	<u>34</u>
<u>Section 3.14. Compliance with Laws and Court Orders</u>	<u>34</u>
<u>Section 3.15. Properties; Sufficiency of Assets</u>	<u>34</u>

<u>Section 3.16. Products</u>	<u>35</u>
<u>Section 3.17. Intellectual Property</u>	<u>35</u>
<u>Section 3.18. Insurance Coverage</u>	<u>38</u>
<u>Section 3.19. Licenses and Permits</u>	<u>38</u>
<u>Section 3.20. Finders' Fees</u>	<u>38</u>
<u>Section 3.21. Labor Relations</u>	<u>39</u>
<u>Section 3.22. Employee Benefit Plans</u>	<u>39</u>
<u>Section 3.23. Employees</u>	<u>40</u>
<u>Section 3.24. Environmental Matters</u>	<u>41</u>
<u>Section 3.25. Tax Matters</u>	<u>41</u>
<u>Section 3.26. Business Intercompany Contracts</u>	<u>43</u>
<u>Section 3.27. Bank Accounts</u>	<u>43</u>
	<u>Article 4</u>
	<u>Representations and Warranties of Buyer</u>
<u>Section 4.01. Existence and Power</u>	<u>44</u>
<u>Section 4.02. Authorization</u>	<u>44</u>
<u>Section 4.03. Governmental Authorization</u>	<u>44</u>
<u>Section 4.04. Noncontravention</u>	<u>44</u>
<u>Section 4.05. Financing</u>	<u>45</u>
<u>Section 4.06. Purchase for Investment</u>	<u>45</u>
<u>Section 4.07. Litigation</u>	<u>45</u>
<u>Section 4.08. Finders' Fees</u>	<u>45</u>
	<u>Article 5</u>
	<u>Covenants of Seller</u>
<u>Section 5.01. Conduct of the Business</u>	<u>45</u>
<u>Section 5.02. Access to Information; Confidentiality</u>	<u>47</u>
<u>Section 5.03. Resignations</u>	<u>48</u>
<u>Section 5.04. Noncompetition</u>	<u>49</u>
<u>Section 5.05. Termination of Intercompany Agreements; Settlement of Intercompany Accounts</u>	<u>50</u>
<u>Section 5.06. Exclusivity</u>	<u>50</u>
<u>Section 5.07. Business Records</u>	<u>51</u>
<u>Section 5.08. Data Room</u>	<u>51</u>
	<u>Article 6</u>
	<u>Covenants of Buyer</u>
<u>Section 6.01. Confidentiality</u>	<u>51</u>
<u>Section 6.02. Non-Solicitation</u>	<u>51</u>
<u>Section 6.03. Contact with Customers, Suppliers and Other Business Relations</u>	<u>52</u>
<u>Section 6.04. Directors and Officers</u>	<u>52</u>

<u>Section 6.05. Access</u>	<u>53</u>
<u>Section 6.06. Trademark Phase Out</u>	<u>53</u>
	<u>Article 7</u>
	<u>Covenants of Buyer and Seller</u>
<u>Section 7.01. Reasonable Best Efforts; Further Assurances</u>	<u>53</u>
<u>Section 7.02. Certain Filings</u>	<u>54</u>
<u>Section 7.03. Public Announcements</u>	<u>55</u>
<u>Section 7.04. Notices of Certain Events</u>	<u>55</u>
<u>Section 7.05. Waiver of Conflicts Regarding Representation; Nonassertion of Attorney-Client Privileges</u>	<u>55</u>
<u>Section 7.06. Business/Non-Business Assets</u>	<u>56</u>
<u>Section 7.07. Intellectual Property Licenses</u>	<u>56</u>
<u>Section 7.08. Supply Agreements and Services Agreements</u>	<u>57</u>
<u>Section 7.09. Transition Services Agreement and Reverse Transition Services Agreement</u>	<u>58</u>
	<u>Article 8</u>
	<u>Tax Matters</u>
<u>Section 8.01. Preparation of Tax Returns and Payment of Taxes</u>	<u>59</u>
<u>Section 8.02. General Allocation Principles</u>	<u>60</u>
<u>Section 8.03. Apportionment of Tax Attributes</u>	<u>60</u>
<u>Section 8.04. Tax Contests</u>	<u>61</u>
<u>Section 8.05. Straddle Tax Period Allocation</u>	<u>61</u>
<u>Section 8.06. Cooperation</u>	<u>62</u>
<u>Section 8.07. Post-Closing Actions</u>	<u>62</u>
<u>Section 8.08. Tax Sharing Agreements</u>	<u>62</u>
<u>Section 8.09. Transfer Taxes</u>	<u>62</u>
<u>Section 8.10. Taxable Periods</u>	<u>63</u>
<u>Section 8.11. Post-Closing Transaction Bonus Payments and Retention Bonus Payments</u>	<u>63</u>
<u>Section 8.12. Conflicts</u>	<u>64</u>
	<u>Article 9</u>
	<u>Employee Benefits</u>
<u>Section 9.01. Continued Employment of Business Employees</u>	<u>64</u>
<u>Section 9.02. Maintenance of Compensation and Benefits</u>	<u>65</u>
<u>Section 9.03. Service Credit</u>	<u>66</u>
<u>Section 9.04. Welfare Plans</u>	<u>66</u>
<u>Section 9.05. [Reserved]</u>	<u>67</u>
<u>Section 9.06. International Plans</u>	<u>67</u>

<u>Section 9.07. Pre-Existing Conditions and Co-Payments</u>	<u>67</u>
<u>Section 9.08. WARN Act</u>	<u>67</u>
<u>Section 9.09. Workers Compensation</u>	<u>67</u>
<u>Section 9.10. US Defined Contribution Plans</u>	<u>68</u>
<u>Section 9.11. Annual Bonuses for Year of Closing</u>	<u>68</u>
<u>Section 9.12. Post-Closing Transaction Bonus Payments</u>	<u>68</u>
<u>Section 9.13. Retention Bonus Payments</u>	<u>69</u>
<u>Section 9.14. Labor Agreements; Works Council Consultation</u>	<u>69</u>
<u>Section 9.15. Assumption of Employee Liabilities</u>	<u>69</u>
<u>Section 9.16. No Third Party Beneficiaries</u>	<u>69</u>
	<u>Article 10</u>
	<u>Conditions to Closing</u>
<u>Section 10.01. Conditions to Obligations of Buyer and Seller</u>	<u>70</u>
<u>Section 10.02. Conditions to Obligation of Buyer</u>	<u>70</u>
<u>Section 10.03. Conditions to Obligation of Seller</u>	<u>71</u>
	<u>Article 11</u>
	<u>Survival; Indemnification</u>
<u>Section 11.01. Non-Survival</u>	<u>71</u>
<u>Section 11.02. Indemnification</u>	<u>71</u>
<u>Section 11.03. Third Party Claim Procedures</u>	<u>72</u>
<u>Section 11.04. Direct Claim Procedures</u>	<u>73</u>
<u>Section 11.05. Exclusive Remedy</u>	<u>73</u>
<u>Section 11.06. R&amp;W Insurance Policy</u>	<u>74</u>
<u>Section 11.07. Release</u>	<u>74</u>
	<u>Article 12</u>
	<u>Termination</u>
<u>Section 12.01. Grounds for Termination</u>	<u>75</u>
<u>Section 12.02. Effect of Termination</u>	<u>76</u>
	<u>Article 13</u>
	<u>Miscellaneous</u>
<u>Section 13.01. Notices</u>	<u>76</u>
<u>Section 13.02. Amendments and Waivers</u>	<u>77</u>
<u>Section 13.03. Disclosure Schedule</u>	<u>77</u>
<u>Section 13.04. Expenses</u>	<u>78</u>
<u>Section 13.05. Successors and Assigns</u>	<u>78</u>
<u>Section 13.06. Governing Law</u>	<u>78</u>
<u>Section 13.07. Jurisdiction</u>	<u>78</u>
<u>Section 13.08. WAIVER OF JURY TRIAL</u>	<u>78</u>

<u>Section 13.09. Counterparts; Effectiveness; Third Party Beneficiaries</u>	<u>79</u>
<u>Section 13.10. Entire Agreement</u>	<u>79</u>
<u>Section 13.11. Severability</u>	<u>79</u>
<u>Section 13.12. Specific Performance</u>	<u>79</u>
<u>Section 13.13. Westlake Obligations</u>	<u>80</u>

## **Schedules and Exhibits**

### DISCLOSURE SCHEDULE

SCHEDULE I Accounting Policies

SCHEDULE II Net Working Capital

EXHIBIT A	Form of Transition Services Agreement
EXHIBIT B	Form of Intellectual Property Assignment Agreement
EXHIBIT C	Services Agreement Term Sheets
EXHIBIT D	Sublease Term Sheet
EXHIBIT E	Supply Agreement Term Sheets
EXHIBIT F	Restructuring
EXHIBIT G	Form of Assignment and Assumption Agreement
EXHIBIT H	Form of Reverse Transition Services Agreement



## STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this “**Agreement**”) dated as of November 24, 2021, by and between Westlake Olefins LLC, a Delaware limited liability company (“**Buyer**”), Hexion Inc., a New Jersey corporation (“**Seller**”), and, solely for the purposes of Section 13.13, Westlake Chemical Corporation, a Delaware corporation (“**Westlake**”).

### WITNESSETH:

WHEREAS, Seller, together with its Subsidiaries (as defined below), owns and operates the Business (as defined below);

WHEREAS, Seller owns, directly or indirectly, all of the issued and outstanding capital stock of Hexion Coatings and Composites (US) Inc., a Delaware corporation (the “**Company**,” and such shares, the “**Shares**”);

WHEREAS, Buyer desires to purchase the Shares and Purchased Assets (as defined below), if any, and assume the Assumed Liabilities (as defined below), if any, in each case, from Seller and its Retained Subsidiaries (as defined below), and Seller desires to sell (or cause to be sold) the Shares and Purchased Assets, if any, and transfer the Assumed Liabilities, if any, to Buyer, upon the terms and subject to the conditions hereinafter set forth.

The parties hereto agree as follows:

#### Article 1 Definitions

Section 1.01. *Definitions.* The following terms, as used herein, have the following meanings:

“**Accounting Policies**” means the rules and principles set forth on Schedule I, determined (a) without giving effect to the transactions contemplated hereby (other than Section 5.05) and (b) based exclusively on the facts and circumstances as they exist as of the Effective Time (or such date as expressly set forth herein or in Schedule I), and excluding the effects of any event, act, change in circumstances or similar development, including any market or business development or change in GAAP or Applicable Law, arising or occurring thereafter (including at the Closing, other than pursuant to Section 5.05).

“**Accounting Referee**” shall have the meaning given to such term in Section 2.10(c).

“**Action**” means any action, suit, investigation, order or proceeding, in each case by or before any Governmental Authority.

“**Acquisition Proposal**” shall have the meaning given to such term in Section 5.06(c).

“**Actual Fraud**” means, with respect to a party hereto, the making by such party of a representation or warranty contained in this Agreement or any certificate delivered pursuant hereto where, at the time such representation or warranty was made by such party, (a) such representation or warranty was inaccurate, (b) such party or its

---

Representatives had actual knowledge (meaning without imputed or constructive knowledge) that such representation or warranty was inaccurate, (c) such party had the intent to deceive such other party and (d) such other party acted in reliance on such representation or warranty and suffered damages as a result of such reliance. For the avoidance of doubt, Actual Fraud does not include equitable fraud, promissory fraud, unfair dealings fraud, or any torts (including fraud) based on negligence or recklessness.

“**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by or is under common control with such Person; *provided* that, unless otherwise specified, (a) none of the Purchased Companies shall be considered an Affiliate of Seller and (b) Seller shall not be considered an Affiliate of any of the Purchased Companies. For purposes of this definition, “**control**” when used with respect to any Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “**controlling**” and “**controlled**” have correlative meanings.

“**Agreement**” has the meaning set forth in the Preamble.

“**Applicable Law**” means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

“**Assets**” means assets, properties and rights (including goodwill), whether real, personal, mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person.

“**Assignment and Assumption Agreements**” means the assignment and assumption agreement to be entered into by and between Buyer (or one or more of its designees) and Seller (and/or any Retained Subsidiary) at the Closing in substantially the form attached hereto as Exhibit G.

“**Assumed Employee Liabilities**” has the meaning set forth in Section 9.15.

“**Assumed Liabilities**” has the meaning set forth in Section 2.04.

“**Automatic Transfer Employee**” means each individual who, immediately before the Closing, is an employee of Seller or any of its Affiliates (other than, for the avoidance of doubt, a Purchased Company) who will, as a result of the transactions contemplated by the Transaction Documents, become employed by Buyer or any of its Affiliates (including any Purchased Company) by operation of Applicable Law.

“**Balance Sheet**” has the meaning set forth in Section 3.08(a).

“**Balance Sheet Date**” means December 31, 2020.

“**Base Purchase Price**” means \$1,220,000,000.

“**Business**” means Seller’s global epoxy business, which includes specialty epoxy resins and business related products and base epoxy resins and intermediates, and the

joint venture interest in HUV, each as conducted by Seller (directly or indirectly through any Subsidiary) immediately prior to the Closing and during the six months preceding the Closing Date.

“**Business Cash**” has the meaning set forth in Section 2.02(a).

“**Business Contracts**” has the meaning set forth in Section 2.02(e).

“**Business Day**” means a day other than Saturday, Sunday or any other day on which commercial banks in New York, New York or London, England are authorized or required by Applicable Law to close.

“**Business Employees**” means the Specified Employees, the Purchased Company Employees and the Automatic Transfer Employees, other than the individuals who are employed in the Business and are listed in Section 1.01(a) of the Disclosure Schedule, which Section of the Disclosure Schedule may be updated prior to the Closing Date by Seller in good faith consultation with Buyer.

“**Business Financial Statements**” has the meaning set forth in Section 3.08(b).

“**Business Indebtedness**” has the meaning set forth in Section 2.04(b).

“**Business Intellectual Property Rights Licensed to Buyer**” has the meaning set forth in Section 7.07(a).

“**Business Intercompany Contract**” has the meaning set forth in Section 5.05(a).

“**Business IP Contracts**” means any and all Contracts pursuant to which Seller or any of its Subsidiaries (i) receives any license or other right with respect to any Licensed Business Intellectual Property Rights, other than any Business IT Software Contracts, or (ii) grants any license or other right solely with respect to any Owned Business Intellectual Property Rights (and not any Retained Intellectual Property Rights).

“**Business IT Assets**” means any and all Information Technology Assets owned by, or licensed or leased to, Seller or any of its Subsidiaries which are located at the Business Real Property or allocated to a Business Employee.

“**Business IT Software Contracts**” means any and all IT Software Contracts to which a Purchased Company is a party.

“**Business Real Property**” has the meaning set forth in Section 2.02(b).

“**Business Records**” has the meaning set forth in Section 2.02(i).

“**Buyer**” has the meaning set forth in the Preamble.

“**Buyer DC Plan**” has the meaning set forth in Section 9.10.

“**Buyer Indemnified Parties**” has the meaning set forth in Section 11.02(a).

“**Cash**” means, with respect to any Person as of any time, the cash and cash equivalents (including marketable securities and short-term investments) held by or on behalf of such Person at such time, and shall include checks, ACH transactions and other wire transfers and drafts deposited or available for deposit for the account of such Person

at such time (net of issued but uncleared checks and drafts written or issued by or to the Purchased Companies), in each case calculated and determined in accordance with the Accounting Policies. Notwithstanding the foregoing, “Cash” shall not include any Restricted Cash.

“**Closing**” has the meaning set forth in Section 2.09.

“**Closing Cash**” means the Business Cash as of the Closing (but after giving effect to the settlement of all intercompany accounts pursuant to Section 5.05(b)), calculated in accordance with the Accounting Policies.

“**Closing Date**” means the date of the Closing.

“**Closing Indebtedness**” means the Business Indebtedness as of the Closing (but after giving effect to the settlement of all intercompany accounts pursuant to Section 5.05), calculated in accordance with the Accounting Policies.

“**Closing Net Working Capital**” means Net Working Capital of the Purchased Companies as of the Effective Time (but after giving effect to the settlement of all intercompany accounts pursuant to Section 5.05).

“**Closing Net Working Capital Adjustment Amount**” means an amount, which may be positive or negative, equal to (a) Closing Net Working Capital *minus* (b) Closing Net Working Capital Target.

“**Closing Net Working Capital Target**” means \$312,000,000.

“**Closing Year Bonus Plan**” has the meaning set forth in Section 9.11.

“**Closing Year Bonuses**” has the meaning set forth in Section 9.11.

“**Code**” means the Internal Revenue Code of 1986, as amended, and any rules or regulations promulgated thereunder.

“**Collective Bargaining Agreement**” means any written or oral agreement, memorandum of understanding or other contractual obligation between a Purchased Company and any labor organization or other authorized employee representative representing Business Employees.

“**Common Stock**” means the common stock, par value \$0.001 per share, of the Company.

“**Company**” has the meaning set forth in the Recitals.

“**Company DC Plan**” has the meaning set forth in Section 9.10.

“**Company Plan**” means any Employee Plan that is sponsored, maintained or entered into by any of the Purchased Companies.

“**Company Securities**” has the meaning set forth in Section 3.05(b).

“**Confidentiality Agreement**” means the confidentiality agreement between Westlake and Seller dated as of August 24, 2021.

“**Continuation Period**” has the meaning set forth in Section 9.02.

“**Continuing Employees**” has the meaning set forth in Section 9.01(a).

“**Contracts**” means all written or oral contracts, agreements, arrangements, leases, licenses, commitments, sales and purchase orders and other legally binding instruments, including all amendments and supplements thereto.

“**COVID-19**” means SARS-CoV-2 or COVID-19, and any evolutions or mutations thereof or related or associated epidemics, pandemic or disease outbreaks.

“**COVID-19 Actions**” means any action taken by the Business in connection with COVID-19 Measures that is reasonably necessary to protect the health or safety of Service Providers to the Purchased Companies, Seller or any of its Affiliates (or individuals who interact with any of the foregoing in connection with the Business) or otherwise reasonably necessary to protect the business, operations, assets or financial condition of the Business, so long as such action is done in a manner materially consistent with how a similarly situated company in the same industry acting reasonably could reasonably be expected to act under similar circumstances, taken in good faith and reasonably informed by the past practice of the Business.

“**COVID-19 Measures**” means any quarantine, “shelter in place,” “stay at home,” workforce reduction, social distancing, shutdown, closure, sequester, safety or similar Applicable Law, directive, guidelines or recommendations promulgated by any industry group or any Governmental Authority, including the Centers for Disease Control and Prevention and the World Health Organization, in each case, in connection with or in response to COVID-19, including the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and Families First Act.

“**Current Representation**” has the meaning set forth in Section 7.05(a).

“**D&O Indemnitees**” has the meaning set forth in Section 6.04(a).

“**Damages**” has the meaning set forth in Section 11.02(a).

“**Designated Person**” has the meaning set forth in Section 7.05(a).

“**Dispute Notice**” has the meaning set forth in Section 2.10(c).

“**Disputed Items**” has the meaning set forth in Section 2.10(c).

“**Effective Time**” means the close of business on the day immediately preceding the Closing Date.

“**Employee List**” has the meaning set forth in Section 3.23.

“**Employee Plan**” means any (a) “employee benefit plan” as defined in Section 3(3) of ERISA, whether or not subject to ERISA, (b) compensation, employment, consulting, severance, termination, change in control, transaction bonus, retention or similar plan, agreement, arrangement, program or policy or (c) other plan, agreement, arrangement, program or policy providing for compensation, bonuses, profit-sharing, equity or equity-based compensation or other forms of incentive or deferred compensation, vacation benefits, medical, dental, vision, prescription or fringe benefits, life insurance, perquisites, disability or sick leave benefits, post-employment or

retirement benefits (including compensation, pension, health, medical or insurance benefits), in each case that is sponsored, maintained, administered, contributed to or entered into by a Purchased Company, Seller or any of their respective Affiliates and providing benefits to any current or former employee, individual consultant, officer or director of the Business (other than any plan, program or arrangement sponsored or maintained by a Governmental Authority).

“**End Date**” has the meaning set forth in Section 12.01(b).

“**Enforceability Exception**” has the meaning set forth in Section 3.02(b).

“**Environmental Laws**” means any Applicable Law relating to human health and safety (as related to exposure to Hazardous Substances), the protection of the environment or the use, generation, management, treatment, storage, disposal, transportation or Release of Hazardous Substances.

“**Environmental Liabilities**” means any and all Liabilities arising under (or in connection with an Action relating to) Environmental Laws or Environmental Permits or relating to an actual, threatened or alleged Release, or actual or alleged exposure to, generation, distribution, storage, use, disposal, transportation, or arrangement for the disposal or transportation of Hazardous Substances, including Liabilities arising from any claims for personal injury, death, or property damage caused by an actual or alleged release of, or exposure to, a Hazardous Substance.

“**Environmental Permits**” means all Permits required by Environmental Laws.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and any rules or regulations promulgated thereunder.

“**ERISA Affiliate**” means any employer, trade, or business (whether or not incorporated) that would be treated together with the Company as a “single employer” within the meaning of Section 414 of the Code.

“**Estimated Closing Cash**” has the meaning set forth in Section 2.08(a).

“**Estimated Closing Indebtedness**” has the meaning set forth in Section 2.08(a).

“**Estimated Closing Net Working Capital**” has the meaning set forth in Section 2.08(a).

“**Estimated Closing Net Working Capital Adjustment Amount**” means an amount, which may be positive or negative, equal to (a) Estimated Closing Net Working Capital *minus* (b) Closing Net Working Capital Target.

“**Estimated Purchase Price**” means (a) the Base Purchase Price *plus* (b) Estimated Closing Net Working Capital Adjustment Amount, *minus* (c) Estimated Closing Indebtedness *plus* (d) Estimated Closing Cash.

“**Excluded Assets**” has the meaning set forth in Section 2.03.

“**Excluded Liabilities**” has the meaning set forth in Section 2.05.

“**Final Closing Statement**” has the meaning set forth in Section 2.10(a).

“**Former Business Employee**” means (i) former employees of a Purchased Company and (ii) former employees of Seller or its Affiliates (other than, for the avoidance of doubt, the Purchased Companies) who were primarily employed in the Business.

“**Fundamental Representations**” means the representations and warranties contained in Section 3.01, Section 3.02, Section 3.05, Section 3.06, Section 3.07 and Section 3.20.

“**GAAP**” means generally accepted accounting principles in the United States.

“**Governmental Authority**” means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority, department, court, agency or official, including any court or political subdivision thereof.

“**Hazardous Substances**” means any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substance, waste or material, or any substance, waste or material having any constituent elements displaying any of the foregoing characteristics, including petroleum, its derivatives, by-products and other hydrocarbons, asbestos, asbestos-containing materials, polychlorinated biphenyls, per- and polyfluoroalkyl substances, and any substance, waste or material regulated under any Applicable Law pertaining to the environment due to its hazardous or deleterious properties.

“**HSR Act**” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“**HUV**” means Hexion UV Coatings (Shanghai) Co., Ltd. (f/k/a Borden UV Coatings Holdings (Shanghai) Limited), a joint venture operated pursuant to that Shareholders’ Agreement, by and between Hexion Specialty UV Coatings (Shanghai) Limited (f/k/a Borden UV Coatings Holdings (Shanghai) Limited) and Prime Union Limited, dated as of February 13, 2004, as amended.

“**Indebtedness**” means (a) all indebtedness for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, (b) all indebtedness evidenced by notes, bonds, debentures or other debt securities, (c) all reimbursement obligations relating to letters of credit, bankers’ acceptances, surety, performance bonds or other bonds or similar instruments to the extent called, drawn or otherwise payable, (d) all obligations under Capital Leases (as defined under GAAP), (e) unfunded or underfunded pension liabilities in the amount of (and not to exceed) \$140,000,000, (f) any obligations under any interest rate, currency or other hedging agreement, (g) amounts owing as deferred purchase price for property or services, including all seller notes and earn-out payments, whether or not matured, (h) any amounts owed in connection with any factoring receivables or securitization programs and (i) with respect to any indebtedness, obligation, claim or liability of a type described in clauses (a) through (h) above, all accrued and unpaid interest, premiums, penalties, breakage costs, unwind costs, fees, termination costs, redemption costs, expenses and other charges with respect thereto; *provided* that in no event will Indebtedness include (i) any pension (except as set forth in clause (e) above) or other post-employment benefits, (ii) retention incentive obligations, the Retention Bonuses or the Transaction Bonuses, or (iii) any portion of the Closing Year Bonuses.

“**Indemnified Party**” has the meaning set forth in Section 11.04(a).

“**Indemnifying Party**” has the meaning set forth in Section 11.04(a).

“**Information Technology Assets**” means computers, printers, monitors, cell phones, laptops, servers, workstations, routers, hubs, switches, data communications lines and all other tangible information technology equipment, but excluding, for the avoidance of doubt, intangible information technology assets such as software and data.

“**Intellectual Property Assignment Agreement**” means the Intellectual Property Assignment Agreement to be entered into by Seller and/or certain Retained Subsidiaries and Buyer (or its designee), in the form attached hereto as Exhibit B.

“**Intellectual Property Rights**” means (a) inventions, whether or not patentable, reduced to practice or made the subject of one or more pending patent applications, (b) national and multinational statutory invention registrations, patents and patent applications (including all reissues, divisions, continuations, continuations-in-part, extensions and reexaminations thereof) registered or applied for in the United States and all other nations throughout the world, (c) trademarks, service marks, trade dress, logos, domain names, trade names and corporate names (whether or not registered) in the United States and all other nations throughout the world, including all registrations and applications for registration of the foregoing and all goodwill associated therewith (“**Trademarks**”), (d) copyrights (whether or not registered) and registrations and applications for registration thereof in the United States and all other nations throughout the world, regardless of the medium of fixation or means of expression, (e) computer software, including source code and object code, (f) trade secrets and know-how and (g) all rights to sue or recover and retain damages and costs and attorneys’ fees for past, present and future infringement or misappropriation of any of the foregoing.

“**Intercompany Accounts**” has the meaning set forth in Section 5.05(b).

“**International Plan**” means any Employee Plan that is not a U.S. Plan.

“**IRS**” means the Internal Revenue Service.

“**IT Software Contracts**” means any and all Contracts pursuant to which Seller or any of its Subsidiaries is granted a license, lease or other right to use, or is provided any services with respect to, any software, data or other intangible information technology assets.

“**knowledge of Seller,**” “**Seller’s knowledge**” or any other similar knowledge qualification in this Agreement means the actual knowledge (and not imputed or constructive knowledge), without any duty of inquiry or investigation, of the individuals set forth in Section 1.01(b) of the Disclosure Schedule under the heading “Seller Knowledge Parties.”

“**Liability**” means any liability, cost, expense, debt or obligation of any kind, character or description, known or unknown, accrued, absolute, contingent, matured or unmatured, determined or determinable, and whether due or to become due, regardless of when asserted.

“**Licensed Business Intellectual Property Rights**” means any and all Intellectual Property Rights owned by a third party that are licensed or sublicensed or for which such third party has granted a covenant not to sue, to Seller or any of its Subsidiaries which are used exclusively in the Business.



“**Lien**” means, with respect to any property or asset, any mortgage, deed of trust, lien, pledge, charge, security interest, encumbrance, right of first offer, option, right of first refusal, easement, claim, indenture, rights of way, restrictions on the use of real property, encroachments, licenses to third parties, leases to third parties, security agreements, or other adverse claim of any kind in respect of such property or asset, including, in the case of any shares of capital stock, any limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such shares). For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

“**Material Adverse Effect**” means a material adverse effect (x) on the financial condition, business, assets or results of operations of the Business, excluding any effect (a) relating to any Excluded Asset or Excluded Liability, or (b) resulting from or arising in connection with (i) changes in the financial, securities, currency, international trade, capital or credit markets or in general economic, political or regulatory conditions globally or in any jurisdiction in which the Business operates, (ii) changes or conditions affecting generally the industries in which the Business operates, (iii) changes in Applicable Law, GAAP or other applicable accounting or regulatory standards or principles, or in the authoritative interpretations thereof, (iv) acts of war, sabotage or terrorism or natural disasters (including earthquakes, floods, hurricanes, tornadoes, natural disasters or other “acts of God”) or any escalation or worsening thereof, (v) any epidemic, pandemic or disease outbreak (including COVID-19) or worsening thereof, including (x) changes in the composition, number or identity of the Business Employees resulting therefrom or (y) responses thereto (including the COVID-19 Measures), (vi) the negotiation, execution or performance of this Agreement, the announcement, pendency or consummation of the transactions contemplated hereby, the identity of Buyer or any facts or circumstances relating to Buyer or any actions taken by Buyer or the announcement or other disclosure of Buyer’s plans or intentions with respect to the conduct of the Business after the Closing, including, the effect of any of the foregoing on the relationships, contractual or otherwise, of the Business with clients, customers, employees, suppliers, vendors, service providers or Governmental Authorities (including, to the extent resulting therefrom, the failure to obtain any consents in connection with the transactions contemplated hereby), (vii) any failure to meet any internal projections, forecasts or predictions in respect of financial performance (it being understood that any underlying facts giving rise or contributing to such failure that are not otherwise excluded from the definition of “Material Adverse Effect” may be taken into account in determining whether there has been a Material Adverse Effect), (viii) the item set forth on Section 1.01(c) of the Disclosure Schedule, (ix) any action taken (or omitted to be taken) at the request of Buyer or (x) any action taken (or not taken) by Seller or any Purchased Company that is required or expressly contemplated to be taken (or not taken) pursuant to this Agreement, other than any obligation to operate the Business in the ordinary course of business consistent with past practices in accordance with Section 5.01 except, in the case of clauses (i)-(v), to the extent the Business is materially and disproportionately affected thereby relative to other participants in the industry or industries in which the Business operates (in which case, only the incremental disproportionate effect or effects may be taken into account in determining whether there has been a Material Adverse Effect) or (y) that would prevent or materially delay the ability of Seller to perform its obligations hereunder or to consummate the transactions contemplated hereby.

“**Multiemployer Plan**” means a “multiemployer plan” as defined in Section 3(37) of ERISA.

“**Negotiation Outside Date**” has the meaning set forth in Section 7.08(a).

“**Net Working Capital**” means, as of any date, an amount (which amount, for the avoidance of doubt, may be expressed as zero or a negative number) equal to the amount of the consolidated current assets less the consolidated current liabilities of the Business as of such date, in each case taking into account only those line items included in the sample calculations set forth on Schedule II (which line items shall be calculated in accordance with the Accounting Policies) but excluding the effect (including the Tax effect) of any act, event or transaction after the Closing not in the ordinary course of business of the Business, any provision for deferred Tax assets and liabilities and income Tax assets and liabilities. For the avoidance of doubt, neither Cash nor Transaction Expenses shall be included in Net Working Capital.

“**Netherlands Pension Scheme**” has the meaning set forth in Section 9.06.

“**Non-Controlling Party Rights**” has the meaning set forth in Section 8.04(c).

“**Owned Business Intellectual Property Rights**” means any and all Intellectual Property Rights owned by Seller or any of its Subsidiaries and Primarily Related to the Business as of the Closing, excluding, for the avoidance of doubt, the marks and names set forth on Section 1.01(d) of the Disclosure Schedule and any marks that are derivative thereof or similar thereto (the “**Seller Names and Marks**”).

“**Permits**” has the meaning set forth in Section 3.19.

“**Permitted Liens**” means (a) Liens disclosed in Section 1.01(e) of the Disclosure Schedule under the heading “Permitted Liens”; (b) Liens explicitly disclosed on the Business Financial Statements; (c) Liens for Taxes that are not yet due and payable, or if due, not delinquent or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP; (d) mechanic’s, materialman’s, carrier’s, repairer’s, worker’s, warehouseman’s and other similar Liens arising or incurred in the ordinary course of business that are not yet due and payable, or, if due, not delinquent or that are being contested in good faith (and for which adequate reserve has been established in the Business Financial Statements in accordance with GAAP); (e) statutory or contractual Liens of landlords or Liens on the landlord’s or prior landlord’s interests; (f) zoning, planning, entitlement, building codes and other land use laws, regulations, ordinances or other legal requirements regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority (*provided, however*, that the same individually and in the aggregate do not materially detract from the value of, or impair or interfere with the current operation or use of the Purchased Assets or the Business and specifically excluding any violations of any such laws, regulations, ordinances or other legal requirements); (g) Liens constituting non-exclusive licenses in respect of any Intellectual Property Rights granted in the ordinary course of business; (h) non-monetary Liens incurred in the ordinary course of business since the Balance Sheet Date that do not adversely affect the value, ownership, marketability, use or operation of the property subject thereto; (i) non-monetary Liens on real property (including easements, covenants, rights of way, defects, irregularities or imperfections of title, encroachments, servitudes, permits, flowage rights, leases, licenses and similar restrictions) that (i)(x) are matters of public record or (y) would be disclosed by a current, accurate survey or physical inspection of such real property and (ii) do not materially detract from the value or materially interfere with the present use or operation of such real property; (j) Liens arising under workers’ compensation, unemployment insurance, social security, retirement or similar laws; (k) transfer restrictions of general applicability as may be

provided under applicable securities laws; and (l) Liens which will be extinguished and released in full as of the Closing.

“**Person**” means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

“**Post-Closing Representation**” has the meaning set forth in Section 7.05(a).

“**Post-Closing Tax Period**” means any taxable period beginning after the Closing Date and, with respect to a Straddle Tax Period, the portion of such Straddle Tax Period beginning after the Closing Date.

“**Post-Closing Transaction Bonuses**” has the meaning set forth in Section 9.12.

“**Pre-Closing Separate Tax Return**” has the meaning set forth in Section 8.01(a).

“**Pre-Closing Tax Period**” means any taxable period ending on or before the Closing Date and, with respect to a Straddle Tax Period, the portion of such Straddle Tax Period ending on and including the Closing Date.

“**Pre-Closing Transaction Bonuses**” means the portion of the Transaction Bonuses that become due at or prior to the Closing.

“**Preliminary Closing Statement**” has the meaning set forth in Section 2.08(c).

“**Primarily Related to the Business**” means primarily related to, primarily used in connection with or primarily held for use in the Business.

“**Project Leader**” has the meaning set forth in Section 7.08(b).

“**Purchase Price**” means an amount in cash equal to (a) the Base Purchase Price, *plus* (b) the Closing Net Working Capital Adjustment Amount, if any, *minus* (c) Closing Indebtedness, *plus* (d) Closing Cash, each as finally determined pursuant to Section 2.10(d), *minus* (e) the amount of the Transaction Expenses.

“**Purchased Assets**” has the meaning set forth in Section 2.02.

“**Purchased Companies**” means the Company and the entities set forth in Section 1.01(f) of the Disclosure Schedule.

“**Purchased Company Employee**” means each individual who is, immediately before the Closing, an employee of any of the Purchased Companies.

“**Purchased Company Securities**” has the meaning set forth in Section 3.07(b).

“**R&W Insurance Policy**” has the meaning set forth in Section 11.06.

“**Release**” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment.

“**Released Claims**” has the meaning set forth in Section 11.07(a)(ii).

“**Released Parties**” has the meaning set forth in Section 11.07(a)(ii).

“**Releasing Parties**” has the meaning set forth in Section 11.07.

“**Remedy**” means any condition, measure, commitment, undertaking, remedy or other obligation relating to the disposal of, or any restriction on or other changes or limitations to the conduct or operation of or holding separate of, all or any part of any business activities or assets of Buyer, any of its Affiliates or the Purchased Companies or of the Purchased Assets.

“**Representative**” means, with respect to any Person, such Person’s directors, officers, employees, counsel, financial advisors, auditors, agents and other authorized representatives.

“**Required Regulatory Approvals**” has the meaning set forth in Section 10.01(a).

“**Restricted Cash**” means any cash that is not freely usable because it is subject to restrictions on use or distribution (but not, for the absence of doubt, any Tax on use or distribution) by applicable Law or Contract, including any cash securing rent, security and similar deposits and any other cash held as collateral in respect of obligations to any other Person. Notwithstanding the foregoing, Restricted Cash shall not include the items set forth on Section 1.01(g) of the Disclosure Schedule.

“**Restructuring**” has the meaning set forth in the definition of Seller Taxes.

“**Restructuring Taxes**” has the meaning set forth in the definition of Seller Taxes.

“**Retained Business**” means any business now, previously or hereafter conducted by Seller and its Subsidiaries, other than the Business.

“**Retained Subsidiaries**” means all of the direct and indirect Subsidiaries of Seller other than the Purchased Companies.

“**Retention Bonuses**” has the meaning set forth in Section 9.13.

“**Reverse Transition Services Agreement**” means the Transition Services Agreement to be entered into between Seller or one of its Subsidiaries, on the one hand, and Buyer or one of its Subsidiaries (including, following the Closing, the Company), on the other hand, at the Closing in substantially the form attached hereto as Exhibit H.

“**Seller**” has the meaning set forth in the Preamble.

“**Seller 401(k) Plan**” means the Hexion Inc. Retirement Savings Plan.

“**Seller Group**” means, with respect to U.S. federal income Taxes, the affiliated group of corporations (as defined in Section 1504(a) of the Code) of which Seller is the common parent and, with respect to state, local or foreign income or franchise Taxes, any consolidated, combined or unitary group of which Seller or any of its Affiliates is a member for such state, local or foreign income or franchise Tax purposes.

“**Seller Group Return**” has the meaning set forth in Section 8.01(a).

“**Seller Indemnified Parties**” has the meaning set forth in Section 11.02(b).

“**Seller Names and Marks**” has the meaning set forth in the definition of “Owned Business Intellectual Property Rights” in this Section 1.01.

“**Seller Party**” means each of Seller, the Purchased Companies and any Retained Subsidiary that holds any Purchased Assets or Shares.

“**Seller Plan**” means any Employee Plan that is sponsored, maintained or entered into by Seller or any of its Affiliates other than the Company or any of its Subsidiaries.

“**Seller Taxes**” means (a) any Taxes of any Person other than a Purchased Company with whom any of the Purchased Companies joins or has joined in filing any affiliated, consolidated, combined, unitary, aggregate or similar Tax Return for a Pre-Closing Tax Period for which a Purchased Company is liable under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Applicable Law); (b) any Taxes resulting from the reorganization of the Business, as set forth on Exhibit F (the “**Restructuring**”), including any Transfer Taxes so resulting (the “**Restructuring Taxes**”); and (c) any Taxes imposed on or with respect to Seller, the Retained Subsidiaries, the Excluded Assets, or the Excluded Liabilities, except, in each case, to the extent such amount was included as a liability in Closing Indebtedness or Closing Net Working Capital and reflected in the Purchase Price; *provided* that any Seller Taxes shall be net of any reduction to Taxes as a result of any available Tax Attributes and/or Transaction Tax Deductions (and any current year deductions, losses or similar attributes) with respect to any Pre-Closing Tax Period that actually reduce Taxes payable in cash.

“**Seller Welfare Plan**” has the meaning set forth in Section 9.04.

“**Service Provider**” means any director, officer, employee or individual independent contractor of the Business.

“**Services Agreement**” has the meaning set forth in Section 7.08(a).

“**Services Agreement Term Sheets**” means the (a) Research Laboratory Services Agreement term sheet attached hereto as Exhibit C-1, (b) ADC Site Services Agreement term sheet attached hereto as Exhibit C-2, (c) Pernis Site Services Agreement term sheet attached hereto as Exhibit C-3, (d) Stafford Research Laboratory Services Agreement term sheet attached hereto as Exhibit C-4 and (e) LLN Site Services Agreement term sheet attached hereto as Exhibit C-5.

“**Shared Contracts**” means the Contracts (other than real property leases) and other commitments, obligations or arrangements entered into prior to the Closing between Seller and/or its Affiliates, the Purchased Companies and one or more third parties that directly benefit both (a) the Business and (b) the Retained Business; *provided* that any Contract that provides for enterprise-level services or licenses or similar enterprise-level arrangements shall not be a Shared Contract.

“**Shares**” has the meaning set forth in the Recitals.

“**Specified Employees**” means (i) the employees of Seller or its Affiliates who are primarily employed in the Business as of the date hereof, and who are not Purchased Company Employees or Automatic Transfer Employees; (ii) the employees of Seller or its Affiliates who (x) are less than primarily employed in the Business as of the date hereof and also provide services to Seller or its Affiliates (other than a Purchased

Company), (y) are not Purchased Company Employees or Automatic Transfer Employees and (z) are listed in Section 1.01(h) of the Disclosure Schedule, which Section of the Disclosure Schedule may be updated prior to the Closing Date by Seller in good faith consultation with Buyer; and (iii) each additional employee hired by Seller or its Affiliates after the date of this Agreement in the ordinary course of business consistent with past practice to primarily provide services to the Business.

“**Stafford Sublease**” has the meaning set forth in Section 7.08(a).

“**Stafford Sublease Term Sheet**” means the Sublease term sheet attached hereto as Exhibit D.

“**Straddle Tax Period**” means any taxable period beginning on or before the Closing Date and ending after the Closing Date.

“**Subsidiary**” means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

“**Suitable Offer of Employment**” has the meaning set forth in Section 9.01(b).

“**Supply Agreement**” has the meaning set forth in Section 7.08(a).

“**Supply Agreement Term Sheets**” means the (a) ECH Supply Agreement term sheet attached hereto as Exhibit E-1, (b) LPE-85 Supply Agreement term sheet attached hereto as Exhibit E-2, (c) LPE-90 Supply Agreement term sheet attached hereto as Exhibit E-3, and (d) Korea Tolling Agreement term sheet attached hereto as Exhibit E-4.

“**Tax**” means any federal, state local or non-U.S. tax, including income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax, imposed by any Taxing Authority, and including any interest, penalty or addition thereto.

“**Tax Attributes**” has the meaning set forth in Section 8.03(a).

“**Tax Contest**” has the meaning set forth in Section 8.04(a).

“**Tax Return**” means any return, declaration, election, report, claim for refund or information return or statement of Taxes, including any schedule or attachment thereto, and including any amendment thereof, required to be filed with any Taxing Authority.

“**Tax Sharing Agreement**” means any agreement that provides for the allocation, apportionment, sharing or assignment of any Tax liability or Tax benefit, or the transfer or assignment of income, revenues, receipts (other than any agreement the principal subject matter of which is not Taxes).

“**Taxing Authority**” means any Governmental Authority responsible for the imposition or collection of any Tax.

“**Third Party Claim**” has the meaning set forth in Section 11.04(a).

**“Trade Secrets”** means any and all trade secrets and other proprietary or confidential information, including ideas, unpatented inventions (whether patentable or unpatentable and whether or not reduced to practice), technical data, customer and vendor lists, supplier lists, business plans, know how, formulae, methods (whether or not patentable), specifications, designs, analyses, processes, source code, object code, techniques, research and development information, mask works, manufacturing, test and qualification processes and related information of a proprietary or confidential nature.

**“Trademarks”** has the meaning set forth in the definition of “Intellectual Property Rights” in this Section 1.01.

**“Transaction Bonuses”** means the transaction bonuses to be paid to the Business Employees in connection with the transactions contemplated by the Transaction Documents as set forth in Section 9.12 of the Disclosure Schedule.

**“Transaction Documents”** means, collectively, this Agreement, the Transition Services Agreement, the Reverse Transition Services Agreement, the Intellectual Property Assignment Agreement, the Assignment and Assumption Agreement (if required), the Services Agreements, the Stafford Sublease, the Supply Agreements and any other documents or agreements contemplated hereby or executed in connection herewith, in each case together with any schedules, exhibits, annexes and appendices thereto.

**“Transaction Expenses”** means, solely to the extent incurred prior to the Closing and not paid prior to the Closing, or by virtue of the Closing, and without duplication, (a) all fees, expenses and costs payable by any of the Purchased Companies in connection with the negotiation, execution or performance of the Transaction Documents or the transactions contemplated thereby to financial advisors (including the brokers referred to in Section 3.20), accountants, legal advisors and other third party advisors and (b) any retention, change in control or other transaction-related bonus (other than any Retention Bonus or Transaction Bonus) payable in cash by any Purchased Company to the extent payable solely as a result of the negotiation, execution or performance of the Transaction Documents or the transactions contemplated thereby (and excluding, for the avoidance of doubt, payments based in whole or in part on service to the Purchased Companies following the Closing and any “double trigger” payments resulting from any other event or condition, including the termination of any employees after the Closing).

**“Transaction Tax Deductions”** means, without duplication, all items of loss or deduction attributable to (a) fees or other payments to the holders of the existing Indebtedness of any Purchased Company as contemplated by this Agreement, including any prepayment penalties or deductions for unamortized debt issuance costs, (b) costs, fees, and expenses (including all attorney’s fees, accountant’s fees, and investment banker fees) incurred by a Purchased Company in connection with the transactions contemplated by this Agreement, (c) any retention, change of control, transaction or similar bonuses or other compensatory payments to employees, independent contractors or directors of any Purchased Company, in each case arising out of or related to the transactions contemplated by this Agreement and (d) any Taxes payable by a Purchased Company in connection with items described in clauses (a) through (c) above, including without limitation the employer’s share of any employment Taxes. The amount of the Transaction Tax Deductions shall be computed assuming that an election is made pursuant to Revenue Procedure 2011-29 to deduct 70% of any Transaction Tax Deductions that are success-based fees (as described in Revenue Procedure 2011-29).

**“Transfer Taxes”** has the meaning set forth in Section 8.10.

“**Transition Services Agreement**” means the Transition Services Agreement to be entered into between Buyer or one of its Subsidiaries (including, following the Closing, the Company), on the one hand, and Seller, on the other hand, at the Closing in substantially the form attached hereto as Exhibit A.

“**U.S. Pension Plan**” means the Hexion Inc. Pension Plan.

“**U.S. Plan**” means any Employee Plan that covers Business Employees located primarily within the United States.

“**USCO**” means the United States Copyright Office.

“**USPTO**” means the United States Patent and Trademark Office.

“**WARN**” means the Worker Adjustment and Retraining Notification Act and any comparable state or local law.

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; *provided* that with respect to any agreement or contract listed on any schedules hereto, all such amendments, modifications or supplements must also be listed in the appropriate schedule. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to “law”, “laws” or to a particular statute or law shall be deemed also to include any and all Applicable Law.

## Article 2 Purchase and Sale

Section 1.01. *Purchase and Sale.* Upon the terms and subject to the conditions of this Agreement, Seller agrees to sell (or cause to be sold, conveyed, transferred and



assigned) to Buyer, and Buyer agrees to purchase from Seller (or its Subsidiaries), the Shares at the Closing.

Section 1.02. *Purchased Assets*. Upon the terms and subject to the conditions of this Agreement, and subject to the exclusions set forth in Section 2.03, at the Closing, Seller shall sell, convey, transfer and assign (or cause to be sold, conveyed, transferred and assigned) to Buyer, and Buyer shall purchase, acquire and accept from Seller (either directly or indirectly through the sale of Shares pursuant to Section 2.01), all of Seller's and its Subsidiaries' right, title and interest in, to and under the following assets, properties and rights as the same shall exist immediately prior to the Closing (collectively, the "**Purchased Assets**"); *provided* that, for the avoidance of doubt, any Purchased Assets then held by a Purchased Company shall be transferred pursuant to Section 2.01 and not this Section 2.02:

- (a) all Cash of the Business (the "**Business Cash**");
- (b) all real property and leases of, and other interests in, real property that are Primarily Related to the Business, in each case together with all buildings, fixtures and improvements erected thereon (the "**Business Real Property**");
- (c) all personal property and interests therein, including machinery, equipment, furniture, office equipment, communications equipment, vehicles, storage tanks, spare and replacement parts, fuel and other tangible property, Primarily Related to the Business;
- (d) all inventory, including raw materials, works-in-process, finished goods and supplies, and other current assets that are Primarily Related to the Business;
- (e) all rights, interests or claims under all (i) Contracts (other than IT Software Contracts and Contracts with respect to Intellectual Property Rights) that are Primarily Related to the Business, other than as set forth in Section 2.02(e)(i) of the Disclosure Schedule, (ii) Business IT Software Contracts, (iii) Business IP Contracts (collectively, the "**Business Contracts**");
- (f) all Owned Business Intellectual Property Rights;
- (g) all Business IT Assets;
- (h) all transferable licenses, permits or other governmental authorizations that are Primarily Related to the Business;
- (i) except as provided in Section 7.05(c), all books, records, files and papers, whether in hard copy or computer format, to the extent related to the Business and all Tax Returns (or portions thereof), Tax reports and Tax books and records related to Taxes or Tax Returns that relate solely to the Purchased Companies, the Business or the Purchased Assets (collectively, the "**Business Records**"); *provided* that (x) Seller Group Returns and Tax Returns, and Tax books and records related to Taxes of the Seller Group shall be Excluded Assets, (y) Seller shall be entitled to retain a copy of any and all Business Records and (z) Seller shall only be required to deliver such books, records, files and papers (whether electronic or otherwise) to the extent permitted by Applicable Law, and Seller shall not be required to deliver to Buyer any books, records, files or papers

that are not reasonably practicable to identify and extract, but shall provide access to such materials in accordance with Applicable Law and Section 5.02;

- (j) all goodwill associated with the Business, together with the right to represent to third parties that Buyer is the successor to the Business;
- (k) all Tax Attributes allocated to a Purchased Company pursuant to Section 8.03(a);
- (l) all Tax refunds or credits in lieu of refunds (including, in the case of any refund actually received, any interest thereon actually received from a Taxing Authority) with respect to any Tax or Tax Attribute allocated to Buyer under Section 8.02 or Section 8.03;
- (m) all sales and promotional literature, customer lists, sales databases and other sales-related materials to the extent related to the Business, which, for the avoidance of doubt, if any such material contains information related to the Business and the Retained Business, only such portion that is related to the Business shall be Purchased Assets;
- (n) all credits, prepaid expenses, rebates, deferred charges, advance payments, security deposits and other deposits or amounts held as surety by third Persons and prepaid items, in each case to the extent related to the Business, which, for the avoidance of doubt, if any such amounts are related to the Business and the Retained Business, only such portion that is related to the Business shall be Purchased Assets;
- (o) to the extent transferrable, all third-party warranties, indemnities and guarantees Primarily Related to the Business (other than Seller's and its Affiliates' rights under the Transaction Documents);
- (p) the insurance policies set forth on Section 2.02(p) of the Disclosure Schedule;
- (q) all assets relating to a Company Plan or any portion of a Seller Plan assumed by Buyer in the transactions contemplated hereby; and
- (r) all other assets, properties and rights of a type not expressly covered in this Section 2.02 that are Primarily Related to the Business.

Section 1.03. *Excluded Assets*. Notwithstanding any other provision of this Agreement to the contrary, Buyer expressly understands and agrees that Seller and its Retained Subsidiaries will retain and not sell, convey, transfer and assign to Buyer or any of its Affiliates (either directly or indirectly through sale of the Shares pursuant to Section 2.01) any of the following assets and properties of Seller or its Subsidiaries or any other asset that is not a Purchased Asset, as the same shall exist immediately prior to the Closing (collectively, the "**Excluded Assets**"), and Buyer expressly understands and agrees that any Excluded Assets owned or held by the Purchased Companies shall be assigned to Seller or one of its Affiliates prior to the Closing.

- (a) all Cash, excluding the Business Cash;

(b) insurance policies relating to the Business and all claims, credits, causes of action or rights thereunder, excluding the insurance policies set forth on Section 2.02(p) of the Disclosure Schedule;

(c) (i) all books, records, files and papers, whether in hard copy or computer format, prepared in connection with this Agreement or the transactions contemplated hereby, including all analyses relating to the Business, Seller or any prospective purchaser of the Business or any of their Affiliates so prepared or received (which, for the avoidance of doubt, includes Tax Returns, Tax reports and Tax books and records related to Taxes of the Seller Group), (ii) confidentiality agreements with prospective purchasers of the Business or any portion thereof (except that Seller shall, to the extent it is able, assign to Buyer at the Closing all of Seller's rights under such agreements to confidential treatment and limited use of information with respect to the Business and with respect to solicitation and hiring of Continuing Employees) and all bids and expressions of interest received from third parties with respect thereto; (iii) all privileged materials, documents and records that are not exclusively related to the Business and (iv) all minute books and corporate records of Seller and the Retained Subsidiaries;

(d) all rights of Seller or any of its Affiliates arising under this Agreement or any of the other Transaction Documents or the transactions contemplated hereby or thereby;

(e) any assets relating to any Seller Plan (except as contemplated above in Section 2.02(q));

(f) all Tax Attributes allocated to a Retained Subsidiary pursuant to Section 8.03(a);

(g) all Tax refunds or credits in lieu of refunds (including, in the case of any refund actually received, any interest thereon actually received from a Taxing Authority) with respect to any Tax or Tax Attribute allocated to Seller under Section 8.02 and Section 8.03;

(h) the Retained Business;

(i) other than the Business IP Contracts and Business IT Software Contracts, all Contracts with respect to Intellectual Property Rights (including all IT Software Contracts);

(j) other than the Owned Business Intellectual Property Rights, all Intellectual Property Rights owned by Seller or any of its Subsidiaries (the "**Retained Intellectual Property Rights**");

(k) other than the Business IT Assets, all Information Technology Assets owned by, or licensed or leased to, Seller or any of its Subsidiaries; and

(l) the other assets, properties and rights (including Contracts) listed in Section 2.03(h) of the Disclosure Schedule.

Section 1.04. *Assumed Liabilities.* Upon the terms and subject to the conditions of this Agreement, Buyer (or an Affiliate thereof), at the Closing, agrees to assume and thereafter to timely pay, discharge and perform in accordance with their terms, all of the

following Liabilities of Seller or any of its Subsidiaries of whatever nature, whether presently in existence or arising hereafter (the “**Assumed Liabilities**”); *provided* that, for the avoidance of doubt, any Assumed Liabilities of a Purchased Company shall not be assumed by Buyer under this Section 2.04 but rather shall remain Liabilities of the applicable Purchased Company:

- (a) all Liabilities set forth on the Business Financial Statements and all Liabilities of the Business incurred thereafter to the extent not satisfied prior to the Closing Date;
- (b) any Indebtedness of the Business (the “**Business Indebtedness**”);
- (c) all Liabilities under the Business Contracts;
- (d) all Environmental Liabilities to the extent arising out of or relating to the Business or the Purchased Assets;
- (e) all Liabilities arising out of any Action before any arbitrator or any Governmental Authority to the extent such Liabilities relate to or result from to the Business;
- (f) except as provided in Article 9, all Liabilities relating to any Business Employee or Former Business Employee, any Company Plan, (iii) the Post-Closing Transaction Bonuses, (iv) the Retention Bonuses and (v) the Closing Year Bonuses;
- (g) all Tax Liabilities allocated to Buyer pursuant to Section 8.02;
- (h) all Liabilities listed on Section 2.04(h) of the Disclosure Schedule; and
- (i) all other Liabilities to the extent arising out of or in connection with the Business (as currently or formerly conducted).

Section 1.05. *Excluded Liabilities.* Notwithstanding anything to the contrary in this Agreement, Buyer shall not assume, and Seller and its Retained Subsidiaries shall assume or retain, as the case may be, all Liabilities of Seller or any of its Subsidiaries of whatever nature, whether presently in existence or arising hereafter, other than the Liabilities identified as Assumed Liabilities in Section 2.04 (the “**Excluded Liabilities**”), including:

- (a) any Indebtedness other than the Business Indebtedness;
- (b) any Transaction Expenses;
- (c) all Liabilities to the extent relating to, resulting from or arising out of any Excluded Assets or any businesses, activities or operations of Seller or any of its Affiliates (including the Purchased Companies) other than the Business;
- (d) all Liabilities and obligations relating to (i) any current or former employee of Seller and its Affiliates (other than the Business Employees and the Former Business Employees) or (ii) the U.S. Pension Plan or the Pre-Closing Transaction Bonuses; *provided* that, except as expressly contemplated in this Agreement, any Liabilities or obligations relating to any employee benefit plan, agreement or arrangement

that is sponsored, maintained or entered into by a Purchased Company shall be treated as Assumed Liabilities;

(e) all Seller Taxes; and

(f) all Liabilities that are expressly contemplated by this Agreement or any other Transaction Document as Liabilities to be retained or assumed by Seller or its Affiliates.

Section 1.06. *Assignment of Contracts and Rights.* (a) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Purchased Asset or any right thereunder if an attempted assignment, without the consent of a third party, would constitute a breach or other contravention of such Purchased Asset or in any way adversely affect the rights of Buyer or Seller thereunder. Seller and Buyer shall use their commercially reasonable efforts (but without any payment of money by Seller or Buyer) to obtain the consent of such third parties to any such Purchased Asset or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of Seller thereunder so that Buyer would not in fact receive all such rights, Seller and Buyer will cooperate in a mutually agreeable arrangement under which Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, including sub-contracting, sub-licensing, or sub-leasing to Buyer, or under which Seller would enforce for the benefit of Buyer, with Buyer assuming Seller's obligations, any and all rights of Seller against a third party thereto. Seller shall promptly pay to Buyer when received all monies received by Seller under any Purchased Asset or any claim or right or any benefit arising thereunder, except to the extent the same represents an Excluded Asset.

(b) Each of Buyer and Seller shall use its commercially reasonable efforts to separate the Shared Contracts into separate contracts so that the Business will remain entitled to the rights and benefits, and shall be subject to the Liabilities, with respect to or arising from each Shared Contract to the extent related to the Business, and Seller (or one or more of its Affiliates) will retain the rights and benefits, and shall be subject to the Liabilities, with respect to or arising from each Shared Contract to the extent related to the Retained Business. If as of the Closing, a counterparty to any Shared Contract that is entitled under the terms of the Shared Contract to consent to the separation of the Shared Contract has not provided such consent or if the separation of a Shared Contract has not been completed for any other reason, then each of Buyer and Seller shall use its commercially reasonable efforts to develop and implement arrangements (i) if the Shared Contract is an Excluded Asset, to pass along to the Purchased Companies the benefit and the Liabilities of the portion of any such Shared Contract related to the Business and (ii) if the Shared Contract is a Business Contract, to pass along to Seller and/or one or more of its Affiliates the benefit and the Liabilities of the portion of the Shared Contract related to the business of Seller, as the case may be. If and when any such consent is obtained, the Shared Contract will be separated in accordance with this Section 2.06(b). The obligations set forth in this Section 2.06(b) will terminate on the earlier of the date that is 18 months after the Closing Date and the expiration date of the each such Shared Contract.

(c) Seller shall use its commercially reasonable efforts to, subject to any confidentiality or other similar obligations owed to any third party, provide Buyer with reasonable information regarding the terms of any enterprise-level Contracts under which Seller or any of its Subsidiaries is licensed, sublicensed or granted a covenant not to sue

with respect to any Intellectual Property Rights owned by a third party that are used, but not exclusively used, in, and material to, the Business, if any (excluding any such Intellectual Property Rights that are contemplated to be provided to the Business pursuant to the Transition Services Agreement). With respect to such Contracts, each of Buyer and Seller shall use its respective commercially reasonable efforts, to the extent permitted by the applicable Contract, to pass along to the Purchased Companies the benefit and the Liabilities of the portion of such Contracts to the extent related to the Business (including by sublicensing or otherwise extending to the Purchased Companies such Intellectual Property Rights if permitted under such Contract). Notwithstanding anything to the contrary, Seller shall not be required under this Section 2.06 to seek any third-party consent or incur any payment or expenses.

Section 1.07. *Purchase Price*. The purchase price for the Shares and Purchased Assets, if any, is equal to the Purchase Price. The Purchase Price shall be paid as provided in Section 2.09 and shall be subject to adjustments as provided in Section 2.10(d).

Section 1.08. *Estimated Closing Calculations*. Not less than five Business Days prior to the Closing Date, Seller shall deliver to Buyer a written statement setting forth (a) Seller's good faith estimates of (i) Closing Net Working Capital ("**Estimated Closing Net Working Capital**"), (ii) Closing Indebtedness ("**Estimated Closing Indebtedness**"), and (iii) Closing Cash ("**Estimated Closing Cash**"), (b) Seller's calculation of the Estimated Closing Net Working Capital Adjustment Amount and (c) on the basis of the foregoing, a calculation of the Estimated Purchase Price (together with the calculations referred to in clauses (a) and (b) above, the "**Preliminary Closing Statement**").

Section 1.09. *Closing*. The closing (the "**Closing**") of the purchase and sale of the Shares and Purchased Assets, if any, hereunder shall take place at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, or remotely by the exchange of documents and signatures (or their electronic counterparts), as promptly as practicable, but in no event later than five Business Days, after satisfaction or, to the extent permissible, waiver by the party or parties entitled to the benefit of the conditions set forth in Article 10 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permissible, waiver of those conditions at the Closing), or at such other time or place as Buyer and Seller may agree. In any event, the Closing shall coincide with month end. At the Closing:

(a) Buyer shall deliver to Seller:

(i) an amount equal to the Estimated Purchase Price in immediately available funds by wire transfer to an account or accounts designated by Seller, by written notice to Buyer;

(ii) a duly executed counterpart to each Transaction Document not previously executed and delivered to which Buyer or any Affiliate thereof is a party; and

(iii) such other quit claim deeds, bills of sale, endorsements, consents, assignments, novations and other good and sufficient instruments of conveyance and assignment as the parties hereto and their respective counsel shall deem reasonably necessary for the assumption by

Buyer of the Assumed Liabilities or to vest in Seller all right, title and interest in, to and under the Excluded Assets.

(b) Seller shall deliver or cause the following to be delivered to Buyer:

(i) a duly executed counterpart to each Transaction Document not previously executed and delivered to which Seller or any Affiliate thereof is a party; and

(ii) certificates for the Shares duly endorsed or accompanied by stock powers duly endorsed in blank;

(iii) such other deeds (in customary form for conveyance of similar property in commercial transactions where the real property is located), bills of sale, endorsements, consents, assignments, novations and other good and sufficient instruments of conveyance and assignment as the parties hereto and their respective counsel shall deem reasonably necessary for the assumption by Seller of the Excluded Liabilities or to vest in Buyer all right, title and interest in, to and under the Shares and Purchased Assets; and

(iv) written resignations or other evidence of removal (effective as of the Closing) of (A) each of the directors of the Purchased Companies in their capacities as such directors whose resignations are specified by Buyer, by written notice to Seller at least five Business Days prior to Closing, and (B) those officers of the Purchased Companies that are not Business Employees in their capacities as officers of such Purchased Companies;

(v) all stock or other certificates evidencing securities of any Purchased Company that are not located on the properties of the Company or its Subsidiaries; and

(vi) a properly completed IRS Form W-9.

Section 1.10. *Post-Closing Purchase Price Adjustment.* (a) As promptly as practicable, but no later than 60 days after the Closing Date, Buyer shall prepare and deliver to Seller a written statement (the “**Final Closing Statement**”) setting forth in reasonable detail, with reasonable supporting documentation, Buyer’s good faith calculation of (i) Closing Net Working Capital, (ii) Closing Net Working Capital Adjustment Amount, (iii) Closing Cash and (iv) Closing Indebtedness, and on the basis of the foregoing, its calculation of the Purchase Price. If Buyer fails to timely deliver the Final Closing Statement in accordance with the first sentence of this Section 2.10(a), then the Preliminary Closing Statement delivered by Seller to Buyer pursuant to Section 2.08 shall be deemed to be the Final Closing Statement for all purposes hereunder, except to the extent that Seller delivers a Dispute Notice pursuant to Section 2.10(c).

(b) Following the Closing, Buyer shall provide Seller and its Representatives reasonable access to its books, records, properties, personnel and (subject to the execution of customary work paper access letters if requested) auditors and such other information as Seller may reasonably request, in order to review and analyze (or if applicable, prepare) the Final Closing Statement and the calculations set forth thereon.

(c) If Seller disagrees with Buyer's calculation of the Purchase Price as set forth in the Final Closing Statement, Seller may, within 30 days after receipt of the Final Closing Statement, deliver a written notice to Seller (a "**Dispute Notice**") setting forth in reasonable detail the particulars of such disagreement (taking into account the information then known to Seller). In the event that Seller does not timely provide a Dispute Notice, Seller shall be deemed to have agreed to the Final Closing Statement (including the determinations included therein) delivered by Buyer pursuant to Section 2.10(a), which shall be final, binding and conclusive for all purposes hereunder. In the event a Dispute Notice is timely provided, Buyer and Seller shall for a period of 15 days use their reasonable best efforts to resolve any such disagreements with respect to the Final Closing Statement. If during such period Buyer and Seller are unable to reach such agreement, then at the written request of either Buyer or Seller, Buyer and Seller shall promptly thereafter jointly retain the dispute resolution group of KPMG International Limited (or, if such Person is unwilling or unable to serve, such other independent accounting firm of recognized national standing as Buyer and Seller may mutually agree, which agreement shall not be unreasonably withheld) (the "**Accounting Referee**") to review any items that remain in dispute (the "**Disputed Items**"), and only those items, for the purpose of calculating the Purchase Price (it being understood and agreed that in conducting such review and making such calculation, the Accounting Referee shall adhere to the provisions of this Section 2.10 (and related definitions)). Buyer and Seller shall promptly provide their assertions regarding the Disputed Items in writing to the Accounting Referee, and upon Accounting Referee's receipt of both written reports, to each other. The Accounting Referee shall be instructed to render its determination in the form of a written report setting forth its calculations (including the basis thereof) with respect to the Disputed Items as promptly as reasonably possible (which the parties hereto agree should not be later than 45 days following the date on which the disagreement is referred to the Accounting Referee). The Accounting Referee shall base its determination solely on (i) the written submissions of the parties hereto and shall not conduct an independent investigation and (ii) the extent (if any) to which Closing Net Working Capital, Closing Cash and/or Closing Indebtedness require adjustment (only with respect to the Disputed Items submitted to the Accounting Referee) in order to be determined in accordance with this Agreement. The Accounting Referee's determination of each Disputed Item shall not be greater than the greater value for such Disputed Item claimed by either Seller in the Dispute Notice or Buyer in the Final Closing Statement or less than the lower value for such Disputed Item claimed by either Seller in the Dispute Notice or Buyer in the Final Closing Statement, as applicable. The Accounting Referee's report shall be final, binding and conclusive for all purposes hereunder, shall be deemed a final arbitration award that is binding on the parties hereto, and neither Buyer nor Seller shall seek further recourse to courts or other tribunals, other than to enforce such report in any court of competent jurisdiction. The costs, fees and expenses of the Accounting Referee to resolve the disputed items shall be initially borne equally by Seller and Buyer; *provided* that such fees shall ultimately be borne by Seller and Buyer in the same proportion that the aggregate amount of the disputed items submitted to the Accounting Referee that are unsuccessfully disputed by each such party (as finally determined by the Accounting Referee) bears to the total amount of such disputed items so submitted. All other costs, fees and expenses incurred by the parties hereto in connection with resolving such dispute shall be borne by the party incurring such cost and expense.

(d) For the avoidance of doubt, the parties hereto acknowledge and agree that the determination of the Closing Net Working Capital Adjustment Amount is intended solely to reflect changes between the Closing Net Working Capital and the Closing Net Working Capital Target, and any such change can be measured only if Closing Net Working Capital and the calculations and determinations thereof are prepared using the



Accounting Policies. Neither the calculations to be made pursuant to Section 2.08 or this Section 2.10 nor the purchase price adjustment to be made pursuant to Section 2.11 is intended to be used to adjust for errors or omissions, under GAAP or otherwise, that may be found with respect to the Business Financial Statements or the Closing Net Working Capital Target for which Article 11 shall be the sole and exclusive remedy. No event, act, change in circumstance or similar development, including any market or business development or change in GAAP or Applicable Law, arising or occurring after the Closing, shall be taken into consideration in the calculations to be made pursuant to this Section 2.10.

Section 1.11. *Adjustment of Purchase Price.* **Error! Bookmark not defined.** If the Purchase Price as finally determined pursuant to Section 2.10 exceeds the Estimated Purchase Price, Buyer shall pay to Seller, in the manner as provided in Section 2.11(b), the amount of such excess. If the Purchase Price as finally determined pursuant to Section 2.10 is less than the Estimated Purchase Price, Seller shall pay to Buyer, in the manner as provided in Section 2.11(b), the amount of such difference.

(b) Any payment owed pursuant to this Section 2.11 shall be made by Buyer or Seller, as the case may be, at a mutually convenient time within five Business Days after the determination of the Purchase Price, by wire transfer of immediately available funds to such account or accounts of such other party as may be designated by such other party.

Section 1.12. *Withholding.* Each of Buyer and Seller, and their respective Affiliates, shall be entitled to deduct and withhold from any consideration payable hereunder, or other payment otherwise payable pursuant to this Agreement, the amounts required to be deducted and withheld under Applicable Law; *provided* that if Buyer or Seller, as applicable, determines that such deduction and withholding is required (i) at least five days before any payment is made under this Agreement, the party making such payment shall notify the party entitled to receive the payment of any deduction or withholding requirement applicable to the payment of which the withholding party becomes aware, and (ii) the parties hereto shall reasonably cooperate to reduce or eliminate such deduction and withholding. Any amounts so withheld shall be paid over to the appropriate Governmental Authority, and shall be treated for all purposes of this Agreement as having been paid to the applicable Person in respect to which such deduction and withholding was made.

### Article 3 Representations and Warranties of Seller

Except as set forth in the Disclosure Schedule (but subject to Section 13.03), Seller represents and warrants to Buyer as of the date hereof and as of the Closing Date that:

Section 1.01. *Existence and Power.* Seller is a corporation duly incorporated, validly existing and in good standing under the law of its jurisdiction of incorporation and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. Seller is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the Shares or the Purchased Assets are owned, leased or operated by Seller or the nature of the Business makes such qualification necessary,

except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, reasonably be expected to be material to the Business.

Section 1.02. *Authorization.* (a) The execution, delivery and performance by Seller of this Agreement and by each Seller Party of each other Transaction Document to which it is or will be a party and the consummation of the transactions contemplated hereby and thereby are within the corporate powers of such Seller Party and have been duly authorized by all necessary corporate action on the part of such Seller Party.

(b) Seller has duly executed this Agreement and, assuming the due authorization, execution and delivery of this Agreement by Buyer, this Agreement constitutes a valid and binding agreement of Seller enforceable against Seller in accordance with its terms, subject, in the case of enforceability, to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Applicable Laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (collectively, the "**Enforceability Exception**").

Section 1.03. *Governmental Authorization.* The execution, delivery and performance by Seller Parties of this Agreement and each other Transaction Document to which a Seller Party is or will be a party and the consummation of the transactions contemplated hereby and thereby require no action by or in respect of, or filing with, any Governmental Authority other than (a) compliance with any applicable requirements of the HSR Act, (b) the filing of applications and notices with, and receipt of approvals, licenses, or consents of, the Governmental Authorities set forth on Section 3.03 of the Disclosure Schedule and (c) any actions or filings, the absence of which would not, individually or in the aggregate, reasonably be expected to be material to the Business.

Section 1.04. *Noncontravention.* The execution, delivery and performance by Seller of this Agreement and by each Seller Party of the other Transaction Documents to which Seller or any of its Affiliates is or will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not (a) materially violate the organizational documents of Seller or any of the Purchased Companies or other Seller Party, (b) assuming compliance with the matters referred to in Section 3.03, violate any Applicable Law, (c) require any consent or other action by any Person under, result in a breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, or give rise to any right of termination, cancellation or acceleration of any right or obligation of Seller or any of the Purchased Companies or other Seller Party or to a loss of any benefit to which Seller or any of the Purchased Companies or other Seller Party is entitled under any provision of any agreement or other instrument binding upon Seller or any of the Purchased Companies or other Seller Party or any of their respective properties or assets, including the Business, or (d) result in the creation or imposition of any Lien on any Purchased Asset, asset of the Purchased Companies, other than Permitted Liens, with such exceptions, in the case of each of clauses (b) through (d) as would not, individually or in the aggregate, materially impact the Business.

Section 1.05. *Capitalization.* (a) The authorized capital stock of the Company consists of 1,000 shares of Common Stock. As of the date hereof, there are 1,000 outstanding shares of Common Stock.

(b) All outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable, were acquired in compliance with all Applicable Laws, have not been issued in violation or preemptive or similar rights and are held free and clear of all Liens. Except as set forth in this Section

3.05, there are no outstanding (i) shares of capital stock or voting securities of the Company, (ii) securities, notes or other obligations of the Company convertible into or exchangeable for shares of capital stock or voting securities of the Company or (iii) options or other rights (including under preemptive rights) to acquire from the Company, or other obligation of the Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company (the items in Sections 3.05(b)(i), 3.05(b)(ii) and 3.05(b)(iii) being referred to collectively as the “**Company Securities**”). There are no outstanding obligations of any of the Purchased Companies to repurchase, redeem or otherwise acquire any Company Securities. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to the Shares of, or other equity or voting interest in, the Company to which the Company is a party or is bound. There are no irrevocable proxies and no voting agreements with respect to the Shares of the Company. There are no declared but unpaid dividends or distributions with respect to the Shares of the Company.

Section 1.06. *Ownership of Shares.* Seller (and/or one or more wholly owned Subsidiaries of Seller) is the sole legal and beneficial owner of the Shares, free and clear of any Lien, and will transfer and deliver to Buyer at the Closing valid title to the Shares free and clear of any Lien.

Section 1.07. *Purchased Companies.* (a) Each Purchased Company is duly incorporated or organized, validly existing and, to the extent such concept exists in the Purchased Company’s jurisdiction of formation, in good standing under the laws of its jurisdiction of formation, except as would not reasonably be expected to be material to the Business. Each Purchased Company has all organizational powers required to carry on its business as now conducted, is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where the Purchased Assets are owned, leased or operated by such Purchased Company or the nature of the Business makes such qualification necessary, except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, reasonably be expected to be material to the Business.

(b) As of Closing, all of the outstanding capital stock or other voting securities of each Purchased Company (other than the Shares, which are addressed in Section 3.06) will be owned by the Company, directly or indirectly, free and clear of any Lien. Except as set forth in the preceding sentence, there are no outstanding (i) shares of capital stock or voting securities of the Purchased Companies, (ii) securities, notes or other obligations of the Purchased Companies convertible into or exchangeable for shares of capital stock or voting securities of any Purchased Company or (iii) options or other rights (including preemptive rights) to acquire from any Purchased Company, or other obligation of any Purchased Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of any Purchased Company (the items in Sections 3.07(b)(ii), 3.07(b)(iii) and (iii) being referred to collectively as the “**Purchased Company Securities**”). There are no outstanding obligations of any Purchased Company to repurchase, redeem or otherwise acquire any Purchased Company Securities. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to the Purchased Company Securities of, or other equity or voting interest in, the Purchased Companies to which the Purchased Companies are party to or are bound. There are no irrevocable proxies and no voting agreements with respect to the Purchased Company Securities. There are no declared but unpaid dividends or distributions with respect to the Purchased Company Securities. Section 3.07(b) of the Disclosure Schedule sets forth for each Purchased Company (i) the name and the jurisdiction of organization of such

Purchased Company, and (ii) the number of authorized and issued capital stock or other voting securities in such Purchased Company. The Purchased Company Securities have been duly authorized and validly issued and are fully paid. Except as set forth on Section 3.07(b) of the Disclosure Schedule, no Purchased Company owns, directly or indirectly, any equity interests in any other Person.

(c) Since the date of its formation, the Company has not engaged in any business activities or conducted any operations other than the operations of the Business and activities in connection with the transactions contemplated by the Transaction Documents.

Section 1.08. *Financial Statements.* (a) The audited combined balance sheets of the Business as of December 31, 2019 and December 31, 2020 (the “**Balance Sheet**”) and the related audited combined statements of income and cash flows of the Business for the year ended December 31, 2018, the periods from January 1, 2019 through July 1, 2019 and from July 2, 2019 through December 31, 2019 and the year ended December 31, 2020 and (b) the unaudited interim combined balance sheet of the Business as of June 30, 2021 and the related unaudited interim combined statements of income and cash flows of the Business for the six months ended June 30, 2021 (clauses (a) and (b) collectively, the “**Business Financial Statements**”) fairly present, in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto), the combined financial position of the Business as of the dates thereof and their combined results of operations and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements). The reconciliations included in Index 2.2.2 of the virtual data room properly and accurately identify the statements of income for the year ended December 31, 2018, the periods from January 1, 2019 through July 1, 2019 and from July 2, 2019 through December 31, 2019 and the year ended December 31, 2020 and for the six months ended June 30, 2021 as well as the combined balance sheets as of December 31, 2019 and December 31, 2020 and as of June 30, 2021 for the Business as they were included in the Business Financial Statements.

Section 1.09. *Absence of Certain Changes.* (a) Since the Balance Sheet Date, (i) the Business has been conducted in the ordinary course consistent with past practices, except for any COVID-19 Actions, and (ii) there has not been any event, occurrence, development or state of circumstances or facts that has had or would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) From the Balance Sheet Date until the date hereof, there has not been any action taken by the Business that, if taken during the period from the date of this Agreement through the Closing Date without Buyer’s consent, would constitute a breach of Section 5.01 (except for Section 5.01(i) and Section 5.01(j)), except as would not, individually or in the aggregate, reasonably be expected to be material to the Business.

Section 1.10. *No Undisclosed Material Liabilities.* There are no Liabilities of the Business, other than (a) Liabilities provided for in the Balance Sheet or disclosed in the notes thereto; (b) Liabilities incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date; (c) Liabilities incurred in connection with the transactions contemplated by this Agreement or disclosed in the Disclosure Schedule; (d) ordinary course contractual Liabilities (other than arising out of a breach

of any Contract); and (e) other undisclosed Liabilities which, would not, individually or in the aggregate, reasonably be expected to be material to the Business.

Section 1.11. *[Reserved]*.

Section 1.12. *Material Contracts.* (a) As of the date of this Agreement, neither Seller nor any of its Subsidiaries is a party to or bound by any of the following Business Contracts:

(i) any lease (whether of real or personal property) providing for annual rentals of \$3,000,000 or more;

(ii) any Contract, including any agreement for the purchase of materials, supplies, goods, services, equipment or other assets, providing for (A) annual payments by the Business of \$3,000,000 or more, or (B) annual payments by the Business of \$2,000,000 or more and a duration of more than 12 months;

(iii) any Contract, including any sales, distribution or other similar agreement providing for the sale by any of the Business of materials, supplies, goods, services, equipment or other assets, that provides for (A) annual payments to the Business of \$5,000,000 or more, or (B) annual payments to the Business of \$2,000,000 or more and a duration of more than 12 months;

(iv) any partnership, joint venture or other similar agreement or arrangement;

(v) any agreement relating to (i) the acquisition or disposition of any business or (ii) any asset in excess of \$3,000,000, individually or \$6,000,000 in the aggregate (whether by merger, sale of stock, sale of assets or otherwise);

(vi) any agreement that limits the freedom in any material respect of any of the Business to compete in any line of business or with any Person or in any area;

(vii) any Business Intercompany Contract;

(viii) any material agreement granting a right or license to use, or a covenant not to be sued under, any Intellectual Property Rights (A) to any third party with respect to any Owned Business Intellectual Property Rights or (B) to Seller or any of its Subsidiaries with respect to any Licensed Business Intellectual Property Rights; provided that, for clarity, the foregoing clauses (A)-(B) shall exclude any licenses for off-the-shelf software and non-exclusive licenses granted in the ordinary course of business;

(ix) any Contracts involving any resolution or settlement of any actual or threatened litigation, arbitration, claim or other dispute;

(x) any material Contracts with any Governmental Authority;

(xi) any Contracts (A) with respect to Indebtedness for borrowed money of the Business or a Purchased Company, (B) pursuant to which the Business or a Purchased Company has incurred, assumed or guaranteed Indebtedness of any other Person or (C) which impose a Lien upon the Shares, the

Purchased Company Securities, the Purchased Assets or the assets or properties of the Purchased Companies; or

(xii) any other agreement, commitment, arrangement or plan not made in the ordinary course of business that is material to the Business.

(b) Each agreement, contract, plan, lease, arrangement or commitment disclosed in any Schedule to this Agreement or required to be disclosed pursuant to this Section or that would be required to be disclosed pursuant to this Section if entered into prior to the date of this Agreement is a valid and binding agreement of the Purchased Companies or the Seller Parties, as the case may be, and is in full force and effect, and none of the Purchased Companies or the Seller Parties thereto or, to the knowledge of Seller, any other party thereto is in default or breach in any material respect under the terms of any such agreement, contract, plan, lease, arrangement or commitment, and, to the knowledge of Seller, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute any event of default thereunder. True and complete copies of each such agreement, contract, plan, lease, arrangement or commitment entered into as of the date of this Agreement have been delivered to Buyer.

Section 1.13. *Litigation.* There is no Action pending against, or to the knowledge of Seller, threatened in writing against or affecting, Seller or any of its Subsidiaries in respect of the Business, which, individually or in the aggregate, if determined or resolved adversely in accordance with the plaintiff's demands, would reasonably be expected to, individually or in the aggregate, be material to the Business. As of the date of this Agreement, there is no Action pending against, or to the knowledge of Seller, threatened in writing against or affecting, Seller or any of its Subsidiaries which in any manner challenges or seeks to prevent, enjoin or materially alter or delay the transactions contemplated by this Agreement.

Section 1.14. *Compliance with Laws and Court Orders.* The Business is not in violation of, and has not since January 1, 2019, violated, and to the knowledge of Seller is not under investigation with respect to and has not been threatened in writing to be charged with or given notice of any violation of, any Applicable Law, except for violations that have not had and would not, individually or in the aggregate, reasonably be expected to be material to the Business. There is no material outstanding judgment, decree, injunction, rule or order of any arbitrator or Governmental Authority.

Section 1.15. *Properties; Sufficiency of Assets.* (a) The Purchased Companies (and Seller or its Affiliates with respect to the Business Real Property) have good title to, or in the case of leased property and assets have valid leasehold interests in, all Purchased Assets and all property and assets (whether real, personal, tangible or intangible) reflected on the Business Financial Statements or acquired after the Balance Sheet Date, in each case free and clear of any Liens other than Permitted Liens, except for properties and assets sold since the Balance Sheet Date or where the failure to have such good title or valid leasehold interests would not reasonably be expected to be, individually or in the aggregate, material to the Business.

(b) All leases of such real property and personal property are in good standing and are valid, binding and enforceable in accordance with their respective terms, subject to the Enforceability Exception. There does not exist under any such lease any default in material respect by the Purchased Companies or the Seller Parties thereto or, to the knowledge of Seller, any other party thereto, and, to the knowledge of Seller, no event has occurred that, with notice or lapse of time or both would constitute a default

thereunder, except in each case, for such defaults that would not reasonably be expected to be, individually or in the aggregate, material to the Business.

(c) The property and assets owned or leased by any of the Purchased Companies (and Seller or its Affiliates with respect to the Business Real Property), or which the Purchased Companies otherwise use, (i) constitute all of the property and assets used or held for use in connection with the Business and are adequate to conduct the Business as currently conducted, (ii) have been maintained in accordance with normal industry practice, (iii) are in good operating condition (subject to normal wear and tear) and (iv) are suitable for the purposes for which they are presently used, in each case, in all material respects.

(d) No portion of any real property owned or leased by any of the Purchased Companies (and Seller or its Affiliates with respect to the Business Real Property) is leased or subleased by any of the Purchased Companies (or by Seller or any of its Affiliates with respect to the Business Real Property) to any third party.

(e) There is no condemnation proceeding pending, or to the knowledge of Seller, threatened in writing with respect to any real property, or portion thereof, owned or leased by any of the Purchased Companies (or Seller or its Affiliates with respect to the Business Real Property) except for any such proceeding that would not reasonably be expected to be, individually or in the aggregate, material to the Business.

(f) Immediately following the Closing, and after giving effect to the transactions contemplated by this Agreement and assuming (x) receipt of all required consents, approvals and authorizations set forth in Section 3.03 and Section 3.04 of the Disclosure Schedule and (y) each Business Employee remains employed by or providing services to the Business at the Closing, the Assets held by the Purchased Companies, together with the Purchased Assets and the rights of Buyer and its Affiliates under this Agreement and the other Transaction Documents, will be sufficient to conduct the Business in substantially the same manner as it has been conducted in the preceding six months.

Section 1.16. *Products.* Except as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect, each of the products produced or sold by the Business is, and at all times up to and including the sale thereof has been, (i) in compliance in all material respects with all Applicable Laws and (ii) fit for the ordinary purposes for which it is intended to be used and conforms in all material respects to any promises or affirmations of fact made on the container or label for such product or in connection with its sale. Except as would not, individually or in the aggregate, be reasonably expected to be material to the Business, there is no design defect with respect to any of such products and each of such products contains adequate warnings, presented in a reasonably prominent manner, in accordance with Applicable Laws, and current industry practice with respect to its contents and use.

Section 1.17. *Intellectual Property.* (a) Section 3.17(a) of the Disclosure Schedule contains, as of the date hereof, a true and complete list of each of the registrations and applications for registrations included in the Owned Business Intellectual Property Rights, (i) indicating for each issued patent or pending patent application included therein, the owner, the applicable jurisdiction, the patent number (or application number), and date issued (or date filed), (ii) indicating for each Trademark, the owner, the applicable jurisdiction, the registration number (or

application number) and date issued (or date filed); and (iii) indicating for each domain name, the owner.

(b) Any Person (other than Seller or any of its Subsidiaries) who has developed or contributed to the creation of any material Owned Business Intellectual Property Rights has executed or is subject to a proprietary information, confidentiality and assignment agreement or similar agreement that acknowledges Seller's or such Subsidiary's ownership of all such Intellectual Property Rights. No payment is required for any right, title or interest in and to such Intellectual Property Rights for it to be validly assigned or vest in Seller. All assignments with respect to such Intellectual Property Rights that are required to be filed or recorded in order to be valid or effective against bona fide purchasers without notice of such assignment have been duly executed and filed or recorded with, as applicable, the USPTO or the USCO or any corresponding Governmental Authority elsewhere.

(c) Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, the Licensed Business Intellectual Property Rights and the Owned Business Intellectual Property Rights, together with all other Intellectual Property Rights granted to Buyer or the Purchased Companies under the Transaction Documents (including under Section 6.06 and Section 7.07 hereof), including the Business Intellectual Property Rights Licensed to Buyer, together constitute all the Intellectual Property Rights (i) used or otherwise practiced or exploited by the Seller or its Subsidiaries in the operation of the Business, and (ii) necessary to enable the Buyer and the Purchased Companies to operate and exploit the Business immediately after the Closing in substantially the same manner as such Business is currently conducted.

(d) Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, neither the Purchased Companies nor the conduct of the Business as currently conducted infringes, misappropriates or otherwise violates, or has in the past three (3) years infringed, misappropriated or violated, any Intellectual Property Right of any third party. There is no Action pending against, or, to the knowledge of Seller, threatened against or affecting (i) any Purchased Company or (ii) Seller or any of its Retained Subsidiaries in respect of the Business, in each case (A) based upon, or challenging or seeking to deny or restrict, the rights of any of the Purchased Companies, Seller or the Retained Subsidiaries in any of the Owned Business Intellectual Property Rights, or (B) alleging that any of the Purchased Companies or the Business have infringed, misappropriated or otherwise violated any Intellectual Property Right of any third party.

(e) Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, none of the Owned Business Intellectual Property Rights has been adjudged invalid or unenforceable in whole or part, and all Owned Business Intellectual Property Rights are valid and enforceable.

(f) All filing and maintenance fees in respect of material patents included in the Owned Business Intellectual Property Rights have been paid. No such patent has been since January 1, 2019 or is now involved in any interference, reissue, reexamination or opposition proceeding in the USPTO or any corresponding Governmental Authority elsewhere, and no such proceeding has, to the knowledge of Seller, been threatened in writing.

(g) Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, Seller or one of its Subsidiaries (including the



Purchased Companies) (i) exclusively owns all right, title and interest in and to all Owned Business Intellectual Property Rights, (ii) has a valid and enforceable right to use all Licensed Business Intellectual Property Rights, and (iii) has a valid and enforceable right to grant to the Buyer the rights granted under all Business Intellectual Property Rights Licensed to Buyer, in each case of (i) and (ii), free and clear of any Lien (other than Permitted Liens), and none of the foregoing Intellectual Property Rights that are material to the Business will be impaired, altered or otherwise impacted by (nor will require any consent, notification, approval, waiver, or payment or grant of additional amounts or consideration as a result of) the execution, delivery, or performance of this Agreement or the consummation of the transactions contemplated hereby.

(h) Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, no Person is infringing, misappropriating or otherwise violating any Owned Business Intellectual Property Right. Seller and its Subsidiaries (including the Purchased Companies) have taken reasonable steps to protect the confidentiality and value of (and their rights in and to) all Trade Secrets included in the Owned Business Intellectual Property Rights. The Seller and its Subsidiaries have complied at all times since January 1, 2019 in all material respects with the terms of any agreements or understandings relating to any third party Trade Secrets included in the Licensed Business Intellectual Property Rights to which the Seller or any of its Subsidiaries is a party or which otherwise bind the Seller or any of its Subsidiaries. No material Trade Secret included in the Owned Business Intellectual Property Rights has been disclosed to any third Person other than pursuant to the terms of a valid, written confidentiality agreement with such Person that obligates such Person to maintain the confidentiality thereof.

(i) Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, (i) the Business IT Assets operate and perform in accordance with their documentation and functional specification and otherwise in a manner that permits Seller and its Subsidiaries (including the Purchased Companies) to conduct the Business as currently conducted, (ii) Seller and its Subsidiaries (including the Purchased Companies) have taken commercially reasonable actions, consistent with current industry standards, to protect the confidentiality, integrity and security of the Business IT Assets (and all information and transactions stored or contained therein or transmitted thereby) against any unauthorized use, access, interruption, modification or corruption and (iii) except as disclosed in Section 3.17(h) of the Disclosure Schedule, there has been no breach, or unauthorized use, access, interruption, modification or corruption, of any Business IT Assets (or any information or transactions stored or contained therein or transmitted thereby).

(j) Seller and its Subsidiaries (including the Purchased Companies) operate the Business materially in compliance with all Applicable Laws relating to (i) the privacy of the users of the products, services and websites of the Business and/or (ii) the collection, use, storage, processing and disclosure of any personally-identifiable information and other confidential data or information collected or stored by the Business. No Actions have been asserted or, to the knowledge of Seller, threatened against Seller or any of its Subsidiaries (including the Purchased Companies) by any Person in relation to the Business alleging a violation of such Person's privacy, personal or confidentiality rights under any such Applicable Laws, rules, policies, procedures or Contracts.

Section 1.18. *Insurance Coverage.* Seller has furnished to Buyer a list of, and true and complete copies of, all insurance policies and fidelity bonds relating to the Business (including any officers or directors of the Purchased Companies). There is no

claim pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds or in respect of which such underwriters have reserved their rights. All premiums payable under all such policies and bonds have been timely paid and the Business has otherwise complied fully with the terms and conditions of all such policies and bonds. Such policies are in full force and effect. Such policies and bonds are of the type and in amounts customarily carried by Persons conducting businesses similar to those of the Business. Seller does not know of any threatened termination of, premium increase with respect to, or material alteration of coverage under, any of such policies or bonds. Except as disclosed in Section 3.18 of the Disclosure Schedule, the Business shall after the Closing continue to have coverage under such policies and bonds with respect to events occurring prior to the Closing.

Section 1.19. *Licenses and Permits.* Section 3.19 of the Disclosure Schedule correctly describes each material license, franchise, permit, certificate, approval or other similar authorization affecting, or relating in any way to, the Business (the “**Permits**”) together with the name of the Governmental Authority issuing such Permit. Except as would not, individually or in the aggregate, reasonably be expected to be material to the Business, (i) the Permits necessary to conduct the Business are valid and in full force and effect, (ii) the Business is not in default under, and no condition exists that with notice or lapse of time or both would constitute a default under, such Permits and (iii) no such Permits will be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated hereby.

Section 1.20. *Finders’ Fees.* There is no investment banker, broker, finder or other intermediary that might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement, the other Transaction Documents or otherwise based upon arrangements made by or on behalf of Seller.

Section 1.21. *Labor Relations.* (a) Seller and its Subsidiaries are in material compliance with all Applicable Laws relating to labor and employment, including those relating to labor management relations, wages, hours, overtime, discrimination, sexual harassment, civil rights, affirmative action, work authorization, immigration, safety and health and continuation coverage under group health plans, in each case, with respect to current or former employees, individual consultants, officers and directors of the Business.

(b) (i) None of the Purchased Companies is a party to or subject to, or is negotiating in connection with entering into, any Collective Bargaining Agreement, and to Seller’s knowledge, there has not been any organizational campaign, petition or other unionization activity seeking recognition of a collective bargaining unit relating to any Business Employee, (ii) since January 1, 2019, there has been no labor strike, slowdown, stoppage, picketing, interruption of work or lockout pending or, to Seller’s knowledge, threatened against any of the Purchased Companies and (iii) there are no unfair labor practice complaints pending or, to Seller’s knowledge, threatened against any of the Purchased Companies before any Governmental Authority, except for such actions, events and claims that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 1.22. *Employee Benefit Plans.* (a) Section 3.22(a) of the Disclosure Schedule lists each material Employee Plan and specifies whether such plan is (x) a U.S. Plan or International Plan and (y) a Seller Plan or a Company Plan. For each material Employee Plan, Seller has made available to Buyer a copy of such plan (or a description, if such plan is not written) and all amendments thereto and, as applicable: (i) all trust

agreements; (ii) the current prospectus or summary plan description and all summaries of material modifications; (iii) the most recent favorable determination or opinion letter from the IRS; (iv) the annual return/reports (Form 5500) and accompanying schedules and attachments thereto for the most recently completed plan year; (v) the most recently prepared actuarial reports and financial statements; and (vi) if such plan is an International Plan, documents that are substantially comparable (taking into account differences in Applicable Law and practices) to the documents required to be provided in clauses (i) through (v).

(b) None of the Purchased Companies nor any ERISA Affiliate sponsors, maintains or contributes to, or has in the past six years sponsored, maintained or contributed to, or is reasonably expected to have any direct or indirect material liability with respect to, any Employee Plan that is (i) subject to Title IV of ERISA, including any Multiemployer Plan; or (ii) a “multiple employer plan” within the meaning of Section 413(c) of the Code.

(c) Each Company Plan and Seller Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the IRS or has applied to the IRS for such a letter within the applicable remedial amendment period or such period has not expired.

(d) None of the Purchased Companies has any material current or projected liability in respect of post-employment or retirement health or medical or life insurance benefits for retired, former or current Business Employees, except as required to avoid excise Tax under Section 4980B of the Code or as otherwise required by Applicable Law.

(e) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (either alone or upon the occurrence of any additional or subsequent event), will: cause any payments to become due or payable to any current or former Business Employee; cause any acceleration, vesting or increase in benefits to any current or former employee, individual consultant, officer or director of the Business; result in “excess parachute payments” within the meaning of Section 280G(b) of the Code; increase the amount payable under any Company Plan; or require a Tax “gross-up” payment to any “disqualified individual” within the meaning of Section 280G(c) of the Code.

(f) (i) Each Company Plan and Seller Plan has been materially maintained in compliance with its terms and Applicable Law, (ii) all material benefits, contributions and premiums relating to each Employee Plan have been timely paid in accordance with the terms of such Employee Plan and (iii) each International Plan, if intended to qualify for special tax treatment, meets in all material respects the requirements for such treatment, and, if required, to any extent, to be funded, book-reserved or secured by an insurance policy, is in all material respects funded, book-reserved or secured by an insurance policy, as applicable, based on reasonable actuarial assumptions in accordance with applicable accounting principles.

(g) There is no pending or, to the knowledge of Seller, threatened material Action relating to a Company Plan (other than routine benefit claims) or under workers’ compensation law. No Company Plan is under audit or is the subject of an audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Authority, nor is any such audit or investigation pending or, to Seller’s knowledge, threatened, except, in each case, for an audit or investigation that would not, individually or in the aggregate, reasonably be expected to be material to the Business.

(h) Neither Seller nor any Purchased Company has any binding commitment to create, modify, or terminate any Company Plan.

Section 1.23. *Employees*

. Seller has provided to Buyer a true, accurate and complete list of the name or employee identification number of each Business Employee as of the date hereof, and shows with respect to each such employee (as applicable) (a) such employee's title, (b) location, (c) annual salary or base wage rate and most recent annual bonus received, (d) status as full or part-time, (e) start date and (f) whether employee is on leave (the "**Employee List**"). At least three Business Days prior to the Closing Date, Seller shall provide Buyer a revised version of the Employee List that also includes each Business Employee's target incentive award(s) (including, for the avoidance of doubt, any target short-term and long-term incentive awards) that reflects information that is current as of 10 or fewer Business Days prior to the Closing Date. Notwithstanding the foregoing, Seller may anonymize or aggregate the foregoing data to the extent that Seller reasonably determines is necessary to comply with any Applicable Laws relating to data privacy and/or Seller or the Business's internal employee data privacy policies.

Section 1.24. *Environmental Matters*. Except as to matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) No Action is pending, or to Seller's knowledge, threatened by any Governmental Authority or other Person with respect to any matters relating to any of the Purchased Companies and relating to or arising out of any Environmental Law;

(b) No Hazardous Substance has been Released by the Business at, on or under (i) any property now or previously owned, leased or operated by, or (ii) any property or facility to which any Hazardous Substance has been transported for disposal, recycling or treatment by or on behalf of, in each case any of the Purchased Companies or, with respect to the Business, Seller or its Subsidiaries; and

(c) The Purchased Companies and, with respect to the Business, Seller and its Subsidiaries are in compliance with all Environmental Laws and have obtained and are in compliance with all Environmental Permits.

Section 1.25. *Tax Matters*.

(a) All material Tax Returns required to be filed by or with respect to the Purchased Companies or the Purchased Assets have been timely filed (taking into account applicable extensions) with the appropriate Taxing Authority. Each such Tax Return is true, complete and correct in all material respects. All material Taxes required to be paid by or with respect to the Purchased Companies or the Purchased Assets have been timely paid to the appropriate Taxing Authority.

(b) There have been no investigations, inquiries, examinations or audits of any material Tax Returns or reports filed by or with respect to any Purchased Company or with respect to any Purchased Asset by any Taxing Authority and there is no claim, audit, suit proceeding or investigation now or pending, in writing, against or with respect to any Purchased Company or any Purchased Asset in respect of any Tax.

(c) All Taxes required to have been withheld or collected by the Purchased Companies or with respect to the Purchased Assets, including sales and use Taxes,

employment and payroll related Taxes and withholding Taxes, have been timely withheld or collected.

(d) No Purchased Company (i) is a party to or bound by any Tax Sharing Agreement with any person who is not a Purchased Company or (ii) has any Liability for Taxes of any person or entity (other than another Purchased Company) by reason of Applicable Law (including under Treasury Regulation Section 1.1502-6 or any similar provision of state, local or non-U.S. law) or otherwise as a result of filing Tax Returns on a consolidated, combined, unitary or similar basis, Tax Sharing Agreement, or transferee or successor liability.

(e) No Purchased Company has participated in a listed transaction within the meaning of Treasury Regulations Section 1-6011-4(b)(2).

(f) None of the Purchased Companies or the Purchased Assets (i) is the subject of or bound by any closing agreement, private letter ruling, or similar ruling or agreement with respect to Taxes with any Taxing Authority, or has any pending request for any such agreement or ruling, or (ii) has received or been the subject of any discretionary relief, exemption, holiday or other benefit related to Taxes from any Taxing Authority.

(g) There is no waiver in effect of any statute of limitations for any assessment or deficiency in respect of Taxes of any Purchased Company or Taxes with respect to any Purchased Asset, and there is no extension of time in effect to file any Tax Return of any Purchased Company or with respect to any Purchased Asset and no request for any such waiver or extension is pending, in each case, outside the ordinary course and for no more than six (6) months.

(h) No Purchased Company will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any of the following that occurred or exists on or prior to the Closing Date (in each case where there is a reference to the Code or Treasury Regulations, including any corresponding or similar provision of state, local or non-U.S. income Tax law): (A) a “closing agreement” as described in Section 7121 of the Code; (B) an installment sale or open transaction; (C) a prepaid amount or deferred revenue; (D) an intercompany item under Treasury Regulation Section 1.1502-13 or an excess loss account under Treasury Regulation Section 1.1502-19; (E) a change in the accounting method of any Purchased Company pursuant to Section 481 of the Code; (F) use of an improper method of accounting; or (G) any inclusion under Section 951(a) of the Code attributable to (1) direct or indirect holding of “United States property,” within the meaning of Section 956 of the Code determined as if the relevant taxable years ended on the Closing Date or (2) any inclusion under Section 965 of the Code, determined without regard to any election pursuant to Section 965(h) of the Code.

(i) During the two-year period ending on the date of this Agreement, no Purchased Company was a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code.

(j) No Purchased Company has elected, through action or inaction, to benefit from any payroll tax relief, including tax credits and tax deferrals, under any COVID-19 Measures.

(k) The Company is not, and was not, a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code at any time during the five-year period ending on the Closing Date.

(l) There are no Liens for material Taxes upon the Purchased Companies or the Purchased Assets, other than Permitted Liens.

(m) No Purchased Company has (or has had) a permanent establishment or is treated (or has been treated) as a resident for any Tax purpose in any jurisdiction other than the country of its formation. Neither Seller nor any Purchased Company has received notice of any claim by a Taxing Authority in a jurisdiction where it has not filed a Tax Return claiming that any Purchased Company or any Purchased Asset is or may be subject to taxation in such jurisdiction.

(n) None of the Purchased Assets is treated, or required to be treated, as held in an arrangement requiring a Tax Return for partnership income Taxes to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code, and no transfer of any part of the Purchased Assets pursuant to this Agreement will be treated as a transfer of an interest or interests in any partnership for U.S. federal income tax purposes.

(o) The Seller for U.S. federal income tax purposes is not a foreign person for purposes of Section 1445(b)(2) of the Code.

Section 1.26. *Business Intercompany Contracts.*

(a) Section 3.26(a) of the Disclosure Schedule sets forth all Business Intercompany Contracts.

(b) Other than those agreements related to ordinary course employment, compensation or incentive arrangements pursuant to an employee benefit plan, no officer, director of Seller or any of its or their respective Affiliates (including any Purchased Company) is a party to any agreement, commitment or transaction with any of the Purchased Companies or the Business or has any material interest in the Business or any Purchased Asset.

(c) Section 3.26(c) of the Disclosure Schedule sets forth a true and complete list of all Shared Contracts that are Purchased Assets.

(d) Section 3.26(d) of the Disclosure Schedule sets forth a true and complete list of all Shared Contracts that are Excluded Assets.

Section 1.27. *Bank Accounts.* Section 3.27 of the Disclosure Schedule contains a complete and correct list of the names and locations of all banks or other financial institutions in which any Purchased Company has an account or safe deposit box, the identity of each such account or safe deposit box by account number at such financial institutions, and the names of all Persons authorized to draw thereon or to have access thereto and all authorized signatories on such accounts or safe deposit boxes.

Article 4

Representations and Warranties of Buyer

Buyer represents and warrants to Seller as of the date hereof and as of the Closing Date that:

Section 1.01. *Existence and Power.* Buyer is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all organizational powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

Section 1.02. *Authorization.* (a) The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which it is or will be a party and the consummation of the transactions contemplated hereby and thereby are within the organizational powers of Buyer and have been duly authorized by all necessary organizational action on the part of Buyer.

(b) Buyer has duly executed this Agreement and, assuming the due authorization, execution and delivery of this Agreement by Seller, this Agreement constitutes a valid and binding agreement of Buyer enforceable against Buyer in accordance with its terms, subject, in the case of enforceability, to the Enforceability Exception.

Section 1.03. *Governmental Authorization.* The execution, delivery and performance by Buyer of this Agreement and each other Transaction Document to which Buyer is or will be a party and the consummation of the transactions contemplated hereby and thereby require no material action by or in respect of, or material filing with, any Governmental Authority other than (a) compliance with any applicable requirements of the HSR Act and any other Governmental Authority in connection with the Required Regulatory Approvals, (b) the filing of applications and notices with, and receipt of approvals, licenses, or consents of, the Governmental Authorities set forth on Section 3.03 of the Disclosure Schedule and (c) any actions or filings, the absence of which would not reasonably be expected, individually or in the aggregate, to materially impair Buyer's ability to perform or comply with its obligations under this Agreement or consummate the transactions contemplated hereby.

Section 1.04. *Noncontravention.* The execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which Buyer or its Affiliates is or will be a party and the consummation of the transactions contemplated hereby and thereby do not and will not (a) violate the organizational documents of Buyer; (b) assuming compliance with the matters referred to in Section 4.03, violate any material Applicable Law or (c) result in the creation or imposition of any Lien on any asset of Buyer, except for any Permitted Liens, with such exceptions, in the case of clauses (b) and (c), as would not reasonably be expected, individually or in the aggregate, to materially impair Buyer's ability to perform or comply with its obligations under this Agreement or consummate the transactions contemplated hereby prior to the End Date or any other Transaction Document to which Buyer or any of its Affiliates is a party or the ability of Buyer to timely comply with its obligations hereunder or thereunder.

Section 1.05. *Financing.* Buyer has, or will have prior to the Closing, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to make payment of the Purchase Price and any other amounts to be paid by it hereunder and the other Transaction Documents and Buyer acknowledges and agrees that the availability of funds shall not be a condition to the obligation of Buyer to consummate the transactions contemplated hereby or thereby.

Section 1.06. *Purchase for Investment.* Buyer is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Buyer (either alone or together with its advisors) has sufficient

knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares and is capable of bearing the economic risks of such investment.

Section 1.07. *Litigation*. As of the date of this Agreement, there is no Action pending against, or to the knowledge of Buyer threatened in writing against or affecting, Buyer or any of its Affiliates which in any manner challenges or seeks to prevent, enjoin or materially alter or delay the transactions contemplated by this Agreement.

Section 1.08. *Finders' Fees*. There is no investment banker, broker, finder or other intermediary that might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement or the other Transaction Documents based upon arrangements made by or on behalf of Buyer.

## Article 5 Covenants of Seller

Seller agrees that:

Section 1.01. *Conduct of the Business*. From the date hereof until the Closing Date, except as set forth in Section 5.01 of the Disclosure Schedule and except as may be approved in advance by Buyer in writing (such approval not to be unreasonably delayed, conditioned or withheld), or as is otherwise expressly contemplated or required by this Agreement or the other Transaction Documents or as undertaken in connection with or pursuant to the Restructuring, or as required by Applicable Laws or for COVID-19 Actions, Seller shall use reasonable best efforts to conduct the Business in the ordinary course consistent with past practice in all material respects and shall not, and Seller shall not permit any of the Seller Parties to, with respect to the Business, the Purchased Assets or the Assumed Liabilities, as applicable:

- (a) amend in any material respect the organizational or governing documents of any Purchased Company;
- (b) (i) split, combine or reclassify any equity interests of any Purchased Company or make any other change in the capital structure of any of the Purchased Companies or (ii) declare, set aside or pay any dividend or other distribution, other than (x) cash dividends or other cash distributions by a Purchased Company to any other Purchased Company or Seller or any Retained Subsidiary and (y) as may facilitate the settlement or elimination of Intercompany Accounts;
- (c) issue, grant or sell (or commit to issue, grant or sell) (i) any equity interests of any Purchased Company to any Person (other than to any other Purchased Company, Seller or any Retained Subsidiary) or (ii) any securities, notes or other obligations convertible into, exchangeable for, or evidencing the right to subscribe for or acquire any such equity interests;
- (d) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses, other than assets that would constitute Excluded Assets;
- (e) incur any capital expenditures in respect of the Business, except for (i) capital expenditures not to individually exceed \$1,000,000, (ii) capital expenditures not to exceed \$3,000,000 above the 2021 capital expenditure budget for the Business made



available to Buyer prior to the date hereof in Index 2.3.2.3.1 of the virtual data room in the aggregate and (iii) amounts to be paid in full prior to the Closing;

(f) sell, lease, license or otherwise transfer, or create or incur any Lien on, any of the assets or properties of the Business, other than (i) in the ordinary course of business consistent with past practice (including any related assumed indebtedness) and (ii) sales of assets or properties with a sale price (including any related assumed indebtedness) that does not exceed \$3,000,000 individually;

(g) create or allow the Business to create, incur, assume or guarantee any Indebtedness in an amount greater than \$5,000,000;

(h) except as required by Applicable Law, (i) enter into any agreement or arrangement that, if entered into prior to the date hereof, would be a Contract required to be disclosed by Section 3.12 or (ii) enter into, amend or modify in any material respect or terminate any Contract required to be disclosed by Section 3.12, in each case other than in the ordinary course of business consistent with past practice;

(i) other than as required by the terms of any Seller Plan or Company Plan as in effect on the date hereof or Applicable Law, (A) materially increase the compensation of any Business Employee, (B) materially increase the benefits of any Business Employee, or (C) establish, adopt or materially amend any Collective Bargaining Agreement, except, in each case (x) in line with (i) annual base compensation increases of less than 5% in the aggregate for all Business Employees in the ordinary course of business consistent with past practice and (ii) increases in benefits that do not increase the cost to the Purchased Companies of such benefits by more than 5% in the aggregate, and (y) with respect to any Seller Plan, any adoption of or amendment thereto that is generally applicable to Seller employees;

(j) (i) hire any new Business Employee earning annual base compensation of more than \$200,000 (or local currency equivalent), except as may be necessary to fill vacant positions or (ii) terminate the employ of any Business Employee earning annual base compensation of more than \$200,000 (or local currency equivalent) other than for cause;

(k) change the Business's methods of accounting, except as required by changes in GAAP or other Applicable Law;

(l) make, change, or revoke any material Tax election or method of Tax accounting or settle or compromise any material Tax claim, audit or assessment or enter into any closing agreement with respect to material Taxes, or file any material amended Tax return; except, in each case, in the ordinary course of business;

(m) settle, or offer or propose to settle, any Action relating to the Business involving more than \$1,000,000 individually or \$3,000,000 in the aggregate, except where such settlement or compromise provides solely for monetary damages to be paid in full by Seller;

(n) propose or adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, or other reorganization with respect to the Purchased Companies or otherwise relating to the Business;

(o) abandon or fail to renew or maintain any material Owned Business Intellectual Property Rights, in each case, other than abandonment or failure to renew or

maintain Intellectual Property Rights that, based on Seller's good faith judgment in the ordinary course of business consistent with past practice, are no longer used in or no longer useful to the Business;

(p) fail to maintain any material license, authorization, permission, registration, consent, approval or waiver required to operate the Business or agree to any material amendment or condition to any such license, authorization, permission, registration, consent approval or waiver; or

(q) agree, resolve or commit to do any of the foregoing.

Section 1.02. *Access to Information; Confidentiality.* (a) From the date hereof until the Closing Date, Seller will (i) give, and will cause the Seller Parties to give, Buyer and its Representatives full access to the offices, properties, books and records of the Business and to the books and records of Seller relating to the Business, (ii) furnish, and will cause the Seller Parties to furnish, to Buyer and its Representatives such financial and operating data and other information relating to the Business as such Persons may reasonably request and (iii) instruct the Representatives of Seller or any of the Seller Parties to cooperate with Buyer in its investigation of the Business. Notwithstanding the foregoing, in connection with such access, Buyer shall not conduct or cause to be conducted any sampling, testing or other invasive investigation of the air, soil, soil gas, surface water, groundwater, building materials or other environmental media. Any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business. Notwithstanding the foregoing, Buyer shall not have access to personnel records of the Business Employees relating to individual performance or evaluation records, medical histories or other information which in Seller's good faith opinion is sensitive or the disclosure of which could subject any of the Seller Parties, Seller or any of Seller's Affiliates to risk of liability. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller hereunder.

(b) After the Closing, Seller and its Affiliates will hold, and will use their reasonable best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the Business, except to the extent that such information can be shown to have been (i) in the public domain through no fault of Seller or its Affiliates or (ii) later lawfully acquired by Seller from sources other than those related to its prior ownership of the Business. The obligation of Seller and its Affiliates to hold any such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information.

(c) On and after the Closing Date, Seller will afford promptly to Buyer and its agents reasonable access to its books of account, financial and other records (including accountant's work papers), information, employees and auditors to the extent necessary or useful for Buyer in connection with any audit, investigation, dispute or litigation or any other reasonable business purpose relating to the Business; *provided* that any such access by Buyer shall not unreasonably interfere with the conduct of the business of Seller or any of its Affiliates. Buyer shall bear all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing.

Section 1.03. *Resignations.* To the extent requested in writing by Buyer, prior to the Closing, Seller will deliver to Buyer the resignations (or evidence of removal) of all officers and directors of the Purchased Companies who will be officers, directors or employees of Seller or any of its Affiliates after the Closing Date from their positions with any of the Purchased Companies at or prior to the Closing Date, in each case effective as of the Closing.

Section 1.04. *Noncompetition.* (a) Seller agrees that for a period of two years after the Closing Date, neither it nor any of its Affiliates shall:

(i) engage, either directly or indirectly, as a principal or for its own account or solely or jointly with others, or as stockholders in any corporation or joint stock association, in any business that competes with the Business as it exists on the Closing Date; *provided* that nothing herein shall prohibit (x) the acquisition by Seller or any of its Affiliates of a diversified company having not more than 10% of its sales (based on its latest published annual audited financial statements) attributable to activities that compete with the Business or (y) owning less than five percent of the outstanding publicly-traded securities of any Person so long as such ownership is a passive investment; or

(ii) employ or solicit, or receive or accept the performance of services by, any Business Employee having a title of Director or above as of the date hereof or as of the Closing Date; *provided* that the foregoing restriction shall not apply to (A) generalized searches for employees through media advertisements of general circulation, employment search firms, online job boards, open job fairs or other similar means which are not specifically targeted at such employees or hiring any person that responds to the same; (B) any such employee whose employment is terminated by Buyer or any of its Affiliates (including the Purchased Companies) from and after the date of such termination; or (C) any such employee who voluntarily ceases employment with Buyer or its Affiliates (including the Purchased Companies) from and after the earlier to occur of (I) the date that is two years following the Closing Date and (II) the date that is six months following the cessation of such employee's employment with Buyer or its Affiliates (including the Purchased Companies).

(b) If any provision contained in this Section shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by Applicable Law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under Applicable Law, a court of competent jurisdiction shall construe and interpret or reform this Section to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such Applicable Law. Seller acknowledges that Buyer would be irreparably harmed by any breach of this Section and that there would be no adequate remedy at law or in damages to compensate Buyer for any such breach. Seller agrees that Buyer shall be entitled to injunctive relief requiring specific performance by Seller of this Section, and Seller consents to the entry thereof.

Section 1.05. *Termination of Intercompany Agreements; Settlement of Intercompany Accounts.* (a) Seller shall (and shall take any and all actions necessary to) terminate any Contract between the Business, on the one hand, and the Retained Business, on the other hand (each of the foregoing Contracts, a “**Business Intercompany Contract**”), except (x) for those Contracts listed in Section 5.05(a) of the Disclosure Schedule and the Transactions Documents and (y) such agreements expressly provided in or expressly contemplated by the Transaction Documents.

(b) Seller shall take all actions necessary to cancel, pay or otherwise settle all intercompany balances between the Business, on the one hand, and the Retained Business, on the other hand, in existence as of immediately prior to the Closing (collectively, the “**Intercompany Accounts**”) to be settled such that, as of the Closing, there are no Intercompany Accounts outstanding, except for those Intercompany Accounts set forth in Section 5.05(b) of the Disclosure Schedule.

Section 1.06. *Exclusivity.* (a) From the date hereof until the Closing, each of the Seller Parties shall not, and shall permit or direct its Affiliates and its and their respective Representatives not to, (i) initiate, solicit, enter into or continue discussions, negotiations or transactions with, or respond to any inquiries or proposals by, any Person with respect to, provide any non-public information or data concerning the Business, the Purchased Companies or the Purchased Assets to any Person relating to, an Acquisition Proposal (other than to inform such Person of the Company’s obligations pursuant to this Section 5.06), (ii) enter into any acquisition agreement, merger agreement or similar definitive agreement, or any letter of intent, memorandum of understanding or agreement in principle, or any other agreement relating to an Acquisition Proposal, (iii) otherwise knowingly encourage or facilitate any such inquiries, proposals, discussions, or negotiations or any effort or attempt by any Person to make an Acquisition Proposal or (iv) resolve or agree to do any of the foregoing.

(b) From the date hereof until the earlier of the Closing or the termination of this Agreement pursuant to Article 12, each of the Seller Parties shall, and shall cause its Affiliates and its and their respective Representatives to, cease all existing solicitations, discussions and negotiations with any Persons (other than Buyer and its Affiliates and Representatives) and request the return or destruction of any due diligence materials provided to any Person (other than Buyer and its Affiliates and Representatives) with respect to any Acquisition Proposal.

(c) “**Acquisition Proposal**” means any transaction or proposed transaction or series of related transactions involving (i) any direct acquisition or purchase by any person or “group” (as defined under Section 13(d) of the Exchange Act) of any equity or voting securities of the Purchased Companies, (ii) any sale or disposition of the Purchased Assets or the Business (other than sale of assets in the ordinary course of business consistent with past practice or as otherwise permitted pursuant to Section 5.01) to any person or “group” or any transaction or series of related transactions that have substantially similar economic effects or (iii) any consolidation, merger, business combination, spin-off, split-off, dissolution or similar transaction with respect to the Purchased Companies or the Business, in each such case, in which Buyer (or any Affiliate thereof) does not participate.

Section 1.07. *Business Records.* Seller shall use its commercially reasonable efforts to deliver, or cause to be delivered, to Buyer at the Closing the Business Records that are not located on the properties of the Company or its Subsidiaries.

Section 1.08. *Data Room.* Seller shall use its commercially reasonable efforts to deliver, or cause to be delivered, to Buyer at the Closing an electronic copy of all the documents contained in the virtual data room as of three Business Days prior to the Closing on CD, DVD-ROM or USB drive; *provided*, however, if Seller is unable to deliver such copy at the Closing, Seller shall deliver such copy no later than two Business Days following the Closing Date.

## Article 6 Covenants of Buyer

Buyer agrees that:

Section 1.01. *Confidentiality.* All information provided or made available to Buyer and its Affiliates or any of their respective Representatives pursuant to any of the Transaction Documents or in connection with any of the transactions contemplated thereby, whether provided prior to or after the date hereof, shall be subject to the Confidentiality Agreement. The Confidentiality Agreement shall terminate at the Closing only with respect to that portion of the Evaluation Material (as defined in the Confidentiality Agreement) as relates to the Purchased Companies, the Purchased Assets, the Assumed Liabilities and the Business and otherwise shall continue in full force and effect following the Closing. If this Agreement is terminated prior to the Closing, the Confidentiality Agreement shall continue in full force and effect in accordance with its terms; *provided, however*, that notwithstanding anything to the contrary contained therein, nothing shall prohibit any disclosure made in connection with the enforcement of any right or remedy relating to any of the Transaction Documents or the transactions contemplated thereby.

Section 1.02. *Non-Solicitation.* (a) Buyer agrees that for a period of two years after the Closing Date, neither it nor any of its Affiliates (including the Purchased Companies) shall employ or solicit, or receive or accept the performance of services, by any employee of the Retained Business having a title of Director or above as of the date hereof or as of the Closing Date; *provided* that the foregoing restriction shall not apply to (A) generalized searches for employees through media advertisements of general circulation, employment search firms, online job boards, open job fairs or other similar means which are not specifically targeted at such employees or hiring any person that responds to the same; (B) any such employee whose employment is terminated by Seller or any of its Affiliates from and after the date of such termination; or (C) any such employee who voluntarily ceases employment with Seller or its Affiliates from and after the earlier to occur of (I) the date that is two years following the Closing Date and (II) the date that is six months following the cessation of such employee's employment with Seller or its Affiliates.

(b) If any provision contained in this Section shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by Applicable Law, or in any way construed to be too broad or to

any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under Applicable Law, a court of competent jurisdiction shall construe and interpret or reform this Section to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such Applicable Law. Buyer acknowledges that Seller would be irreparably harmed by any breach of this Section and that there would be no adequate remedy at law or in damages to compensate Seller for any such breach. Buyer agrees that Seller shall be entitled to injunctive relief requiring specific performance by Buyer of this Section, and Buyer consents to the entry thereof.

Section 1.03. *Contact with Customers, Suppliers and Other Business Relations.* During the period from the date of this Agreement until the Closing, Buyer agrees that it is not authorized to and shall not, and shall not permit any of its Affiliates or any of its or their respective Representatives to, contact any employee, client, supplier, vendor, global distribution system provider, collaboration partner or other material business relation of the Business regarding the Business or the transactions contemplated by this Agreement, without the prior written consent of Seller; *provided* that nothing in this Section 6.03 shall be deemed to prohibit communications with any such Persons in the ordinary course of business consistent with past practice.

Section 1.04. *Directors and Officers.* (a) From and after the Closing until the sixth anniversary thereof, Buyer shall cause the Purchased Companies to maintain in effect and continue to provide to the fullest extent permitted by Applicable Law all rights to indemnification, advancement of expenses, exculpation and other limitations on liability currently existing in favor of any current or former Representative of the Purchased Companies (collectively, such Representatives, the “**D&O Indemnitees**”) with respect to liability arising out of or pertaining to matters existing or occurring at or prior to the Closing, and in no event on terms less favorable than those contained in the organizational or constitutional documents of the Purchased Companies in effect on the date of this Agreement.

(b) In the event that Buyer, any of the Purchased Companies or any of their successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or a majority of its properties and assets to any Person, then in each such case, proper provision shall be made so that the successors and assigns of Buyer or the applicable Purchased Company, as the case may be, shall succeed to and be bound by the obligations set forth in this Section 6.04.

(c) The obligations of Buyer under this Section 6.04 shall not be terminated or modified in such a manner as to materially and adversely affect any D&O Indemnitee to whom this Section 6.04 applies without the written consent of such affected D&O Indemnitee (it being expressly agreed that each D&O Indemnitee shall be a third-party beneficiary of this Section 6.04).

Section 1.05. *Access.* On and after the Closing Date, Buyer will cause the Purchased Companies to afford promptly to Seller and its agents reasonable access to their properties, books, records, employees and auditors to the extent necessary to permit Seller to determine any matter relating to its rights and obligations hereunder or to any period ending on or before the Closing Date.

Section 1.06. *Trademark Phase Out.* As soon as reasonably practicable (and in any event within six months after the Closing Date), Buyer shall (and shall cause the

Purchased Companies to) (i) cease any and all use of the Seller Names and Marks, (ii) cause each of its Affiliates whose corporate, trade or other names include any of the Seller Names and Marks to change its name to remove such Seller Names and Marks from such name and (iii) remove, conceal, cover, redact and/or replace such Seller Names and Marks from any and all Purchased Assets and any other assets and materials under the control or possession of the Purchased Companies that contain the Seller Names and Marks (it being understood that (1) Buyer and the Purchased Companies shall be permitted to sell any inventory of products of the Business existing as of the Closing Date to the extent bearing the Seller Names and Marks as of the Closing Date for the shorter of three additional months or until such inventory is depleted (and in any event no longer than nine months after the Closing Date) and (2) nothing herein shall prevent, restrict or otherwise limit Buyer or the Purchased Companies from (A) stating the historical relationship between the Business and Seller for informational purposes (and in a non-trademark manner) and with reasonable notices, indications or legends indicating that Seller and its Affiliates are no longer affiliated with the Business, or (B) making any use of the Seller Names and Marks that (x) would constitute “fair use” or otherwise not be prohibited under Applicable Law if such use were made by a third party, or (y) is otherwise required under Applicable Law).

Article 7  
Covenants of Buyer and Seller

Buyer and Seller agree that:

Section 1.01. *Reasonable Best Efforts; Further Assurances.* (a) Subject to the terms and conditions of this Agreement, Buyer and Seller will use their respective reasonable best efforts to take, or cause to be taken (including by their respective Affiliates), all actions and to do, or cause to be done (including by their respective Affiliates), all things necessary or desirable under Applicable Laws to consummate the transactions contemplated by this Agreement, including (i) preparing and filing as promptly as practicable with any Governmental Authority or other third party all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents and (ii) obtaining and maintaining all approvals, consents, registrations, permits, authorizations and other confirmations required to be obtained from any Governmental Authority or other third party that are necessary, proper or advisable to consummate the transactions contemplated by this Agreement. Seller and Buyer agree, and Seller, prior to the Closing, and Buyer, after the Closing, agree to cause the Company and each Subsidiary, to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

(b) In furtherance and not in limitation of the foregoing, each of Buyer and Seller shall (i) make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated hereby as promptly as practicable and in any event within 10 Business Days of the date hereof and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and to take all other actions necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act as soon as practicable and (ii) make any and all required filings with respect to the transactions under any applicable foreign Governmental Authorities as soon as reasonably practicable

and to supply as promptly as practicable any additional information and documentary material that may be requested by any such Governmental Authority in connection with any such filings.

(c) Notwithstanding Section 7.01(a) and Section 7.01(b) or any other provision in this Agreement, in no event shall Buyer be obligated to, nor may Seller agree to (without Buyer's prior written consent) take any of the following actions if such actions, individually or in the aggregate, would materially impair the anticipated benefits of the transactions contemplated hereby, taken as a whole, to Buyer: (i) offer, accept or agree, or commit to agree, to, in any manner or form (including by consent decree, hold separate order, mitigation agreement or order or otherwise), any Remedies as a condition to obtaining any necessary actions or non-actions, waivers, consents, approvals or authorizations under the HSR Act or from any of the Governmental Authorities in connection with the Required Regulatory Approvals, or (ii) defend, commence or prosecute any judicial or administrative action or similar proceeding instituted (or threatened to be instituted) by any Person under the HSR Act or any other Applicable Law or seek to have any stay, restraining order, injunction or similar order entered by any Governmental Authority vacated, lifted, reversed, or overturned.

Section 1.02. *Certain Filings.* Seller and Buyer shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

Section 1.03. *Public Announcements.* The parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and, except for any press releases and public statements the making of which may be required by Applicable Law or any listing agreement with any national securities exchange, will not issue any such press release or make any such public statement without the other party's consent (not to be unreasonably withheld, conditioned or delayed).

Section 1.04. *Notices of Certain Events.* Each party shall promptly notify the other party hereto of each of the following events if such event occurs prior to the Closing:

(a) any material written notice or other material written communication from any Governmental Authority in connection with the transactions contemplated by this Agreement (to the extent notification thereof is permitted by such Governmental Authority); and

(b) any matter that would reasonably be expected to cause the conditions to the other party's obligations to close set forth in Article 10 not to be satisfied.

*provided, however,* that the delivery of any notice pursuant to this Section 7.04 shall not limit or otherwise affect the remedies available hereunder to the party receiving that notice.

Section 1.05. *Waiver of Conflicts Regarding Representation; Nonassertion of Attorney-Client Privileges.* (a) Buyer waives and agrees not to assert, and agrees to cause its Affiliates (including, after the Closing, the Purchased Companies) to waive and



not to assert, any conflict of interest or other objection arising out of or relating to the representation, after the Closing, of Seller or any of its Affiliates or any shareholder, officer, employee or director of Seller or any of its Affiliates (any such Person, a “**Designated Person**”) in any matter involving or relating to this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby (the “**Post-Closing Representation**”), by any legal counsel currently representing Seller or any of its Affiliates, including the Purchased Companies, in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby or thereby (such representation through Closing, the “**Current Representation**”).

(b) Buyer waives and agrees not to assert, and agrees to cause its Affiliates (including, after the Closing, the Purchased Companies) to waive and not to assert, any attorney-client privilege with respect to any communication between any legal counsel and any Designated Person occurring during the Current Representation in connection with any Post-Closing Representation, including in connection with a dispute with Buyer or any of its Affiliates, and following the Closing, with the Purchased Companies, it being the intention of the parties hereto that all such rights to such attorney-client privilege and to control such attorney-client privilege under such circumstances shall be retained by Seller; *provided* that the foregoing waiver and acknowledgment of retention shall not extend to any communication not involving the Current Representation, or to communications with any Person other than the Designated Persons and their advisors.

(c) Buyer, on behalf of itself and its Affiliates (including, after the Closing, the Purchased Companies) agrees that no communications (including email or other written communications) subject to attorney-client privilege in connection with the Current Representation shall be subject to disclosure, directly or indirectly, to Buyer or any Person acting on behalf of Buyer, and the Purchased Companies shall, without the necessity of further documentation of transfer, be deemed to have irrevocably assigned and transferred to Seller the attorney-client privilege and expectation of client confidence with respect to all such communications, and all books and records and other documents of the Purchased Companies containing any such advice, communication or other materials, and the same shall be controlled by Seller and shall not be claimed by, and no copies shall be retained by, Buyer or the Purchased Companies.

(d) Nothing in this Section 7.05 is intended to or shall be deemed to operate as a waiver of any applicable privilege or protection that could be asserted to prevent disclosure of any confidential communication by any legal counsel currently representing Seller, any of its Affiliates or the Purchased Companies.

(e) Seller and Buyer agree to take, and to cause their respective Affiliates to take, all steps reasonably necessary to implement the intent of this Section 7.05.

Section 1.06. *Business/Non-Business Assets*. In the event that at any time, or from time to time, after the Closing Date, Seller on the one hand or Buyer on the other, or any of their respective Affiliates (including, with respect to Buyer, any Purchased Company), shall receive or otherwise possess any Asset (including Cash) or any Liability that should belong to another Person pursuant to this Agreement, such Person shall promptly transfer, or cause to be transferred, such Asset or Liability to the Person so entitled thereto or responsible therefor and such Person shall accept such Asset or assume such Liability (for no additional consideration). Prior to any such transfer in accordance with this Section 7.06, the Person receiving or possessing such asset or

Liability shall, subject to Section 2.06, hold such Asset or Liability in trust for the use and benefit and burden of such other Person entitled thereto or responsible therefor.

Section 1.07. *Intellectual Property Licenses.*

(a) With respect to any Intellectual Property Rights (other than any Trademarks) owned or otherwise licensable by Seller or its Subsidiaries (other than the Purchased Companies) as of the Closing which are included in the Excluded Assets and have been used or held for use in or otherwise practiced or exploited by the Business on or prior to the Closing (“**Business Intellectual Property Rights Licensed to Buyer**”), effective from and after the Closing, Seller (on behalf of itself and its Subsidiaries) hereby grants to Buyer and its Subsidiaries (including the Purchased Companies) a non-exclusive, worldwide, perpetual, irrevocable, fully paid-up, royalty-free, non-transferable (except as provided in Section 7.07(c)), non-sublicensable (except as provided in Section 7.07(d)) license under such Intellectual Property Rights to use, reproduce, create derivative works of, modify, distribute, make, have made, sell, offer for sale, import or otherwise commercially exploit products and services solely in connection with the operation and exploitation of the Business as conducted as of the Closing and any natural evolutions or extensions thereof.

(b) With respect to any Owned Business Intellectual Property Rights (other than any Trademarks) that have been used or held for use in or otherwise practiced or exploited by the Retained Business on or prior to the Closing, effective from and after the Closing, Buyer (on behalf of itself and its Subsidiaries, including the Purchased Companies) hereby grants to Seller and its Subsidiaries a non-exclusive, worldwide, perpetual, irrevocable, fully paid-up, royalty-free, non-transferable (except as provided in Section 7.07(c)), non-sublicensable (except as provided in Section 7.07(d)) license under such Intellectual Property Rights to use, reproduce, create derivative works of, modify, distribute, make, have made, sell, offer for sale, import or otherwise commercially exploit products and services solely in connection with the operation and exploitation of the Retained Business as conducted as of the Closing and any natural evolutions or extensions thereof.

(c) Notwithstanding the assignment provision in Section 13.05, Buyer or Seller may assign the licenses granted to such Person set forth in this Section 7.07 in whole or in part in connection with a merger, consolidation or sale of all or substantially all of, or any portion of the assets of, in the case of Buyer, the Business or, in the case of Seller, the Retained Business.

(d) Buyer and Seller may sublicense the licenses granted to such Person set forth in this Section 7.07 to (i) its respective vendors, consultants, contractors and suppliers, in connection with the provision of services to, in the case of Buyer, the Business or, in the case of Seller, the Retained Business, and (ii) its respective distributors, customers and end-users, in connection with the distribution, licensing, offering and sale of the current and future products and services of, in the case of Buyer, the Business or, in the case of Seller, the Retained Business.

(e) The licenses granted in this Section 7.07 are, and will otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of rights to “intellectual property” (as defined under Section 101 of the United States Bankruptcy Code), and Buyer and Seller will retain and may fully exercise all of its rights and elections under the United States Bankruptcy Code (or any similar foreign Applicable Law) with respect thereto. For the avoidance of doubt, this Section 7.07 shall survive in perpetuity.

Section 1.08. *Supply Agreements and Services Agreements.*

(a) From the date hereof until the earlier of (i) ninety (90) days following the date hereof and (ii) the Closing (such earlier date, the “**Negotiation Outside Date**”), the parties shall, in good faith, use their respective commercially reasonable efforts to negotiate and agree upon a long-form version of (i) each Supply Agreement contemplated by the Supply Agreement Term Sheets (each such agreement, a “**Supply Agreement**”), (ii) each Services Agreement contemplated by the Services Agreement Term Sheets (each such agreement, a “**Services Agreement**”) and (iii) the Stafford Sublease contemplated by the Stafford Sublease Term Sheet (the “**Stafford Sublease**”), in each case, the terms and conditions of which, unless mutually agreed otherwise, shall be consistent with, and include the terms agreed upon in, the applicable Supply Agreement Term Sheet, Services Agreement Term Sheet or the Stafford Sublease Term Sheet. The parties agree that the Supply Agreement Term Sheets, Services Agreement Term Sheets and Stafford Sublease Term Sheet contain all material terms necessary to the transactions contemplated thereby.

(b) Each party shall designate one individual to serve as the project leader with respect to the negotiation of the long-form Supply Agreements and Services Agreements (each, a “**Project Leader**”). The Project Leader for Buyer shall be Lawrence Schubert and the Project Leader for Seller shall be Michael Schuler. Without limitation to Section 7.08(c) or Section 7.08(d), in the event that either party identifies a significant open issue related to the negotiation of any long-form Supply Agreement or Services Agreement or the long-form Stafford Sublease, such party may submit the issue to the Project Leaders, who shall promptly discuss and, in good faith, use their respective commercially reasonable efforts to resolve the issue.

(c) To the extent that any long-form Supply Agreement or Services Agreement or the long-form Stafford Sublease is not (i) finalized by the Negotiation Outside Date or (ii) executed and delivered by the parties thereto at the Closing, (A) the applicable Supply Agreement Term Sheet, Services Agreement Term Sheet or Stafford Sublease Term Sheet shall be (x) binding on the parties thereto from and after the Closing and (y) deemed for all purposes hereunder and under the other Transaction Documents to be the applicable Supply Agreement or Services Agreement or Stafford Sublease, as applicable, and (B) the parties shall, and shall cause their applicable Affiliates to, perform the terms set forth in the applicable Supply Agreement Term Sheet or Services Agreement Term Sheet or Stafford Sublease, as applicable, from and after the Closing (it being understood that the parties shall continue to use good faith efforts to negotiate and agree upon long-form versions as promptly as reasonably practicable following the Negotiation Outside Date).

(d) For the avoidance of doubt, neither the failure by the parties to agree upon a long-form version of any Supply Agreement or Services Agreement or the Stafford Sublease nor any failure of the parties (or the Project Leaders) to resolve any open issues related thereto shall (i) constitute a breach of this Agreement or a failure to achieve a condition precedent for the Closing or (ii) give rise to a right of either party to terminate this Agreement.

Section 1.09. *Transition Services Agreement and Reverse Transition Services Agreement.* The parties hereto acknowledge and agree that the exhibits to the Transition Services Agreement and Reverse Transition Services Agreement contain all material services necessary to the transactions contemplated hereby and thereby. From the date hereof until the Closing, the parties shall cooperate in good faith to finalize any items in such exhibits that are open as of the date hereof (it being understood that the failure by the parties to finalize any open items contained therein shall not (a) constitute a breach

of this Agreement or a failure to achieve a condition precedent for the Closing or (b) give rise to a right of either party to terminate this Agreement).

Article 8  
Tax Matters

Section 1.01. *Preparation of Tax Returns and Payment of Taxes.*

(a) Seller shall prepare and timely file, or shall cause to be prepared and timely filed, any Tax Return that is required to be filed by or with respect to a Purchased Company on or prior to the Closing Date (a “**Pre-Closing Separate Tax Return**”) and any Tax Return filed on an affiliated, consolidated, unitary or similar basis that includes a Purchased Company, on one hand, and Seller or an affiliate of Seller other than the Purchased Company, on the other hand (a “**Seller Group Return**”). All Pre-Closing Separate Tax Returns and Seller Group Returns will be prepared in a manner consistent with the applicable Purchased Company’s past practices and this Agreement (including that they shall reflect all applicable Transaction Tax Deductions), except as otherwise required by Applicable Law. With respect to any Pre-Closing Separate Tax Return prepared by Seller that could reasonably be expected to result in an indemnification obligation of Buyer pursuant to this Agreement, Seller shall deliver or cause to be delivered to Buyer for its review and comment such Pre-Closing Separate Tax Return. Seller shall consider in good faith any reasonable comments received from Buyer no later than 10 calendar days after receiving such Pre-Closing Separate Tax Return from Seller. For the avoidance of doubt, nothing included in this Section 8.01(a) shall give Buyer the right to review or comment on a Seller Group Return.

(b) Except for any Tax Return required to be prepared by Seller pursuant to Section 8.01(a), Buyer shall prepare or cause to be prepared all Tax Returns, at Buyer’s sole cost and expense, with respect to each Purchased Company. With respect to any Tax Return prepared by Buyer that could reasonably be expected to result in an indemnification obligation of Seller pursuant to this Agreement, Buyer shall deliver or cause to be delivered to Seller for its review and comment such Tax Return (x) with respect to income Tax Returns, at least 30 calendar days prior to the due date for filing such Tax Return (taking into account applicable extensions), and (y) with respect to non-income Tax Returns, as soon as reasonably practicable. Buyer shall reflect any reasonable comments received from Seller no later than 10 calendar days prior to the due date thereof (taking into account applicable extensions) with respect to any such Tax Return and shall not file any such Tax Return without Seller’s consent, such consent not to be unreasonably withheld, conditioned or delayed.

(c) The party hereto required under Applicable Law to file a Tax Return governed by this Section 8.01 shall pay (or cause to be paid) to the proper Taxing Authority (or to any Affiliate for payment to the proper Taxing Authority, as applicable) the Tax shown as due on any such Tax Return. If Buyer (or an Affiliate thereof, including any Purchased Company following the Closing) is required to make (or cause to be made) a payment to a Taxing Authority for Taxes allocated to Seller under Section 8.02, Seller shall pay the amount of such Taxes to Buyer at least five Business Days prior to the due date for such Taxes. If Seller (or an Affiliate thereof) is required to make a payment to a Taxing Authority for Taxes allocated to Buyer under Section 8.02, Buyer shall pay the amount of such Taxes to Seller at least five Business Days prior to the due date for such Taxes.

Section 1.02. *General Allocation Principles.* Seller shall be allocated and shall be solely responsible for any Seller Taxes. Buyer shall be allocated and shall be solely responsible for any Taxes, other than Seller Taxes, imposed on or with respect to the Purchased Companies, the Purchased Assets and the Assumed Liabilities.

Section 1.03. *Apportionment of Tax Attributes.*

(a) Net operating losses, net capital losses, unused foreign tax credits, unused investment credits, excess charitable contributions, unused general business credits, interest carryforwards under Section 163(j) of the Code or any similar Tax asset (together, “**Tax Attributes**”) arising in a Pre-Closing Tax Period will be allocated to the Purchased Companies and the Seller and Retained Subsidiaries in accordance with the Code, Treasury Regulations, and any applicable state, local and non-U.S. law and the terms of this Agreement, and to the extent not governed by any of the foregoing, the historical practice of such companies, if any, in each case as determined by the Seller in good faith.

(b) Within 120 days after the close of the Tax period in which the Closing Date occurs, Seller shall in good faith provide notice to Buyer in writing of the portion, if any, of Tax Attributes, or other consolidated, combined or unitary attribute which Seller determines shall be allocated or apportioned to the Purchased Companies under Applicable Law. Buyer shall have 30 days from the receipt of such notice to comment on such allocation or apportionment and Seller shall consider in good faith any reasonable comments received from Buyer in such allocation or apportionment. The Retained Subsidiaries and the Purchased Companies shall prepare all Tax Returns in accordance with such written notice as revised to reflect any changes agreed to by Seller and Buyer. In the event of an adjustment to any Tax Attributes or other consolidated, combined or unitary attribute, the party hereto that first becomes aware of such adjustment shall notify the other party hereto of such adjustment within 20 days thereof.

(c) Except as otherwise provided herein and except to the extent otherwise required by Applicable Law, to the extent that the amount of any Tax Attribute is later reduced or increased by a Taxing Authority or as a result of an adjustment from a Tax audit, appeals, litigation or proceeding, such reduction or increase shall be allocated to the entity to which such Tax Attribute was allocated pursuant to this Section 8.03.

Section 1.04. *Tax Contests.*

(a) Each of the Buyer, the Purchased Companies, the Retained Subsidiaries and Seller shall promptly notify the other parties in writing upon the receipt from a relevant Taxing Authority of any notice of a Tax proceeding that could reasonably be expected to give rise to an indemnification obligation of any other party or its Affiliates under this Agreement, affect the Taxes allocated to any other party or its Affiliates pursuant to Section 8.02 or affect the Tax Attributes allocated to any other party or its Affiliates pursuant to Section 8.03 (each a “**Tax Contest**”); provided that a party’s right to indemnification shall not be limited by a failure to so notify except to the extent that the Indemnifying Party is actually prejudiced by such failure. Such notice shall include a copy of the relevant portion of any correspondence received from the Taxing Authority and shall specify in reasonable detail the basis for such Tax Contest if not readily apparent from such correspondence.

(b) Seller shall have exclusive control over any Tax Contest in respect of any Seller Group Return; provided, that, if any such Tax Contest could impact any Tax liability or Tax item of Buyer or its Affiliates (including the Purchased Companies) after

the Closing, Seller shall keep Buyer reasonably informed with respect to the conduct of such Tax Contest.

(c) With respect to Tax Contests relating to any Tax liability allocated to Seller pursuant to Section 8.02 (other than those addressed by Section 8.04(b), which shall be governed by Section 8.04(b) in the event of a conflict between Section 8.04(b) and this Section 8.04(c)), Seller shall control such Tax Contests; provided that (A) the non-controlling party will have the right, at its sole cost and expense, to participate in any such Tax Contest, (B) if the non-controlling party chooses not to participate, the controlling party will provide the non-controlling party with a timely and reasonably detailed account of each stage of such Tax Contest and (C) the controlling party will not settle or compromise any such Tax Contest without the non-controlling party's prior written consent (not to be unreasonably withheld, conditioned or delayed) (clauses (A), (B) and (C) together, "**Non-Controlling Party Rights**")

(d) After the Closing, Buyer shall (at its sole cost and expense) have the right to control any Tax Contest not described in Section 8.04(b) or Section 8.04(c) and any Tax Contest that Seller opts not to control (by declining in writing); *provided, however*, that, with respect to any such Tax Contest related to Taxes allocated to Seller pursuant to Section 8.02 or Tax Attributes allocated to Seller pursuant to Section 8.03 or relating to Taxes for which Seller or any of its Affiliates (other than a Purchased Company) could otherwise reasonably be expected to be liable under Applicable Law or hereunder, Seller shall have Non-Controlling Party Rights.

Section 1.05. *Straddle Tax Period Allocation.* For all purposes of this Agreement, in the case of a Straddle Tax Period, (x) the property Taxes and any other periodic Taxes that are not based on income, receipts, services or transactions, including sales, use, withholding, payroll or other employment Taxes allocable to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in such Straddle Tax Period and (y) the amount of all other Taxes (other than Transfer Taxes) for a Straddle Tax Period allocable to the Pre-Closing Tax Period shall be computed as if such Tax period ended as of the close of business on the Closing Date; provided that, for purposes of the determination described in clause (y) above, all applicable Transaction Tax Deductions shall be allocated to the Pre-Closing Tax Period to the extent allowed by Applicable Law.

Section 1.06. *Cooperation.* Buyer and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Purchased Companies and Purchased Assets (including access to books and records) as is reasonably necessary for the filing of all Tax returns, the making of any election relating to Taxes, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim, suit or proceeding relating to any Tax. Buyer and Seller shall retain all books and records with respect to Taxes pertaining to the Assets for a period of at least seven years following the Closing Date. Seller and Buyer shall cooperate with each other in the conduct of any audit or other proceeding relating to Taxes involving the Purchased Companies or the Purchased Assets.

Section 1.07. *Post-Closing Actions.* From and after the Closing, without the prior written consent of Seller (not to be unreasonably withheld, conditioned or delayed), Buyer shall not, and shall not permit any of its Affiliates (including a Purchased Company) to, (a) make any Tax election, change or adopt any method of tax accounting, amend any Tax Return, or waive or extend any statute of limitations for the

assessment or collection of any Tax, in each case with respect to any Pre-Closing Tax Period or a Straddle Tax Period, (b) make any Tax election under Section 338 of the Code, or any comparable election under state, local or non-U.S. law, with respect to any Purchased Company, (c) cause any Purchased Company to take any action outside the ordinary course of business on the Closing Date relating to Taxes after the Closing that could reasonably be expected to create a Tax Liability for Seller, (d) carry back any item of loss, deduction, credit or other tax benefit of or in respect of any Purchased Company from any taxable period into any Pre-Closing Tax Period or (e) take any action, omit to take any action or enter into any transaction, merger or restructuring that is reasonably likely to result in an increase in Seller Taxes or the Tax Liability of Seller or a Seller Group or reduction of Tax assets of Seller or a Seller Group.

Section 1.08. *Tax Sharing Agreements.* Notwithstanding any other provision in the Agreement to the contrary, all Tax Sharing Agreements between any Purchased Company, on the one hand, and any member of the Seller Group (other than the Purchased Companies), on the other hand, shall be terminated prior to the Closing Date and, after the Closing, the Purchased Companies will not be bound thereby or have any Liability thereunder.

Section 1.09. *Transfer Taxes.* All excise, sales, use, registration stamp, recording, documentary, conveyancing, franchise, value added, property, transfer and similar Taxes (“**Transfer Taxes**”) incurred in connection with the transactions contemplated by this Agreement (other than Restructuring Taxes) shall be borne by Buyer. The party required by applicable Law to file a Tax Return with respect to such Transfer Taxes will do so within the time period prescribed by Applicable Law, and the Buyer will promptly reimburse Seller for Transfer Taxes so payable upon receipt of written notice that such Transfer Taxes are payable. Buyer and Seller shall reasonably cooperate in good faith to minimize, to the extent permissible under applicable Law, the amount of any such Transfer Taxes, including by providing each other with any appropriate resale exemption certifications and other similar documentation.

Section 1.10. *Taxable Periods.* The parties agree that, except as required by Applicable Law, (i) no election shall be made under Treasury Regulations Section 1.1502-76(b)(2)(ii)(D) to ratably allocate items (or make any similar election or ratably allocate items under any corresponding provision of Applicable Law) and (ii) the parties shall not apply the “next day” rule of Treasury Regulations Section 1.1502-76(b)(1)(ii)(B) (or make any similar election or ratably allocate items under any corresponding provision of Applicable Law) with respect to any of the Transaction Tax Deductions, which shall be reported in accordance with Section 8.01.

Section 1.11. *Post-Closing Transaction Bonus Payments and Retention Bonus Payments.* In the event Buyer makes payment of any Post-Closing Transaction Bonuses or any Retention Bonuses for which Seller is obligated to reimburse Buyer under Section 9.12 or Section 9.14 of this Agreement, Buyer shall pay to Seller the income Tax benefit actually realized in the taxable year in which any payment of Post-Closing Transaction Bonuses or Retention Bonuses is taken into account for income Tax purposes (the “Applicable Year”), by the Purchased Companies, Buyer or their Affiliates (determined in accordance with this paragraph) associated with the payment by Buyer of the Post-Closing Transaction Bonuses or the Retention Bonuses or, to the extent such income Tax benefit is not actually realized, the amount as otherwise calculated in this Section 8.11. The value of such benefit shall be determined in the first instance by Buyer in its reasonable good faith discretion, supported by an analysis with reasonable detail to be provided to Seller (provided that Buyer shall not be required to disclose facts which it reasonably deems to be confidential, including Buyer consolidated group tax returns).

Buyer's initial determination of such value shall be equal to the greater of (i), the difference between (x) the amount of U.S. federal income and, as applicable, state, local and non-U.S. income Tax that would have been payable in cash by Buyer or its Affiliates (including any Purchased Company after the Closing) in the absence of such Tax deductions and (y) the amount of such Tax actually payable in cash by Buyer or its Affiliates (including any Purchased Company after the Closing), in each case, in the Applicable Year and (ii) an amount equal to the aggregated amount of the Post-Closing Transaction Bonuses and the Retention Bonuses multiplied by 25% multiplied by 90%. If Seller agrees with Buyer's determination pursuant to the prior sentence, such determination shall be final for purposes of this section, and, if Seller does not agree with such determination, the amount determined pursuant to clause (ii) of the prior sentence shall be the final determination for purposes of this section. Payment of such finally determined amount shall be made to the Seller within 30 days after a final determination of the value of such benefit.

Section 1.12. *Conflicts*. In the event of a conflict between the provisions of this Article 8 and any other provisions of this Agreement, the provisions of this Article 8 shall control.

## Article 9 Employee Benefits

### Section 1.01. *Continued Employment of Business Employees*.

(a) Continuing Employees. As of immediately following the Closing, the following Business Employees shall be employed by Buyer or its Affiliates (including the Purchased Companies) (such Business Employees, the "**Continuing Employees**"):

(i) Purchased Company Employees that remain employed by a Purchased Company on the Closing Date;

(ii) Automatic Transfer Employees; and

(iii) any Specified Employee who accepts an offer of employment made by any Purchased Company (or, to the extent applicable, Buyer or any of its Affiliates).

(b) Offers of Employment.

(i) Seller shall, in consultation with Buyer, not less than 15 Business Days prior to the Closing Date, cause a Purchased Company to make Suitable Offers of Employment to each Specified Employee. Each such offer of employment, and acceptance of such offer, shall become effective upon the Closing Date. Seller shall update Section 3.23 of the Disclosure Schedule from time to time prior to Closing (but no later than 15 Business Days prior to the Closing Date) to remove terminated Specified Employees and to include each additional employee hired by Seller or its Affiliates after the date of this Agreement either (A) to replace a Specified Employee listed on Section 3.23 of the Disclosure Schedule; or (B) in the ordinary course of business consistent with past practice to primarily provide services to the Business.

(ii) A "**Suitable Offer of Employment**" for the purpose of this Section 9.01(b) shall mean an offer of employment:



- (A) valid under the Applicable Laws of the jurisdiction where the relevant Business Employee provides services to the Business;
- (B) subject to the consummation of the Closing;
- (C) on terms and conditions of employment that are in aggregate no less favorable than the terms and conditions applicable immediately prior to Closing including with respect to position, job location, seniority and remuneration consistent with this Article 9, (or such greater terms and conditions of employment as may be required by Applicable Law); and
- (D) requiring the relevant individual to resign from his position with Seller or any of its Affiliates (other than a Purchased Company) as of the start date of employment with a Purchased Company.

(iii) Where the employment of any Automatic Transfer Employee does not by operation of Applicable Law transfer to Buyer or any of its Affiliates (including a Purchased Company) upon Closing, Buyer (or any of its Affiliates) shall make an offer of employment to such Automatic Transfer Employee on terms and conditions that are no less favorable than the terms and conditions of employment applicable to such Automatic Transfer Employee immediately prior to Closing, and require the relevant individual to resign from his or her employment with Seller or any of its Affiliates (other than a Purchased Company) with effect from the date on which such employment with Buyer or its Affiliate commences.

(iv) The parties hereto intend that the transactions contemplated by the Transaction Documents shall not result in a termination of employment triggering severance payments, severance indemnity or other separation benefits for any Business Employee. In the case of a Business Employee who is entitled to severance payments, severance indemnity or other separation benefits as a result of the transactions contemplated by the Transaction Documents (including as a result of such Business Employee rejecting a Suitable Offer of Employment pursuant to this Section 9.01(b) or as otherwise required by Applicable Law), Buyer and Seller shall each be responsible for 50% of such severance payments, severance indemnity or other separation benefits (including the employer-paid portion of any employment Taxes). Buyer shall be solely responsible for any such severance payments, severance indemnity or other separation benefits (including the employer-paid portion of any employment Taxes) with respect to an Automatic Transfer Employee if an offer of employment made to such Automatic Transfer Employee pursuant to Section 9.01(b)(iii) does not comply with the requirements of Section 9.01(b)(iii).

Section 1.02. *Maintenance of Compensation and Benefits.* During the period commencing on the Closing Date and ending on the first anniversary of the Closing Date (or, if earlier, the termination of employment of such Continuing Employee) (the “**Continuation Period**”), Buyer shall (or shall cause its Affiliates to) provide each Continuing Employee an annual base salary or wage rate and annual cash incentive compensation opportunities that in each case is at least equal to the annual base salary or wage rate and incentive compensation opportunities provided to such Continuing Employee as of immediately prior to the Closing Date, and employee benefits (excluding change in control payments, retention payments, or other similar non-recurring compensation) that are substantially comparable in the aggregate to the

employee benefits provided by Seller or its Affiliates (including the Purchased Companies) to such Continuing Employee immediately prior to the Closing Date. During the period commencing on the Closing Date and ending on the first anniversary of the Closing Date, Buyer shall (or shall cause its Affiliates to) provide each Continuing Employee severance protections or other termination-related benefits and entitlements that are no less favorable than would have been provided to such Continuing Employee immediately prior to the Closing Date under any Seller Plan or Company Plan. Except to the extent required by Applicable Law, effective as of the Closing, each Business Employee shall cease all active participation in, and accrual of benefits under, any Seller Plan.

Section 1.03. *Service Credit*. Buyer shall (or shall cause its Affiliates to) grant each Continuing Employee full credit for all prior service with Seller, a Retained Subsidiary, a Purchased Company or any of their respective Affiliates or predecessors of any such entity for all purposes under each employee plan or arrangement sponsored or maintained by Buyer or any of its Affiliates, including for purposes of determining eligibility to participate, level of benefits, vesting, early retirement eligibility and benefit plan accruals (other than benefit accruals under a defined benefit pension plan), to the same extent such service would be recognized Seller or its applicable Affiliate (including the Purchased Companies) under any analogous Seller Plan or Company Plan immediately prior to the Closing; provided, however, that such credit shall not result in a duplication of benefits. For the avoidance of doubt, Buyer shall (or shall cause its Affiliates to) credit each Continuing Employee with all paid time off accrued and unused by such Continuing Employee through the Closing Date; provided that, to the extent required by Applicable Law, all paid time off accrued and unused by such Continuing Employee through the Closing Date shall be paid by Buyer (or its Affiliates) to such Continuing Employee (or reimbursed by Buyer to Seller (or its applicable Affiliate) if Applicable Law requires Seller (or its applicable Affiliate) to pay such paid time off accrued and unused by such Continuing Employee through the Closing Date).

Section 1.04. *Welfare Plans*. As of the Closing Date, each Continuing Employee shall cease participation in the health and welfare benefit plans of Seller and the Retained Subsidiaries (each, a “**Seller Welfare Plan**”) and commence or continue participation in the health and welfare benefit plans maintained by Buyer and its Affiliates (which, for the avoidance of doubt, after the Closing shall include any Company Plans). Seller and the Retained Subsidiaries shall be responsible for providing benefits in respect of claims incurred under a Seller Welfare Plan for Continuing Employees and their beneficiaries and dependents prior to the Closing Date. Benefits in respect of all welfare plan claims incurred by Continuing Employees on or after the Closing Date shall be provided by Buyer and its Affiliates. For purposes of this Section 9.04, the following claims shall be deemed to be incurred as follows: (a) life, accidental death and dismemberment and business travel accident insurance benefits, upon the death or accident giving rise to such benefits and (b) health or medical, dental, vision care and/or prescription drug benefits, upon provision of the applicable services, materials or supplies.

Section 1.05. *[Reserved]*.

Section 1.06. *International Plans*. With respect to the pension scheme described in Agreement No. 43336 of Hexion B.V. and its affiliates which is sponsored by a Purchased Company (the “**Netherlands Pension Scheme**”), Seller shall, or shall cause its Affiliates to, reimburse Buyer for the amount the pension provider charges (as reasonably determined by Seller) to the sponsoring employer for the pension contributions with respect to any employee of Seller or any of its Affiliates (other than

the Purchased Companies) who is not a Business Employee or a Former Business Employee.

Section 1.07. *Pre-Existing Conditions and Co-Payments.* Buyer shall (or shall cause its Affiliates to):

(a) waive all limitations as to pre-existing conditions, exclusions, active employment requirements, waiting periods and requirements to show evidence of good health with respect to participation and coverage requirements applicable to the Continuing Employees (and their eligible dependents) under any health and welfare plans in which the Continuing Employees are eligible to participate on or after the Closing Date to the extent that such limitations were waived or met under an analogous Seller Welfare Plan or a health and welfare Company Plan; and

(b) use reasonable best efforts to provide each Continuing Employee with credit for the dollar amount of all co-payments, deductibles and similar expenses incurred by such Continuing Employee prior to the Closing Date in satisfying any applicable deductible or out-of-pocket requirements under any health and welfare plans in which such Continuing Employees are eligible to participate on or after the Closing Date.

Section 1.08. *WARN Act.* Buyer shall be solely responsible for and assume all Liabilities for the provision of notice or payment in lieu of notice and any applicable penalties under WARN arising on or after the Closing Date. Prior to the Closing, Seller shall provide Buyer a schedule which shall, as of the Closing Date, set forth a list of each Business Employee employed by a Purchased Company whose employment has been terminated involuntarily within the prior 90-day period, together with such former employee's work location.

Section 1.09. *Workers Compensation.* Buyer shall be responsible for providing benefits in respect of all claims for benefits in respect of workers compensation and any comparable Liabilities for which any Continuing Employee has filed a claim under any applicable workers compensation policy or other workers compensation plan or arrangement as a result of an event or events that occur on or after the Closing Date. Seller shall be responsible for providing benefits in respect of all claims for benefits in respect of workers compensation and any comparable Liabilities for which a claim for benefits was filed by such Continuing Employee under any applicable Seller workers compensation policy or other workers compensation plan or arrangement as a result of an event or events that occur prior to the Closing Date. From and after the Closing, Buyer agrees to provide, and cause its Affiliates to provide, reasonable assistance to, and to cooperate with, Seller or its Affiliates with respect to any workers compensation claims for which Seller has retained liability as set forth in this Section 9.09.

Section 1.10. *US Defined Contribution Plans.* As of the Closing Date, each Continuing Employee who is based primarily in the United States shall be covered under a defined contribution plan intended to qualify under Section 401(a) of the Code (the "**Company DC Plan**") which may be implemented by Seller on terms and conditions substantially similar to Seller 401(k) Plan and transferred to and assumed by the Company. Effective as of the Closing Date or any subsequent date reasonably requested by Buyer (but not later than the 60th day following the Closing Date), Buyer shall allow the Continuing Employees to effect a "direct rollover" (as described in Section 401(a)(31) of the Code) of their account balances (including participant loans) under the Seller 401(k) Plan to the Company DC Plan, or as applicable, to a defined contribution plan sponsored by Buyer or its Affiliates which is intended to qualify under Section

401(a) of the Code (the “**Buyer DC Plan**”) in the form of cash and participant loan notes. During the Continuation Period Buyer shall or shall cause its Affiliates to continue to make available to and maintain for the benefit of Business Employees, the Company DC Plan or the Buyer DC Plan, as applicable (including any profit sharing contribution opportunities) in accordance with its terms.

Section 1.11. *Annual Bonuses for Year of Closing.* For the fiscal year in which the Closing occurs, Seller shall (or cause its Affiliates (including the Purchased Companies) to) establish an annual cash incentive plan (the “**Closing Year Bonus Plan**”) in which the Continuing Employees will participate on terms and conditions substantially similar to those set forth in Section 9.11 of the Disclosure Schedule. Buyer shall pay, or cause to be paid, annual bonuses under the Closing Year Bonus Plan (the “**Closing Year Bonuses**”) to the Continuing Employees for the fiscal year in which the Closing occurs in accordance with the terms and conditions of the Closing Year Bonus Plan. Seller shall reimburse Buyer for the portion of the Closing Year Bonuses that is attributable to the portion of such fiscal year that ends immediately prior to the Closing Date (as determined by Seller and communicated to Buyer as soon as reasonably practicable and following the end of such fiscal year after the receipt by Seller of reasonably satisfactory evidence that the Closing Year Bonuses have been paid to the applicable Continuing Employees).

Section 1.12. *Post-Closing Transaction Bonus Payments.* In the event that, following the Closing, Buyer makes any payments to any Business Employees with respect to any portion of the Transaction Bonuses that becomes due after the Closing (the “**Post-Closing Transaction Bonuses**”) (and solely to the extent in accordance with the terms and conditions thereof), Seller shall reimburse Buyer for such payments within 10 Business Days after the receipt by Seller of written notice and reasonably satisfactory evidence of such payments by Buyer. For the avoidance of doubt, in no event shall Seller be required to reimburse Buyer for any “gross up” payments or other payments made to the Business Employees in excess of the aggregate amount of the Post-Closing Transaction Bonus set forth in Section 9.12 of the Disclosure Schedule.

Section 1.13. *Retention Bonus Payments.* Seller shall implement a retention bonus program providing for retention bonus payments to Business Employees selected by Seller in the maximum aggregate amount of \$4.7 million (such retention bonus payments collectively, the “**Retention Bonuses**”). In the event that Buyer makes any payments to any participating Business Employees with respect to such Retention Bonuses, Seller shall reimburse Buyer for 50% of such Retention Bonus payments within 10 Business Days after the receipt by Seller of written notice and reasonably satisfactory evidence of such payments by Buyer.

Section 1.14. *Labor Agreements; Works Council Consultation.* With respect to each Collective Bargaining Agreement set forth in Section 3.21(b)(i) of the Disclosure Schedule to which a Purchased Company or Seller or any of its Affiliates (other than, for the avoidance of doubt, a Purchased Company) is a party or that covers Continuing Employees as of immediately prior to the Closing Date, Buyer shall, and, as applicable, shall cause such Purchased Company to, assume (as needed) and comply with the terms of such Collective Bargaining Agreement at all times following the Closing. Seller and Buyer shall cooperate in good faith with respect to any required consultation with the works council in the Netherlands.

Section 1.15. *Assumption of Employee Liabilities.* As of the Closing Date, except as specifically provided otherwise in this Agreement, Buyer shall, or shall cause its Affiliates to, assume all Liabilities and responsibilities of Seller and its Affiliates

(other than a Purchased Company) with respect to all Continuing Employees whether arising before, on or after the Closing Date (the “**Assumed Employee Liabilities**”). Seller and the Retained Subsidiaries shall have no further Liabilities or responsibilities under any Company Plan or with respect to the Assumed Employee Liabilities.

Section 1.16. *No Third Party Beneficiaries.* Without limiting the generality of Section 13.09, nothing in this Article 9, express or implied, (a) is intended to or shall confer upon any Person other than the parties hereto, including any Business Employee, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, (b) shall establish, or constitute an amendment, termination or modification of, or an undertaking to amend, establish, terminate or modify, any benefit plan, program, agreement or arrangement or (c) shall create any obligation on the part of Seller, Buyer or any of their respective Affiliates to employ any Continuing Employee for any period following Closing.

## Article 10 Conditions to Closing

Section 1.01. *Conditions to Obligations of Buyer and Seller.* The obligations of Buyer and Seller to consummate the Closing are subject to the satisfaction of the following conditions:

- (a) any applicable waiting period under the HSR Act relating to the transactions contemplated hereby shall have expired or been terminated and the filings, consents, approvals, authorizations, clearances and other actions under any other Applicable Law set forth on Section 10.01(a) of the Disclosure Schedule (the “**Required Regulatory Approvals**”) shall have been made, obtained or taken; and
- (b) there shall not be in force an order, decree or judgment of any Governmental Authority issued by any court of competent jurisdiction, or an Applicable Law, in each case enjoining, prohibiting or rendering illegal the consummation of the transactions contemplated by this Agreement.

Section 1.02. *Conditions to Obligation of Buyer.* The obligation of Buyer to consummate the Closing is subject to the satisfaction of the following further conditions:

- (a) (i) the Fundamental Representations and the representations set forth in Section 3.09(a)(ii) made by Seller shall be true and correct in all material respects as of the Closing Date as though made on and as of such date, except with respect to those Fundamental Representations made by Seller that by their terms address matters as of an earlier date, which shall be so true and correct only as of such earlier date, and (ii) all other representations and warranties of Seller contained in this Agreement, disregarding all qualifications contained therein relating to materiality or Material Adverse Effect, shall be true and correct as of the Closing Date, as though made on and as of such date, except (x) with respect to those representations and warranties that by their terms address matters as of an earlier date, which shall be so true and correct only as of such earlier date, and (y) for any inaccuracy or omission that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(b) Seller shall have performed in all material respects all covenants and agreements required to be performed by it under this Agreement at or prior to the Closing Date;

(c) Buyer shall have received a certificate signed by an executive officer of Seller to the effect of the foregoing Section 10.02(a), Section 10.02(b) and Section 10.02(d); and

(d) Since the date of this Agreement, there has not been any event, occurrence, development or state of circumstances or facts that has had or would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 1.03. *Conditions to Obligation of Seller.* The obligation of Seller to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) the representations and warranties made by Buyer shall be true and correct in all material respects as of the Closing Date as though made on and as of such date, except with respect to those representations and warranties that by their terms address matters as of an earlier date, which shall be so true and correct only as of such earlier date;

(b) Buyer shall have performed in all material respects all covenants and agreements required to be performed by it under this Agreement at or prior to the Closing Date; and

(c) Seller shall have received a certificate signed by an executive officer of Buyer to the effect of the foregoing Section 10.03(a) and Section 10.03(b).

#### Article 11 Survival; Indemnification

Section 1.01. *Non-Survival.* The representations, warranties, covenants and agreements of the parties hereto contained in this Agreement shall not survive the Closing and there shall be no liability in respect thereof, whether such liability has accrued prior to, at or after the Closing, on the part of any party, its Affiliates, and their respective directors, officers, employees, stockholders, partners, members, advisors or other Representatives, except to the extent that any covenants and agreements by their terms are to be performed in whole or in part at or after the Closing, which shall survive in accordance with their terms; *provided* that Article 11 shall survive indefinitely or until the latest date permitted by Applicable Law. Notwithstanding anything in this Agreement to the contrary, nothing herein shall limit any claim of Actual Fraud.

Section 1.02. *Indemnification.* (a) Effective at and after the Closing, Seller indemnifies Buyer and its Affiliates (including, after the Closing, the Purchased Companies) and its and their respective officers, directors and employees (the “**Buyer Indemnified Parties**”) against and agrees to hold each of them harmless from any and all damage, loss, liability and expense (including reasonable expenses of investigation and reasonable attorneys’ fees and expenses in connection with any Action whether involving a Third Party Claim or a claim solely between the parties hereto) (“**Damages**”) actually suffered or incurred by a Buyer Indemnified Party to the extent arising out of any Excluded Liability. For the avoidance of doubt, notwithstanding

anything to the contrary in this Agreement, Seller shall have no obligation to indemnify any Buyer Indemnified Party for any Taxes of any Person in respect of any Post-Closing Tax Period.

(b) Effective at and after the Closing, Buyer hereby indemnifies Seller and its Affiliates and its and their respective officers, directors and employees (the “**Seller Indemnified Parties**”) against and agrees to hold each of them harmless from any and all Damages actually suffered by a Seller Indemnified Party to the extent arising out of any Assumed Liability.

(c) Except as set forth in Section 8.04 with respect to Tax matters, any indemnification or claim pursuant to this Section 11.02 shall be subject to the procedures and limitations set forth in Section 11.04 and Section 11.05, as applicable.

(d) To the extent permitted by Applicable Law, any amount paid pursuant to this Article 11 shall be treated for Tax purposes as an adjustment to the Purchase Price.

Section 1.03. *Third Party Claim Procedures.* (a) The party seeking indemnification under Section 11.02 (the “**Indemnified Party**”) agrees to give prompt notice in writing to the party against whom indemnity is to be sought (the “**Indemnifying Party**”) of the assertion of any claim or the commencement of any Action by any third party (“**Third Party Claim**”) in respect of which indemnity may be sought under such Section. Such notice shall set forth in reasonable detail such Third Party Claim and the basis for indemnification (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have actually and materially prejudiced the Indemnifying Party.

(b) The Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, subject to the limitations set forth in this Section 11.03(b), shall be entitled to control and appoint lead counsel for such defense, in each case at its own expense; *provided* that prior to assuming control of such defense, the Indemnifying Party must acknowledge that it may have an indemnity obligation for the Damages resulting from such Third Party Claim as provided under this Article 11.

(c) The Indemnifying Party shall not be entitled to assume or maintain control of the defense of any Third Party Claim and shall pay the fees and expenses of counsel retained by the Indemnified Party if (i) the Indemnifying Party does not deliver the acknowledgment referred to in Section 11.03(b) within 30 days of receipt of notice of the Third Party Claim pursuant to Section 11.03(a), (ii) the Third Party Claim relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation or (iii) the Third Party Claim seeks an injunction or equitable relief against the Indemnified Party or any of its affiliates.

(d) Notwithstanding anything in this Section 11.03 to the contrary, neither the Indemnifying Party nor the Indemnified Party shall, without the written consent of the other party (which shall not be unreasonably withheld), settle or compromise any Third Party Claim or permit a default or consent to entry of any judgment. Notwithstanding the foregoing, consent of the Indemnified Party shall not be required for any such settlement if (i) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party, (ii) such settlement does not permit any equitable relief to be entered, directly or indirectly, against the Indemnified Party and (iii) such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Third Party Claim and does not include any statement

as to or any admission of fault, culpability or failure to act by or on behalf of any Indemnified Party.

(e) In circumstances where the Indemnifying Party is controlling the defense of a Third Party Claim in accordance with paragraphs (b) and (c) above, the Indemnified Party shall be entitled to participate in the defense of any Third Party Claim and to employ separate counsel of its choice for such purpose, in which case the fees and expenses of such separate counsel shall be borne by the Indemnified Party; *provided* that in such event the Indemnifying Party shall pay the fees and expenses of such separate counsel (i) incurred by the Indemnified Party prior to the date the Indemnifying Party assumes control of the defense of the Third Party Claim or (ii) if representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create a conflict of interest.

(f) Each party shall cooperate, and cause their respective affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith, in each case subject to Applicable Law and any limitations that are reasonably required to preserve any applicable privilege or third party confidentiality obligation.

Section 1.04. *Direct Claim Procedures.* In the event an Indemnified Party has a claim for indemnity under Section 11.02 against an Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party agrees to give prompt written notice of such claim to the Indemnifying Party. Such notice shall set forth in reasonable detail such claim and the basis for indemnification and the amount of such Damages incurred or that such Indemnified Party reasonably estimates in good faith is likely to be incurred in connection with such claim (taking into account the information then available to the Indemnified Party). The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent that such failure shall have actually prejudiced the Indemnifying Party.

Section 1.05. *Exclusive Remedy.* After the Closing, except as otherwise expressly provided in this Agreement (including in Section 11.02(c)) or in the case of Actual Fraud, an R&W Insurance Policy shall provide the exclusive monetary remedy for any claim regarding a breach of representation or warranty under this Agreement; *provided* that, nothing herein shall be construed to limit any remedy set forth in any other Transaction Document, or to limit any remedy of specific performance, injunctive relief or other non-monetary equitable remedies available hereunder in accordance with Section 13.12.

Section 1.06. *R&W Insurance Policy.* Buyer agrees that if Buyer or any of its Affiliates obtains or binds a representations and warranties insurance policy with respect to any of the representations or warranties of Seller under this Agreement (each, a “**R&W Insurance Policy**”), each such R&W Insurance Policy shall at all times provide that: (a) the insurer shall have no, and shall waive and not pursue any and all, subrogation rights against Seller or any of its Affiliates except for Actual Fraud; (b) Seller is a third party beneficiary of such waiver; and (c) Buyer shall have no obligation to pursue any claim against Seller in connection with any Damages other than in the case of Actual Fraud.

Section 1.07. *Release.* Effective as of and following the Closing (but only if the Closing actually occurs), each of Buyer, on behalf of itself and each of its Affiliates



(including the Purchased Companies) and Seller, on behalf of itself and each of its Affiliates, and each of its and their respective past, present and/or future officers, directors, employees, agents, general or limited partners, managers, members, advisors, stockholders, equity holders, controlling Persons or other representatives, or any heir, executor, administrator, successor or assign of any of the foregoing (collectively, the “**Releasing Parties**”), hereby irrevocably and unconditionally: (a) releases and forever discharges (i) in the case of Buyer, the following Persons: Seller, its Affiliates, and each of their respective past, present and/or future officers, directors, employees, agents, general or limited partners, managers, members, advisors, stockholders, equity holders, controlling Persons or other representatives, or any heir, executor, administrator, successor or assign of any of the foregoing and (ii) in the case of Seller, the following Persons: Buyer, its Affiliates (including the Purchased Companies), and each of their respective past, present and/or future officers, directors, employees, agents, general or limited partners, managers, members, advisors, stockholders, equity holders, controlling Persons or other representatives, or any heir, executor, administrator, successor or assign of any of the foregoing (collectively, the “**Released Parties**”) of and from any and all legal proceedings, actions, executions, judgments, duties, debts, dues, accounts, bonds, contracts and covenants (whether express or implied), and demands whatsoever, whether known or unknown, whether liquidated or unliquidated, whether actual or contingent, whether at law or in equity, whether in contract, tort, statute or otherwise, which the Releasing Parties have or may have against any of the Released Parties, previously, now or in the future, in each case, in respect of any cause, matter or thing relating to the Purchased Companies, the Business, the Purchased Assets, the Assumed Liabilities or any actions taken or failed to be taken by any of the Released Parties in any capacity related thereto, in each case, occurring or arising at or prior to the Closing Date, other than a claim by a Releasing Party that is a party hereto for Actual Fraud (the foregoing, the “**Released Claims**”); *provided, however*, that the foregoing release does not cover (and, for purposes of clarity, such matters are not hereby released or discharged) any claims or rights of the Released Parties arising under this Agreement, any other Transaction Document or any other commercial agreement between Seller and its Affiliates, on the one hand, and Buyer and its Affiliates, on the other hand, (b) covenants and agrees that it shall not bring, initiate or support, directly or indirectly, or permit any other Person to bring, initiate or support, directly or indirectly, any Released Claim and (c) waives any rights under California Civil Code Section 1542 or any similar provision of Applicable Law; said Section 1542 provides: “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR”.

Article 12  
Termination

Section 1.01. *Grounds for Termination.* This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written agreement of Seller and Buyer;
- (b) by either Seller or Buyer if the Closing shall not have been consummated on or before the date that is nine months following the date hereof (the “**End Date**”); *provided* that the right to terminate this Agreement pursuant to this Section 12.01(b) shall not be available to any party whose breach of any

provision of this Agreement results in the failure of the Closing to have occurred by such time;

(c) by either Seller or Buyer if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree, or judgment of any Governmental Authority having competent jurisdiction;

(d) by Buyer if there is any breach of any representation, warranty, covenant or agreement on the part of Seller set forth in this Agreement, such that the conditions specified in Section 10.02(a) and Section 10.02(b) would not be satisfied at the Closing, except that if such breach is curable by Seller, then Buyer may terminate this Agreement under this Section 12.01(d) only if such breach has not been cured by Seller prior to the earlier of (i) 30 calendar days after receipt by Seller of written notice from Buyer of such breach and (ii) the End Date; *provided* that Buyer is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 10.02(a) and Section 10.02(b) not to be satisfied; or

(e) by Seller if there is any breach of any representation, warranty, covenant or agreement on the part of Buyer set forth in this Agreement, such that the conditions specified in Section 10.03(a) and Section 10.03(b) would not be satisfied at the Closing, except that if such breach is curable by Buyer, then Seller may terminate this Agreement under this Section 12.01(e) only if such breach has not been cured by Buyer prior to the earlier of (A) 30 calendar days after receipt by Buyer of written notice from Seller of such breach and (B) the End Date; *provided* that Seller is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 10.03(a) and Section 10.03(b) not to be satisfied.

The party desiring to terminate this Agreement pursuant to Section 12.01(b), Section 12.01(c), Section 12.01(d) or Section 12.01(e) shall give notice of such termination to the other party.

Section 1.02. *Effect of Termination.* If this Agreement is terminated as permitted by Section 12.01, such termination shall be without liability of either party (or any stockholder, director, officer, employee, agent, consultant or representative of such party) to the other party to this Agreement; *provided* that if such termination shall result from an intentional and knowing breach of this Agreement, the breaching party shall be fully liable for any and all Damages incurred or suffered by the other party as a result of such failure or breach; *provided further*, that a failure of Buyer to consummate the transactions contemplated hereby in breach of this Agreement shall be deemed to be an intentional and knowing breach for all purposes hereunder whether or not Buyer had sufficient funds available to consummate such transactions. The provisions of Sections 6.01 (*Confidentiality*), 13.04 (*Expenses*), 13.06 (*Governing Law*), 13.07

(*Jurisdiction*) and 13.08 (*Waiver of Jury Trial*) shall survive any termination hereof pursuant to Section 12.01.

Article 13  
Miscellaneous

Section 1.01. *Notices*. All notices, requests and other communications to any party hereunder shall be in writing (including e-mail transmission) (whether or not expressly required herein) and shall be given,

if to Buyer, to:

c/o Westlake Chemical Corporation  
2801 Post Oak Blvd.  
Houston, Texas 77056  
Attention: General Counsel  
E-mail: [bederington@westlake.com](mailto:bederington@westlake.com)

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP  
One Liberty Plaza  
New York, New York 10006  
Attention: James E. Langston  
E-mail: [jlangston@cgsh.com](mailto:jlangston@cgsh.com)

if to Seller, to:

Hexion Inc.  
180 East Broad Street  
Columbus, OH 43215  
Attention: Michael Schuler  
Don Keller  
E-mail: [mike.schuler@hexion.com](mailto:mike.schuler@hexion.com)  
[don.keller@hexion.com](mailto:don.keller@hexion.com)

with a copy to:

Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017  
Attention: William H. Aaronson  
E-mail: [william.aaronson@davispolk.com](mailto:william.aaronson@davispolk.com)

or such other address or e-mail as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

Section 1.02. *Amendments and Waivers*. (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is

signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 1.03. *Disclosure Schedule.* Seller has set forth information on the Disclosure Schedule in a section thereof that corresponds to the section of this Agreement to which it relates. A matter set forth in one section of the Disclosure Schedule need not be set forth in any other section so long as its relevance to such other section of the Disclosure Schedule or section of this Agreement is reasonably apparent on its face to the Person to whom such disclosure is being made.

Section 1.04. *Expenses.* Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party (including its Affiliates) incurring such cost or expense.

Section 1.05. *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto; except that Buyer may transfer or assign its rights and obligations under this Agreement, in whole or from time to time in part, to (i) one or more of its controlled Affiliates at any time and (ii) after the Closing Date, to any Person; *provided* that no such transfer or assignment shall relieve Buyer of its obligations hereunder or enlarge, alter or change any obligation of any other party hereto or due to Buyer or restrict or delay consummation of the transactions contemplated hereby, or otherwise adversely affect Seller or any of its Affiliates.

Section 1.06. *Governing Law.* This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, without regard to the conflicts of law rules of such state.

Section 1.07. *Jurisdiction.* The parties hereto agree that, except as set forth in Section 2.10, any Action seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, only if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any federal court within the State of Delaware), so long as one of such courts shall have subject matter jurisdiction over such Action, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such Action and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such Action in any such court or that any such Action brought in any such court has been brought in an inconvenient forum. Process in any such Action may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that

service of process on such party as provided in Section 13.01 shall be deemed effective service of process on such party.

Section 1.08. *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 1.09. *Counterparts; Effectiveness; Third Party Beneficiaries.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or Liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns, except with respect to any D&O Indemnitee set forth in Section 6.04, any legal counsel representing Seller or any of its Affiliates, including the Purchased Companies, in connection with the Current Representation referred to in Section 7.05, any Buyer Indemnified Party set forth in Section 11.02(a), any Seller Indemnified Party set forth in Section 11.02(b) and any Released Party set forth in Section 11.08.

Section 1.10. *Entire Agreement.* This Agreement and the other Transaction Documents constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

Section 1.11. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.12. *Specific Performance.* The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in the courts specified by Section 13.07, and appropriate injunctive relief may be applied for and granted in connection therewith, without proof of actual damages or otherwise, in addition to any other remedy to which they are entitled at law or in equity. Each party agrees to waive any requirement for the securing or posting of any bond in connection with such remedy. The parties further agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to law or inequitable for any reason, nor to assert that a remedy of monetary damages would provide an adequate remedy or that a remedy at law would be adequate.

To the extent any party hereto brings an Action to enforce specifically the performance of the terms and provisions of this Agreement (other than an action to enforce specifically any provision that expressly survives termination of this Agreement), the End Date shall automatically be extended to (i) the 20th Business Day following the resolution of such Action (if the End Date would otherwise occur on or prior to such date) or (ii) such other time period established by the court presiding over such Action.

Section 1.13. *Westlake Obligations.* Westlake hereby agrees to cause Buyer to take (or refrain from taking) any and all actions required by the terms and conditions of this Agreement to be taken (or not taken) by Buyer, including the payment of the Estimated Purchase Price at the Closing and the payment of any amounts required to be paid by Buyer under Article 2 and Buyer's indemnification obligations pursuant to Article 11. Furthermore, Westlake guarantees to Seller the performance of all of Buyer's obligations under this Agreement, including the payment of the Estimated Purchase Price at the Closing and the payment of any amounts required to be paid by Buyer under Article 2 and Buyer's indemnification obligations pursuant to Article 11.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**WESTLAKE OLEFINS LLC**

By: /s/ M. STEVEN BENDER  
Name: M. Steven Bender  
Title: Executive Vice President &  
Chief Financial Officer

**HEXION INC.**

By: MATTHEW SOKOL  
Name: Matthew Sokol  
Title: Executive Vice President &  
Chief Administrative Office

**SOLELY FOR PURPOSES OF  
SECTION 13.13**

**WESTLAKE CHEMICAL  
CORPORATION**

By: /s/ M. STEVEN BENDER  
Name: M. Steven Bender  
Title: Executive Vice President &  
Chief Financial Office

## SUBSIDIARIES OF WESTLAKE CORPORATION \*

<u>Name of Subsidiary</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>	<u>Names Doing Business</u>
Axiall Canada, Inc.	Canada	Axiall Canada, Inc.
Axiall, LLC	Delaware	Axiall, LLC
DaVinci Roofscapes, L.L.C.	Kansas	DaVinci Roofscapes, L.L.C.
Westlake Dimex LLC	Delaware	Dimex LLC
Eagle Natrium LLC	Delaware	Eagle Natrium LLC
Eagle Spinco Inc.	Delaware	Eagle Spinco Inc.
Eagle US 2 LLC	Delaware	Eagle US 2 LLC
LASCO Fittings, LLC	Delaware	LASCO Fittings, LLC
North American Pipe Corporation	Delaware	North American Pipe Corporation and NAPCO
North American Specialty Products LLC	Delaware	North American Specialty Products LLC
Plastic Trends, Inc.	Michigan	Plastic Trends, Inc.
Rome Delaware Corp.	Delaware	Rome Delaware Corp.
Royal Building Products (USA) Inc.	Delaware	Royal Building Products (USA) Inc.
Royal Group, Inc./Groupe Royal, Inc.	Canada	Royal Group, Inc., Groupe Royal, Inc. Produits de Bâtiment Royal, Royal Building Products, Royal Building Solutions, Roytec Vinyl and NAPCO Royal Pipe & Fittings
Taiwan Chlorine Industries Ltd.	Taiwan	Taiwan Chlorine Industries Ltd.
Vinnolit Benelux-France B.V.B.A.	Dendermonde, Belgium	Vinnolit Benelux-France B.V.B.A.
Vinnolit GmbH & Co. KG	Ismaning, Germany	Vinnolit GmbH & Co. KG
Vinnolit Holdings GmbH	Ismaning, Germany	Vinnolit Holdings GmbH
Vinnolit Italia S.r.L.	Milan, Italy	Vinnolit Italia S.r.L.
Vinnolit Limited	United Kingdom	Vinnolit Limited
Vinnolit Monomer Geschäftsführungs GmbH	Ismaning, Germany	Vinnolit Monomer Geschäftsführungs GmbH
Vinnolit Treuhand GmbH	Ismaning, Germany	Vinnolit Treuhand GmbH
Westlake Chemical OpCo LP	Delaware	Westlake Chemical OpCo LP
Westlake Chemical Partners GP LLC	Delaware	Westlake Chemical Partners GP LLC
Westlake Chemical Partners LP	Delaware	Westlake Chemical Partners LP
Westlake Compounds LLC	Delaware	Westlake Compounds LLC
Westlake Germany GmbH & Co. KG	Germany	Westlake Germany GmbH & Co. KG
Westlake International I B.V.	The Netherlands	Westlake International I B.V.
Westlake Longview Corporation	Delaware	Westlake Longview Corporation
Westlake Management Services, Inc.	Delaware	Westlake Management Services, Inc.
Westlake Petrochemicals LLC	Delaware	Westlake Petrochemicals LLC



Westlake Polymers LLC	Delaware	Westlake Polymers LLC
Westlake Royal Building Products Inc.	Delaware	Westlake Royal Building Products Inc. and Boral Building Products Inc
Westlake Royal Roofing LLC	Delaware	Westlake Royal Roofing LLC and Boral Roofing LLC
Westlake Royal Stone LLC	Delaware	Westlake Royal Stone LLC and Boral Stone Products LLC
Westlake Royal Windows LLC	Delaware	Westlake Royal Windows LLC and Boral Windows LLC
Westlake Styrene LLC	Delaware	Westlake Styrene LLC
Westlake Switzerland GmbH	Switzerland	Westlake Switzerland GmbH
Westlake Vinyls Company LP	Delaware	Westlake Vinyls Company LP
WPT LLC	Delaware	WPT LLC

---

\* Westlake has elected to omit the names of certain subsidiaries. None of the omitted subsidiaries, considered either alone or together with the other omitted subsidiaries of its immediate parent, constitutes a “Significant Subsidiary” as set forth in Section 601(b)(21) of Regulation S-K.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-234573) and Form S-8 (No. 333-118205) of Westlake Corporation (formerly known as Westlake Chemical Corporation) of our report dated February 23, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Houston, Texas  
February 23, 2022

## CERTIFICATIONS

I, Albert Chao, certify that:

1. I have reviewed this Annual Report on Form 10-K of Westlake Corporation (formerly known as Westlake Chemical Corporation) (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2022

/s/ ALBERT CHAO

---

**Albert Chao**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

## CERTIFICATIONS

I, M. Steven Bender, certify that:

1. I have reviewed this Annual Report on Form 10-K of Westlake Corporation (formerly known as Westlake Chemical Corporation) (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2022

/s/ M. STEVEN BENDER

---

**M. Steven Bender**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**

**CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Westlake Corporation (formerly known as Westlake Chemical Corporation) (the "Company") on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert Chao, President and Chief Executive Officer of the Company, and I, M. Steven Bender, Executive Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2022

/s/ ALBERT CHAO

---

**Albert Chao**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Date: February 23, 2022

/s/ M. STEVEN BENDER

---

**M. Steven Bender**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**