

2021

Business Report

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The Integrated Report consists of five reports that covers important aspects of our business. They can be read in conjunction with each other. Together, the reports provide a full picture of our ability to create long-term value.

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The Business Report is integral to Clariant's Reporting Hub 2021, which provides comprehensive information about Clariant's long-term value creation. The report explains Clariant's integrated business model and purpose-led strategy, demonstrating the company's integrated thinking. For the three business areas and for the Group overall, the report reviews the financial year, including the leadership's perspective on Clariant's short- and long-term profitability.

As one of the world's leading specialty chemicals companies, Clariant contributes to value creation with innovative and sustainable solutions for customers from many industries. The company portfolio is designed to meet very specific needs with as much precision as possible.

At the same time, Clariant's research and development is focused on addressing the key trends of our time. These include energy efficiency, renewable raw materials, emission-free mobility, and the conservation of finite resources. The corporate strategy is guided by the overarching purpose of »Greater chemistry – between people and planet« and reflects the importance of connecting customer focus, innovation, sustainability, and people. Clariant reports in three business areas: Care Chemicals, Natural Resources, and Catalysis.

Clariant Key Figures (continuing operations)

11 537

Total staff (FTEs)

0.16

LTAR¹

3

Core business
areas

67

Production sites

4 372

Sales (CHF m)

708

EBITDA (CHF m)

16.2 %

EBITDA margin

15 %

Sales growth
in local currency

0.71

Scope 1 & 2
GHG emissions
in m t CO₂e

2.70

Scope 3 GHG emissions for
purchased goods and services
(cat. 1) in m t CO₂e

¹ Including discontinued operations

Letter to Stakeholders

Dear Stakeholders,

Granted, Clariant's financial results 2021 took a long time to reach you. On behalf of the entire Board of Directors, I would like to apologize for the late publication and the delayed General Annual Meeting. This was due to an investigation of accounting issues related to provisions and accruals. Based on the results of this investigation, we have determined the need for a restatement of the 2020 financial statements. We are also updating the quarterly reporting of key financial data for 2020 and 2021. The Board of Directors has reviewed the Integrated Report 2021 and proposes its approval to the Annual General Meeting.

The investigation confirmed what we had issued as guidance in February 2022: Under the leadership of Conrad Keijzer, who started as CEO on 1 January 2021, Clariant has delivered a strong set of results in 2021. The company has shown strong sales growth and increased profitability, concluded the planned divestments, and executed its efficiency improvement programs. On this basis, the Board of Directors proposes a distribution of CHF 0.40 per share for the 2021 financial year to give all shareholders a due share in Clariant's success.

The results are particularly noteworthy because our leadership had to deal with extraordinary challenges. The pandemic and supply chain disruptions led to an unprecedented situation. The availability and price level of raw materials, the shortage of labor, greatly inflated energy prices and logistics costs – all these have required the full commitment of our employees. Our numbers demonstrate that Clariant, supported by its new, more focused, and higher value specialty portfolio, has become more crisisproof and is able to turn to a profitable growth path even in a challenging environment.

In 2021, the Board of Directors, together with the Executive Committee, created a new, purpose-led strategy. This strategy is more strongly focused on customers and attractive market segments than before. This shift is important, as our customers deserve to be at the center of our thinking. The more we provide them with superior product offerings to help them improve their



Günter von Au
Chairman of the Board of Directors

sustainability profile, the more we strengthen our position as a relevant business partner. We are in the process of adapting the organization to this new strategic focus. The strategy will enhance organic growth, supported by a series of smaller, high-value bolt-on acquisitions. Equally important will be our investments in growth by expanding our footprint, our R&D facilities, and our production capacities. Our biggest focus here is China, which accounts for roughly 35 % of the world's specialty chemical markets. All these investments are part of our contribution to the



global efforts to stop climate change. The sustainability transformation will trigger huge investments and, above all, innovations. This concerns the replacement of fossil raw materials with biomass, the expansion of a circular economy, and the development of hydrogen technology. Clariant is a leader in low-carbon intensity, already has solutions on offer for these megatrends, and is working on further innovations.

Our strong commitment to sustainability is duly reflected in our new purpose statement, »Greater chemistry – between people and planet.« Customers and employees participated in the definition of this purpose. This shows that we see our customers as partners and co-creators, while we help them to achieve their climate targets with our innovative and sustainable products and solutions.

We have set new goals to become a preferred employer in our industry. This starts with a working environment based on a strong corporate culture that recognizes performance, offers opportunities to learn and grow, and appreciates diversity and inclusion. We want to ensure that diversity is systematically promoted in all dimensions and at all levels in the organization. Ethics also play an important role in our culture, as is evidenced by the fact that the investigation into accounting issues was initiated by employees who had the courage to speak up. Our behaviors are guided by clear and binding principles: Our revised Code of Ethics, »Reflect Ourselves,« was rolled out by the Executive and Senior Management across the entire organization in 2021.

Clariant is well prepared to enter a profitable growth path. Our objective is to strengthen our existing market positions and to achieve above-average growth in our three business areas. Strengthening production »in China for China« will continue to play a crucial role in our growth strategy. These ambitions are reflected in our new strategy, which is based on four themes: customer focus, innovative chemistry, leading in sustainability, people engagement. Executing our new purpose-led strategy will help us achieve our 2025 financial and 2030 non-financial targets. It will also help us advance in environmental, social, and governance

»Clariant has become more crisis-proof and is able to turn to a profitable growth path even in a challenging environment.«

dimensions, including our science-based targets to stop climate change and to contribute to the UN Sustainable Development Goals (SDG). Therefore, we welcome the fact that ESG issues are becoming increasingly important for our stakeholders. We have adopted a Sustainability framework, which includes all three dimensions.

The Board of Directors as well as the Clariant management are fully committed to these targets and to creating value for all our stakeholders. My colleagues on the Board of Directors and I thank everyone who contributed to the success of Clariant in 2021.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Günter von Au'.

Günter von Au

Chairman of the Board of Directors

Interview with the CEO

How growth at Clariant is driven by a new purpose

Clariant's Integrated Report was published later than planned due to an investigation into accounting issues. What can you tell us about the result of this investigation?

The investigation was related to provisions and accruals, and it was conducted by independent advisors and external counsel. As a result of the investigation, we had to restate our 2020 financial statements and we had to make corrections to the quarterly reporting of key financial data for 2020 and 2021. Our 2020 continuing operations EBITDA is higher than previously but there has not been any impact on our sales, cash, and cash equivalents for 2020 and 2021.

What does this mean for the company and its stakeholders?

I am grateful that our own colleagues spoke up. This shows that we have an open climate built on trust where our employees feel encouraged to speak up. We will continue to build a culture based on the highest ethical standards, and we will further strengthen our controls and processes. The operational performance of Clariant, and our ability to serve our clients, was not impacted by what happened internally. We have been and will continue to be a reliable partner.

Why has Clariant's Chief Financial Officer Stephan Lynen stepped down?

With the investigation now completed, Stephan Lynen's decision to step down allows for a fresh start for our finance function. I thank him for his dedicated collaboration and for his contributions in various leadership positions. I am very pleased to welcome his successor Bill Collins, who most recently served as the North American CEO and CFO for ENGIE. Bill is a highly regarded finance leader, with a successful track record in our industry.

The last months have brought about so many changes all around the world. How would you describe the current situation in the chemicals industry?

Obviously, the geopolitical situation has changed dramatically. By attacking Ukraine, the Russian state inflicted horrific suffering on its neighboring country, but also brought dramatic consequences for its own country and the world. The world may be facing the worst food crisis in decades, driven by the compounded effects of



Conrad Keijzer
Chief Executive Officer (CEO)

COVID-19, climate change and the war in Ukraine, exacerbating already skyrocketing food and energy prices and severe hunger. The war in Ukraine also has a substantial significance for our sector and for the European economy. The chemicals industry, especially in Europe, now has to deal with potential shortages in the supply of Russian oil and natural gas and some metals like palladium and nickel. Moreover, problems like increasing raw material prices, higher energy costs, labor shortages, and supply disruptions remain on the agenda of many companies with significant efforts required to manage operations and margins.

Nevertheless, chemicals industry output recovered with growth of 6.8% in 2021 and is expected to deliver further growth of 2.9% in 2022. We also saw a more active merger and acquisitions environment in 2021. Transaction values were up 125% versus 2020 and have been comparable to the 2007 record.

How does Clariant deal with these challenges?

We are continuously expanding activities which enable us to move away from natural gas and towards CO₂ neutrality. Since we are a specialty chemicals company, our production is less energy-intensive compared to large-scale commodity chemical companies. However, we are currently still depending on natural gas, and we are preparing as best as we can for potential supply changes. Generally speaking, our now more focused specialty chemicals portfolio has proven to be more resilient and crisis-proof than before. It is addressing key growth trends like bio-based products, decarbonization, and circularity.

How does this show in the numbers?

In the financial year 2021, we experienced a broad demand recovery across all businesses and across all regions. Our revenues increased by 15% in local currencies and 13% in Swiss francs. Volume growth had a positive impact on the Group of 7%. Core organic sales growth, excluding the consolidation of our joint ventures with India Glycols and Beraca, our natural ingredients acquisition in Brazil, was 13% in local currencies. This was the result of true teamwork, customer focus and disciplined cost management, and we can all be proud of these results. Our

specialty chemicals portfolio allowed us to increase prices by 8% and recover around two thirds of the raw material price increases.

Our EBITDA margin has improved from the – restated – 15.5% in 2020 to 16.2% in 2021, which is well above the 2019 pre-Covid level at 15.7%, excluding the European Commission provision. This result has been positively influenced by strong volume expansion, pricing measures, contributions from M&A, and great cost discipline. Our performance improvement programs have delivered CHF 50 million in savings until the end of 2021. Starting in 2021, the rightsizing of the service units, regional organization, and Corporate Center as well as the elimination of remnant cost are also on track leading to additional savings of approximately CHF 100 million until 2025.

Which other developments have contributed to Clariant's performance?

In 2021, we established a joint venture with India Glycols, which has made us the world leader in green ethylene oxide derivatives. These products are used to make surfactants based on bioethanol, which allow personal care companies to move their product offerings away from fossil-based to renewable feedstocks. We further acquired the remaining 70% of the shares in the Beraca joint venture, our naturals and botanicals business in Brazil. The Beraca products allow cosmetics companies to source 100% natural ingredients, with a demonstrable performance. These two strategic transactions contributed CHF 73 million to our sales in 2021.

During the year 2021, we stepped up our commitment to deliver organic growth. We celebrated the opening of the »One Clariant Campus« in Shanghai, including the inauguration of our local Clariant Innovation Center. This will include 50 scientists working on the development of products tailored for the local market – in China, for China. We are planning to expand this group to 120 scientists, working on local product development, by 2025. We invested CHF 80 million in a new plant for Catofin® catalysts in Jiaxing, Zhejiang, China, which recently started production. We further invested CHF 60 million in a plant in Daya Bay, Guangdong, China, for sustainable, halogen-free flame retardants, which we expect to deliver in the first half of 2023. In October 2021, we announced the completion of the first-of-its kind second-generation bioethanol plant in Podari, Romania. Production is currently ramping up.

How did Clariant deal with the ongoing COVID-19 pandemic in 2021?

I am proud that our people managed to keep our factories up and running in the face of this pandemic. In order to protect our staff, we enforced strict hygiene protocols, provided personal protective equipment and supported vaccinations. We further supported our employees on topics such as working from home, staying healthy, and staying in touch with their teams.

These steps are part of the bigger program to ensure the health and safety of our employees. We aim to achieve zero accidents worldwide, and in 2021, we managed to keep our lost-time accident rate at a low value of 0.16 days lost per 200 000 hours of work. Our lost workday rate has decreased, indicating that job-related injuries were less severe than in the previous year.

Can you give us a rough idea of the business outlook in 2022?

For the full year 2022 we expect to generate strong local currency sales growth on a year-on-year comparison, driven by a strong first quarter of 2022. We aim to improve our year-on-year EBITDA margin level through operating leverage from growth, pricing actions to mitigate raw material inflation, and continued cost savings and cost discipline. We expect the high inflationary

»We are building an attractive, well-filled innovation pipeline, which is strongly linked to customer-driven sustainability developments.«

Conrad Keijzer
Chief Executive Officer (CEO)

environment with regard to raw material, energy, and logistic cost as well as supply chain challenges to continue into the second half of 2022.

Both innovation and sustainability are strategic pillars of Clariant. How do you assess the strategy execution in these fields?

Due to global population growth and a growing middle class, demand for materials is expected to at least double by 2050 while at the same time the transition to a net zero economy is required. Sustainability is an important priority for our society, and it requires innovation to make this transition happen. To strengthen the link between innovation and sustainability, we have re-organized our innovation and sustainability functions in a new combined Innovation & Sustainability unit under the leadership of Richard Haldimann, who now serves as our Chief Technology & Sustainability Officer.

We are building an attractive, well-filled innovation pipeline, which is strongly linked to customer-driven sustainability priorities. As part of our new strategy 2025, we have a target that one fifth of our 4-6% annual growth will be generated by innovations that are strongly linked to customer-driven sustainability developments, like our bio-based cosmetics and our renewables-based surfactants.

Sustainability is not only driven by Clariant and its customers, but by all stakeholder groups. What does Clariant have to offer to them?

We ensure a broad stakeholder view with a clear focus on the long-term perspective. Our Integrated Report 2021 features information on climate risks in line with the Task Force on Climate-related Financial Disclosures (TCFD). We now also report in accordance with the guidelines of the Sustainability Accounting Standards Board (SASB). We remain committed to the United Nations Global Compact and its Ten Principles, and we contribute to the United Nations' Sustainable Development Goals (SDGs).



In 2021, Clariant introduced a new purpose: »Greater chemistry – between people and planet«. How does this statement relate to this new strategy?

Our purpose is the guiding star of our new turning back to growth strategy. The statement provides inspiration: It captures who we are and our important role in helping to transform our industry. »Greater chemistry« stands for innovation and for the important mission to help our industry achieving its sustainability targets. »Chemistry« also refers to the intangible positive interactions between people. Greater chemistry between us and our customers provides the basis to collaborate for meaningful impact and to shape the future together. »Greater chemistry between people« also describes our company culture which promotes diversity, equity, inclusion, mutual appreciation and empowerment. Finally,

»Greater chemistry – between people and planet« – means sustainability. It is the greater chemistry that serves a greater purpose. It expresses our ambition to enable the transition towards a more sustainable world.

But is the purpose more than just words?

Yes, it is. These words that were developed by our own colleagues, describe both our heritage and future direction.

The purpose statement is reflected in our strategy and in our target setting. We defined new financial targets for 2025, and – for the first time – non-financial targets. This reflects our ambition to achieve top quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people.

What are these commitments exactly?

By 2025, we are targeting to grow our topline by 4-6% on average per year, to increase our EBITDA margins to 19-21%, and to reach a free cashflow conversion of around 40%. Also, we have set ourselves science-based carbon reduction targets: By 2030, we want to reduce our scope 1&2 emissions by 40%, and our scope 3 emissions by 14%. And finally, we want to position Clariant in the top quartile of employee engagement, measured by the Employee Net Promoter Score (eNPS).

Why have you introduced non-financial targets?

Climate change is the biggest environmental challenge for humanity. At the COP26 in Glasgow in November 2021, 153 countries put forward new 2030 emission targets as part of their nationally determined contribution (NDC). These initiatives are backed by a USD 100 billion climate finance goal which will trigger significant investments and further promote sustainable developments. Clariant's sustainability targets are aligned with the ambition to achieve climate neutrality by 2050 at the latest and reflect our aspiration to be industry leaders through sustainability and innovation.

Introducing the Executive Committee



Conrad Keijzer
Chief Executive Officer (CEO)



Bernd Hoegemann
Executive Vice President &
Chief Transformation Officer (CTO)



Hans Bohnen
Executive Vice President &
Chief Operating Officer (COO)



Stephan Lynen
Executive Vice President &
Chief Financial Officer (CFO)



Clariant on the Capital Markets

The Clariant Share at a Glance

SHARE DETAILS

Valor symbol	CLN
Valor number	1 214 263
ISIN	CH0012142631
Trading currency	CHF
Stock exchange	SIX Swiss Exchange
Nominal value	CHF 3.00
Security type	Registered share
Dividend 2021	CHF 0.40
Free float (%)	68.5
Bloomberg	CLN SW
Reuters	CLN.VX
Index member	Dow Jones Sustainability Index Europe Dow Jones Sustainability Index World MSCI Equity Switzerland Index SMI Mid SMI Expanded SPI SPI Extra SPI ex SLI SPI ESG Weighted SPI ESG Swiss All Share Index SXI Switzerland Sustainability 25 Index UBS 100 Index
Country	Switzerland

Strong stock market performance

Stock market performance in 2021 exhibited an upward trend until September. With the increasing availability of COVID-19 vaccines, the stock markets continued to recover for the first months, and only entered a sideways movement at the end of the year with the rebound of COVID-19 infection rates. In addition, the raw material price inflation and supply disruptions have led to a higher and broader-based general inflation in the 2021 financial year than expected, particularly affecting the United States and many emerging and developing economies. The continued contraction of the Chinese real estate sector and the slower-than-expected recovery of private consumption have also limited the outlook for growth.

The SMIM (SMI Mid) closed the 2021 financial year with 3 438.41 points on 31 December 2021, which corresponds to an increase of 20.2% compared to the end of the previous year. Closing at 1 366,92 points, the STOXX® Europe 600 Chemicals (SX4P) recorded an increase of 22.7% across the same period.

DATA PER SHARE

Five-year overview and dividend	2021	2020	2019	2018	2017
Number of registered shares issued	331 939 199	331 939 199	331 939 199	331 939 199	331 939 199
Number of shares eligible for a dividend	329 116 487	329 553 690	329 352 434	329 688 535	329 297 620
Price at the end of the year (CHF)	19.00	18.82	21.60	18.09	27.25
High of the year (CHF)	20.50	23.82	22.40	29.38	27.80
Low of the year (CHF)	17.07	14.39	17.10	17.65	17.67
Market capitalization at year-end (CHF m)	6 307	6 247	7 170	6 005	9 045
Basic earnings per share (CHF)	0.81 ¹	0.32 ^{1,6}	-0.17 ^{1,4}	1.02	0.84
Distribution per share (CHF)	0.40 ²	0.70 ³		0.55 ⁵	0.50 ⁵

¹ Continuing operations

² To be made through capital reduction by way of par value reduction

³ Of which CHF 0.55 relates to the 2019 financial year (dividend payout withheld due to COVID-19 uncertainties) and CHF 0.15 relates to the 2020 financial year; distribution through a capital reduction by way of a par value reduction of CHF 0.70 per registered share

⁴ Including CHF 231 m provision for a competition law investigation by the European Commission

⁵ Payout from capital contribution reserves

⁶ Restated



Clariant share price increased by 1% in the course of the year

The Clariant share price ended the year 2021 at CHF 19.00. This corresponds to an increase of 1.0% compared to the closing price of the previous year (CHF 18.82). Including the distribution to shareholders of CHF 0.70, the total shareholder return (TSR) amounted to 4.7% in 2021. With an opening price of CHF 18.82 on 2 January 2021, the share moved sideways in the first quarter. In mid-March, the share price dropped to CHF 18.71 on 19 March 2021. Afterwards, the share slowly recovered and reached its annual

high on 16 April 2021 at CHF 20.50 (closing price). Continuing this directionless progression, the Clariant share price fell to CHF 18.85 on 4 May 2021, and entered into a sideways movement until the beginning of September. On 20 September 2021, the share price fell to CHF 17.70. It then slightly increased again before it recorded a drop to its annual low at CHF 17.07 (closing price) on 6 October 2021. Subsequently, the share price gradually rose until reaching the mark of CHF 17.96 on 15 October 2021. It entered into a sideways movement until 27 October 2021, closing at CHF 18.08. Following the release of the third quarter 2021 results on 28 Octo-

ber 2021, stating that Clariant had significantly increased its sales and profitability in the quarter, the share price rose to CHF 18.98 and reached a level of CHF 19.26 on 29 October 2021. Until the end of November, the share price remained largely unchanged. Due to the weak equity markets, the Clariant share was initially unable to benefit from the announcement of its new 2025 targets on 23 November 2021, but almost completely compensated for the weakness in December with a year-end closing price of CHF 19.00.

Dividend

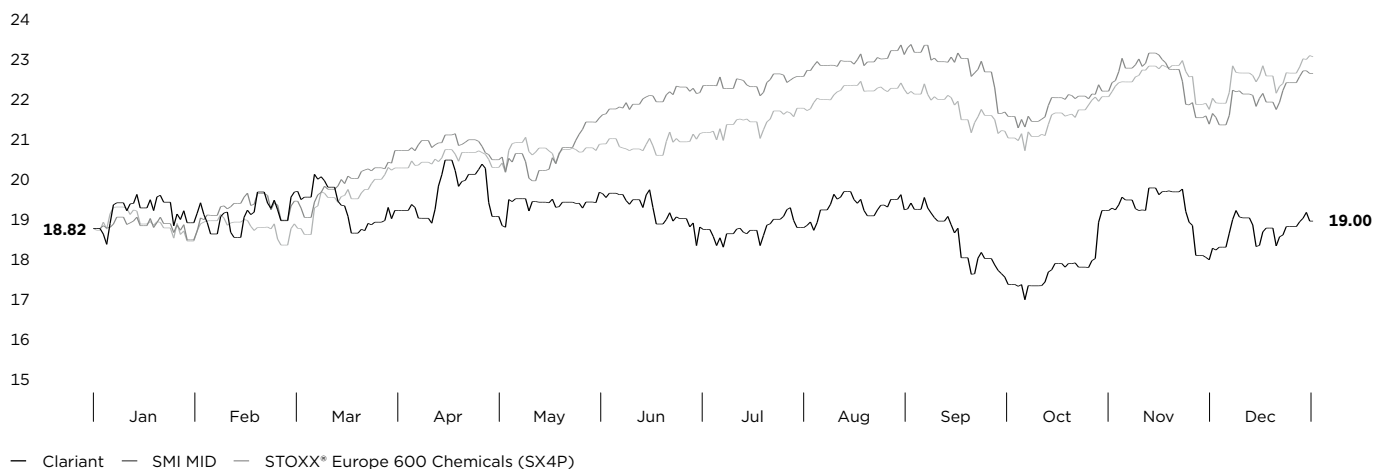
Dividend policy

While the divestments of approximately one-third of the company's sales have led to a recalibration in the absolute amount of the dividends, Clariant's dividend policy remains unchanged. Clariant is committed to increasing the absolute dividend in Swiss francs on the back of profitable growth, while maintaining an attractive payout ratio.

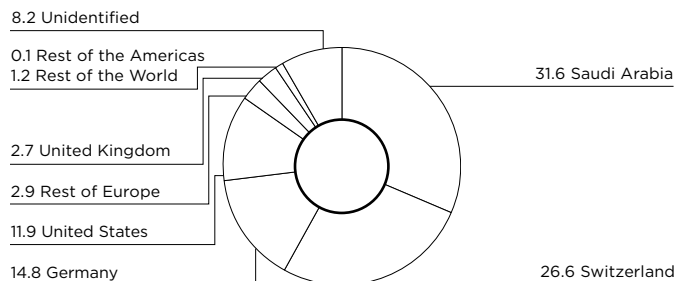
Dividend proposal for 2021

The Board of Directors recommends a regular distribution of CHF 0.40 per share to the Annual General Meeting 2022 based on the Group's improved underlying performance in 2021. This proposal takes into consideration the Group's strong performance in 2021, as well as all shareholder commitments. The distribution is proposed to be made through share capital reduction by way of a par value reduction.

001 CLARIANT SHARE PRICE PERFORMANCE 1 JANUARY – 31 DECEMBER 2021 IN CHF



002 GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS IN %



Shareholder structure (Shareholders/Distribution of free float)

In the 2021 financial year, Clariant maintained its well-diversified and stable shareholder structure.

SABIC acquired 24.99% of the shares of Clariant Ltd on 17 September 2018 and increased its participation by 6.51% to 31.5% on 9 September 2020. The difference between this figure (i.e., 31.5%) and the 32.35% mentioned below corresponds to the amount of treasury shares held by Clariant Ltd as of 31 December 2021, which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

As of 31 December 2021, the following shareholders held 3% or more of voting rights in Clariant Ltd: SABIC International Holdings B.V., 32.35%; BlackRock Inc., 3.8%; Blue Beteiligungsgesellschaft mbH and Maple Beteiligungsgesellschaft mbH, 3.49% and PSquared Asset Management AG, 3.04%.

Subject to certain limitations on voting by nominees, each registered share entitles the holder to one vote at the shareholders' meetings. Shareholders have the right to receive dividends and such other rights as are granted by the Swiss Code of Obligations. However, only shareholders entered in the Clariant share register may exercise their voting rights. Shareholders representing shares with a total par value of CHF 1 million have the right to submit written requests that an item be included on the agenda at least 45 days prior to the 27th Annual General Meeting on 24 June 2022.

Analyst coverage

In the 2021 financial year, Clariant was actively covered by 17 sell-side analysts tracking the financial performance of Clariant Ltd on behalf of their respective companies. As of 31 December 2021, two additional sell-side analysts were restricted from publishing a rating for Clariant by their institutions. Their analyses served as the basis for the performance estimates and recommendations published in the 2021 financial year.

At the end of 2021, ten analysts had a neutral recommendation on Clariant, while six analysts recommended buying the share and one analyst recommended selling. The average target price of the 17 actively covering analysts was CHF 21.11, representing an upside of 11.1% from the 2021 closing price of CHF 19.00. The target price range was between CHF 18.00 and CHF 25.00 as of 31 December 2021.

In order to facilitate an independent and transparent assessment of performance, Clariant provides analysts and investors with market consensus figures. This consensus is based solely on analyst estimates and in no way reflects the opinion of Clariant.

An up-to-date analyst consensus is available online on the → [CLARIANT WEBSITE](#). This information reflects analyst forecasts as of 26 January 2022 and may change on a continuing basis.

Ratings

An overview of the most recent ratings of the Clariant share and bonds can be found on the → [CLARIANT WEBSITE](#).

Dialogue with the capital market

Clariant's corporate strategy is aimed at long-term value enhancement. That is why continuous and open communication with all capital market participants is important. In light of the COVID-19 pandemic, Clariant primarily used virtual formats, such as video or telephone conferences for the dialogue in 2021. Clariant connects with institutional investors and rating agencies in various one-on-one meetings as well as at roadshows and conferences worldwide. For private investors, the company provides insight at the Annual General Meeting.

Clariant's largest event for investors, analysts, and bank representatives was the Capital Markets Day, which was held virtually on 23 November 2021. At the event, the company announced new 2025 financial targets in conjunction with its new purpose-led strategy »Greater chemistry – between people and planet.« Building on its high-growth, high-margin specialty portfolio, Clariant has adopted several strategic initiatives for value creation and profitable growth. This has included accelerating sustainability-driven innovation, expanding the global footprint with a focus on China, and ensuring the disciplined execution of potential bolt-on acquisitions. Further information on the 2021 Capital Markets Day is available → [ONLINE](#).

Clariant – A sustainable investment

The Clariant share is attractive for investors focusing on companies with a strong ESG performance. Leading ESG rating agencies consider Clariant best in class within the chemical industry. Their ratings particularly recognize the company's innovation power for sustainable products, Clariant's business ethics, and the comprehensive measures to address relevant sustainability issues.

Clariant actively participates in a large number of ESG ratings, and is listed in several sustainability indices. → [READ MORE ABOUT RATINGS AND RANKINGS](#).

Clariant Culture

A WORLD OF POSSIBILITIES

Clariant's unique role as an innovative specialty chemical company and its contribution to society are enhanced by a clear company purpose. Striving to achieve this purpose, Clariant is led by a guiding vision and a well-defined mission. Actions are derived from a culture that encourages every employee to earn the trust of Clariant's key stakeholders and to continuously explore opportunities for value creation.

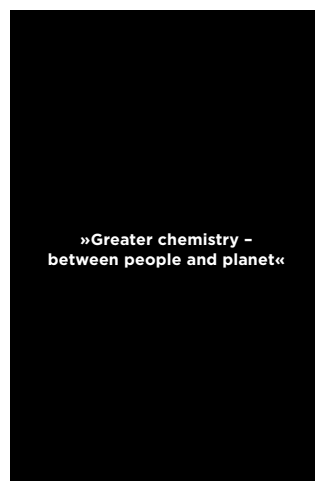
Clariant's purpose, »Greater chemistry – between people and planet,« puts customers, employees, and the planet at the center of every business activity. The statement was defined by the Clariant leadership team together with colleagues from all over the world and with key customers. It comprises several themes in a crisp and differentiated way: it stands for Clariant's

- distinct customer focus;
- strong innovation capability;
- profound commitment to sustainability in its operations and products;
- uniquely talented people in a culture of empowerment and inclusiveness.

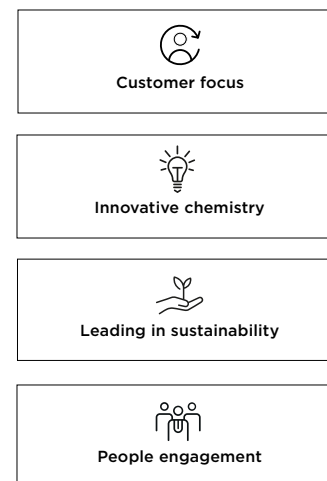
As the chemical industry touches on more than 90% of all the products that society uses in its daily life, it has the opportunity and the responsibility to create a truly meaningful impact. Clariant has an attractive innovation pipeline that is strongly linked to customer requirements. Interactions between uniquely talented and highly motivated employees with an entrepreneurial spirit drive a high-performance culture. This enables Clariant to deliver products and solutions with an outstanding technical and sustainable performance. Innovative and customer-driven chemistry, paired with people empowerment and leadership in sustainability, serves the interests of Clariant's key stakeholders. It leads to greater chemistry – between people and planet – and thus provides for a long-term approach to sustained value creation.

003 GUIDED BY THE CORPORATE PURPOSE

Clariant's purpose



Purpose-led strategy



Vision

We aim to be the globally leading company for specialty chemicals and to stand out for above-average value creation for all of our stakeholders.



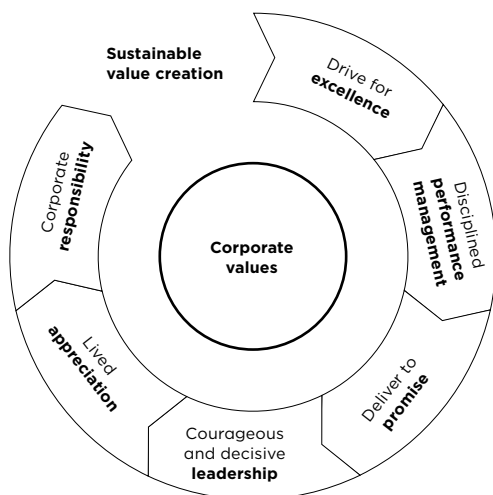
Mission

We build leading positions in the businesses we are active in, and we adopt functional excellence as part of our culture. We also create value by appreciating the needs of our customers, employees, shareholders, and the environment. For our customers, we provide competitive and innovative solutions. For our employees, we adhere to our corporate values. For our shareholders, we achieve above-average returns. For our environment, we act sustainably.

VISION AND MISSION

Clariant aspires to be the globally leading company for specialty chemicals, achieving above-average value creation for its stakeholders. To fulfill this vision, the company builds and maintains leading positions in all its businesses, while defining its corporate culture through functional excellence in innovation, commercialization, and operations.

004 CORPORATE VALUES FOR SUSTAINABLE VALUE CREATION



Clariant's vision is underpinned by its mission to create value by appreciating the needs of

- customers, by providing competitive and innovative solutions;
- employees, by adhering to corporate values;
- shareholders, by achieving above-average returns; and
- the environment, by acting sustainably.



Q&A

Tatiana Berardinelli

Chief Human Resources Officer
and Head of Group HR

Clariant is changing: The company has become smaller and is still transforming. From your view, what is the role of HR in this process and what are the opportunities you see?

Due to the ongoing transformation process of the company, there are certain areas we need to focus on to enable growth and increase value. We will work on a stronger performance driven culture, on enhancing talent management to deliver business results. We will support Clariant's transformation and we will lead engagement and DE&I initiatives in alignment with our purpose. I have started working with my team on these opportunities and am excited about taking this work forward along the line of the company strategy and the company purpose.

Referring to the company purpose »Greater chemistry – between people and planet«: Are you going to bring that purpose to life within the existing Clariant culture, or does it define a new culture?

I think the purpose is the starting point for a changing culture. What changes is the behavior of people as it defines the culture. I see the future Clariant culture as entrepreneurial, embedded in a nimble organization – less hierarchical, less bureaucratic, more agile, where people feel included. There is innovation driven by the desire to contribute

to society. I see a lot of trust as well, based on the corporate ethics and values. Another essential cultural component results from diversity, equity, and inclusion. We will cover all three dimensions: diversity, which is about the differences within our team, equity referring to the company's processes and policies, and inclusion, reflecting a sense of belonging.

Clariant stands for courageous and decisive leadership. From your point of view, what are the most important next steps to further and strengthen leadership skills?

Strong leaders create effective teams, deliver results and demonstrate the right behaviours. At Clariant, we believe we need to invest in our leaders to help us drive the transformation, culture change, execute on our strategy and engage our people. We plan to continue developing our leaders through relevant and challenging experiences in the job, leadership training and learning through others. We will focus on the capabilities and skills needed not just for today but for the future of Clariant in alignment to our purpose.

KEY DRIVER: APPRECIATION

Appreciation is embedded in the company's culture, defining the expectations for employee behavior and building the company's reputation and brand. The culture of appreciation commits to corporate values and puts them at the center of everything the company does in each area where it has an influence. → [READ MORE IN OUR REVIEW ON PERFORMANCE, PEOPLE, AND PLANET](#)

In addition, Clariant's corporate values recognize critical inter-dependencies and align the company culture with business partners' and stakeholders' expectations. The corporate values include

- **Drive for Excellence:** Clariant applies the highest standards to profitably meet customer needs while aspiring to achieve even more.
- **Disciplined Performance Management:** People at Clariant seek challenging and achievable targets. Employees give and invite open feedback on measured progress.
- **Deliver to Promise:** Clariant cultivates motivated employees who fully leverage their capabilities while avoiding over-promising or underdelivering.
- **Courageous and Decisive Leadership:** Clariant selects the right people for the right jobs and is committed to support risk-taking, accepting failure, and learning from results.
- **Lived Appreciation:** People at Clariant acknowledge strength, seek improvement, acknowledge outstanding contributions, and celebrate success.
- **Corporate Responsibility:** People at Clariant support the welfare of all stakeholders, protect the environment, and respect communities where they work. They live Clariant's Code of Ethics and uphold all safety procedures.

Business Model and Strategy

The »Business Model and Strategy« chapter presents Clariant's holistic approach to value creation. After showing the company's business model, it introduces the new purpose-led strategy and outlines Clariant's contribution to the Sustainable Development Goals (SDGs) of the United Nations. Lastly, the chapter describes Clariant's new materiality assessment.

OPERATING AN INTEGRATED BUSINESS MODEL

This chapter provides an in-depth overview of Clariant's integrated business model. It presents the company's holistic approach to creating value, providing an overall understanding of the different aspects of Clariant's business, which are depicted in more detail in the subsequent sections of this report and in the Review on Performance, People, and Planet. The chapter also explores the company's external environment and its organizational structure, two important parameters affecting business activities. In addition, it portrays Clariant's core processes for creating value.

A holistic approach to value creation

Long-term value for all stakeholders

Clariant's business model reflects how the company creates long-term value for all stakeholders – customers, employees, shareholders, and the environment. → FIGURE 005. It offers a detailed overview of the company's multidimensional approach to value creation, covering both tangible and intangible, financial and non-financial aspects of the business – categorized under Performance, People, and Planet:

Performance

Performance covers the pool of funds to produce goods and provide services, which is available through both financing and sales. Moreover, Performance includes knowledge-based intangibles used and created by the company and its partners: intellectual property (e.g., patents, trademarks, copyrights, software rights, or licenses) and »organizational capital« (e.g., tacit knowledge, systems, procedures, and protocols). In addition, Performance covers physical objects owned by the company (e.g., buildings, equipment, and products).

People

People includes Clariant's employees and their competencies, capabilities, experience, and drive to innovate, as well as their identification with the corporate values and their ability to understand and implement Clariant's strategy. Furthermore, People covers the company's key relationships with primary stakeholders and network partners, in particular, Clariant's strong customer relationships. This can include shared values, trust, engagement, and related intangibles associated with Clariant's brand and reputation.

Planet

Planet includes the renewable and nonrenewable environmental resources and processes that support or affect the company's prosperity. Examples include air, water, and land resources that Clariant utilizes for its activities.

External environment

Clariant's integrated business model provides a strong foundation for the company to successfully navigate the current market dynamics in the specialty chemical market, including the ongoing challenges posed by the COVID-19 pandemic. → READ MORE IN EXTERNAL ENVIRONMENT

Core processes for value creation

Idea to Market, Market to Customer, and Customer to Cash – these are the three key value-creation processes at the core of Clariant's business model. By turning customer needs into innovative and sustainable solutions, the company creates value for all stakeholders. Clariant's Innovation Excellence, Commercial Excellence, and Operational Excellence initiatives support these processes.

005 BUSINESS MODEL

Input (Continuing operations)

Resources and relationships that Clariant draws upon for its business activities

PERFORMANCE

155

R&D spend in CHF m

325

Active innovation projects

80

Scientific collaborations

1859

Raw material procurement in CHF m

3.49

Raw materials procured in m t

67

Production sites

87 %

Raw material supply base by spend covered by sustainability evaluation

PEOPLE

1356

New employees hired

152 565

Training hours

287

Client interviews

PLANET

627

Energy consumption in kWh/t production

2.17¹

Water intake in m³/t production

¹ New definition of this KPI excludes »pass through« water, therefore limited comparability to 2020

² Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

³ Total Group, including Business Unit Pigments

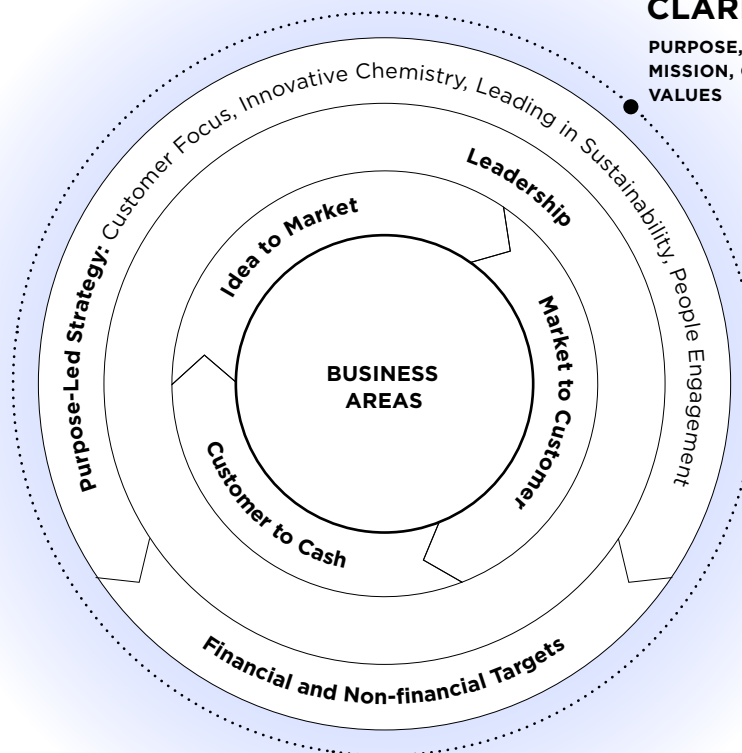
⁴ Figure from 2020, as survey is only conducted every two years.

External Environment

Societal trends and market drivers

CLARIANT

PURPOSE, VISION, MISSION, CORPORATE VALUES



Output (Continuing operations)

Results from Clariant's business activities

PERFORMANCE

4 372

Sales in CHF m

15 %

Growth in local currencies

16.2 %

EBITDA margin

9.9 %

Return on invested capital (ROIC)

> 3.5 %²

Growth through innovation

> 4 900

Patents at year-end

4.33

Production volume in m t

PEOPLE

11 537

Staff in FTEs at year-end

0.16³

Lost-time accident rate (LTAR)

42⁴

Net Promoter Score (NPS)

PLANET

0.71

Scope 1 & 2 GHG emissions in m t CO₂e

1.48

Wastewater in m³/t production

2.70

Scope 3 GHG emissions for purchased goods and services (cat.1) in m t CO₂e

FEEDBACK

Stakeholders

Clariant constantly engages with its stakeholders to stay attuned to their needs and gain feedback on how to best create value for them.

IMPACT ON GLOBAL SUSTAINABLE DEVELOPMENT

Clariant's contribution to global sustainable development is further illustrated in the chapter → CONTRIBUTING TO THE SDGS



- **Idea to Market:** This process involves scouting global trends, identifying business opportunities, exploring unmet customer needs, developing products, as well as commercializing and monitoring business performance. It is essential for developing a well-filled product and service pipeline that delivers innovations to address customer needs. → [READ MORE IN CORE PROCESSES FOR VALUE CREATION](#)
- **Market to Customer:** This process includes assessing market attractiveness, developing clear value propositions, and capturing the value created through the relationship-building and sales processes. To achieve a seamless customer experience, these steps are well connected and focused on customer needs. → [READ MORE IN MARKET TO CUSTOMER](#)
- **Customer to Cash:** This process balances supply and demand, optimizing sourcing for spend effectiveness, monitoring production efficiency, and delivering finished goods to customers on time and in full to achieve safe, reliable, and efficient operations that support profitable growth. → [READ MORE IN CUSTOMER TO CASH](#)

Input

To create value, Clariant draws upon a variety of resources and relationships for its business activities. For three areas, Clariant identified key performance indicators to monitor its performance.

- **Performance:** e.g., R&D spend, raw material spend, active innovation projects, scientific collaborations, production facilities, raw material procurement
- **People:** e.g., new employees hired, training hours provided, client interviews conducted, percentage of raw material supply base by spend covered by sustainability evaluation
- **Planet:** e.g., energy consumption, water consumption

Output

In line with the inputs, Clariant also monitors the outputs of its business activities. The company identified key performance indicators for three areas.

- **Performance:** e.g., sales growth, return on invested capital (ROIC), EBITDA margin, patents at year-end, production volume, products awarded the EcoTain® label
- **People:** e.g., lost-time accident rate (LTAR), staff at year-end, net promoter score, outcomes of the biennial customer satisfaction survey
- **Planet:** e.g., greenhouse gases, wastewater

Purpose-led strategy with ambitious financial and non-financial targets

Based on Clariant's newly developed purpose »Greater chemistry – between people and planet,« and based on its clear vision, mission, and strong corporate values, Clariant developed a new strategy. With this purpose-led strategy and the related financial and non-financial targets, the company is committed to creating value while striving to achieve top-quartile performance compared to specialty chemical peers. → [READ MORE IN PURPOSE-LED STRATEGY](#)

Impact on global sustainable development

In addition to Clariant's strategic objectives, the company follows the objectives set by the United Nations Sustainable Development Goals (SDGs). In relation to the SDGs, Clariant evaluates the positive and negative impacts of its products and services, operations, value chain, corporate citizenship activities, and collaborations. → [READ MORE IN CONTRIBUTING TO THE SDGS](#)

While contributing to all 17 SDGs in varying degrees, Clariant identified six priority SDGs: SDG 3 »Good Health and Well-being,« SDG 7 »Affordable and Clean Energy,« SDG 9 »Industry, Innovation, and Infrastructure,« SDG 12 »Responsible Consumption and Production,« SDG 13 »Climate Action,« and SDG 17 »Partnerships for the Goals.«

Value creation in the financial year

With customer-oriented products and solutions, Clariant and its business areas created value for the company and its stakeholders in the 2021 financial year, enhancing Clariant's growth and profitability. → [READ MORE IN VALUE CREATION](#)

Reviewing value creation

To measure and track the financial and non-financial value that Clariant creates for all stakeholders, the company monitors key performance indicators, including the ones mentioned under »Inputs« and »Outputs.« These indicators are associated with Clariant's material topics, which were identified through a comprehensive materiality assessment.

- **Performance:** »Business Growth & Profitability,« »Engaging in Growing and Emerging Markets,« »Corporate Governance,« »Risk and Crisis Management,« »Business Ethics and Compliance,« »Supply Chain Resiliency,« »Innovation and Technological Advances,« »Product Stewardship,« and »Growth Opportunities from Sustainable Products and Solutions.«
- **People:** »Employee Engagement and Well-being,« »Diversity, Equity, and Inclusion,« »Occupational Health and Safety,« »Customer Relationships,« and »Human and Labor Rights.«
- **Planet:** »Resource Efficiency and Environmental Protection,« »Climate Protection,« »Circular Economy,« and »Bio-Based Economy.«

→ [READ MORE IN OUR REVIEW ON PEOPLE, PERFORMANCE, AND PLANET](#)

External environment

Clariant had to navigate a dynamic business environment in 2021. Enduring trends, such as the increasing industry focus on sustainability, continued to shape the business agenda, while high inflation and COVID-19 continued to significantly impact the value chains we are operating in.

Global economic setting

In 2021, the global economy recovered strongly from its low level in 2020, especially in Europe and North America, although momentum decreased slightly at year-end due to renewed COVID-19 outbreaks. Strongly increasing demand for goods combined with some COVID-19 induced constraints caused disruptions in supply chains with strong global effects, such as inflated commodity prices, constrained production due to missing components in some sectors, low inventories of natural gas and oil, shortage of labor, logistical delays, and massively increased transport costs. These factors in combination with fiscal policy contributed to rising consumer prices across the globe. On an annual basis, global consumer price inflation increased from 2.2% in 2020 to 3.8% in 2021.

Impact on the chemical industry

Typical raw materials for the chemical industry include crude oil, natural gas, metals, and minerals. → FIGURE 006 Supply chain difficulties arising from the pandemic caused a shortage in these primary products such that prices increased significantly. Strong demand for chemical products and restocking led to strong order books, rising prices, and a strong recovery in sales and margins in the chemical industry, with capacities often well utilized, with a few exceptions where supply or demand was constrained by stretched supply chains, notably in the automotive sector.

Even under these dynamic trading conditions, customers and suppliers continued to develop their sustainability road maps, with alternative future feedstocks and sustainable products and solutions looking more attractive in both sustainability and economic terms.

COVID-19 challenges attenuated

Apart from supply chain issues, the overall chemical market evolved to overcome COVID-19 difficulties in 2021. Based on their 2020 experiences, many companies established open lines of communication with their customers through well-tried digital channels. They also learned to switch to remote work and operations as needed.

Focus on sustainability and performance

Globally, the chemical industry is one of the largest consumers of energy. This results in significant contributions to global greenhouse gas emissions. Chemical companies also use oil and gas as feedstock and handle hazardous materials. While this confers great responsibility, it also creates opportunities for companies to become industry leaders in sustainable development, capturing competitive advantage in the process.

Despite the challenges from the pandemic, the trend toward increased sustainability continued in 2021 with new proposed legislative initiatives and increasing customer and investor focus on the topic. Chemical companies are expected to substitute unsustainable products, while offering innovations for a low-carbon, circular economy. Consequently, an increasing number of companies set new sustainability targets and announced sustainability initiatives.

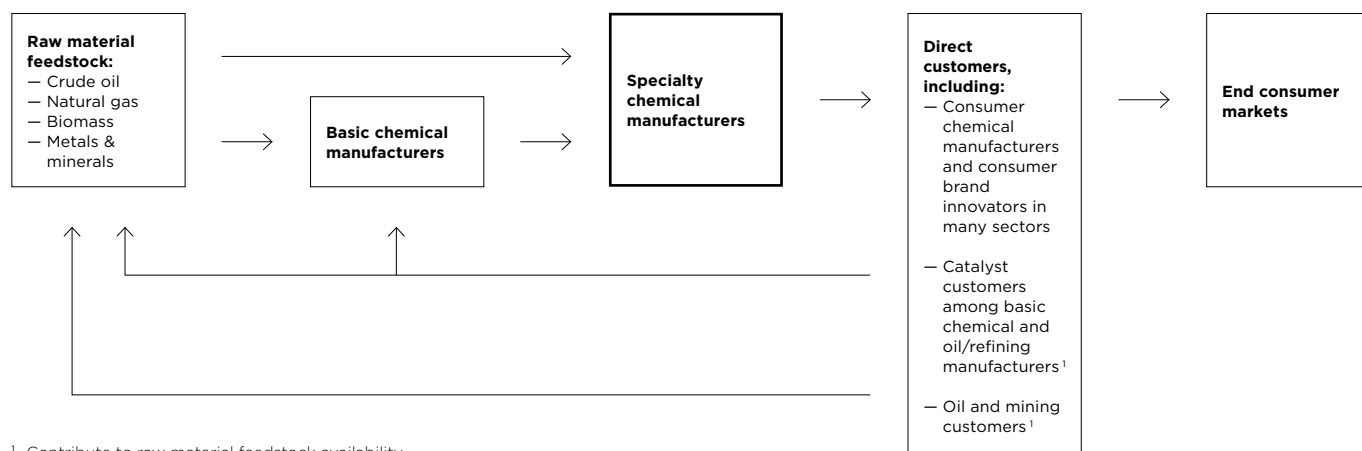
Mounting importance of the Chinese market and industry

China is the world's largest market for chemical sales. It accounts for about 35% of the global specialty chemical markets. There is a particularly high demand in its growing petrochemical industry. China's current five-year plan centers on innovation as the core concept to drive the country's modernization, promoting high-end, intelligent, and green production.

Local presence on the ground is a key to success in the Chinese market. This goes for manufacturing, lab support, products, and management. Therefore, chemical companies are making increased efforts to be close to their Chinese customers and partners and to work locally.

While chemical markets rebounded from the lows of 2020, recording growth in all regions, the Chinese market outperformed the other regions, increasing its relative market share compared to Europe and the U.S. in 2021.

006 THE ROLE OF SPECIALTY CHEMICAL FIRMS IN THE CHEMICAL INDUSTRY VALUE CHAIN



¹ Contribute to raw material feedstock availability

Organizational structure

Clariant is headquartered in Muttenz, Switzerland. The Group's continuing operations comprise five business units: Industrial & Consumer Specialties, Catalysts, Oil and Mining Services, Functional Minerals, and Additives. These business units and the Business Line Biofuels & Derivatives are reported in the three Business Areas Care Chemicals, Catalysis, and Natural Resources. The business areas form the basis for Clariant's reporting on a quarterly basis. For the former Business Unit Pigments, which had been reclassified as discontinued operations in 2019, Clariant signed a divestment agreement in 2021. The closing of the transaction was completed on 3 January 2022.

The organizational structure further comprises nine service units, and eight corporate functions. The responsibilities of the Executive Committee include the financial and operational management of the Group. → FIGURE 007

The composition of the three business areas is shown in → FIGURE 008.

Corporate Governance Report

Beyond the organizational structure, the Corporate Governance Report provides detailed information on the governance aspects underlying Clariant's business.

→ READ MORE ABOUT CORPORATE GOVERNANCE

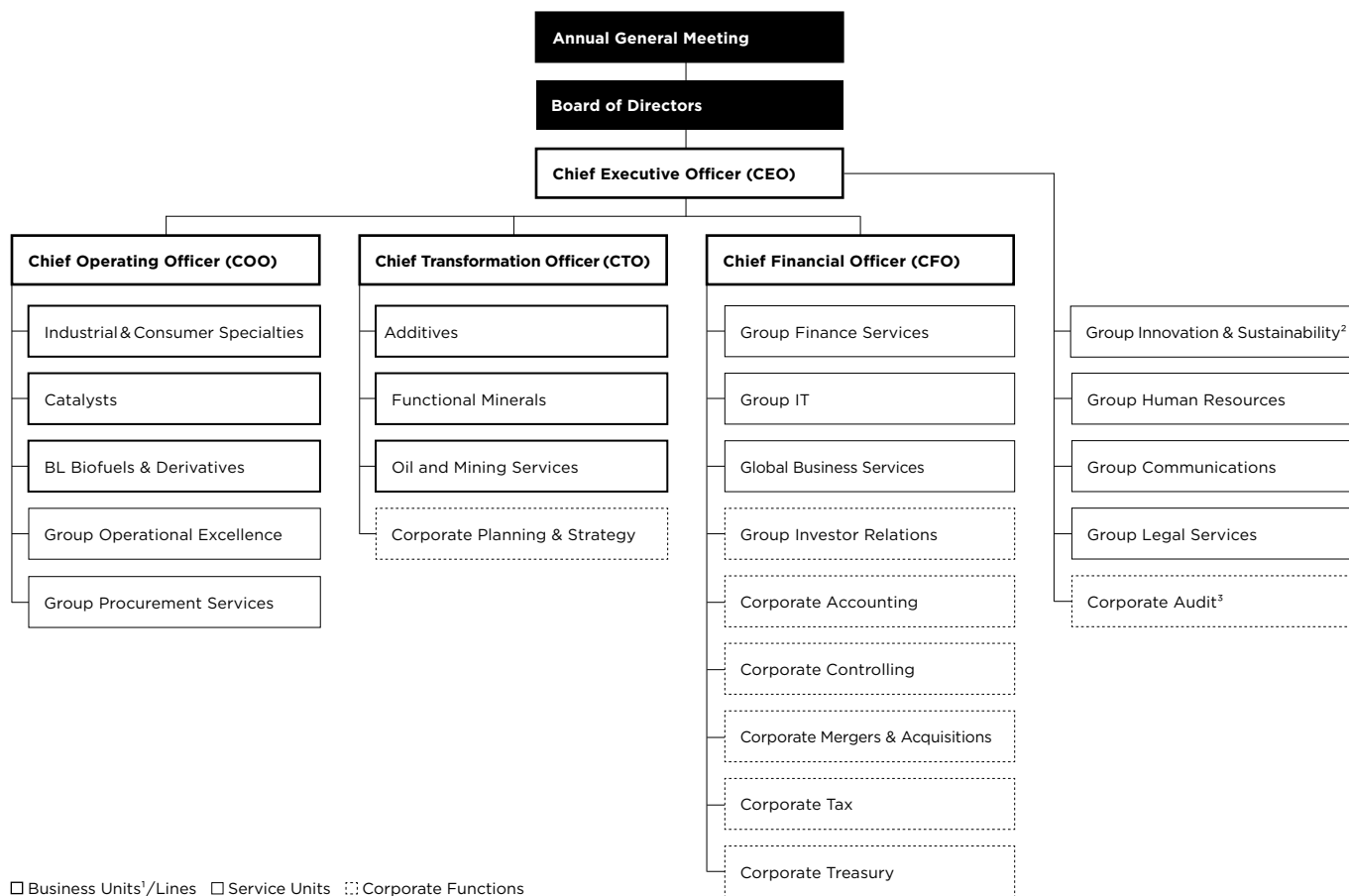
Core processes for value creation

The processes Idea to Market, Market to Customer, and Customer to Cash are essential to create value for all stakeholders. Turning customer needs into innovative and sustainable solutions, they form the core of Clariant's business model.

Idea to Market

Clariant believes that continuously investing in innovation is key to future success – even in times of economic uncertainty. Innovative chemistry is one of the four dimensions of the company's new purpose-led strategy. Based on the strategic approach to innovation, as well as on extensive Research & Development resources, Clariant develops high-performing solutions to satisfy unmet customer needs, while adding value with sustainability. To find

007 CLARIANT ORGANIZATIONAL STRUCTURE



¹ In 2019, Clariant decided to dispose of the Business Units Masterbatches and Pigments. The two business units concerned have been reclassified as discontinued operations. In 2020, Clariant successfully completed the sale of its Masterbatches business and launched the divestment process of its Pigments business, which was completed on 3 January 2022.

² As of 18 February 2022, the Head of Group Innovation & Sustainability reports directly to the CEO.

³ The CEO, together with the Chairman of the Audit Committee, is responsible for Corporate Audit.

these solutions, Clariant places a particular emphasis on the understanding of market and customer needs through collaboration and the leveraging of digitalization throughout the innovation process.

Market developments characterized by sustainability

Sustainability considerations become more and more important for the entire value chain. With end customers attaching increasing importance to product ingredients and sustainability performance, these topics are critical for Clariant's customers as well, particularly in customer-facing market segments, such as the

electrical and electronics, cosmetics, and home care segments. Regulatory requirements like the European Union's Green Deal or similar developments in other regions also highlight the fact that sustainability includes both operations as well as the transformation of the product portfolio.

Due to its systematic link between sustainability and innovation, Clariant is in an excellent position to benefit from this ongoing shift. The business areas have launched new products in 2021 that combine excellent performance with clear sustainability benefits.

New business opportunities through circularity

Enhancing circularity is one important dimension of adding value through sustainability. Companies in the chemical sector need to find new ways to close material loops by reusing products at the end of their life cycle. This offers new business opportunities for Clariant, as the company has been developing new business models systematically for many years, using redirected waste streams for new applications.

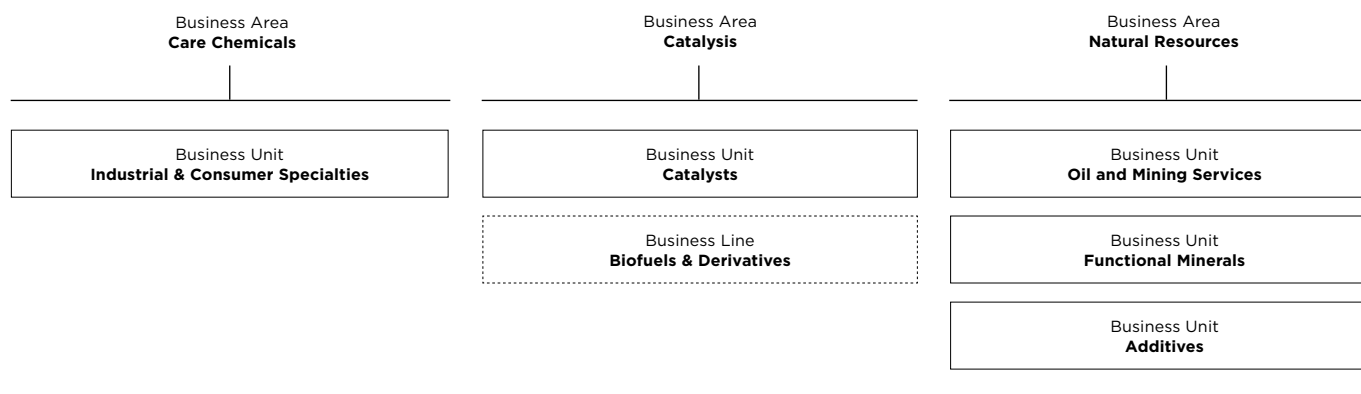
Digitalization: step-changing R&D and innovation processes

With a strong focus on sustainability-driven innovation, digital tools are powerful enablers of Clariant's innovation strategy. Digitalization of R&D and innovation processes enables significant gains in efficiency, increasing speed and optimizing resource consumption. Data capturing, advanced data analytics, computational science, and the setup of the required IT infrastructure, combined with lab automation and high-throughput experimentation (HTE) capabilities, allow Clariant to shorten its innovation cycles and reduce the time to market. In addition, Clariant uses digital tools to develop new digital business models and explore new ways to collaborate with customers. Digital collaboration solutions have become even more important due to the COVID-19 pandemic.

Five Technology Platforms for Clariant's research activities

Clariant's innovation activities are based on a strong network of more than 860 employees. R&D is performed in three flagship Innovation Centers in China, Germany, and India, where several BUs are represented. Dedicated centers with a focus on biotechnology, high-throughput experimentation for catalysts and

008 BUSINESS AREAS

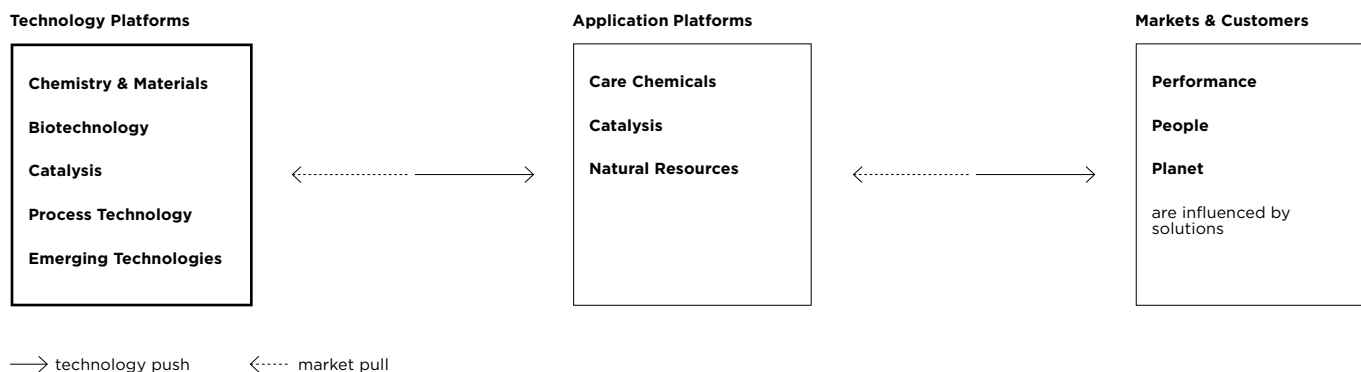


The Business Area Care Chemicals has a clear focus on highly attractive, high-margin, and low-cyclicity segments with c. 2/3 of the business being consumer-facing in Consumer Care and Industrial Applications.

The Business Area Catalysis contributes significantly to value creation in our customers' operations, ensuring that finite raw materials and energy are used efficiently and, in turn, ensuring the quality and yield of processes.

The Business Area Natural Resources adds value through enhanced sustainability benefits and by enabling circularity, supporting recycling solutions, and reducing customers' dependency on fossil resources, thereby helping them to achieve a lower carbon footprint.

009 CLARIANT INNOVATION CHAIN



consumer care innovation complement the global network of Clariant's R&D Centers based on a contract R&D model. Moreover, Clariant operates 45 Technical Centers across all regions to ensure proximity to customers. The company structures its research activities along five Technology Platforms → FIGURE 009, which collaborate closely with the business units to provide them with crucial technology expertise and innovative solutions:

- **Chemistry & Materials:** This Technology Platform focuses on new chemistries and formulations that meet emerging value propositions of Clariant's customers, while providing a clear sustainability benefit. Hosted within Business Unit Industrial & Consumer Specialties, this platform serves all business units to leverage synergies.

- **Biotechnology:** This Technology Platform focuses on the valorization of biomass toward biofuels and biobased chemicals by supporting the Business Line Biofuels & Derivatives in further developing the EcoTain®-awarded sunliquid® technology and all relevant business units.
- **Catalysis:** This Technology Platform develops innovative catalysts to increase the resource and energy efficiency of chemical processes and to reduce their environmental footprint. Hosted within Business Unit Catalysts, one specific focus of the Technology Platform lies in using greenhouse gases such as carbon dioxide as feedstock to be converted into valuable chemicals, e.g., methane and methanol.
- **Process Technology:** This Technology Platform focuses on process development and scale-up to commercial scale production by providing a comprehensive chemical engineering toolbox with the aim to provide safer and more sustainable high-performing manufacturing processes. Among others, the Data Science team makes use of advanced data analytics and artificial intelligence to further boost process performance.
- **Emerging Technologies:** This newly implemented Technology Platform focuses on emerging technology trends with high relevance for Clariant's business units and with high transformational impact. Current activities include high-throughput experimentation, digital formulation technologies, as well as cutting-edge analytical methodologies, to widen the solution space and accelerate time to market.

Centralized functions to support the technology platforms and business units

Several other units complement the five Technology Platforms.
→ FIGURE 009

Group Engineering, one of the functions of the newly created transformational Service Unit Group Operational Excellence (GOE), is responsible for managing and executing major and complex investment projects.

The Sustainability Transformation department is responsible for integrating sustainability in the company's products and processes. The department aligns innovation management practices with Clariant's sustainability programs to enhance its transformation roadmap.

Sustainability Transformation collaborates closely with Global Product Stewardship, a function responsible for monitoring all global regulatory developments, evaluating the impact and risk for Clariant's portfolio, and ensuring compliance of Clariant's products with regulatory requirements. The close interaction between Sustainability Transformation and Global Product Stewardship allows joint action in advocacy and regulatory affairs to tackle the wave of new legislation to be expected from the Green Deal in Europe and other regions likely following. Global Product Stewardship and Sustainability Transformation are involved early on in the innovation process to assure from the beginning that the product developed will be safe and sustainable by design.

By securing Clariant's patents and trademarks, Global Intellectual Property Management leverages the value creation from innovative products for Clariant.

Collaborations for innovation

To drive its innovation strategy, Clariant strongly relies on collaboration across functions and businesses, as well as with external partners. The company's Open Innovation initiative identifies collaboration partners in the private sector as well as at universities and other research institutions to source creative ideas.

Complementing its strong ties to different partner networks, Clariant strives to collaborate closely with partners in the supplier industry to develop solutions that are more sustainable when considering the entire value chain. Thus, the company's innovation team is collaborating closely with Group Procurement Services to create opportunities for joint supplier innovation.

Market to Customer

Clariant's success relies on its ability to understand customer needs and market trends along the entire value chain, to develop solutions that address those needs, and to capture the value created. To foster this ability, the company constantly builds and adapts its marketing and sales capabilities, optimizes its pricing, and continues to strengthen its customer relationships, supported by digitalization.

Customer demand for sustainable products increasing continuously

Driven by end consumer interest as well as anticipated policy and regulatory changes, customer demand for sustainable products further accelerated in 2021. Clariant supports the overall vision of such regulation, as it has the potential to foster innovation of sustainable products while preserving the competitiveness of Europe's industry. Clariant continues to promote new solutions that are more sustainable without compromising on performance or on the commitment to fulfilling customer needs. In 2021, Clariant awarded 18 new products the EcoTain® label for an outstanding sustainability profile. The screening, based on 36 sustainability criteria across the products' entire life cycle, is part of the Portfolio Value Program (PVP).

Furthermore, the company intensifies its efforts to demonstrate how its sustainable products can support customers in reaching the sustainability targets they have set regarding their supply chain.

Standing out in the market through specialized solutions

To meet the evolving ecological standards and its customers' quality expectations, the company aims toward ever increasing innovation and specialization, despite the ongoing commoditization, consolidation, and integration in the chemicals market. As a specialty chemical company, Clariant is working to maintain and strengthen its market position by delivering services tailored to customers' demands, both remotely and in person.

Biennial customer satisfaction survey

On a biennial basis, Clariant conducts customer satisfaction surveys to gain insights into how its customers perceive the company's operational, commercial, and innovation performance. The last survey in 2020 revealed improved values of the Customer Satisfaction Index, the Customer Loyalty Index, and in particular the Net Promoter Score (NPS) compared to 2018.

New organizational setup to challenge commercial performance

Customer centricity is important to stay ahead of the competition. That is why Clariant keeps challenging its commercial performance and reinventing its portfolios. After a reorganization in 2021, Clariant now embeds the Commercial Excellence initiative in the renewed Corporate Planning & Strategy (CP&S) group. With deep functional expertise, Commercial Excellence facilitates dialogue with current and prospective customers to improve commercial strategies, customer engagement, as well as sales and marketing operations. It concentrates on three areas that are central to all business units: Sales Force Effectiveness, Pricing Excellence, and Digital@Commercial.

- **Sales Force Effectiveness for improved marketing performance:** Sales Force Effectiveness (SFE) aims to increase sales performance and holistically assesses sales-related areas to identify levers for targeted improvements. In addition to its focus on improving sales force productivity, the team runs in-depth analyses of market gaps and of the performance potential for key market segments. This provides the basis for growth analytics, including lead identification, in cooperation with the business units. When analyzing short- and long-term market trends, Clariant always follows a triangulation approach, considering various sources and looking at a situation from different angles to avoid bias. Clariant continues to adjust and to differentiate customer profile development to ensure that profiles stay relevant. Observing the customer experience reveals both apparent and hidden needs of different roles at different points in time within the decision cycle and allows Clariant to tailor the value proposition accordingly. In 2021, the company made progress segmenting its broad market and product portfolio into logical blocks and

profiles, taking into consideration differences across business lines and business units, as well as proximity to the end consumer.

- **Mutually beneficial pricing through Pricing Excellence:** By determining mutually beneficial price points, Clariant transforms value created for customers into profitable growth for the company. Value calculators that can quantify and visualize the financial benefits of using Clariant's products as compared to the next best competing alternative are helpful to demonstrate a product's value to customers. Clariant's Pricing Excellence identifies intrinsic margin potential and supports the implementation of the pricing, based on data lake-driven analyses. New digital pricing tools integrate both internal and external sources, such as weather influences and commodity stock prices, and accurately execute the value calculations for customers and for Clariant.
- **Advancing customer relationships with Digital@Commercial:** Clariant's commercial activities are driven by digitalization. To help the business units offer tailored products and solutions for the customers, Digital@Commercial seeks to understand each touchpoint along the customer journey, systematically investigating potential digital opportunities for go-to-market approaches. The team initiates new projects together with the business units and supports the implementation in the initial phase. Furthermore, Digital@Commercial plays an important role in maintaining long-term customer relationships. Together with Group IT, the team develops, deploys, and rolls out updates of the Customer Relationship Management (CRM) system across business units. This includes user trainings, commercial analytics, and the development of relevant steering indicators.

Customer to Cash

Clariant continuously optimizes its operational chain. The company fosters process efficiency using digitalization, improves CAPEX efficiency with so-called front-end loading, responds to customer demands with agile approaches, and reacts to COVID-19 effectively with flexible short-term changes. Beyond that, Clariant strengthens its overall profitability with continuous cost savings in procurement, with safe, functional operations, and by further integrating sustainability into the value chain.

Connecting commerce and operations with end-to-end supply chains

Clariant continues to build integrated end-to-end supply chains, connecting the commercial with the operational value chain. The company translates customer requirements into demand planning, using an agile mindset as well as digital solutions and technology, including machine learning, demand sensing, and advanced analytics.

An organizational setup to foster operational excellence across business units

In the new organizational setup established in 2021, Operational Excellence forms part of the new transformational Service Unit Group Operational Excellence (GOE). The service unit helps Clariant's business units to deliver best-in-class operations performance, advancing continuous improvement from a Lean Six Sigma approach to a data science-driven, advanced-analytics approach. GOE also aims to reduce CAPEX consumption for every significant CAPEX project across business units.

Digitalization for optimal processes

Digitalization optimizes process efficiency in various ways. Digital lean methods use computer-based optimization to go beyond manual improvements of a classical lean approach. Drawing from increased data availability, this allows digitally steered processes with advanced controls, including in-time raw material delivery, improved plant throughput, system and employee scheduling, and energy use optimization.

Front-end loading for CAPEX efficiency

For CAPEX projects, Clariant established a new governance, introducing a stringent stage-gate process. With front-end loading, project teams can only tackle a new project phase after completing the previous phase, beginning with a clear definition of the business case. This approach leads to more stringent project management and requires systematically identifying and assessing potential innovation needs.

Well-positioned through agile approaches

Benefits for customers are the primary driver for improvements in the operational chain. To satisfy the customers' evolving expectations, Clariant keeps improving its agility. The company has fully adapted agile approaches like the SCRUM methodology, which are established through team trainings and a black belt curriculum. To offer optimal lead times, the company fine-tunes improvements based on feedback from users along the operational chain, including controllers, procurement officers, and production personnel.

Global supply chains under pressure due to COVID-19

COVID-19 keeps challenging Clariant's supply chain management and demand planning. The pandemic influences raw material availability, product delivery, and logistics performance at customer sites. Flexibility and a global sourcing network that mitigates supply shortages allow Clariant to respond to these challenges quickly and effectively.

Coordinated procurement for cost efficiency

In 2021, almost 3 200 vendors delivered raw materials worth CHF 1.9 billion to Clariant's continuing operations. Given these figures, aligned and coordinated procurement activities are vital for overall cost competitiveness and related efficiency. Clariant keeps a structured value chain approach, combined with improved and digitally supported processes. Thus, Group Procurement Services contributed to achieve relevant savings to support all business units. Additional cost efficiency measures, supported by digital enablers, resulted in further cost savings to reach top quartile level among industry peers.

Operational safety: a key priority

A safe operational chain is of utmost importance for Clariant as a responsible employer. It is also necessary to minimize disruptions in production. Thus, Clariant has defined a safety target of zero accidents in its operations. In 2021, the lost-time accident rate (LTAR) remained constant at 0.16 days lost per 200 000 hours of work. Because of the COVID-19 pandemic, Clariant established additional security and safety concepts to guarantee the health and safety of employees at all times.

Sustainable operations for sustainable success

Sustainability is a key priority for Clariant's own operations, but also across its entire value chain. The company continues to increase its renewable energy share, a cost-effective measure with positive environmental impacts. Clariant also keeps rethinking its operations in the pursuit of climate-neutral production. For instance, the design of plant construction aims toward an optimal flow of energy to minimize consumption. Driven by customer demand for sustainable chemistry, Clariant considers carbon footprint and origin when sourcing raw materials. In cooperation with the business units, Clariant continuously seeks solutions for alternative materials.

A PURPOSE-LED STRATEGY

Clariant aims to move toward top-quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people. Based on its new purpose, »Greater chemistry – between people and planet,« Clariant unveiled a new purpose-led strategy with four dimensions, accompanied by new financial and non-financial targets. The strategy reflects Clariant's ambition to create value with innovative chemistry and a sustainability focus, putting customers, employees, and the planet at the center of all activities.

Strategic dimensions

A strategy to reflect Clariant's new purpose

The world is changing quickly. In addition to the ongoing challenges of the COVID-19 pandemic and the related economic issues, such as supply chain disruptions, the effects of climate change are becoming more and more tangible. Thus, climate change and carbon footprint are important priorities for Clariant and the entire industry. Clariant's innovation power, customer proximity, and its

uniquely talented and experienced people enable the Group to deliver products with an outstanding technical and sustainability performance. Against this background, Clariant unveiled its new purpose, »Greater chemistry – between people and planet.« This purpose leads Clariant's new strategy. → FIGURE 010

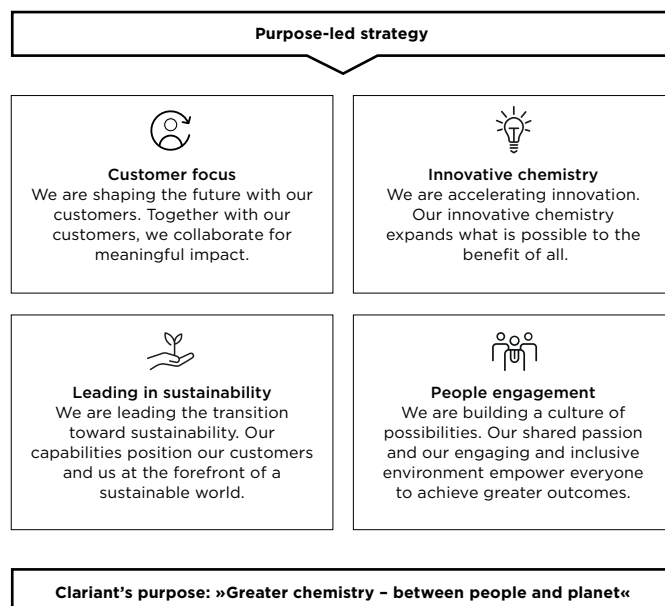
Four strategic dimensions

The new purpose-led strategy replaces Clariant's five-pillar strategy. It establishes four strategic dimensions:

- **Customer focus:** Customer centricity is an important differentiator to stay ahead of the competition. With a series of divestments since 2019 and the closing of the Pigment business sale on 3 January 2022, Clariant has become more simplified and focused with a true specialty chemical portfolio. This focus allows even more customer centricity in the three business areas. Clariant continues to become more agile, delivering tailor-made solutions to satisfy customers' evolving expectations mirroring their enthusiasm. To understand customer needs and develop corresponding solutions, Clariant focuses on building strong customer relationships.
- **Innovative chemistry:** At Clariant, chemistry stands for unique solutions that redefine what conventional wisdom considers to be possible. In line with its focus on ever increasing innovation and specialization, Clariant has an innovation pipeline of high-performance solutions throughout its three business areas. These solutions are strongly linked to customer-driven sustainability requirements. Continuously investing in Research & Development – even in times of economic uncertainty – is crucial for future success and for business growth above market growth.

- **Leading in sustainability:** Customers and stakeholders around the globe are demanding sustainable solutions while moving away from products and investments that have a negative sustainability footprint. Legislation around the globe to address sustainability challenges is further driving the transformation of entire value chains. Clariant is in an excellent position to benefit from this ongoing shift. Innovation and sustainability are systematically linked at Clariant. The company continues to promote new solutions that are more sustainable. In addition, sustainability is a key priority for Clariant's own operations and the entire value chain in terms of raw materials, the use of renewable energy, and climate-neutral production.
- **People engagement:** Appreciation for people lies at the core of Clariant's holistic approach to value creation. A culture of dialogue and mutual respect, dedication to sustainable, innovative technologies, and continuous transparency and integrity are key characteristics of Clariant's stakeholder engagement. The company values customer relationships and ongoing dialogue with suppliers, shareholders, and public policy platforms. → FIGURE 011 Clariant is particularly committed to engaging with employees on all levels. Through the lens of people centricity and by making the well-being of employees a priority, Clariant fosters a culture where people feel valued. By actively promoting diversity, inclusiveness, mutual appreciation, empowerment, and safety at work, Clariant creates an environment where everyone can contribute and develop their talents to their fullest potential. The excellent work and commitment of Clariant's global team is a key competitive factor.

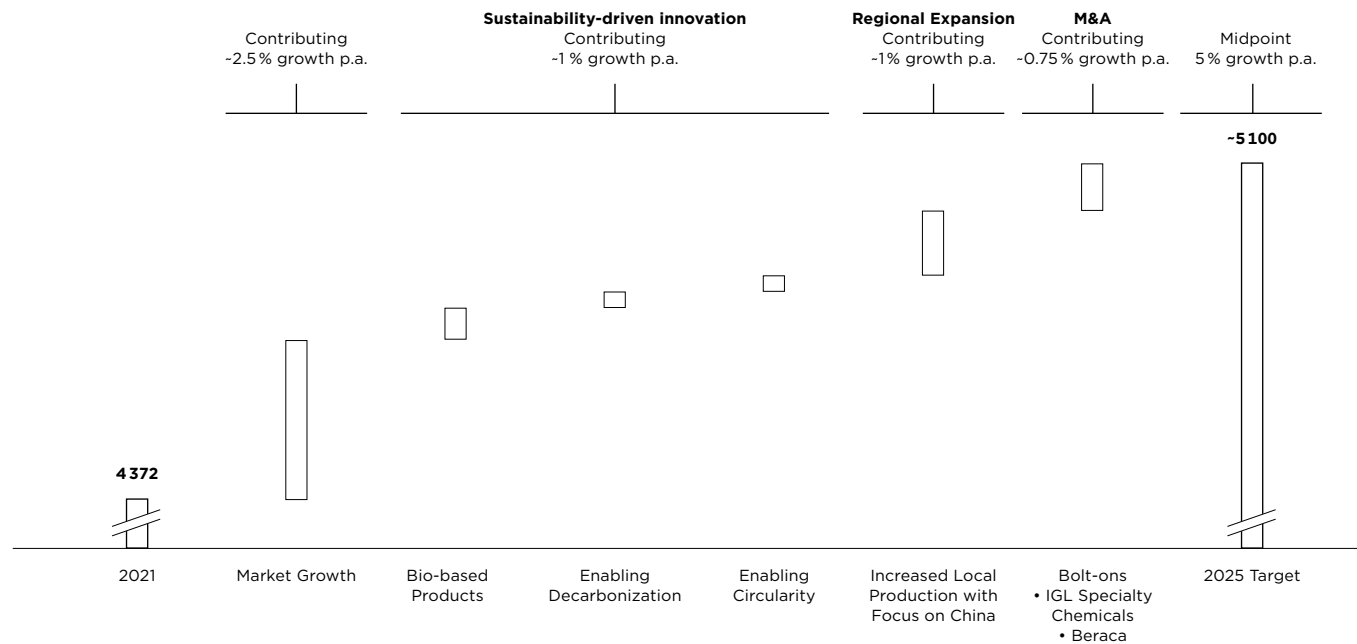
010 CLARIANT'S NEW PURPOSE-LED STRATEGY



011 EXAMPLES OF STAKEHOLDER ENGAGEMENT

Stakeholder Group	Examples of engagement formats		Key needs and concerns
Customers	— Daily interactions — Marketing and Innovation Excellence Initiatives: Customer interviews, innovation workshops, joint ideation, iGarage — Best practice exchange sessions	— Co-branding EcoTain® — Biennial customer satisfaction survey — Trade fairs and international conferences	— On time, in full: quality, reliability of supply, prices — Innovative solutions — Achieving sustainability goals — Circular economy
Employees	— Personal dialogs — Intranet, Yammer, newsletters, town halls — Biennial company-wide »Pulse Survey« and ad-hoc surveys on selected topics (e.g. Purpose, DE&I, etc.) — Performance management cycle — mySuccess platform — Awards landscape (special recognition, appreciation, badges) — Integrity Line — Global Learning Catalogue	— Evaluation of training and development programs — Employee assistance programs (with local adaptations) — Diversity, Equity, and Inclusion communities and focus groups — Interactions on social media and employer review sites	— Wages, salaries, and benefits — Competence building — Leadership skills — Occupational health, safety, and well-being — Integrity — Diversity, Equity, & Inclusion — Digitalization, simplification and harmonization — Remote management capabilities — Work-setup and configuration — Clariant Purpose, culture and values
Shareholders	— Integrated Report — Annual General Meeting — Quarterly Results - including conference call and webcast — Financial Media Releases — Roadshows — Participation at conferences		— Value creation — Growth and capital returns — Contribution to environmental, social, and governance improvements — Access to up to date public financial information — Insight into Clariant's outlook
Environment	— Corporate culture that prioritizes environmental stewardship — Innovative and sustainable products and offerings addressing sustainability challenges — Environmental management tools and programs	— Low-Carbon Emitting Technologies in the Chemical Industry initiative of the World Economic forum — EcoCircle collaborations fostering transition to a circular plastics economy — Alliance to End Plastic Waste (AEPW) — »Driving change in a changing world« videos on YouTube	— Minimizing impacts on the environment — Safeguarding natural resources — Reducing environmental footprint and handprint of customers
Suppliers	— Together for Sustainability (TfS) initiative — Supplier performance assessment reviews — Regularly communicating updated standard information package — Yearly procurement events — EcoTain® and other partnerships — Open Innovation initiative		— Prices, payment practices — Lead time — Supplier Code of Ethics — Safety — Circular economy — Digitalization
Polymakers and Civil Society	— Engagement in trade associations, multistakeholder alliances, sectorial associations, and scientific and research associations — Community dialogues — Dialogue with polymakers and related stakeholders (industry alliances, NGOs, academia) on public policies	— Preparation of Position Papers and communication materials — Participation to conferences and events	— Governance and compliance — Sustainable chemistry — Circular economy — Bio economy — Climate change and energy transition

012 ATTRACTIVE SALES GROWTH TRAJECTORY SUPPORTED BY MULTIPLE LEVERS IN CHF M



Financial and non-financial targets

New medium-term targets to guide Clariant's value creation

The four dimensions of the new purpose-led strategy are reflected in Clariant's new medium-term financial and non-financial targets. They reflect Clariant's ambition to achieve top-quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people.

By 2025, Clariant is targeting to grow its top line with a 4-6% compound annual growth rate (CAGR) and to increase its EBITDA margin to 19-21%. In addition, Clariant introduces a cash conversion target for the first time: The company is planning to reach a free cash flow (FCF) conversion ratio of around 40% by 2025 – a figure that Clariant defines as cash flow from operations minus capex, divided by EBITDA.

FINANCIAL TARGETS BY 2025

	Clariant Group
Sales growth (CAGR) (%)	4-6
EBITDA margin ambition (%)	19-21
FCF conversion expectation (%) ¹	~40

¹ Defined as (cash generated from operating activities – capex)/EBITDA.

Clariant has also set itself science-based climate targets: By 2030, the company plans to reduce its Scope 1 and 2 emissions by 40% and its Scope 3 (cat. 1) emissions by 14%. Finally, Clariant aims to be in the top quartile in employee engagement in its industry.

NON-FINANCIAL TARGETS BY 2030

	Clariant Group
Reduction in Scope 1 and 2 emissions (%)	40
Reduction in Scope 3 (cat. 1) emissions (%)	14
Employee Net Promoter Score (eNPS)	Top quartile

Levers for sales growth

Clariant's plan to reach an annual midpoint sales growth of 5% on average by 2025 is based on four types of growth levers → FIGURE 012:

- 2.5% market growth of current market segments with actual geographic footprint;
- 1% growth above the market from sustainability-driven innovation, especially from products that are bio-based, that enable decarbonization, or that enable circularity;
- 1% growth from regional expansion through increased local production, with a focus on China; and
- 0.75% growth from M&A activities, in particular the acquisition of Beraca in Brazil and CICS, the joint venture with India Glycols.

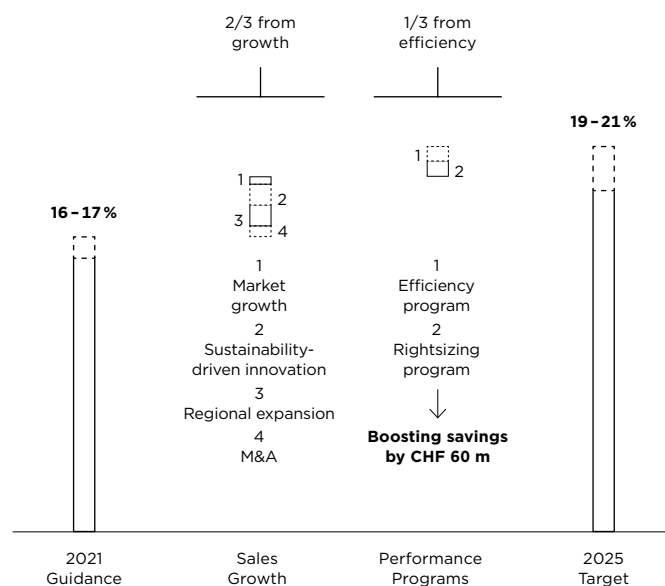
Clariant's high-quality core portfolio operates across diverse, growing end markets. That is why it is more resilient – and less volatile – than Clariant's pretransformation portfolio. On this basis, Clariant is well set to grow its business in excess of the expected annual market growth of approximately 2.5% and to increase its operating leverage. Differentiated steering and focused allocation of capital and resources will further amplify Clariant's growth.

Sustainability-driven innovation raises the average annual growth by approximately 1%. Clariant focuses on bio-based products and solutions that enable decarbonization and circularity, including the EcoTain® product range.

Regional expansion is another important growth driver for Clariant – with China as the main growth region. By allocating approximately 35% of its growth capital expenditure (CAPEX) to China, the company expects its sales share to grow to around 14% by 2025 versus the current 10% contribution. In total, Clariant anticipates regional expansion to contribute around 1% additional average annual sales growth.

Clariant is also well prepared for bolt-on M&A transactions to close product, market, and technology gaps. The recent transactions in Care Chemicals – CICS, the joint venture with India Glycols, and Beraca in Brazil – reflect Clariant's successful adherence to these criteria. These transactions will positively impact the top line with a combined sales contribution of 0.75 % to average annual growth.

013 MEASURES TO DRIVE EBITDA MARGIN¹ RANGE TO 19-21 %



¹ Continuing operations

Improving efficiency for an increased EBITDA margin

In terms of profitability, Clariant's ambition is to take the EBITDA Group margin corridor to a range of 19 to 21% by 2025. This margin improvement will be leveraged by around two-thirds from sales growth while efficiency improvements will contribute by approximately one-third. → FIGURE 013



Q&A

Richard Haldimann

Chief Technology & Sustainability Officer

In February 2022, you became the new head of Group Innovation & Sustainability (GIS) at Clariant.

How do you plan to accelerate sustainability-driven innovation?

The key is to develop solutions that make our customers successful including helping them to achieve their own sustainability targets. Concretely this means the products need to have both outstanding technical as well as sustainability performance. With the new operating model in place at GIS, we bring all the key corporate units together that support the businesses which bring sustainable innovations into the market. By doing this, we create meaningful impact reflected in the increasing sustainability of our product portfolio as well as in increased profitable growth.

What will be the focus areas of Group Innovation & Sustainability going forward?

We will concentrate on three core agendas: First, we want to achieve climate-neutral and sustainable operations here at Clariant. Second, the ongoing sustainability-driven portfolio transformation is vitally important for profitable growth. And third, we want to foster our sustainability-based engagement as a Corporate citizen.

Could you describe Clariant's sustainability journey?

Adding value with sustainability has long been a key element of our business strategy. And the way to create that

value is by eliminating waste and emissions in our operations as well as through constant innovation and R&D. Sustainability challenges provide opportunities for better operations and products. This has resulted in setting new environmental targets and breaking down our SBTi climate targets bonus relevant. By 2030, we want to reduce Scope 1 and 2 emissions by 40 % and Scope 3 (cat. 1) emissions by 14 %.

How do customers profit from these efforts?

Our customers will very directly benefit from our efforts by getting products with a lower carbon footprint and an overall better sustainability profile. Let me give you two illustrative examples: We developed Safebreak® life, the first high-performing brake fluid without hazardous borate esters. This product increases user safety when changing the fluid. In addition, it is fully biodegradable, and has a low carbon footprint. It sets brake fluid producers on the path to more sustainability without compromising on performance. Or take the issue of microplastics connected with polymer-based materials: We provide the industry with a biobased alternative called Licocare® RBW Vita, which is highly performant and biodegradable, thus preventing the formation of microplastics. It can potentially replace polymer alternatives in various applications such as coatings, consumer products, and agriculture.

Clariant is currently executing one of the largest and most comprehensive performance programs in its history. Through the extended rightsizing program, Clariant reduces complexity, drives automation, and leverages shared service centers. The performance program also encompasses reducing and transferring positions and reducing indirect spend. In total, Clariant is targeting cost eliminations of approximately CHF 240 million: Around CHF 100 million are focused on remnant cost elimination; around CHF 30 million affect discontinued operations; and CHF 110 million accrete to the core.

Improving FCF conversion with capital and cost discipline

Clariant is strongly committed to capital and cost discipline and expects free cash flow conversion – defined as cash generated from operating activities minus capex, divided by EBITDA – of around 40% toward 2025.

Capital expenditure (CAPEX) in the upcoming year is likely to remain high as Clariant phases existing projects and captures new growth opportunities from higher customer demand. More than half of this CAPEX will be used for growth: Clariant will continue to invest in attractive businesses such as Care Chemicals, Catalysts, and Additives, and in growth regions like China. Clariant will also step up investments in sustainability measures, especially to reduce greenhouse gas emissions. Toward 2025, CAPEX is expected to normalize in the range of CHF 280 million to CHF 320 million per year. Together with Clariant's profitable growth, the reduction in CAPEX will result in a significant improvement in FCF conversion and a continued improvement in ROIC.

Non-financial targets to reflect emission reductions and employee engagement

Clariant is a leader in sustainability, so setting ambitious non-financial targets for itself is only a logical next step. The 2030 non-financial targets reflect Clariant's purpose-driven strategy and its commitment to people and planet. Clariant plans to reduce Scope 1 and 2 emissions by 40% and Scope 3 (cat. 1) emissions by 14%. Based on latest climate science, the Science-Based Targets initiative (SBTi) considers these goals to be in line with the necessary steps to meet the targets of the Paris Agreement. In addition, Clariant aims to become a top-quartile company in terms of employee engagement, using this target as a benchmark for measuring its ambition to become the employer of choice in its industry.

Strategic implications at the business area and regional level

All three business areas have strong market positions and the ability to deliver growth. Clariant focuses on bringing all core businesses to their full potential. The company will follow a differentiated growth strategy and invest in its most attractive businesses and market segments.

The regrouped regional structure, which is based on the four regions APAC (Asia-Pacific), EMEA (Europe, Middle East, and Africa), LATAM (Latin America), and NORAM (North America), is aligned with Clariant's strategic plans. Clariant plans to further develop its footprint and sales in NORAM and APAC, in particular in China.

Strategic Management Process

Clariant's Strategic Management Process (SMP) is conducted by the business units in collaboration with Corporate Planning & Strategy. The SMP ensures that Group-level as well as business unit-level strategy development is an iterative process that addresses the relevant megatrends observed by Clariant. In the 2021 cycle, in addition to refreshing business unit strategies, further strategic topics covered were innovation, sustainability, and global growth drivers, specifically China and differentiated steering of CAPEX.

Despite the current COVID-19 situation, Clariant refreshed its SMP for all business units in 2021 and affirmed its must-win battles. Typically, the full strategic management process is conducted every three years, and must-win battles are reviewed either as the battles are won or as new critical battles are identified.

Implementation of the strategy is now underway with initiatives to maximize total value, together with those supporting growth, innovation, and sustainability.

CONTRIBUTING TO THE SDGS

Clariant is committed to contributing to the Sustainable Development Goals (SDGs) of the United Nations. These 17 goals outline a clear path to a more sustainable future and offer key business opportunities for the company.

Sustainable development and market potential

The SDGs provide a global framework for the most urgent societal and environmental necessities. The goals are defined in everyday language and offer a well-defined set of actions for all stakeholders. They are at the heart of the United Nations 2030 Agenda for Sustainable Development.

014 CLARIANT'S PRIORITY SUSTAINABLE DEVELOPMENT GOALS



The business community recognizes the SDGs as a powerful way to foster innovation and growth. According to the Business & Sustainable Development Commission's »Better Business, Better World« report, USD 12 trillion of additional market value could be generated by 2030 if the SDGs are achieved.

Clariant can contribute to the SDGs with its innovative and sustainable products and services, strong environmental management, and a commitment to respect and protect human rights across its own operations and the supply chain.

Evaluating Clariant's impact on the SDGs

Clariant assessed both the positive and negative impacts of its products and services, operations, value chain, collaborations, and corporate citizenship activities, to evaluate the impact of its business activities in relation to the 17 SDGs, including all 169 underlying targets and the corresponding indicators. All business units and several Service Units were involved in performing, reviewing, and validating this analysis.

015 EXAMPLES OF CLARIANT'S ACTIVITIES AND PRODUCTS CONTRIBUTING TO THE SDGS

3 GOOD HEALTH AND WELL-BEING → EcoTain® products → Portfolio Value Program → RED SNOW® BEAUTY IN SEASON → CLARIANT AND CASALE DEVELOP NEW AMMONIA CATALYST FOR SUSTAINABLE CO₂ REDUCTION	7 AFFORDABLE AND CLEAN ENERGY → 2025 environmental targets regarding energy consumption, waste generation, water consumption, and wastewater generation → Science-Based Target initiative → Sunliquid® technology → HOW CLARIANT IS LAYING THE GROUND FOR SECOND-GENERATION BIOFUELS AND MUCH MORE → CLARIANT AND CASALE DEVELOP NEW AMMONIA CATALYST FOR SUSTAINABLE CO₂ REDUCTION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE → high-performing catalysts → sunliquid® second-generation (2G) biofuel technology → various regional R&D centers → digitalization investments (operations and stakeholder interaction) → CLARIANT GENERATES A BUZZ IN CHARLOTTE, NC, WITH THE OPENING OF NEW INNOVATION CENTER → HOW CLARIANT IS LAYING THE GROUND FOR SECOND-GENERATION BIOFUELS AND MUCH MORE → TAKE A PEEK INSIDE OUR CONNECTED AND DIGITALIZED POLYPROPYLENE CATALYST PLANT → TRANSPORTATION REVOLUTION AIDING THE SWITCH TO SAFER E-MOBILITY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION → EcoTain® products → Portfolio Value Program → EcoCircle initiative → 2025 environmental targets regarding energy consumption, waste generation, water consumption, and wastewater generation → Science-Based Targets initiative → Sunliquid® technology → high-performing catalysts → various regional R&D centers → digitalization investments (operations and stakeholder interaction) → RED SNOW® BEAUTY IN SEASON → A NATURAL RHEOLOGY MODIFIER THAT BRINGS REAL CHANGE → HOW CLARIANT IS LAYING THE GROUND FOR SECOND-GENERATION BIOFUELS AND MUCH MORE → CLARIANT AND CASALE DEVELOP NEW AMMONIA CATALYST FOR SUSTAINABLE CO₂ REDUCTION	13 CLIMATE ACTION → 2025 environmental targets regarding energy consumption, waste generation, water consumption, and wastewater generation → Science-Based Targets initiative → Sunliquid® technology → A NATURAL RHEOLOGY MODIFIER THAT BRINGS REAL CHANGE → HOW CLARIANT IS LAYING THE GROUND FOR SECOND-GENERATION BIOFUELS AND MUCH MORE → CLARIANT AND CASALE DEVELOP NEW AMMONIA CATALYST FOR SUSTAINABLE CO₂ REDUCTION → TRANSPORTATION REVOLUTION AIDING THE SWITCH TO SAFER E-MOBILITY	17 PARTNERSHIPS FOR THE GOALS → EcoCircle initiative → Continuous engagement in partnerships with customers, suppliers, universities, and other research institutes as well as peers → CLARIANT GENERATES A BUZZ IN CHARLOTTE, NC, WITH THE OPENING OF NEW INNOVATION CENTER → HOW CLARIANT IS LAYING THE GROUND FOR SECOND-GENERATION BIOFUELS AND MUCH MORE → TAKE A PEEK INSIDE OUR CONNECTED AND DIGITALIZED POLYPROPYLENE CATALYST PLANT → CLARIANT AND CASALE DEVELOP NEW AMMONIA CATALYST FOR SUSTAINABLE CO₂ REDUCTION

→ READ MORE IN OUR REVIEW ON PERFORMANCE, PEOPLE, AND PLANET

While Clariant contributes in some respect to every SDG, six priority SDGs were identified. Four of these SDGs were paired, as their relevance to Clariant cannot be evaluated independently.

→ FIGURE 014

- SDG 3 »Good Health and Well-being« and SDG 12 »Responsible Consumption and Production«
- SDG 7 »Affordable and Clean Energy« and SDG 13 »Climate Action«
- SDG 9 »Industry, Innovation, and Infrastructure«
- SDG 17 »Partnerships for the Goals «

In addition to this list, certain business units also contribute to SDG 2 »Zero Hunger,« SDG 6 »Clean Water and Sanitation,« and SDG 15 »Life on Land.«.

The above overview provides selected examples of how Clariant contributes to the different SDGs. → FIGURE 015

MATERIALITY ASSESSMENT

In line with the strategic dimensions, Clariant conducts comprehensive materiality assessments on a regular basis. Validated by external stakeholders, the company identifies the topics that have the greatest impact on the ability to create long-term value and prioritizes with respect to performance, people, and planet.

New comprehensive materiality assessment in 2021

Clariant evaluates the materiality of economic, environmental, and social topics on an ongoing basis, drawing upon regular stakeholder discussions and market monitoring. In addition, Clariant conducts comprehensive materiality assessments to identify relevant issues and to prioritize initiatives. After the last assessment in 2017, this process was conducted again in the past business year.

Drawing from recognized sources

The materiality assessment is based on two internationally recognized frameworks: first, the Integrated Reporting <IR> framework issued by the International Integrated Reporting Council (IIRC), which is now part of the Value Reporting Foundation (VRF), and second, the sustainability reporting standards of the Global Reporting Initiative (GRI). An external service provider specialized in materiality assessments facilitated the process.

Based on these frameworks and other sources, including the Sustainability Accounting Standards issued by the Sustainability Accounting Standards Board (SASB), the UN Global Compact, the SDGs, and topics covered by relevant ESG ratings and rankings, Clariant compiled an extensive list of economic, environmental, and social topics as a first step in the process. Topics that Clariant and its peers had identified in the past supplemented this catalog such that the resulting list comprised 240 entries. Consolidating these entries resulted in 28 topics.

Feedback from two perspectives

As a second step in the process, 42 external stakeholders provided their views on the relevance of each topic, while 13 senior Clariant managers evaluated the importance of the issues for Clariant's value creation.

The external stakeholders were selected based on carefully defined criteria. The group included customers, nongovernmental organization representatives, sustainability experts, scientists, suppliers, and financial stakeholders.

Clariant senior managers evaluated the potential influence of the topics on strategy development and achievement, market positioning and growth opportunities, risk and reputation management, and compliance. Thus, Clariant implicitly accounted for impacts on sustainable development by considering these risks and opportunities.

The worldwide surveys of Management and stakeholders were conducted in English and Mandarin.

As the final step of the process, Clariant's senior management evaluated and validated the results of the assessment in a follow-up workshop.

Materiality Matrix

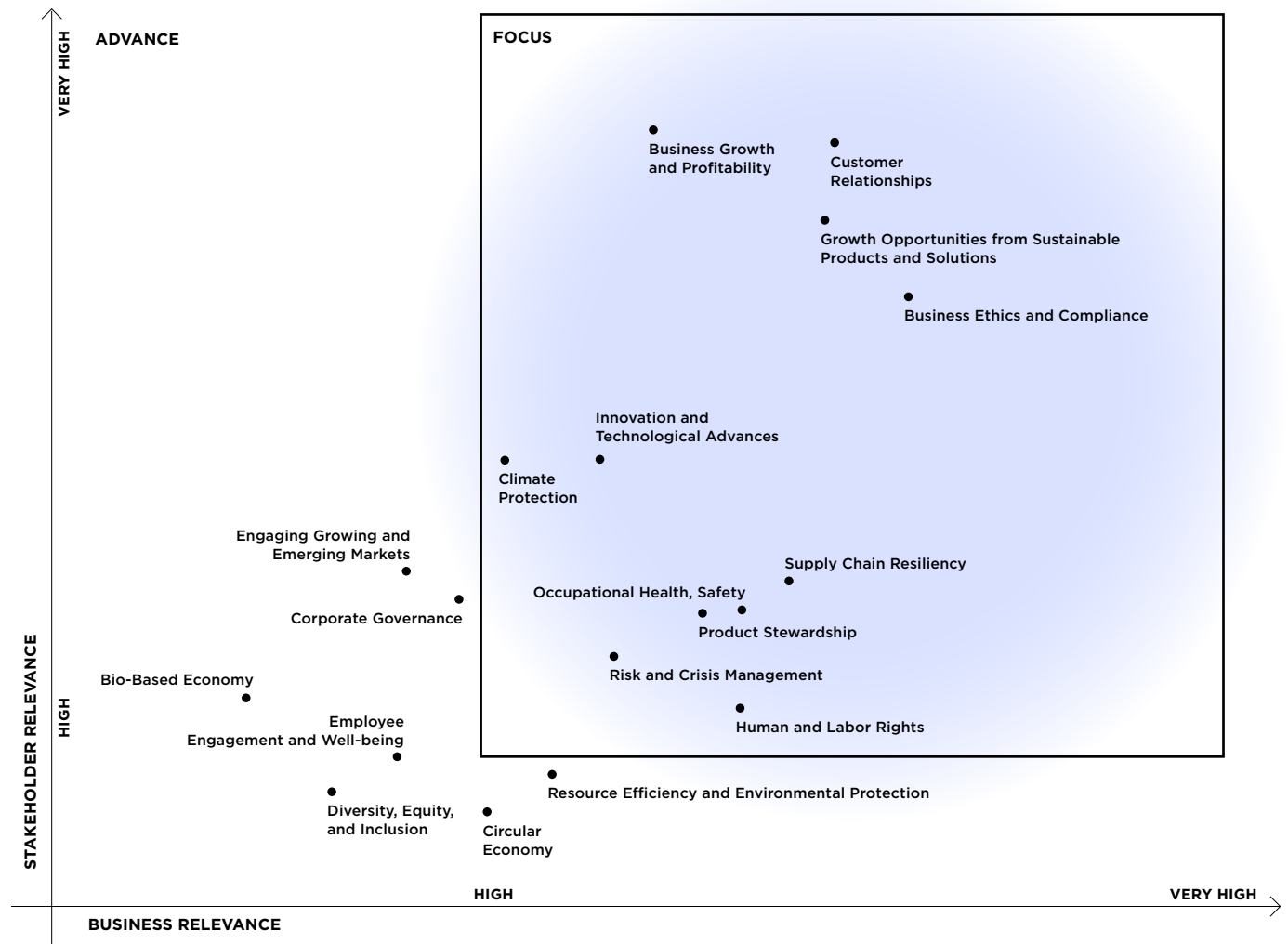
The Clariant Materiality Matrix summarizes the outcomes of the assessment. → FIGURE 016 The horizontal axis depicts the relevance of the topics for Clariant's value creation, whereas the vertical axis shows the relevance of the topics to stakeholders. The topics fall into two categories: Advance and Focus. Focus topics are essential to Clariant's ability to create long-term value; Advance topics offer opportunities that will allow Clariant to better meet expectations.

Review on Performance, People, and Planet

This publication depicts Clariant's dedicated management approaches, as well as current developments, activities, and achievements for each material topic.

→ REVIEW ON PERFORMANCE, PEOPLE, AND PLANET

016 CLARIANT MATERIALITY MATRIX



Value Creation in the 2021 Financial Year

VALUE CREATION AT THE GROUP LEVEL

Clariant not only concluded its announced divestment program, but also generated markedly higher organic sales growth with a profitability level in 2021 well above 2019 pre-COVID-19 pandemic levels. The Company was able to successfully manage the challenges from unprecedented developments in raw materials, as well as energy and logistics cost. These results positively reflect the attractiveness of the Group's higher-value specialty portfolio and provide tangible proof of the continued effective execution of cost discipline and the efficiency improvement programs.

In the full year 2021, continuing operations sales were CHF 4 372 billion, compared to CHF 3 860 billion in the full year 2020. This corresponds to an increase of 15% in local currency and 13% in Swiss francs. Both pricing and volume growth had a positive impact on the Group of 8% and 7%, respectively.

In the full year 2021, sales rose in almost all geographic regions. The developments in Europe, the Middle East and Africa, Asia-Pacific, including China, and Latin America were particularly robust with sales expansion in the range of 16% to 20%. The sales gap in North America continued to dwindle, and the region ended the year unchanged versus the previous year levels due to the ongoing recovery in Oil and Mining Services.

Care Chemicals sales rose by 22% in local currency in the full year 2021 with a double-digit organic sales increase in both Industrial Applications and Consumer Care. In Catalysis, the top-line was up by 5% in local currency, supported by Syngas, Specialty Catalysts, and emission-control catalyst demand. Oil and Mining Services, Functional Minerals, and particularly Additives all contributed to the 14% local currency sales growth reported in Natural Resources.

The continuing operations EBITDA increased to CHF 708 million as the Group improved profitability on the back of notable sales expansion, operating leverage together with the continued successful pricing measures largely offsetting raw material price increases of approximately 21%, and the execution of the performance improvement programs, which resulted in additional cost savings of CHF 41 million in the full year 2021. Clariant recognized a CHF 33 million net VAT-related credit over the full year 2021, which was offset by exceptional cost, largely related to the performance improvement programs. The EBITDA margin increased to 16.2% from 15.5% in the previous year due to the profitability improvement in Care Chemicals and Natural Resources and the continued cost discipline across the Group.

In 2021, the total Group net result was CHF 373 million versus CHF 825 million in the previous year, CHF 102 million excluding the gain on the Masterbatches disposals. The 2021 net result was positively affected by the strong business performance of the continuing operations and the corresponding margin improvement. In 2020, the gain on the disposal of the Masterbatches business of CHF 723 million and the partial reversal of CHF 50 million of the EU fine provision had an extraordinary positive impact on the result.

Operating cash flow for the total Group was CHF 363 million, just slightly below the previous year level of CHF 369 million, despite a growth-driven cash outflow in net working capital of CHF 221 million, which resulted from the marked sales increase as well as supply chain uncertainties. The restructuring cash payments of CHF 38 million also negatively impacted the cash flow development.

Net debt for the total Group increased to CHF 1 535 billion versus CHF 1 040 billion recorded at the end of 2020. This development is attributable to a growth-driven increase in working capital, higher investments into property, plant, and equipment as well as acquisitions.

The Board of Directors recommends a regular distribution of CHF 0.40 per share to the Annual General Meeting on 24 June 2022, based on the strong performance in 2021. This distribution represents an attractive pay-out ratio of 49% of continuing operations earnings per share (EPS: CHF 0.81) and is proposed to be made through capital reduction by way of par value reduction.

Clariant aims to grow above the market to achieve higher profitability through sustainability and innovation. The Group has concluded its significant portfolio transformation program by divesting Healthcare Packaging in 2019, Masterbatches in 2020, and Pigments in January of 2022. Clariant is now truly a specialty chemical company.

For the full year 2022, Clariant expects strong growth in local currency for the Group driven by a particularly strong first half of 2022. The current high level of uncertainty as a result of the geopolitical conflicts, suspension of business in Russia and the resurgence of COVID-19 in China are expected to impact global economic growth and consumer demand in the second half of the year. Clariant expects the high inflationary environment with regard to raw material, energy and logistic cost as well as supply chain challenges to persist in the second half of 2022. Clariant aims to improve its year-on-year Group EBITDA margin levels via solid volume growth, continued cost discipline, and pricing in an overall increasingly challenging economic environment.



Q&A

Stephan Lynen

Chief Financial Officer (CFO)

At the recent Capital Markets Day, Clariant announced a new purpose as well as new financial targets. What is the relationship between this purpose and Clariant's financial performance?

Performance builds on the execution of our purpose-led strategy. Our purpose, »Greater chemistry – between people and planet,« defines our strategy: We focus on our customers, deliver innovative chemistry, expand our leading position in sustainability, and engage our people. The execution of this strategy in combination with our specialty portfolio will enable us to meet our new 2025 financial targets.

Can Clariant achieve these targets even under unfavorable economic conditions?

Our core portfolio has again proven its specialty DNA by the strong performance improvement in 2021. This focused, high-quality portfolio is positioned in attractive, growing end markets. That is why it is more resilient – and less volatile – compared to our pretransformation portfolio. Our investments in sustainability, innovation, and regions like China will further support sales growth. I am convinced that this growth and the savings from the execution of our performance program will assure the successful execution to reach these targets.

And how are shareholders going to profit from this course of action?

At Clariant, we are committed to increasing value for our shareholders. Thanks to our return to revenue growth, the corresponding higher operating margin, lower nonoperating cost, and improving capital return, we were able to achieve a strong improvement in return on invested capital in 2021. The Management team is committed to further increasing this return on invested capital. This is how Clariant can create value and provide superior capital returns in the form of reliable, sustainably growing dividends.

CARE CHEMICALS

General information

The Business Area Care Chemicals comprises the Business Unit Industrial & Consumer Specialties (ICS). As a leading provider of specialty chemicals and application solutions for consumer care and industrial markets, Care Chemicals delivers high-performance ingredients and formulation expertise at the best cost-to-performance ratio with an integrated value chain that responds quickly to consumer trends.

Care Chemicals sets a clear focus on highly attractive, high-margin, and low-cyclicity segments. The business area operates in seven different markets: personal care, home care, crop solutions, paints and coatings, aviation, construction chemicals, and industrial lubricants. Offering approx. 2000 products to around 5000 customers, it operates in Europe, Middle East, and Africa, Asia-Pacific, North America, and Latin America. Approximately two-thirds of the business is consumer-facing in consumer care and industrial applications.

CARE CHEMICALS

OVERVIEW

The Business Area Care Chemicals comprises Industrial & Consumer Specialties (ICS), which serves customers in the personal care, home care, paints and coatings, and crop solution markets.

APPLICATIONS

Business Unit Industrial & Consumer Specialties

- Automotive fluids
- Aviation
- Construction
- Crop solutions
- Gas treatment
- Heat transfer fluids
- Industrial and home care
- Industrial lubricants
- Paints and coatings
- Personal care
- Special solvents

PRIORITY SDGS

- SDG 2 Zero Hunger
- SDG 3 Good Health and Well-being
- SDG 6 Clean Water and Sanitation
- SDG 12 Responsible Consumption and Production
- SDG 15 Life on Land

The business area benefits from several business drivers:

- growing relevance of lifestyle-driven consumers focused on comfort and well-being;
- an increased interest in green and sustainable products that are based on natural ingredients and free of harmful substances;
- the desire of the agricultural industry to better fulfill global nutrition requirements;
- the general trend toward responsible production and consumption, including a demand for solutions that reduce the carbon footprint.

The business area provides formulation solutions with superior performance and a favorable sustainability profile. For example, the home care product Texcare® SRN 170 Terra provides a soil-releasing sustainable polymer for laundry. The green multifaceted all-rounder polymer for laundry protects clothes by preventing soil from penetrating deep into fabric and facilitating the washing process. It features the EcoTain® label.

The business area's skin care products also combine performance with sustainability. Ethience® Protect serves as a case in point. This eco-conscious active ingredient reinforces the skin barrier protection. It was developed in partnership with our current acquisition Beraca (see below).

Synergen® GA serves as an example for the many crop solutions of the business area. Synergen® GA is a sustainable multi-functional adjuvant for aqueous plant protection formulations based on sugar. The product is fully crop-compatible and exhibits zero phytotoxicity. It has a Renewable Carbon Index of 95%, which means that 95% of all carbons in this product come from renewable sources. Synergen® GA also carries the EcoTain® label.

Market dynamics in 2021

On the supply side, 2021 brought many challenges to industrial companies all over the world. Consequently, these developments also influenced the Business Area Care Chemicals. The year was characterized by intense cost inflation for most raw materials, global logistics challenges, and rising energy costs. In the second half of the year, however, the business area was able to offset these developments through strong pricing and thanks to a continued recovery in global industrial end markets. This was particularly true for industrial lubricants, coatings, and construction chemicals. Consumer market dynamics also accelerated in the second half of 2021.

In addition to these developments, 2021 also saw a growing world market for ethically produced sustainable products. For instance, the personal care and home care industries showed an increased interest in plant-based raw materials and low-carbon-footprint solutions. A growing number of end consumers preferred personal care and home care cleaning products with milder product formulations that also offer powerful foaming and cleansing properties. At the same time, companies in the home care business were in need of more sustainable solutions, for example, detergents that provide full performance at lower temperatures.

How Business Area Care Chemicals created value in 2021

In the full year 2021, sales in the Business Area Care Chemicals increased by 16% organically, by 22% in local currency, and by 20% in Swiss francs. Both organic Industrial Applications sales as well as Consumer Care sales rose at double-digit rates. The absolute sales levels in Care Chemicals, excluding acquisitions, exceeded full year 2019 pre-pandemic levels. Industrial Applications sales rose strongly as demand recovered in the first half year and continued strengthening towards the end of the year. The Aviation business clearly picked up versus a particularly weak 2020, accompanied by solid expansion in Industrial Lubricants and Coatings as well. Consumer Care sales also increased in a mid-teen range in 2021 attributable to Crop Solutions and Home Care in particular.

The EBITDA margin in the full year 2021 increased to 20.7% from 19.4%. This positive development resulted from strong volume expansion, which boosted operating leverage and pricing measures to address raw material cost headwinds, supply chain constraints, as well as energy and logistics cost increases. With the market trends described above, the business area has taken various steps to further improve its portfolio of innovative and sustainable products.

New partnerships and products

In July 2021, Clariant established a 51% to 49% joint venture with India Glycols Limited. The new company operates under the name Clariant IGL Specialty Chemicals Private Limited and focuses on renewable ethylene oxide derivatives. These materials are relevant for the rapidly growing consumer care market in India and neighboring countries and will also be marketed worldwide. The partnership strengthens Clariant's core portfolio with renewable solutions for home care and personal care: the VITA range of bio-based and fully segregated nonionic surfactants and ethylene oxide derivatives. These products help to reduce fossil carbon from the value chain and support customers to achieve their sustainability and carbon-saving commitments.

In August 2021, Clariant took another important step to strengthen the business area with sustainably sourced natural ingredients by acquiring the remaining 70% stake in Beraca, a Brazilian personal care specialty company. The deal was closed on 25 October 2021, and Clariant now has full operational ownership. Beraca is located in the Amazon region and has an outstanding expertise in natural and organic certified ingredients such as fats, oils, and botanicals. These resources are collected and extracted from Brazil's biodiversity in an environmentally sustainable production process that also promotes the development of communities. The acquisition is a relevant building block in the strategy of further strengthening individual core business areas through targeted acquisitions.

FEATURED STORY



RedSnow® Beauty in season

On South Korea's Jeju Island, January and February are blooming time for a much-revered flower. Clariant harnesses its secret for healthy looking and resilient skin.

[Learn more](#)

In partnership with Beraca, Care Chemicals has recently developed the product Ethience® Protect. The eco-conscious active ingredient from the Amazon provides relief for stressed skin. Ethience® Protect rebuilds and strengthens the natural protective shield of the skin and therefore improves its hydration, reduces its sensitivity, and provides it with a healthier look. Ethience® Protect is produced from the waste press cake generated in nut oil production, while the sourcing of the product is both transparent and fully traceable. The product received the BSB Innovation Award (Europe) as an active ingredient in the »Environment« category.

FEATURED STORY



A natural rheology modifier that brings real change

Opening a jar of moisturizer and being greeted by the lumpy texture of half-melted ice cream is not the experience most consumers look for. Yet giving cosmetics perfect consistency can be quite tricky, especially with natural-based thickeners. With Plantasens® Biogum Tara, we present a natural rheology changer that brings real change to this challenge.

[Learn more](#)

Clariant's new partnership with Polygal AG marks another step toward more natural skin care formulations. The cooperation focuses on developing superior natural rheology modifiers for skin care formulations. These can support brands in embracing consumer calls for skin care products with a lower carbon footprint and good biodegradability. Plantasens® Biogum Tara is the first result of this partnership: The rheology modifier with a 100% Renewable Carbon Index is based on Tara Gum and readily biodegradable. At the same time, the product outperforms natural benchmarks, thereby overcoming traditional drawbacks of formulating with natural rheology modifiers.

The business area now offers polyalkylene glycols that can be used for producing electric vehicle fluids and as biodegradable base oils for lubricants. Following new data on biodegradability, a large range of polyalkylene glycols have now achieved EcoTain® approval. This offers customers proven sustainable high-performance alternatives to polyalphaolefins (PAOs). Tests showed that Clariant's synthetic PAG base oils (notably Polyglycol E04 E and Polyglycol E03 A) largely outperformed a PAO benchmark with respect to certain key parameters such as energy efficiency, friction coefficient, heat transfer, and ecotoxicity/sustainability.

New locations

Combining sustainability needs and increased performance requirements is also the objective of Clariant's new collaborative innovation center. Announced in July 2021 and to be located in the Charlotte area, the center will support North America's paints and coatings industry in meeting the challenges of emerging trends. Customers in the region will benefit from a unique level of R&D and application testing support. The center will add 5000 square feet of laboratories and offices to the existing capabilities at the location.

FEATURED STORY



Clariant generates a buzz in Charlotte, NC, with the opening of new innovation center

After being included in LinkedIn's 2021 roundup of top companies in Charlotte, North Carolina, Clariant continues to make its mark with the opening of our new Industrial Applications Innovation Center to support North America's Paints and Coatings industry »Beyond Color« as an expansion of the current facility in Mt. Holly just outside the city.

[Learn more](#)

Innovation activities

The 2021 financial year also saw notable digitization progress in the business area. This included high-throughput testing and data generation for the development of water dispersing agents, stabilizers and compatibilizers for environmentally friendly and high performing paints and coatings. Further, the customer portal ClariHub providing extensive product & application information has been launched for all segments.

Certifications and awards

The business area's efforts for sustainable solutions in personal care and cleaning products are appreciated in the market: The American Chemistry Council awarded the GlucoTain® and GlucoPure® product ranges with the 2021 Sustainability Leadership Award in the category Product Safety, Innovation, and Transparency. These sugar-based surfactants for personal care and home care cleaning products perform just as effectively as conventional surfactants while showing a significantly lower emission profile. This is because the feedstocks for the product and the process to manufacture the ingredients result in a lower carbon footprint.

Ongoing developments

Clariant is a worldwide technology leader in mild surfactants, with a broad offering encompassing several technology platforms (i.e. GlucoTain®, HOSTAPON®, and Medialan™ ranges). Consequently, the Group can offer diverse performance properties to its formulator customers. Mild surfactants are a growing sector in Personal Care, driven by consumers seeking new mildness claims. These surfactants are invaluable in helping formulators respond to the need for mild cleansing hygiene, sensitive skin solutions, the ability to provide solid formats, and more natural ingredients. Clariant has been upgrading its mild surfactants range with additional claim substantiation, technical data, and sustainability features. The upgraded dataset enables Clariant's customers to select the most appropriate mild surfactant according to the requirements of their brands: foaming characteristic, sensory attributes, mildness, cleansing efficiency, renewable carbon content and market ecolabel compatibility. In addition, the carbon footprint for the full range is available to support customers in selecting the most appropriate product to achieve their Scope 3 reduction targets.

Business Area

Care Chemicals

Performance

INPUT

2.6 %

R&D spend of sales

898.1

Raw materials procured in CHF m

> 65

Active innovation projects

14

Production sites

2 312

Number of raw materials
procured

1 422

Raw material suppliers

OUTPUT

1 699

Sales in CHF m

22 %

Growth in local currencies

20.7 %

EBITDA margin

0.95

Production volume in m t

People

INPUT

38 238

Training hours

OUTPUT

2 802

Staff in FTEs at year-end

Planet

INPUT

797.3

Energy consumption in m kWh

OUTPUT

56.9

Waste in thousand t

CATALYSIS

General information

The Business Area Catalysis comprises the Business Unit Catalysts and the Business Line Biofuels & Derivatives. It develops, manufactures, and sells a wide range of catalyst products and technologies for the chemical and fuel industries, for emission control, as well as for the biofuel business. Its products contribute significantly to value creation in its customers' operations, making use of finite raw materials and energy efficiently and effectively, ensuring quality and yield of processes.

The business area profits from several business drivers:

- the need to increase energy efficiency and sustainability in chemical production;
- the desire to decarbonize the transport sector;
- the search for sustainable, emission-free mobility solutions;
- growing interest in circular economy solutions through the extensive use of renewable resources;
- increasing legal requirements for renewable energy sources.

The Business Area Catalysis has 17 production sites (including joint ventures), 21 sales offices, and 11 Research & Development and Technical Centers around the world. It serves customers globally, with a special focus on Europe, China, North America, and the Middle East.

Business Unit Catalysts

There are several hundred products offered in the Business Unit Catalysts portfolio. With these products, customers save energy and reduce emissions. Based on decades of experience in the development and production of custom catalysts, Clariant also helps customers to scale up and commercialize new catalysts.

For example, the emission-control catalyst line EnviCat® removes harmful chemical compounds with an excellent conversion efficiency. Used all over the world, EnviCat® catalysts also help customers meet China's strict new regulations concerning the improvement of air quality.

Another flagship product is MegaMax® 800, a state-of-the-art methanol synthesis catalyst that offers much higher activity than previous solutions – even at very low reactor temperatures and

pressures. Capturing and converting CO₂ emissions is a cornerstone of the technology road map for addressing climate change. Synthesizing methanol from CO₂ is a particularly valuable approach because methanol is a building block for many chemical products such as plastics, paints, cosmetics, and fuels. MegaMax® 800 significantly improves efficiency and increases lifetime productivity in comparison to standard methanol synthesis catalysts.

Business Line Biofuels & Derivatives

Biotechnology provides unique opportunities for Clariant to meet its customers' demand for more sustainable production chains and for energy supply on a renewable basis. In 2021, the Business Line Biofuels & Derivatives therefore developed additional products and technologies that provide a measurable advantage for our customers to reduce greenhouse gas emissions. The business line's flagship product is the sunliquid® technology, which converts agricultural residues into cellulosic ethanol. The bioethanol produced by the sunliquid® process significantly reduces CO₂ emissions, thereby helping decarbonize the transport sector. The cellulosic ethanol produced by our sunliquid® technology can reduce up to 95% of CO₂ emissions compared to fossil fuel and as much as 120% when carbon sequestration is considered and used as part of the production process.

CATALYSIS

OVERVIEW

Business Area Catalysis comprises Business Unit Catalysts and Business Line Biofuels & Derivatives. Products of Business Unit Catalysts are used for chemical production, fuel processing, and emission control. Its »custom catalysts« business helps customers to scale up and commercialize their new catalyst recipes. Business

Line Biofuels & Derivatives complements the offering with sunliquid®, a groundbreaking technology to produce biofuels and biochemical intermediates from agricultural residues.

APPLICATIONS

Business Unit Catalysts

- Ammonia
- Custom catalysts
- Ethylene & derivatives
- Fischer-Tropsch
- Fuel cell
- Fuel upgrading
- Gas processing
- Hydrogen
- Hydrogenation
- Methanol
- Methanol-to-propylene (MTP)
- Off-gas treatment for chemical plants and stationary engines
- Olefins purification

Business Line Biofuels & Derivatives

- Biocatalysis
- Cellulosic ethanol
- Cellulosic sugars
- Low-carbon advanced biofuels
- Residue-derived biochemical intermediates
- On-purpose propylene
- Oxidation
- Polypropylene
- Refinery stream purification
- Styrene
- Zeolite powders

PRIORITY SDGS

- SDG 7 Affordable and Clean Energy
- SDG 9 Industry, Innovation, and Infrastructure
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action

Market dynamics in 2021

In 2021, customers had to face increasing costs in many areas: Natural gas prices in Europe were particularly high, as were coal prices in China and metal prices globally. Rising freight costs also had a negative impact on most businesses. At the same time, supply chains continued to prove unstable in the second year of the COVID-19 pandemic. Furthermore, customers felt rising social and legislative pressure to reduce their CO₂ footprints, which in turn increased their demand for more sustainable solutions. Against this background, the demand for Clariant's syngas and emission-control catalysts recovered in 2021, and even accelerated throughout the year.

Rising oil prices led to a rapid increase in the demand for and production of bioethanol, which can be used as an inexpensive biofuel to reduce transportation costs. In addition, bioethanol helps to comply with political regulations concerning the use of sustainable fuels. Some governments even grant funding for the use of bioethanol in order to support sustainable transportation.

How the Business Area Catalysis created value in 2021

In the full year 2021, sales in the Business Area Catalysis increased by 5% in local currency and by 3% in Swiss francs. Sales rose in Syngas, Specialty Catalysts, and the emission-control catalyst businesses, which more than offset the slightly weaker development in Petrochemicals, though demand for CATOFIN® catalysts was strong.

In the full year 2021, the EBITDA margin fell to 16.8% from 19.2% in the previous year as a result of the less favorable product mix with a higher contribution from the lower-margin emission-control businesses, logistics constraints, as well as project effects related to the sunliquid® production plant in Romania and the new CATOFIN® production site in China.

Though margins can fluctuate significantly over the quarters of a calendar year, the fundamentals for Catalysis remain positive based on the present demand pattern, the order backlog, portfolio strength, and proven innovation capability.

New products

In 2021, Clariant developed MegaMax® 800 DCARB, a new catalyst that enables CO₂-based methanol synthesis to produce »green« methanol. The catalyst outperforms previous generations and benchmarks in carbon efficiency, mechanical stability, and product life span.

In July 2021, Clariant's new AmoMax® 10 Plus ammonia synthesis catalyst started up at the BASF plant in Antwerp, Belgium. This catalyst has higher activity, enabling increased ammonia yield or lower energy costs and CO₂ footprint. BASF selected AmoMax® 10 Plus after good experience with the previous product generation at Freeport, Texas. Compared to standard ammonia synthesis cata-

lysts, AmoMax 10 Plus allows significant energy savings with an expected CO₂ reduction of up to 125 000 tons of CO₂ emissions for a 2 000-mtpd ammonia plant over the course of the typical catalyst lifetime of 15 years.

Clariant also made great progress in the reporting year with respect to sunliquid®, its groundbreaking technology to produce biofuels and biochemical intermediates using microorganisms and enzymes. sunliquid® cellulosic ethanol is ready to use in the framework of the existing transportation infrastructure. Agricultural residues like wheat straw and corn stover from local farmers serve as feedstock. At Hannover Messe 2021, Clariant presented a feasibility study together with Indonesia's state-owned oil and gas company Pertamina. Based on this study, it broadened the feedstock portfolio to fruit and palm biomasses. The sunliquid® process shows a flexibility on a broad range of feedstock. Process conditions & biocatalysts were developed and performance runs executed in Clariant's precommercial plant in Straubing, Germany, for a wide range of lignocellulosic biomass.

Through the sunliquid® licensing strategy, Clariant enables its customers to build their own bioethanol plants. The offering covers all parts of the ethanol production chain. Until 2021, Clariant licensed the technology to five large industry players in Slovakia, Poland, China, and Bulgaria.

New initiatives

In 2021, Clariant teamed up with Linde Engineering to develop new catalysts for the oxidative dehydrogenation of ethane. This is an innovative, low-emission catalytic technology for the production of ethylene. Clariant's novel catalysts make this technology commercially feasible, reducing CO₂ emissions by up to 100% compared to conventional technologies.

In collaboration with Technip Energies, Clariant launched EARTH, a pioneering technology for steam methane reforming and syngas production that reduces the CO₂ footprint of the process by up to 20%. EARTH technology demonstrated excellent performance in its first commercial application. In 2021, two major contracts for EARTH were concluded.

In November 2021, Clariant also launched a major climate campaign to reduce the climate change impact of emissions caused by nitric acid production. N₂O is around 300 times more harmful to climate than CO₂. Clariant's EnviCat® N₂O-S catalyst can effectively remove up to 95% of this by-product of nitric acid production. In the context of this campaign, the company offers a free first fill of the catalyst to ten nitric acid producers worldwide who do not have N₂O off-gas treatment in place. With this campaign, Clariant intends to help avoid greenhouse gas emissions equivalent to several million tons of CO₂ every year.

FEATURED STORY



How Clariant is laying the ground for second-generation biofuels and much more

The new sunliquid® plant is ready to start production in Romania. It is the nucleus for a new sustainable business ecosystem. What went into building it?

[Learn more](#)

New locations

Increasing awareness of sustainability fuels global demand for technologies that increase energy efficiency in industrial processes. That is why Clariant extended its production capacities for catalysts in 2021. For example, it commenced operations for its emission-control catalysts EnviCat® at an additional, upgraded production facility in Heufeld, Germany. It features state-of-the-art production equipment exclusively dedicated to emission-control catalysts.

In October 2021, Clariant completed the construction of its first commercial-scale sunliquid® cellulosic ethanol production plant in Podari, Romania. This innovative flagship plant serves as a proof point for the company's ambitious growth strategy. It will process approximately 250 000 tons of straw – provided by more than 300 local farmers – and produce approximately 50 000 tons of cellulosic ethanol annually. This second-generation biofuel will be almost carbon neutral, as coproducts produced by the process will be used for the generation of renewable energy, making the plant almost independent of fossil energy sources. While the cellulosic ethanol can be used as a drop-in solution for fuel blending, it also offers further downstream application opportunities into bio-based chemicals and for sustainable aviation fuel.

In collaboration with Air Liquide, Clariant made another major breakthrough in methanol synthesis performance. It equipped two world-scale methanol plants in Asia with its new MegaZonE™ technology, a novel catalyst layering system, which elongates catalyst lifetime by up to two years and increases methanol production by up to 15%. MegaZonE™ offers significant monetary benefits for customers and has the potential to reduce their CO₂ footprint substantially.

Innovative products such as these are often the result of close cooperation with customers. In order to intensify these efforts, Clariant opened a catalyst contract R&D center in Shanghai, China, in March 2021. It is located at the new »One Clariant Campus,« which is part of Clariant's commitment to local innovation and growth in the dynamic Chinese market. The state-of-the-art catalyst contract R&D center will focus on four fields addressing China's megatrend to drive sustainability and efficiency: more sustainable solutions for the coal value chain, hydrogenation for high-value-adding chemicals, environmental protection, and custom catalysis. To date, only few international companies have built such a comprehensive catalyst research unit in China.

FEATURED STORY



Clariant and Casale develop new ammonia catalyst for sustainable CO₂ reduction

Meet AmoMax®-Casale: the sustainable, award-winning new ammonia synthesis catalyst jointly developed by Clariant and Casale. Thanks to significantly higher activity than previous catalysts, AmoMax®-Casale makes ammonia production more efficient and less polluting than ever before.

[Learn more](#)

Certifications and awards

Clariant works toward solutions to further reduce the CO₂ footprint of ammonia synthesis with its AmoMax® line. One example of this is AmoMax®-Casale, jointly developed with Casale. The new catalyst is tailor-made for Casale ammonia synthesis converters and offers a larger active surface area, which allows operation of the ammonia synthesis loop with considerably less pressure. This results in an efficiency factor that is up to 30% higher. Thus, the plant consumes less energy to produce ammonia, and, hence, generates fewer CO₂ emissions.

FEATURED STORY



Take a peek inside our connected and digitalized polypropylene catalyst plant

Clariant Catalysts and Lummus Technology's joint polypropylene catalyst production plant in Louisville, Kentucky, was officially inaugurated on 17 October 2016. Today, it is Clariant's largest catalyst production site in North America and equipped with state-of-the-art systems that enable fully automated and digitalized operations.

[Learn more](#)

Clariant and Casale won two awards for AmoMax®-Casale: the Swiss Chemical Society's Sandmeyer Award in 2021, and the prestigious Independent Commodity Intelligence Services (ICIS) Innovation Award for »Process with Best Benefit to the Environment and Sustainability« in 2020.

Ongoing developments

In 2021, the Business Area Catalysis ran a number of notable innovation activities that we will be continued in 2022:

Commissioning for Clariant's sunliquid® plant in Podari, Romania, is ongoing. The company has already contracted the entire annual production output to a major global oil and gas corporation under a multiyear agreement. Production is expected to start in H1 2022.

In 2020, Clariant broke ground on a new high-tech production site for CATOFIN® catalysts in Jiaxing, Zhejiang Province, China. Construction of the plant was concluded at the end of 2021 in only 16 months, and the ramp-up is expected to take place in the first half of 2022. Although the first phase will focus on the CATOFIN® propane dehydrogenation catalyst, this facility was constructed with the potential to expand to the production of more catalysts in the future and also includes a research and pilot plant. It will be Clariant's third catalyst production site in China and is an ideal example of how the company continues to support China's petrochemical industry growth as Clariant expands its presence in the region.

Business Area Catalysis

Performance

INPUT

6.0 %

R&D spend of sales

290.8

Raw materials procured in CHF m

> 90

Active innovation projects

17

Production sites

1 061

Number of raw materials
procured

534

Raw material suppliers

OUTPUT

907

Sales in CHF m

5 %

Growth in local currencies

16.8 %

EBITDA margin

0.06

Production volume in m t

People

INPUT

34 641

Training hours

OUTPUT

2 174

Staff in FTEs at year-end

Planet

INPUT

607.5

Energy consumption in m kWh

OUTPUT

31.0

Waste in thousand t



NATURAL RESOURCES

General information

The Business Area Natural Resources offers high-performing products and custom-tailored solutions for the mineral, foundry, oil, and gas extraction businesses, as well as for food, plastic, coating, adhesive, and inks applications. It consists of three business units: Oil and Mining Services, Functional Minerals, and Additives.

The business area profits from several business drivers:

- stricter global chemical regulations and customer expectations that drive sustainability in oil, mining, and purification as well as circularity in plastic, coating, and adhesive;
- lightweight, sustainable fire safety and thermoresistance requirements for digitalization and e-mobility;
- consumer demand for enhanced health and safety;
- growing regulation regarding biofuels, such as Renewable Energy Directive (RED II).

Oil and Mining Services

The Business Unit Oil and Mining Services is a leader in the development, manufacture, application, and supply of chemicals. It provides products to over 700 customers in the oil, gas, mining, and refinery industries as well as services for many customers in the oil and gas industries. The largest segment of the business unit is Oil Services. The products are applied at different points in the oil extraction process: drilling operations, completions, and production. They help to prevent corrosion of metal components, to maintain flow, and to separate fluids into clean oil and clean water. The mining products of the business unit are used to extract valued minerals in the processing of mineral ores and to deal with the waste materials of this process, the so-called »tailings.« Also, the business unit provides flotation chemicals and emulsifiers for explosives to the global mining industry as well as cold-flow additive applications for middle distillates in refineries, including diesel, home heating oils, and biofuels.

Many of these products are customized according to the specific situation in individual mines or oil fields. Technical experts from the business unit analyze customer applications and the chemistry of solutions. This results in over 5 000 custom-made formulations that are determined cost-efficiently using state-of-the-art statistical data analysis combined with high-throughput experimentation methods.

The business unit's customers are located in all major mineral producing regions around the world. The production facilities of the business unit are located in Brazil, Chile, Australia, and Germany. Its oil business operates in the Americas, Africa, Europe, and Asia.

Functional Minerals

The Business Unit Functional Minerals operates a fully integrated value chain – from the exploration and mining of bentonites to the processing of finished products to the application of technical know-how at the customer's operations. Its production sites are located across the globe in close proximity to more than 3 300 customers.

Over 1 500 products tailored to customer needs across a diverse range of industries, including edible and waste oil and fat purification, foundries, and cargo and device protection, to name a few, are offered by the business unit. For waste oil and fat purification, the business unit provides the Tonsil® RNF series. With these specialty adsorbents, producers of biofuels and renewable fuels significantly enhance the efficiency and economics of their production process. The Tonsil® RNF products remove impurities in oil and fat, thus prolonging the lifetime and efficiency of high-value catalysts further downstream.

The business unit's sustainably mined bentonite clay products include DESI PAK® desiccants, which achieve exceptional results in protecting goods from moisture, and DESVOCANT™ VOC adsorbents, which help to control and eliminate the accumulation of volatile organic compounds (VOCs) due to the off-gassing of products enclosed in packaging to fully-loaded shipping containers.

NATURAL RESOURCES

OVERVIEW

The Business Area Natural Resources comprises Functional Minerals, Oil and Mining Services, and Additives. Functional Minerals operates a fully integrated value chain, from the exploration and mining of bentonites to the processing of finished products to the application of technical know-how at the customer's operations. Oil and Mining Services provides innovative chemistry, technology, and service

solutions for the oil, mining, and refinery industries. Additives serves markets for plastic, coating, ink, and consumer applications ranging across electrical and electronics, packaging, transportation, consumer goods, building and construction, textile, as well as agriculture industries.

APPLICATIONS

Business Unit Functional Minerals

- BTX catalysts
- Cargo and device protection
- Civil engineering
- Clay specialties
- Detergent additives
- Foundry additives
- Kerosene and jet fuel purification
- Oil purification
- Paper additives
- PVC stabilizers
- Wastewater treatment

Business Unit Oil and Mining Services

- Chemical delivery and data management systems
- Cold flow improvers
- Explosive emulsifiers
- Fluid separation
- Froth flotation chemistries
- Oilfield integrity management
- Oil flow assurance
- Pour point depressants

Business Unit Additives

- Acid scavengers
- Antioxidants
- Antistatic agents
- Halogen-free flame retardants
- Heat stabilizers
- Hot-melt adhesives
- Light stabilizers
- Lubricants
- Processing aids
- Processing stabilizers
- Release agents
- Slip control agents
- Surface modifiers

PRIORITY SDGS

- SDG 2 Zero Hunger
- SDG 3 Good Health and Well-being
- SDG 7 Affordable and Clean Energy
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action

Additives

The Business Unit Additives is a major supplier of flame retardants, performance additives, and advanced surface solutions for functional effects in plastic, coating, ink, and consumer applications. With production sites in Europe and China, it produces about 300 different products for approximately 1500 customers worldwide.

The products of the business unit are used in many different applications. For example, the halogen-free Exolit® flame retardant comply with fire safety standards for buildings, electrical and electronic equipment, transportation (including e-mobility), and other applications. AddWorks® solutions are ready-to-use packages that prevent oxidation, dissipate electric charge accumulation, and improve heat, light, and weather resistance. Licocene® stands for advanced surface solutions consisting of polymers and waxes. They provide the right balance of adhesion and cohesion while offering high heat resistance. And the bio-based Licocare® RBW Vita range offers high-performing surface solutions for demanding plastic, coating, and agricultural applications. Made from non-food-competing rice bran wax, these products have a Renewable Carbon Index of at least 98% and contribute to a substantial reduction of CO₂ emissions.

Market dynamics in 2021

In 2021, sustainability was a main global trend in the markets that are relevant to the business area. The year saw stricter global regulations and growing customer expectations concerning CO₂ emissions, waste reduction, circularity, and sustainability.

The ongoing recovery of the global industrial sector, particularly transportation, as well as electrics and electronics and apparel, drove growth in the plastic and coating markets in particular. The mining industry also improved, driven by increased mineral production and high commodity prices. Oil production volumes recovered. However, the oil industry is still hesitant to invest in assets. As the refining industry is also recovering, it explores ways to shift toward bio- and renewable fuels and solutions.

Consumer behavior changed in different ways that are relevant for the business area. This change includes greater concern for health and safety, increased use of vegetable oils, and a shift toward second-generation biofuels and renewable fuels.

The main challenges for the business area consisted of raw material shortages and logistics issues: Supply chain uncertainties due to the COVID-19 pandemic prevailed and caused skyrocketing transport costs.

How Business Area Natural Resources created value in 2021

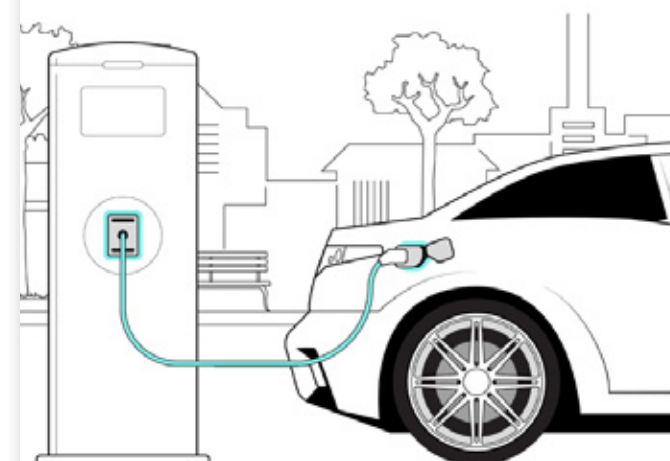
In the full year 2021, sales in the Business Area Natural Resources increased by 14% in local currency and by 12% in Swiss francs. Additives sales rose most significantly among the three Natural Resources business units supported by strong demand in all regions and in all main end markets including e-mobility and electronics in particular. Functional Minerals reported mid-teen double-digit sales expansion with growth in all regions and across all business lines. Oil and Mining Services also reflected sales expansion in the full year 2021, albeit at a lower pace than the other business units.

In the full year 2021, the EBITDA margin increased to 17.0% from 14.3% year-on-year supported by the strong volume expansion and pricing measures, despite continued high raw material prices and exceptional freight cost, together with climbing energy cost.

New products

In February 2021, Clariant launched DESVOCANT™, a line of adsorbents from naturally occurring, nontoxic, granulated, and dried bentonite. DESVOCANT™ is available in multisized adsorbent sachets, bags, and hanger strips. When added to packaged or boxed items or shipping containers, the adsorbents efficiently reduce the potential exposure of shipment handlers, merchants, and consumers to volatile organic compounds (VOCs).

FEATURED STORY



Transportation revolution aiding the switch to safer e-mobility

The car of the future is electric. But what makes it firesafe? Clariant's flame retardant specialists have some answers. By aiding the switch to electric mobility, Clariant's additives can help build a more sustainable mobility infrastructure and promote the kind of climate action laid out in the United Nation's Sustainable Development Goals (SDG) 9 and 13.

[Learn more](#)

New initiatives

In the context of the EU plans to phase out all internal combustion engine vehicles by 2035, the REVOLUTION project brings together organizations from ten countries across the entire automotive value chain. They currently bundle their expertise in a three-year project funded by the Horizon 2020 program. It aims at developing lightweight car parts and at increasing circularity by facilitating the recycling of materials and the use of recycled polymers. Clariant contributes by validating fit-for-purpose additive solutions and by developing new solutions to enable lightweighting and the use of more recycled material content.

In October 2021, the World Business Council for Sustainable Development featured Licocene® as an example of a circular solution in the production of recyclable carpets. Europe alone accounts for 1.6 million tons of carpet waste annually. Licocene® technology helps to produce carpets that are easier to recycle than regular carpets with latex coating and that can be produced with significant energy and water savings.

New locations

In March 2021, Clariant opened the »Additives Technical Centre« at the »One Clariant Campus« in Shanghai. This center supports China's growth industries with high-end additive solutions that are capable of advancing innovation in their market segments.

Since March 2021, the new Licocene® production facility in Höchst, Germany, has been producing performance polymers and waxes for adhesive, coating, ink, and plastic applications. In addition to this expansion, a new lab facility was established. Thanks to the precise and reliable metallocene technology, the production facility is able to create tailor-made products to enable customer innovation and advance the development of sustainable solutions.

In April 2021, Clariant started production in the new stabilizer additives plant in Cangzhou, China. The facility forms the centerpiece of the partnership with Beijing Tiangang Auxiliary Co. Ltd. This joint venture aims to serve the growing Chinese demand in local growth industries like automotive, textiles, and coatings for high-end stabilizer solutions that meet the requirements of new applications and environmental goals.

In December 2021, Clariant started construction of a new flame retardants production facility in China. By establishing local production capacity, Clariant greatly enhances the speed at which it can provide solutions to its customers in China. Driven by the fast-growing electrical and electronic equipment industries, in particular e-mobility, 5G communications technology, and transportation, there is a rapidly growing demand for Clariant's innovative and sustainable Exolit® OP flame retardants in China and other Asian markets. This new facility will strengthen Clariant's overall production network beyond the existing facilities in Knapsack, Germany.

As an oil and mining lighthouse project, Clariant started a program to develop solutions for the handling of tailings. For instance, flotation is explored as a tool for tailing management, with the collector FLOTINOR™ 5530 improving the recovery of iron in the processing of iron ores. Other applications can help to dewater the tailing to allow dry stacking. To institutionalize the efforts in this area, the business area opened a Competence Center for Tailings Treatment in Brazil in September 2021.

Certifications and awards

Three additives were awarded the sustainability label EcoTain® in 2021: Licocare® RBW 360 Vita (renewable-based plastic and coating additive), Exolit® OP 1466 (nonhalogenated flame retardant), and Ceridust® 8360 TP (renewable-based printing ink additive).

Ongoing developments

Clariant is currently extending the existing renewable raw material mass balance certification REDCert² with the International Sustainability and Carbon Certification (ISCC PLUS) for Exolit® Terra flame retardants and Licocene® Terra waxes and polymers.

In 2021, Clariant strengthened the ongoing collaboration with the World Foundry Organization (WFO) to support the environmental efforts of metal foundries. The aim is to drive knowledge so that foundries can reduce carbon emissions while meeting the productivity challenges and sustainability expectations of their customers.

Business Area

Natural Resources

Performance

INPUT

1.8 %

R&D spend of sales

711.2

Raw materials procured in CHF m

> 160

Active innovation projects

38

Production sites

3 505

Number of raw materials
procured

1 693

Raw material suppliers

OUTPUT

1 766

Sales in CHF m

14 %

Growth in local currencies

17.0 %

EBITDA margin

3.32

Production volume in m t

People

INPUT

40 776

Training hours

OUTPUT

3 748

Staff in FTEs at year-end

Planet

INPUT

1 308.0

Energy consumption in m kWh

OUTPUT

221.9

Waste in thousand t

DISCONTINUED OPERATIONS

Status of transition

Clariant is currently in the process of divesting the Business Unit Pigments as a part of its portfolio optimization. It signed definitive divestment agreements with a consortium comprising Heubach Group and SK Capital Partners in June 2021, and closing was completed on 3 January 2022.

General information

The Business Unit Pigments offers a wide range of superior-quality organic pigments, pigment preparations, and dyes to provide color in a wide variety of product applications. They are used in automotive and plastic applications; in industrial and architectural coatings; in home, traditional, and digital inks; and in many other applications, such as fabric and personal care products. Sustainability is one of the strategic business unit targets. The business unit is supporting initiatives for the circular economy through enhanced recyclability so that customers can differentiate themselves with market-leading and innovative offerings.

DISCONTINUED OPERATIONS

OVERVIEW

The discontinued Business Unit Pigments serves the packaging, electrical and electronics, consumer goods, textile, transportation, building and construction, and agriculture markets, among others. It delivers to local and regional customers as well as multinationals.

APPLICATIONS

Business Unit Pigments

- Applications for conventional printing, inks, inkjet inks, and electrophotographic toners
- Coloration of plastic applications
- Decorative, industrial, and automotive coatings
- Special applications for home and personal care, aluminium, seed coatings, stationery, viscose, latex, and leather, among others

Customer industries include packaging, electrical and electronics, consumer goods, textile, transportation, building and construction and agriculture. The business unit is comprised of 13 production sites and nine Technical Application Centers all over the world. It supplies more than 2000 products to over 3800 customers in more than 100 countries.

Business Unit Pigments helps customers to make their products more sustainable. For example, the plastics industry profits from the black colorants Solvaperm® Black PCR and Graphtol™ Black CLN. They are free from carbon black, a substance that prevents plastic-sorting scanners from identifying individual plastic types. With Solvaperm® Black PCR and Graphtol™ Black CLN, common packaging plastics are reliably identifiable. These products thus improve the recyclability of plastic products, thereby contributing to a circular economy.

Market dynamics in 2021

Sustainability is one of the future global economic drivers. 2021 saw a marked increase in the demand for sustainable and recyclable products. Also, there was heightened awareness of the global microplastics issue.

The pigments industry was also influenced by price inflation for pivotal raw materials, energy, and transportation as well as a shortage in the supply chain. In particular, energy quotas in China led to an unprecedented price surge of yellow phosphorus, which is an important raw material for pigment production. In light of these developments, the business unit was forced to increase prices in 2021.

How Business Unit Pigments created value in 2021

Fostering innovation and sustainability is one important objective for the business unit. Besides that, the business unit has defined environmental key performance indicators (KPIs) to optimize processes, and is committed to

- reducing the specific energy consumption for production;
- minimizing the consumption and discharge of water;
- generating less hazardous waste and CO₂;
- reducing the emission of volatile organic compounds (VOCs).

In 2021, all KPIs were at their target level. Also, several innovations were proof of the business unit's commitment to sustainability.

New services

The »Automotive Styling Shades Trendbook« is an important guide for the automotive industry to optimize its product designs. The 2025 edition of this trendbook was published in a new digital format: It now features an online and interactive configurator tool with a collection of 28 new shade trends. This → VIRTUAL SHOWROOM presents shades directly on virtual vehicles and provides highly accurate digitalization of the total appearance, even of metallic effect shades. Supported by webinars and data formats that are compatible with common rendering software, the trendbook enables seamless cooperation even without physical meetings.

New products

The new product line Licosperse™ consists of nontoxic and non-flammable pigment preparations that are free from heavy metals and resin. They can be used for shoe polishes, floor polishes, fertilizers, herbicides, wood stains, varnishes, and other applications. With the Licosperse™ product range, customers can replace dyes in oil- and solvent-based applications. At the same time, these ready-to-use blends can save time and cost in the coloration process.

The new Hostatint™ AU range of aqueous pigment dispersions is a major innovation in exterior and interior architectural coatings. Hostatint™ products are low in volatile organic compounds and free of alkylphenol ethoxylates (APEO). They are high-performance products with high opacity, durability, and fade resistance, offering the most expansive color palette possible. Paint and coating manufacturers of all sizes can broaden their color space in an economical way, as the pigment dispersions can be easily calibrated to any tint base or color portfolio.

New locations

In February, the business unit expanded its state-of-the-art pigments laboratory in Krugersdorp, South Africa. This significant investment supports the growing regional demand for locally produced, sustainable colorants. The laboratory provides color support services to the emerging coatings industry across Africa, Turkey, and the Middle East.

Certifications and awards

A new certification helps producers of plastic articles to colorize biodegradable polymers: In July 2021, TÜV Austria certified nine organic colorants from the PV Fast™ and Graphtol™ ranges with the label »OK compost INDUSTRIAL.« This label proves suitability for industrial composting and enables customers to use bright colors in their biodegradable products.



Five-Year Group Overview

CONTINUING OPERATIONS IN CHF M

	2021	2020 ¹	2019	2018	2017 ³
Sales	4 372	3 860	4 399	4 404	6 377
Change relative to preceding year					
in Swiss francs (%)	13	-12	0	-	9
in local currencies (%)	15	-5	3	-	9
EBITDA	708	597	461	607	813
EBITDA before exceptional items	760	623	740	739	974
EBITDA margin (%)	16.2	15.5	10.5	13.8	12.7
EBITDA margin before exceptional items (%)	17.4	16.1	16.8	16.8	15.3
Operating income	440	317	165	348	496
Operating income before exceptional items	493	354	444	480	673
Net result	292	130	-34	213	302
Basic earnings per share (in CHF)	0.81	0.32	-0.17	0.59	0.84
Distribution per share (in CHF)	0.40 ⁴	0.70	0.55	0.55	0.50
Operating cash flow	363 ²	369 ²	509 ²	530 ²	428
Return on invested capital (ROIC) (%)	9.9	7.4	3.0	7.9	7.5
Return on invested capital (ROIC) before exceptional items (%)	11.1	8.2	9.0	9.0	10.2
Investment in property, plant, and equipment	357 ²	288 ²	273 ²	237 ²	248
Research & Development expenditures	155	172	207 ²	209 ²	211
Depreciation and amortization	267 ²	269 ²	330 ²	325 ²	301
Net working capital	693	500	713	1 145 ²	1 281
in % of sales	15.9	13.0	16.2	17.3	20.1
Total assets	7 038 ²	6 932 ²	7 979 ²	7 981 ²	8 229
Equity (including noncontrolling interests)	2 544 ²	2 416 ²	2 677 ²	2 970 ²	2 939
Equity ratio (%)	36.1 ²	34.9 ²	33.6 ²	37.2 ²	35.7
Net debt	1 535 ²	1 040 ²	1 372 ²	1 374 ²	1 539
Gearing (%)	60 ²	43 ²	51 ²	46 ²	52
Employees (in FTEs)	13 374 ²	13 235 ²	17 223 ²	17 901 ²	18 135

¹ Restated

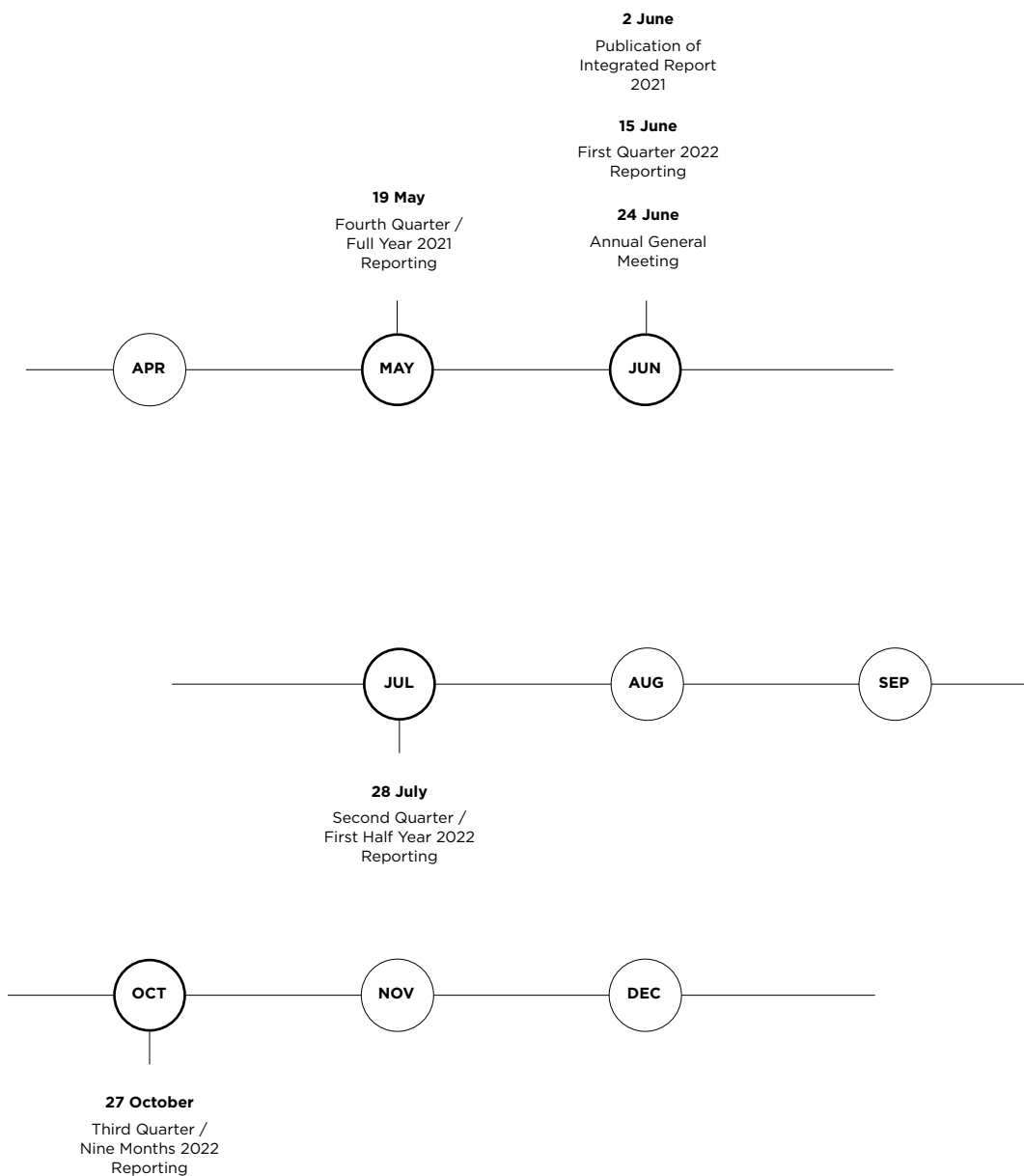
² Including discontinued operations

³ Total Group

⁴ Recommended by the Board of Directors, pending approval at the Annual General Meeting 2022



Financial Calendar 2022



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Note about forward-looking statements

This report contains forward-looking statements based on current assumptions and projections made by Management. Such statements are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and performance of Clariant International Ltd to differ from those expressed in, implied, or projected by the forward-looking information and statements. The information published in this report is provided by Clariant International Ltd and corresponds to the status as of the date of publication of this report.

→ GLOSSARY

2021

Review on Performance, People, and Planet

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The Integrated Report consists of five reports that covers important aspects of our business. They can be read in conjunction with each other. Together, the reports provide a full picture of our ability to create long-term value.

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The Review on Performance, People, and Planet is integral to Clariant's Reporting Hub 2021, providing comprehensive information about Clariant's long-term value creation. The review comprises a discussion of the company's material topics regarding Performance, People, and Planet – previously provided in the Multicapital Review – and the disclosures of the former GRI Report. In addition, the review is supplemented by information related to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as well as information suggested in the SASB standards for the chemical industry.

Performance

»Performance« covers the pool of funds available through both financing and sales to produce goods and provide services. Moreover, Performance includes knowledge-based intangibles used and created by the company and its partners: intellectual property (e.g., patents, trademarks, copyrights, software, rights, and licenses) and »organizational capital« (e.g., tacit knowledge, systems, procedures, and protocols). In addition, Performance covers physical objects owned by the company (e.g., buildings, equipment, and products).

Nine material topics are related to »Performance.« Six of these material topics address the company's overall performance: »Business Growth and Profitability,« »Engaging in Growing and Emerging Markets,« »Corporate Governance,« »Risk and Crisis Management,« »Business Ethics and Compliance,« and »Supply Chain Resiliency.« Three material topics relate to Clariant's products and technologies: »Innovation and Technological Advances,« »Product Stewardship,« and »Growth Opportunities from Sustainable Products and Solutions.«

BUSINESS GROWTH AND PROFITABILITY

For Clariant, business growth refers to growth in production, services, and revenue. Profitable growth is the basis for the generation of economic value for shareholders, employees, customers, suppliers, local communities, and other stakeholders.

On the Capital Markets Day in November 2021, Clariant introduced its new purpose-led strategy – »Greater chemistry – between people and planet« – based on customer focus, innovative chemistry, leading in sustainability, and people engagement. The company also outlined new medium-term targets that result in value creation. These financial and non-financial targets reflect Clariant's ambition to achieve top-quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people.

Although business growth and profitability are a shared responsibility between all management functions, Clariant's Board of Directors defines the overall direction. It has delegated the executive management of this strategy to the Executive Committee, which consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the Chief Transformation Officer. The Executive Committee is responsible for implementing, monitoring, and improving the financial and operational management strategy. Clariant's Strategic Management Process (SMP) ensures that each business unit executes the corporate strategy.

Please consult the Business Report for in-depth information on Clariant's targets for growth and profitability. → A PURPOSE-LED STRATEGY

Please consult the Business Report for in-depth information on how Clariant's three Business Areas contribute to the company's growth and profitability. → VALUE CREATION IN THE 2021 FINANCIAL YEAR

Please consult the Financial Report for in-depth information on 2021 sales and earnings figures. → FINANCIAL REPORT

Please consult the Compensation Report for in-depth information on incentives for Clariant's management to achieve the corporate targets. → COMPENSATION REPORT

ENGAGING IN GROWING AND EMERGING MARKETS

Clariant engages in growing and emerging markets, particularly in China and India. These markets enhance Clariant's global growth potential. Oxford Economics forecasts that the nominal USD 2021-2025 CAGR for the specialty chemicals sector will be 5.8%, with 3.9% in advanced economies, but 7.0% in China and 10.3% in India. Clariant also plans to allocate more capital expenditure to growing regions – like Asia and North America – in the years up to 2025.



PERFORMANCE OVERVIEW

	Continuing operations	Discontinued operations	Total 2021	2020 ¹
Sales (in CHF m)	4 372	912	5 284	5 190
EBITDA (in CHF m)	708	114	822	1 382
EBITDA before exceptional items (in CHF m)	760	138	898	771
EBITDA margin (%)	16.2	12.5	15.6	26.6
EBITDA margin before exceptional items (%)	17.4	15.1	17.0	14.9
EBIT (in CHF m)	440	113	553	1 102
EBIT before exceptional items (in CHF m)	493	137	630	502
Net result (in CHF m)	292	81	373	825
Basic earnings per share (in CHF)	0.81	0.23	1.04	2.38
Diluted earnings per share (in CHF)	0.81	0.23	1.04	2.37
Operating cash flow (in CHF m)	n.a.	n.a.	363	369
Return on invested capital (ROIC) (%)	9.9			7.4 ²
Investment in property, plant, and equipment (in CHF m)			357	288
Personnel expenditures (in CHF m) ⁴	933	133	1 066	1 264
Total assets (in CHF m)			7 038	6 932
Equity (in CHF m)			2 544	2 416
Equity ratio (%)			36.10	34.90
Net debt (in CHF m)			1 535	1 040
Gearing (%)			60.0	43.0
Growth through innovation (%) ⁵	>3.5	n.a.	n.a.	>1.5 ⁶
Research & Development expenditures (in CHF m)	155	12	167	195 ⁶
R&D spend of sales (%)	3.5	1.3	3.2	3.8 ⁶
Patents (year-end)	>4 900	>200	>5 100	>5 400 ⁶
Active innovation projects	325	n.a.	n.a.	350 ⁶
Of which Class 1 Projects with double-digit million sales potential or of strategic relevance	65	n.a.	n.a.	55 ⁶
Scientific collaborations	80	n.a.	n.a.	100 ⁶
Clariant Innovation Centers ⁷	3	n.a.	n.a.	n.a.
Research & Development Centers and dedicated Technology Centers ⁷	10	n.a.	n.a.	8
Technical Centers	45	n.a.	n.a.	50
Production (in m t)	4.33	0.10	4.43	4.10 ⁸
Production sites	67	12	79	126
Countries with production facilities	26	10	27	39
Raw material procurement (in CHF m)	1 859	493	2 352	2 027
Raw materials procured (in m t)	3.49	0.18	3.67	2.92
Raw material supply spend covered by sustainability evaluations (%)	86.63	88.18	86.94	84.40

¹ Restated

² Continuing operations

³ Defined as (cash generated from operating activities – capex)/EBITDA

⁴ Including own employees and external staff

⁵ Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

⁶ Excluding Business Unit Masterbatches

⁷ The categories of R&D-related sites were reorganized in 2021 due to changes in Clariant's R&D landscape after, e.g., divestments.

⁸ First half year 2020 data for Business Unit Masterbatches are estimated based on the last full reporting campaign in 2017.

By engaging in growing and emerging markets, Clariant develops deeper customer relationships on a global basis. Greater global market penetration also helps to innovate in accordance with local customer needs and to outcompete local rivals.

Clariant's customers in India and China are located in various steps of the value chain: Business Unit Catalysts sells mainly to base chemical and polymer producers. As China and India enhance their domestic production capacities, Clariant catalysts will be in great demand there. Business Area Care Chemicals sells largely to producers of consumer applications. Business Area Natural Resources helps industrial customers to meet changing consumer demands, for example, with adsorbents for edible oil purification.

In 2021, Clariant's sales in Asia remained resilient and grew by 16 % in local currency. However, the company recorded notable growth in India and China (16 % in local currency). Sales in China alone amounted to CHF 479 million, which represented approximately 10 % of Clariant's global continuing business sales. To meet this demand, ten out of 67 Clariant production sites are now located in China. Latin America also increased revenues by 16 % in local currency. Following the positive trend of the other regions already mentioned, Middle East and Africa grew by 19 %.

Management approach

Clariant's Strategic Management Process addresses global growth and capital expenditures for four main regions: APAC (Asia-Pacific), EMEA (Europe, Middle East, and Africa), LATAM (Latin America), and NORAM (North America). In addition, all business units develop strategic business plans that address objectives and specific strategic initiatives for these four regions and for China in particular. Also, each business unit management committee – except Business Unit Oil and Mining Services – has one representative with responsibility for China.

Clariant applies a differentiated steering approach to allocate capital, innovation, human resources, and M&A to businesses with an attractive market outlook. This means investing in areas where the company is already strong or closing gaps where Clariant aims to improve its position.

China

Already today, China accounts for about 35% of the global specialty chemical market. Also, 50% of the global growth for specialty chemicals in the next five years is expected to come from China.

Clariant conducts profitable business in China and experienced strong growth rates with a high single-digit annual average over the last five years. The company plans to grow further and expand its footprint in China in order to outgrow the market.

An increasing share of Clariant's products for the Chinese is produced domestically. Given the company's strategic investments in Chinese capacities, this share is expected to grow even further. At the same time, the share of Clariant products produced and exported from China has remained at around 25% over the last five years.

The company is determined to become a »China insider,« using its understanding of local market and customer needs for local innovation and local decision-making. Clariant offers solutions that are not easy to copy, and sells specialties with limited local competition, like catalysts and green surfactants. For more commoditized products, for example, in the pigments business, competition in China is very intense with high pressure on margins.

Sustainability policy in China

With the fourteenth five-year plan (2021–25) and related policy announcements, China has raised its level of sustainability in chemicals significantly. The country now plans to achieve carbon neutrality by 2060. Therefore, it enhances investments in carbon emission reduction, especially in energy supply and mobility. There is a significant customer pull for sustainable solutions for a smaller carbon footprint. This entails huge growth potential for Clariant, for example, for next-generation catalysts that diminish the production of carbon dioxide.

China has also established a nationwide mandate for a share of renewable ethanol in transportation fuels. The Business Line Biofuels & Derivatives profits from the ensuing demand for advanced biofuels with its low-emission product sunliquid®.

Finally, China's environmental policy aims to move chemical production sites to specialized zones with a shared centralized wastewater and hazardous waste treatment infrastructure. Off-gas and wastewater standards in China are often stricter than in Europe or the US. Clariant welcomes strict laws and their execution to avoid competitive disadvantages. It is an early adaptor of high standards and sees its efforts rewarded when all competitors must comply with strict legislation.

Business framework in China

The legal and regulatory environment in China has become more favorable in terms of acquisitions. For example, it is no longer mandatory for foreign companies to establish a joint venture structure. China even promotes fair competition between domestic and foreign enterprises and protects the interests and rights of enterprises with foreign investment. In 2021, Clariant sold about evenly to multinationals and domestic companies in China.

Since the 2014 free trade agreement between China and Switzerland, the protection of Clariant's intellectual property in China has improved gradually. China has issued a number of intellectual property law updates and reached a new level for infringement penalties.

Clariant has an excellent reputation in China in terms of sustainability, innovation, and corporate citizenship. The company is committed to plastic recycling along its value chain and to advocacy for its EcoCircle initiative with sustainable products, solutions, and partnerships. These efforts earned Clariant the 2020 China GoldenBee CSR Award and helped the company to attract young Chinese talents.

Projects in China

The new One Clariant Campus in Shanghai is one of Clariant's major projects in China. Inaugurated in 2021, it is an integrated operational headquarters in the region, an innovation facility to strengthen Clariant's position in the country, and a chance to enhance the company's market position. The facility combines technological knowledge and local support. It has already played a key role in the development of products for the local market, for example, sustainable additive solutions for China's growing plastics, coatings, and adhesives industry.

To meet emissions regulations, Clariant also collaborated with Jiangsu Jinneng, a specialist in volatile organic compound (VOC) abatement technology in Zibo, Shandong province. The phthalic anhydride plant of Shandong Qilu Plasticizers Co. Ltd. uses Clariant's EnviCat® VOC catalyst to purify production off-gases, thereby removing 99% or more of VOCs and carbon monoxide.

Clariant is also building a new production facility for CATOFIN® catalysts in Jiaxing, Zhejiang province. The plant will address the strong growth in the propane hydrogenation market in this region. It is the most digitized Clariant facility to date, using sophisticated automation systems throughout the production process.

Clariant also opened a joint venture production facility with Beijing Tiangang Auxiliary Co. Ltd. in Cangzhou, Hebei province, in 2021. This world-class facility fulfills the growing demand of Chinese growth industries, such as the automotive, textiles, and coatings industries, for high-end process and light stabilizer additives.

At the end of 2021, Clariant started construction work on a flame retardant production facility at its existing site in Daya Bay, Huizhou, Guangdong province. This will allow Clariant to respond to the rapidly growing demand from the Chinese electrical and electronic equipment industries, particularly with respect to e-mobility, 5G communications technology, and transportation. By establishing local production capacities for its innovative and sustainable Exolit® OP range of flame retardants, Clariant significantly reduces time-to-market.

In 2021, Clariant rolled out its energy efficiency program eWATCH™ to all sites in China to institutionalize its high standards for energy conservation. The comprehensive program analyzes energy consumption across operations and identifies cost-saving opportunities.

India

Clariant is committed to supporting its Indian customers with the complete range of its product portfolio. This commitment is well in line with the governmental initiatives »Make in India« and »Self-reliant India.« Clariant is confident that it can contribute to the rapidly growing local market in India by establishing two joint ventures: Clariant IGL Specialty Chemicals Private Limited and the catalyst joint venture with SCIL.

Sustainability policy in India

India has a positive mandate for blending bioethanol in gasoline. However, the country has no surplus crops for this application. Therefore, Clariant sees market potential for its sunliquid® technology, which uses agricultural waste as a feedstock.

Projects in India

In 2021, Clariant established a 51%/49% joint venture with India Glycols Limited under the name of Clariant IGL Specialty Chemicals Private Limited. It produces and markets ethoxylates based on ethylene oxide from bioethanol. They meet the diversified needs of various end-use industries, for example, the textile, pharmaceutical, personal care, emulsion polymerization, paint, detergent, automotive, and agrochemical industries.

This joint venture gives Clariant a strong position in the Indian ethoxylate market, and turns the company into one of the leaders in the global market for green ethylene oxide derivatives and bio-based ethoxylates for home and personal care.

India Glycols will contribute its renewable bio-ethylene oxide derivative business. This includes a multipurpose production facility with an alkoxylation plant in Kashipur, Uttarakhand. Clariant will contribute its local Industrial and Consumer Specialties business in India, Sri Lanka, Bangladesh, and Nepal, as well as a payment of a mid-double-digit million amount. Like this, the joint venture allows Clariant technology to be leveraged with low-cost manufacturing.

Clariant expects the collaboration to deliver profitable growth in the next few years. For the 2021 financial year, the company expects an incremental addition of around CHF 50 million to the top line of Business Area Care Chemicals. The joint venture can deliver to customers in India, Sri Lanka, Bangladesh, and Nepal.

With regard to ethics, environment, safety, and health, the joint venture will follow the higher of the standards of Clariant or India Glycols.

Since 2021, Clariant has also strongly leveraged its 2017 catalyst joint venture with SCIL in India. It serves both to access the fast-growing local market for emission catalysts for two- and three-wheelers, and to form a global manufacturing base for Clariant catalysts.

CORPORATE GOVERNANCE

Corporate Governance comprises Clariant's governance structure, ownership, and control, as well as internal rules, processes, and practices. It ensures fair competition and establishes the corporate culture.

Clariant's governance principles aim to promote sustainable long-term success by providing stakeholder value and transparency. The Group is committed to Swiss and international standards of corporate governance by following the respective statutory provisions and the rules issued by the SIX Swiss Exchange and by implementing the principles of the Swiss Code of Best Practices for Corporate Governance.

Clariant conducts its business through six business units: Additives; Catalysts; Functional Minerals; Industrial & Consumer Specialties; Oil and Mining Services; as well as the Business Unit Pigments (until the completion of the divestment on 3 January 2022). It reports on its continuing operations in the following three business areas: Care Chemicals; Catalysis; and Natural Resources (i.e., Functional Minerals, Oil and Mining Services, and Additives). In addition, there are nine service units and eight corporate functions.

The Board of Directors provides Clariant's strategic direction and ensures a corporate culture that is appropriate for the company's objectives. Additionally, it is the supreme management body of the company and, simultaneously, the supreme supervisory body of the Group. The ultimate decision-making authority is the Board of Directors in all matters except those decisions reserved by law or the Articles of Association for the shareholders, while the Executive Committee is responsible for the financial and operational management.

Please consult the → CORPORATE GOVERNANCE REPORT for in-depth information on corporate governance.

RISK AND CRISIS MANAGEMENT

Clariant has developed a systematic approach to analyzing and managing risks and crises. It includes the goal of achieving resiliency as well as measures concerning the business model and the protection of Clariant's production assets against financial and non-financial risks, such as cyber risks or physical, regulatory, or market risks related to climate change. COVID-19 has triggered the largest economic crisis in decades and has taught the world to rethink existing and emerging risks. The pandemic has created an environment of uncertainty and the potential for long-lasting unknown effects on human capital and productivity. At the same time, global risks, such as climate change and digital disruption, have become more urgent or have been accelerated. With its effective and strong enterprise risk management, Clariant ensures quick adaptation to a fast-changing environment and fosters its ability to meet stakeholders' changing needs.

Management approach

Clariant's regular risk assessments are based on a company-wide approach. They integrate sustainability and consider any threat that might impact the achievement of the company's financial and non-financial strategic objectives. Within the framework of the Enterprise Risk Management Policy, risk assessments are prepared by business units, service units, and corporate functions. Annual summary risk assessments are submitted to the Executive Committee, the Audit Committee, and the Board of Directors for review. In the case of new or changed risks, internal reporting is accelerated. During 2021, in response to the pandemic, more frequent reviews were conducted.

To support functional responsibility, certain functions have access to risk assessments to assist them in their roles. Examples of such functions are Environmental Safety & Health Affairs (ESHA), to identify key sites for its property risk survey program, and Group Procurement, to ensure reliable and compliant supply of raw materials.

At Clariant, the terms »crisis management« and »emergency management« are used synonymously. Concerning emergency management, Clariant Corporate Guidelines 08 (EHS Reporting) and 15 (Emergency Management) set the framework for emergency reporting and the organization of emergency management. Compliance with the emergency guidelines is the responsibility of the head of Emergency Management. Emergency management teams are established at every site and in each country and region. One team comprising 47 members is also established at the Group level. The Group Emergency Management (GEM) team is supplemented by extended functions such as IT, Legal, Procurement, and Product Safety. Annual scenario trainings are mandatory for all emergency management teams throughout Clariant.

Effective Enterprise Risk Management

Enterprise Risk Management (ERM) comprises the identification, management, mitigation, measuring, monitoring, and prevention of risks. It also relates to the identification and the management of opportunities. The Executive Committee is responsible for monitoring the risk assessments for relevance and consistency. It has formed an Ethics and Risk Management subcommittee, which maintains an up-to-date understanding of areas where Clariant is, or may be, exposed to risk issues related to Ethics and Integrity as well as Antitrust. The assessment and management of climate-related risks and opportunities are monitored by the Board of Directors' Innovation & Sustainability Committee, which was formed in April 2021.

Potential threats are documented in risk registers, quantified, and delegated to qualified individuals and teams with specific skills for the management of the respective risk. Documentation in the risk registers uses financial and reputational impact and probability assessments to score and rank the risks. The assessments also address measures to manage the risks and set dates for completion of the measures.

→ [READ MORE IN ENTERPRISE RISK MANAGEMENT](#)

→ [READ MORE IN BOARD OF DIRECTORS](#)

→ [READ MORE IN THE MANAGEMENT OF FINANCIAL RISKS](#)

→ [READ MORE IN TCFD DISCLOSURES](#)

Active emergency management

During the pandemic, Clariant's approach to crisis management with the key priority of protecting the health of all employees has proven to be efficient. Specific policies are in place and include topics such as how to reduce the risk of infection at sites and how to manage visitors or contractors. Recent improvement of the emergency management program aims to provide the teams with updated fit-for-purpose training resources and to ensure that training is completed as mandated. Future initiatives include an improved global emergency messaging or alerting tool and a new collaboration platform to be used in the event of ransomware attacks.

Resiliency and the recognition of opportunities

The overall goal is to continuously integrate ESG risks and opportunities into Clariant's long-term strategy. A strong risk culture is essential to support and maintain Clariant's operational resiliency in a fast-changing environment. In particular, Clariant recognizes the need to evaluate climate impact and enhances climate risk assessments. Acknowledging dependencies and interconnections may result in a better alignment and understanding of risks from all parts of the business and eventually helps in recognizing the opportunities as well.

Emerging risks included in the risk register relate to topics such as:

Supply chain reliability: The achievement of targets depends on the reliability of the supply chain. Raw material purchasing may be impaired due to the unavailability of respective products, required energy, or corresponding means of transportation. Similarly, our customers may be affected by the unavailability of certain input materials outside the range of chemical products, limiting their production and thus Clariant's sales opportunities. Clariant responds to these challenges with market intelligence to identify potential constraints at an early stage and in close cooperation with our business partners. → [READ MORE ABOUT SUPPLY CHAIN RESILIENCY](#)

Digital interconnection: Successful performance of the Clariant Group depends on properly working information systems. Cyberattacks may result in the loss of business and personal data, knowledge, facilities, or money, leading to interruptions in manufacturing and product deliveries. Such attacks might cause significant economic damages as well as loss of trust. Clariant is responding to the increased cyber risk with a reinforced security operations center, state-of-the-art software, and frequent awareness campaigns.

Sustainability transformation: Demand for sustainable products is clearly increasing, which opens up business opportunities. Non-availability of sustainable offerings represents a market disadvantage. Clariant is responding with the new Service Unit Group Innovation & Sustainability, which combines Sustainability, Innovation, ESHA, and other competencies coming together in one department to accelerate the sustainability transformation.

→ [READ MORE ABOUT TCFD DISCLOSURES](#)

→ [READ MORE ABOUT CORPORATE GOVERNANCE](#)

External reporting and transparency

Believing in reporting as a mechanism for more awareness and accountability, Clariant will continue to improve transparency and the disclosures as risk profiles expand. Clariant aims to increase transparency by further quantifying the risks, for example, with respect to climate. Clariant voluntarily uses and references the following standards and frameworks in its holistic approach:

→ [GRI DISCLOSURES](#)

→ [SASB DISCLOSURES, CHEMICALS STANDARD](#)

→ [TCFD DISCLOSURES](#)

→ [INTERNATIONAL <IR> FRAMEWORK, PART 2, 4D](#)

BUSINESS ETHICS AND COMPLIANCE

»Business ethics and compliance« refers to ethical, responsible, and integrity-based corporate behavior regarding, for example, management, procurement, marketing, and sales. It also involves complying with legal and regulatory frameworks.

Clariant is a world-class, high-performance company that acts with the highest standards of ethics and integrity. The company aspires to also be perceived in this way by its stakeholders. Compliance with laws, regulations, ethical values, and integrity standards is necessary to be sustainably successful and to win the trust of business partners and customers.

Management approach

Clariant's business units are responsible for managing business ethics and compliance in their daily operations. Group Compliance supports the business units in adhering to Clariant's ethical standards by providing the Ethics and Integrity Framework, communication, tools, trainings, and advice.

Clariant has a full-time head of Group Compliance, full- or part-time Regional Compliance Officers in each region, Country Compliance Officers, an Ethics and Integrity project manager and compliance specialist, a Group Privacy Head and an Information Security team. The Group Compliance team gets support from Group Legal Services.

Environmental Safety and Health Affairs (ESHA), Sustainability, Information Security, Data Privacy, Enterprise Risk Management (ERM), and Internal Control over Financial Reporting provide yearly overviews of their programs. These insights help to ingrain a culture of ethics and integrity throughout the organization and provide assurance on the overall program.

Evaluation of management approach

The Executive Committee (EC) Subcommittee Ethics & Risk (ECS E&R) reviews and assesses compliance on a global and regional level in all four regions to foster a culture of ethics and integrity across the organization. The whole Executive Committee participates in the subcommittee with the CEO as its chair. The subcommittee receives regular reports and updates on individual measures, case reports, and remediation taken. It also approves the annual Group Compliance roadmaps and reviews the quarterly progress reports.

Due diligence

Compliance and the highest ethical values apply not only to Clariant's own operations, but also to third parties acting for or on behalf of Clariant, like distributors, agents, and other service providers. They must undergo a detailed due diligence process to ensure that they are not involved in any form of bribery or compliance violation, that they are reputable and in good standing, and that they do not appear on any sanctions list.

The due diligence process applies to all new and existing distributors and all regions. Participants submit a self-assessment questionnaire, while at the same time the relationship owner at Clariant describes the business relationship and business activity, explains the distributor's background, and declares the purpose of applying the due diligence process.

Clariant assesses third parties against a predefined risk model: Enhanced due diligence will be required for medium- and high-risk business partners, while others can onboard without further due diligence. However, all business partners must verify that they have an appropriate compliance framework in place, and that they have access to a relevant training program provided by Clariant based on their risk rating. This process is currently under review to accommodate the new Swiss regulatory requirements for more transparency and social responsibility in reporting, which came into force on 1 January 2022.

Stakeholder-led regulatory proposals such as the Responsible Business Initiative in Switzerland increasingly demand greater transparency, particularly regarding the protection of human rights. In the coming years, Clariant will enhance existing activities, prove its commitment, and focus on → [HUMAN RIGHTS](#) in its own operations and its supply chain.

Information security and data privacy

Clariant has established an Information Security Program to create awareness and to train employees on the appropriate use of data. This includes information classification, measures to avoid the loss of data, and measures according to the confidentiality, integrity, and availability (CIA) of information. To ensure a coordinated approach, Information Security Champions in each business and service unit support the implementation of this program in close collaboration with the IT Security team.

In 2018, Clariant implemented a Data Privacy Program in line with the General Data Protection Regulation (GDPR) of the European Union. An internally certified Data Privacy Organization is responsible for providing guidance and regular information, creating awareness, conducting trainings, and implementing the program throughout the company, with Data Privacy Champions in each business unit and region. Clariant's internal information channels (intranet, Yammer, etc.) make important information directly available to end users.

The Data Privacy Program consists of the Data Privacy Policy, a general directive on how to process personal data, standardized operating procedures (SOPs) on selected aspects of the Data Privacy Policy, and basic data privacy e-learning courses. The aim of the courses is to familiarize all employees with the principles of the Data Privacy Policy, to provide deep dives for more exposed functions like Human Resources, Marketing, and Sales, and to introduce new employees to basic aspects of data privacy. All trainings include the main topics of the → **INTERNATIONAL ASSOCIATION OF PRIVACY PROFESSIONALS**. Following a »train the trainer« approach, the certified employees are responsible for creating awareness and building up the relevant knowledge throughout the company.

Against the backdrop of increasing global requirements concerning data privacy, Clariant adapts and develops its data privacy strategy as »Think Privacy 2.0.« In 2021, the company advanced the six strategic pillars: ensure compliance with regulations, document systems where personal data is processed, foster a risk-based approach, create awareness, train relevant employees, and monitor program execution. To fulfill GDPR requirements for the management of personal data, Clariant has integrated the information life cycle management (ILM) concept into its SAP system.

Many countries now have strict legal frameworks in place to protect data privacy rights of individuals. Clariant rigorously monitors regulatory changes and takes necessary measures. For example, in 2020, when the Schrems II court decision invalidated the EU-US privacy shield and subsequently the Swiss-US privacy shield, Clariant immediately set up a project to address the required changes. The company is currently completing the implementation of the new standard contractual clauses adapted by the EU in June 2021.

Strategic Integrity Roadmap

Clariant's Strategic Integrity Roadmap lays the foundation for the company's ethics and integrity strategy, the purpose of which is to foster an ethical mindset and responsible behavior in the workforce. The Strategic Integrity Roadmap is the overarching document to implement the highest standards for responsible business conduct around five pillars: leadership engagement; communication and training; legal and compliance risk assessment; standards and controls; and monitoring, auditing, and reporting.

The roadmap is a detailed plan, including 25 key performance indicators from these categories that the Executive Committee and the Audit Committee set in 2018. Updates on progress and measures are provided quarterly to the ECS E&R and biannually to the Audit Committee. Clariant continuously evaluates the indicators to improve the effectiveness of its approach. The Audit Committee on behalf of the Board of Directors approves the Strategic Integrity Roadmap annually.

Code of Ethics

A central instrument to ensure ethical behavior under the roof of the roadmap is Clariant's Code of Ethics, »Reflect Ourselves,« which guides employees in their decisions and actions. Following the release of the Strategic Integrity Roadmap, Clariant revised its former Code of Conduct into the Code of Ethics in 2019 and published it on the company website in February 2021.

The new Code of Ethics outlines the company's ethical commitments and supports employees in reflecting on responsible actions and decisions. In addition, Clariant launched a tool called »Integrity Yes Check.« It helps employees to ask questions related to their projects to find out whether they are on the right track or should seek support. The Code of Ethics is value-based and designed around Clariant's eight guiding principles:

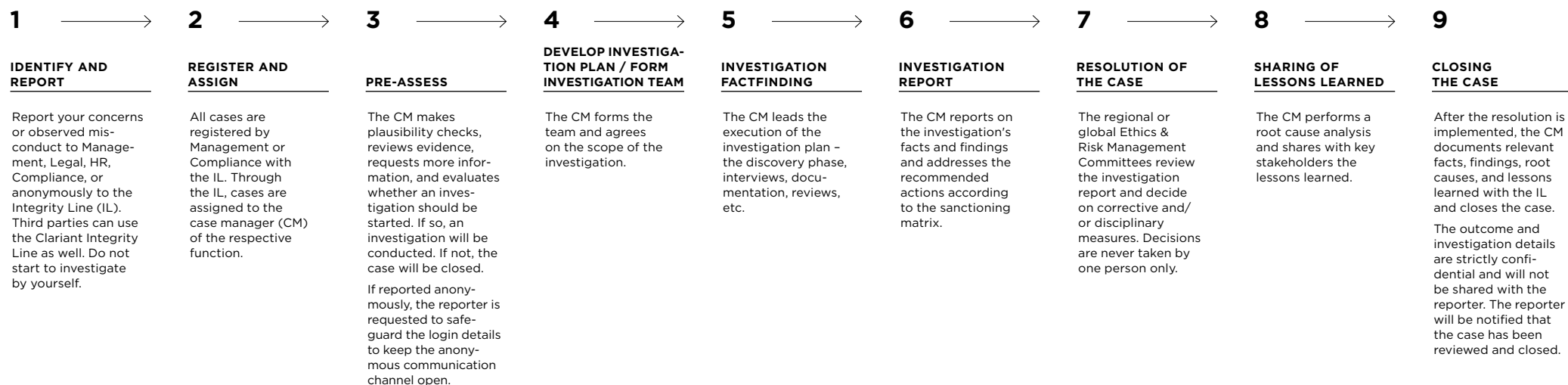
- We treat each other with respect.
- We comply with the highest ethical standards and the law.
- We put safety first and are committed to protecting the environment.
- We are committed to fighting corruption.
- We care about our community and behave as a good corporate citizen.
- We handle information with care.
- We communicate responsibility.
- We take care of our resources.

Until October 2021, Clariant rolled out the Code of Ethics with monthly campaigns and interactive virtual events to reach all employees despite pandemic circumstances. The company presented the eight principles in webinars, articles, interviews, and videos. In addition, for every principle, it described three dilemmas relevant to all employees, particularly to its site personnel. Supervisors, managers, and global leaders used them to engage in dilemma-based discussions to make the principles more tangible. In the rollout campaign, the Executive and Senior Management committed to living up to the Code of Ethics and gave an integrity pledge. → **CODE OF ETHICS**

Anti-bribery, anti-corruption, antitrust

In addition to its global anti-bribery and anti-corruption policy (ABC Policy) and gift policy, Clariant has developed local policies regarding gifts, entertainment, and community engagement work. The company also has a comprehensive antitrust compliance program and guidelines, which it updates regularly. It particularly investigates corruption risks during reviews of high-risk businesses in high-risk environments with high-risk customers.

001 **NINE-STEP APPROACH**



In 2020, Clariant drafted a holistic fraud program, implemented a third-party risk management system, and mandated job rotation for employees in exposed functions whenever possible. It developed the fraud program further in 2021 and will re-implement it in 2022 with key performance indicators to be set and monitored.

Investigation process

With the new Code of Ethics, Clariant has updated its investigation process. This nine-step-approach applies to all reported concerns and breaches of the Code of Ethics. Corporate functions (Group Compliance, Group Human Resources, Corporate Audit, ESHA, and other functions where appropriate) are responsible for the investigation and have received appropriate training. Remediation lies with the global ECS E&R and the regional Ethics and Risk Management Committees. The company tracks the number and type of process changes made in response to allegations.

→ FIGURE 001

INTEGRITY LINE

	Total 2021	2020	2019	2018	2017
Cases submitted via the anonymous Integrity Line	82	64	99	95	70
thereof fully or partially substantiated	31	17	8	29	16
thereof closed during the year	56	38	31	72	46
Questions submitted via the anonymous Integrity Line	13	9	17	9	10
Total submissions	95	73	116	104	80

Clariant Integrity Line

In addition, employees and business partners can confidentially report malpractices, violations of the Code of Ethics, and workplace-related compliance issues through the »Clariant Integrity Line.« Reports are anonymous and can be made 24/7 via an easy-to-use online portal. Clariant increased its focus on ways to speak up as part of the Code of Ethics launch campaign in 2021 with an employee survey, senior management discussions, and an ethics journal. The Code of Ethics even includes a nonretaliation commitment to foster the company's speak-up culture. The Integrity Line will be adapted to upcoming legal requirements on whistleblower protection and data privacy laws in the future.

In 2021, Clariant received 13 questions and 82 reports through its Integrity Line. One case can relate to several issue types. Of the reports, 23 were related to business integrity, 34 to the treatment of employees, ten to health and safety or environmental violations, and the remaining cases related to information security, cyber risk, data privacy, and others. 31 cases were substantiated fully or partially.

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

	Total 2021	2020	2019	2018	2017
Percentage of members of the Board informed about anti-corruption policies (%)	100	50	100	50	50
Percentage of employees informed about anti-corruption policies (%)	3	14	90	40	60
Percentage of business partners informed about anti-corruption policies (%)	70	60	60	40	50
Percentage of members of the Board who received anti-corruption training (%)	100	50	100	50	45
Percentage of employees who received anti-corruption training (%)	3	14	86	30	60
Percentage of employees who received compliance training (%)	81	14	86	45	60
Number of employees trained on elements of the Group Compliance Programs ¹	11 751	n.a.	n.a.	n.a.	n.a.
Number of participants in »Ethics Dialogs« ²	1 500	1 000			

¹ Headcounts

² This format was introduced in 2020.

Training and communication

Clariant has set a target of mandatory compliance trainings as part of employee performance management. The company offers regular e-learning courses on anti-bribery and anti-corruption as well as micro learnings on speaking up, nonretaliation, and how to use the Integrity Line. In 2021, a total of 11 751 employees, i. e., 87 % of the workforce, were trained on elements of the Group Compliance programs. Special target groups, like employees with higher exposure, receive further face-to-face trainings. The company also familiarizes new employees with the Code of Ethics as well as anti-bribery and anti-corruption policies in introductory trainings. Classroom trainings and e-learnings on antitrust matters are mandatory for employees working in procurement, marketing, sales, and other relevant functions. Clariant developed a training curriculum in 2021, which defines the frequency, target groups, and further details, and is going to put it into practice in 2022.

In monthly campaigns, topic owners share the eight guiding principles of the Code of Ethics in short videos, interviews, articles, and dialog sessions. Every month, they present three dilemmas related to the guiding principles for discussion in team meetings. One of these cases is always tailored to the production site environment to ensure relevance to all employees at Clariant. In 2021, Clariant encouraged all leaders to use the dilemmas to engage in active discussions about the new Code of Ethics.

In addition, Clariant started a new »Ethics Dialogs« format in Latin America in 2021, but soon broadened it globally. Throughout the year, about 1 500 employees participated in ten global dialogs held on the various Code of Ethics principles. During these calls, participants can ask questions about various Code of Ethics topics, which different leaders answer directly. Questions can also be submitted anonymously after the call. In 2022, Clariant plans a Global Ethics Dialog and regional Ethics Dialogs in all regions.

Since 2020, Clariant has trained more than 4 500 employees in its antitrust training campaign with more than 320 global webinars. The campaign training movie, »Pay the Price,« won the inter-media-globe GOLD Award at the World Media Festival Hamburg 2021 in the category »Internal Communications: Training« and the Grand Award in the category »Internal Communications.«

Compliance incidents

During the annual external audit cycle, there is also a review of the Integrity Line, case management handling, reporting, and program oversight.

Noncompliance

In 2021, nine allegations regarding bribery, corruption, and kick-backs were brought forward. They led to disciplinary actions against seven employees. In four cases, Clariant dismissed the responsible employees, and one case is still under investigation.

There were no legal proceedings against Clariant or its employees for alleged corruption. However, Clariant did not terminate relationships with business partners (agent, distributor, or consultant).

Anti-competitive behavior

In 2021, there were no reported legal actions for anti-competitive behavior or antitrust or monopolistic practices. Clariant reports significant legal actions in its Financial Report.

Laws and regulations in the social and economic area

In 2021, Clariant was not fined for noncompliance with laws or regulations in the social and economic area.

SUPPLY CHAIN RESILIENCY

Supply chain resiliency contributes to value creation, as it protects the company's reputation and increases revenue due to a strong position on the market. It also prevents profit losses from supply chain bottlenecks and secures the customers' supply. Managing supply risks and promoting supply chain resiliency were particularly important in 2021, when the pandemic caused additional supply chain bottlenecks. However, Clariant was able to manage most of them.

Supply chain disruptions because of sustainability issues also increased in 2021. Therefore, Clariant took care to prepare its supply chain for the future by anticipating bottlenecks and choosing its suppliers accordingly. For example, it prefers to cooperate with suppliers that deal with climate change by reducing their emissions and providing emergency schemes for extreme weather events.

Long-established local and regional supply bases help Clariant to mitigate disruption risks. In 2021, this network was crucial, for example, for dealing with geopolitical issues, trade disputes, factory shutdowns, or blocked traffic routes.



PRODUCTION SITES AND FACILITIES

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Production sites	67	12	79	126	118	125	125
Countries with production facilities	26 ²	10 ²	27 ²	39	38	39	39
Production (in m t) ³	4.33	0.10	4.43	4.10	4.25	4.34	4.60
Investment in property, plant, and equipment (in CHF m)			357	288 ¹	273	237	248

¹ Restated

² The sum does not add up as in some countries there are productions sites for both continuing and discontinuing operations.

³ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.

However, Clariant's procurement managers continuously review and adapt supply strategies. Further plans include creating more transparency through digital applications and the ability to illustrate how raw material issues affect the production of finished goods in order to see the sales at risk. These initiatives will further improve the resiliency of Clariant's supply chain.

Clariant considers itself a front-runner in sustainability. The external environment in this context is shaped by a growing demand from customers and consumers for sustainable products, an evolving regulatory environment, and increasing interest in the circular economy and renewable raw materials. The company supports this shift by promoting innovation in biofuels, bio-based chemicals, and feedstock.

Clariant incorporates sustainability standards into its procurement practices, irrespective of material, product, geography, or risk potential. It demands transparency from its direct and indirect suppliers, for example, concerning emissions, labor rights, and human rights. Typically, suppliers that demonstrate good sustainability performance are also transparent about sustainability risks in their own supply chains.

Management approach

Global responsibility for supply chain resiliency lies with Clariant's Supply Risk Management, which reports to the head of Center of Expertise. It develops and deploys Clariant's strategy for supply risk management and supports Group Procurement Services, Global Business Services, business units, and service units in reducing their risk exposure. Supply strategies are aligned with each business unit.

The Supplier Sustainability & Climate Initiatives team reports to the Chief Procurement Officer. There are four regional sustainability specialists for Europe, Asia-Pacific, Middle East and Africa, and the Americas. They are responsible for setting the sustainable procurement strategy and implementing supplier sustainability projects globally.

Clariant's backbone for supply chain resiliency and sustainability comprises 79 production sites in 27 countries.

Evaluation of management approach

Clariant continuously enhances the breadth and depth of its Procurement Sustainability Roadmap. It sets annual targets for supply chain sustainability and tracks them monthly in management committee meetings. The company draws from insights and feedback gathered through external evaluations, industry benchmarks within and outside the chemical industry, and conference participation.

Clariant actively measures and manages the performance and behavior of its suppliers. For this purpose, the company has set individual targets that represent all its relevant specifications and needs. It conducts an annual supplier evaluation through a lean questionnaire, while holistic risk management processes are currently under construction.

Supply chain policy

Clariant selects and manages its suppliers, outsourcing partners, and service providers based on a comprehensive set of criteria. In addition to economic and product-specific aspects, the company considers environmental, labor, and human rights practices as well as integrity and ethics. In 2021, it outlined its principles in its → SUPPLIER SUSTAINABILITY JOURNEY.

Supply risk evaluation is an integral part of Clariant's supply strategy. Therefore, its supply chain setup includes redundant sourcing, a notification system for crucial events, regular tracking of open orders, constant contact with its suppliers, emergency team meetings to define mitigation measures, cross-functional cooperation, and supply contracts to secure favorable prices.

In 2014, Clariant published a Supplier Code of Conduct (SCoC), which was updated and expanded in 2021 and published as the Supplier Code of Ethics in January 2022. The Supplier Code of Ethics reflects the principles of the UN Global Compact initiative, the global chemical industry's Responsible Care® initiative, and Clariant's Policy Statement on Human Rights and is part of the company's general terms and conditions of purchase. It outlines principles for the sustainability performance of suppliers and sets standards related to people (the human scope), planet (the environmental scope), and integrity (the ethical scope).

Supply chain targets

In 2021, Clariant introduced new → **SUSTAINABILITY TARGETS**. They include reducing Scope 3 emissions by 14 % by 2030. As Scope 3 footprint mainly comes from purchased goods and services, Clariant strives to scout for and purchase low-carbon alternatives in its supply chain. Thus, suppliers strongly influence the company's overall sustainability performance.

Clariant has also adopted its Procurement Sustainability Roadmap in alignment with the Sustainability Transformation team. It defines focus areas, strategies, and key performance indicators and applies them to the entire organization. In 2021, four out of eight indicators from this roadmap related directly to sustainability:

- increasing spend coverage with sustainability evaluation and decreasing spend with risk suppliers;
- number of new supplier sustainability assessment scorecards generated;
- number of new sustainability audit reports generated;
- number of suppliers that have improved their score in the sustainability assessments.

Internal trainings

Clariant Group Procurement Services (GPS) organizes annual internal trainings so that employees can adequately evaluate performance in the supply chain. In 2021, GPS organized 37 trainings mainly for GPS experts, the corporate sustainability team, and sustainability experts from business units. Other opportunities to

raise awareness included webinars, workshops, and exchange meetings. New employees in procurement also receive special trainings and support material. In 2021, Clariant introduced a number of remote training formats, mainly on Scope 3 greenhouse gas emissions.

Proportion of spending on local suppliers

Whenever possible, Clariant procures goods and services from local suppliers that fulfill all procurement criteria. Supporting regional economic development in this way is particularly relevant for – and encouraged in – key emerging markets such as Brazil, China, and India. Clariant defines local suppliers as suppliers based in the same country or region where it uses the materials and services.

RAW MATERIAL PROCUREMENT ¹

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Raw materials procured (in m t)	3.49	0.18	3.67	2.92	3.13	3.31	3.25
Percentage of the procurement budget that is used for significant locations of operation and spent on suppliers local to that operation (%)	n.a.	n.a.	87.1	87.6 ⁵	88.0	88.3	87.4
Asia-Pacific (in CHF m)	286	216	501 ⁴	426	597	672	627
Of which with local suppliers (in CHF m) ²	274	203	476 ⁴	405	564	641	591
Number of local suppliers ³	981	558	1 422	2 296	2 422	2 527	2 800
Europe (in CHF m)	1 029	226	1 255	1 017	1 232	1 340	1 237
Of which with local suppliers (in CHF m) ²	946	143	1 088 ⁴	909	1 117	1 228	1 122
Number of local suppliers ³	751	169	840	1 374	1 416	1 514	1 690
Latin America (in CHF m)	190	44	234	207	262	320	307
Of which with local suppliers (in CHF m) ²	148	13	161	140	176	213	209
Number of local suppliers ³	636	253	784	1 065	1 088	1 085	1 092
Middle East/Africa (in CHF m)	53	2	54 ⁴	67	99	106	109
Of which with local suppliers (in CHF m) ²	33	1	33	37	55	57	56
Number of local suppliers ³	109	22	124	358	395	378	407
North America (in CHF m)	301	6	307	311	453	510	395
Of which with local suppliers (in CHF m) ²	286	3	288 ⁴	285	419	464	359
Number of local suppliers ³	461	9	469	927	979	930	1 002
Grand Total (in CHF m)	1 859	493	2 352	2 027	2 642	2 948	2 674
Of which with local suppliers (in CHF m) ²	1 686	361	2 048 ⁴	1 777	2 330	2 603	2 337
Number of local suppliers ³	2 938	1 011	3 639	6 020	6 300	6 434	6 991

¹ Duplicate counts possible. One supplier may supply to continuing and discontinued operations.

² Raw material spending of Clariant production sites in this region

³ Regional suppliers that supplied Clariant (production) sites

⁴ The sum does not add up as the numbers are rounded.

⁵ Continuing operations only

Supplier evaluation

To evaluate the risk profile and increase the sustainability performance of its supply chain, Clariant relies on external assessments and audits. The company is a member of the »Together for Sustainability« (TfS) initiative. TfS is a joint approach by the procurement leadership of large chemical companies and uses the internationally recognized EcoVadis evaluation platform. Clariant also considers the Responsible Care® initiative, the Sedex Members Ethical Trade Audit (SMETA), and the Cefic Safety and Quality Assessment for Sustainability (SQAS).

Clariant supports strategic suppliers that outperform their peers in assessments and audits and continuously improve their performance. It pays most attention to assessments and audits according to country and business risks, global category priorities, and purchase volumes. Outsourcing these assessments and audits to external providers guarantees process robustness, independence, confidentiality, and conformity with antitrust and competition laws.

PERCENTAGE OF SUPPLIERS ASSESSED VIA ECOVADIS

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Percentage of direct spend for raw materials from suppliers covered by shared sustainability ratings (EcoVadis)	86.6	88.2	86.9	84.4	78	74	65

Through the TfS initiative, Clariant also has online access to a large number of assessment scorecards and audit reports generated on behalf of other TfS members. In addition to an overall score, they contain individual scores for environmental topics, labor and human rights, ethics, and sustainable procurement. Furthermore, they provide detailed feedback on specific improvement areas and guidance on where and how to address the identified gaps.

In 2021, TfS members initiated 1 345 new supplier assessments and 3 858 reassessments, of which 69% resulted in improved scores. At the end of the year, the TfS pool included 11 167 actively managed assessments. The number of new audits among TfS members amounted to 284, adding up to more than 2 000 audits conducted since 2012. Clariant correlates these assessments and audits against its own supplier base to determine the share of total spend covered by TfS assessments. Coverage reached 87% in 2021, surpassing the company's goal of 85%.

New suppliers that were screened using environmental and social criteria

In 2021, Clariant started business with about 4 000 new suppliers. Small indirect spend vendors represented 80% of them.

Negative environmental and social impacts in the supply chain and actions taken

Following a comprehensive approach for supplier assessment, Clariant monitors, measures, and improves supplier performance, identifies improvement opportunities, and embeds sustainability as an integral part of supplier selection and management. These actions decrease supply chain risks.

Clariant clearly and consistently outlines its expectations of suppliers. The company also makes clear how suppliers can improve their performance. If a TfS assessment yields an unsatisfactory result, Clariant develops Corrective Action Plans (CAPs). Depending on the TfS scores, CAPs can be recommended or mandatory. They can also be limited to particularly critical topics, for example, environmental policy, diversity and anti-discrimination measures, or labor and human rights. In 2021, 13% of the 524 sup-

pliers identified with significant negative environmental impact followed a CAP. CAPs are in accordance with the 2020 Supplier Sustainability Consequence Management Framework, which was integrated into the Supplier Sustainability Journey in 2021.

The Supplier Sustainability Consequence Management Framework has turned out to be a helpful tool to improve performance in the company's supply chain and to mitigate sustainability risks. However, if suppliers do not improve over time, Clariant reduces purchase volumes and sometimes, but very rarely, terminates the business relationship.

Tier 2 evaluation

Transparency and visibility of Clariant's multitiered supply chain remains a challenge. To strengthen its sustainable procurement program, Clariant aims to extend its approach beyond its own suppliers to include tier 2 suppliers. This approach helps to satisfy the demand by Clariant's customers for transparency, to anticipate approaching regulations for sub-tier visibility, and to detect possible disruptions along its value chain at an earlier stage.

In 2020, Clariant joined a pilot program on sub-tier supplier assessments with other TfS member companies. In the context of this program, Clariant asks tier 1 suppliers of its strategic suppliers to disclose sustainability information to EcoVadis. Consequently, Clariant receives aggregated information on the sustainability performance of its tier 2 suppliers.

Clariant further refined this process in 2021 and requested 15 tier 1 suppliers to invite 73 of their suppliers to take an EcoVadis assessment. Thirty-six tier 2 suppliers agreed to share their EcoVadis scores with Clariant. They achieved a high average score, while only eight scored lower than required.

NEGATIVE ENVIRONMENTAL AND SOCIAL IMPACTS IN THE SUPPLY CHAIN

	Total 2021	2020	2019	2018	2017
Number of suppliers assessed for environmental impacts	4 876	4 205	9 434	10 566	8 692
Number of suppliers identified as having actual or potential significant negative environmental impacts	524	472	784	955	666
Percentage of suppliers identified as having actual or potential significant negative environmental impacts and with whom improvements were agreed upon as a result of assessment	13	14	18	20	17
Number of suppliers assessed for social impacts	4 876	4 205	9 434	10 566	8 692
Number of suppliers identified as having actual or potential significant negative social impacts	357	342	1 060	1 205	598
Percentage of suppliers identified as having actual or potential significant negative social impacts and with whom improvements were agreed upon as a result of assessment	8.9	13.5	16	26	19



In 2022, Clariant is going to extend this program to other procurement activities, like renewable raw materials, to customer-driven transparency projects, and to greenhouse gas emissions. The Supplier Sustainability Consequence Management Framework will further assist Clariant's tier 1 suppliers in evaluating, monitoring, and responding to tier 2 supplier TFS assessments. The framework provides systematic steps to engage with suppliers and to communicate Clariant's expectations. Accompanying letters will be available in six languages.

Supplier trainings

Clariant procurement provides key suppliers with free annual trainings, webinars, and materials. They cover a variety of topics, including the TFS assessment and reassessment process, improving sustainability performance, and working on Corrective Action Plans (CAPs).

In 2021, Clariant invited suppliers in Europe, the Middle East, Africa, and India, as well as the Asia-Pacific region, North America, and Latin America to participate in trainings and webinars facilitated by TFS. They emphasized the importance of sustainable procurement and helped suppliers to understand the TFS requirements and opportunities as well as the EcoVadis methodology, so that they can further improve their assessment scores. These trainings will continue in 2022.

Awards

In 2019, EcoVadis granted Clariant its Sustainable Procurement Leadership Award for »Best Internal Stakeholder Engagement.« In the same year, riskmethods, a company assessing supplier risks, honored Clariant with the »TOP Sustainable Supply Chain Program« award. These awards acknowledge excellence in sustainable procurement practices and distinguish Clariant as best in class, driving internal engagement to roll out a global sustainable procurement program.

In 2021, Clariant received the EcoVadis platinum medal for its own EcoVadis assessment. The company scored particularly high in sustainable procurement, which acknowledges its advanced sustainability system of supply chain management.

Clariant also won the »Trailblazer« award for its sub-tier visibility approach at the riskmethods forum in 2021, and succeeded in the »Top Risk Management« program at the 2019 Procurement Leaders Academy with its holistic risk management approach.

INNOVATION AND TECHNOLOGICAL ADVANCES

A strong focus on innovation and Research & Development is one of the five pillars of Clariant's strategy to become a global leader for specialty chemicals. Clariant tackles emerging macro trends to stay ahead in dynamic markets, creates high-performing solutions for rapidly changing customer needs, and drives profitable growth in all its businesses.

Innovation also supports the strategic pillar »adding value through sustainability«: The company's cutting-edge innovations meet the increasing demand for sustainability performance and create long-term value for Clariant's stakeholders.

Innovation activities at Clariant focus on products, processes, and services affecting the company's entire value chain from suppliers to internal operations, customers, and end users. A culture of innovation is also an important factor in creating a compelling work environment, boosting employee motivation, and helping Clariant attract and retain talent.

Management approach

Clariant's Global Innovation & Sustainability Council (GISC) oversees all innovation activities across the Group. It shapes the sustainability and innovation agenda of the company, focusing on a sustainability-driven portfolio transformation. Under the lead of one Executive Committee member and the Chief Technology Officer (co-chair), the GISC comprises the Executive Committee, the business units' innovation heads, the head of Sustainability Transformation, and the head of the Group Innovation & Sustainability (GIS) Program Management Office. Upon invitation, key functions from GIS and representatives from Corporate Planning & Strategy also join the GISC.

The charter of the GISC outlines its focus: reviewing Clariant's sustainability, innovation, and technology strategy; ensuring that value creation is sustainability-focused and market- and customer-driven; challenging the effectiveness and efficiency of strategy execution; deciding on global or regional cross-BU programs, projects, and initiatives; and acting as an advisory platform to the Executive Committee.

As of January 2021, Clariant's new service unit Group Innovation & Sustainability (GIS) has been bundling innovation and sustainability competencies. It comprises the following units: Sustainability Transformation, Global Product Stewardship, Emerging Technologies, Group Biotechnology, and Global IP Management. A lean Program Management Office & Innovation Center Management function manages Clariant's Innovation Centers and ensures standardized processes, tools, and reporting.

Clariant regularly reviews its innovation approach as part of the Strategic Management Process.

Strategic innovation process

Clariant's innovation pipeline is built along the Idea to Market process, one of the three value-creation processes at the core of Clariant's business model. This process involves scouting global trends, identifying business opportunities, exploring unmet customer needs, developing products, and commercializing and monitoring business performance. It is essential for developing a well-filled product and service pipeline that delivers marketable innovations.

According to the Idea to Market process, Clariant groups all innovation projects into three categories. Class 1 projects have a sales potential in the double-digit million CHF range and have strong strategic relevance for Clariant. These projects are managed by Innovation Black Belts. Innovation Black Belts typically dedicate all their time to managing Class 1 projects. Class 2 and Class 3 projects are usually led by Innovation Green Belts, who dedicate part of their work time to these projects next to other R&D tasks. Innovation Black and Green Belts are trained and coached on tools and process know-how by Innovation Master Black Belts.

Development of key performance indicators

After achieving its growth target for innovation sales in 2020, Clariant met expectations again in 2021 despite supply chain shortages and the challenging economic environment linked to the COVID-19 pandemic.

Clariant strives to realize a local currency growth rate of 2–3% through innovation, with a target of 1–2% sales growth from top-line innovations alone, which means innovations that create new sales in new markets, actively contributing to Clariant's net growth. In 2021, innovation sales of the continuing businesses strongly contributed to the company's overall recovery, growing by more than 3.5%. This was a result of Clariant's continuous commitment and efforts to understand its customers' needs and to deliver better and more sustainable solutions.

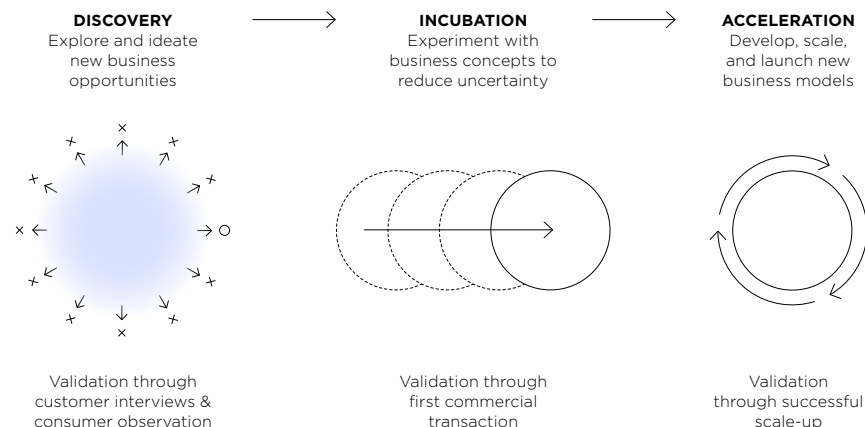
Research & Development spend in 2021 was CHF 155 million for the continuing businesses, a decrease compared to CHF 190 million in 2020, which then still included the discontinued Business Unit

Pigments. As a share of sales, R&D spending for the continuing businesses was 3.5%, a decrease compared to 2020, reflecting the efficiency gain in the streamlined R&D organization after the divest-

ment of Business Unit Masterbatches and the planned divestment of Business Unit Pigments. R&D employees (in full-time equivalents) decreased from 950 to 860.

STRATEGIC INNOVATION PROCESS: DISCOVERY, INCUBATION, AND ACCELERATION (DIA)

To accelerate the innovation process and establish new business in uncertain environments, Clariant implemented a strategic innovation process, which consists of three phases: discovery, incubation, and acceleration. Specialized teams with diverse mindsets, agile project management, and lean start-up methodologies allow for fast learning to quickly confirm or reject given assumptions at the basis of a business idea. Once an idea proves viable, Clariant can draw on its production network and market access to commercialize the product with short lead times. This innovation process concentrates on strategic opportunities or threats beyond the current market and/or technology focus that have a significant financial or sustainability impact. The process follows a lean, customer-centric, and evidence-based approach.



INNOVATION AND TECHNOLOGICAL ADVANCES

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Growth through innovation (%) ²	>3.5	n.a.	n.a.	>1.5 ³	<3.0	>3.0	2.5
Research & Development expenditures (CHF m)	155	12	167	195 ^{1,3}	207	209	211
Research & Development expenditures as share of sales (%)	3.5	1.3	3.2	3.8 ^{1,3}	3.2	3.2	3.3
Clariant Innovation Centers ⁴	3						
Research & Development Centers and dedicated Technology Centers	10 ⁴	n.a.	n.a.	8 ³	8	8	8
Technical Centers	45	n.a.	n.a.	50 ³	>50	>50	>50
Patents (year-end)	>4 900	>200	>5 100	>5 400 ³	>6 500	6 700	6 600
Trademarks (year-end)	>6 000	>1 400	>7 400	>7 400 ³	>9 000	8 900	8 300
Active innovation projects	325	n.a.	n.a.	350 ³	>375	>375	>370
Of which Class 1 projects with double-digit million sales potential or of strategic relevance	65	n.a.	n.a.	55 ²	>65	>70	>65
Scientific collaborations	80	n.a.	n.a.	100 ³	>125	>125	>125

¹ Restated

² Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

³ Excluding Business Unit Masterbatches

⁴ The categories of R&D-related sites were reorganized in 2021 due to changes in Clariant's R&D landscape after, e.g., divestments.



Clariant's state-of-the-art equipment and infrastructure in three Clariant Innovation Centers, ten contract R&D Centers and dedicated Technology Centers, and 45 regional Technical Centers form the basis for successful innovation while ensuring proximity to the customer. In 2021, the overall number of active projects in the innovation pipeline was stable at 325 projects in the continuing businesses. With still more than 80 active scientific collaborations, the number decreased compared to 2020, as several projects were completed during last year.

In 2021, Clariant kept the number of employees trained as innovation belts constant at 365. These employees are a key factor in ensuring a well-filled project pipeline and efficient project management. The number of Class 1 projects increased from 55 to 65 in comparison to the previous year.

At the end of 2021, Clariant's continuing operations' patent portfolio counted 4 900 patents, and the continuing operations' trademark portfolio included 6 000 trademarks. The number of patents and trademarks decreased in comparison to 2020 due to the divestment of Business Unit Masterbatches and the planned divestment of Business Unit Pigments, as well as due to stringent portfolio optimization measures.

Technology platforms

Since January 2021, Clariant has structured its Research & Development activities along five technology platforms: Chemistry & Materials, Biotechnology, Catalysis, Process Technology, and Emerging Technologies. All technology platforms collaborate closely with the business units to ensure that technology push and market pull go hand in hand.

The new Emerging Technologies Unit

The new Emerging Technologies Unit is a central platform for technologies on the rise. The goal is to deliver major innovative solutions for the business units by detecting upcoming megatrends with cross-BU relevance that are key to Clariant's competitiveness. The unit acts as an entry point for external technology leads and ensures their initial validation and stringent follow-up, until successful integration into the business units.

One current focus area of the Emerging Technologies platform is high-throughput experimentation (HTE). This approach combines research practices designed to deliver more information with less effort. It relies on automation and robotics, miniaturization, and parallelization to plan and execute experiments with significantly increased speed and optimized resource consumption. Combined with computational tools, intelligent experimental design, and cutting-edge data analytics, HTE enables Clariant to explore the full solution space and find correlations that are undetectable using traditional methods.

Transformational platform technologies such as HTE enable the digital transformation of R&D and innovation processes, accelerating the development of new products and the optimization of existing products, and reducing time-to-market. By generating very large sets of product performance data and efficiently exploring new research areas, HTE makes it possible to acquire in-depth knowledge and quickly identify new leads. Research topics include the library synthesis of molecules for personal care applications; microbiological efficacy testing via high-throughput biological assays for crop applications; and fast-response-unit approaches for the discovery and development of optimized chemistries and formulations for hydrate inhibitors, pour point depressants, and asphaltene inhibitors for the oil business.

In addition to existing labs in Frankfurt (Germany), Palo Alto (USA), and Houston (USA), Clariant is implementing further HTE labs at the One Clariant Campus in Shanghai, China. Their launch is expected in early 2023. All these facilities have a similar instrumentation, infrastructure, and operational model. They are designed to serve all Clariant business units and assure a quick transition from one project to another. Clariant manages them centrally to ensure that successes experienced in existing HTE labs also spread to the new ones.

Key areas of innovation

The technology platforms fuel Clariant's innovation pipeline and drive progress in four key areas: bio-economy, hydrogen economy, circular solutions, and digital innovation. While Clariant already generates sales in these fields, the company aims to play an even stronger role in the future – by creating safer products and contributing to a more sustainable industry with a reduced CO₂ footprint.

Bio-economy

Clariant contributes to the → BIO-ECONOMY with its sunliquid® technology – a highly efficient means to convert renewable second-generation sugars into a broad range of chemicals, such as bioethanol. Other bio-based products include the low-carbon footprint surfactants from the GlucoTain® and GlucoPure® lines, which are readily biodegradable and have a Renewable Carbon Index of up to 96%, and the Licocare® RBW Vita solutions, which are highly effective lubricants and dispersion aids derived from a natural, non-food-competing by-product of rice oil production.

Hydrogen economy

Blue and green hydrogen will play a key role in the upcoming energy transition, enabled by Clariant's state-of-the-art catalysts. The company is already involved in more than 40 projects for the conversion, storage, and transportation of green hydrogen. In collaboration with Technip Energies, Clariant reached a breakthrough both in catalyst and reactor design for steam reforming to produce hydrogen, offering its customers up to 20% lower CO₂ emissions or increasing production output by up to 20%.

Circular solutions

Clariant's EcoCircle initiative focuses on circularity in the plastics industry. However, the challenges ahead will require implementing circularity in many other areas of life. Therefore, Clariant already develops solutions to enable circularity beyond plastics and will continue its efforts in this key area toward a more sustainable future.

Digital innovation

Digital innovation at Clariant encompasses a full array of digital-relevant capabilities and tools, including lab automation, high-throughput experimentation, data science, computational science, and IT capabilities. By smartly leveraging such digital technologies at each stage of the product innovation cycle, Clariant has the ability to design new offerings, discover new applications for existing products, reduce environmental impact of chemicals, and maximize their sustainable value, while decreasing the overall time-to-market.

Besides investing in digitalization and continuously adopting digital technologies as they mature, Clariant has also recently launched the Digital Innovation Factory, an innovation program that drives business opportunities through a comprehensive digital approach, making it possible to continuously differentiate offerings and get better products to the market faster.

Initial focus has been given to selected business segments where digitalization can significantly improve efficiency and effectiveness of formulation processes and simultaneously enable new digital business models and go-to-market strategies. Via the Formulation Factory approach, digital assistants support Clariant formulators and customers to quickly identify the most suitable products for a given application.

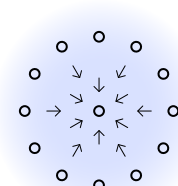
In mid-2021, Clariant completed the rollout of the newly implemented Electronic Lab Notebook (ELN) for digitalization of R&D data with more than 740 active users globally. The ELN gives access to more data in a structured and searchable way, improving the exchange of data between labs, departments, business units, and service units. It has three core elements: a chemical inventory management system to backtrack and manage reagents used in laboratories, a study notebook with templates to enter R&D data, and analysis and visualization tools to analyze and correlate experimental data.

OVERCOMING INTERNAL AND EXTERNAL BOUNDARIES WITH INNOVATION NETWORKS¹

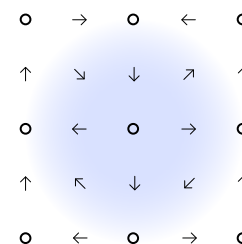
With the advancement of communication technologies (e.g., cloud computing, Internet of things, big data, and social media), Open Innovation entered a new paradigm known as OI 2.0. This enriched the innovation ecosystems and fostered co-creative collaboration between all actors in a quadruple helix system (governments, academics, companies, and citizens), spanning organizational boundaries well beyond normal licensing and collaboration schemes. To keep up with OI 2.0, Clariant is introducing pragmatic approaches to accelerate in-house innovation efforts.

¹ EU Open Innovation Strategy and Policy Group (OISPG), 2013: Open Innovation 2.0: A New Paradigm

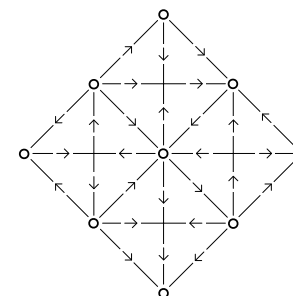
CLOSED INNOVATION
Inward-looking innovation



OPEN INNOVATION
Collaborative innovation



INNOVATION NETWORKS (OI 2.0)
Cross-organizational innovation



Internal boundary for innovation
Idea/innovation/inspiration
→ Flow of information
— Connection e.g., digital data

Innovation management formats

Clariant has two cutting-edge innovation formats: the Innovation Engine (iEngine) and the Innovation Garage (iGarage).

iEngines implement a sequence of virtual and face-to-face workshops to identify, prioritize, and develop high-quality, less obvious technology solutions for unmet customer needs. iEngines take place at a very early stage of the innovation process to eliminate unattractive options quickly, as developing viable technology options often takes several years.

iGarages host a cross-functional team that is supported by external experts and innovation coaches. The team convenes off-site over two to six months to develop business options in collaboration with prospective customers and other stakeholders. By applying agile design thinking and lean start-up methodologies, the iGarage format fuels the innovation pipeline through fast-paced, highly efficient ideation processes that support the development of market-validated innovations in discovery and incubation stages, which the business units subsequently scale further.

In 2021, Clariant complemented these innovation management formats with a lean four-week format called miniGarage. It is limited in scope and accelerates innovation projects by applying an outside-in view on a set of critical assumptions.

All these formats take place according to the business units' needs and availability of prospective team members. In 2021, Business Unit Catalysts held an iGarage on energy transition. The team assessed applications in the area of blue and green hydrogen as well as ammonia as a means to decarbonize chemical production, refining, steel production, and power generation. It conducted more than 50 customer and industry expert interviews to better understand the market and upcoming business opportunities.

Innovation collaborations

Clariant continuously seeks collaboration with external partners to promote innovation. Its vast network encompasses experts in various trending fields. In 2021, Clariant further developed its innovation governance to strengthen the link between innovation and sustainability, and leveraged its collaborative innovation formats to support creative and sustainable solutions.

The Open Innovation (OI 2.0) initiative supports Clariant's business units in identifying collaboration partners around the world, connecting Clariant to the external technology and innovation community. It opens up the innovation process for collaboration with external partners, such as governments, academics, companies, and citizens. It also introduces external ideas and tools to expand the innovation pipeline value and outputs. An important element of Open Innovation is the crowdsourcing of technology solutions through Open Innovation challenges. Clariant's EcoCircle program is a prominent example of the OI 2.0 approach.

Low-Carbon Emitting Technologies Initiative (LCET) by the World Economic Forum

Clariant is a founding member of the → **LOW-CARBON EMITTING TECHNOLOGIES INITIATIVE (LCET)** by the World Economic Forum and the world's leading chemical producers. It aims to accelerate the development and upscaling of low-carbon emitting technologies for chemical production and related value chains. It is the first CEO-led coalition in the chemical industry focused on transformation toward a decarbonized and circular future. LCET projects include hydrogen and ammonia production in low-carbon emission processes; the use of alternative feedstocks, including plastic waste, CO₂, and biomass; and the overall electrification of the chemical industry. All of these areas are highly relevant for Clariant.

European Technology Platform for Sustainable Chemistry

Clariant is committed to the initiatives and strategies by the European Technology Platform for Sustainable Chemistry (SusChem ETP), playing an active role on its board of directors and management team. SusChem ETP's vision is a competitive and innovative Europe where sustainable chemistry and biotechnology provide solutions for future generations. SusChem ETP focuses on technology priorities across advanced materials, advanced processes, and digital technologies. It also addresses horizontal topics like sustainability assessment innovation, the safe-by-design designation for chemicals and materials, and the enhancement of education and skills capacity in Europe.

Processes4Planet by the European Commission

Processes4Planet is a cross-sectoral public-private research and innovation partnership between industry and the European Commission. It brings together process industry (chemicals, refineries, steel, cement, minerals and ores, ceramics, nonferrous metals engineering, water, and paper), small and medium-sized enterprises, research and technology organizations, NGOs, regions, and others. Clariant actively contributes to Processes4Planet through its active role on the Board of Directors of A.SPIRE, the private partner behind the partnership. Processes4Planet is consistent with the European Commission's New Industrial Strategy for Europe and the EU Green Deal. The partnership aims to develop and deploy the innovations needed for a profound transformation of the European process industries to make them circular and to achieve overall climate neutrality at the EU level by 2050, while at the same time enhancing their global competitiveness.

Circular Bio-based Europe Joint Undertaking

With its involvement in the Circular Bio-based Europe Joint Undertaking (CBE JU), Clariant demonstrates its strong commitment to a sustainable bio-economy and the EU's climate targets. The CBE JU was launched in November 2021 as a public-private partnership between the Bio-based Industries Consortium (BIC) and the European Commission. Clariant is a founding member of BIC and currently an active member of the BIC Board, the BIC Programming Working Group, and the BIC Programming Core Team.

Through the CBE JU, the bio-based sector will continue to restructure the industrial landscape by creating innovative solutions and bio-based value chains across the boundaries of the industrial and academic sectors. It will also integrate primary sectors (for example, agriculture, forestry, fishing, and aquaculture), market segments (for example, cosmetics, chemicals, packaging, plastics, textiles, construction and buildings, electronics, and food), and society.

The goal is to reach a »circular bio-society« by 2050, where informed citizens actively choose a sustainable way of life, supporting an economy that couples economic growth with societal well-being and respect for the environment. This will require appropriate communication to inform and actively involve society, as well as education, science, and policy actors to create a common understanding of the benefits of novel and innovative bio-based products. Bio-based products will also underpin multiskilled and secure jobs.

Power-to-X initiatives

Power-to-X initiatives convert green electricity into chemical energy sources in order to store electricity and use it as electricity-based fuels for mobility or as raw materials for the chemical industry. The »Power« in »Power-to-X« stands for electricity from renewable sources, while »X« represents the many purposes it is used for and the many forms it is transformed into.

Carbon2Chem is a large national initiative in Germany, funded by the Federal Ministry of Education and Research. Together with partners from industry, institutes, and academia, Clariant develops technologies to reduce CO₂ emissions from steel manufacturing following the Carbon Capture and Utilization (CCU) approach. Based on the very promising results achieved in the first Carbon2Chem phase, the ministry decided in 2020 to prolong its substantial funding until 2024 in order to develop the technology further and prepare for a large-scale technology rollout.

Another large national initiative funded by the German Federal Ministry of Education and Research is Kopernikus. Together with Hydrogenious LOHC Technologies and several partners from academia, Clariant successfully addressed improvements of the Liquid Organic Hydrogen Carriers (LOHCs) technology in this initiative. The technology aims to use LOHCs to safely store and transport renewable hydrogen to filling stations or the chemical industry, for example, for glassworks.

Clariant also partners in TransHyDE, a project funded with €135 million from the German Federal Ministry of Education and Research, to develop catalysts and technology for green ammonia, i.e., ammonia produced with renewable energy. This substance is a potential substitute for conventionally produced ammonia and significantly reduces its carbon footprint. Due to its higher density, converting hydrogen into ammonia is an economically viable method for hydrogen transportation and release at the point of use. Therefore, Clariant currently develops new and improved catalysts to release the hydrogen. TransHyDE is one of three hydrogen flagship projects aiming to prepare Germany's entry into a hydrogen economy.

Collaborations with academics

In 2021, Clariant engaged in more than 80 scientific R&D partnerships. For example, Clariant announced a new well-funded catalysis research partnership with the prestigious ETH Zurich in February 2021. Its goal is to advance the understanding of catalyst properties from the nanoscale to the macroscale level and their performance. Together with the ETH Foundation, Clariant will also sponsor – and collaborate in – fundamental chemical research projects, promoting talented ETH scientists and students.

»MuniCat« is a long-standing strategic partnership with the Technical University of Munich and has run since 2010. It is dedicated to the research, development, and application of innovative, pioneering catalysis technologies. One topic of this collaboration is the development of new manufacturing routes for high-quality plastic precursors that are independent of crude oil.

Other collaborations

In 2021, Clariant also entered into collaborations with companies and customers to develop new products. Current examples are a joint venture with India Glycols to produce green ethylene oxide derivatives, and a collaboration with Polygal AG for superior natural rheology modifiers in skin care products.

Furthermore, the company contributes actively to industrial clusters, consortia, and organizations to drive collaboration along the value chain, favoring a holistic approach to solve complex and challenging situations. For example, Clariant joined the Action for Sustainable Derivatives (ASD) in 2021. ASD is a collaborative initiative that brings together companies in the cosmetics, home and personal care, and oleochemicals industries to collectively tackle supply chain issues around palm oil and palm kernel oil derivatives.

Awards

In 2021, Clariant won several awards for outstanding innovative products:

- → INNOVATION AWARD FOR ETHIENCE® PROTECT (BSB Innovation Environment Award, category Environment, section Ingredients, BSB-Beratungs- und Servicebüro Dr. Riedel e.K., Hamburg)
- → INNOVATION AWARD FOR GLUCAMIDES (American Chemistry Council/ACC Sustainability Leadership Award, category Product Safety, Innovation, and Transparency)
- Swiss Chemical Society's Sandmeyer Award 2021 for Clariant's catalyst AmoMax®-Casale → [READ MORE ABOUT AMOMAX-CASALE](#)

PRODUCT STEWARDSHIP

Human health and environmental safety are of utmost importance to Clariant. A thorough safety and risk assessment for each product is at the core of the company's stewardship approach and forms the starting point for its sustainable chemistry commitment. Handling chemicals responsibly and safely, in alignment with emerging regulations, is key for Clariant's portfolio risk and opportunity management process. This process enables the company to serve markets with innovative and sustainable products that meet regulatory requirements, while also responding to market trends.

Over the past few years, product stewardship has evolved from a prerequisite for legal compliance into a key enabler for Clariant's business: It includes gathering, analyzing, and assessing regulatory and emerging issues that are relevant to the marketing of Clariant's portfolio. Sustainability leadership, however, goes even further than product stewardship, requiring a company to pursue sustainable and innovative solutions proactively.

Therefore, Clariant steers its portfolio toward products that consider all three dimensions of sustainability: performance, people, and planet. Driven by societal demand and policy attention, customers and markets are increasingly aware of – and sensitive to – the sustainability features of products. By screening products along their life cycles and innovation projects against strict and forward-looking sustainability criteria, Clariant aims to develop more sustainable and innovative solutions that support long-term value creation.

Management approach

The Global Product Stewardship Organization, which is part of the GIS, exemplifies Clariant's global approach to product stewardship. The organization takes care of health, safety, environmental, and other regulatory aspects of the company's portfolio throughout product life cycles, following clear guidelines underpinned by the Sustainability Policy and process descriptions. In addition, local and regional teams play an integral role by supporting business and external customer communication in all regulatory issues regarding the management of chemicals.

The company has embedded its product stewardship practices into the innovation process, guaranteeing that chemical safety and regulatory compliance are considered throughout the entire product life cycle. Product stewardship ensures adequate communication to consumers on the safe use and handling of products.

Evaluating this management approach includes internal controls, progress-tracking dashboards, benchmarking against peers using external references such as the Dow Jones Sustainability Index, and participation in external networks, discussions, and report reviews.



Regulatory compliance

Clariant monitors regulatory developments worldwide, assesses the impact of changes, and ensures compliance by continuously updating its global state-of-the-art chemical management systems. Proximity to regulatory bodies and participation in expert groups and associations support proactive management. Ensuring regulatory compliance also includes substance registration with relevant regional and national authorities, and supply chain communication on product safety.

Clariant fully commits to the targets of the EU REACH (European Union Registration, Evaluation, Authorization, and Restriction of Chemicals) Regulation. After successfully registering all relevant chemicals in 2018, the company keeps all product dossiers up to date. It continues to cooperate with regulatory bodies and has joined the European Chemical Industry Council (CEFIC)/European Chemicals Agency (ECHA) cooperation agreement on the review and improvement of REACH registration dossiers.

However, Clariant goes beyond mere compliance: As a signatory to the CEFIC Responsible Care® Declaration, the company supports the Responsible Care® Global Charter. It promotes the program in several countries and has embedded these principles in its sustainability policy, underlining its strong commitment and leadership in sustainable chemistry.

In a CEFIC Long-Range Research Initiative (LRI) project, Clariant's Global Toxicology & Ecotoxicology Group has initiated and co-developed the AMBIT tool. This open cheminformatics data management system supports companies by facilitating chemical safety assessment. Its database includes more than 450 000 chemical structures and a REACH dataset of 14 570 substances and helps predict the properties of one chemical using the known properties of similar chemicals. The European Chemicals Agency (ECHA) supports this tool by giving access to nonconfidential registration data.

Countries around the world increasingly introduce chemical regulations similar to the EU REACH Regulation to ensure the safe use of chemicals. Clariant Product Stewardship closely monitors

the developments and takes necessary actions to ensure that the portfolio complies with upcoming legislation, among other things. In Turkey, Clariant already preregistered the relevant chemical substances.

Sustainable chemistry commitment

Sustainable chemistry encompasses the design, manufacturing, and use of efficient, effective, and safe chemical products and processes that are more environmentally benign. Clariant maintains roadmaps to drive innovation and uncover sustainability improvement opportunities in the product portfolio.

Clariant is a member of the World Business Council on Sustainable Development (WBCSD). This initiative brings forward best practices and encourages companies to adopt methodologies for evaluating and steering their product portfolio toward more sustainability. In 2021, Clariant supported the development of a set of sustainability indicators for evaluating product portfolios in the chemical industry.

Portfolio Value Program (PVP)

The Portfolio Value Program (PVP) is the overarching sustainability framework through which Clariant develops its product and innovation project portfolio, including all existing products and the innovation pipeline. As part of the PVP, Clariant screens innovative products before commercialization and revises existing product

screenings. This screening covers 36 criteria that consider the entire life cycle and go beyond product safety. Strengths and weaknesses in terms of sustainability are also assessed, comparing product performance against alternatives on the market and against defined sustainability risks and benefits.

In 2021, Clariant revised its Portfolio Value Program and launched an updated set of criteria related to circular economy as well as safe and sustainable chemistry. It includes current sustainability trends and developments, responding to market developments and stakeholder needs. External stakeholders such as customers, suppliers, scientists, nongovernmental organizations, policymakers, and authorities will be consulted for the update of the program in 2022.

Clariant sustainability labels

Based on the PVP criteria, Clariant awards its EcoTain® label to products that show an excellent sustainability profile. Products are nominated by the business units and assessed by an internal EcoTain® panel comprising Sustainability Transformation, Product Stewardship, Innovation, regional experts, and Group Communications. Products awarded the EcoTain® label set an ambitious benchmark that distinguishes products significantly exceeding market standards. These products must have best-in-class sustainability performance on at least one of the 36 criteria screened, offer benefits in several product life cycle phases, and not have any significant adverse environmental or social impacts.

PRODUCT STEWARDSHIP

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
EcoTain® awarded products	18	0	18	24	27	24	18
EcoTain® withdrawn products	3	0	3	15 ³	0	0	0
Cumulative number of EcoTain® products	209	34	243	228 ¹	204 ²	193	169
Product portfolio screened for sustainability performance (sales %)	78	n.a.	n.a.	76 ²	76 ²	76	78
Screened products meeting internal sustainability definition (%)	68	n.a.	n.a.	67 ²	68 ²	68 ²	70
Screened products not meeting internal sustainability definition (%)	10	n.a.	n.a.	10 ²	8 ²	8	8

¹ Restated due to EcoTain® withdrawals

² Number refers to continuing businesses only.

³ Number refers to discontinued businesses.

In the course of 2021, 18 products received the distinguishing label, which made a total number of 243 EcoTain® products across all markets. Clariant compared the sustainability performance of these products with their financial performance. On average, sustainability excellence of EcoTain® products goes hand in hand with superior financial performance.

In addition, 78% of the continuing operations' portfolio was screened for sustainability performance, of which 68% met Clariant's internal sustainability definition. Clariant's sustainability designators, launched in 2019, enable customers to identify products with key sustainability advantages. This approach has already shown positive results. The »Vita« designator has been given to 53 products, indicating that the product contains natural ingredients, while the »Terra« designator has been given to 54 products, indicating that all product components are based on renewable resources. There are also 21 »Circle« products, highlighting the contribution to circularity in the plastic sector.

Assessment of the health and safety impacts of product and service categories

Clariant focuses on reducing certain hazardous substances in its product portfolio and promoting alternatives that exceed the requirements of the relevant regulations. This approach is particularly important in regions where regulatory action is lagging. In 2021, 78% of significant product and service categories were assessed for health and safety impacts. Clariant thus covers 2 percentage points more than last year.

Genetically modified organisms

Clariant is committed to providing innovative responses to today's global challenges, such as the transition to a low-carbon and circular economy and the ever-increasing demands of a growing world population. For Clariant, biotechnology offers unique opportunities to respond to these demands of a modern, globalized society.

Clariant considers the application of genetically modified organisms (GMOs) as part of its technology portfolio for more sustainable and more efficient production processes, in particular the use of genetically modified microorganisms (GMMs). Clariant takes a transparent and responsible stance and is committed to the responsible use of GMOs and safe operations in research and innovation, enzyme production, and sourcing of bio-based raw materials. Clariant has set out this stance in its Position Paper → **CLARIANT POSITION ON INDUSTRIAL BIOTECHNOLOGY & GENETICALLY MODIFIED ORGANISMS**. In 2021, no more products of the Clariant portfolio contain GMOs.

Requirements for product and service information and labeling

Clariant fosters permanent contact with customers and supports them in applying and using Clariant's products. Laboratories are available to solve any specific problems. The service offerings also feature comprehensive product information, particularly with respect to optimum and safe application, health risks, waste disposal, and handling of packaging.

Clariant provides safety data sheets to all parties involved in the handling of substances. They contain the relevant substance data, information on safe handling and storage of products, and measures in the event of product spillages, releases, or fire.

The company has a close relationship with its customers and provides all REACH-relevant information. Comprehensive customer support services ensure compliance with the strict communication requirements set by REACH regarding the use of products in the customer chain.

Animal testing

Clariant is committed to research on alternatives to animal testing. The company participated in a project that has been awarded the »Animal Welfare Research Prize« in 2019 by the German Federal Ministry of Food and Agriculture because of its potential to reduce or replace animal testing in the long term. The research team developed an alternative test system based on human-induced pluripotent stem cells that uses a genome-wide analysis to measure developmental neurotoxicity (DNT). The test is applicable to chemical exposures and assesses how well an in vitro system reflects the processes in the human body.

Incidents of noncompliance

Product and service information and labeling

In 2021, there were no fines, penalties, or warnings resulting from incidents of noncompliance with regulations or voluntary codes concerning the product and service information and labeling.

Health and safety impacts of products and services

In 2021, there were no fines, penalties, or warnings resulting from incidents of noncompliance with regulations or voluntary codes concerning the health and safety impacts of products and services.

Marketing communications

In 2021, Clariant had no incidences of noncompliance with regulations or voluntary codes concerning marketing communications.

GROWTH OPPORTUNITIES FROM SUSTAINABLE PRODUCTS AND SOLUTIONS

There is an increasing demand for sustainability in all industries that Clariant serves. With its focus on innovative, sustainable, and bio-based chemicals, the company is in an excellent position to benefit from this ongoing shift. Its products and solutions also help customers to achieve their targets for the reduction of greenhouse gas emissions.

In line with its new purpose, »Greater chemistry – between people and planet,« Clariant develops growth opportunities from sustainable products. The company links innovation and sustainability to enable future growth. New products launched in 2021 show explicit sustainability benefits. These ambitions also gained external recognition: In 2021, Clariant was listed in the Dow Jones Sustainability Index (DJSI) with a best-in-class innovation score.

Management approach

The Global Innovation and Sustainability Council shapes Clariant's agenda on sustainability-driven portfolio transformation. To emphasize the necessary link between innovation and sustainability, Clariant additionally established a new Sustainability Transformation department in 2020. It is responsible for fully integrating sustainability in the company's products and processes.

Since January 2021, the new service unit Group Innovation and Sustainability (GIS) has bundled both topics under one roof. Its primary task in its first year was to align Clariant's innovation management practices with its sustainability programs. GIS establishes Group-wide innovation and sustainability policies, strategies, and standards, and coordinates their implementation. As of 2022, Clariant even strengthened the integration of innovation and technology by introducing a Chief Technology & Sustainability Officer, reporting directly to the CEO.

While business units remain responsible for developing new business opportunities, GIS provides service and support on best-in-class innovation approaches and emerging technologies and systematically evaluates the sustainability profile of innovation projects.

Sustainability transformation has also become a key topic for which Clariant sets five-year strategic priorities and targets. It has also become a cornerstone of Clariant's Strategic Management Process (SMP), through which the company continuously monitors the performance of its management system and identifies improvement potential.

The innovation and sustainability progress towards the strategic targets is reviewed on a quarterly basis in the Global Innovation and Sustainability Council (GISC), comprising the members of the Executive Committee, the innovation heads of the business units, as well as key functions. The conclusions are further reported to the I&S committee, a board subcommittee tasked with the oversight on innovation and sustainability matters, including climate risk management.

Clariant engagement in the public policy dialog

Public policies are increasingly driven by sustainability imperatives, as is the case under the Green Deal program at the EU level and in other important economies on the global stage.

As a responsible corporate actor, Clariant aims to ensure an open and transparent dialog with policymakers, business associations, as well as NGOs, in a number of strategic policy areas, including sustainable chemistry; climate change and the energy transition; clean mobility; the bio-economy; and the circular economy.

The engagement of Clariant representatives in business associations and sustainability fora supports strategic alignment across the industry and provides an opportunity to exchange industry perspectives and best practices.

Acknowledging the urgency of accelerating the transition to a safer, low-carbon, and more circular economy, Clariant supports ambitious, science-based policies. Clariant is actively contributing to address regulatory and societal expectations by bringing forward innovative and sustainable solutions. It is therefore key that such solutions are supported and valorized under adequate policy frameworks.

Within Group Innovation & Sustainability, a dedicated team of government affairs and advocacy professionals coordinates external policy-related engagement supported by an internal Advocacy Forum. The Advocacy Forum consists of representatives of Senior Management from both corporate functions and business units and acts as a sounding board for reviewing policy developments and recommending Clariant positioning.

To foster internal knowledge, advise on Clariant strategy, and expand our engagement with external stakeholders, the company has also established Clariant Policy Dialogs in 2021, a webinar series featuring external policy or sustainability experts (value chain players, industry associations, academics, and NGOs) presenting their perspectives and recommendations. In 2021, five Policy Dialogs were organized, focusing on key themes such as the EU Chemical Strategy for Sustainability, industry's role in supporting a hydrogen economy, how companies can contribute in closing the plastic loop, how to support a sustainable bio-economy, and on innovation and R&D programs at the EU level supporting the climate and energy transition.

Growing demand for sustainability solutions

Consumer and customer demand for sustainable products accelerated again in 2021. In accordance with this development, Clariant continuously brings forward sustainable solutions that do not compromise on performance or on the company's commitment to fulfilling customer needs. That is why Clariant's innovation portfolio has shown particularly robust performance over the past few years and the total sales from innovation have increased.

Consumers especially consider the ingredients and the sustainability performance of products such as cosmetics, electronic gadgets, and home construction materials. In a recessionary environment, demand for these items often decreases, while essentials come into sharper focus. During the pandemic, however, demand for hygiene products and home electronics was robust, a trend that may endure in the future.

Clariant's customers face challenges surrounding climate change, plastic waste, and overall circular economy needs. Clariant's sustainable products help them to achieve their sustainability targets, decrease their environmental footprint, and comply with existing and anticipated policies and regulations.

Customer dialog

For Clariant, open communication with → CUSTOMERS is critical to address emerging needs and trends in its business environment. During the pandemic, Clariant's digital capabilities and channels – including e-commerce – have become increasingly important. In 2021, customer dialog revealed a growing demand for innovative and sustainable solutions to meet efficiency goals. Demand for products with a lower carbon footprint and favorable hazard profile was strong, particularly in emerging sectors like electric vehicles or renewable energy.

Sustainable growth policy

As a part of its strategic pillar »Add value with sustainability.« Clariant's target is to generate 1% annual growth from sustainability-driven innovation by 2025 by developing bio-based products, enabling defossilization, and promoting circularity. Currently, the company focuses on reducing the use of hazardous substances and on promoting alternatives that are safer than required by regulation. This approach is particularly important in regions where regulatory action is lagging.

In 2021, Clariant set itself new → SUSTAINABILITY TARGETS for climate protection. → ADDITIONAL TARGETS relate to activities in circular plastics and the bio-economy. An outstanding example of enhancing → CIRCULARITY is Clariant's Tailings Management program, which started in 2021. It offers multiple technology platforms to improve efficiency and sustainability in the mining industry. Thus, reusing products at the end of their respective life cycle while closing material loops offers new business opportunities.

Clariant's main policies and guidelines relating to growth opportunities from sustainable products and solutions are:

- SUSTAINABILITY POLICY
- HUMAN RIGHTS POLICY STATEMENT
- CODE OF ETHICS
- NDPE/PALM OIL POLICY
- SUPPLIER CODE OF ETHICS

Clariant aims to divest those parts of its business most impacted by commoditization and to focus on sustainability. Where possible, it replaces or phases out unsustainable products, while low-carbon and circular-economy-compatible solutions gain traction. In 2021, Clariant developed products that meet customers' sustainability and performance needs while also controlling costs to compensate for pandemic-related challenges.

Portfolio Value Program (PVP)

Clariant's business units work together with → PRODUCT STEWARDSHIP and Sustainability Transformation to identify products that offer growth potential because of their sustainability performance. Through the Portfolio Value Program (PVP), they uncover sustainability improvement opportunities and identify best-in-class and unsustainable products. Subsequently, they develop and maintain roadmaps with clearly defined milestones to determine how and when to enhance or replace products and, thus, drive innovation in the product portfolio.

By now, Clariant has screened 78% of its products through the PVP. It rescreens EcoTain® products every two years and sustainable products every five years. In addition, Clariant compared the sustainability performance of its products with their financial performance in 2021. Data showed that, on average, sustainability excellence goes hand in hand with superior financial performance: The compound annual growth rate of EcoTain® products is 1.5 times higher than that of the total portfolio (2015–2020 CAGR of total portfolio 3.8%, of EcoTain® portfolio 5.9%).

Internal labels

The best-performing products in the PVP are awarded the EcoTain® label by a panel of Sustainability Transformation, Product Stewardship, and regional sustainability functions. More than 200 products carry the EcoTain® label by now. In 2021, they accounted for 9% of total sales, considering continuing business. By 2025, 15% of innovation sales are projected to derive from products carrying the EcoTain® label.

In 2019, Clariant launched its sustainability designators, which enable customers to identify products with key sustainability advantages. Designators were assigned to 128 products in the reporting year. By 2021, customers increasingly appreciated the transparency given by the designators.

Raw materials

Clariant increasingly uses biomass as a renewable feedstock. This development is in line with the growing demand for sustainable products from customers and consumers. Clariant also anticipates a stricter regulatory environment.

Clariant's suppliers offer more sustainable solutions as well. The company cooperates with them to identify sustainable feedstock sources and lower-carbon footprint raw materials, such as ethylene and ethylene oxide. Particular emphasis is also on the responsible sourcing of conflict minerals. Clariant always investigates allegations of violating its sustainability commitment in the supply chain.

People

»People« includes Clariant's employees and their competencies, capabilities, experience, and drive to innovate, as well as their identification with the corporate values and their ability to understand and implement Clariant's strategy. Furthermore, it covers the company's key relationships with primary stakeholders and network partners, in particular, Clariant's strong customer relationships. This can include shared values, trust, engagement, and related intangibles associated with Clariant's brand and reputation.

Five material topics are related: »Employee Engagement and Well-being,« »Diversity, Equity, and Inclusion,« and »Occupational Health and Safety« concern the company's employees; »Customer Relationships« concerns clients; and »Human and Labor Rights« concerns the supply chain in particular.

EMPLOYEE ENGAGEMENT AND WELL-BEING

Clariant's people are an invaluable competitive factor in developing, improving, protecting, and delivering products and services. Long-term success is only possible with motivated and highly skilled employees who create value for the company and its stakeholders. Therefore, Clariant is committed to providing a company culture of learning, engagement, and appreciation for employees on all levels. The company strives to be an employer of choice, attracting top talents to help it deliver lasting results.

Management approach

Employee engagement is a responsibility of each leader at Clariant, as trust in the leadership team is a strong driver of engagement. Each leader must give clear directions by explaining strategic decisions and the implications of everyone's responsibilities; provide the necessary infrastructure; and implement consistent processes. Clariant's performance management is also part of the leaders' responsibilities. To support their work, Group Human Resources has established strong processes for talent acquisition, onboarding, performance management, and talent management in all regions.

Human resources management is central for all business areas and all regions of Clariant. Efficient recruitment and onboarding processes help new employees quickly contribute to the implementation of the company's strategies. Globally, Clariant's operational and strategic Human Resources departments comprise 204 employees.

Talent management ensures a consistent and structured talent pipeline for each management level and the best fit between role requirements and individual capabilities. The functional area »Senior Management & People Development,« with a staff of 30 people, holds the main responsibility for attraction and development of talent.

Programs for upgrading employee skills and transition assistance program

The Clariant Academy encompasses all global learning offerings designed to support Clariant's strategy and promote common language and values across the organization. A global nomination process for the Clariant Academy programs ensures that all relevant employees participate in the training programs. In addition, Clariant offers local trainings, social learnings such as learning communities, mentoring, peer coaching, and on-the-job learning opportunities.

The training offering is based on the »70:20:10 model« from Michael Lombardo and Robert Eichinger, which corresponds to a proportional breakdown of effective learning. The Individual Development Plans for employees generally include 10% coursework and formal training, 20% interaction and peer exchange, and 70% challenging assignments to promote learning on the job. Overall, training covers technical and functional skills, safety and sustainability, personal development, leadership, law/compliance, IT skills, and general management skills.

Within the Clariant Academy, global trainings targeted at business, leadership, and functional skills offer a standard curriculum for each level in the organization. Furthermore, the annual training catalog with a focus on leadership skills and personal development includes recommendations for external classes.



PEOPLE OVERVIEW

	Continuing operations	Discontinued operations	Total 2021	2020
Total staff	11 537	1 837	13 374	13 235 ¹
Male (in FTEs)	8 770	1 599	10 370	10 214 ¹
Male (%)	76	87	78	77 ¹
Female (in FTEs)	2 767	238	3 004	3 020 ¹
Female (%)	24	13	22	23 ¹
Employees	7 140	906	8 046	8 066 ¹
Male (in FTEs)	4 719	689	5 408	5 415 ¹
Male (%)	66	76	67	67 ¹
Female (in FTEs)	2 421	216	2 638	2 651 ¹
Female (%)	34	24	33	33 ¹
Workers	4 397	931	5 328	5 169 ¹
Male (in FTEs)	4 052	910	4 962	4 799 ¹
Male (%)	92	98	93	93 ¹
Female (in FTEs)	345	21	366	369 ¹
Female (%)	8	2	7	7 ¹
Staff under the age of 30 (%)	15	10	14	14
Staff between the ages of 30 and 50 (%)	60	53	59	59
Staff over the age of 50 (%)	25	37	27	27
Employees in permanent employment contracts (in FTEs)	n.a.	n.a.	12 893	12 763
Employees in temporary employment contracts (in FTEs)	n.a.	n.a.	481	472
Full-time employees (in FTEs)	n.a.	n.a.	13 023	12 887
Part-time employees (in FTEs)	n.a.	n.a.	351	348
Turnover rate (%)	n.a.	n.a.	11.3	10.3
Staff in Research & Development (in FTEs)	>860	>40	>900	>950 ¹
Total training hours	152 565	11 957	164 523	113 190 ²
Training hours (Ø per participant)	14.9	7.1	13.8	9.0
Percentage of total employees covered by collective bargaining agreements (%)	n.a.	n.a.	47	53
Lost-Time Accident Rate (LTAR) ³	0.15	0.21	0.16	0.16
Lost-Time Accident Rate (LTAR) for contractors ³	n.a.	n.a.	0.30	0.14
Lost Workday Rate (LWR)	7.32	3.81	6.85	7.39
Employee participation in engagement survey			2 896	447 ¹
Employee Net Promoter Score (eNPS)			-7 ⁴	
Survey responses obtained from customer contacts	5	5	5	1 735
Customers who want to continue doing business with Clariant (%)	5	5	5	88

¹ Excluding Business Unit Masterbatches

² A majority of in-person trainings was cancelled due to the pandemic and related travel restrictions.

³ LTAR: accidents with at least 1 day lost/200 000 work hours

⁴ This value was collected for the first time in 2021. Therefore, there is no comparability with previous years.

⁵ Survey is conducted every two years.

Global and regional learning policies describe how Clariant supports the education of all employees. These policies include budget frameworks and study assistance guidelines. Clariant increasingly adds offerings to enhance digital learning and virtual self-study learning opportunities. New virtual learning elements include microlearning videos, a virtual self-learning hub with recommended content sorted by business type or skill, and guided learning nuggets on topics such as time management and resilience. In addition, most of the Academy programs are now available as virtual trainings. Employees can choose between fully virtual, blended (virtual plus face-to-face), and fully face-to-face settings depending on the personal needs and restrictions based on travel and meeting guidelines.

Overall, 11 956 employees participated in a training recorded in the central learning management system MyLearning, for a total of 164 523 training hours. This development can be attributed to the effects of the COVID-19 pandemic: Clariant replaced a majority of in-person trainings with virtual events and added new offerings for these kind of trainings. The average number of training hours per employee significantly rose to 13.8 hours per employee. Each female employee had an average of 17.0 hours, while male employees averaged 12.6 hours of training per year. At Management Level 1–5, 18.1 hours per person were recorded, whereas local managers, professionals, and employees completed 13.5 hours of training.

In 2021, 690 employees benefited from four Clariant Academy programs. New virtual sessions were introduced, with time invested in their design and implementation. Overall, training participation related to safety and sustainability (24.0%), legal and compliance (15.7%), functional skills (21.3%), IT skills (7.7%), personal development (26.6%), and leadership (4.7%). These figures include trainings beyond the Clariant Academy. In 2021, the average feedback score for Clariant Academy trainings was 5.0 (with a maximum possible score of 6.0).

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

	Continuing operations	Discontinued operations	Total 2021	2020 ¹	2019	2018	2017
Number of training hours	152 565	11 957	164 523	113 190	205 861	234 240	192 435
Male	n.a.	n.a.	108 996	75 372	140 548	167 734	n.a.
Female	n.a.	n.a.	55 526	37 818	65 277	66 506	n.a.
Management Level 1-5	n.a.	n.a.	12 345	8 897	19 318	26 679	n.a.
Local managers, professionals, and employees	n.a.	n.a.	152 178	104 293	186 543	207 561	n.a.
Number of employees participating in training (headcounts)	10 275	1 681	11 956	12 630	13 891	15 791	9 720
Average hours of training that the organization's employees undertook during the reporting period	14.9	7.1	13.8	9.0	14.8	14.8	19.8

¹ 80 % of in-person trainings had to be canceled due to the COVID-19 pandemic.

Performance, talent, and leadership programs

Clariant offers a wide range of formal and informal programs so that employees can achieve their full potential. The People Excellence strategy links these programs closely to business needs and implements them effectively and efficiently. The strategy specifies requirements for the successful execution of the corporate and business strategies: It breaks down business challenges into people-related measures that address existing shortcomings in a focused manner. These measures include individual development plans according to managerial feedback, capability development programs to identify strengths and gaps, and development centers where talents are evaluated to create visibility for their careers.

Performance management programs

Clariant's performance management process ensures that strategic business objectives are translated into day-to-day activities. Employees have one-on-one meetings, referred to as »performance dialogs,« with their supervisors to identify objectives, areas for improvement, development actions, and opportunities to leverage strengths and celebrate success. To guarantee consistency of performance ratings, calibration sessions are part of the performance management process.

The performance review includes goal setting, ongoing feedback, mid-year reviews, and a year-end performance review. This review is partially retrospective and partially forward-looking, and may also cover potential progression over a number of years. The

»MyPerformance« tool documents goals and keeps track of the individual performance progress. The outcome of the individual performance review is the basis for employee development and compensation development. In 2021, the performance management process covers 56% of all employees. This means that 7 514 employees followed a standardized performance management process.

Talent development programs

Clariant evaluates and develops all employees through a structured talent management process that follows transparent indicators. These indicators include achievement motivation, analytical skills, adaptability and flexibility, and self-reflection. Broad learning

measures and learning circles allow employees to exchange views across units and to show their capabilities to peers and senior management.

Additionally, Clariant maintains a strong talent pipeline. A structured succession planning system identifies, develops, and retains internal talent. This system ensures successful short-, medium-, and long-term succession planning, the availability of candidates, and a diversity of profiles for leadership roles on a global level. Line managers nominate employees for a talent pool based on a high level of performance and a fast track record.

In 2021, the organization held 57 talent reviews with more than 1 000 talents and mapped 142 Senior Management roles with potential successors. In addition, seven global job family talent pools were analyzed. This process identifies possible succession gaps and mitigation measures per region. As a result, seven job family career paths were designed. These career paths illustrate the necessary steps for managers and talents to move to a new position within the organization.

Clariant's dynamic placement process is reflected in a 41% promotion rate for senior managers in 2021. In the general talent population, the average tenure in a certain role before promotion is around four years. With 90%, the talent retention rate remained nearly at the high level attained in 2020. Clariant promoted internal

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Total number of employees who receive regular performance and career development reviews (headcounts)	6 294	1 220	7 514	7 335	10 063	10 350	10 300
Management Level 1-5	n.a.	n.a.	732	658	776	819	900
Local managers, professionals, and employees	n.a.	n.a.	6 782	6 677	9 287	9 531	9 400
Male	n.a.	n.a.	5 285	5 125	6 687	7 611	n.a.
Female	n.a.	n.a.	2 229	2 210	3 376	2 739	n.a.
Percentage of total employees who receive regular performance and career development reviews (%)	n.a.	n.a.	56	55	58	58	51
Male	n.a.	n.a.	51 ¹	50 ¹	50 ¹	55 ¹	n.a.
Female	n.a.	n.a.	74 ¹	73 ¹	91 ¹	93 ¹	n.a.

¹ The percentage is calculated based on the total number of employees in the respective group.

candidates into 86% of Senior Management positions and filled 91% of Group Management positions with the internal population.

Clariant increasingly seeks the so-called »hybrid« skillset – a combination of digital know-how and more common, industry-specific skills that is hard to find in the market. For this reason, the in-house Digital Enablement team, which is a part of Digital@Operations under the Group Operational Excellence umbrella, identifies skill gaps and implements training programs for employees. These programs focus on digital tools, technologies, and agile methodologies. As a result, Clariant is less dependent on external expertise and creates an enabled, motivated, inspired, and future-ready workforce.

Informal learning and development initiatives include learning communities, peer coaching sessions, and a coaching program led by an externally certified consultant that focuses on behavioral change. To maximize the benefits of all programs and initiatives, the company will target several aspects in the coming years. These include: identifying talents early on; increasing the visibility of development opportunities; connecting leaders across business units and service units to create synergies; enabling talents to be the protagonists of their own career development; and improving change readiness.

Leadership programs

Clariant's »Capability Development Program« helps leaders to identify requirements for various job levels and development opportunities at organizational and individual levels. In 2021, the focus was on employees from the Human Resources department, the Commercial department of the Business Unit Catalysts, and the Finance department, with over 200 individuals proposed for evaluation. Since the program relies on face-to-face exercises, schedules had to be adjusted according to local COVID-19 restrictions. Despite these challenges, 251 employees were able to participate, a higher number than in 2020 and 2019.

The »Innovation Talent Management Review« (ITMR) initiative identifies talents, develops key innovation skills, and assigns innovation professionals to suitable business units. As a part of ITMR, Clariant has defined career paths for its innovation professionals and developed a learning curriculum focused on innovation-specific topics. Since 2018, the initiative has reviewed around 200 talents, mapped 50 roles, and collected more than 60 proposals for learning measures. Clariant completed the fourth ITMR round in 2021.

In the »Mentoring Program«, younger professionals get the opportunity to team up with experienced leaders to strengthen leadership skills and encourage knowledge transfer across functions and age groups. Since its inception, more than 120 mentees have participated in the program.

The »Team Effectiveness Program« helps leaders apply measures that enhance trust within their teams, improve the quality of decision-making, and strengthen the execution of commitments. Clariant specifically designed this program to help leaders build high-performing teams.

The following trainings were not held in 2021 due to meeting and travel constraints caused by the COVID-19 pandemic:

- The »Authentic Leadership Training« provides communication skills for successful and inspiring leaders. The participants attend either the »Executive Performance Training«, which is designed for cross-functional groups of six people, or the »Inspirational Leadership Creative Communication Program«, which is open to larger groups.
- The »Frontline Leadership Training« is designed for production managers and shift leaders. It covers basic leadership instruments that enable managers to effectively lead and motivate teams and manage change. A dedicated learning manager facilitates this interactive training, which repeatedly receives outstanding reviews from participants.
- The »Pioneer Program« was established in 2017 to enhance organizational understanding as well as leadership and communication skills of aspiring leaders by exposing them to short-term assignments outside their areas of responsibility.

Employee engagement and retention programs

Performance excellence comes from challenged, empowered, and rewarded teams. That is why Clariant conducts various employee engagement and retention programs. They aim at enhancing motivation, commitment, and employee performance. Their overarching framework is Clariant's thoroughly phrased purpose. In 2021, Clariant was able to mitigate early-leaver risks and lower costs per hire, thereby supporting overall cost-saving targets.

Clariant's strategies for employee engagement include regular communication on the direction of the company, involvement of employees in strategy sessions, recognition programs, career opportunities, and personal development. In 2021, Clariant analyzed this strategy prior to the definition and rollout of its new purpose and will further revise the strategy and include its insights.

Clariant's employee engagement and retention programs also improve its external reputation as a preferred employer, increasing the interest of potential external candidates.

Work environment

Clariant's global employment policy was adopted in 2018. It includes key principles and minimum standards for working conditions and labor practices. These standards ensure a fair, transparent, and discrimination-free work environment. The policy commits to equal development and promotion of all people across every organizational level and age group. Employment agencies and contractors doing business with Clariant are also obliged to adhere to this policy.

Promoting workplace health and well-being is a local responsibility at Clariant that is addressed by tailored programs in the different regions. Clariant is a member of the »Future of Work« and »Healthy People, Healthy Business« initiatives of the World Business Council for Sustainable Development. The company offers free psychological counseling and stress management trainings in many countries. Employee assistance programs analyze and evaluate mental strain, educate employees on mental health risks, and ensure the development of relief strategies for affected employees.

In 2021, Clariant reviewed health and well-being offerings in every country to identify and adapt related offerings for employees.

Awards and benefits programs

Clariant has a comprehensive Recognition Program that acknowledges strong results with a variety of rewards. They range from monetary awards for outstanding achievements and efforts – for example, leading projects or initiatives – to non-financial awards in the form of vouchers or presents – for example, for supporting colleagues in busy times or for project contributions. Awards and recognitions can be provided to, and be initiated by, all employees in alignment with the global framework and the MySuccess platform.

Clariant's Global Benefits Policy, adopted in 2018, contains key elements like benefits related to retirement, flexible work arrangements, death, travel, accidents, healthcare, and well-being. It also acknowledges country-specific circumstances and is updated regularly to account for developments in benefit landscapes. Clariant's employees are also offered a range of benefits designed to enhance work-life balance. This includes fitness facilities and contributions to external fitness programs, flexible working hours, home-office arrangements, childcare facilities, contributions to external childcare, and support for employees who take care of elderly family members.

Benefits provided to full-time employees that are not provided to temporary or part-time employees

In the company benefits provided by Clariant, there is no intentional differentiation based on the type of employment contract. This does not exclude differences that depend on the individual case and local circumstances, such as local legislation, local industry standards, or cultural expectations. The relevant criterion in this case is the customary market standard.

Local programs for stress management

In addition, Clariant's Employee Assistance Program offers free counseling by external specialists for stress related to work, as well as burnout or personal crises. Flexible work arrangements can be

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Total number of new employee hires (in headcounts)	1 356	82	1 438	918²	1 570¹	2 142	1 983
Male	990	67	1 057	647	1 080	1 453	1 412
Female	366	15	381	271	490	689	571
Under 30	585	42	627	393	744	985	969
30-50	694	38	732	464	750	1 045	922
Over 50	77	2	79	61	76	112	92
Europe	535	9	544	304	561	751	622
Latin America	228	36	264	156	317	359	341
Middle East/Africa	37	2	39	31	61	93	130
North America	167	1	168	92	273	436	402
Asia-Pacific	389	34	423	335	358	503	488
Employees who left (in headcounts)	1 363	193	1 556	1 522	1 817	2 047	1 991
Male	957	164	1 121	1 085	1 322	1 515	1 448
Female	406	29	435	437	495	532	543
Under 30	326	27	353	393	461	540	603
30-50	662	55	717	668	915	970	839
Over 50	375	111	486	461	441	537	495
Europe	535	94	629	505	544	588	658
Latin America	231	38	269	310	398	358	400
Middle East/Africa	27	3	30	39	78	142	90
North America	241	4	245	297	433	536	424
Asia-Pacific	329	54	383	371	364	423	419
Turnover rate (%)	n.a.	n.a.	11.3	10.3 ³	10.3	11.1	11.0

¹ The decline in new employee hires was due to a hiring freeze in 2019.

² The decline in new employee hires was due to the COVID-19 pandemic and the divestment of Business Unit Masterbatches.

³ Excluding data from the discontinued Business Unit Masterbatches from H1 for better comparison. Including these statistics, Clariant's 2020 turnover rate is 11.2 %.

made both for work-related stress management and for unrelated extenuating circumstances.

Support for drug addiction and programs to quit smoking

In the event of drug addiction, Clariant has established a procedure for treatment through medical plans and, if necessary, inpatient treatment. Voluntary programs to help employees quit smoking have been introduced at some sites. Clariant conducts an assessment of the health habits and specific health problems of all employees and updates local programs based on these findings.

Talent attraction

For talent attraction and development, Clariant abides by its global talent acquisition policies (Recruitment Policy, Global Recruitment Agency Policy, Onboarding Policy, and Employee Referral Policy). The policies clarify and specify the roles and responsibilities of the hiring manager, recruiter, and other human resources personnel to ensure an efficient, effective, and professional talent acquisition process. More specifically, highly trained talent acquisition teams partner with the business units to identify and select the best external talent. Employer branding programs create awareness in the job market and attract potential candidates.



Moreover, line managers are trained in the »License to Hire« program to ensure they make the right hiring decisions. For years, Clariant has filled at least 80% of open positions at the Management level with internal candidates. Dedicated talent managers review potential talents, manage talent review sessions, create individual development plans, and participate in internal placement decisions. They also organize so-called »talent engagement sessions« to give internal talent visibility and exposure to senior managers and to receive feedback on corporate culture topics.

Through Clariant's referral program, employees receive a cash reward if they recruit new candidates who are subsequently hired.

Clariant strives to attract people who are aligned with its values and meet the defined role requirements. In 2021, Clariant hired 1 438 new employees (381 women and 1 057 men). With 37.8% of new hires, Europe accounted for the largest share of new employees, followed by Asia-Pacific, which accounted for 29.4% of new hires.

At the same time, 1 556 employees left Clariant, 435 of them female and 1 121 male. Of them, 40.4% left in Europe, and 24.6% in Asia-Pacific. The turnover rate per FTE was at 11.3%, compared to 10.3% in 2020.

New ways of recruiting

In 2021, Clariant strengthened agility and pragmatism in the recruiting and development processes. The company used digital tools more intensely to continually fill business-critical positions. It also invested the time needed to develop trust with candidates due to the pandemic. Clariant's digital interviewing platform facilitated the application process for candidates from around the world. Techniques like videoconferencing and asynchronous video interviews offered flexibility for both applicants and hiring managers, saving time and costs.

Utilizing digital interview techniques for recruiting allowed Clariant to evaluate a higher volume of candidates in 2021. Digital recruiting creates an environment that reduces inherent biases. This fosters high-quality hiring decisions from a more diverse pool of talents.

Furthermore, talent attraction often relies on predefined profiles targeting limited talent pools, which can lead to the exclusion of high-potential candidates who are not effectively evaluated. Moving forward, Clariant will redefine and prioritize critical skills and create a flexible employee value proposition that corresponds to a wider audience.

Acquiring and retaining expertise to ensure a successful digital transformation remained a focus in 2021. The pandemic pushed growth in this area at an exceptional rate. Changes that usually take years under usual circumstances were introduced and adopted within a matter of months. This had an impact on the daily operations and on the skills and competencies required to fulfill these day-to-day tasks.

In order to keep up the momentum, Clariant engaged in various formats and started to use additional channels. These activities included strategic partnerships with renowned universities and institutions, such as the Impact Hub in Basel, as well as participation in virtual lectures, tech talks, and working circles.

Increasing flexibility during COVID-19

Keeping employees engaged and motivated in times of change and upheaval caused by the COVID-19 pandemic was one of Clariant's major objectives in 2021. The company issued a global flexible Remote Working Policy in the reporting year, which provides guidance in finding the right work-life balance. According to their tasks and in alignment with their line managers, employees can work from home for up to two full working days per week, or a maximum of 40% of their working hours. The line managers may set specific weekdays when all team members are required to be present in the office.

Clariant also switched talent development procedures to a digital learning landscape with multiple new offerings and redesigned existing trainings. Where needed, traditional face-to-face discussions were replaced with combinations of virtual/face-to-face or completely virtual formats to not interrupt the continuous growth of Clariant's employees.

The pandemic has reinforced the value of holistic change frameworks that can adapt to a variety of developments. In 2020, Clariant had started the initiative Change Management@Clariant to enable organizational transformation projects while maintaining agility and smooth operations. In 2021, as part of the initiative, Clariant implemented different change interventions and an overarching rollout plan with the support of an external agency in order to increase employee engagement, information flow, transparency, and motivation.

Employee feedback

Clariant offers diverse platforms to collect employee engagement feedback. For example, in certain periods, monthly team barometer evaluations measure the atmosphere and progress during change and transformational activities. Individual comments are possible to establish new ideas or to suggest further activities. Functional feedback surveys are another frequently used option to check in briefly on the organizational pulse.

Biannually, Clariant conducts pulse surveys with a specified target group randomly selected from the global workforce. Compared to former engagement surveys, this format covers more strategic and Clariant-specific topics and establishes why people want to work for Clariant. The survey results are used for organizational development and help Clariant position itself as an employer of choice.

In 2021, there was a specific pulse survey related to the Clariant purpose. It revealed that Clariant's overall strategy, goals, and sustainability strategy are well understood and supported by Management. A clear majority of responding employees feel safe and energetic at work and enjoy their work. In 2022, Clariant plans to return to conducting annual full-fledged employee surveys in collaboration with an external partner. The metric in focus will be the employee net promoter score (eNPS), which calculates how many people are likely to advocate for the company. Clariant aims to be in the top quartile until 2030.

Evaluating the management approach regarding talent attraction and development includes analyzing the results and impact of diverse talent management initiatives. The feedback collected



after each training course is systematically reviewed. For example, Clariant conducts briefing and debriefing calls with participants of leadership trainings. In addition, a feedback survey is sent out directly after the training, followed by a survey after three months to evaluate the impact on daily work. Other evaluations include competency assessments for key position holders, management appraisals for external or internal placement of key positions, and yearly performance evaluations. All evaluations are documented, transparently shared, and followed up on with individual development planning.

Ratios of standard entry-level wages by gender compared to local minimum wage

Clariant pays wages and salaries that are determined by local, relevant competitive market data rather than by legally defined minimum wages. However, as prescribed by Clariant's global Employment Policy, minimum wage standards always have to be adhered to by local human resources departments.

Proportion of senior management hired from the local community

At the end of 2021, 58% of all senior managers (Executive Committee and top four management levels) were citizens of – or had an indefinite right to reside in – the country where they were employed. Within the European Union, citizenships of all member states are considered »local.«

Parental leave

Clariant promotes family-friendly job opportunities. All mothers are guaranteed a comparable position upon their return to work for up to one year following the birth or adoption of a child. For the two years following the birth or adoption, Clariant grants all parents a minimum of ten days of paid leave for family purposes in addition to their standard annual vacation.

Considering that all permanent employees of Clariant are theoretically entitled to this provision, this would extend to all 10 370 men and 3 004 women for 2021. In 2021, 176 mothers and 273 fathers took advantage of this opportunity. In the same year, 472 employees

returned to their workplaces, of which 139 were female and 333 were male.

Minimum notice periods regarding operational changes

Clariant complies with all local statutory and operational requirements regarding the provision of information to employee representatives and employees. All employees are promptly informed of all significant operational changes. In addition, Clariant provides regular and ad hoc information to all employees via the intranet as well as information letters from the CEO and Management in all relevant languages. Corporate information sessions such as town hall meetings take place regularly.

DIVERSITY, EQUITY, AND INCLUSION

Diversity, Equity, and Inclusion (DEI) is clearly anchored in Clariant's corporate purpose and represents an essential part of an inclusive employee culture. Diverse and inclusive teams foster Clariant's innovative strength and enable the company to better address the needs of its customers. Clariant strives to be a leader in sustainability in the chemical industry as well as in the environmental and social areas, so that it can create societal impact. As we seek to build a culture of possibilities and empower everyone to achieve the greater outcome we want, we need to ensure that every employee is treated with trust, appreciation, and respect regardless of who they are.

Management approach

Clariant is firmly engaged to further promoting DEI within the company. In June 2021, Clariant's CEO, Conrad Keijzer, publicly shared his personal commitment to drive an inclusive mindset within the company and to take the necessary measures to create a fulfilling workplace where all employees can embrace their true authentic self. The topic is steered company-wide by the Senior Management and the People Development team within Human Resources, and in 2021, a project team with participants across the organization set the ground for Clariant's DEI strategy. The strategy, along with focus areas, targets, and roadmap, will be published in spring 2022, and regular communication on the progress of its implementation will take place. Business Management will be made responsible for

PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

	Total 2021	2020	2019	2018	2017
Percentage of Senior Management at significant locations ¹ of operation who are hired from the local community (%)	58	60	60	57	75

¹ All relevant Group companies except those in North America, where no nationality data is recorded

PARENTAL LEAVE

	Total 2021	2020	2019	2018	2017
Total number of employees who were entitled to parental leave, by gender (in headcounts)	13 374	13 235	17 223	17 382	17 687
Male	10 370	10 191	13 497	13 613	13 986
Female	3 004	3 044	3 726	3 769	3 701
Total number of employees who took parental leave, by gender (in headcounts)	449	445	643	732	644
Male	273	317	432	464	482
Female	176	128	211	268	162
Total number of employees who returned to work in the reporting period after parental leave ended, by gender (in headcounts)	472	471	599	689	611
Male	333	318	419	466	477
Female	139	153	180	223	134

ensuring progress. Along with the execution of its DEI strategy, as of 2022, Clariant will partner on a global and local level with relevant external initiatives, like → CHARTA DER VIELFALT in Germany.

Policies and guidelines

Clariant's membership in the → UN GLOBAL COMPACT, the company-wide Group Policy on Human Rights, and global employment standards form the basis for activities in the DEI area. Clariant is committed to a discrimination-free workplace and to equal opportunities. The company promotes an inclusive and diverse environment where everyone can learn and develop.

Clariant does not tolerate discrimination based on race, ethnicity, nationality, religion, gender or gender identity, disability, age, marital status, sexual orientation, or membership in a trade union or political party. In hiring, compensation, and promotion, each employee and applicant has the right to be treated solely on the basis of his or her personal abilities, skills, performance, and potential.

Diversity in management positions

The company's structured global succession planning promotes a diversity of profiles for management positions, encouraging cross-business and cross-functional experiences. Over 90% of management positions are filled by nationals from the region in

which the managers are located in, and 95% of all managers are non-Swiss, which reflects Clariant's international footprint and diversity. In an industry traditionally dominated by men, the company achieved a proportion of women of 22% in the total workforce and 15.8% in management level positions.

Diversity in the recruiting process

Clariant values diversity. The company hires and promotes people regardless of their social identity. Diversity in thinking enriches perspectives, challenges established patterns, and lays the path for continuous evolution. The Talent Acquisition teams are mindful of gender-sensitive language in job advertisements, ensuring that all members of target audiences are addressed appropriately. Step by step, all other personnel-related areas at Clariant, such as HR policies, are also being reviewed for inclusive language. In the personnel database, people can choose between the categories female, male, diverse, and not specified. In the reporting year, Clariant had no employees who assigned themselves to a diverse gender or did not wish to indicate their gender.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

	Total 2021	2020	2019	2018	2017
Percentage of individuals within the Board of Directors (%)					
Male	73	75	75	75	69
Female	27	25	25	25	31
30-50	9	8	0	8	23
Over 50	91	92	100	92	77

NUMBER OF EMPLOYEES BY AGE GROUP

	2021		2020		2019		2018		2017	
	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent
Total	13 374		13 235		17 223		17 901		18 135	
Under 30	1 907¹	14.3	1 896	14.3	2 474	14.4	2 575	14.4	2 563	14.1
Male	1 398	10.5	1 367	10.3	1 761	10.2	1 832	10.2	1 864	10.3
Female	510	3.8	529	4.0	713	4.1	743	4.2	699	3.9
30-50	7 843	58.6	7 798	58.9	10 092	58.6	10 664	59.6	10 888	60.0
Male	5 944	44.4	5 889	44.5	7 844	45.5	8 304	46.4	8 547	47.1
Female	1 899	14.2	1 909	14.4	2 248	13.1	2 360	13.2	2 341	12.9
Over 50	3 624¹	27.1	3 541	26.8	4 657	27.0	4 662	26.0	4 684	25.8
Male	3 028	22.6	2 959	22.4	3 891	22.6	3 870	21.6	3 919	21.6
Female	595	4.4	582	4.4	766	4.4	792	4.4	765	4.2

¹ The sum does not add up as the numbers are rounded.

NUMBER OF INCIDENTS OF DISCRIMINATION

	Total 2021	2020	2019	2018	2017
Total number of incidents of discrimination during the reporting period	0	0	2	3	3



MANAGEMENT FUNCTIONS

	Total 2021	2020	2019	2018
Total Management functions (in FTEs)	676	691¹	812	819
Male	569	575	674	688
Female	107	115	138	131
Senior Management functions (in FTEs)²	190	196	234	248
Male	171	177	209	219
Female	19	19	25	29
Junior Management functions (in FTEs)³	486	495¹	578	571
Male	398	398	465	469
Female	88	96	113	12

¹ The sum does not add up as the numbers are rounded.

² Executive Committee and Management Levels 1–4

³ Management Level 5

Clariant uses a digital interview platform. Thanks to this approach, the company can assess more potential candidates than would be possible with traditional interviews. Unconscious biases linked to criteria such as age, gender, or education are overcome, as the longlist of candidates can be extended. This in turn increases diversity and improves the recruiting process: Applicants are assessed against exactly the same selection criteria.

Support female talent

Clariant is committed to increasing the female share in its management team and beyond. → CLARIANT'S WORLDWIDE FAMILY SUPPORT POLICY and → FLEXIBLE WORKING POLICY are a strong pillar in allowing

BREAKDOWN OF EMPLOYEES PER NATIONALITY

Nationality	2021		2020		2019		2018		2017	
	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent
German	3 922	29.3	4 023	30.4	4 595	26.7	4 619	25.8	4 593	25.3
Indian	1 688	12.6	1 517	11.5	1 798	10.4	1 864	10.4	1 857	10.2
Chinese	1 081	8.1	1 031	7.8	1 181	6.9	1 284	7.2	1 213	6.7
Brazilian	1 053	7.9	981	7.4	1 179	6.8	1 116	6.2	1 142	6.3
Indonesian	618	4.6	620	4.7	724	4.2	726	4.1	716	3.9
Mexican	535	4.0	521	3.9	597	3.5	598	3.3	583	3.2
Spanish	314	2.3	310	2.3	427	2.5	414	2.3	409	2.3
Turkish	290	2.2	282	2.1	396	2.3	400	2.2	436	2.4
Polish	276	2.1	282	2.1	351	2.0	347	1.9	313	1.7
Japanese	258	1.9	260	2.0	279	1.6	269	1.5	266	1.5
Colombian	191	1.4	183	1.4	268	1.6	261	1.5	220	1.2
Argentinian	186	1.4	191	1.4	219	1.3	230	1.3	218	1.2
French	161	1.2	167	1.3	236	1.4	488	2.7	524	2.9
Ukrainian	144	1.1	145	1.1	153	0.9	152	0.8	150	0.8
South African	139	1.0	142	1.1	182	1.1	189	1.1	182	1.0
Swiss	137	1.0	141	1.1	139	0.8	138	0.8	224	1.2
Italian	137	1.0	140	1.1	515	3.0	529	3.0	540	3.0
Malaysian	n.a. ¹	n.a. ¹	n.a. ¹	n.a. ¹	191	1.1	189	1.1	191	1.1
Thai	n.a. ¹	n.a. ¹	n.a. ¹	n.a. ¹	181	1.0	181	1.0	185	1.0
Others (incl. North America, for whom no nationality data is recorded)	2 246	16.8	2 299	17.4	3 612	21.0	3 908	21.8	4 174	23.0

¹ Numbers below 1.0 % threshold

parents in general, and particularly women, to combine professional development and personal life. In addition, Clariant engages itself to encourage more young girls to pursue scientific and technical apprenticeships and studies in the form of school activities. Specific employee resource groups in the United States and Germany allow women to network and exchange.

Ratio of basic salary and remuneration of women and men

Fair payment is fundamental for the company. Regional and local HR departments work to avoid or eliminate discriminatory practices in work-related activities. This applies in particular to pay, training, career guidance, and social security. Globally, the average base salary of female employees in 2021 equaled 96.0% of the average salary of male employees. Departures were not included in these calculations. In 2022, Clariant will continue to analyze potential gender pay gaps and define corrective measures if needed.

Supporting schoolgirls

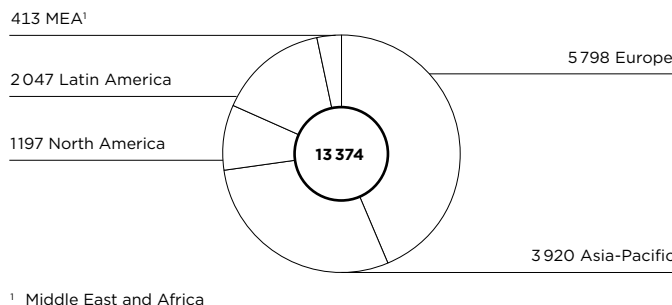
In 2021, Clariant organized with two partner companies in Germany a three-day workshop for interested schoolgirls under the Hashtag #EqualinTech. The purpose of this was to encourage schoolgirls to pursue MINT studies (mathematics, informatics, natural science, and technology), where they are still in the minority. At the workshop, the girls learned about design thinking and coding and even created their own app.

Employee commitment to diversity

Employees are increasingly establishing so-called resource groups. For instance, the »Women Inclusion Network« in Germany organizes networking events and peer coaching groups among interested female colleagues. In North America, three groups have been established in the past few years or are in the course of being established to support women in science; working parents at Clariant; and lesbian, gay, bisexual, transgender, and queer (LGBTQ+) employees. These groups will receive financial support for event organization.

Employee indicators

002 FTEs BY REGION



OCCUPATIONAL HEALTH AND SAFETY

As a global employer, Clariant is committed to promoting a healthy culture in the workplace. Processes regarding occupational safety are top priorities to ensure seamless manufacturing operations, protect the health and safety of Clariant's employees, and meet legal and reputational requirements. Failing to meet requirements has a direct negative impact on staff morale, labor costs, and productivity, as well as on operational costs. Moreover, incidents of Occupational Health and Safety have a detrimental effect on the company's brand image.

Management approach

Occupational Health and Safety at Clariant is managed globally by the Environmental Safety and Health Affairs (ESHA) department. In addition, the company has appointed ESHA experts worldwide who are responsible for Occupational Health and Safety in all countries and across all business units. All measures apply to all employees who work under the direct supervision of a Clariant employee (Clariant full-time employees and supervised workers). This also includes contractors who must follow Clariant's rules and measures.

To ensure the health and safety of employees, Clariant has a set of principles and guidelines in place. The ISO 45001 standard, which formulates requirements for an Occupational Health and Safety management system, is authoritative. Clariant made the transition from the current OSHAS 18001 certification to ISO 45001 in 2020. In 2021, internal audits were carried out in accordance with ISO 45001. The certificate confirming compliance with the standard is available.

Further guidelines cover a variety of safety issues, such as fire and explosion protection, the handling of hazardous substances, and the identification of risks in chemical production. In addition, Clariant adheres to the precautionary principle when it comes to risks that have not yet been fully clarified scientifically. The safety of employees and the environment is also anchored in Clariant's sustainability policy. Occupational Health and Safety affect Clariant as a company in the value chain.

Goals and measures

Clariant aims to achieve zero accidents worldwide. Progress toward zero accidents is linked to bonuses for top management. In 2021, there were 23 lost-time accidents. The company has thus achieved the milestone. In addition, process safety is to be integrated into the daily routine of all operations. Milestones are defined at the Group and business unit levels.

Clariant regularly monitors several key performance indicators: The lost-time accident rate (LTAR), occupational diseases, and work restriction cases are continuously tracked globally by Corporate ESHA and reported to an assigned member of Corporate ESHA. Recorded injuries are continuously tracked and reported quarterly to an assigned member of Corporate ESHA. Additionally, site ESHA continuously monitors safety deviations at each site. On a global level, safety deviations are monitored quarterly.

COVID-19 pandemic

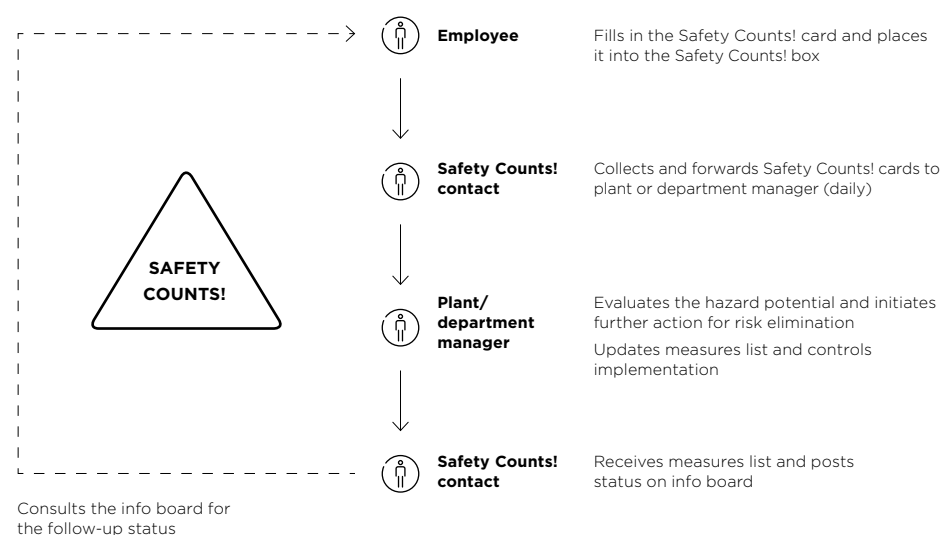
During the global health crisis triggered by the coronavirus, protecting the health of all employees has been a top priority for Clariant. In 2021, the company enforced strict hygiene protocols, provided personal protective equipment (PPE) when needed, and procured surgical and FFP2 masks to ensure safe working conditions. Surgical and FFP2 masks were also provided to employees for personal use. With the availability of the vaccine in 2021, Clariant motivated its employees to get vaccinated. In some countries, the company has supported vaccination when endorsed by authorities.

In order to quickly adapt to a changing environment, including constantly updated scientific recommendations and regulatory requirements, Clariant developed more than 30 different response scenarios to react to possible developments in the spread of the pandemic. The scenarios were approved by Group Emergency Management (GEM) and distributed to the regions, countries, and sites. The scenarios were revised to keep them up to date with the increasing knowledge about the pandemic.

Since the beginning of the pandemic, Clariant has provided comprehensive support to its employees worldwide on topics such as working from home, staying healthy, and staying in touch with the team. Clariant relied on an approach developed jointly by the Human Resources, Group Innovation and Sustainability, and Corporate Communications departments: Using facts and encouraging messages, Clariant promotes the same level of knowledge among all employees and external stakeholders. All questions and concerns about the virus were collected and answered in a digital COVID hub that employees can access when needed. In addition to internal measures, Clariant also provides external support: To alleviate the availability problems in the midst of the virus outbreak, Clariant delivered around 15.5 tons of disinfectant free of charge to the »Hilfswerk Osteuropahilfe« in Switzerland. The company managed to maintain the sustainability focus embedded in its DNA even in these turbulent times: It sourced the main ingredient of the disinfectant, ethanol, from Crop Energies, the largest European producer of renewable ethanol.

AVOIDINGACCIDENTS@CLARIANT

AvoidingAccidents@Clariant is a global program that creates safe working environments, raises awareness of safety, and illustrates Clariant's focus on prevention. Since the start of the program in 2007, the lost-time accident rate (LTAR) has declined from 0.92 to 0.16.



Occupational Health and Safety programs and training

Occupational safety at Clariant means much more than just wearing the necessary protective equipment. It is a commitment to address safety comprehensively and to ensure that employees come home from work as healthy as when they arrived.

Protection against health hazards

Clariant's internal guideline »Protection from Hazards to Health« serves to prevent work-related illnesses and regulates the identification of work-related health hazards for all workplaces. The guideline includes defined review criteria and cycles. The Substitution, Technical measures, Organizational, and Personal (STOP) principle defines the hierarchy of measures to be taken to prevent incidents. It must be applied to the control measures. A comprehensive internal audit system ensures quality and triggers continuous improvements.

Handouts on Occupational Health and Safety-related topics

As part of the »Safety Moments« initiative, employees at Clariant have been trained on Occupational Health and Safety-related topics with the help of handouts since 2017. These are presented and discussed, for example, at the beginning of meetings and can be accessed via an internal platform. Currently, there are more than 330 »Safety Moments.« In 2021, several Safety Moments related to COVID-19 were developed and distributed.

Reporting near misses and unsafe situations

To report unsafe situations or near-miss incidents, Clariant's employees can either approach their supervisors directly, submit a report using »Safety Counts!« cards, or utilize an online system at some sites. If employees identify a hazardous situation, they are permitted and encouraged to stop the activity and report to their supervisor. After a work-related incident, Clariant conducts an investigation to identify corrective actions to avoid recurrence. Specific methodologies are provided and described in Clariant's investigation guide. According to internal processes, Lost-Time Accident and



Restricted Work case reports are only closed if an appropriate investigation report is available and filed. The decision to close a report is made at the Group level by an assigned member of Corporate ESHA.

Global program for safe working conditions

AvoidingAccidents@Clariant is a global program that creates safe work environments, raises awareness of safety, and illustrates Clariant's focus on prevention. Under the umbrella of the program, Clariant rolled out multifaceted trainings and tools to achieve the zero-accidents objective. These include, for example, safe behavior trainings, safety leadership improvements, safety checks, safety days, and safety weeks. Since the start of the program in 2007, the lost-time accident rate (LTAR) has decreased from 0.92 to 0.16 in 2021.

Learning Management System (LMS)

Clariant has a Learning Management System (LMS) that is used to provide, steer, and monitor various programs such as Occupational Health and Safety-related e-Learnings, webinars, and workshops. Additionally, there are special trainings regarding work-related hazards, hazardous activities, or potential hazardous situations. Additionally, there are special trainings provided by the respective plant and the building management regarding work-related hazards. These trainings are customized and depend on the jobs to be performed.

Hazard identification, risk assessment, and incident investigation

Workplace assessment

As part of Clariant's audit program, internal experts from Corporate ESHA and Integrated Group System Management (IGSM) regularly visit sites to review workplace and process safety standards. To do this, they evaluate the facilities and determine corrective actions to address the main risks. Process Hazard Analyses (PHAs) are conducted regularly by competent personnel at the sites. PHAs are reviewed at least every five years and updated as changes occur. If a change is implemented in a facility, change management procedures ensure that this change is assessed and controlled to avoid risks.

To protect employees from work-related hazards, each workplace undergoes a systematic, multistep assessment. This includes workplace ergonomics, lighting, noise, indoor air quality, humidity, and temperature. If a workplace falls below defined minimum requirements, Clariant takes measures to redesign this workplace.

Employee health checks

At certain workplaces, Clariant carries out regular comprehensive employee health checks. The objective is to detect signs of illness as early as possible. Clariant takes care to obtain special health certificates and to carry out vaccinations that are required for some jobs. Medical professionals anonymously report problems identified during employee personal health checks. Depending on local laws, these reports are addressed to the local ESHA organization or the appropriate area. The reported information is used to review mandatory workplace risk assessments in accordance with the guideline »Protection from Health Hazards.« Clariant ensures medical confidentiality.

Worker participation, consultation,

and communication on Occupational Health and Safety

Ninety-six percent of staff employed in production are represented by a safety committee. Considering the whole workforce (production, procurement, sales, and management), 85 % of staff are represented. At Clariant, safety issues are also addressed in committees that do not primarily deal with this topic. A working group is established if it is necessary to implement new internal standards or update existing ones. The resulting draft is sent to the different stakeholders in Clariant's business units and regions to solicit feedback. Feedback and requests for revisions are duly considered before the standard is finalized and approved. The relevant information is subsequently published in the Group Management System (GMS) database and on SharePoint.

WORK-RELATED INJURIES

	Total 2021	2020	2019	2018	2017
Number of fatalities as a result of work-related injury	0	0	0	0	2 ¹
Rate of fatalities as a result of work-related injury (per 200 000 hours)	0	0	0	0	0.0053
Number of high-consequence work-related injuries (excluding fatalities)	2	2	0	1	0
Rate of high-consequence work-related injuries (excluding fatalities) (per 200 000 hours)	0.01	0.01	0	0.005	0
Number of recordable work-related injuries	141	157	232	248	302
Rate of recordable work-related injuries (per 200 000 hours)	1.00	0.95	1.21	1.31	1.57
Number of hours worked	28 440 000	33 262 000	38 556 000	37 796 000	38 134 000

¹ The fatalities disclosure includes employees and contractors.



OCCUPATIONAL ACCIDENTS

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Lost-time accidents ¹	n.a.	n.a.	23	26	28	27	38
Male	n.a.	n.a.	21	26	27	27	34
Female	n.a.	n.a.	2	0	1	0	4
Lost-time accident rate (LTAR) ²	0.15	0.21	0.16	0.16	0.15	0.14	0.20
Male	n.a.	n.a.	0.15	0.16	0.14	0.14	0.18
Female	n.a.	n.a.	0.01	0	0.01	0	0.02
Lost-time accident rate (LTAR) ² for contractors	n.a.	n.a.	0.30	0.14	0.22	0.24	0.21
Lost-time accidents by supervised (non-Clariant) workers (included in the overall number of occupational accidents)	1	0	1	1	1	6	2
Male	n.a.	n.a.	1	1	1	6	1
Female	n.a.	n.a.	0	0	0	0	1
Lost workdays (LWDs) caused by occupational accidents	902	72	974 ³	1 229	661	879	1 135
Male	n.a.	n.a.	962 ³	1 229	648	874	1 051
Female	n.a.	n.a.	12	0	13	5	84
Lost workday rate (LWDR)	7.32	3.81	6.85	7.39	3.43	4.68	5.95
Number of cases of recordable work-related ill health	0	0	0	0	3	1	0

¹ Number of occupational accidents with at least one day's work lost

² Occupational accidents with at least one day's work lost relative to 200 000 hours of work

³ 279 lost workdays (LWDs) from 2019 and 2020 incidents

Tracking health and safety

Clariant utilizes dashboards for Occupational Health and Safety reporting. All sites are obliged to report an accident resulting in loss of work immediately. This concerns cases where the affected employee cannot work for at least one day and cases of restricted work. For these cases, investigation reports are mandatory.

In 2021, the overall health and safety performance at Clariant's sites further improved. The total number of lost-time accidents decreased from 26 in 2020 to 23 in 2021 with a pro rata decrease in the number of employees (-17%) due to the sale of the Business Unit Masterbatches in the course of 2020. In addition, 13 lost-time accidents occurred involving contractors, which is a strong increase compared to the six accidents in 2020. First aid was required for 79% of all recorded injuries; 16% needed medical treatment; and 5% of recorded injuries were restricted work cases. The most frequent injury types in 2021 were sprains, bruises, and contusions (39%); bone fractures (26%); and burns (18%). In 2021,

no chemical burns, burn injuries, or poisonings occurred. Internal injuries and limb losses each accounted for 4%. The remaining 4% were unspecified injuries. Neither work-related fatal accidents nor recognized occupational illnesses were recorded in 2021.

The lost-time accident rate (LTAR) of 0.16 accidents per 200 000 hours of work remained stable compared to 2020. The total number of lost workdays decreased significantly from 1 229 in 2020 to 974 in 2021, representing a decrease of over 20%. This indicates that job-related injuries were less severe in 2021 than in 2020. Accordingly, the lost workday rate (LWDR) decreased from 7.39 workdays lost per 200 000 hours of work in 2020 to 6.85 workdays lost per 200 000 hours of work in 2021.

EMPLOYEES COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM					
	Total 2021	2020	2019	2018	2017
Percentage of employees covered by an Occupational Health and Safety management system (%)	100	100	100	100	100
Percentage of employees covered by an Occupational Health and Safety management system that has been internally audited (%)	100	100	100	100	100
Percentage of employees covered by an Occupational Health and Safety management system that has been externally audited or certified (%)	100	100	100	100	100

	2021		2020		2019		2018		2017	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Occupational accidents with at least one day's work lost	21	2	26	0	27	1	27	0	34	4
Europe, the Middle East, and Africa	17	2	18	0	15	0	14	0	19	2
Asia-Pacific	0	0	1	0	1	0	2	0	2	0
Latin America	2	0	6	0	4	1	7	0	10	1
North America	2	0	1	0	7	0	4	0	3	1

[illegible]



CUSTOMER RELATIONSHIPS

Customer Relationships refers to establishing and continuously enhancing relationships with customers. This includes engaging with customers, taking initiatives to support their goals, ensuring their welfare, and building and developing relationships with mutual trust.

Customer engagement lies at the core of Clariant's commercial strategy. The company is committed to understanding its customers' needs, to adding value for them by delivering innovative, competitive, and sustainable solutions, and to creating continuous, profitable growth. In recent years, Clariant has built additional marketing capabilities in its business units to continue its journey from a product-driven to a customer-centric organization.

Establishing and maintaining relationships with its customers is important for Clariant throughout its complete value chain – from the procurement of raw materials to the end-consumer markets.

Management approach

In every Clariant business unit, a global head of marketing leads a dedicated team of marketing professionals. To identify and capture profitable growth opportunities, marketing teams work closely with technical and sales functions.

In January 2021, Clariant's Commercial Excellence initiative became part of Corporate Planning & Strategy, creating an even stronger bond between building and executing strategies. Corporate Planning & Strategy reports directly to the Executive Committee. Its pricing, sales, and digital commercial teams support the business units in developing and implementing actionable commercial growth plans.

CUSTOMER RELATIONSHIPS

	Continuing operations	Discontinued operations	Total 2021	2020	2019	2018	2017
Customer interviews as part of marketing and strategy initiatives	287	n.a.	n.a.	132	404	538	515
Interviews with industry experts as part of marketing and strategy initiatives	82	n.a.	n.a.	75	144	150	59
Survey responses obtained from customer contacts			¹	1 735	¹	2 791	¹
Customers who want to continue doing business with Clariant (%)			¹	88	¹	90	¹
Customers who plan to intensify the business relationship (%)			¹	82	¹	77	¹
Net Promoter Score (NPS) (%)			¹	42	¹	29	¹

¹ Surveys are conducted every two years.

Customer dialog

Clariant aims to strengthen the customer experience further. Therefore, it increases interactions through ongoing dialog with existing customers, new prospects, and other partners along the value chain to uncover new business opportunities. Its customer dialog flagship project is the biennial customer satisfaction survey, which provides comprehensive customer feedback. The next survey will take place in 2022.

Clariant also introduced its online customer portal → **CLARIHUB**, which was used by the Business Unit Industrial & Consumer Specialties (ICS) in 2021 to get into direct contact with its customers. The Clarihub portal provides them with an individual overview of their interactions with the company. For example, they can track key metrics or find reference documents. In addition, they receive relevant information such as FAQs and troubleshooting tips, as well as company and product details. While Clarihub provides customers with an extra channel for communication and queries, it is also helpful for Clariant to derive additional oversight and visibility.

In 2021, Clariant sales teams made increasing use of the company's new customer relationship management system. It provides employees with a guided process, helping them to prepare and manage business opportunities in a transparent and productive manner.

Customer Relationships and COVID-19

Due to the COVID-19 pandemic, Clariant could not conduct its well-trying marketing trainings and workshops in 2021, as they require face-to-face interaction. Nevertheless, the business units conducted regular customer and expert interviews. In addition, Clariant expanded offers to its customers via cross-selling. For example, in 2021, Business Unit Industrial & Consumer Specialties developed an internal engine to identify customers who might benefit from cross-selling. Following a dedicated process, they are provided with specific product offerings in order to increase their satisfaction when they find out that Clariant can fulfill more of their purchasing needs.

Instead of face-to-face dialogs, the company organized more than 100 webinars with 20–500 participants each and enhanced online access via its website. For example, customers of Business Unit Industrial & Consumer Specialties can now order samples and download technical and safety data sheets through an online customer portal.



In China, Clariant started a comprehensive digitalization approach called »Dragon Boat« in 2021. »Dragon Boat« efforts are tailored to Chinese user behavior and Chinese search engines. The first projects focused on WeChat, the most popular local digital platform: A dedicated Chinese website and a chatbot for Business Units Additives and Industrial & Consumer Specialties enable Chinese customers to access product information and a digital interaction with Clariant.

Customer journey

In a global 2021 project, Business Unit Industrial & Consumer Specialties mapped the customer journey for a typical buying process, from the first contact to delivery and invoicing. The project aimed to improve the customer experience, particularly in the form of responsiveness.

From an inside-out point of view, the business unit analyzed the importance of individual touchpoints for customers and compared its performance against competitors. For this purpose, it conducted extensive qualitative interviews with key stakeholders in all regions.

To validate this internal perspective, Clariant also interviewed more than 50 customers about the performance of Clariant compared to its competitors regarding all touchpoints throughout the customer journey.

In this project, Clariant identified and prioritized key improvement levers per region. It thoroughly analyzed underlying processes and pivotal touchpoints and made improvements to achieve better responsiveness.

Data-driven strategies

The pricing, sales, and digital commercial teams of Corporate Planning & Strategy accompanied a growing number of data-driven initiatives on customer segmentation, cost-to-serve analysis, customer engagement, value-based pricing and selling, sales enablement, and cross-selling in 2021.

For example, Clariant introduced algorithm-based price optimization modeling. These algorithms recommend pricing corridors for individual customers and products. This automated process saves significant time for analysis and computation.

Additional price management tools help the company to integrate different perspectives and information, to arrive at optimum prices, and to track them. In 2021, a real-time cost pass-through analysis helped to better control the impact of cost drivers on end prices.

Clariant also started a commercial data-lake project in 2021. From 2022 onwards, the data lake will support the company's advanced analytics strategy by creating prescriptive and predictive models to transform insights into impact.

Customer privacy

In 2021, Clariant received no substantial complaints from outside parties or regulatory bodies concerning breaches of customer privacy or losses of customer data. Similarly, Clariant is not aware of any identified leaks, thefts, or losses of customer data.

HUMAN AND LABOR RIGHTS

Clariant is firmly committed to protecting human and labor rights in all business operations. This includes the entire supply chain and all contracted workers. The company expects all suppliers and business partners to comply with these human and labor rights standards.

Management approach

The Sustainability Transformation team within Group Innovation & Sustainability, together with the Human Resources, Legal, and Procurement departments, manage human and labor rights at Clariant. Currently, Clariant does not yet have specific goals and targets in place for human and labor rights.

Evaluation of the management approach includes benchmarking against Clariant's peers, using external benchmarks such as the Dow Jones Sustainability Index, and participating in external networks, discussions, and report reviews. → [READ MORE ABOUT ESG RATINGS & RANKINGS](#)

Human and labor rights policies

Over the years, Clariant has built a comprehensive framework of policies, guidelines, and processes to ensure the implementation of its human and labor rights commitments. The company's Human Rights Policy Statement is in line with the United Nations (UN) Human Rights Declaration and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. This policy statement applies to all direct operations and activities. It states clearly that Clariant expects its suppliers and contractors to uphold the same high standards.

Clariant's Code of Ethics also includes requirements regarding key human and labor rights. It is compulsory for the company's direct operations, including all joint ventures that it controls or in which it holds a majority interest.

Clariant's general terms and conditions of purchase make reference to the company's Supplier Code of Ethics. It extends to all its suppliers and their contractors. Clariant regularly assesses its suppliers in relation to social, governance, and environmental topics via the Together for Sustainability (TfS) platform, a cooperation with other large chemical companies.

Clariant's → [2018 GLOBAL EMPLOYMENT POLICY](#) and its employment standards guidelines protect workers' rights with regard to non-discrimination, forced labor, child labor, fair working conditions, freedom of association, privacy, effective remedies, and workplace health and safety. The documents are available in local languages. They are also part of the onboarding curriculum for all new employees.

Clariant supports collaborative initiatives that promote sustainability and respect for human and labor rights across the industry. The company is a signatory to the UN Global Compact and a member of the Together for Sustainability (TfS) initiative, the Roundtable on Sustainable Palm Oil (RSPO), and EcoVadis.

Upcoming priorities

Clariant regularly updates its human and labor rights framework in anticipation of upcoming legislation.

In 2021, the company assessed its processes in relation to the Responsible Business Initiative in Switzerland. Even though the initiative itself was rejected in November 2020, a counterproposal based on it came into effect on 1 January 2022. It demands increased reporting on environmental and social issues and introduces due diligence requirements for multinational companies based in Switzerland, particularly concerning child labor and conflict minerals. → FIGURE 003

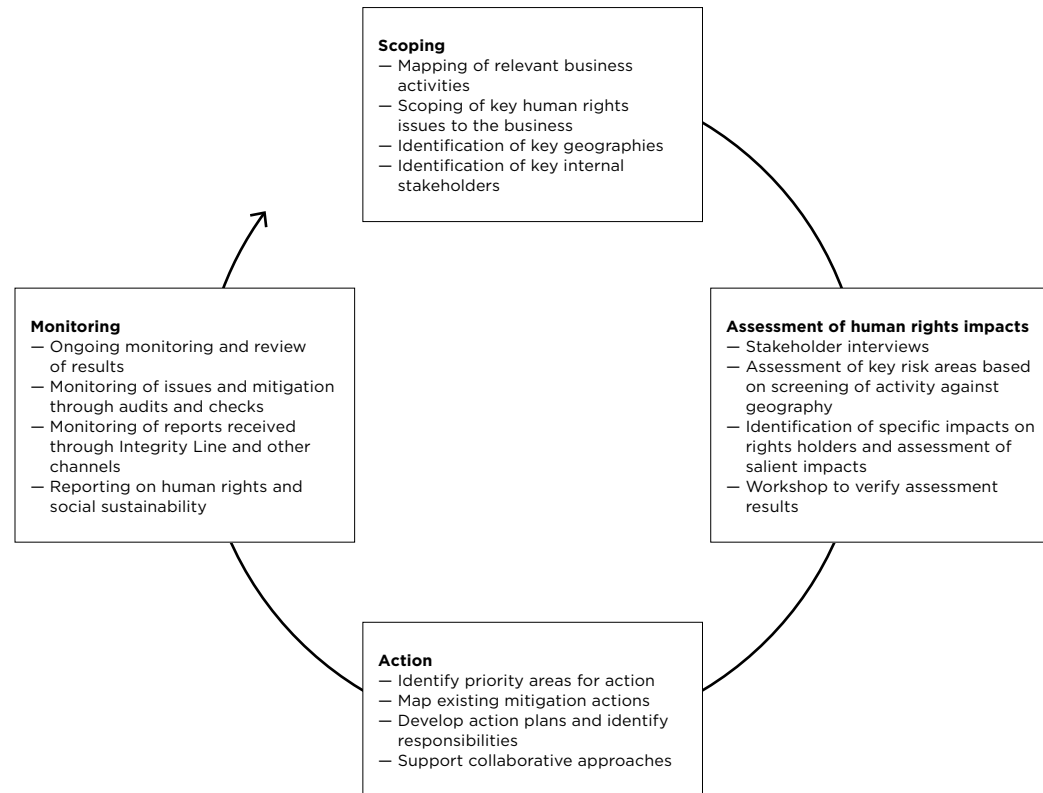
A new supply chain due diligence law will come into force in Germany in 2023 (for companies with more than 3 000 employees, which applies to Clariant's German subsidiaries) and 2024 (for companies with more than 1 000 employees). Companies will then be responsible for basic human rights in their entire supply chains – in particular with respect to forced and child labor. Environmental damages are relevant to the extent that they violate human rights.

Ensuring human and labor rights compliance in high-risk supply chains will remain a challenge and a priority for Clariant. This relates especially to supply chains for palm-based and other renewable-based materials.

Human and labor rights assessment

Clariant relies on well-established management and monitoring systems that enable the company to detect and mitigate potential human and labor rights risks. Addressing and closing identified gaps in this framework will be a priority for the coming years.

003 KEY ELEMENTS OF THE HUMAN RIGHTS DUE DILIGENCE PROCESS



In 2016, Clariant carried out a human rights due diligence assessment with the support of external human rights experts. It evaluated not only potential human rights impacts of its operations and activities, but also the effectiveness of its management and monitoring systems.

Additionally, in a series of interactive working sessions, several key functions and departments prioritized their activities as to their scale and relevance to the business and their probability of having adverse effects on the human and labor rights of workers, communities, and other groups. Subsequently, Clariant carried out a rights assessment for a number of priority activities, including both internal and external risk factors, such as complex subcon-

tracting arrangements and vulnerabilities of specific groups. A particularly thorough investigation took place for those areas identified as high-risk in the 2016 human rights due diligence review.

The assessment aggregated human and labor rights risk levels of countries and industries. It found that the company's potential impacts primarily relate to contract labor and supply chains for natural raw materials, particularly in regions with weak legal frameworks. For high-risk areas, it validated specific mitigation actions.

Human and labor rights in the supply chain

Clariant will continue to address supply chain risks connected to the geographical origin of particular raw materials. In 2020, Clariant reviewed its conflict minerals approach to ensure compliance with the new EU conflict minerals legislation. Clariant also complies with the Swiss ordinance on due diligence and transparency with respect to minerals and metals from conflict zones as well as child labor.

Based on its 2021 Palm Oil Policy, Clariant started a comprehensive analysis of environmental and social sustainability with regard to → **PALM-BASED RAW MATERIALS**. To facilitate the transformation in palm oil procurement, Clariant intensified its collaboration with suppliers in order to increase transparency in the palm oil value chain.

Contract labor

Clariant focuses on securing the same working conditions for contractors as for employees, and supports the freedom of association. As laid down in the Supplier Code of Ethics, contractors must have the right to strike and to be members of trade unions in accordance with national or local laws and practices. Clariant assesses this aspect of its suppliers via the Together for Sustainability (TfS) platform. This evaluation plays an important role in determining the extent to which Clariant appropriately mitigates adverse human and labor rights impacts.

In 2021, Clariant carried out a review of the legal requirements, conditions, and control measures related to contract labor in India. It found that the country organization has implemented a clear and comprehensive process including detailed evidence, checklists, and regular communication with authorities.

Clariant knows of no cases in 2021 in which the freedom of association or the right to collective bargaining was jeopardized or breached.

Child, forced, or compulsory labor

Clariant condemns all forms of child labor and respects the rights of children. It expressly acknowledges International Labour Organization (ILO) conventions 138 (Minimum Age Convention) and 182 (Worst Forms of Child Labor Convention) as the minimum standard. Human Resources ensures that minimum age provisions of national labor laws and regulations are adhered to and that local Human Resources at Clariant workplaces use adequate and verifiable mechanisms for age verification.

Clariant assesses its suppliers in relation to child and forced labor via the Together for Sustainability (TfS) platform. The company is not aware of any cases of child, forced, or slave labor in the company or with its suppliers.

Employee training and involvement

E-learning modules and internal trainings related to the Code of Ethics and to human and labor rights are mandatory for all employees. Participation in these trainings is registered with defaulters receiving a warning.

The company has established the »Clariant Integrity Line,« an independent, third-party operated channel. Clariant employees and external stakeholders can anonymously report all violations of the Code of Ethics, including discrimination or violations of human and labor rights. → **READ MORE IN BUSINESS ETHICS & COMPLIANCE**

Human and labor rights clauses in investment agreements and contracts

The Investment Subcommittee of the Executive Committee (EC) must approve all investments with a total volume of more than CHF 1 million. The subcommittee bases its decision on financial, strategic, and sustainability criteria, which also include human and labor rights aspects.

Planet

»Planet« includes the renewable and nonrenewable environmental resources and processes that support or affect the company's prosperity and its environment. Examples include air, water, and land resources that Clariant utilizes for its activities.

Four material topics are related: »Resource Efficiency and Environmental Protection,« »Climate Protection,« »Circular Economy,« and »Bio-based Economy.«

RESOURCE EFFICIENCY AND ENVIRONMENTAL PROTECTION

Clariant is strongly committed to environmental sustainability and ethical practice. Interest of investors, customers, and other stakeholders in sustainability topics has been on the rise for years and is growing further. The company follows a responsible approach to resources and the environment. It increasingly employs environmental management systems for responsible energy and water consumption; waste reduction; and the prevention of pollution, toxic and other emissions to air and soil, and further ecosystem impacts. The corresponding technological and behavioral changes affect Clariant's complete value chain, from the raw material feedstock to the end-consumer markets.

Management approach

To minimize negative effects on the environment and to safeguard natural resources, Clariant relies on top Management's attention and a corporate culture that prioritizes environmental stewardship.

In 2022, Clariant incorporated its Environment, Safety, and Health Affairs (ESHA) department into the service unit Group Innovation & Sustainability. During 2021, the department was part of the service unit Group Operational Excellence. The company took this step to increase synergies and ensure continuous focus and attention from the Executive Committee. Specialized ESHA teams in the business units and country organizations set and monitor the standards for managing environmental protection and resources.

There are quarterly coordination meetings between corporate, regional, and business unit ESHA teams. Full operational responsibility, however, lies with each site, which also nominates a responsible person for day-to-day topics. Business unit ESHA teams have very regular, sometimes weekly, meetings with the individual sites. By 2021, all sites had achieved an external certification and operated along the ISO 14001 standard.

Clariant regularly monitors progress toward its sustainability targets. In 2021, the company developed a new internal dashboard, the »Sustainable Operations Cockpit« (SOC). It allows for a monthly update and monitoring of Scope 1 and 2 emissions on an aggregated level by business unit, site or plant, and type of energy. The SOC also monitors other sustainability KPIs at the site level, which contribute significantly to Clariant's 2030 sustainability targets. In addition, the Clariant Project Tracking Tool (CPTT) tracks the implementation of individual improvement projects related to environmental performance and the related improvements themselves. Regarding Scope 3 emissions, a dashboard for purchased emissions was also developed to monitor progress on a monthly basis.

New sustainability targets

In 2021, Clariant published new sustainability targets. They are the result of a collaboration between Group Procurement and Innovation. These targets put Clariant on the path to achieve its vision of becoming a climate-neutral company by 2050.

In line with the Science-Based Targets initiative (SBTi), the company's new → **SCIENCE-BASED TARGETS** demand ambitious absolute reductions by 2030, compared to 2019:

- Scope 1 and 2 greenhouse gas emissions – 40 %
- Scope 3 greenhouse gas emissions from purchased goods and services – 14 %

PLANET OVERVIEW

	Continuing operations	Discontinued operations	Total 2021 ^{1, 2}	2020 ^{1, 2}
Total greenhouse gas emissions (Scope 1 & 2, CO ₂ equivalents) (in m t) ³	0.71	n.a.	n.a.	0.69
Total indirect greenhouse gas emissions for purchased goods and services (Scope 3, CO ₂ equivalents) (in m t) ³	2.70	n.a.	n.a.	3.12
Water intake (without »pass-through« water) (in m ³ /t production) ³	2.17	n.a.	n.a.	2.35
Wastewater generation (in m ³ /t production) ³	1.48	n.a.	n.a.	1.67
Sites in areas of high water stress with advanced water management (%) ³	56	n.a.	n.a.	n.a.
Landfilled nonhazardous waste (in kg/t production) ³	51.5	n.a.	n.a.	56.5
Hazardous waste (in kg/t production) ³	8.8	n.a.	n.a.	11.4
Nitrogen oxide (NO _x) emissions (in kg/t production) ³	0.12	n.a.	n.a.	0.13
Energy consumption (in kWh/t production)	627	5 290	733	758
Greenhouse gas emissions (Scope 1 & 2, CO ₂ equivalents) (in kg/t production)	164	1 100	185	205
Indirect greenhouse gas emissions (Scope 3, CO ₂ equivalents) (in kg CO ₂ e/ CHF sales)	0.83	0.76	0.82	0.87
Total water intake (without »pass-through« water) (in m m ³)	10.4	5.0	15.4 ⁴	41.0
Total wastewater generation (in m m ³)	7.7	3.5	11.2	11.4
Total quantity of waste (in thousand t)	n.a.	n.a.	225.8	220.6
Total energy consumption (in m kWh)	2 713.0	531.4	3 244.0	3 071.0

¹ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.

² The difference in the sum of continued and discontinued operations compared to the Group total is due to the resource consumption of nonproduction sites.

³ This is a target KPI and refers to the production activities of continuing business only.

⁴ 2021 data is reported with a new definition of water intake without »pass-through« cooling water. Therefore, it is not comparable to previous years.

Furthermore, Clariant has set itself more sustainable operations targets for the period 2019–2030, measured by impact per ton of production:

- Water intake (without »pass-through« cooling water) – 20 %
- Wastewater generation – 25 %
- Share of sites in areas of high water stress that apply advanced water management 100 %
- Landfilled nonhazardous waste – 40 %
- Hazardous waste – 25 %
- Nitrogen oxide emissions – 30 %

All business units have developed a roadmap toward these 2030 sustainability goals. In this context, they defined improvement projects, planned their implementation, calculated medium-term investments, and named specific intermediate reduction targets for 2022.

Overall, guided by its ambitious targets, Clariant's environmental performance has improved significantly over the last 15 years. The investments related to environment, safety, and health amounted to CHF 36.5 million in 2021, including CHF 21.2 million for environmental protection. The expenditures for environment, safety, and health protection in operative facilities amounted to over CHF 131.1 million, including CHF 78.2 million for environmental protection.

Since 2019, Clariant has made progress related to science-based and sustainable operations targets. → FIGURE 004

Since 2019, CO₂ emissions (Scope 1 & 2) increased by 3%, while the production volume increased by 8%. The under-proportional increase in GHG emissions has been achieved by an accelerated transition to renewables, driven by a transition from coal to bio-diesel and a higher share of green electricity. Both Energy Attributes Certificates (EACs) and a higher share of green electricity supplied via the grid contributed. A hazardous waste generation increase is driven by a new product line in the Business Area Catalyst.

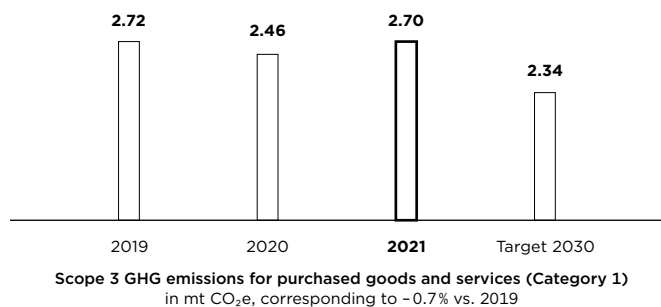
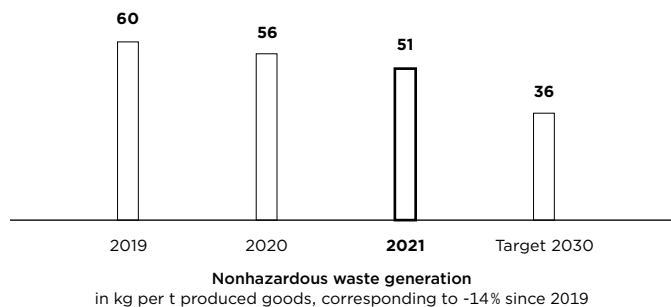
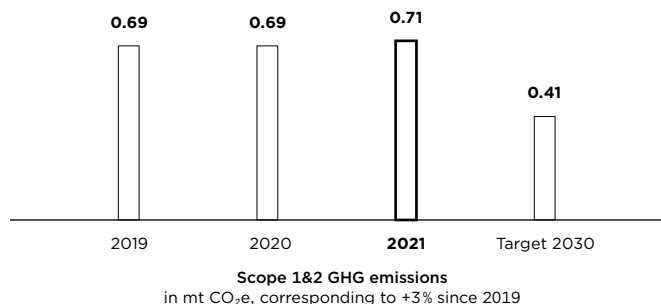
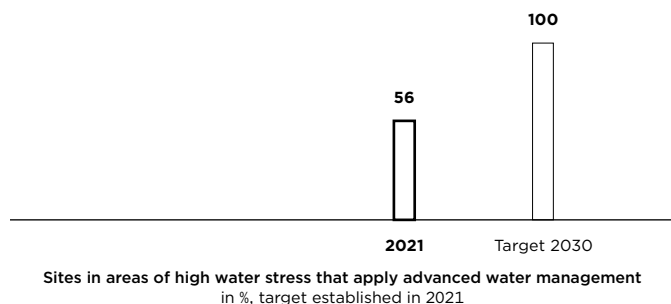
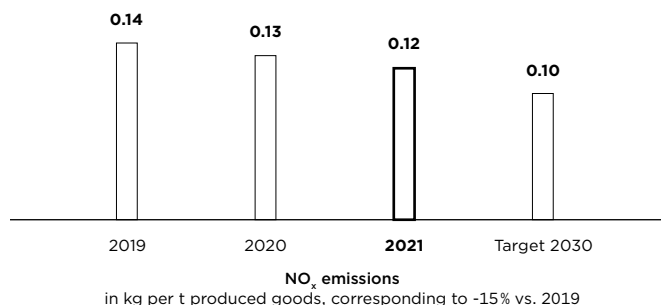
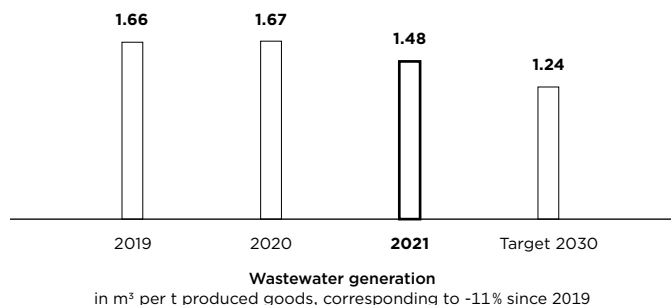
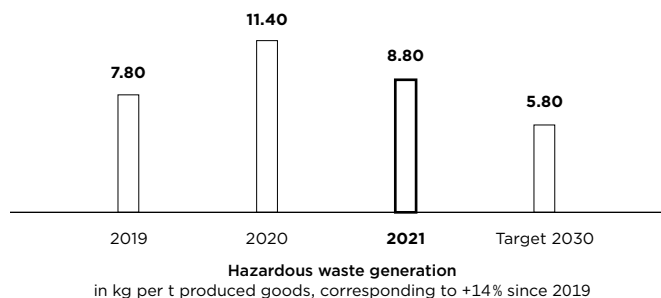
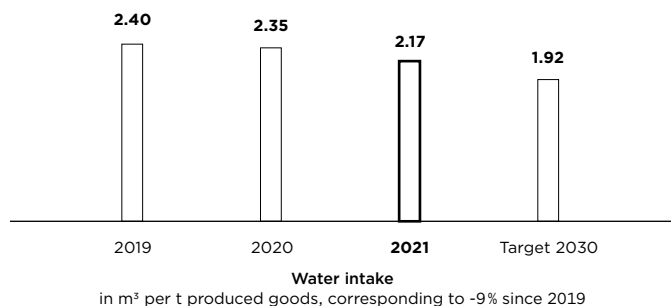
Other goals and targets

Clariant abides by the principles of the Responsible Care® Global Charter, which was initiated by the members of the International Council of Chemical Associations (ICCA). It creates a global vision and highlights the commitment of the industry to continuous improvement in the environmental, health, and safety performance of chemical producers worldwide.

Furthermore, Clariant adheres to its own goals and targets set in its Sustainability Policy, Code of Ethics, Internal ESHA Management System, ESHA Guidelines and Guides, internal audits, and bylaws of the Executive Committee. They contain principles for environmental protection and prioritize measures that avoid or minimize negative environmental impacts. In 2020, the company finalized its internal quality audits, which are a central element of the ESHA management system.

004 PROGRESS TOWARD 2030 TARGETS

All diagrams refer to the production activities of continuing business only (=without Pigments).



Corporate programs of resource efficiency and environmental protection

To reduce energy consumption, minimize greenhouse gas emissions, and reduce waste streams, Clariant has set up long-running lead initiatives within the business units, such as eWATCH™ and the Clariant Production System Yield, Energy, Environment (YEE) initiative. At the end of 2021, in order to realize synergies, the new service unit Group Operational Excellence (GOE) took over the management of both these programs. They are now under the umbrella program »Sustainable Operations« within Group Innovation & Sustainability (GIS), which coordinates and consolidates the activities in all business units following sustainable operation roadmaps.

eWATCH™

Since 2013, the program →EWATCH™ has helped to minimize energy consumption and increase energy efficiency. It is a process to analyze energy consumption across operations and to identify cost-saving opportunities. Using eWATCH™, Group Operational Excellence (GOE) systematically assesses site maturity and proposes improvement measures along three dimensions: operating system, management system, and employee system. GOE also supports business units in providing investment roadmaps and evaluating technical savings potential to ensure the company achieves its new 2030 targets.

The Clariant Energy Intelligence Guide (CEIG), a component of the eWATCH™ employee system, supports careful management of the company's energy demand. CEIG combines information, advice, best practices, and successful optimization projects, as well as key figures and tools that support energy efficiency. It enables users to systematically improve the energy efficiency of the equipment in use.

With its global initiative »eWATCH™ goes digital,« Clariant aims to profit from the latest measurement and monitoring technologies. They ensure full visibility and high granularity of energy generation and consumption. Analyses in this context show a savings potential of up to 10% for energy and utilities as well as opportunities for lower costs and greenhouse gas emissions.

Through Clariant Project Tracking Tool, Clariant measures the outcome of eWATCH™ by cost savings and project tracking (112 projects in 2021). Through Sustainable Operations Cockpit, Clariant measures the outcome of eWATCH™ by CO₂ impact. Since 2013, Clariant has saved a total of CHF 38.4 million through eWATCH™ by implementing energy efficiency measures and energy-purchasing optimizations. In 2021 alone, the savings amounted to CHF 4.5 million.

Clariant Production System Yield, Energy, Environment initiative (YEE)

The Clariant Production System (CPS) is an important component of the Clariant Operational Excellence program. Its goal is to achieve the highest productivity and financial performance at the production sites by identifying, developing, and implementing good practices. Applying the CPS leads to improvements in safety, productivity, conversion costs, energy consumption, and product quality.

The Clariant Production System Yield, Energy, Environment (YEE) initiative is a holistic approach built on an organizational blueprint. It analyzes yield, energy, and the environment of a specific unit with the aim to find the overall maximum performance. For example, it defines the way to increase yields, improve energy efficiency, and reduce waste streams by analyzing production processes and production units. Group Operational Excellence systematically assesses the site maturity against the blueprint during routine site assessments and proposes improvement measures. This creates a comprehensive picture of energy optimization potential.

Since its inception in 2012, YEE has saved more than CHF 86 million. In 2021 alone, YEE allowed for cost savings of CHF 6 million.

Energy

Clariant continuously reduces energy consumption in its operations. The energy efficiency measures combined with the switch to renewable energy reduce Clariant's financial risks deriving from carbon pricing. Additionally, the sustainable products provided by the company help customers to save energy in their own production processes.

For various sites, Clariant has been purchasing certificates for 100% green electricity:

- Since 2019: Knapsack, Germany; Jacarei and Vitoria da Conquista, Brazil
- Since 2020: Aberdeen, UK; Novara, Italy; and Oberhausen, Germany
- Since 2021: Bakersfield, Midland, and Reserve, US; and Suzano, Brazil

Other sites in Brazil and Mexico as well as the site at Bonthapally, India, partially use renewable electricity.

Furthermore, Clariant proceeded to certify its sites according to the new ISO 50001 standard for energy conservation. It passed the surveillance audits globally and prepared for the updated standard at various sites, primarily in Germany and Spain. By the end of 2021, around 25% of production sites (including discontinued business units) were certified, and Clariant produced more than 35% of its production volume at sites certified with ISO 50001.

Energy consumption

Across the Group, Clariant records total energy consumption from energy sources. Since 2019, energy consumption per ton of produced goods has decreased by 5%.

The company consumes energy in the form of process heat, steam, cooling, and electricity. As to process heat and steam, it uses direct primary energy sources to generate them or has them supplied by site service providers. Its main primary energy source is natural gas, while it uses coal only in very few locations. Clariant requires steam to heat reactors and separators, such as distillation columns. Wherever possible, it applies the remaining heat of the resulting condensate either for steam generation again or for internal heating purposes.

Electricity is required for electric motor drives in mixers, pumps, and other process-engineering equipment; for measurement and control technology; as well as for lighting. Clariant used 99.7% grid energy in 2021, which is an indirect use of energy from different primary sources. Small energy procurements, such as transport services during business trips, are insignificant in Clariant's overall energy balance. Clariant endeavors to increase its share of energy obtained from renewable sources on an ongoing basis. In 2021, it was at 9%, considering all measured energy sources.

ENERGY CONSUMPTION

	Continuing operations	Discontinued operations	Total 2021 ¹	2020	2019 ¹	2018	2017
Total energy consumption within the organization (in m kWh)	2 713	531	3 244	3 071²	3 204	3 209	3 245
Relative energy consumption (in kWh/t production)	627	5 290	733	758	754	739	706
Total fuel consumption within the organization (in m kWh)	1 678	181	1 859	1 653	1 795	1 781	1 777
Oil	42	29	70	49	60	83	87
Natural gas	1 228	57	1 285	1 154	1 248	1 254	1 231
Diesel	119	9	128	95	113	54	57
Energy crops (bagasse/briquettes)	22	75	97	65	125	121	122
Other (e.g., coal, woodchips, waste)	267	11	279	289	235	269	280
Total electricity consumption (in m kWh)	548	62	610	626	704	768	844
Total steam consumption from outside the organization (in m kWh)	489	270	759	685	685	660	626

¹ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.

² First half-year 2020 data for Business Unit Masterbatches are estimated based on the last full reporting campaign in 2017.

Reductions in energy requirements of products and services

Clariant evaluates the energy consumption of products through its Portfolio Value Program (PVP), which looks at energy consumption across the entire life cycle. The company aims to help its customers reduce their energy consumption. For this purpose, Clariant reworked its assessment criteria in 2021 and will implement them in 2022. → READ MORE IN PRODUCT STEWARDSHIP

Clariant's plants and office buildings are located almost exclusively in industrial parks or appropriate commercial districts with the required infrastructure. This includes a sufficient and stable water supply primarily from river water supplied via third parties, especially at large production sites. Before discharging the river water into the site's piping system, it passes through various filter systems.

Clariant also systematically tracks water-related business impacts in annual surveys to regional ESHA teams and, where necessary, engages with relevant stakeholders within the organization to deal with specific water-related impacts. Site, regional, business unit, and corporate ESHA teams assess if water-related impacts are taken care of and if sites are prepared for future emergencies, such as storms that can result in the suspension of operations.

Water withdrawal and intake

Clariant records the entire volume of water withdrawn and taken in. Before 2021, it included cooling water in the calculation of total water consumption, even though it returns most cooling water to the environment after use in cooling cycles (not contaminated pass-through water). For 2021, the company revised its definition of the indicator and changed the name to »water intake« to exclude pass-through cooling water (sustainability 2030 target KPI). In 2021, of the 15.4 million m³ total water quantity that the company took in, it used about 8.3% for cooling production plants, 68.3% for production processes, and 23.4% as a product component (sold with the product to customers) or for steam/ice generation, irrigation, or sanitary purposes. Water intake per ton of produced goods – one of the target KPIs – decreased from 2.35 m³ in 2020 to 2.17 m³ in 2021 due to water efficiency improvements and less water-intensive production processes.

WATER WITHDRAWAL AND INTAKE

	Continuing operations	Discontinued operations	Total 2021 ¹	2020	2019 ¹	2018	2017
Total volume of water withdrawn (in m m³)	25.2	17.3	42.5	40.8²	44.0²	49.0²	49.0²
Surface water	n.a.	n.a.	6.8	6.3	7.5	8.0	7.6
Groundwater	n.a.	n.a.	5.2	5.2	5.7	8.9	9.1
Seawater	n.a.	n.a.	0.1	0.2	0.1	0.1	0.1
Third-party water	n.a.	n.a.	30.4	29.0	30.9	31.9	32.1
Total water intake/consumption (in m m³)	10.4	5.0	15.4³	41.0	44.3	49.0	49.0

¹ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.

² The sum of water withdrawal sources does not equal the total water withdrawn due to the exclusion of an insignificant amount of rainwater as a withdrawal source.

³ 2021 data is reported with a new definition of water intake without pass-through cooling water. Therefore, it is not comparable to previous years.

Water

Water management is a key topic for the chemical industry, as it uses water as a product ingredient and in numerous production processes that result in the release of wastewater effluents. Efficient water management protects resources and saves cost in wastewater treatment.

The importance of water management differs according to local conditions. Clariant therefore sets water intake targets on the local level, while it monitors regulatory developments on a regional and national level. The company has implemented strict environmental regulations to ensure that its activities have no measurable impact on the surrounding flora and fauna.



For the majority of its operations, Clariant uses fresh water with a total dissolved solids (TDS) concentration of less than 1 000 mg/l. At only one site in Brazil, the company withdraws seawater and treats it before use, because there is no access to fresh water. The exact quality of the consumed water differs with each business and purpose and with the quality needed for the specific product portfolio and production process.

Wastewater management

Clariant leads the water it has used in its various production processes into its comprehensive wastewater management. The company makes sure it follows local regulations regarding discharge limits at all production sites. It treats the priority substances of concern, as identified in the wastewater discharge permit, based on the type of industrial operation, not generalized at the Group level.

For assessing wastewater quality, it consolidates water quality indicators at the Group level, such as concentration of heavy metals, nitrogen and phosphorus compounds, soluble salts, total suspended solids (TSS) as well as biological (BOD) and chemical oxygen demands (COD), which are the indicators of organic content in wastewater. For example, there were 2 046 t of COD discharged in the wastewater in 2021, which was a reduction of 18 % from 2020 to 2021 and coincided with a reduction of fees and production costs.

Before transferring the effluents to third party or municipal wastewater treatment plants, Clariant often pretreats wastewater at its own sites in a multi-stage chemical and physical procedure. Only small amounts of heavy metals remain in the discharged effluent, with concentrations partly at or below detection limits. In combination with constant monitoring, this approach ensures that discharged wastewater does not impair receiving water bodies and ecosystems.

In 2021, wastewater generation per ton of production decreased to 1.5 m³ from 1.7 m³ in 2020.

Water risk management

In 2017, Clariant undertook a Group-wide water risk assessment, employing the Aqueduct Water Risk Map developed by the World Resources Institute (WRI). The tool locates the sites in water stress areas and calculates an overall water-risk score as a combination of quantity, quality, and regulatory and reputational risks. Clariant shortlists all sites that fall under the risk category of medium at a minimum. Regional water risk assessments refine the global outcome further with specific knowledge of the sites' geography, water use, operations, revenue, and expenditure. Using this two-step risk assessment, Clariant then shortlists sites located in areas of high water risk and updates these water risk assessments every year.

The risk assessments revealed that in 2021, a fraction of Clariant production sites (<20 %) were situated in areas under water risk and that around 30 % of the total water intake from continuing business was from sites identified to be under water risk/stress. For these sites, the site management, together with the regional ESHA teams, has performed in-depth assessments since 2019 to conceptualize and execute water risk management at the site level. The aim is to manage risks responsibly, as the sustainability target KPIs for 2030 include a 100 % achievement of advanced water management at sites in areas of high water stress or risk. To ensure continuous operations in such areas, reducing water intake and increasing water reuse are essential.

Waste management

Waste management is critical for Clariant: It relates to the company's sustainability commitment and has a direct link to disposal costs. Clariant's waste management performance has improved continuously over recent years thanks to global programs and ongoing efforts at individual sites. During the development and manufacture of products, the company makes every effort to generate as little waste as possible. As part of the circular economy and according to its ESHA guideline on waste management, Clariant also tests options to use waste as a raw material, and always prioritizes waste avoidance, recycling, and reuse over disposal.

At the site level, the company minimizes waste generation through high-quality standards and comprehensive planning: Through the Yield, Energy, Environment Initiative (YEE), Clariant improves its yield and reduces its waste. It maintains waste cadasters at each production site and monitors the waste-related data in detail to enable proper classification and handling. Indicators include the weight of hazardous and nonhazardous waste by disposal method, the properties of waste components, and the number and volume of significant spills. Internal records document proper disposal according to local regulations.

WATER DISCHARGE

	Continuing operations	Discontinued operations	Total 2021 ¹	2020	2019	2018	2017
Total volume of planned and unplanned water discharge to all areas (in m m³)	7.7	3.5	11.2	11.4	11.9	12.6	12.7
Surface water	n.a.	n.a.	7.5	7.7	7.9	8.2	10.0
Groundwater	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Seawater	n.a.	n.a.	0.5	0.4	0.5	0.5	0.6
Third-party water treatment	n.a.	n.a.	3.1	3.2	3.5	3.6	2.0

¹ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.



WASTE BY TYPE AND DISPOSAL METHOD

in thousand t	Continuing operations	Discontinued operations	Total 2021	2020	2019 ⁴	2018	2017
Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: ¹	n.a.	n.a.	59	63	61	55	56
Recycling ²	n.a.	n.a.	13	17	16	23	23
Landfill ²	n.a.	n.a.	14	11	14	8	7
Treatment ²	n.a.	n.a.	33	35	31	37	41
Total weight of nonhazardous waste, with a breakdown by the following disposal methods where applicable: ¹	n.a.	n.a.	270	259	277	177	142
Recycling ²	n.a.	n.a.	30	31	21	20	27
Landfill ²	n.a.	n.a.	226	221	248	148	107
Treatment ²	n.a.	n.a.	14	7	8	10	9
Total waste (hazardous and nonhazardous) ¹	310	20	329 ³	328	337 ⁵	232	198
Total waste (hazardous and nonhazardous) (kg/t production) ¹	72	195	74	81	79 ⁵	53	43

¹ Waste generated from Clariant activities

² The listed waste-handling channels also contain waste from other producers on-site but managed by Clariant. This additional third-party waste is not reflected in the total waste figures.

³ The sum does not add up as the numbers are rounded.

⁴ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95% of production.

⁵ All figures are rounded, resulting in discrepancies between the total waste generated and the breakdown figures.

Clariant adheres strictly to local regulations and thereby ensures that it disposes of its waste safely. Certified companies, which comply fully with all requirements of transport and waste legislation, transport its hazardous waste. Clariant arranges transportation according to the plant the waste originates from, the amounts that accrue during the period, the properties of waste components, and how the hazardous waste can be recycled or disposed of.

In 2021, Clariant's waste generation decreased by 9%, falling from 80.8 kg to 74.4 kg per ton of production. The total waste generated increased by less than 1 % despite an significant increase in production. The decrease in hazardous waste generated is due to waste reduction projects at different sites. In addition, non-hazardous waste did not increase in proportion to the increase in production because more intermediates were sold in 2021 at Business Unit Functional Minerals sites. Most of Clariant's nonhazardous waste is from the neutralization of acidic wastewater in the Business Unit Functional Minerals.

Pollution prevention

Clariant is committed to operating sustainably and decreasing pollution that results from its business activities. Decreasing pollution is not only a social mandate, but also required by legislation in many countries around the world. By preventing pollution, Clariant decreases risks to human health and the environment. Consequently, this also reduces the risk of potential liabilities and negative impacts on the brand.

Safety management system

Guaranteeing the safety of people and the environment is Clariant's highest priority. An effective safety management system to identify, assess, and control risks in the production process is indispensable. In close cooperation with the European Process Safety Centre (EPSC), Clariant has helped to develop a simple and representative measurement system with the aim of establishing an industry-wide standard.

The system records and systematically assesses smaller substance and energy releases in order to avoid major incidents. It categorizes them as process safety events (PSEs) according to criteria stipulated by the International Council of Chemical Associations (ICCA) as part of the ongoing improvement for the process safety of production systems. In addition, Clariant has developed methodologies and standards to investigate PSEs with the aim of setting the adequate corrective measures to avoid the recurrence of such events at its sites and production plants.

In 2021, Clariant's rate of process safety events increased from 0.36 to 0.46. In total number of cases, there were only six more cases (66) than during the pandemic year 2020. Of them, 91% (60) had a low impact and, therefore, were in the lowest category. Significant process safety events for Clariant are those with a score of ≥ 3 points according to ICCA criteria. This definition changed in 2020, so numbers are not comparable with 2019. The process safety severity rate in 2021 decreased to 0.63 from 0.73 in 2020. After a process safety event, Clariant conducts an investigation to determine its roots and establish corrective measures to avoid recurrence.

SAFETY MANAGEMENT

	Total 2021	2020	2019	2018	2017
Process safety event rate ¹	0.46	0.36	0.48	0.46	0.35
Number of significant spills	6	17	2	4	3
Total volume of significant spills (m ³) ²	13.24	78.69	1.30	6.70	110.15

¹ Process Safety Event rate = Number of Process Safety Events * 100 / FTEs

² All spills were contained on-site without any releases to the environment. Due to the new definition of significant process safety events (PSEs) and spills based on the ICCA criteria, all PSEs with a score of ≥ 3 points are considered significant. With this new definition, the numbers reported this year are not comparable with previous years and the difference is higher.

For 2021, the number of significant spills decreased from 17 to six with a total volume of 13.2 m³. Spills of liquids handled in Clariant's production plants are process safety events that fall under the ICCA criteria. They can be of a diverse nature, but in 2021, all of them were contained on-site in paved areas and were adequately retained and treated according to local waste regulations. Nobody was hurt as a result of the spills.

Protection of ecosystems

Ecosystems provide a variety of critical resources and services such as clean water, energy, recreational areas, and protection from flooding. Clariant aims to monitor and remedy all impacts in order to maintain invaluable ecosystems.

Operational sites in protected areas

Since all of Clariant's sites are located in industrial parks or areas designated as industrial zones by local municipalities, they usually do not affect vulnerable ecosystems. However, the company tracks the number of chemical production sites in biological reserves or in areas with a high biodiversity value. In 2021, there were none.

Significant impacts of activities, products, and services on biodiversity

If there are protected areas near Clariant's sites, the company makes sure to follow local regulatory guidelines to prevent pollution in the protected areas. Where possible, it extends its monitoring along the value chain, for example, by evaluating products with its → PORTFOLIO VALUE PROGRAM (PVP).

If there are unprotected areas, like forests, in the immediate vicinity, Clariant ensures that its production sites do not have any appreciable adverse effect on the surrounding flora and fauna by following all local rules and regulations.

Palm oil

Clariant is aware of the potential impact of palm oil and its cultivation on biodiversity. Therefore, the company is a member of the Roundtable on Sustainable Palm Oil (RSPO) and aims to prevent ecological degradation caused by the clearing of land for palm oil plantations. It emphasizes this palm oil policy in its first new Innovation Arena, which centers on the → BIO-BASED ECONOMY.

Bentonite

At bentonite mining locations, Clariant exceeds social and community expectations regarding the conservation of surrounding ecosystems. Clariant's geologists develop plans to minimize environmental impact associated with drilling. This includes carefully removing the topsoil and overburden to preserve it for land restoration. During mining, Clariant ensures that the resident fauna can easily move to adjacent areas. It sun-dries the bentonite before transportation in order to reduce its weight.

When closing mines, Clariant collaborates with local experts to restore the land for forestry or agriculture. In certain areas (such as southern Bavaria), animals from the Red List of Threatened Species have repopulated after reclaiming. With these efforts, Clariant ensures healthy relationships with local communities and protects ecosystems.

Noncompliance with environmental laws and regulations

Clariant has internal environmental, safety, and health control guidelines. They prevent breaches of internal and external regulations.

In 2021, Clariant had to pay zero substantial fines and was imposed six nonmonetary penalties for noncompliance with environmental laws and regulations.

CLIMATE PROTECTION

Climate change has been widely recognized as one of the greatest challenges of our time. Shifting weather, increased risk of flooding, and global warming might seriously impair society at large and, thus, Clariant's business and its markets. Clariant strives to be part of the solution by reducing greenhouse gas emissions and increasing efficiency. The company is fully committed to operating sustainably and decreasing pollution from its business activities. Therefore, it has a vision for net zero operations and transition to green energy by 2050.

Decreasing pollution is not only a social mandate, but also part of global legislation. Currently, legislators around the world implement measures to mitigate the adverse impacts of climate change. The first binding global step took place at the United Nations (UN) Climate Change Conference near Paris, France, in 2015. Subsequently, nearly 190 states signed the Paris Agreement, which sets out a global framework to limit global warming to below 2 °C, and to pursue efforts to limit it to 1.5 °C.

The European Union (EU) issued its European Green Deal in 2020, setting the aim to become climate-neutral by 2050. The first intermediate step is the EU 2030 Climate Target Plan, which provides for a reduction of greenhouse gas emissions by at least 55% by 2030, compared to 1990. Likewise, in 2021, China announced its plans to achieve carbon neutrality by 2060. Clariant monitors and controls air emissions of all sites rigorously and strictly complies with all regulations that result from global legislation.

A growing number of business stakeholders also focus on the issue. Customers demand low-carbon alternatives and renewable energy sources, while financial players show an increasing interest in climate-resilient companies. Climate protection often goes hand in hand with energy savings that reduce costs, strengthen competitiveness, and trigger business opportunities. Pollution prevention also adds value to the company by minimizing the risk of harming human health and the environment, thus reducing potential liabilities and negative impacts on the company's brand image.



Clariant constantly optimizes its own operations with regard to carbon and greenhouse gas emissions and pays attention to climate issues along its entire value chain and the life cycle of its products. It offers numerous sustainable products, ranging from catalysts and low-carbon glucamides to second-generation bioethanol. By actively contributing to a carbon-neutral economy, the company also helps its customers to foster climate protection through innovative products and solutions.

Management approach

Climate change management is the responsibility of Group Innovation & Sustainability (GIS) and Group Operational Excellence (GOE). Within GIS, the Sustainability Transformation team manages the topic. Within GOE, the Corporate Environmental, Safety, and Health Affairs (ESHA) team is responsible. GIS and GOE work closely together with the business units and with other departments such as Group Procurement Services to reduce Clariant's operations and supply chain impacts, delivering low-carbon solutions.

Climate policies

Clariant is on the path to net zero operations. It pursues ambitious environmental goals and uses its own standards and guidelines for sustainable operations. In 2021, the company introduced science-based climate targets approved by the Science-Based Targets initiative (SBTi). These targets mark a significant step forward in Clariant's sustainability transformation journey. → [READ MORE IN RESOURCE EFFICIENCY](#)

In 2021, the company also started to implement a roadmap as a way to achieve its defined climate targets by delivering emission reduction projects. Clariant coupled the roadmap with additional measures, for example, an internal carbon-pricing system to improve its carbon footprint. The scheme applies a monetary value of CHF 50 per ton of CO₂ equivalents for all major capital expenditures, mergers, and acquisitions.

Furthermore, Clariant introduced a Group Management Bonus Plan (GMBP) with carbon emissions reduction as the top priority.

Since 2021, the company has calculated management bonuses in relation to the implementation of emission-reduction projects.

Clariant continuously collects and analyzes data on energy consumption and greenhouse gas emissions in its business units. For example, it runs energy management initiatives like → [EWATCH™](#) and → [THE YIELD, ENERGY, ENVIRONMENT \(YEE\)](#) initiative. The company also runs the Portfolio Value Program (PVP), which integrates sustainability into the product portfolio and innovation pipeline. With the EcoTain® label, Clariant identifies best-in-class solutions resulting from the PVP, which enables customers to make informed purchasing decisions that protect the climate. → [READ MORE IN RESOURCE EFFICIENCY](#)

Reduction of Scope 1, 2, and 3 emissions

Clariant's ambitious climate targets provide for absolute reductions of its Scope 1, 2, and 3 emissions. With 2019 as the base year, the company aims to reduce Scope 1 and 2 emissions by 40 % and Scope 3 emissions from purchased goods and services by 14 % by 2030. These targets are approved by the Science-Based Target initiative (SBTi). Clariant's Scope 1, 2, and 3 emissions are calculated following the GHG Protocol standard, the »Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain,« issued by the World Business Council for Sustainable Development (WBCSD), and follows the financial approach. → [SEE THE BAR CHART WITH CURRENT STATUS OF TARGETS.](#)

Scope 1 and 2 emissions

Clariant's direct greenhouse gas emissions (Scope 1) result mostly from combustion processes. They are proportional to the amount of carbon in the combusted fuels. To calculate them, the company uses the standard emission factors of the primary fuels defined by the Greenhouse Gas Protocol. Greenhouse gases, like methane (CH₄) and nitrous oxide (N₂O), are measured locally and included in the consolidated calculation.

Clariant's indirect emissions (Scope 2) are due to external energy purchases, primarily in the form of electricity and steam. They correlate to the type of production and the quantity produced. Scope 2 emissions are calculated using either specific emissions factors of local suppliers or country grid factors published according to the standards of the Greenhouse Gas Protocol.

For internal and ISO 50001 reporting purposes, Clariant's eWATCH™ team works closely with site energy managers to calculate site-specific conversion factors. They help benchmark the carbon intensity of different energy sources and utilities and the efficiency of individual utility plants. Against this background, the company identifies opportunities for operational improvement toward the theoretical limit. To reduce Scope 1 and 2 emissions, it focuses on efficiency projects, purchases green electricity, and uses alternative, low-carbon fuels. → [READ MORE IN RESOURCE EFFICIENCY](#)

EMISSIONS

	Continuing operations	Discontinued operations	Total 2021 ¹	Continuing operations 2020	Total 2020	Continuing operations 2019	2019
Total emissions (in m tCO₂e)	0.71	0.11	0.82	0.69	0.83	0.69	0.86
in kg/t production	164	1 100	185	178	205	172	202
Gross direct (Scope 1) GHG emissions (in m tCO ₂ e)	0.37	0.02	0.40	0.36	0.39	0.37	0.40
Direct emissions (Scope 1) in kg/t production	85	200	90	94	96	93	93
Gross market-based energy indirect (Scope 2) GHG emissions (in m tCO ₂ e)	0.34	0.09	0.42	0.31	0.41	0.32	0.46
Indirect emissions (Scope 2) in kg/t production	79	900	95	79	108	79	109

¹ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.

NITROGEN OXIDES (NO_x), SULFUR OXIDES (SO_x), AND OTHER SIGNIFICANT AIR EMISSIONS

Significant air emissions in tons, for each of the following:	Continuing operations	Discontinued operations	Total 2021 ¹	2020	2019	2018	2017
Total inorganic emissions	900	95	995	915	839	847	930
NO _x	510	56	566	540	613	618	634
SO _x	286	37	323	248	172	180	241
Hydrogen chloride HCl	33	2	35	45	33	33	40
Ammonia NH ₃	71	0	71	82	21	16	14
Total organic emissions (VOCs)	307	67	374	413	543	439	208
Particle emissions (fine particles) (in t)	289	3 383	3 671	293	201	294	380
Particle emissions (fine particles) (in g/t production)	67	33 825	834	71	47	68	83

¹ Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95 % of production.

Since 2019, Clariant's direct and indirect emissions (Scope 1 and 2) from continuing business increased by 3% while the production volume increased by 7%. Accordingly, the Scope 1 and 2 emissions per ton of production decreased by 5%. In 2021, Scope 1 and 2 emissions increased by 3% year-on-year, while the production volume increased by 12%. The Scope 1 and 2 emissions per ton of production decreased by 8%. This reduction was driven by an accelerated transition to renewables, specifically from coal to biofuel at some sites, and a higher share of green electricity purchased.

Emissions of ozone-depleting substances (ODS), nitrogen oxides (NO_x), sulfur oxides (SO_x), and significant others

At the Group level, air pollutants tracked include volatile organic compounds (VOCs), sulfur oxides (SO_x), particulates, and nitrogen oxides (NO_x). NO_x emissions from process and combustion sources are included as a KPI for the Clariant's sustainability 2030 targets. The company no longer uses ozone-depleting substances. If relevant, it reports cooling agents under the category »green-house gases.«

Scope 3 emissions

The majority of greenhouse gas emissions at Clariant fall under »Scope 3« emissions. In the context of the Group climate strategy, Clariant aims to reduce these emissions and has approved science-based targets for purchased goods and services (Category 1). In 2020, Clariant analyzed the carbon footprint of purchased raw materials. In 2021, the company focused on priority suppliers, created supplier engagement resources, collected

supplier-specific emission factors, and developed reduction plans. Together with other members of the Together for Sustainability (TfS) initiative, Clariant formed a work stream focused on increasing transparency and enabling emission reductions in the value chain. → [READ MORE ABOUT TFS](#)

In 2021, Clariant undertook several steps to replace conventional raw materials with low-carbon alternatives. This includes the development of ethylene oxide derivatives from renewable sources in the joint venture with → [INDIA GLYCOLS](#).

Clariant uses standard emission factors based on industry average databases to calculate its Scope 3, Category 1 emissions. If available from suppliers, it also considers supplier-specific emission factors after going through an internal validation process. This monitoring allows the company to generate transparency, identify hotspots and reduction opportunities in its value chain, influence suppliers, and induce innovation. Between 2020 and 2021, Clariant's Scope 3 emissions from continuing business increased by 8%, primarily due to increased emissions from purchased goods by 10%. Compared to 2019, the Scope 3 emissions of the continuing business have decreased by 3%, while the purchased

INDIRECT (SCOPE 3) GHG EMISSIONS

	Continuing operations	Discontinued operations	Total 2021 ²	2020 continuing operations	Total 2020	2019 continuing operations ¹	Total 2019 ¹
Gross indirect (Scope 3) GHG emissions (in m t CO₂e)	3.61	0.69	4.31³	3.34	4.20	3.73	4.78
Gross indirect (Scope 3) GHG emissions (in kg CO₂e/CHF sales)	0.83	0.76	0.82	0.87	0.81	0.85	0.73
Purchased goods and services	2.70	0.50	3.19 ³	2.46	3.12	2.72	3.44
Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	0.16	0.16	0.32	0.13	0.27	0.14	0.29
Upstream transportation and distribution	0.11	0.01	0.12	0.11	0.12	0.12	0.17
Downstream transportation and distribution	0.14	0.00	0.15 ³	0.12	0.12	0.13	0.14
End-of-life treatment of sold products	0.50	0.02	0.52	0.52	0.56	0.62	0.76

¹ The data has been restated in consideration of changes in estimates or discovery of errors in previous years' data as part of the 2030 sustainability target-setting activities (with 2019 baseline).

² The Scope 3 data does not include all related Süd-Chemie India Pvt. Ltd. emissions.

³ All figures are rounded, resulting in discrepancies between the total emissions and the breakdown figures.



goods and services emissions have decreased by 1%. In relation to sales, the emission intensity of Clariant 2021 continuing business has decreased by 5% compared to 2020 and by 3% compared to 2019. This reflects the improvement projects executed during the year, while the remaining strategic roadmap will be the continuously implemented in the upcoming years.

To provide extensive reporting for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP), Clariant voluntarily reports on its Scope 3 emissions. It focuses on the categories deemed most relevant for its business: the greenhouse gas emissions from purchased raw materials, fuel- and energy-related activities (not included in Scope 1 or 2), upstream and downstream transportation and distribution, and end-of-life treatment of sold products.

Task Force on Climate-Related Financial Disclosures

The framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD) makes it possible to systematically manage and report on the risks, mitigations, and governance resulting from the threats of a changing climate. The Task Force recommends four core elements: governance, strategy, risk management, and metrics and targets.

Clariant recognizes that climate change has an impact on its operations and markets, and vice versa. Since the beginning of 2021, the company has been a → SUPPORTER OF TCFD. In the coming years, it will report on risks and opportunities according to TCFD with increasing granularity as it develops deeper insights.

Clariant's approach for the first TCFD reporting year was driven by the Sustainability Transformation team, together with the business units and departments such as Enterprise Risk Management, Communications, Operations, Environmental Safety and Health Affairs (ESHA), and Procurement. Risk and opportunity assessment workshops were complemented by a gap analysis and an alignment of governance and reporting.

In the coming years, Clariant envisions a deep-dive into the risks and opportunities assessment, an enhanced scenario analysis considering different climate scenarios, and a more detailed development of corresponding strategies.

Governance

Clariant is committed to reducing its footprint and helping customers and downstream users improve their sustainability performance.

The governance structure reflects Clariant's responsibility for a sustainable future: At the beginning of 2021, Clariant changed its organizational structure to improve the integration of sustainability and innovation. The new Group Innovation & Sustainability (GIS) unit and the Innovation & Sustainability Committee and Council set sustainability and climate targets as well all strategies, while also ensuring their execution.

The highest governance level for climate-related risks and opportunities is the Board of Directors' Innovation & Sustainability Committee. The committee meets at least four times a year. It monitors and assesses sustainability policies and strategies, including climate risk management. It also monitors sustainability KPIs, including Scope 1, 2, and 3 emissions reductions. It is chaired by a designated member of the Board and is composed of four members of the Board, including the Chairman of the Board as well as the CEO and Chief Technology Officer (CTO) ex officio.

The Innovation & Sustainability Council ensures that climate-related aspects are considered in the company's strategy and operations. The Council meets quarterly and reports relevant climate-related outcomes, including risks and opportunities, to the Board of Directors' Innovation & Sustainability Committee. It is chaired by the Chief Transformation Officer, who is a member of the Executive Committee, as well as the Chief Technology Officer as co-chair, and includes all EC members, the head of Sustainability Transformation, the innovation heads of the business units, and the head of the GIS Program Management Office as permanent members.

CLIMATE-RELATED OPPORTUNITIES

WELL BELOW 2°C SCENARIO

Category	Major opportunities	Time horizons	Main initiatives
Products/ services and markets	Increased corporate value and revenue from products with innovative technology that can contribute to mitigation and adaptation of climate change	Short to long term	Clariant has a portfolio of leading industrial catalysts, as well as low-carbon intensity and circular products, which help our customers achieve their climate targets. Such products may experience increased demand. Automated calculation and disclosure of product carbon footprints Execution of BU strategies for low-carbon products, also via → PVP (R&D) screenings for all products in development, ensures early identification of substitution threat or particularly high climate pressure. → IDEA TO MARKET process ensures customer voice in product design, lowering the likelihood of developing low-carbon products missing market needs. GHG impact as key criteria for segment product portfolio strategy to ensure portfolio competitiveness in low-carbon technologies Consistent monitoring of policy developments (e.g., Advocacy forum as a place to discuss policy developments and their impact on the company) Use of GHG-related policy and market pressures as key criteria for prioritizing segment product portfolio strategy to ensure competitiveness in low-carbon technologies

At an operational level, two core teams led by the Sustainability Transformation group steer the Scope 1, 2, and 3 purchased goods and services emissions. These teams include business unit representatives and relevant functions. Their mission is to support the development of concrete roadmaps for progressing in Clariant's climate targets, and to identify investment needs, risks, and mitigation activities. The teams periodically report progress as well as risks and proposed mitigations to the Innovation & Sustainability Council and Committee for guidance. Risk mitigation proposals are reported by the teams to the Executive Committee for approval.

Strategy

Clariant has conducted an initial qualitative assessment of its climate-related transition, physical risks, and opportunities. To this end, Clariant considered the climate change mitigation scenario that includes an increase in global temperature by less than 2°C above preindustrial levels (the »well below 2°C scenario«). Additionally, the assessed risks and opportunities were assigned to three time horizons (short-term: 1–3 years, medium-term: 3–10 years, and long-term: 10–25 years). Main mitigation strategies were described as well. From 2022 onwards, this analysis will be further developed to include a scenario analysis and quantitative assessments.

In 2021, workshops were carried out to review all relevant TCFD recommended risks and opportunities, including specific impacts for Clariant, potential financial impacts, the likelihood and size of impact to determine materiality, and the identification of main initiatives that address the identified material risks and opportunities. The result of the analysis, i.e., Clariant's material risks and opportunities, is described in the climate-related risks and climate-related opportunities tables.

Clariant's corporate carbon intensity is relatively low. Considering that the initiatives listed in the tables are already in place, Clariant's strategy is well set up to overcome the climate challenges ahead.

CLIMATE-RELATED RISKS

WELL BELOW 2°C SCENARIO

Category	Major risk	Time horizons	Main initiatives
Policy and legal	Emergence of minimum requirements or performance standards tied to energy consumption or GHG emissions control, carbon taxes, and carbon pricing mechanisms, leading to increased energy and raw material costs	Short to long term	→ SCIENCE-BASED TARGETS 40 % absolute emission reduction in own operations by means of efficiency and use of renewable and low-carbon energy sources; and 14% from purchased goods and services Energy efficiency projects (e.g., → EWATCH and → YEE and other → DIGITALIZATION EFFORTS LINKED TO IMPROVED OPERATIONS) GHG impact assessment and internal carbon pricing for M&As and CAPEX investments above CHF 1 million ensure identification of best ROIC for carbon reduction Consistent monitoring of policy developments, enabling quick action to address or reduce exposure
Technology	Cost to transition to low-carbon emitting technologies regarding production and innovation, delay in getting new low-carbon products to market, market shift to competitor's low-carbon technology products	Medium to long term	GHG impact assessment and internal carbon pricing, as described in category: Policy and legal → PORTFOLIO VALUE PROGRAM (PVP) (R&D) screenings for products in development ensure early identification of substitution threat or particularly high climate pressure. → IDEA TO MARKET process ensures customer voice in product design, lowering likelihood of developing low-carbon products missing market needs Strategic roadmap for emission reductions in Scopes 1 and 2, increased sustainable low-carbon feedstocks uptake supporting our Scope 3 target achievement, and innovative product offering supporting a low-carbon economy (e.g., → CATALYSIS, SUNLIQUID, etc.) Procurement scouting of renewable and low-carbon technologies for potentially new solutions in APAC
Market	Substitution of existing products and services with lower emissions options; changing customer behavior; uncertainty in market signals	Medium to long term	Science-based targets, GHG impact assessment, and internal carbon pricing, as described in category: Policy and legal PVP (R&D) screenings, Idea to Market process, and strategic roadmap for emission reductions in Scopes 1 and 2, as described in category: Technology Use of GHG-related policy and market pressures as key criteria for prioritizing segment product portfolio strategy to ensure competitiveness in low-carbon technologies Automated product carbon footprint calculation tool for Clariant's portfolio
Reputation	Stigmatization of sector, increased stakeholder concern or negative stakeholder feedback	Medium to long term	Science-based targets, as described in category: Policy and legal Climate net zero operations by 2050 at the latest under consideration Strategic roadmap for emission reductions in Scopes 1 and 2, as described in category: Technology Use of GHG-related policy and market pressures as key criteria for prioritizing segment product portfolio strategy to ensure competitiveness in low-carbon technologies, specifically supporting the transition of markets under pressure via innovation (e.g., → BLUE HYDROGEN PROJECT, → ADSORBENTS TO BIOFUELS, → EV-BASED PROJECTS, E.G., FLAME RETARDANTS, etc.)

Risk management

Clariant evaluates and monitors the company's risks, including climate-related ones, in accordance with the Enterprise Risk Management (ERM) process. Clariant continuously analyzes the potential impact on financial performance, the potentially affected products, and suitable strategic steps to seize opportunities and minimize risks. Measures are reported annually to the Board of Directors based on threat and opportunities to the business.

To further improve Clariant's climate-related risk and opportunity assessment, multiple scenarios for physical and transition risks will be used in the coming years. This approach will be integrated into the ERM process, enabling an improvement of our disclosure.

Metrics and targets

Clariant's climate-related metrics and targets are available in the chapter »Environmental protection and resource efficiency« as well as in »Climate protection,« in the → CDP QUESTIONNAIRE, and on the → COMPANY'S WEBSITE.

Since the 2021 financial year, Clariant's emissions reductions have been part of short-term incentive remuneration for members of the Executive Committee and Global Management.

To integrate emissions in Clariant's investment decisions, the company has developed a carbon pricing scheme that applies a monetary value on greenhouse gas emissions for all major capital expenditures and mergers and acquisitions.

In 2021, Clariant has also developed internal dashboards, the so-called »Sustainable Operations Cockpit« (SOC), allowing for a monthly update and monitoring of the emissions associated with own operations, as well as the Scope 3 dashboard for purchased goods.

CIRCULAR ECONOMY

In a circular economy, reduced materials used for renewable, durable, and repairable products and solutions based on recycled input materials that are employed as long as possible are provided. At the end of their sustainable life, the input materials are fully recovered or recycled, which reduces their ecological impact. The circular economy is the necessary alternative to the current linear economic model and stems from increasing awareness of planetary resource limits.

The circular economy is driven by sustainability ambitions and policy objectives linked to climate change, environmental protection, and the sustainable use of finite resources. Policy examples around the globe include the European Union Circular Economy Action Plan and Plastics Strategy and the waste ban in China.

Management approach

Group Innovation & Sustainability (GIS) leads all circular economy efforts at Clariant and has established resource efficiency and sustainable production targets for 2030. They are reported under the topic → ENVIRONMENTAL PROTECTION AND RESOURCES.

All business units and several company functions, among them Sustainability Transformation and Emerging Technologies, evaluate the opportunities offered by an increasingly circular economy.

Clariant reviews risks and opportunities associated with the circular economy as part of its corporate strategy management process. This structured approach further outlines, anchors, and advances the topic within Clariant's business units.

Clariant's contributions to a circular economy

Clariant contributes to a circular economy by:

- offering a continuously expanding product portfolio that enables a circular economy
- exploring promising options, partnerships, and areas for growth and innovation
- increasing the eco-efficiency of its production processes
- choosing waste and renewable resources instead of virgin or fossil resources, where suitable
- redesigning processes
- reducing water and energy use
- practicing closed-loop recycling at its sites

In its 2021 Strategic Management Process, Clariant defined Circular Solutions as one of its four Innovation Arenas. The circular economy goes beyond the company's own operations, affecting its complete value chain. This approach also includes analyzing the full life cycle of products and business models. Ongoing circulation of materials and products benefits business and the environment. A circular economy has the potential to create additional business opportunities and product or service developments.

Clariant is particularly committed to preventing the spread of plastic waste in oceans, rivers, and other natural systems. The company offers solutions for mechanical recycling, dissolution and depolymerization processes, and chemical recycling. Its wide range of innovative stabilizers and compatibilizers supports obtaining higher-value plastics from recycling streams, while other products make materials more durable or improve existing and novel recycling processes.

Clariant is convinced that moving toward a more sustainable plastics sector is critical to the industry's success. However, a fully circular plastics chain requires reliable collection systems around the globe, improved sorting, increased rates of recycling, and enhanced quality of recyclates. Different stakeholder needs, consumer behaviors, and expectations must be aligned. Existing production processes and chemical compositions need to be adapted to circularity needs.

Internal projects and initiatives

Since 2019, Clariant has focused on the circular plastics economy in its company-wide EcoCircle initiative. It is driven by the »Sustainability Transformation« organizational unit and extends to the company's entire value chain. In 2021, Clariant has intensified its competencies to develop specialty products for a circular plastics economy at dedicated sites.

EcoCircle is well recognized and provides solutions along three guiding principles: reducing, reusing, and recycling plastic. The initiative is considered a best-practice example in the industry and includes presentations, customer workshops, and publications such as the Global Goals Yearbook. Clariant's commitment to plastics recycling along its value chain and advocacy for EcoCircle also resulted in outside recognition: The company earned the 2020 China GoldenBee Corporate Social Responsibility (CSR) award, presented by China Sustainability Tribune and GoldenBee, a pioneer network of CSR and sustainable development in China.

Clariant's Business Unit Industrial & Consumer Specialties develops particular circular economy products, such as de-icing fluids for airplanes. The business unit conducts an on-site recycling program that enables up to 70 % of the fluids' glycol to be reused in the manufacture of new de-icing agents directly at the airport.

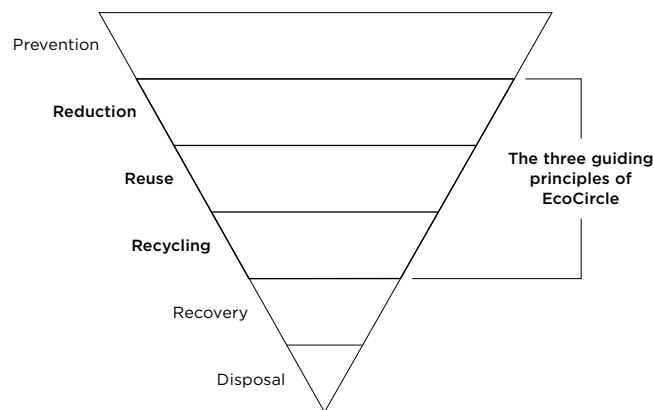
Projects and initiatives with external partners

Clariant is engaged in various projects and activities that promote a more resource-efficient and sustainable circular society. The company supports policymakers' targets and customers' sustainability ambitions by collaborating with industry partners across the value chain. For example, → INREP, an integrated approach toward Recycling of Plastics, is a joint project of science and industry with 36 partners from the value chain. Clariant is active in the field of chemical recycling. Clariant is also involved in the EU project → REVOLUTION involving electric vehicles. The aim is to maximize the range of electric vehicles and to recycle end-of-life vehicles by optimizing recycled plastics and advanced lightweight materials. The objective is to swiftly implement and establish innovative circular solutions in line with the waste hierarchy principles.

→ FIGURE 005

For example, Clariant is a founding member of Process4Sustainability at Industriepark Hoechst, Germany. This cluster fosters circularity to achieve carbon neutrality.

005 WASTE HIERARCHY PRINCIPLES



Business Unit Additives collaborates with the English biomaterials company Floreon, which develops and markets engineered polylactic acid (PLA) compounds from approximately 80 % renewable, plant-based raw materials. These polymers are mechanically tougher than traditional PLA, deliver significant energy savings in processing, and are industrially compostable. Clariant's additives improve these biopolymers' performance and processing characteristics, offering brand owners the possibility to reduce their use of fossil-based virgin polymers.

In addition, Clariant is a founding member of the Alliance to End Plastic Waste (AEPW), together with 29 other multinationals along the plastics value chain. Its mission is to clear plastic waste from the environment by cleaning up bodies of water; building infrastructure to collect, manage, and recycle waste; promoting new technologies; and engaging with nongovernmental organizations, businesses, and communities. Clariant supports the Alliance's goals with innovation projects that enable design for recycling or the commercialization of chemical recycling, and by actively participating in its working structure. As an AEPW member, Clariant indirectly supports the collection, sorting, and recycling of plastic waste.

In 2021, Clariant also took part in the → CIRCULAR ECONOMY INITIATIVE DEUTSCHLAND (CEID) and recommended actions to the German government. In the Low-Carbon Emitting Technology Initiative of the World Economic Forum, Clariant particularly supported the work streams Biomass Utilization and Waste Processing of Plastic Waste.

Furthermore, Clariant joined the EU Circular Plastics Alliance (CPA) in 2021, whose goal is to boost the EU market for recycled plastics to 10 million tons by 2025. Clariant's strategy in the CPA is to combine the design option for reduction, recycling, and reuse with solutions for mechanical or chemical recycling.

The company is also a member of the Circular Economy Working Group of the European Chemical Industry Council (CEFIC), the Factor10 and Circular Plastics & Packaging projects of the World Business Council for Sustainable Development (WBCSD), and the Polyolefin Circular Economy Platform (PCEP).

Production materials

Recycled input materials used

Clariant tries to use recycled materials in production wherever possible. However, the percentage is low due to the nature of the production processes, as recycled raw materials often cannot be used because of purity or safety standard requirements. Clariant supports the expansion of chemical recycling technologies as a way to increase the availability of recycled raw materials for its business units.

Reclaimed products and packaging materials

Clariant mostly provides reusable packaging, which customers can return to Clariant for cleaning and reuse. Other products are shipped as bulk goods in tank trucks and rail tank cars or silo trucks. To the extent possible, nonreusable packaging is recycled for material purposes or, especially in the case of hazardous materials, used to generate energy.

BIO-BASED ECONOMY

»Bio-based economy« refers to efforts that make the economy sustainable by using biological resources, for example, by replacing fossil materials with biomass.

Currently, around 95% of all industrially manufactured goods rely on fossil resources. However, governments worldwide have set targets for environmental and climate protection. Low carbon materials, such as biomass or other biomaterials, play a decisive role as alternatives.

The bio-based economy is increasingly recognized as a way to live within the limits of our planet. Tomorrow's economy depends on today's shift to the bio-economy, and this shift comes with a responsibility: to harvest and process biological resources efficiently in a way that preserves ecosystems and biodiversity and that respects human rights. Clariant has taken on this responsibility.

MATERIALS USED BY WEIGHT OR VOLUME

in m t	Continuing operations	Discontinued operations	Total 2021 ²	2020 ¹	2019	2018	2017
Total weight or volume of materials that are used to produce the organization's primary products and services during the reporting period	4.70	0.20	4.90	4.10	4.50	4.60	4.86
Total production	4.33	0.10	4.43	4.10	4.25	4.34	4.60

¹ Figure restated

² Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2020, including estimated discontinued data for Business Unit Masterbatches for the first half-year. In interim years, including 2021, the reduced reporting scope comprises the larger sites responsible for at least 95% of production.

Management approach

Within Clariant, Group Biotechnology will become part of Business Line Biofuels & Derivatives. The Global Innovation and Sustainability Council (GISC) and the Board of Director's Innovation and Sustainability Committee oversee the topic.

The business units manage opportunities and engagements with stakeholders, create business opportunities, and initiate new product designs. The business unit Research & Development centers find bio-based solutions and develop products.

Clariant is going to enhance its corporate management approach to the bio-based economy in 2022. This will include a review of all policies and goals.

Bio-based economy policies

The company has recently defined the bio-based economy as one of its four Innovation Arenas based on three pillars: procuring raw materials, increasing the use of bio-based materials, and developing products that support a bio-economy (e.g., processing waste oil into fuels).

Clariant's focus on a bio-based economy is a distinguishing feature within the chemical industry. The company improves the sustainable profile or supports the improvement of Scope 3 at customers.

Clariant has set Scope 1, 2, and 3 emission reduction targets for 2030 in accordance with the → SCIENCE-BASED TARGETS INITIATIVE. Bio-based products and materials play a central role in achieving these objectives, as they often have a favorable emission profile.

In December 2021, Clariant published its Global Policy on Sustainable Palm Oil, which sets forth commitments for the sourcing of sustainable palm oil, i.e., transitioning to source 100% certified palm-based materials according to the Roundtable on Sustainable Palm Oil (RSPO) certification or equivalent. The policy also focuses on supplier requirements such as compliance with the No Deforestation, No Peat, No Exploitation (NDPE) approach. Achieving the commitments is facilitated largely by increased transparency in the value chain, which Clariant encourages actors along the value chain to pursue. Through the RSPO Mass Balance allocation system, Clariant currently draws more sustainable palm products on the market. Its ultimate goal is to shift all palm-related purchases to sustainable alternatives.

Since 2013, Clariant has been a partner in the Bio-based Industries Consortium (BIC). BIC represents the private sector in two public-private partnerships with the European Commission: the Bio-based Industries Joint Undertaking (2014–2020) and its successor, the Circular Bio-based Europe Joint Undertaking (2021–2027). They set goals to establish and demonstrate new sustainable circular and bio-based value chains.



Clariant has participated in the initiative »Sustainable Palm Oil and Traceability in Sabah« (SPOTS). During its participation, Clariant implemented action plans regarding the sustainability of its palm oil supply chain. They include working on the transparency of supply chains and providing support services to independent smallholders to improve their income and quality of life.

Research for sustainable materials

Clariant has established Research & Development centers and biotechnology facilities to test a variety of different feedstocks and to turn them into high performing, sustainable solutions. Within Clariant, Group Biotechnology will become part of Business Line Biofuels & Derivatives. It also partners with experts in its value chains to sustainably source and process plant ingredients. It also produces second-generation bioethanol under the sunliquid® brand. In October 2021, the construction of the first full-scale commercial cellulosic ethanol plant for sunliquid® in Podari, Romania, was completed.

In 2021, the Business Area Natural Resources continued its search for sustainable raw materials with an improved carbon footprint or toxicity profile. The Exolit® OP and Licocene® Terra ranges, for example, are based on certified renewable ethylene and propylene from biomass feedstock such as non-food-competing residue oils, helping to reduce the consumption of fossil resources.

Certifications

Clariant considers bio-certifications when buying raw materials, especially the International Sustainability & Carbon Certification (ISCC) and the REDcert certifications. Palm-based materials are evaluated using the RSPO Mass Balance certification.

Business Unit Industrial & Consumer Specialties obtained an RSPO Mass Balance certificate, and relevant production sites are certified globally, i.e., products can be sold as being RSPO certified. The business unit's site in Gendorf (Germany) also received an ISCC Plus certification. ISCC is a globally applicable sustainability certification system that covers all sustainable raw materials. This includes agricultural and forest biomass, circular and bio-based materials, and renewable energy. The plants of the Business Unit Additives in Knapsack and Frankfurt (both in Germany) received the REDcert certification for the mass-balance approach used in the production of product ranges containing biomass. In Germany and Europe, REDcert² is one of the leading certification schemes for validating the chain of custody and traceability of sustainable biomass, biofuels, and bioliquids in production processes. In addition, the Business Unit Additives also received an ISCC Plus certification.

Contribution to value creation

Clariant expects that regulations will increasingly stipulate the use of bio-based products. Moreover, there is also a high customer demand for sustainable bio-based products in Clariant's key markets, such as the personal or home care markets. Consumers are increasingly aware of climate change and related issues, and are willing to pay a premium for sustainable products. This demand for bio-based chemicals will even grow in the coming years. Clariant is ready to meet this demand by protecting nature and maintaining high social standards.

To this end, Clariant considers the complete value chain – from the raw material feedstock to basic chemical manufacturers and the company's direct customers. For example, using waste streams from bio-based product processing is a promising way to connect industries and to avoid trade-offs.

In 2021, Clariant executed two M&A transactions linked to the bio-economy: In July, the company announced its joint venture with India Glycols to become one of the leaders in green ethylene oxide derivatives. In August, it acquired the Brazilian personal care specialty company Beraca, which offers a broad portfolio of natural and organic certified ingredients. These transactions will further enhance Clariant's presence in the bio-economy market and contribute to sustainability-driven innovation.

Portfolio and procurement

Sustainability-driven innovation will support Clariant's average annual growth by approximately 1%, with a focus on bio-based products, on decarbonization, and on circularity. At the end of 2021, 20% of Clariant's portfolio was bio-based, enabled bio-based processes, or supported the transformation of bio-based raw materials. This spans most of Clariant's businesses, including care chemicals, bio-based additives, bioethanol production, and vegetable oil purification. With the → PORTFOLIO VALUE PROGRAM (PVP), Clariant continuously screens its portfolio based on 36 criteria, including bio-economy, to ensure that it aligns with sustainability principles.

Across all business areas, Clariant procured more than 8 000 different raw materials. In 2021, only 17.1% of purchased raw materials stemmed directly or indirectly from crude oil. About 32.8% were derived from natural raw materials such as bentonite, and 4.5% were made of renewable raw materials. The remaining materials were either base or specialty chemicals or nonchemicals. The most frequently purchased bio-based raw material was vegetable oil (e.g., palm oil and palm kernel oil), followed by wood pulp, starch, and bioethanol. In 2021, purchases of these products amounted to CHF 178 million, representing 7.15% of direct spend.

ESG Ratings and Rankings

Clariant fosters a culture of proactive and transparent communication to address the concerns and expectations of all relevant interest groups. This is key to forming reliable relationships based on trust. All interest groups are regularly informed of the company's activities, targets, and sustainability performance, which shows in its sustainability ratings and rankings as well.

CARBON DISCLOSURE PROJECT



Since 2007, Clariant has actively participated in the Carbon Disclosure Project (CDP) Climate Change and Water Security reporting programs. The CDP publishes the greenhouse gas emissions (GHG) of the world's largest corporations.

Since 2015, Clariant has consistently achieved a score of B- or higher in the categories Climate Change and Water Security. Also, in 2021, Clariant started reporting to the Forests questionnaire.

DOW JONES SUSTAINABILITY INDICES



Clariant is a member of the Dow Jones Sustainability Indices (DJSI) World and Europe and is recognized as one of the most sustainable companies in its sector.

The listing in the two indices comes as the result of Clariant's participation in the Global Corporate Sustainability Assessment (CSA) by S&P, an annual evaluation of corporate sustainability practices focusing on both industry-specific and financially material criteria. Clariant is also a member of the S&P Sustainability Yearbook 2022.

ECOVADIS



Clariant's sustainability performance is evaluated regularly by EcoVadis. This widely recognized third-party on-line assessment focuses on four key areas: environment, labor practices, fair business practices, and sustainable procurement. EcoVadis is the partner for evaluation and improvement of supplier sustainability performance selected by → TOGETHER FOR SUSTAINABILITY (TFS), the chemical industry initiative for sustainable supply chain management. Clariant ranks among the top 1% EcoVadis performers in its sector and across industries. For 2021, Clariant was rated with the EcoVadis Platinum Award.

MSCI



The Morgan Stanley Capital International (MSCI) ESG Rating measures the company's resilience to industry-specific, material long-term environmental, social, and governance (ESG) risks. MSCI uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. In 2021, Clariant was awarded the second-best category, AA.

SUSTAINALYTICS



In 2021, Clariant's sustainability activities were evaluated by the renowned rating agency Sustainalytics. The agency uses industry-specific criteria to examine the social, environmental, and corporate governance activities of companies. It assesses the extent to which a company is exposed to material ESG issues, and how the company manages the related risks. For 2021, Clariant was rated with a low ESG risk (20.9).

FURTHER RATINGS AND RANKINGS

Euronext Vigeo Europe 120 Index

As one of 120 European companies, Clariant is included in the → Euronext Vigeo Europe 120 Index. This index consists of companies with an advanced environmental, social, and governance performances.

FTSE4Good Index

The Financial Times and the London Stock Exchange (FTSE) created the → FTSE4Good Index Series in 2001 in response to increasing focus on corporate social responsibility. FTSE rates companies for inclusion in the index on the basis of their performance in the environmental, social, and governance dimensions. In the reporting year, Clariant was listed in the FTSE4Good Index thanks to its leading ESG practices.

ISS ESG

→ Institutional Shareholder Services (ISS) is a leading provider of corporate governance market intelligence and issues regular corporate ESG ratings on the basis of up to 100 rating criteria. In 2021, Clariant reached the “Prime” status as an industry leader.

SXI Swiss Sustainability 25

Clariant is listed in the → SXI Swiss Sustainability 25 Index, which consists of the best 25 companies from the Swiss index SMI expanded®. Ranking according to sustainability is outsourced to a third-party research provider.



Indices

Clariant reports in accordance with internationally recognized frameworks to create transparency and comparability. For 15 years, Clariant's reporting has been based on the Global Reporting Initiative (GRI). Since 2013, Clariant has committed to the United Nations Global Compacts and reports annually on its contribution to the 10 principles. In the Reporting Suite 2021, Clariant addresses two additional frameworks: For the first time, the company publishes information on climate risks in line with the Task Force on Climate-related Financial Disclosures (TCFD). Clariant also reports in accordance with the guidelines of the Sustainability Accounting Standards Board (SASB) for the first time.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

Reporting according to the Global Reporting Initiative (GRI) is integral to Clariant's corporate reporting suite, providing comprehensive insights into sustainable value creation. For each material topic in the »Focus« and »Advance« categories — as presented in the → MATERIALITY MATRIX — Clariant outlines a management approach according to the GRI Standards as well as the corresponding topic-specific GRI disclosures. This report has been prepared in accordance with the GRI Standards: Core Option.

Disclosures		References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 101 Foundation 2016				
GRI 102 General Disclosures 2016				
GRI 102-1	Name of the organization		Clariant AG	
GRI 102-2	Activities, brands, products, and services	→ AT A GLANCE		
GRI 102-3	Location of headquarters		Rothausstrasse 61, 4132 MuttENZ, Switzerland	
GRI 102-4	Location of operations	→ 24. SEGMENT INFORMATION → 37. IMPORTANT SUBSIDIARIES		
GRI 102-5	Ownership and legal form		Stock company listed at SIX Swiss Exchange	
GRI 102-6	Markets served	→ VALUE CREATION IN THE FINANCIAL YEAR		
GRI 102-7	Scale of the organization	→ PERFORMANCE OVERVIEW → PEOPLE OVERVIEW		
GRI 102-8	Information on employees and other workers	→ PEOPLE OVERVIEW	Clariant does not have knowledge of any substantial portion of its work being performed by workers who are not employees. Furthermore, there are no significant seasonal variations in Clariant's employment numbers.	
GRI 102-9	Supply chain	→ SUPPLY CHAIN RESILIENCY		→ PWC CH
GRI 102-10	Significant changes to the organization and its supply chain	→ 17. CHANGES IN SHARE CAPITAL AND TREASURY SHARES AND CHANGES IN NONCONTROLLING INTERESTS → 25. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE → 26. DISPOSALS → 37. IMPORTANT SUBSIDIARIES → 38. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE		



Disclosures	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 102-11 Precautionary Principle or approach		Clariant adopted the precautionary principle defined in 1992 at the United Nations Conference on Environment and Development in Rio de Janeiro. According to the precautionary principle, remedial actions may only be postponed if no serious or lasting damages to the environment are looming. More detail can be found on the following website: www.precautionaryprinciple.eu/ . Clariant has expanded the environmental considerations of the precautionary principle with social aspects.	
GRI 102-12 External initiatives	→ UNITED NATIONS GLOBAL COMPACT INDEX → HUMAN AND LABOR RIGHTS POLICIES → OTHER GOALS AND TARGETS		
GRI 102-13 Membership of associations		Clariant is a member of numerous interest groups and trade associations at international (International Council of Chemical Associations [ICCA]), regional (Cefic), and national levels (business federations or national chemical industry associations, such as ABIQUIM in Brazil, CPCIF in China, Verband der Chemischen Industrie [VCI] in Germany, and the American Chemistry Council [ACC] in the USA). Clariant is also active in sectoral associations at both a regional and national level, as in the bio-economy sector (Advanced Biofuels Coalition, ePure, EuropaBio, Bio-Based Industries Consortium). Clariant is proud to be a member and supporter of scientific and research organizations such as SUSCHEM, the European Technology Platform for Sustainable Chemistry, confirming its strong commitment to develop the next generation of sustainable chemistry solutions. In 2021, Clariant's top three contributions to policy memberships are: German Association of the Chemical Industry (Verband der Chemischen Industrie e.V. [VCI]) Chamber of Commerce Basel (Handelskammer beider Basel) Scienceindustries, the Swiss business association for the chemical, pharmaceutical, and biotech industries.	
GRI 102-14 Statement from senior decision-maker	→ INTERVIEW WITH THE CEO		
GRI 102-15 Key impacts, risks, and opportunities	→ RISK AND CRISIS MANAGEMENT → 2. ENTERPRISE RISK MANAGEMENT IDENTIFICATION, ASSESSMENT AND MANAGEMENT		
GRI 102-16 Values, principles, standards, and norms of behavior	→ CODE OF ETHICS → OTHER GOALS AND TARGETS		
GRI 102-17 Mechanisms for advice and concerns about ethics	→ CLARIANT INTEGRITY LINE	With regard to seeking advice, compliance officers at both regional and local levels as well as at Group headquarters are available to provide support on issues concerning ethically correct and legally compliant conduct of employees or business processes.	→ PWC CH

Disclosures	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 102-18 Governance structure	→ PRINCIPLES OF CORPORATE GOVERNANCE		
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics	→ INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE COMMITTEE	Clariant's Executive Committee provides the guidelines and the corresponding control for sustainable management. Sustainability and Innovation are represented in all discussions in the Executive Committee by the Chief Technology & sustainability Officer, who is a permanent guest of the Executive Committee meetings.	
GRI 102-21 Consulting stakeholders on economic, environmental, and social topics	→ MATERIALITY ASSESSMENT	Through the »Clariant Sustainability Dialog.« Clariant further engages with important stakeholders from customer industries, politics, NGOs, and the media in order to foster an open dialog and future cooperation. Additionally, Clariant maintains a constant dialog with NGOs, and sales representatives regularly meet with customers to discuss sustainability topics.	
GRI 102-39 Percentage increase in annual total compensation ratio	→ COMPENSATION REPORT	Clariant's compensation philosophy aims at attracting, motivating, and retaining employees. Clariant is committed to paying its employees fair and appropriate compensation via wages and salaries, social components, and other benefits. This compensation needs to meet minimum statutory standards and, in principle, exceeds them in each country in which Clariant operates. The spread of salaries among Clariant employees may vary from country to country depending on factors like, e.g., employee structure, local labor markets, and compensation landscapes and levels. On a global level, the ratio between the median annual base salary and the highest base salary is 1:12. In terms of the total compensation, including variable salary components, the spread is 1:20. Part-time employees have been excluded from this calculation. Salary adjustments are negotiated in accordance with a fixed and unambiguous system and implemented through mutual agreement between the line manager and the Human Resources department. As a basic principle, a consistent »salary philosophy« ensures that adjustments are made in the context of the local markets and the individual performance.	
GRI 102-40 List of stakeholder groups	→ A PURPOSE-LED STRATEGY		
GRI 102-41 Collective bargaining agreements	→ PEOPLE OVERVIEW	Clariant pays wages and salaries that are determined by relevant local competitive markets rather than by legally defined minimum wages. As of the end of December 2021, 47 % of employees were covered by collective bargaining agreements with employee representatives. Managerial positions are generally not included in such agreements.	
GRI 102-42 Identifying and selecting stakeholders	→ A PURPOSE-LED STRATEGY		
GRI 102-43 Approach to stakeholder engagement	→ A PURPOSE-LED STRATEGY		
GRI 102-44 Key topics and concerns raised	→ A PURPOSE-LED STRATEGY		
GRI 102-45 Entities included in the consolidated financial statements	→ 37. IMPORTANT SUBSIDIARIES		
GRI 102-46 Defining report content and topic boundaries	→ MATERIALITY ASSESSMENT	In order to define report content and topic boundaries, Clariant applied all four Reporting Principles, namely Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness. Clariant reports on topics that are considered to be of high and very high relevance in the Integrated Report and the GRI Report. The boundaries are outlined in the respective topic's management approach in the Review on Performance, People, and Planet.	
GRI 102-47 List of material topics	→ CLARIANT MATERIALITY MATRIX		
GRI 102-48 Restatements of information		Any restatement of previously reported data is explained in a footnote under the respective disclosure.	



Disclosures	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 102-49 Changes in reporting	→ MATERIALITY ASSESSMENT		
GRI 102-50 Reporting period		2021	
GRI 102-51 Date of most recent report		The last GRI Report was published in March 2021 on Clariant's website.	
GRI 102-52 Reporting cycle		Annual	
GRI 102-53 Contact point for questions regarding the report	→ PUBLICATION DETAILS	Sustainability Affairs – Group Innovation & Sustainability Alessandro Canalis, Tel. +41 61469 65 10 sustainability@clariant.com	
GRI 102-54 Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards: Core option.	
GRI 102-55 GRI content index	→ GRI CONTENT INDEX		
GRI 102-56 External assurance	→ INDEPENDENT ASSURANCE REPORT		
GRI 201 Economic Performance 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ CORPORATE GOVERNANCE REPORT → FINANCIAL REPORT		
GRI 201-1 Direct economic value generated and distributed	→ FINANCIAL REPORT		
GRI 201-2 Financial implications and other risks and opportunities due to climate change	→ TCFD INDEX	→ CDP DISCLOSURES	
GRI 201-3 Defined benefit plan obligations and other retirement plans	→ 20. RETIREMENT BENEFIT OBLIGATIONS	Pension and other employee benefit plans are monitored globally by Clariant for relevance, compliance, costs, and suitability as a valuable employee benefit. Clariant is aware of the significance of pension and other benefit plans as a lever for retaining staff. These plans are regularly evaluated against benefits in the respective countries in order to be in line with current practices. Before every adjustment, Clariant carefully examines the impact the changes have on the employees and, if necessary, directly consults with them. Clariant offers retirement or pension plans as a benefit to protect employees after completing their active working life and to enable them to retire. Clariant aims to offer benefits that are competitive in the local markets; existence and type of retirement or pension plans differ widely from country to country based on local legislation, social security systems, and market practices.	
GRI 202 Market Presence 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 202-1 Ratios of standard entry-level wage by gender compared to local minimum wage	→ RATIOS OF STANDARD ENTRY-LEVEL WAGES BY GENDER COMPARED TO LOCAL MINIMUM WAGE		
GRI 202-2 Proportion of senior management hired from the local community	→ PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY		→ PWC CH
GRI 204 Procurement Practices 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 204-1 Proportion of spending on local suppliers	→ PROPORTION OF SPENDING ON LOCAL SUPPLIERS		→ PWC CH



Disclosures		References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 205 Anti-corruption 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 205-1	Operations assessed for risks related to corruption	→ ANTI-BRIBERY, ANTI-CORRUPTION, ANTITRUST		
GRI 205-2	Communication and training about anti-corruption policies and procedures	→ TRAINING AND COMMUNICATION		→ PWC CH
GRI 205-3	Confirmed incidents of corruption and actions taken	→ NONCOMPLIANCE		
GRI 206 Anti-competitive Behavior 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 206-1	Legal actions for anti-competitive behavior, antitrust, and monopoly practices	→ ANTI-COMPETITIVE BEHAVIOR		
GRI 207 Tax 2019				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ 10. TAXES		
GRI 207-1	Approach to tax	→ 10. TAXES		
GRI 207-2	Tax governance, control, and risk management	→ 10. TAXES		
GRI 207-3	Stakeholder engagement and management of concerns related to tax	→ 10. TAXES		
GRI 301 Materials 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 301-1	Materials used by weight or volume	→ MATERIALS USED BY WEIGHT OR VOLUME		→ PWC CH
GRI 301-2	Recycled input materials used	→ RECYCLED INPUT MATERIALS USED		
GRI 301-3	Reclaimed products and their packaging materials	→ RECLAIMED PRODUCTS AND PACKAGING MATERIALS		



Disclosures	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 302 Energy 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 302-1 Energy consumption within the organization	→ ENERGY CONSUMPTION		→ PWC CH
GRI 302-2 Energy consumption outside of the organization	→ ENERGY CONSUMPTION → SCOPE 3 EMISSIONS	Energy consumption outside of the organization is accounted for through the CO ₂ footprint of the raw materials Clariant purchases. Data are gathered as part of Scope 3 emissions.	→ PWC CH
GRI 302-3 Energy intensity	→ ENERGY CONSUMPTION		→ PWC CH
GRI 302-4 Reduction of energy consumption	→ NEW SUSTAINABILITY TARGETS		
GRI 302-5 Reductions in energy requirements of products and services	→ REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES		
GRI 303 Water & Effluents 2018			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 303-1 Interactions with water as a shared resource	→ WATER		
GRI 303-2 Management of water discharge-related impacts	→ WASTEWATER MANAGEMENT		
GRI 303-3 Water withdrawal	→ WATER WITHDRAWAL AND INTAKE		→ PWC CH
GRI 303-4 Water discharge	→ WASTEWATER MANAGEMENT	Zero incidents of noncompliance that resulted in a formal enforcement action.	→ PWC CH
GRI 303-5 Water Consumption	→ WATER WITHDRAWAL AND INTAKE		→ PWC CH
GRI 304 Biodiversity 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	→ OPERATIONAL SITES IN PROTECTED AREAS		
GRI 304-2 Significant impacts of activities, products, and services on biodiversity	→ SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY		
GRI 304-3 Habitats protected or restored	→ PROTECTION OF ECOSYSTEMS		
GRI 305 Emissions 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 305-1 Direct (Scope 1) GHG emissions	→ SCOPE 1 AND 2 EMISSIONS		→ PWC CH
GRI 305-2 Energy indirect (Scope 2) GHG emissions	→ SCOPE 1 AND 2 EMISSIONS		→ PWC CH
GRI 305-3 Other indirect (Scope 3) GHG emissions	→ SCOPE 3 EMISSIONS		→ PWC CH
GRI 305-4 GHG emissions intensity	→ SCOPE 1 AND 2 EMISSIONS → SCOPE 3 EMISSIONS		→ PWC CH
GRI 305-5 Reduction of GHG emissions	→ REDUCTION OF SCOPE 1, 2, 3 EMISSIONS		→ PWC CH
GRI 305-6 Emissions of ozone-depleting substances (ODS)	→ EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS), NITROGEN OXIDES (NO _x), SULFUR OXIDES (SO _x), AND SIGNIFICANT OTHERS		→ PWC CH
GRI 305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	→ EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS), NITROGEN OXIDES (NO _x), SULFUR OXIDES (SO _x), AND SIGNIFICANT OTHERS		→ PWC CH



Disclosures		References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 306 Waste 2020				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 306-1	Waste generation and significant waste-related impacts	→ WASTE MANAGEMENT → SAFETY MANAGEMENT SYSTEM		→ PWC CH
GRI 306-2	Management of significant waste-related impacts	→ SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY → SAFETY MANAGEMENT SYSTEM		→ PWC CH
GRI 306-3	Waste generated	→ WASTE MANAGEMENT		→ PWC CH
GRI 306-4	Waste diverted from disposal	→ WASTE MANAGEMENT		→ PWC CH
GRI 306-5	Waste directed to disposal	→ WASTE MANAGEMENT		→ PWC CH
GRI 307 Environmental Compliance 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 307-1	Noncompliance with environmental laws and regulations	→ NONCOMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS		
GRI 308 Supplier Environmental Assessment 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 308-1	New suppliers that were screened using environmental criteria	→ NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL AND SOCIAL CRITERIA		→ PWC CH
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	→ NEGATIVE ENVIRONMENTAL AND SOCIAL IMPACT IN THE SUPPLY CHAIN AND ACTIONS TAKEN		→ PWC CH
GRI 401 Employment 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 401-1	New employee hires and employee turnover	→ TALENT ATTRACTION		→ PWC CH
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	→ BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES		
GRI 401-3	Parental leave	→ PARENTAL LEAVE		→ PWC CH
GRI 402 Labor/Management Relations 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 402-1	Minimum notice periods regarding operational changes	→ MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES		



Disclosures	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 403 Occupational Health and Safety 2018			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 403-1 Occupational Health and Safety management system	→ MANAGEMENT APPROACH		
GRI 403-2 Hazard identification, risk assessment, and incident investigation	→ HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION		
GRI 403-3 Occupational health services	→ SUPPORT FOR DRUG ADDICTION AND PROGRAMS TO QUIT SMOKING		
GRI 403-4 Worker participation, consultation, and communication on Occupational Health and Safety	→ WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY		
GRI 403-5 Worker training on Occupational Health and Safety	→ OCCUPATIONAL HEALTH AND SAFETY PROGRAMS AND TRAINING		
GRI 403-6 Promotion of worker health	→ AWARDS AND BENEFITS PROGRAMS		
GRI 403-7 Prevention and mitigation of Occupational Health and Safety impacts directly linked to business relationships	→ MANAGEMENT APPROACH		
GRI 403-8 Workers covered by an Occupational Health and Safety management system	→ EMPLOYEES COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM		→ PWC CH
GRI 403-9 Work-related injuries	→ WORK-RELATED INJURIES		→ PWC CH
GRI 403-10 Work-related ill health	→ OCCUPATIONAL ACCIDENTS		→ PWC CH
GRI 404 Training and Education 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 404-1 Average hours of training per year per employee	→ PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAM		→ PWC CH
GRI 404-2 Programs for upgrading employee skills and transition assistance programs	→ PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAM		
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	→ PERFORMANCE, TALENT, AND LEADERSHIP PROGRAMS		→ PWC CH
GRI 405 Diversity and Equal Opportunity 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 405-1 Diversity of governance bodies and employees	→ EMPLOYEE INDICATORS		→ PWC CH
GRI 405-2 Ratio of basic salary and remuneration of women to men	→ RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN AND MEN		
GRI 406 Nondiscrimination 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 406-1 Incidents of discrimination and corrective actions taken	→ NUMBER OF INCIDENTS OF DISCRIMINATION		→ PWC CH
GRI 407 Freedom of Association and Collective Bargaining 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	→ CONTRACT LABOR		
GRI 408 Child Labor 2016			
GRI 103 Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 408-1 Operations and suppliers at significant risk for incidents of child labor	→ CHILD, FORCED, OR COMPULSORY LABOR → NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL AND SOCIAL CRITERIA		



Disclosures		References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information	External Assurance
GRI 409 Forced or Compulsory Labor 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	→ CHILD, FORCED, OR COMPULSORY LABOR → NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL AND SOCIAL CRITERIA		
GRI 412 Human Rights Assessment 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH	→ OUR PEOPLE AND CULTURE	
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	→ HUMAN AND LABOR RIGHTS ASSESSMENT		
GRI 412-2	Employee training on human rights policies or procedures	→ EMPLOYEE TRAINING AND INVOLVEMENT		
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	→ HUMAN AND LABOR RIGHTS CLAUSES IN INVESTMENT AGREEMENTS AND CONTRACTS		
GRI 414 Supplier Social Assessment 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 414-1	New suppliers that were screened using social criteria	→ NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL AND SOCIAL CRITERIA		→ PWC CH
GRI 414-2	Negative social impacts in the supply chain and actions taken	→ NEGATIVE ENVIRONMENTAL AND SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN		→ PWC CH
GRI 416 Customer Health and Safety 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 416-1	Assessment of the health and safety impacts of product and service categories	→ ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES		
GRI 416-2	Incidents of noncompliance concerning the health and safety impacts of products and services	→ HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES		
GRI 417 Marketing and Labeling 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 417-1	Requirements for product and service information and labeling	→ REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELING		
GRI 417-2	Incidents of noncompliance concerning product and service information and labeling	→ REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELING		
GRI 417-3	Incidents of noncompliance concerning marketing communications	→ MARKETING COMMUNICATIONS		
GRI 418 Customer Privacy 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	→ CUSTOMER PRIVACY		
GRI 419 Socioeconomic Compliance 2016				
GRI 103	Management approach (including GRI 103-1, 103-2, 103-3)	→ MANAGEMENT APPROACH		
GRI 419-1	Noncompliance with laws and regulations in the social and economic area	→ LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA		

SUSTAINABILITY ACCOUNTING STANDARDS BOARD INDEX

The Sustainability Accounting Standards Board (SASB) provides 77 Industry Standards to guide the disclosure of financially material sustainability information. By publishing a SASB Index in alignment with the Chemicals Standard, Clariant reports for the first time on the predefined material topics and their associated metrics for the typical company in an industry.

Topic	Accounting Metric	Code	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information
Greenhouse Gas Emission	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	RT-CH-110a.1	→ SCOPE 1 AND 2 EMISSIONS	3% of gross global Scope 1 emissions are covered under emissions-limiting regulations.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	RT-CH-110a.2	→ STRATEGY	
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	RT-CH-120a.1	→ TABLE NITROGEN OXIDES (NO _x), SULFUR OXIDES (SO _x), AND OTHER SIGNIFICANT AIR EMISSIONS	No reporting of HAPs.
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	RT-CH-130a.1	→ ENERGY CONSUMPTION	No reporting of total self-generated energy.
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	RT-CH-140a.1	→ WATER WITHDRAWAL AND INTAKE	
	Number of incidents of noncompliance associated with water quality permits, standards, and regulations	RT-CH-140a.2		Zero incidents of noncompliance that resulted in a formal enforcement action.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	→ WATER RISK MANAGEMENT	
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	→ TABLE WASTE BY TYPE AND DISPOSAL METHOD	
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	→ REGULATORY COMPLIANCE → SUPPLIER EVALUATION	
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	→ TABLE OCCUPATIONAL ACCIDENTS	
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	→ OCCUPATIONAL HEALTH AND SAFETY PROGRAMS AND TRAINING → HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION	
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1		Revenue not reported.
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	RT-CH-410b.1		(1) Not reported (2) 100%
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	RT-CH-410b.2	→ PORTFOLIO VALUE PROGRAM	



Topic	Accounting Metric	Code	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	→ GENETICALLY MODIFIED ORGANISMS	
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	→ BUSINESS ETHICS AND COMPLIANCE → UPCOMING PRIORITIES → TCFD → 3. FINANCIAL RISK MANAGEMENT	
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	RT-CH-540a.1	→ POLLUTION PREVENTION	
	Number of transport incidents	RT-CH-540a.2		Not reported.
Activity Metric	Production by reportable segment	RT-CH-000.A	→ TABLE BUSINESS MODEL → BUSINESS AREA CARE CHEMICALS → BUSINESS AREA CATALYSIS → BUSINESS AREA NATURAL RESOURCES	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES INDEX

Since January 2021, Clariant has been an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). The 2021 Reporting Suite features TCFD-related disclosures for the

first time. The TCFD framework makes it possible to systematically manage and report on the risks, mitigations, and governance resulting from the threats of a changing climate. The Task Force recommends four core elements: governance, strategy, risk management, and metrics and targets.

Recommendations	Recommended Disclosures	References to chapters and sections of Clariant's Integrated Reporting 2021	Comments or references to further publicly available information
Governance Disclose the organization's governance around climate-related risks and opportunities.	Describe the board's oversight of climate-related risks and opportunities.	→ GOVERNANCE	→ CDP Climate Change – C1.1b
	Describe management's role in assessing and managing climate-related risks and opportunities.	→ GOVERNANCE	→ CDP Climate Change – C1.2
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	→ STRATEGY	→ CDP Climate Change – C2.1a → CDP Climate Change – C2.3 → CDP Climate Change – C2.3a → CDP Climate Change – C2.4 → CDP Climate Change – C2.4a
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	→ STRATEGY	→ CDP Climate Change – C2.3a → CDP Climate Change – C2.4a → CDP Climate Change – C3.1 → CDP Climate Change – C3.2b → CDP Climate Change – C3.3 → CDP Climate Change – C3.4
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	→ STRATEGY	→ CDP Climate Change – C3.2 → CDP Climate Change – C3.2a → CDP Climate Change – C3.2b
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	Describe the organization's processes for identifying and assessing climate-related risks.	→ RISK MANAGEMENT	→ CDP Climate Change – C2.1 → CDP Climate Change – C2.2 → CDP Climate Change – C2.2a
	Describe the organization's processes for managing climate-related risks.	→ RISK MANAGEMENT → TABLE CLIMATE-RELATED OPPORTUNITIES → TABLE CLIMATE-RELATED RISKS	→ CDP Climate Change – C2.1 → CDP Climate Change – C2.2
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	→ RISK MANAGEMENT	→ CDP Climate Change – C2.1 → CDP Climate Change – C2.2
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	→ METRICS AND TARGETS → NEW SUSTAINABILITY TARGETS	→ CDP Climate Change – C4.2 → CDP Climate Change – C4.2a → CDP Climate Change – C4.2b → CDP Climate Change – C9.1
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	→ METRICS AND TARGETS → REDUCTION OF SCOPE 1, 2, AND 3 EMISSIONS	→ CDP Climate Change – C6.1 → CDP Climate Change – C6.3 → CDP Climate Change – C6.5 → CDP Climate Change – C6.5a
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	→ METRICS AND TARGETS → NEW SUSTAINABILITY TARGETS → REDUCTION OF SCOPE 1, 2, AND 3 EMISSIONS	→ CDP Climate Change – C4.1 → CDP Climate Change – C4.1a → CDP Climate Change – C4.1b → CDP Climate Change – C4.2 → CDP Climate Change – C4.2a → CDP Climate Change – C4.2b



UNITED NATIONS GLOBAL COMPACT INDEX

Clariant has been a member of the United Nations Global Compact (UNGC) since 2013. We report on our contribution to the ten principles of the Global Compact in this Communication on Progress (COP).

Topic	Principles	References to chapters and sections of Clariant's Integrated Reporting 2021
Human Rights	1: Businesses should support and respect the protection of internationally proclaimed human rights; and	→ HUMAN AND LABOR RIGHTS → SUPPLY CHAIN POLICY → BIO-BASED ECONOMY
	2: make sure that they are not complicit in human rights abuses.	→ POLICIES AND GUIDELINES
Labor	3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	→ CONTRACT LABOR
	4: the elimination of all forms of forced and compulsory labor;	→ CHILD, FORCED, OR COMPULSORY LABOR
	5: the effective abolition of child labor; and	→ CHILD, FORCED, OR COMPULSORY LABOR
	6: the elimination of discrimination in respect of employment and occupation.	→ DIVERSITY, EQUITY, AND INCLUSION → MANAGEMENT APPROACH
Environment	7: Businesses should support a precautionary approach to environmental challenges;	→ MANAGEMENT APPROACH → NEW SUSTAINABILITY TARGETS
	8: undertake initiatives to promote greater environmental responsibility; and	→ CORPORATE PROGRAMS OF RESOURCE EFFICIENCY AND ENVIRONMENTAL PROTECTION
	9: encourage the development and diffusion of environmentally friendly technologies.	→ BIO-BASED ECONOMY → CIRCULAR ECONOMY → PRODUCT STEWARDSHIP
Anti-Corruption	10: Businesses should work against corruption in all its forms, including extortion and bribery.	→ BUSINESS ETHICS AND COMPLIANCE

Independent Limited Assurance Report

on the Clariant's 2021 Non-Financial Reporting to the Board of Directors of Clariant AG, MuttENZ

We have been engaged to perform assurance procedures to provide limited assurance on the non-financial performance reporting of Clariant AG and its consolidated subsidiaries ("Clariant") for the year ended 31 December 2021.

Scope and subject matter

Our limited assurance engagement focused on selected 2021 non-financial performance indicators published in the "Review on Performance, People and Planet" section of the Integrated Report 2021 of Clariant:

- Integrity line indicators on page 11
- Communication and training on anti-corruption policies and procedures indicators on page 12
- Production sites and facilities indicators on page 13
- Raw material procurement indicators on page 14
- Percentage of suppliers assessed via Ecovadis indicator on page 15
- Negative environmental and social impacts in the supply chain indicators on page 15
- Innovation and technological advances indicators on page 17
- Product stewardship indicators page 22
- Average hours of training per year per employee indicators on page 28
- Percentage of employees receiving regular performance and career development indicators on page 28
- New employee hires and employee turnover indicators on page 30
- Proportion of senior management hired from local communities indicator on page 32
- Parental leave indicators on page 32

- Diversity of governance bodies and employees indicators on page 33
- Number of employees by age group indicators on page 33
- Number of incidents of discrimination indicator on page 33
- Management functions indicators on page 34
- Breakdown of employees per nationality indicators on page 34
- FTEs by region indicators on page 35
- Work-related injuries indicators on page 37
- Occupational accidents indicators on page 38
- Employees covered by an occupational health and safety management system indicators on page 39
- Occupational accidents by region indicators on page 39
- Occupational accidents of contractors indicators on page 39
- Customer relationships indicators on page 40
- Energy consumption indicators on page 48
- Water withdrawal and intake indicators on page 48
- Water discharge indicators on page 49
- Waste by type and disposal method indicators on page 50
- Safety management indicators on page 50
- Emissions indicators on page 52
- Nitrogen Oxides (NOx), Sulfur Oxides (SOx) and other significant air emissions indicators on page 53
- Indirect (Scope 3) GHG emissions indicators on page 53
- Material used by weight or volume indicators on page 58

Criteria

The reporting criteria used by Clariant are described and summarized in the respective chapter in the "Review on Performance, People and Planet" section of the Integrated

Report 2021 of Clariant. The procedures applied by Clariant are based on the GRI Sustainability Reporting Standards (GRI Standards) by which the non-financial performance indicators are internally gathered, collated and aggregated.

Inherent limitations

The accuracy and completeness of non-financial performance indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with the reporting criteria. Further, the greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Clariant responsibility

The Board of Directors of Clariant AG is responsible for both the subject matter and the criteria as well as for selection, preparation and presentation of the information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

Our independence and quality controls

We are independent of Clariant in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial

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statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial performance indicators. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the non-financial performance indicators were prepared, in all material aspects, in accordance with the reporting criteria.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 involves assessing the suitability in the circumstances of Clariant's use of applicable criteria as the basis for the preparation of the non-financial performance indicators, assessing the risks of material misstatement of the non-financial performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the non-financial performance indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and

the procedures performed in response to the assessed risks. The procedures selected depend on the assurance practitioner's judgement.

Summary of the work performed

- Reviewing the application of Clariant's internal guidelines
- Interviewing Clariant representatives at Group level responsible for the data collection and reporting
- Interviewing Clariant representatives in Indonesia, Mexico and South Africa responsible for the data collection and reporting
- Performing tests on a sample basis of evidence supporting the non-financial performance indicators as outlined in the scope and subject matter section concerning completeness, accuracy, adequacy and consistency
- Inspecting the relevant documentation on a sample basis
- Reviewing and assessing the management reporting processes for non-financial performance reporting and consolidation and their related controls

We have not carried out any work on data other than outlined in the scope and subject matter section as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Conclusion

Based on the procedures we performed, nothing has come to our attention that causes us to believe that the 2021 non-financial performance indicators are not prepared and disclosed in all material respects in accordance with the reporting criteria.

Intended users and purpose of the report

Our report is prepared for, and only for, the Board of Directors of Clariant AG, and solely for the purpose of reporting to them on the 2021 non-financial performance indicators in the "Review on Performance, People and Planet" section of the

Integrated Report 2021 and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion might be used, or to any other person to whom our report will be shown or into whose hands it might come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the published "Review on Performance, People and Planet" section of the Integrated Report 2021, to enable the Board of Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the 2021 non-financial performance indicators in the "Review on Performance, People and Planet" section of the Integrated Report 2021 without assuming or accepting any responsibility or liability to any third parties on our part.

To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Board of Directors of Clariant AG for our work or this report.

PricewaterhouseCoopers AG


 Paul de Jong


 Raphael Rutishauser

Basel, 1 June 2022

The maintenance and integrity of the Clariant AG website is the responsibility of the Board of Directors; the work carried out by the assurance providers does not involve consideration of the maintenance and integrity of the Clariant AG website and, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported non-financial performance indicators or criteria since they were initially presented on the website.



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Note about forward-looking statements

This report contains forward-looking statements based on current assumptions and projections made by management. Such statements are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and performance of Clariant International Ltd to differ from those expressed in, implied, or projected by the forward-looking information and statements. The information published in this report is provided by Clariant International Ltd and corresponds to the status as of the date of publication of this report.

→ GLOSSARY

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2021

Corporate Governance Report

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The Integrated Report consists of five reports that covers important aspects of our business. They can be read in conjunction with each other. Together, the reports provide a full picture of our ability to create long-term value.

Corporate Governance Report 2021

Clariant is committed to international compliance standards, ensuring checks and balances between the Board and Management, as well as a sustainable approach to value creation.

1. PRINCIPLES OF CORPORATE GOVERNANCE

In defining the management structure, organization, and processes of the Clariant Group, the corporate governance principles aim to provide stakeholder value and transparency to promote sustainable long-term success. The Group is committed to Swiss and international standards of corporate governance by following the respective statutory provisions and the rules issued by the SIX Swiss Exchange and by implementing the principles of the Swiss Code of Best Practices for Corporate Governance. The principles and regulations on corporate governance are described in the (revised) Swiss Code of Obligations, the Directive on Information relating to Corporate Governance by the SIX Swiss Exchange, the Ordinance against Excessive Compensation in Listed Stock Corporations, the Articles of Association of Clariant Ltd, the Bylaws, the organizational Group regulations of the Clariant Group, and the Clariant Code of Ethics. The Board of Directors adapts the internal documents regularly. The Articles of Association, the Bylaws of the Board of Directors, and the Clariant Code of Ethics can be viewed at www.clariant.com/corporate-governance.

2. GROUP STRUCTURE AND SHAREHOLDERS

2.1. Group structure

The registered address of Clariant Ltd is Rothausstrasse 61, 4132 Muttlenz, Switzerland. The company's business operations are conducted through Clariant Group companies. Clariant Ltd, a holding company organized under Swiss law, directly or indirectly owns all Clariant Group companies worldwide. With the exception of Clariant Chemicals (India) Ltd, these companies' shares are not publicly traded. Clariant owns 51% of the publicly traded company Clariant Chemicals (India) Ltd, based in Airoli, Navi Mumbai, India, and listed on the Bombay Stock Exchange (»BSE«) and the National Stock Exchange (»NSE«) in India under Stock ID »CLNINDIA«, Scrip Code: 506390, ISIN No. INE492A01029, with a market capitalization of INR 11 362 015 066 on the NSE and INR 11 389 713 223 on the BSE.

[Clariant Chemicals (India) Ltd was sold as part of the divestment of Clariant's pigment business, the Business Unit Pigments, which closed on 3 January 2022.]

The important subsidiaries of Clariant Ltd are listed in NOTE 37 of the Notes to the consolidated financial statements of the Clariant Group in the Financial Report 2021.

The Group conducts its business through six business units: Additives; Catalysts; Functional Minerals; Industrial & Consumer Specialties; Oil and Mining Services; as well as the Business Unit Pigments (until the completion of the divestment on 3 January 2022) and reports its continuing operations in the following three business areas: Care Chemicals; Catalysis; and Natural Resources (i.e., Functional Minerals, Oil and Mining Services, Additives).

2.2. Significant shareholdings of 3 % or more of total share capital

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as of 31 December 2021, the following shareholders held 3 % or more of voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia	32.35 % ¹
BlackRock Inc., New York, United States	3.8 %
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting, Germany, and Maple Beteiligungsgesellschaft mbH, 82057 Icking, Germany ²	3.49 %
PSquared Master SICAV Ltd, on behalf of its subfund Valetta, Malta Leveraged Event Fund LP, Grand Cayman, Cayman Islands, controlled by Patrick Schmitz-Morkramer, Zurich, Switzerland, and Patrick Bierbaum, Zurich, Switzerland	3.035 %

¹ SABIC acquired 24.99 % of the shares of Clariant Ltd on 17 September 2018, and increased its participation by 6.51 % to 31.5 % on 9 September 2020. SABIC has not changed its participation of 31.5 % since then. The difference between this figure (i.e., 31.5 %) and the abovementioned 32.35 % corresponds to the amount of treasury shares held by Clariant Ltd as of 31 December 2021, which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

² According to a disclosure notification published on 18 December 2018, a group consisting of Konstantin Winterstein, 80333 Munich, Germany, and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 Munich, Germany, was formed.

Disclosure notifications during the 2021 financial year reported to the Stock Exchange Disclosure Office pursuant to Article 120 of the Financial Markets Infrastructure Act (FMIA) as well as further information in relation to disclosure notifications can be found on the SIX Swiss Exchange reporting platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

As of 31 December 2021, Clariant Ltd itself held 2 822 712 shares in treasury, corresponding to 0.85 % of the share capital.

3. CROSS-SHAREHOLDINGS

There are no cross-shareholdings.

4. CAPITAL STRUCTURE

4.1. Capital

As of 31 December 2021, the fully paid-in nominal share capital of Clariant Ltd totaled CHF 995 817 597.00 and was divided into 331 939 199 registered shares, each with a par value of CHF 3.00. Clariant Ltd shares have been listed on the SIX Swiss Exchange since 1995 (symbol: CLN, ISIN CH0012142631). Clariant Ltd does not issue nonvoting equity securities (Genussscheine or Partizipationsscheine). Based on the closing price of the Clariant share of CHF 19.00 on 31 December 2021, the company's market capitalization at year-end amounted to CHF 6 306 844 781. Except for the share capital reduction in 2021 as a consequence of the distribution through capital reduction by way of par value reduction (see below Section 4.3 of the Corporate Governance Report 2021), there was no change in the capital structure of Clariant Ltd in the last three years (2019 to 2021).

4.2. Conditional capital

The company's share capital may be increased by no more than CHF 11 435 658.00 by issuing the remaining 3 811 886 registered shares, each with a par value of CHF 3.00, corresponding to 1.14837 % of the current share capital.

The details are set out in Article 5 of the Articles of Association. The Articles of Association can be found at www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association.

4.3. Distribution through capital reduction by way of par value reduction

In the 2021 calendar year, a distribution in the total amount of CHF 0.70 per share was decided on by the Annual General Meeting. The total amount of CHF 230 421 240.70 was paid out on 2 July 2021.

A table with additional information on the distribution of capital reserves can be found in NOTE 17 of the Financial Report 2021.

4.4. Transferability of shares

The transfer of registered shares requires the approval of the Board of Directors, which may delegate this function. Approval is granted if the acquirer discloses his/her identity and confirms that the shares have been acquired in his/her own name and for his/her own account.

4.5. Nominee registrations and voting rights

Each registered share entitles the holder to one vote at the shareholders' meetings. Special rules according to Article 6 of the Articles of Association apply to nominees who fail to disclose the identity of the persons they represent and whose shareholding exceeds 2%. www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association

4.6. Options

There are no options or option rights.

4.7. General Blackout Periods

The periods during which information and data is prepared for publication («Closed Periods» or «General Blackout Periods») will be determined and expressly notified to all insiders each year. The Closed Periods cover the following periods:

- Before publication of the half-year and the full-year results;
- Before publication of the quarterly reporting;
- The periods shortly before the disclosure to the markets of inside information related to the Clariant business.

Upon receiving such inside information, the primary insiders (which include members of the Board of Directors, the Executive Management, and employees having access to inside information, e.g., in the accounting, finance, investor relations, and law departments) are entered in a register, and the register generates an »Insider Trading message« to these insiders. It is particularly stated that no transactions in Clariant securities shall be made during Closed Periods, and it is further made clear that the trading prohibition and the obligation of confidentiality will be in effect, irrespective of whether or not the publication of the inside information concerned is likely to have a significant effect on value of Clariant securities. Noncompliance may not only entail disciplinary measures, but also result in criminal charges.

5. BOARD OF DIRECTORS

5.1. General information

The Board of Directors of Clariant Ltd comprises at least six and no more than twelve members pursuant to Article 19 of the Articles of Association of Clariant Ltd. Members of the Board are elected individually by the Annual General Meeting for a term of one year.

No member of the Board has reached, at the time of election or reelection, the age of 70, in accordance with Article 20 of the Articles of Association. However, Günter von Au and Geoffery Merszei turned 70 after their election as Members of the Board (and, in the case of Günter von Au, Chairman of the Board of Directors) by the Annual General Meeting dated 7 April 2021. Both are proposed to the 2022 Annual General Meeting for reelection as Members of the Board, and Günter von Au additionally for reelection as the Chairman of the Board of Directors, conditional upon a proposed amendment to Article 20 of the Articles of Association of Clariant Ltd that will prevent any such general age limitation for members of the Board from being stated in the Articles of Association in the future (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association).

All members of the Board of Directors are considered to be independent in accordance with best-practice standards, except for Hariolf Kottmann, who had been serving as Executive Chairman ad interim from 24 July 2019 until 31 December 2020. No member of the Board of Directors exceeds any of the maximum number of mandates as set forth in Article 38 of the Articles of Association, except for Abdullah Mohammed Alissa in accordance with the transitional provision, Article 44, in the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association).

5.2. Members of the Board of Directors

5.2.1. Hariolf Kottmann, German citizen

Function at Clariant: Chairman of the Board of Directors from 16 October 2018 until the Annual General Meeting dated 7 April 2021
Born: 1955

Year of first election: 2008

Independency: Nonindependent (Executive Chairman ad interim from 24 July 2019 until 31 December 2020)

Professional career: Hariolf Kottmann earned his PhD in organic chemistry at the University of Stuttgart in 1984. In 1985, he launched his career at the former Hoechst AG in Frankfurt, where he held several key management positions across the company's chemical divisions and functions. In 1996, he was appointed Deputy Head of the Basic Chemicals Division at Hoechst AG and took responsibility for the Inorganic Chemicals Business Unit. In 1998, he joined Celanese Ltd in New Jersey (United States) as a Member of the Executive Committee and Head of the Organic Chemicals Business Unit. In April 2001, he was appointed as Member of the Executive Committee of SGL Carbon AG, where he was responsible for the Graphite Specialties, Corrosion Protection, and Advanced Materials Divisions as well as the Eastern Europe and Asia regions until 30 September 2008. He was also in charge of the SGL Excellence and Technology & Innovation corporate functions. He has been a Member of the Board of Directors of Clariant Ltd since April 2008 and became CEO of Clariant on 1 October 2008. He held this position until 15 October 2018. From 24 July 2019 until 31 December 2020, he also acted as the Executive Chairman ad interim.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): none.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): two: Member of the Advisory Board and Member of the Audit Committee of Plansee Holding AG, Austria; Member of the Advisory Board of Röhm GmbH, Darmstadt, Germany.

Mandates according to Article 38 para. 1 lit. c): three: Member of the Board of Trustees of ETH Zurich Foundation; Member of the Board of Trustees of Aventis Foundation, Frankfurt; Chairman of the Board of the Clariant Foundation.

5.2.2 Günter von Au, German citizen

Function at Clariant: Chairman of the Board of Directors since 7 April 2021; Non-executive Member of the Board of Directors

Born: 1951

Year of first election: 2011¹

Independency: Independent

Experience: CEO; Chemical Industry; Strategy; Operational

Professional career: After studying textile and polymer chemistry at Reutlingen University and chemistry at the University of Tübingen, where he obtained a doctorate, Günter von Au began his career in 1980 in Burghausen at Wacker-Chemie AG. He held a number of different management positions at the company through 2001 in Germany, Brazil, and the United States – most recently as Head of Wacker's division for polymers, specialty chemistry, and basic chemistry in Munich. He was also CEO of Wacker Polymer Systems GmbH & Co. KG in Burghausen, Germany. He joined Süd-Chemie in 2001 as President and CEO of Süd-Chemie Inc. In 2004, he became CEO of the Management Board of Süd-Chemie AG in Munich and held this position until 31 March 2012. On 1 April 2012, Mr. von Au joined the Board of Directors at Clariant Ltd and acted as Vice-Chairman of the Board of Directors until 16 October 2018.

¹ The election at the Annual General Meeting in 2011 was subject to the condition that Günter von Au will step down from his position as the CEO of the Management Board of Süd-Chemie AG – which he did on 31 March 2012. Günter von Au actually joined the Board of Directors of Clariant Ltd on 1 April 2012, i.e., shortly after the 2012 Clariant Annual General Meeting took place on 27 March 2012.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): none.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): four: Chairman of the Supervisory Board of Stada Arzneimittel AG, Germany; Member of the Advisory Committee of Gebr. Röchling KG, Germany; Chairman of the Board of CeramTec GmbH, Germany; Chairman of the Advisory Board of Tyczka GmbH, Germany.

Mandates according to Article 38 para. 1 lit. c): none.

5.2.3. Abdullah Mohammed Alissa, Saudi Arabian citizen

Function at Clariant: Vice-Chairman since 29 June 2020, Non-executive Member of the Board of Directors

Born: 1956

Year of first election: 2018

Independency: Independent (nominated by SABIC International Holdings B.V.)

Experience: CEO; M&A; Chemical Industry; Strategy; Operational

Professional career: Abdullah Mohammed Alissa holds a BSc in industrial engineering and an MSc in engineering management from Southern Methodist University in Dallas, USA. Abdullah Mohammed Alissa is a Member of the SABIC Board of Directors and Member of both the Audit and Investment Committees. Abdullah Mohammed Alissa, currently the Chairman of the Board of Riyadh Bank, is also the Chairman of Assila Investments Company, AMIAS Holding Co., and Abdullah Mohammed Alissa Consulting Engineers. He previously held positions of Chairman of National Medical Care Co., Chairman of Arabian Cement, and Vice-Chairman of Etihad Etisalat (Mobily), among other board memberships.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): two: Saudi Basic Industries Corporation (SABIC), Saudi Arabia; Riyadh Bank, Saudi Arabia.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): one: Assila Investments Company, Saudi Arabia.

Mandates according to Article 38 para. 1 lit. c): two: Abdullah Mohammed Alissa Consulting Engineers, Saudi Arabia; AMIAS Holding Company, Saudi Arabia.

5.2.4. Nader Ibrahim Alwehibi, Saudi Arabian citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1980

Year of first election: 2020

Independency: Independent (nominated by SABIC International Holdings B.V.)

Experience: M&A; Chemical Industry

Professional career: Nader Ibrahim Alwehibi holds a master's degree in social protection policy from Maastricht University, The Netherlands, and a bachelor's degree in insurance from Indiana State University, USA. Nader Ibrahim Alwehibi is a Member of SABIC's Board of Directors and serves on its Audit Committee and Risk and Sustainability Committee. He was the Assistant Governor for Insurance Affairs with the General Organization for Social Insurance (GOSI) of Saudi Arabia until 31 December 2021 and has been working for the Gulf Catering Company since 2 January 2022. He is also a Member of the Board of Directors, a Member of the Executive Committee, and a Member of the Nominations & Compensations Committee of Riyadh Bank. He previously served as a Member of the Board of Directors of the National Medical Care Company and a Member of the Board of Directors of Jarir Marketing Company. He

also occupied several positions at the General Organization for Social Insurance (GOSI).

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): two: Saudi Basic Industries Corporation (SABIC), Saudi Arabia; Riyadh Bank, Saudi Arabia.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): none.

Mandates according to Article 38 para. 1 lit. c): two: Mudad, Saudi Arabia; Future of Work, Saudi Arabia.

5.2.5. Calum MacLean, British citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1963

Year of first election: 2018

Independency: Independent (nominated by SABIC International Holdings B.V.)

Experience: CEO; M&A; Chemical Industry; Operational

Professional career: Calum MacLean holds a BSc (Hons) degree in chemistry from Aberdeen University, UK. Calum MacLean has been a Member of the SABIC Board (Non-executive Director) and a Member of the Risk and Sustainability Committee since 2017. He was Chief Executive Officer of Synthomer plc (UK FTSE 250 listed), a speciality chemicals company, from January 2015 until 1 November 2021. Previously, he was a founding member of INEOS Group, established in 1998. During his time at INEOS, he held a number of senior executive roles, including Chief Executive Officer of INEOS Refining from December 2006 until 2011, Chief Executive Officer of EVC Corporation and subsequently INEOS ChlorVinyls until 2005, Chief Executive Officer of INEOS Styrenics and subsequently Chairman of Styrolution (at that time a joint venture

with BASF), and Chief Executive Officer of PetroNeos Refining (a joint venture with Petro China). Additionally, he served as the Chairman and Chief Executive Officer of INEOS Olefins and Polymers Europe and Chief Executive Officer of INEOS Phenol.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): two: Saudi Basic Industries Corporation (SABIC), Saudi Arabia; Synthomer plc, UK (until 1 November 2021).

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): none.

Mandates according to Article 38 para. 1 lit. c): none.

5.2.6. Thilo Mannhardt, German citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1954

Year of first election: 2020

Independency: Independent

Experience: CEO; M&A; Chemical Industry; Operational

Professional career: Thilo Mannhardt studied aeronautical and space engineering and received a master's degree from the Technical University Berlin, Germany, where he also completed his PhD in 1985. In addition, he received a postgraduate certificate in business administration from the University of Hagen, Germany. After several years in academia and research, Thilo Mannhardt joined McKinsey & Co., Inc., in 1985. For 28 years until his retirement in 2012, he held various leadership roles in Europe, Latin America, and Africa, most recently as Senior Partner and Director. Thilo Mannhardt is a Member of the Board of Directors of Algar Telecom, leading the Audit and Risk Committee since 2017. Since 2018, he has been a Member of the Board and advisor of BMI/White Fox Management and was appointed to the newly formed

Board of C&A Brazil in 2019. In 2020, he joined the advisory council of Logus Capital Financial Advisors. He previously was in the advisory council of PE Victoria Capital. He was a Member of the Board of Directors and CEO of Ultrapar SA from 2011 until 2018.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): one: C&A Modas S.A., Brazil.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): one: Algar Telecom, Brazil.

Mandates according to Article 38 para. 1 lit. c): two: BMI Holding, Brazil; Logus Capital Financial Advisors, Brazil.

5.2.7. Geoffery Merszei, Canadian and Swiss citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1951

Year of first election: 2018

Independency: Independent (nominated by SABIC International Holdings B.V.)

Experience: CEO; CFO/Audit; M&A; Chemical Industry; Operational

Professional career: Geoffery Merszei holds a BSc in economics from Albion College in Michigan, USA. Geoffery Merszei is the Chairman and Chief Executive of Zolenz AG, an investment and advisory firm based in Zug, Switzerland. Geoffery Merszei was previously the Executive Vice President of The Dow Chemical Company, President of Dow Europe, the Middle East, and Africa, and Chairman of Dow Europe before retiring in 2013. He served on Dow's board from 2005 until 2009 and was the Lead Director on the board of Dow Corning Corporation. He was also Chairman of Dow's Geographic Leadership Council and a Member of Dow's Executive Leadership Committee. Previously, he was Dow's Executive Vice President and Chief Financial Officer. In 2001,

Geoffery Merszei served as Executive Vice President and Chief Financial Officer of Alcan Inc. He has also served as a Member of the Board of the Chemical Financial Corporation and as a trustee and Member of the Executive Committee of the United States Council for International Business.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): one: OC Oerlikon Corporation AG, Switzerland (until 13 April 2021).

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): none.

Mandates according to Article 38 para. 1 lit. c): one: Zolenz AG, Switzerland.

5.2.8. Eveline Saupper, Swiss citizen

Function at Clariant: Non-executive Member of the Board of Directors; independent Lead Director from 24 July 2019 until 7 April 2021

Born: 1958

Year of first election: 2016

Independency: Independent

Experience: M&A; Strategy

Professional career: Eveline Saupper studied law at the University of St. Gallen, Switzerland (HSG). She was a partner at the law firm Homburger AG, Zurich, Switzerland, until 2014 and Of Counsel of said law firm until March 2017. Before joining Homburger in 1985, she worked as a tax specialist with Peat Marwick Mitchell (today KPMG) in Zurich. She holds a PhD in law from the University of St. Gallen and passed her bar exams in Zurich. Eveline Saupper is also a certified tax expert.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): two: Flughafen Zürich AG, Switzerland; Georg Fischer AG, Switzerland.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): one: Stäubli Holding AG, Switzerland.

Mandates according to Article 38 para. 1 lit. c): four: Mentex Holding AG, Switzerland; UZH Foundation [University of Zurich], Switzerland; Tourismus Savognin Bivio Albula AG, Switzerland; Foundation Piz Mitgel Val Surses, Switzerland.

5.2.9. Peter Steiner, German citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1959

Year of first election: 2016

Independency: Independent

Experience: CEO; CFO/Audit; M&A; Operational

Professional career: Peter Steiner studied business administration in Mannheim and Cologne, Germany, and finished with a master's degree. He is a German certified public accountant, tax advisor, and business consultant with a focus on mergers and acquisitions, financing, and investment management. Peter Steiner was previously a partner of the investment company One Equity Partners LLC and worked for MG Technologies AG as its Chief Financial Officer. At Dyckerhoff AG, he was successively CFO, Chief Operating Officer, and finally CEO. Following his many years as an auditor with Arthur Andersen & Co., he was also CFO of Süba Bau AG.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): two: Wienerberger AG, Austria; Zeal Network SE, Germany.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): one: RKW Holding SARL, Luxembourg.

Mandates according to Article 38 para. 1 lit. c): none.

5.2.10. Claudia Suessmuth Dyckerhoff, German citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1967

Year of first election: 2016

Independency: Independent

Experience: Strategy; Operational; Innovation

Professional career: Claudia Suessmuth Dyckerhoff holds a PhD in business administration from the University of St. Gallen/University of Michigan Ann Arbor, USA, focusing on strategy, organization, and operational excellence. Claudia Suessmuth Dyckerhoff also holds an MBA from CEMS/ESADE. She joined McKinsey & Company in Switzerland in 1995 and since then focused on advising mainly healthcare companies in Europe, the United States, Greater China, and across Asia. She was a Senior Partner at McKinsey and led the Asia Health Services and Systems sector within McKinsey until March 2016, when she became a Senior External Advisor to McKinsey.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): two: Roche Holding AG, Switzerland; Ramsay Health Care (Sydney), Australia.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): three: QuEST Global Services Pte. Ltd., Singapore; Cyrcadia Ltd., Hong Kong (start-up); Edugreen Education & Services Ltd., Kolkata, India (start-up).

Mandates according to Article 38 para. 1 lit. c): six: Buurtzorg Neighborhood Care Asia Ltd., Hong Kong; University of St. Gallen, Switzerland; IMA [International Market Assessment], Shanghai, China; St. Galler Stiftung für Internationale Studien (SSIS), Switzerland; Huma Therapeutics Limited, London, UK; Kinderhilfe Kambodscha eV Aachen, Germany.

5.2.11. Susanne Wamsler, US citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1961

Year of first election: 2015

Independency: Independent

Experience: Strategy; Innovation

Professional career: Susanne Wamsler studied at Princeton University in Princeton, New Jersey, USA, graduating with a degree in political economy. From 1984 until 1988, she held various positions with Deutsche Bank AG in Munich and New York. In 1989, she received her MBA from INSEAD in Fontainebleau, France. Since then, she has been a successful entrepreneur in different fields, including retail, real estate, telecommunications, and wealth management. She complemented her education with certificates in board membership and corporate governance and has previously held mandates and officer positions in different businesses as well as nonprofit organizations before joining the Clariant Board.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association): none.

5.2.12. Konstantin Winterstein, German citizen

Function at Clariant: Non-executive Member of the Board of Directors

Born: 1969

Year of first election: 2011

Independency: Independent

Experience: CEO; Operational

Professional career: Konstantin Winterstein studied at the Technical Universities in Darmstadt and in Berlin, where he completed a degree in production engineering. In 2004, he received his MBA from INSEAD in Fontainebleau and Singapore. From 1997 until 2014, he held various positions with the BMW Group. Since 2014, he has been a Member of the Management Board of Ringmetall AG in Munich, and Co-CEO since 2017. From 2006 to 2011, he served on the Supervisory Board of Süd-Chemie AG.

Other activities: Board of Directors/Supervisory Board mandates as set forth in Article 38 para. 1 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association):

Mandates in listed companies:

Mandates according to Article 38 para. 1 lit. a): one: Ringmetall AG, Germany.

Mandates in unlisted companies:

Mandates according to Article 38 para. 1 lit. b): one: GFT Holding GmbH, Germany.

Mandates according to Article 38 para. 1 lit. c): none.

5.3. Cross-involvement

There are no cross-involvements.

6. ELECTIONS

The members of the Board of Directors of Clariant Ltd, the Chairman of the Board of Directors, as well as the members of the Compensation Committee will be elected individually for a term of one year by the Annual General Meeting. Only members of the Board of Directors are eligible to serve on the Compensation Committee.

7. INTERNAL ORGANIZATIONAL STRUCTURE

7.1. The Board of Directors and its committees

The Board of Directors consists of the Chairman, one or more Vice-Chairpersons, and the other members. Except for Hariolf Kottmann, who held the position of Executive Chairman ad interim from 24 July 2019 until 31 December 2020, none of the non-executive members of the Board of Directors held a senior management position at Clariant Ltd or any current or former Clariant Group company between 2019 and 2021 or has any significant business relationship with Clariant Ltd or any other Clariant Group company. The members of the Board of Directors constitute the following committees:

- Nomination Committee
- Compensation Committee

- Audit Committee
- Innovation and Sustainability Committee

The **Board of Directors** appoints the members of the committees, except for the members of the Compensation Committee, who are elected by the Annual General Meeting. The Board of Directors meets at least once a quarter. At the invitation of the Chairman, the CEO, the CFO, and other members of the Executive Committee and/or other employees and third parties attend the meetings of the Board of Directors for the purpose of reporting or imparting information. Each committee has a written charter outlining its duties and responsibilities. The committees' charters are published on Clariant's website (www.clariant.com/committees). The committees report on their activities and results to the Board of Directors. They prepare the business of the Board of Directors in their respective areas.

BOARD OF DIRECTORS - COMMITTEE RESPONSIBILITIES AND MEETINGS

Member of the Board of Directors	Nomination Committee	Audit Committee	Compensation Committee	Innovation and Sustainability Committee
Number of meetings in 2021	6	* 6	* 4	* 5
Hariolf Kottmann	from 16 October 2018 ■ until 7 April 2021	1		
Abdullah Mohammed Alissa	■ since 7 April 2021	6	from 16 October 2018 ■ until 7 April 2021	1
Nader Ibrahim Alwehibi			■ since 7 April 2021	4
Günter von Au	■ since 29 June 2020 ■ since 7 April 2021	5		■ since 7 April 2021
Calum MacLean	from 16 October 2018 ■ until 7 April 2021	1		■ since 7 April 2021
Thilo Mannhardt				■ since 7 April 2021
Geoffery Merszei		■ since 16 October 2018	6	
Eveline Saupper		■ since 2016	■ since 16 October 2018 ■ since 2016	4
Peter Steiner	■ since 2016	6 ■ since 2016	6	
Claudia Suessmuth Dyckerhoff			■ since 16 October 2018	4
Susanne Wamsler	■ since 7 April 2021	5	from 16 October 2018 ■ until 7 April 2021	1 ■ since 7 April 2021
Konstantin Winterstein		from 2012 until April 2016 ■ and since March 2017	6 ■ since 7 April 2021	3

■ Chairperson

■ Member

* Number of meetings attended in 2021

The **Nomination Committee** (NC) comprises the Chairman, the Vice-Chairman, and at least two other members of the Board of Directors. The NC meets as needed. The NC draws up principles for the selection of candidates for election and reelection to the Board of Directors and to the CEO and other members of the Executive Committee and prepares the corresponding recommendations. The NC considers and submits to the Board of Directors the CEO's proposals concerning candidates for Executive Committee positions.

www.clariant.com/committees

The **Compensation Committee** (CoC) comprises five members of the Board of Directors as elected by the Annual General Meeting. The majority of the members shall be non-executive members of the Board of Directors. The CoC meets at least twice a year. It reviews and proposes to the Board of Directors the compensation and benefits policies and programs, reviews the performance criteria relevant to compensation, and determines individual executive compensation and benefits of the members of the Board of Directors and the Executive Committee, subject to the approvals of the total compensations by the Annual General Meeting. Furthermore, the CoC reviews fringe benefit regulations and dismissal regulations with the CEO, members of the Executive Committee, heads of global functions and global business units, and region heads always in accordance with the Articles of Association and the Ordinance against Excessive Compensation in Listed Stock Corporations. More information can be found in the COMPENSATION REPORT 2021, section 1, and at www.clariant.com/committees.

The **Audit Committee** (AC) comprises two to five members of the Board of Directors, all of whom must be independent and non-executive members of the Board of Directors. A majority of the members of the AC must have financial and accounting experience.

The AC reviews the activities of the external auditors, their collaboration with the internal auditors, and their organizational adequacy. It also reviews the performance, compensation, and independence of the external auditors as well as the performance of the internal auditors and reports back to the Board of Directors. Furthermore, the AC reviews the company's internal control and risk management systems and reviews compliance with the law and internal regulations – in particular with the Code of Ethics. In collaboration with the Group's external and internal auditors and financial and accounting management, the AC reviews the appropriateness, effectiveness, and the compliance of accounting policies and financial controls with applicable accounting standards. The AC meets at least four times a year. The AC reviews and recommends the Group's financial statements for the first three quarters of each year and the annual financial results to the Board of Directors for approval.

www.clariant.com/committees

The **Innovation and Sustainability Committee** (ISC) comprises two to four members of the Board of Directors, ideally with professional experience in the domains of technology and innovation management, research and development, and sustainability, including climate risk management and innovation management in general.

The **Innovation and Sustainability Committee** (ISC) acts as an advisory body to the Board of Directors and the Chief Executive Officer (CEO). It supports the Board of Directors and the CEO in matters of innovation and sustainability strategy, climate risk management, growth fields, innovation processes, innovation pipeline, enabling technology platforms, relevant intellectual property (IP), and capability-related decisions. The ISC meets as often as necessary for the company's business, or upon request of any of its members, but in any case at least four times per year. The Chair of the ISC shall report regularly to the Board of Directors on the activities and findings of the ISC.

7.2. Definition of working methods and areas of responsibility

In accordance with the law and the Articles of Association, the Board of Directors is the ultimate decision-making authority for Clariant Ltd in all matters except those decisions reserved by law or the Articles of Association for the shareholders. In accordance with and supplementary to Article 716a of the Swiss Code of Obligations and Article 22 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), the Board of Directors has sole authority, particularly for the following nontransferable and inalienable duties of the Board of Directors:

- Providing the strategic direction of the Group;
- Approving the basic outline of the Group's organization and its corporate governance;
- Supervising the overall business operations;
- Evaluating the performance of the CEO and members of the Executive Committee;
- Appointing and dismissing the CEO and members of the Executive Committee, the head of Corporate Auditing, and other key executives;
- Approving the basic accounting system and financial planning and control of the Group;
- Approving the Group's annual budget;
- Reviewing and approving the quarterly financial statements and results release for Clariant Ltd and the Group;
- Approving the Group's consolidated financial statements at the end of the financial year for submission to the Annual General Meeting;
- Approval and review of ESG-related reporting;
- Approving major M&A transactions and financial transactions of considerable scope or those involving special risks, particularly capital market transactions and other financing transactions (e.g., large loans) as well as changes in conditions associated therewith;
- Ensuring a management and corporate culture that is appropriate for the company's objectives;
- Ensuring an internal control system and adequate risk and compliance management, particularly with regard to financial,



corporate governance and citizenship, personnel, and environmental protection matters;

- Ensuring succession planning and management development;
- Convening the Annual General Meeting (AGM) and determining the items on the agenda and the proposals to be made to the AGM.

7.3. Working methods

In 2021, the Board of Directors held four meetings in person (one in Switzerland and three in Germany), and eight meetings were held by video conference/phone. While nine Board meetings held in 2021 were attended by all members of the Board, in three Board meetings, one member of the Board was excused (resulting in an attendance rate of 89.4 %). The company's strategy is reviewed and further developed once a year. Members of the Executive Committee and the General Counsel are invited to attend the meetings of the Board of Directors. The views of external and internal consultants are heard, if necessary, in the case of projects of considerable scope.

BOARD OF DIRECTORS MEETINGS

Number of meetings in 2021	
Directors	12
Hariolf Kottmann	3
Abdullah Mohammed Alissa	12
Nader Alwehibi	12
Günter von Au	12
Calum MacLean	11
Thilo Mannhardt	12
Geoffery Merszei	12
Eveline Saupper	11
Peter Steiner	12
Claudia Suessmuth Dyckerhoff	12
Susanne Wamsler	12
Konstantin Winterstein	11

7.4. Management of the Group

The Board of Directors has delegated the executive management of the Clariant Group to the CEO and the other members of the Executive Committee. The Executive Committee is mainly responsible for implementing and monitoring the Group strategy, for the financial and operational management of the Group, and for the efficiency of the Group's structure and organization. The members of the Executive Committee are appointed by the Board of Directors on the recommendation of the Nomination Committee. Subject to the responsibility of the Board of Directors and the Annual General Meeting, the CEO and, under his supervision, the Executive Committee are responsible for:

- Drawing up strategic plans and policies for approval by the Board of Directors;
- Implementing Group strategies and policies as well as strategies and action programs for individual business units and subsidiaries;
- Managing the business units and functions to ensure efficient operations, including regularly assessing the achievement of goals;
- Regularly informing the Board of Directors and its committees of all matters of fundamental significance to the Group and its businesses;
- Ensuring compliance with legal requirements and internal regulations;
- Establishing a management and corporate culture in line with the company's objectives;
- Promoting an active internal and external communications policy;
- Appointing and dismissing senior management, including appropriate succession planning.

The Executive Committee is supported by the Corporate Center, which defines Group-wide policies and guidelines. While reporting in the three Business Areas Care Chemicals (Business Unit Industrial & Consumer Specialties), Catalysis (Business Unit Catalysts and Business Line Biofuels & Derivatives), and Natural Resources (Business Units Oil and Mining Services, Functional Minerals, and Additives), including the Business Unit Pigments as discontinued operation, the six business units (five business units since the closing of the divestment of the Business Unit Pigments on 3 January 2022) are the highest-level operating units within the Group. They have global responsibility for the activities assigned to them, particularly sales, marketing, product management, and production. The business units also have global responsibility for short- and long-term revenue and earnings generated from the operations and assets assigned to them. This includes fully exploiting existing business potential, identifying new business opportunities, and pursuing the active management of their products and services portfolio. The business units' activities are complemented and supported by Compliance and global Group functions (e.g., Procurement, Finance, Information Technology, Legal, Human Resources, and Group Innovation & Sustainability), which are organized as service centers.



7.5. Information and control instruments vis-à-vis the Executive Committee

The Board of Directors ensures that it receives sufficient information from the Executive Committee to perform its supervisory duties and make decisions that are reserved for the Board of Directors. The Board of Directors obtains the information required to perform its duties in various ways:

- The CEO and the CFO inform all directors regularly about current developments, including through the regular submission of written reports, such as key performance indicators for each business;
- The minutes of the meetings of the Executive Committee are made available to the directors;
- Informal meetings and teleconferences are held, as required, between the CEO and the members of the Nomination Committee;
- The members of the Executive Committee are invited to attend meetings of the Board of Directors to report on business units under their responsibility;
- The members of the Board of Directors are entitled to request information from members of the Executive Committee or any other Clariant senior manager.

7.6. Board committees

The CFO and representatives of the external auditor are invited to Audit Committee meetings. Furthermore, the heads of Corporate Auditing and Risk Management, the Group compliance officer, and Clariant's general counsel report on a regular basis to the Audit Committee. The Audit Committee reviews the financial reporting processes on behalf of the Board of Directors. For each quarterly and annual reporting of financial information, an internal team reviews the information for accuracy and completeness of disclosures, reporting to the Audit Committee before publication. The Compensation Committee generally meets at least twice per year to adjust the development of the compensation structures to changing conditions, as necessary. In this context, the long-term incentive program for the Executive Committee and the senior management team is also aligned with current market and business developments, and corresponding adjustments are made, if required.

7.7. Internal audit (Corporate Audit)

The purpose of Corporate Audit is to provide independent, objective assurance and consulting services. It assists Clariant in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and to improve the effectiveness and efficiency of the organization's governance, risk management, and controls. Corporate Audit carries out its audits in accordance with a plan reviewed and approved by the Audit Committee. Corporate Audit prepares reports on the audits it has performed and reports actual or suspected irregularities to the Audit Committee and Management. The Audit Committee regularly reviews the scope, plans, and results of Corporate Audit. The Group pursues a risk-oriented approach to auditing and coordinates internal audit activities with the external auditors. The quality of Corporate Audit is regularly assessed in accordance with the requirements of The Institute of Internal Auditors (IIA). More information on Clariant's risk management system can be found in CHAPTER 14.

8. GROUP MANAGEMENT

8.1. The Executive Committee

The Executive Committee (EC) consists of the CEO, the CFO, and two other members. The Executive Committee regularly holds meetings at the Corporate Center in Pratteln or at other Clariant sites worldwide. It uses such external meetings to discuss business performance with the management of the local companies in person.

8.2. Members of the Executive Committee

The Executive Committee comprised the following members:

8.2.1. Conrad Keijzer, Dutch citizen, Chief Executive Officer (CEO) since 1 January 2021

Operational responsibilities: Corporate Auditing (jointly with the Chairman of the Audit Committee); Group Compliance; Group Communications; Group Legal; Group Human Resources.

Conrad Keijzer graduated from Twente University of Technology with a MSc in Industrial Engineering and completed the Advanced Management Program at Harvard Business School, USA. In 1994, he started his career at AkzoNobel as a Market Development Manager. As of 1997, he moved into several general management positions

BOARD OF DIRECTORS - COMMITTEE MEETINGS

	Number of meetings	Average duration in h	CEO/CFO invited	Other attendees
Board of Directors	12	3-7	yes	Executive Committee; General Counsel; Chief Human Resources Officer
Nomination Committee	6	2-4	yes	
Audit Committee	6	3-4	yes	Auditors; Head Corporate Auditing; Head Corporate Accounting; General Counsel; Group Compliance Officer in two meetings
Compensation Committee	4	1.5-2	yes ¹	Head of Group Human Resources
Innovation and Sustainability Committee	5	3	yes	

¹ Except when discussing the remuneration of the CEO or any other member of the Executive Committee

within the chemicals and coatings business with regional responsibilities across the Americas and Asia, before he had global roles as Managing Director of various business units. From 2013 until 2018, Conrad Keijzer held the position as CEO of Performance Coatings and was a Member of the Executive Committee at AkzoNobel. From March 2018 until November 2019, he was Chief Executive Officer at Imerys S.A., where he drove the company's transformation in order to set the strategic direction for organic growth and profitability improvement.

8.2.2. Hans Bohnen, German citizen, Executive Vice President & Chief Operating Officer (COO), Member of the Executive Committee since 12 October 2018

Operational responsibilities: Business Unit Catalysts; Business Unit Industrial & Consumer Specialties; Business Line Biofuels & Derivatives; Group Procurement Services; Group Operational Excellence; and the regions Latin America and North America.

Hans Bohnen studied chemistry at the University of Duisburg-Essen, Germany, obtained a PhD in chemistry from the University of Tübingen, Germany, and holds an MBA from the Aston Business School. Hans Bohnen began his career in 1995 as a research chemist at Hoechst AG. Between 1995 and 2006, he held several senior positions in research and development and operations across Europe and North America for Hoechst AG, Celanese AG, and SGL Group.

From 2007 until 2009, he worked in strategic management consultancy with Booz Allen Hamilton. In 2010, he became Senior Vice President and Head of Clariant's Business Unit Masterbatches. In 2015, he was appointed Head of Clariant's Global Business Services to build up Clariant's internal shared service organization. On 12 October 2018, he was appointed Member of the Executive Committee of Clariant.

8.2.3. Bernd Hoegemann, German citizen, Executive Vice President & Chief Transformation Officer, Member of the Executive Committee since 1 November 2019

Operational responsibilities: Business Unit Functional Minerals; Business Unit Additives; Project Clariant 2021; Divestment of Business Unit Pigments; Corporate Planning & Strategy; Group Innovation & Sustainability; region Asia-Pacific (i.e., India, Southeast Asia & Pacific, Japan, and Greater China).

In 2006, Bernd Hoegemann received his doctorate in economics from the University of Munster, Germany, where he had also completed his master's degree in psychology. He also holds a master's degree in business administration from the University of Hagen, Germany. He began his career as a consultant in 2000 and has held several positions as a senior consultant with renowned companies. In 2008, he joined Clariant, where he was responsible for Senior Management Development. From 2012 until 2017, he headed the Clariant Excellence unit. From 2015 until 2018, Bernd Hoegemann was Head of Corporate Planning & Strategy. He was appointed Head of the Business Unit Masterbatches in 2018 and, on 1 November 2019, appointed Member of the Executive Committee of Clariant.

8.2.4. Stephan Lynen, German citizen, Executive Vice President & Chief Financial Officer (CFO), CFO and Member of the Executive Committee since 1 April 2020

Operational responsibilities: Corporate Accounting; Corporate Controlling; Corporate Mergers & Acquisitions; Corporate Tax; Corporate Treasury; Global Business Services; Group Finance Services; Group Investor Relations; Group Information Technology; and the region Europe, Middle East and Africa.

Stephan Lynen studied business administration at the University of Cologne and economics and finance at University of California, Los Angeles, USA. In 1998, he joined Clariant as a corporate internal auditor and took various leading positions in finance at our headquarters, in Turkey, and in Japan, and led several M&A projects before becoming Head of Group Controlling. From 2013 until 2014, Stephan Lynen was the General Manager of Clariant's Joint Venture Global Amines Company in Singapore. Starting in 2015, he

held the position of Head of Business Unit Industrial & Consumer Specialties for the Asia-Pacific region before starting his previous role as global Head of Business Unit Additives in 2016. On 1 April 2020, he was appointed CFO and Member of the Executive Committee of Clariant.

Other activities and functions

While the members of the Executive Committee may undertake other activities in accordance with Article 38 para. 2 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), none of the members of the Executive Committee undertake other activities or hold consultancy functions or other offices.

8.3. Management contracts with third parties

There are no management contracts with third parties.

8.4. Contractual arrangements for members of the Executive Committee

All members of the Executive Committee hold employment contracts with Clariant International Ltd, the Clariant Group's management company. The contractual provisions are governed exclusively by Swiss law. Contracts of the members of the Executive Committee are subject to a standard notice period of twelve months.

9. REMUNERATION, SHAREHOLDINGS, AND LOANS

All information on the remuneration of the Board of Directors and the Executive Committee of Clariant Ltd can be found in the COMPENSATION REPORT 2021 and in NOTE 14 of the Financial Statements of Clariant Ltd in the Financial Report 2021.

10. SHAREHOLDERS' PARTICIPATION RIGHTS

Subject to Article 6 para. 2 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), providing certain limitations on voting by nominees, each registered share entitles the holder to one vote at the Annual General Meeting. Shareholders have the right to receive dividends and such other rights as are granted by the Swiss Code of Obligations. However, only shareholders entered in the Clariant share register may exercise their voting rights.

10.1. Voting right restrictions and representation

A registered shareholder may be represented at the Annual General Meeting by another shareholder with the right to vote, by a legal representative, or by the independent proxy (unabhängiger Stimmrechtsvertreter). The shares held by any one shareholder may be represented by only one representative. There are no special rules for waiving any voting rights restrictions laid down in the Articles of Association. The Articles of Association also do not contain any rules on participation in the Annual General Meeting that differ from the standard terms proposed by law.

10.2. Statutory quorums

The quorums laid down in the Articles of Association correspond to those in Article 704 of the Swiss Code of Obligations.

10.3. Convocation of the Annual General Meeting

The Articles of Association do not contain any rules that differ from the standard terms proposed by law.

10.4. Proposal of agenda items for the 2023 Annual General Meeting

The Articles of Association do not contain any rules that differ from the standard terms proposed by law. Shareholders representing shares with a total par value of CHF 1 million have the right to submit written requests that an item be included on the agenda at least 45 days prior to the 28th Annual General Meeting on 4 April 2023. Items to be included on the agenda – with regard to the 2022 financial year – must be submitted no later than 18 February 2023. Such requests must specify the item(s) to be included on the agenda and must contain a proposal on which the shareholder requests a vote.

10.5. Entries in the share register

There are no statutory rules concerning deadlines for entry in the share register. However, for practical reasons, the share register will be closed to entries several days before a shareholder meeting. With regard to the 2023 Annual General Meeting concerning the financial year 2022, this applies as of 30 March 2023. Shareholders who have been entered into the share register by 29 March 2023 may exercise their right to vote at the Annual General Meeting on 4 April 2023. There are no voting rights restrictions except those mentioned above.

11. CHANGE OF CONTROL AND DEFENSE MEASURES

The limit beyond which the duty to make an offer applies is the same as the statutory minimum, 33 1/3%. There are no clauses on changes of control in agreements with members of the Board of Directors and the Executive Committee other than

- a) with regard to the Performance Share Units (PSUs): PSUs unvested at the date of change of control vest on a pro-rata basis. The Board of Directors is authorized, at its discretion, to assess if the performance targets are met and to decide on settlement in shares or in cash;
- b) with regard to the Matching Share Plan (MSP): The blocking period of the Investment Shares of the MSP terminates on the date of the change of control and entitles to receive Matching Shares on a pro-rata basis;
- c) with regard to the Clariant Long-Term Incentive Plan (CLIP): a pro-rata settlement in cash of the vested Performance Share Units on the assumed basis that performance targets had been achieved to 80%.

As the last vesting for the »Performance Share Units« and the »Matching Share Plan« [see a) and b) above] took place in 2021, the respective plans are completely terminated as of 31 December 2021.

12. INFORMATION POLICY

Notices are published, in accordance with Article 42 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), in the Swiss Official Gazette of Commerce. Clariant releases its annual financial results in the form of financial statements and publishes further information in the form of an Integrated Report in electronic form. In addition, business figures for the first quarter, half year, nine months, and full year are published in electronic form in April, July, October, and February of the following year, respectively. Current publication dates can be found online in English on our website (www.clariant.com/UpcomingEvents). All information pertaining to investor updates as well as presentations at analyst and investor conferences can be obtained online (www.clariant.com) or at the following address:

Clariant International Ltd, Investor Relations, Hardstrasse 61, 4133 Pratteln, Switzerland, investor-relations@clariant.com, Phone +4161469 63 73.

The results for the 2022 financial year will be published as follows:

— First Quarter Reporting	15 June 2022
— Second Quarter/First Half Year Reporting	28 July 2022
— Third Quarter/Nine Months Reporting	27 October 2022
— Fourth Quarter/Full Year Reporting	1 March 2023

12.1. The Annual General Meeting for the 2022 financial year will take place on the following date

4 April 2023

12.2. Weblinks

12.2.1. Clariant website

www.clariant.com

12.2.2. E-mail distribution list (push system)

www.clariant.com/SubscriptionForm

12.2.3. Ad hoc messages (pull system)

www.clariant.com/AdHocNews

12.2.4. Financial reports

www.clariant.com/Publications

12.2.5. Corporate calendar

www.clariant.com/UpcomingEvents

13. AUDITORS

13.1. Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers (PwC) has held the mandate since Clariant Ltd was established in 1995. The principle of rotation applies to the lead auditor, Rolf Johner, who was first appointed in April 2016. The Audit Committee ensures that the position of lead auditor is changed at least every seven years.

13.2. Auditing fees

PricewaterhouseCoopers received a fee of CHF 4.2 million for auditing the 2021 financial statements (2020: CHF 5.9 million), comprising recurring audit services of CHF 3.7 million and disposal-related audit services of CHF 0.5 million.

13.3. Additional fees

PricewaterhouseCoopers received a total fee of CHF 0.3 million for additional services in 2021 (2020: CHF 0.5 million). These services comprise audit-related services of CHF 0.1 million, tax services of CHF 0.1 million, and other services of CHF 0.1 million.

13.4. Supervisory and control instruments vis-à-vis the auditors

The Audit Committee of the Board of Directors is responsible for overseeing and evaluating the performance of the external auditors on behalf of the Board of Directors and recommends to the Board of Directors whether PwC should be proposed to the Annual General Meeting for reelection. Criteria applied for the performance assessment of PwC include technical and operational competence, independent and objective view, employment of sufficient resources, focus on areas of significant risk to Clariant, ability to provide effective and practical recommendations, and open and effective communication and coordination with the Audit Committee, Corporate Auditing, and Management. In 2021, six of the seven meetings were held jointly with the external auditor's representatives. These meetings were attended by members of the Audit Committee, the partner and senior manager of the audit firm, Clariant's CFO, the head of Corporate Accounting, the head of Corporate Auditing, the general counsel, and partly the Group compliance officer. Depending on the topics to be discussed, the meetings were also attended by the Group Risk Manager. The auditors communicate audit plans and findings to the Audit Committee and issue reports to the Board of Directors in accordance with Article 728b of the Swiss Code of Obligations. The Audit Committee's approval is required for all services provided by PwC exceeding a fee volume of CHF 25 000. These services may include audit and audit-related services as well as tax and other services. PwC and the Executive Committee report to the Audit Committee on a regular basis regarding the extent of services provided in connection with this approval.

14. ENTERPRISE RISK MANAGEMENT (ERM)

Within the framework of the Enterprise Risk Management Policy, risk assessments are prepared by business units, service units, and corporate functions to assess threats that will impact the achievement of the objectives set for Clariant overall. These objectives are a result of the overall strategy of the Group as set by the Board of Directors and implemented by the Executive Committee.

The Executive Committee is responsible for monitoring the risk assessments for relevance and consistency. The Executive Committee has formed an »Ethics and Risk Management« subcommittee, which maintains an up-to-date understanding of areas where Clariant is, or may be, exposed to ethics- and integrity-related as well as antitrust risk issues, providing assurance to the Board of Directors that Management is effectively addressing those issues.

The short- and long-term objectives are set in the fourth quarter of the year. These objectives and threats are subject to scrutiny by the Executive Committee during meetings with each business unit. Also reviewed and discussed are proposed measures to reduce or contain threats. In that context, responsibilities are assigned. All stakeholders are required to report significant changes to existing identified risks and new threats as they arise.

Risk registers are maintained using financial and reputational impact and probability assessments to score and rank all identified risks. The assessment also addresses the measures in place to manage the risk identified and sets dates for completion of the measures.

When threats have been identified and quantified, they are delegated to qualified individuals who are required to deliver effective risk management. Depending on the nature of the risk identified, specific skill sets may be required for the management of those particular risks.

A summary risk assessment is submitted annually to the Executive Committee, the Audit Committee, and the Board of Directors for review. In the case of new or changed risks, reporting is accelerated.

To support functional responsibility, certain functions have access to risk assessments to assist them in their roles. Examples of such functions are Environmental Safety & Health Affairs (ESHA) to identify key sites for their property risk survey program and Group Procurement to ensure reliable and compliant supply of raw materials.

Examples of identified risks included in the risk register:

Regulation and compliance: Clariant is subject to many rules and regulations as well as compliance standards. These include chemical industry, country, government, and customer requirements as well as the European Union's (EU) Regulation on the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) or similar regulations in other countries. The function Global Product Stewardship is responsible for ensuring that all relevant legal requirements are met. Certain specific matters are delegated to other functions.

Sites and locations: This includes manufacturing plants and equipment important for the production of Clariant products for sale to customers. Also addressed are country and culture issues that could create threats to and opportunities for business objectives. The aim is to maintain high-quality and safe production

facilities. ESHA and regional services are responsible for the management of the associated risks.

Examples of **emerging risks** included in the risk register:

Supply Chain Reliability: The achievement of targets depends on the reliability of the supply chain. The purchase of raw materials may be impaired due to the unavailability of respective products, required energy, or corresponding means of transportation. Similarly, our customers may be affected by the unavailability of certain input materials outside the range of chemical products, limiting their production and, thus, Clariant's sales opportunities. Clariant responds to these challenges with market intelligence to identify potential constraints at an early stage and in close cooperation with our business partners.

Sustainability transformation: Demand for sustainable products is clearly increasing, which opens up business opportunities. Nonavailability of sustainable offerings represents a market disadvantage.

Clariant is responding with the new organizational unit Group Innovation & Sustainability, which combines various resources to accelerate the sustainability transformation.

Digital interconnection: Successful performance of the Clariant Group depends on properly working information systems. Cyberattacks may result in the loss of business and personal data, knowledge, facilities, or money, leading to interruptions in manufacturing and product deliveries. Such attacks might cause significant economic damages as well as loss of trust. Clariant is responding to the increased cyber risk with a reinforced security operations center, state-of-the-art software, and frequent awareness campaigns and training.

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Switzerland

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2021

Compensation Report

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The Integrated Report consists of five reports that covers important aspects of our business. They can be read in conjunction with each other. Together, the reports provide a full picture of our ability to create long-term value.

Letter to Stakeholders

Dear Stakeholders,

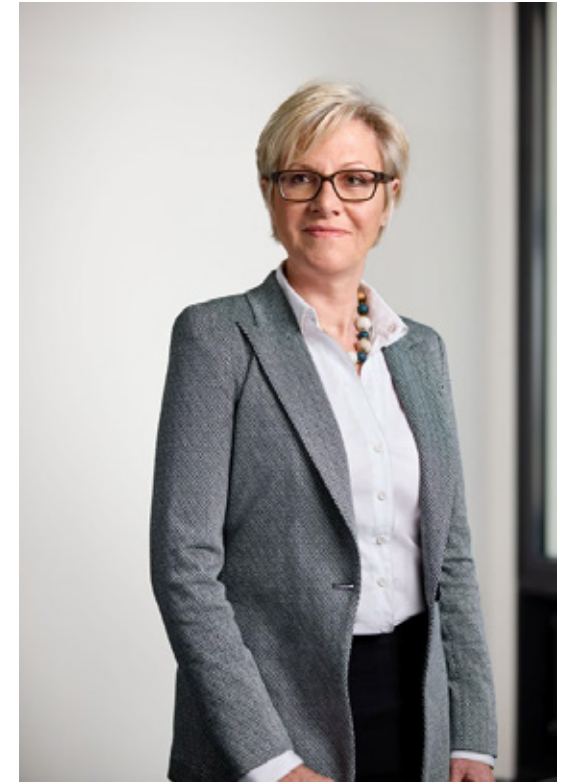
The year 2021 has been another challenging year due to the COVID-19 global pandemic. In spite of this, Clariant was able to live up to its aspiration to be the globally leading company for specialty chemicals and to deliver a strong set of results in 2021, showing increased sales volumes and profitability. The Compensation Committee has worked to support this vision through the lens of compensation, and I am pleased to present the Compensation Report 2021, in which you will find information on the compensation outcomes and key decisions taken in 2021.

2021 PERFORMANCE

For the second consecutive year, the global business environment was impacted by the coronavirus pandemic. Nevertheless, thanks to the strong motivation and dedication of our employees, their customer focus, as well as the organization's efforts to deliver on efficiency programs, Clariant managed to perform successfully in this highly challenging market environment. The Compensation Report outlines how these results impacted the variable incentive payments made to the members of Executive Management under the various compensation plans.

COMPENSATION COMMITTEE ACTIVITIES

The Compensation Committee met four times and passed two decisions by circular resolution during 2021. It closely monitored market developments, company and employee needs, as well as the expectations of shareholders and other external stakeholders. Its activities focused on reviewing and defining changes to Clariant's Long-term Incentive Plan (CLIP). Apart from that, the Compensation Committee performed its regular activities throughout the year. These included, for instance, determining CLIP targets for the 2021 grant, signing off on the fair market value of Performance Share Units (PSUs) under the CLIP, reviewing the vesting conditions under the Performance Share Unit Plan 2018 grant, and preparing the Compensation Report and the say-on-pay votes at the Annual General Meeting.





CHANGES TO THE COMPENSATION SYSTEM IN THE REPORTING YEAR

Following an extensive review of the CEO and EC compensation structure, the Compensation Committee decided to reduce the overall remuneration for the CEO and EC members. In addition, the pay mix was adjusted to strengthen the focus on long-term value creation. These changes have been in effect since 1 January 2021. To further underline Clariant's commitment to sustainability, a Sustainability-related KPI was added to the Group Management Bonus Plan as a top priority, replacing the former Productivity KPI.

OUTLOOK ON CHANGES TO THE COMPENSATION SYSTEM

To further align the compensation design with the business strategy and the stakeholders' interest, the Compensation Committee agreed to review Clariant's Long-Term Incentive Plan (CLIP) in connection with the next grant in April 2022 and to introduce two ESG-related KPIs for the CLIP. These KPIs were chosen to recognize the company's commitment to Sustainability and Employee Engagement as part of Clariant's strategy and purpose. Further details on the CLIP changes are provided later in this report.

In 2022, the Compensation Committee will review the Short-Term Incentive Plans with potential changes to be introduced for the 2023 performance period.

BINDING/NONBINDING VOTES AT THE ANNUAL GENERAL MEETING 2021

The Compensation Committee proactively considers stakeholders' expectations in Clariant's compensation framework. Shareholders' support at the Annual General Meeting 2021 for Clariant's compensation framework remained strong. Clariant's shareholders approved all compensation-related motions, and the Compensation Report 2020 received a high approval rate in the consultative vote. These positive voting outcomes show that the company's active dialogue with investors is fruitful, and that shareholders endorse the company's compensation system. We would like to thank the investors for their continued trust and support.

Looking ahead, we will continue to assess and review our compensation programs to ensure that they are still fulfilling their purpose in the evolving context in which the company operates, and that they are aligned with the interests of our stakeholders. We will also continue to maintain an open dialogue with our stakeholders and their representatives. We would like to thank you for sharing your perspectives on executive compensation with us, and trust that you will find this report informative.

Sincerely,

A handwritten signature in dark ink, appearing to read 'E. Saupper'.

Eveline Saupper
Chair Compensation Committee

Clariant's compensation policy is aimed at supporting the ambition of Clariant to be an employer of choice and strives to attract, motivate, and retain committed employees.

The purpose of this Compensation Report is to provide a comprehensive overview of Clariant's compensation concept and programs. In addition, it includes the compensation levels of the Board of Directors and the Executive Committee (EC); accordingly, some information given in the Financial Report 2021 (NOTE 14) is repeated here.

1. MEMBERS AND RESPONSIBILITIES OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

During the 2021 reporting year, the Compensation Committee (CoC) comprised four non-executive members of the Board of Directors (BoD): Eveline Saupper (Chairwoman), Nader Ibrahim Alwehibi, Claudia Suessmuth Dyckerhoff, and Konstantin Winterstein. The Chairman of the Board is a regular guest in the CoC.

The Corporate Secretary acts as Secretary to the CoC. The Chief Human Resources Officer is a regular guest to share information and consult on relevant topics. The Chairwoman of the CoC may invite the Chief Executive Officer (CEO) to discussions on individual agenda items for consultation, taking into account potential conflicts of interest that would oblige the CEO to abstain.

If necessary, external remuneration advisors are asked to join the committee meetings.

The roles and responsibilities of the CoC are defined in paragraph 3.2.2 of the Bylaws of the Board of Directors of Clariant from 7 April 2021 (www.clariant.com/en/company/Corporate-Governance/Articles-of-Association) in combination with paragraphs 3 and 5 of the Compensation Committee Charter from 1 April 2019 (www.clariant.com/en/Company/Corporate-Governance/Committees):

The CoC reviews and proposes – subject to the approval of the total compensation by the General Meeting – the individual compensation for members of the BoD, the CEO, and members of the EC to the BoD for approval. It approves employment contracts, including agreements governing departures and termination of the CEO and members of the EC. The CoC takes note of appointments of heads of global business units, heads of business services units, and heads of regions, and regularly reviews and approves their compensation. Furthermore, upon proposal by the CEO, the CoC reviews and approves any early retirement agreements for the members of the EC, the heads of global business units, and heads of business services units.

The CoC reviews compensation market data and competitor benchmark data to ensure Clariant's competitiveness to attract and retain key people needed to ensure long-term success of the business. It reviews and approves general global compensation and benefits policies, including Short-Term and Long-Term Incentive Plans, and defines the overall Group targets on which they depend, as well as the attainment levels of these targets (upon proposal by the CEO/Chairman). Additionally, the CoC defines guidelines for determining the compensation of the members of the management committees of the business units and service units.

Finally, the CoC prepares the Compensation Report for the BoD and reviews any other mandatory public disclosure statements on compensation and benefits.

The CoC must meet at least twice a year; however, it is regular practice to hold three meetings:

February: Determination of bonus payments for members of the EC, determination of BoD and EC budgets for the upcoming (mandatory) year; determination of the Short-Term Incentive (STI) and Long-Term Incentive (LTI) targets

June: Fundamental matters concerning the Group's Human Resources priorities

December: Preparation of the Compensation Report, planning of compensation changes in the following year; approval of the EC compensation for the following year

The CoC also meets as needed. In 2021, the CoC met four times and held several telephone conferences.

2. COMPENSATION CONCEPT

To support the attraction, motivation, and retention of qualified and committed employees throughout the organization, Clariant's remuneration policy is based on the following main principles:

- Alignment with Business Strategy: Remuneration components are designed to support the execution of Clariant's Business Strategy.
- Competitiveness: Clariant conducts regular benchmarking studies to ensure compensation levels are in line with market practices.
- Compliance: Clariant's compensation practices always follow local regulations, such as laws and collective union agreements.
- Internal Fairness: The compensation policy and practices ensure consistency and a fair treatment of employees working for Clariant.
- Performance-based Pay: Clariant's remuneration components incentivize business and individual performance.
- Transparency: Remuneration components are made transparent to the individual and the organization.

In order to uphold these principles, the Compensation Committee analyzes and discusses market developments at regular intervals and considers the implications of these developments for Clariant. The Articles of Association (Art. 26 ss; www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association) of Clariant Ltd therefore reflect Clariant's commitment to market practice.

3. COVID-19 MITIGATION MEASURES

Clariant introduced several measures throughout the unprecedented times in 2020 to reduce costs where growth will be more limited due to COVID-19. Those measures, which included, for example, reducing overtime and the use of time accounts and vacation time, continued in 2021. However, employees benefited again from a merit increase in 2021 after it was suspended in 2020.

4. REMUNERATION STRUCTURE FOR MANAGEMENT

The total remuneration structure is highly performance- and success-oriented to ensure that shareholder and management interests are aligned. As part of Clariant's remuneration philosophy, performance-based Short-Term and Long-Term Incentives in relation to total compensation increase with increasing responsibility/ management level (see exhibit Global Pay Mix FIGURE 001). While Long-Term and Short-Term Incentives are based on Group Performance Indicators only (details are disclosed in CHAPTER 5), individual performance – measured through a consistent, global Performance Management System – is a determining factor in career development and the annual salary review process. Within the Global Performance Management System, each manager's or employee's performance is assessed and discussed on a yearly basis. Clariant has practiced a calibration process of individual performance ratings for all management levels since 2017. In 2021, Clariant held calibration sessions covering over 90% of the population participating in the performance management process. In conjunction with other factors, such as internal and external market conditions, this results in transparent and consistent salary decisions. In general, Clariant applies a four-eyes principle, which includes involving the line manager and the next-level supervisor, in addition to obtaining guidance from global or local Human Resources professionals.

001 GLOBAL PAY MIX (RELATIVE STRUCTURE) IN % OF TOTAL COMPENSATION

CEO	30	33	38
EC	32	34	34
ML 1	42	33	25
ML 2	47	30	23
ML 3	53	26	21
ML 4	65	26	9

□ Base Salary □ Short-Term Incentives (STI) □ Long-Term Incentives (LTI)
ML: Management Level

The total compensation for the Chief Executive Officer (CEO) and the members of the Executive Committee (EC) was reviewed during the year 2020. The remuneration levels and structure were compared against a peer group of twelve companies within the chemical industry headquartered in Europe. The review led to the decision to reduce the overall remuneration level for the newly appointed CEO and the EC members as well as to amend the pay-mix structure, focusing on STI and LTI. The changes became effective 1 January 2021.

5. OVERVIEW OF EXISTING INCENTIVE PLANS

The key principles for Clariant's Short-Term Incentives (STIs) and Long-Term Incentives (LTIs) are to reduce complexity, increase transparency, and ensure a coordinated and unified »One Clariant« approach throughout all employee groups and countries. Therefore, success, in terms of bonus payouts, will generally be measured only based on relevant financial Group Performance Indicators (GPIs). Only if Clariant is successful, profits can be shared with employees.

The following variable compensation programs are currently in place for Clariant:

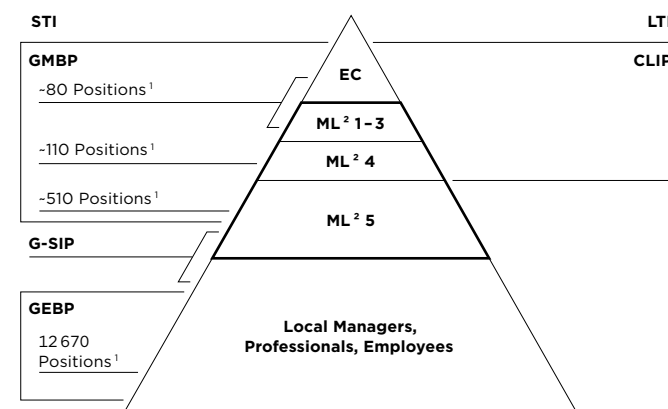
STI: Short-Term Incentive Plans (cash bonus)

- Group Management Bonus Plan (GMBP) – started in 2010
- Group Employee Bonus Plan (GEBP) – started in 2010/2011
- Global Sales Incentive Plan (G-SIP) – started in 2011

LTI: Long-Term Incentive Plans (equity-linked incentives)

- Performance Share Unit (PSU) Plan – started in 2013, last grant in 2018
- Group Senior Management – Long-Term Incentive Plan (GSM-LTIP or Matching Share Plan) – started in 2010, last grant in 2018 (for 2017)
- Clariant Long-Term Incentive Plan (CLIP) – started in 2019
- Restricted shares for the Board of Directors – started in 2012

002 CLARIANT INCENTIVE SCHEME LANDSCAPE

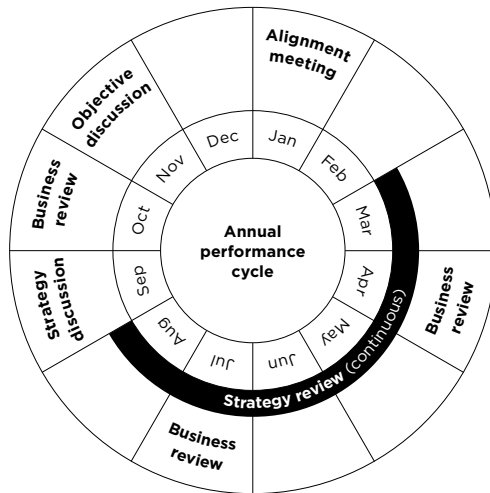


¹ Number of positions as of 31 December 2021

² ML: Management Level

The **Performance Cycle of Clariant** is based on a 12-month rotation, which starts in November each year with objective discussions focusing on the next business year. Group Performance Indicators (GPIs), top priorities, and related projects are included. In January, alignment meetings take place with key leaders of the company in order to cascade GPI objectives and priorities for the new year.

003 ANNUAL PERFORMANCE CYCLE



5.1. Short-Term Incentive Plans (cash bonus)

a) The Group Management Bonus Plan (GMBP) is anchored in the overall Performance Cycle at Clariant. Through intensive discussions and systematic alignment meetings, this cycle ensures a challenging business-specific target agreement for each business unit (BU) and service unit (SU).

The individual amount of bonus payments generated in a year is determined by the achieved result of the Clariant Group measured against defined objectives. The achievement is calculated by means of three elements: financial result of the Group, financial results of the BUs or SUs, and defined top priorities (GPIs and strategic projects). → TABLE GROUP MANAGEMENT BONUS PLAN (GMBP) 2021

As Clariant Performance Cycle agreements with each BU lead to challenging business-specific target settings, the maximum bonus payout is explicitly capped at 100 % (= target). The target settings for 2021 were defined in the fourth quarter of 2020. As outlined in the remuneration structure (→ SEE PARAGRAPH 4), Clariant offers a good mix between fixed and variable compensation, thus ensuring overall competitive compensation positioning compared with other companies.

The annual evaluation of the achievement of objectives, as well as the allocation of funds for the GMBP, is conducted by the CoC in February, following the respective financial year, and approved by the Board of Directors. This system ensures that the bonus payments granted to employees are closely aligned with the Group's overall results. The exact actual targets are not being disclosed, as these are considered commercially sensitive.

GROUP MANAGEMENT BONUS PLAN (GMBP) 2021

	Corporate	Continuing Operations ¹	BFD	Services	Discontinued Operations ²
Performance indicators and weighting					
Group Achievement	50%	10%	10%	10%	10%
	ROIC 25%	ROIC 5%	ROIC 5%	ROIC 5%	ROIC 5%
	Operating Cash Flow 25%	Operating Cash Flow 5%	Operating Cash Flow 5%	Operating Cash Flow 5%	Operating Cash Flow 5%
Financial Achievement BU/Services	30%	70%	70%	70%	70%
	Cont. BU's average achievements	EBITDA 20%	BFD cost 40%	Service Unit costs 35%	EBITDA 10%
		BU Cash Flow 30%	EBITDA 15%	Cont. BU's average achievements 35%	BU Cash Flow 50%
	(EBITDA, BU CF, LC Growth)	LC Growth 20%	BU Cash Flow 15%	(EBITDA, BU CF, LC Growth)	LC Growth 10%
Top Priorities	20%	20%	20%	20%	20%
	Sustainability	Sustainability	Sustainability	Sustainability	Operational Excellence
	CLNX Benefits	CLNX Benefits	CLNX Benefits		
	Innovation Sales & COMA%	Innovation Sales & COMA%	Innovation Sales & COMA%	Innovation Sales & COMA%	Quantum implementation target
				Define roadmap to achieve 2022 SU cost target	Inventory target
	LTAR/DART	LTAR/DART	LTAR/DART	LTAR/DART	LTAR/DART
Achievements					
Group Achievement					100%
Financial Achievement BU/Services ³					66-100%
Top Priorities					75-100%
Bonus payout					51.7-100% (EC: 90.3%)

¹ Continuing operations are BUs Industrial & Consumer Specialties, Catalysts, Additives, Functional Minerals, Oil & Mining Services.

² Discontinued operations is BU Pigments.

³ Continuing operations

Legend: BU = Business Unit ; CLNX = Clariant Excellence; COMA = Contribution Margin; DART = Days Away from work, Job Restriction or Job Transfer; EBITDA = Earnings Before Interest, Taxes, Deprecation, and Amortization; LC = Local Currency; LTAR = Lost-time Accident Rate; Productivity = Personnel cost / sales; ROIC = Return on Invested Capital

GMBP - Key Changes 2021

Top Priorities: For GMBP 2021, Productivity was replaced by a Sustainability KPI (Key Performance Indicator) focusing on Scope 1, Scope 2, and Scope 3 reduction. The Inventory Target was eliminated from the KPIs, allowing for higher weightings of the remaining KPIs. For Discontinued Operations, the CLNX Benefits KPI was replaced by the results of an internal optimization project while keeping the Inventory target as a KPI.

The GMBP will remain largely unchanged, especially for Corporate and Continuing Businesses. Changes are made to the KPIs for BFD, eliminating the Cost KPI and increasing the weighting for EBITDA and Cash Flow to 35 % each. From the Sustainability KPI, Scope 1 and Scope 2 were removed, as these are now reflected in

the Clariant Long-Term Incentive Plan (please see respective paragraph in this report). In addition, Top Priorities for Services will include a CLNX Benefits KPI instead of the cost roadmap. Finally, the LTAR is removed from the 2022 GMBP.

The GMBP will be reviewed in detail during 2022 to assess a further alignment of KPIs (and weighting) to Clariant's strategy and performance culture. These potential changes would not be implemented until the 2023 performance period.

b) Cash bonus for nonmanagement levels: The Group Employee Bonus Plan (GEBP) represents a globally aligned and standardized bonus plan for all legal entities around the world. In general (where legally compliant and possible), all legal entities will apply the global Group Achievement or a combination of Group Achievement and local Top Priorities as the bonus payout. The maximum bonus payout is capped at 100 % (= target). Some countries in Asia and Latin America reward part of the GEBP for blue-collar employees in the form of a local productivity scheme to improve site/plant performance. Since 2017, employees in the Clariant Shared Service Centers have received 50 % of their GEBP in the form of a »Global Business Services – Shared Service Center Bonus Plan (GBS-SSC)« to offer a competitive incentive focused on quality and productivity.

c) Cash bonus for the sales force: The **Global Sales Incentive Plan (G-SIP)** aims to incentivize premier sales performance and growth by focusing on the individual sales performance and underlying Key Performance Indicators in the areas of sales, margin, and trade receivables. Each objective is weighted and can be monitored using existing reporting systems. Thus, the direct impact of individual success on payout can be easily tracked. In 2011, the global rollout started, and in 2021, approximately 720 employees were included worldwide. Employees can participate only in one global bonus plan (G-SIP or GMBP/GEBP).

5.2. Long-Term Incentive Plans (equity-linked incentive)

Clariant offers equity-based compensation for approximately 200 senior managers worldwide (EC and ML 1–4).

a) **The Performance Share Unit (PSU) Plan** was introduced in 2013 and was last granted in 2018. Its key objective was a strong commitment to higher profitability for Clariant and therefore the achievement of strategic targets. The PSU Plan expired in 2021 and has been replaced by the CLIP (see below).

Clariant's PSU Plan has a three-year vesting period. The vesting is conditional upon achievement of the performance target (checked after three years). The relevant underlying Key Performance Indicator is EBITDA (before exceptional items) in percentage of sales, and the performance target is to be at or above the median of a defined peer group. If vesting and performance targets are achieved, one PSU will be converted to one Clariant share. For PSUs granted in 2018, the performance criteria were checked in summer 2021. The comparison with the peer group revealed that Clariant met the relevant performance hurdle (the median of the group); therefore, the PSUs for all participants vested in September 2021.

PSU participation was limited to the Executive Committee and selected senior managers of ML 1–4 (approximately 1.4% of employees). Eligible participants received a fixed number of PSUs in accordance with an underlying share price defined over a ten-day trading period.

If an employee left Clariant before the vesting period (three years) expired, all rights to shares that had not yet been transferred at that point in time became invalid. In the event of retirement, disability, or death of the participant, the employee (or the estate and/or heirs of the participant in the event of death) received an immediate vesting on a pro-rata basis in accordance with published regulations. The vested PSUs remained subject to the performance condition and were allocated only at the end of the vesting period in the event that the performance condition was met.

In the event that a participant had substantially contributed to a financial loss, issues resulting in restatement of financial results, reputational damage, or substantial breach of legal or regulatory requirements, including internal policies, the Board of Directors could decide to cancel any outstanding PSUs.

b) **Group Senior Management – Long-Term Incentive Plan (GSM-LTIP) = Matching Share Plan** The Matching Share Plan was started in 2010 and granted for the last time in 2018 for the year 2017. It required a personal investment in Clariant shares and fostered the commitment of key managers (EC and ML 1–3) to the long-term success of Clariant. Under this plan, senior managers had to invest 20% of their annual cash bonus (GMBP) in Clariant shares (= investment shares). Thus, this plan supported senior managers in meeting their requirement to permanently hold a minimum of 20 000 and up to 100 000 shares, depending on their management level. New participants had six years to fulfill the required investment thresholds.

The investment shares were blocked and held in a custody account for a period of three years. At the end of the blocking period, the participant was entitled to obtain for each investment share an additional share free of charge (= matching share). This matching was subject to the condition of continued employment with Clariant throughout the blocking period. In the event of termination of employment before the end of the blocking period, the right to receive Matching Shares lapsed. In the event of retirement, disability, or death, a cash amount was paid instead, equal to the pro rata temporis portion (considering employment during the blocking period). Matching shares under this plan were distributed for the last time in 2021.

The senior managers who did not participate in this plan, or did not invest according to the plan regulations, had their target cash bonus (GMBP) decreased by 50% and forfeited the eligibility to participate in any Long-Term Incentive Programs (including the PSU Plan) for the following bonus year.

c) **Clariant Long-Term Incentive Plan (CLIP)** In 2018, the Compensation Committee had decided to amend the Long-Term Incentive Plans for senior management starting in 2019 to better reflect Clariant's strategic targets and to ensure a competitive remuneration package to senior managers reflecting market best practices. Based on intensive benchmarking, the new plan was designed. This revised Long-Term Incentive Plan aims to provide a closer alignment of underlying Key Performance Indicators with the shareholder perspective and to represent an attractive and competitive incentive for Senior Management.

The CLIP was granted for the third time in April 2021. Participation in the CLIP is limited to the Executive Committee and senior managers of ML 1–4 (approximately 1.4% of employees).

The CLIP represents an equity-based award in the form of Performance Share Units with a three-year vesting period. The CLIP grant per individual is defined as a fixed percentage of the annual base salary for management levels ML 1–4 and as a fixed amount for EC members.

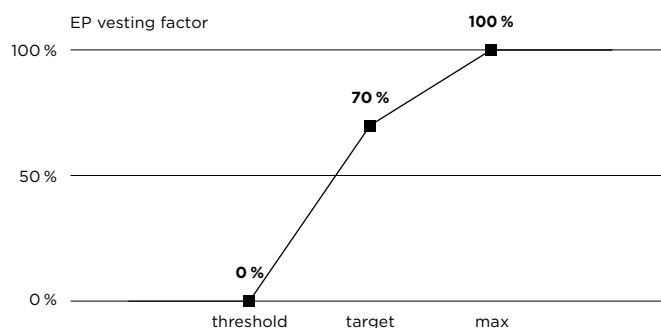
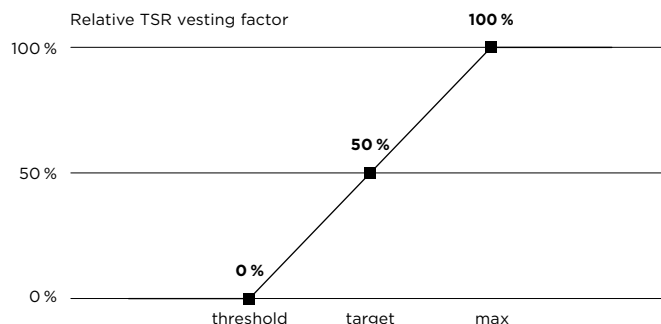
→ FIGURE 001

→ TABLE REMUNERATION STRUCTURE OF THE CLARIANT EXECUTIVE COMMITTEE

Relative Total Shareholder Return (rTSR) and Economic Profit (EP) have been selected as underlying and equally weighted Key Performance Indicators (weighted at 50 % each). The number of PSUs is determined by dividing the individual grant value by the Fair Market Value of a PSU at the grant date. In accordance with the Accounting Standards Codification, the Monte Carlo valuation methodology is applied to determine the grant date Fair Market Value to measure the performance of the rTSR component. To calculate the Economic Profit component, the market value of Clariant shares at the grant date is adjusted by the present value of future dividends. The vesting is conditional upon achievement of defined performance targets. Vesting will only occur if at least a threshold performance level as defined by the Board of Directors has been achieved. Vesting can take place at any level between 0% and 100% of the granted PSU volume. The Key Performance Indicators are measured independently.

The CLIP 2019 grant will vest in April 2022. The threshold for the rTSR KPI was not met, resulting in a vesting factor of 0 % for this KPI. The vesting factor for the EP KPI was 72 %. This results in an overall vesting factor for the CLIP 2019 grant of 36 %.

004 RELATIVE TSR/EP VESTING CURVE



At vesting, each PSU is converted into one Clariant share. At vesting, the number of PSUs that vest for a participant is calculated by multiplying the number of the granted PSUs with the Overall Vesting Factor, rounded up to the next whole share.

Should an employee voluntarily leave Clariant before the vesting period (three years) expires, all rights to shares that have not yet been transferred at that point in time become invalid. In the event of retirement, the unvested PSUs will be pro-rated and remain subject to the performance condition. The PSUs will be allocated to the participants only at the end of the vesting period. In the event of disability or death of the participant, the employee (or the estate and/or heirs of the participant in the event of death) will receive an immediate vesting on a pro-rata basis. The vested PSUs will be released from the performance condition and will be settled in cash.

In the event that a participant has substantially contributed to a financial loss, issues resulting in restatement of financial results, reputational damage, or substantial breach of legal or regulatory requirements, including internal policies, the Board of Directors can decide to cancel any outstanding PSUs.

Participation in CLIP is tied to share ownership targets that have to be achieved within five years:

- CEO: 150 000 shares
- EC: 80 000 shares
- ML 1–4: up to 30 000 shares, depending on management level

In 2021, the Compensation Committee decided to introduce changes to the CLIP program for the grant in April 2022. These changes follow a process of analysis and consultation with external remuneration experts. Based on these insights, the changes are in alignment with practices in the Swiss market and among peer group companies.

While the relative Total Shareholder Return will remain as one of the KPIs, the Economic Profit will be replaced by EBITDA margin, thus strengthening the tie to the financial strategy. In addition to the two financial KPIs, two ESG-related KPIs will be introduced: A CO₂ reduction target to underline Clariant's commitment to Sustainability and a target on the improvement of the Employee Net Promoter Score (eNPS) to support the ambition to become a top employer in the chemical industry. With the addition of the two non-financial KPIs, the respective KPI weighting will be the following:

- Relative TSR: 33 %
- EBITDA margin: 33 %
- CO₂ reduction: 17 %
- eNPS: 17 %

The exact targets are not being disclosed as these are considered commercially sensitive. Vesting can take place between 0 % and 200 %. Thresholds for each KPI were determined to be achievable, the targets to be ambitious and the maximum to incentivize and reward highest performance levels. Finally, the determination of PSUs will be changed from a fair value approach to considering the average share price of the last 30 trading days prior to the grant date. Ultimately, the changes to the CLIP aim toward a closer alignment with Clariant's long-term strategy and a stronger performance culture.

d) Restricted shares for the Board of Directors The share plan, introduced in 2012, allocates shares of Clariant Ltd to members of the Board of Directors. Board members will receive a fixed portion of the annual fee allocated in the form of shares subject to a blocking period («Restricted Shares»). The blocking period is three years from the date they are allocated. From the first business day after the blocking period, the member of the Board of Directors may freely dispose of and trade these shares without any further restrictions (legal restrictions will remain applicable). The allocation is made once a year, at the end of the mandate year, four weeks prior to the Annual General Meeting (AGM).

The value of a grant is determined by the role and responsibility.
→ PARAGRAPH 6

6. STRUCTURE OF COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS

The compensation structure for members of the Board of Directors follows the compensation concept outlined in the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association) of Clariant Ltd from 1 April 2019.

According to Art. 26, remuneration of members of the Board of Directors consists of the following components:

- a) Annual basic fee (Honorarium)
- b) Committee membership fees
- c) Share-based remuneration

The following graphs illustrate the relative structure and absolute value of the three components for 2021.

ANNUAL COMPENSATION OF THE BOARD OF DIRECTORS (STRUCTURAL OVERVIEW ONLY) IN CHF

	Chairman of the Board	Vice- Chairman of the Board	Member of the Board of Directors	Total 2021 ¹	Total 2020
Cash compensation					
Honorarium ¹	450 000	180 000	150 000	1 980 000	2 130 000
Committee fee ¹	According to individual activity (see table below)			540 000	430 000
Social contribution					
Relevant amount	According to individual situation ²				
Shares					
Value (at grant) ³	300 000	120 000	100 000	1 320 000	1 420 000

¹ The Honorarium and fees are paid in cash in equal parts in March and September.

² For actual details for 2021, see table Annual Compensation 2021 – Emoluments to Members of the Board of Directors.

³ Shares will be granted at the end of the mandate year.



005 **RELATIVE STRUCTURE OF ACTUAL TOTAL COMPENSATION 2021 (BOARD OF DIRECTORS)** IN %

Chairman of the Board of Directors	60	40
Vice-Chairman of the Board of Directors	55	9 36
Member of the Board of Directors	54	10 36

☐ Honorarium ☐ Committee fee: Activity-based (assumption for members is minimum = CHF 30 000) ☐ Shares (value at grant)

The Chairman of the Board is not entitled to receive committee fees when serving as a member of a committee.

All members of the Board of Directors are asked to build up defined minimum shareholding requirements within three years from becoming a member of the Board.

The shareholder requirements are:

- Chairman of the Board of Directors: 30 000 shares
- Vice-Chairman of the Board of Directors: 15 000 shares
- Members of the Board of Directors: 12 000 shares

COMMITTEE FEES IN CHF PER MANDATE YEAR

	Chair	Member
Nomination Committee	50 000	30 000
Audit Committee	80 000	40 000
Compensation Committee	50 000	30 000
Innovation and Sustainability Committee	50 000	30 000

In order to fulfill the reporting needs outlined in the Ordinance against Excessive Compensation (OaEC), the relevant Fair Market Value (FMV) figures as earned by the Board of Directors members for the calendar year are disclosed in the following audited table.

2021 ANNUAL COMPENSATION - EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) IN CHF

	Günter von Au ¹	Abdullah Mohammed Alissa	Hariolf Kottmann ²	Calum MacLean	Geoffery Merszei	Eveline Saupper	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winterstein	Nader Alwehibi	Thilo Mannhardt	Totals 2021
Cash compensation													
Honorarium	375 000	180 000	112 500	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	2 017 500
Additional compensation						24 224 ³							24 224
Committee fee	7 500	30 000	⁴	30 000	40 000	90 000	110 000	30 000	52 500	62 500	22 500	37 500	512 500
Social contribution													
Relevant amount	25 185	20 391	31 151	38 382	13 601	27 171		19 605	20 668		17 053	168 463 ⁵	381 670
Shares													
Fair market value (FMV)	250 000	120 000	75 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	1 345 000
Total 2021 (Fair market value 2021)	657 685	350 391	218 651	318 382	303 601	391 395	360 000	299 605	323 168	312 500	289 553	455 963	4 280 894

¹ Regular Board member until AGM April 2021. Chairman of the Board from AGM April 2021.

² Chairman of the Board until exit 7 April 2021

³ Extra compensation for temporary additional role as independent Lead Director since 24 July 2019 until 7 April 2021

⁴ No committee member for the period January-April 2021

⁵ Incl. regular social security contributions and tax gross-up due to inexistent tax agreement between the countries

2020 ANNUAL COMPENSATION - EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) IN CHF

	Hariolf Kottmann	Dr. Khaled Homza A. Nahas ¹	Abdullah Mohammed Alissa ²	Günter von Au	Calum MacLean	Geoffery Merszei	Eveline Saupper	Carlo G. Soave ³	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winterstein	Nader Alwehibi ⁴	Thilo Mannhardt ⁴	Totals 2020
Cash compensation															
Honorarium	450 000	90 000	172 500	150 000	150 000	150 000	150 000	75 000	150 000	150 000	150 000	150 000	75 000	75 000	2 137 500
Additional compensation							134 482 ⁵								134 482
Committee fee		15 000	30 000	32 500 ⁶	30 000	40 000	90 000	30 000	110 000	30 000	30 000	40 000			477 500
Social contribution															
Relevant amount	49 537	18 513	20 739	16 682	33 445	17 013	35 110	30 114 ⁷		19 672	19 672		2 894	30 208 ⁸	293 599
Shares															
Fair market value (FMV) ⁸	300 017	60 000 ⁹	115 017	100 006	100 006	100 006	100 006	50 000 ⁹	100 006	100 006	100 006	100 006	50 009	50 009	1 425 100
Total 2020 (Fair market value 2020)	799 554	183 513	338 256	299 188	313 451	307 019	509 598	185 114	360 006	299 678	299 678	290 006	127 903	155 217	4 468 181

¹ Six months Deputy Chairman (exit end of June 2020)

² Three months BoD member and nine months BoD Deputy Chairman

³ Six months BoD member (exit end of June 2020)

⁴ Six months BoD member (new joiner in July 2020)

⁵ Extra compensation for temporary additional role as independent Lead Director since 24 July 2019

⁶ Different committee fees for first three months vs. last nine months

⁷ Including additional compensation for project work

⁸ Tax gross up due to inexistent tax agreement between countries

⁹ Three months paid in cash

In both years, there were no payments to former members of the Board of Directors after the mandate year, nor were any loans or credits outstanding and/or granted.

The information about the actual share ownership of the Board of Directors is displayed in the next table.

The compensation for members of the Board of Directors is subject to taxation and social security, depending on the individual's situation with Clariant paying the employer contributions as required. The members of the Board of Directors do not receive any lump-sum reimbursement of entertainment expenses above and beyond actual expenditure on business trips.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares granted for 2021 ¹	Number of shares granted for 2020 ²	Number of privately held shares at 31 Dec. 2021	Number of privately held shares at 31 Dec. 2020
Günter von Au	15 790	5 118 (correction of 5 556)	73 981	68 863
Abdullah Mohammed Alissa	6 316	6 142 (correction of 6 667)	12 667	6 525
Nader Alwehibi	5 263	3 839 (correction of 4 167)	3 839	0
Calum MacLean	5 263	5 118 (correction of 5 556)	11 643	6 525
Thilo Mannhardt	5 263	3 839 (correction of 4 167)	3 839	0
Geoffery Merszei	5 263	5 118 (correction of 5 556)	11 643	6 525
Eveline Saupper	5 263	5 118 (correction of 5 556)	29 506	24 388
Peter Steiner	5 263	5 118 (correction of 5 556)	27 006	18 388
Claudia Suessmuth Dyckerhoff	5 263	5 118 (correction of 5 556)	24 606	19 488
Susanne Wamsler	5 263	5 118 (correction of 5 556)	1 190 298 ³	1 185 180 ³
Konstantin Winterstein	5 263	5 118 (correction of 5 556)	6 092 021	6 086 903
Hariolf Kottmann	0	15 354 (correction of 16 667)	not applicable	449 573 ⁴
Total	69 473	70 118 (correction of 76 116)	7 481 049	7 872 358

¹ Final number of shares for the mandate year will be defined prior to grant in 2022. Underlying assumption here is a share price of CHF 19.00.

² Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 18.00.
Final allocation of shares with CHF 19.54; therefore, the numbers of shares differ from the overview in the Integrated Report 2020.

³ Thereof 240 271 held by the »Honoré T. Wamsler Trust«

⁴ Additionally 542 shares in vesting on 31 December 2020 resulting from previous years' participation in LTI plans as CEO

7. COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee (EC) participates in the same compensation elements as Clariant's senior managers. Accordingly, they receive a fixed annual base salary, an annual cash bonus (GMBP), and Long-Term Incentives (CLIP) as stated in Art. 27 of the Articles of Association. The annual bonus is based on achieved results for the particular financial year, and payout is capped at 100 % of the target value. For details of the respective plans, please refer to sections 5.1.a and 5.2.c of this Compensation Report. According to Clariant's Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), the annual bonus payout and any single share grant must each not exceed 200 % of base salary for the CEO and 150 % for EC members (Art. 32; www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association).

The Compensation Committee decides on the amendment or discontinuation of the annual bonus plan and Long-Term Incentive Plans for the EC (Art. 33–35).

The CEO and members of the EC participate in the pension plans of the Clariant Group in Switzerland, notably the Clariant pension fund with an insured income of up to CHF 200 000 per annum and the management pension fund with an insured income of up to an additional CHF 653 200 per annum. The maximum insured income under the pension plans therefore stands at CHF 853 200 per annum.

Clariant's pension plans comply with the legal framework of the Swiss Occupational Pension Scheme Act (BVG), and the maximum contribution will be dynamically aligned in accordance with Art. 79c BVG. For members of the EC and all other Clariant employees, the insured income is defined as the base salary plus 50 % of the target cash bonus. Equity-linked income components are not subject to pensionable income. Usual policies for death and disability are part of Clariant's pension plans. The total employer contribution is approximately 11 % of the insured income in the case of the Clariant pension fund and 22 % of the insured income in the case of the Clariant management pension fund.

These contributions cover both the contributions to the formation of retirement capital and the risk components. Under IFRS, the Clariant pension fund is a defined benefit plan. The management pension fund provides the members with retirement capital upon retirement. Pension payments are only accepted in exceptional cases.

REMUNERATION STRUCTURE OF THE CLARIANT EXECUTIVE COMMITTEE¹ IN CHF

	CEO Compensation		EC Compensation	
	2021	2020	2021	2020
	as % of base salary		as % of base salary	
Total annual target	4 000 000	4 200 000	2 050 000	2 450 000
Long-Term Incentives ²	1 500 000	1 200 000	700 000	750 000
Short-Term Incentives ³	1 300 000	1 800 000	700 000	800 000
Base salary	1 200 000	1 200 000	650 000	900 000

¹ Without other benefits

³ Target cash bonus (GMBP); annual payout capped at 100 % target achievement

² Annual grant volume; Performance Share Units with 3-year vesting and defined performance hurdle; vesting capped at 100% target achievement

The following personnel changes within the EC occurred in 2021:

— Conrad Keijzer was appointed CEO effective 1 January 2021.

No sign-on bonus or other extraordinary payment was made to the current CEO or current EC members. The split between the CEO pay and an average employee is not being published this year. This figure is best seen based on a development and not the observation of a single year. Due to the changes in CEO appointments in 2019 and 2020 as well as the change in CEO and EC remuneration levels and structures, the respective split will be shown in forthcoming years.

In accordance with the reporting requirements outlined in the Ordinance against Excessive Compensation (OaEC), the relevant Fair Market Value (FMV) figures are shown in the following audited table.

2021 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE = FMV) IN CHF

	Conrad Keijzer	Other EC members	Totals 2021
Base salary	1 200 000	1 950 000	3 150 000
Cash bonus	1 173 900	1 896 300	3 070 200
Share-based incentive (FMV) ¹	1 500 004	2 100 014	3 600 018
Other benefits ²	471 154	981 956	1 453 110
Total	4 345 058	6 928 271	11 273 329

¹ Fair Market Value of a PSU under CLIP 2021 grant: CHF 13.64. The conversion from PSUs into shares is done after a 3-year vesting period, depending on the achievement factor.

² »Other benefits« include pension contributions for current EC members (43%), social security contributions for current and former EC members (29%), and other benefits for current and former EC members (28%)

2020 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE = FMV) IN CHF

	Hans Bohnen ¹	Other EC members	Totals 2020
Base salary	900 000	3 075 000 ^{2,3}	3 975 000
Cash bonus	604 800	1 259 174 ²	1 863 974
Share-based incentive (FMV) ⁴	750 012	1 500 024 ²	2 250 036
Other benefits ⁵	300 992	823 655 ^{2,3}	1 124 647
Total	2 555 804	6 657 853	9 213 657

¹ As Hariolf Kottmann acted as Executive Chairman in 2020, he was not entitled to the cash bonus and the share-based incentive and, hence, was not the highest paid EC member.

² Including Bernd Hoegemann and Stephan Lynen; Patrick Jany considered pro rata based on active role as EC member in 2020

³ Including additional compensation for Hariolf Kottmann as Executive Chairman (total 2020: CHF 1284 673)

⁴ Fair Market Value of a PSU under CLIP 2020 grant: CHF 12.87. The conversion from PSUs into shares is done after a 3-year vesting period, depending on the achievement factor.

⁵ »Other benefits« include pension contributions (48%), social security contributions (41%), and other benefits (11%); including other benefits for former EC members.

In 2020 and 2021, no loans or credits were outstanding and/or granted to the CEO or EC members. According to Art. 30 of Clariant's Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), no loans may be granted to EC members.

The total compensation of the EC for 2021 amounts to CHF 11.3 million and is within the approved budget of CHF 16.0 million granted for the year 2021 at the Annual General Meeting in 2020.

According to Art. 28 of Clariant's Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), an additional amount of 50% of the respective total remuneration approved by the Annual General Meeting can be spent in the event that new EC members are appointed after the Annual General Meeting. This flexibility was not needed in 2021.

The actual share ownership of the members of the EC is shown below. No options were held at 31 December 2020/2021.

2021 NUMBER OF SHARES GRANTED

	Conrad Keijzer	Hans Bohnen	Bernd Hoegemann	Stephan Lynen	Total
Number of performance share units ¹	109 971	51 320	51 320	51 320	263 931

¹ Performance Share Units represent contingency rights that will be converted into shares, depending on the performance achievement after the 3-year vesting period.

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of PSUs granted in 2021	Number of PSUs granted in 2020	Number of unvested PSUs/RSUs at 31 Dec. 2021	Number of unvested PSUs/RSUs at 31 Dec. 2020	Number of privately held shares at 31 Dec. 2021	Number of privately held shares at 31 Dec. 2020
Conrad Keijzer ¹	109 971	0	109 971	0	0	0
Hans Bohnen	51 320	58 276	156 737	112 381	131 013	124 049
Bernd Hoegemann	51 320	58 276	125 058	79 299	65 056	59 495
Stephan Lynen	51 320	58 276	123 801	78 799	95 913	89 595
Total	263 931	174 828	515 567	270 479	291 982	273 139

¹ No grant in 2020; CEO as of 1 January 2021



Report of the Statutory Auditor

to the General Meeting of Clariant Ltd MuttENZ

We have audited the Compensation Report of Clariant Ltd for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled ‘audited’ on pages 13 and 16 of the Compensation Report.

BOARD OF DIRECTORS’ RESPONSIBILITY

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on the Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard

to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the tables labelled ‘audited’ on pages 13 and 16 of the Compensation Report of Clariant Ltd for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Rolf Johner
Audit expert
Auditor in charge

Michael Scheibli
Audit expert

Basel, 18 May 2022

Clariant International Ltd
Rothausstrasse 61
4132 Muttenz
Switzerland

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Credits

Scanderbeg Sauer Photography: p. 3, 4

2021

Financial Report

Consolidated balance sheets

Assets

CONSOLIDATED BALANCE SHEETS

at 31 December 2021, 2020 and 1 January 2020

	Notes ¹	31.12.2021 in CHF m	in %	31.12.2020 in CHF m	in %	01.01.2020 in CHF m	in %
				Restated ²		Restated ²	
Assets							
Noncurrent assets							
Property, plant, and equipment	5	1 790		1 628		1 649	
Right-of-use assets	7	281		204		219	
Intangible assets	6	1 280		1 238		1 351	
Investments in associates and joint ventures	8	211		153		248	
Financial assets	9	198		202		218	
Prepaid pension assets	20	76		57		41	
Deferred tax assets	10	163		158		234	
Total noncurrent assets		3 999	56.8	3 640	52.5	3 960	49.6
Current assets							
Inventories	11	691		534		651	
Trade receivables	12	729		577		680	
Other current assets	13	316		312		337	
Current income tax receivables		48		67		104	
Short-term deposits	14	12		267		304	
Cash and cash equivalents	15	415		737		638	
Total current assets		2 211	31.4	2 494	36.0	2 714	34.0
Assets held for sale	25	828	11.8	798	11.5	1 305	16.4
Total assets		7 038	100.0	6 932	100.0	7 979	100.0

¹ The notes form an integral part of the consolidated financial statements.

² For further information on the restatement see note 1.03.

Consolidated balance sheets

Equity and liabilities

CONSOLIDATED BALANCE SHEETS

at 31 December 2021, 2020 and 1 January 2020

	Notes ¹	31.12.2021 in CHF m	in %	31.12.2020 in CHF m	in %	01.01.2020 in CHF m	in %
				Restated ²		Restated ²	
Equity and liabilities							
Equity							
Share capital	17	996		1 228		1 228	
Treasury shares (par value)	17	-8		-9		-10	
Other reserves		-1 140		-1 100		-431	
Retained earnings		2 510		2 158		1 728	
Total capital and reserves attributable to Clariant shareholders		2 358		2 277		2 515	
Noncontrolling interests		186		139		171	
Total equity		2 544	36.1	2 416	34.9	2 686	33.7
Liabilities							
Noncurrent liabilities							
Financial debts	18	958		1 424		1 485	
Deferred tax liabilities	10	30		24		43	
Retirement benefit obligations	20	593		630		673	
Noncurrent lease liabilities	7	233		159		172	
Other liabilities	22	58		60		68	
Provision for noncurrent liabilities	21	152		197		159	
Total noncurrent liabilities		2 024	28.8	2 494	36.0	2 600	32.6
Current liabilities							
Trade payables and other liabilities	22	985		814		875	
Financial debts	23	709		398		587	
Current income tax liabilities		257		262		238	
Current lease liabilities	7	49		41		45	
Provision for current liabilities	21	223		244		389	
Total current liabilities		2 223	31.6	1 759	25.4	2 134	26.8
Liabilities directly associated with assets held for sale	25	247	3.5	263	3.7	559	7.0
Total liabilities		4 494	63.9	4 516	65.1	5 293	66.3
Total equity and liabilities		7 038	100.0	6 932	100.0	7 979	100.0

¹ The notes form an integral part of the consolidated financial statements.

² For further information on the restatement see note 1.03.

Consolidated income statements

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2021 and 2020

	Notes ¹	2021 in CHF m	in %	2020 in CHF m	in %
				Restated ²	
Sales	24	4 372	100.0	3 860	100.0
Costs of goods sold		-3 077		-2 687	
Gross profit		1 295	29.6	1 173	30.4
Selling, general, and administrative costs		-741		-726	
Research and development costs		-155		-172	
Income from associates and joint ventures	24	41		42	
Operating income		440	10.1	317	8.2
Finance income	29	24		15	
Finance costs	29	-70		-101	
Income before taxes		394	9.0	231	6.0
Taxes	10	-102		-101	
Net result from continuing operations		292	6.7	130	3.4
Attributable to:					
Shareholders of Clariant Ltd		267		106	
Noncontrolling interests		25		24	
Net result from discontinued operations	25	81		695	
Attributable to:					
Shareholders of Clariant Ltd		77		678	
Noncontrolling interests		4		17	
Net result		373		825	
Attributable to:					
Shareholders of Clariant Ltd		344		784	
Noncontrolling interests		29		41	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	30	0.81		0.32	
Discontinued operations	30	0.23		2.06	
Total		1.04		2.38	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	30	0.81		0.32	
Discontinued operations	30	0.23		2.05	
Total		1.04		2.37	

¹ The notes form an integral part of the consolidated financial statements.

² For further information on the restatement see note 1.03.

Consolidated statements of comprehensive income

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2021 and 2020

	Notes ¹	2021 in CHF m	2020 in CHF m Restated ²
Net Result		373	825
Other comprehensive result			
Remeasurements:			
Actuarial gain/loss on retirement benefit obligations	20	28	-38
Return on retirement benefit plan assets, excluding amount included in interest expense	20	152	124
Limitation on recognition of net pension assets	20	-166	—
Fair value adjustment on financial assets	9	2	-10
Total items that will not be reclassified subsequently to the income statement, gross		16	76
Deferred tax effect	10	-7	-17
Total items that will not be reclassified subsequently to the income statement, net		9	59
Net investment hedge	31	22	26
Cash flow hedge		—	-1
Currency translation differences		-57	-275
Share in other comprehensive income of associates and joint ventures	8	2	1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		-4	130
Total items that may be reclassified subsequently to the income statement, gross		-37	-119
Deferred tax effect		—	—
Total items that may be reclassified subsequently to the income statement, net		-37	-119
Other comprehensive result for the period, net of tax		-28	-60
Total comprehensive result for the period		345	765
Attributable to:			
Shareholders of Clariant Ltd		315	741
Noncontrolling interests		30	24
Total comprehensive result for the period		345	765
Total comprehensive result attributable to shareholders of Clariant Ltd arising from:			
Continuing operations		218	-13
Discontinued operations		97	754
Total comprehensive result attributable to shareholders of Clariant Ltd		315	741

¹ The notes form an integral part of the consolidated financial statements.

² For further information on the restatement see note 1.03.

Consolidated statements of changes in equity

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2021 and 2020

	Other reserves						Retained earnings	Total attributable to equity holders	Non-controlling interests	Total equity
	Total share capital	Treasury shares (par value)	Share premium reserves	Hedging reserves	Cumulative translation reserves	Total other reserves				
Balance 31 December 2019 as previously reported	1 228	-10	825	2	-1 258	-431	1 719	2 506	171	2 677
Restatement (see note 1.03)						—	9	9		9
Balance 1 January 2020 restated	1 228	-10	825	2	-1 258	-431	1 728	2 515	171	2 686
Net result						—	784	784	41	825
Cash flow hedge				-1		-1		-1		-1
Net investment hedge					26	26		26		26
Remeasurements:										
Actuarial loss on retirement benefit obligations (see note 20)						—	-38	-38		-38
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 20)						—	124	124		124
Deferred tax on remeasurements (see note 10)						—	-18	-18		-18
Currency translation differences					-258	-258		-258	-17	-275
Fair value adjustment on financial assets						—	-9	-9		-9
Share in other comprehensive income of associates and joint ventures (see note 8)						—	1	1		1
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					130	130		130		130
Total comprehensive result for the period	—	—	—	-1	-102	-103	844	741	24	765
Reclassification to reserves			220			220	-220	—		—
Distributions			-786			-786	-203	-989		-989
Dividends to noncontrolling interests						—		—	-42	-42
Effect on disposal									-14	-14
Employee share scheme:										
Effect of employee services						—	6	6		6
Treasury share transactions		1				—	3	4		4
Balance 31 December 2020 Restated	1 228	-9	259	1	-1 360	-1 100	2 158	2 277	139	2 416

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY in CHF m

at 31 December 2021 and 2020

	Other reserves									
	Total share capital	Treasury shares (par value)	Share premium reserves	Hedging reserves	Cumulative translation reserves	Total other reserves	Retained earnings	Total attributable to equity holders	Non-controlling interests	Total equity
Balance 31 December 2020 as previously reported	1 228	-9	259	1	-1 360	-1 100	2 123	2 242	139	2 381
Restatement (see note 1.03)						—	35	35		35
Balance 1 January 2021 restated	1 228	-9	259	1	-1 360	-1 100	2 158	2 277	139	2 416
Net result						—	344	344	29	373
Net investment hedge					22	22		22		22
Remeasurements:										
Actuarial gain on retirement benefit obligations (see note 20)						—	28	28		28
Return on retirement benefit plan assets, excluding amount included in interest expense (see note 20)						—	152	152		152
Limitation on recognition of net pension asset (see note 20)						—	-166	-166		-166
Deferred tax on remeasurements (see note 10)						—	-7	-7		-7
Currency translation differences					-58	-58		-58	1	-57
Fair value adjustment on financial assets (see note 9)						—	2	2		2
Share in other comprehensive income of associates and joint ventures (see note 8)						—	2	2		2
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					-4	-4		-4		-4
Total comprehensive result for the period	—	—	—	—	-40	-40	355	315	30	345
Distributions from Share capital	-232	2				—		-230		-230
Dividends to noncontrolling interests						—		—	-28	-28
Effect of Business Combination (see note 27)						—		—	46	46
Transaction with noncontrolling interests						—		—	-1	-1
Employee share scheme:										
Effect of employee services						—	4	4		4
Treasury share transactions		-1				—	-7	-8		-8
Balance 31 December 2021	996	-8	259	1	-1 400	-1 140	2 510	2 358	186	2 544

¹ The notes form an integral part of the consolidated financial statements.

Consolidated statements of cash flows

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2021 and 2020

	Notes ¹	2021 in CHF m	2020 in CHF m
			Restated ²
Net income		373	825
Reversal of noncash income and expenses	16	391	-268
Dividends received from associates and joint ventures	8	44	44
Payments for restructuring	28	-38	-25
Cash flow before changes in net working capital and provisions		770	576
Changes in net working capital and provisions	16	-305	-92
Cash generated from operating activities		465	484
Income taxes paid		-102	-115
Net cash generated from operating activities		363	369
Cash flows from investing activities:			
Investments in property, plant, and equipment	5	-357	-288
Investments in intangible assets	6	-3	-11
Investments in financial assets, associates, and joint ventures	9	-5	-2
Changes in current financial assets and short-term deposits		254	48
Sale of property, plant, and equipment and intangible assets		57	22
Business combinations		-91	-9
Proceeds from the disposal of associates and financial assets		2	5
Proceeds from the disposal of discontinued operations	25	—	1 305
Proceeds/payments associated to disposals of activities not qualifying as discontinued operations	26	—	13
Net cash provided by/used in investing activities		-143	1 083
Cash flows from financing activities:			
Purchase of treasury shares		-16	-1
Distribution to the shareholders of Clariant Ltd	17	-230	-989
Dividends paid to noncontrolling interests		-28	-42
Proceeds/payments associated to transactions with noncontrolling interests		-1	—
Proceeds from financial debts		337	288
Repayments of financial debts		-499	-472
Repayments of lease liabilities	7	-59	-55
Interest paid		-51	-60
Interest paid for leases	7	-11	-11
Interest received		20	16
Net cash used in financing activities		-538	-1 326
Currency translation effect on cash and cash equivalents		-4	-27
Net change in cash and cash equivalents		-322	99
Cash and cash equivalents at the beginning of the period	15	737	638
Cash and cash equivalents at the end of the period	15	415	737

¹ The notes form an integral part of the consolidated financial statements.

² For further information on the restatement see note 1.03.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

1.01 – General information

Clariant Ltd (the »Company«) and its consolidated subsidiaries (together the »Group«) are a global leader in the field of specialty chemicals. The Group develops, manufactures, distributes, and sells a broad range of specialty chemicals, which play a key role in its customers' manufacturing and treatment processes or add value to their end products. The Group has manufacturing plants around the world and sells mainly in countries within Europe, the Americas, and Asia.

Clariant Ltd is a limited liability company incorporated and domiciled in Switzerland. The address of its registered office is Rothausstrasse 61, CH-4132 Muttenz, Switzerland. The Company is listed on the SIX Swiss Exchange.

The Board of Directors approved the consolidated financial statements for issue on 17 May 2022. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 24 June 2022.

1.02 – Basis of preparation

The consolidated financial statements of the Clariant Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IFRIC interpretations applicable to companies reporting under IFRS, and with the significant accounting policies set out below.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss and other comprehensive income.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies.

These estimates and judgments affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period.

Although these are based on Management's best knowledge of current events and circumstances, actual outcomes may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where estimates are significant to the consolidated financial statements, are disclosed under note 4.

1.03 – Restatements

Correction of errors

As a result of information received internally Clariant undertook an investigation which focused on the recognition and measurement of certain provisions and accruals, reviewing whether these were incorrectly recognized and/or measured with the potential aim of steering the Company's results to meet internal and external targets. The investigation was performed by independent advisors and external counsel appointed by the Company.

As a result of this investigation Clariant is required to restate previously published financial statements, including the annual financial statements for the financial year ended 31 December 2020, the unaudited First Half Year financial statements for the periods ended 30 June 2020 and 30 June 2021 as well as the unaudited quarterly reporting during those years. Errors which relate back to periods before 1 January 2020 have been corrected in the opening balance sheet of the 2020 Annual Financial Statements.

The identified deviations from previously reported figures resulting from the restatement of the 2020 financial statements are mainly due to over- or understated provisions and accruals. The correction of errors was performed in accordance with IAS 8.

The restatement items reflect adjustments to correct errors on the balance sheet to adjust the related provisions and accruals, deferred tax assets and liabilities which were affected by the corrections and the corresponding increases/decreases of costs of goods sold and operating expenses in the income statement.

The errors corrected in the 2020 Annual Financial Statement resulted in an increase of net income of CHF 26 million, thereof CHF 14 million in continuing operations. The nature and impact of these adjustments are described in more detail below and also listed in the table below. The results of the investigation have no impact on the sales and cash and cash equivalent figures reported in 2020.

Overview of the recorded transactions requiring correction

The following types of transaction required a correction:

- Overstatement of restructuring provisions
- Overstatement of provisions for variable salaries
- Overstatement of a provision in connection with an investigation by the EU.
- Overstatement of provisions set up in connection with the disposal of business activities
- Overstatement of provisions and accruals for expenses of various types (e.g. legal obligations, plant maintenance)

IMPACT OF THE CORRECTIONS ON THE ELEMENTS OF THE FINANCIAL STATEMENTS

in CHF millions

	Amounts reported before correction in CHF m	Amounts reported after correction in CHF m	Difference in CHF m
Opening Balance Sheet 1 January 2020			
Provision for current liabilities	393	389	-4
Provision for noncurrent liabilities	164	159	-5
Deferred tax liabilities	43	43	0
Equity	2 677	2 686	9
Closing Balance Sheet 31 December 2020			
Deferred tax assets	160	158	-2
Assets held for sale	797	798	1
Provision for current liabilities	278	244	-34
Equity	2 381	2 416	35
Trade payables and other liabilities	817	814	-3
Deferred tax liabilities	18	24	6
Provision for noncurrent liabilities	202	197	-5
Income statement 2020			
Continuing operations			
Selling, general, and administrative costs	-747	-726	21
Research and development costs	-170	-172	-2
Taxes	-96	-101	-5
Net result from continuing operations	116	130	14
Net result from discontinued operations	683	695	12
Net income	799	825	26
Basic earnings per share 2020 attributable to the shareholders of Clariant Ltd (CHF/share)			
Continuing operations	0.28	0.32	0.04
Discontinuing operations	2.02	2.06	0.04
Total	2.30	2.38	0.08
Diluted earnings per share 2020 attributable to the shareholders of Clariant Ltd (CHF/share)			
Continuing operations	0.28	0.32	0.04
Discontinuing operations	2.01	2.05	0.04
Total	2.29	2.37	0.08
Cash Flow statement 2020			
Net income	799	825	26
Tax expense	174	183	9
Changes in other current assets and liabilities	-15	-19	-4
Changes in provisions	-115	-146	-31
Total	843	843	0

1.04 – Disclosure of business units as discontinued operations in accordance with IFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations

Following the decision of the Board of Directors to dispose of the Business Units Masterbatches (including Business Line Healthcare Packaging) and Pigments in June 2019, the two Business Units concerned were reclassified to discontinued operations in 2019 and therefore are presented separately in accordance with IFRS 5. Healthcare Packaging was sold in October 2019, and Masterbatches in July 2020. See also Note 25.

Assets and liabilities pertaining to the discontinued operations are presented as »assets held for sale, and as liabilities directly associated with assets held for sale respectively in the balance sheets of 2020 and 2019 as required by IFRS 5.

1.05 – Standards, interpretations, and amendments effective in 2021

The Group has applied the following standards and amendments for the first time:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – Interest Rate Benchmark (IBOR) Reform

The amendments listed above did not have any impact on the amounts recognized in the reporting period and prior periods and are not expected to significantly affect future periods.

1.06 – Standards, interpretations, and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending on 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

1.07 – Scope of consolidation

- **Subsidiaries:** Subsidiaries are those entities over which the Group has control. This is the case when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date control ceases.
- **Associates:** Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method.

- **Joint arrangements:** The Group applies IFRS 11, Joint Arrangements, to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. Clariant has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

All associates and joint ventures apply the same accounting principles as the Group.

1.08 – Principles and methods of consolidation

The annual closing date of the individual financial statements is 31 December. The consolidated financial statements are prepared applying uniform presentation and valuation principles. The results of noncontrolling interests are separately disclosed in the income statement and in the balance sheet.

1.09 – Recognition of revenue from contracts with customers

Sales of goods and services are recognized in line with the requirements of IFRS 15, Revenue from Contracts with Customers. Revenue is measured based on the consideration the Group expects to receive in exchange for the goods or services. Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer, which is usually upon delivery, at a fixed or determinable price, and when collectability is reasonably assured. Delivery is defined based on the terms of the sale contract.

Revenue from services is recognized when the respective services have been rendered.

Revenue is reported net of sales taxes, returns, discounts, and rebates. Rebates to customers are provided for in the same period that the related sales are recorded based on the contract terms.

Where third parties hold Clariant inventories on a consignment basis, revenue is recognized in the period when inventories are withdrawn from consignment and delivered to customers. Clariant periodically enters into prepayment contracts with customers whereby it receives contract liabilities for products to be delivered in a future period. These contract liabilities are recorded as liabilities and presented as part of other liabilities. Advance payment liabilities are released, and revenues associated with such advance payment transactions are recognized upon delivery and transfer of title, ownership, and risk of loss of the related products to the customer. Cash rebates and discounts granted to customers are classified as a reduction of revenue.

1.10 – Recognition of revenues from interest and dividends

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognized when the right to receive the payment is established.

1.11 – Exchange rate differences

Exchange rate differences are recognized in line with the requirements of IAS 21, The Effect of Changes in Foreign Exchange Rates. The consolidated financial statements are presented in Swiss francs, which is the functional and presentation currency of the parent company.

Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the line Finance costs in the income statement, except when deferred in Other comprehensive income as qualifying cash flow hedges and net investment hedges.

Translation differences on debt securities and on other monetary financial assets measured at fair value are included in foreign exchange gains and losses in the line Finance costs in the income statement.

Group companies: Income statements and cash flow statements of foreign entities are translated into the Group's presentation currency at sales-weighted average exchange rates for the year, and their balance sheets are translated at the exchange rates prevailing on 31 December.

All resulting exchange rate differences are recognized in other comprehensive income in the line Currency translation differences. Exchange rate differences arising from the translation of the net investment in foreign entities and from borrowings and other currency instruments designated as hedges of such investments are recognized in Other comprehensive income in the line Net investment hedge. Net investments also include loans for which the settlement is neither planned nor likely to occur in the foreseeable future.

When a foreign operation is disposed of and as a consequence control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

When the Group's interest in a subsidiary that includes a foreign operation changes, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reclassified to non-controlling interests.

1.12 – Property, plant, and equipment

Property, plant, and equipment, except for the ones pertaining to mining activities, are valued at historical acquisition or production costs and depreciated on a straight-line basis to the income statement, using the following estimated useful lives in accordance with the Group guidelines:

– Buildings	15 to 40 years
– Machinery and equipment	10 to 16 years
– Furniture, vehicles, computer hardware	3 to 13 years
– Land is not depreciated	

Property, plant, and equipment pertaining to mining activities are valued at historical costs and depreciated over their useful lives to the income statement using the units of production method.

When the entity has a present legal or constructive obligation to dismantle an item of property, plant, and equipment or restore a site, its initial costs include an estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision is recorded for the amount of the asset component.

Financing costs directly associated with the acquisition, construction, or production of qualifying property, plant, and equipment are capitalized as a part of the costs of these assets. Investment property is valued at cost less depreciation. As all investment property held by Clariant consists of industrial and administrative sites that have been in use for several decades, there is no active market that would give information on possible market prices. The fair values of the investment properties are therefore determined by way of external appraisals and value-in-use calculations.

1.13 – Leases

Clariant accounts for lease contracts in accordance with IFRS 16, Leases.

At the inception of the lease, a right-of-use asset and a lease liability are recognized in the balance sheet. The asset is initially measured at the amount of the lease liability plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, including variable lease payments, depending on an index at the commencement date, and the exercise price of purchase options, if it is reasonably certain that the option will be exercised. The lease liability is discounted at the rate implicit in the lease. If that rate cannot readily be determined, the incremental borrowing rate is used. Lease liabilities are subsequently remeasured to reflect possible changes in the lease terms.

Right-of-use assets are depreciated over the duration of the lease contract, including contractually agreed optional extension periods whose exercise is deemed to be reasonably certain. The depreciation is recognized in operating income.

The unwinding of the discounting effect is included in the financial expense. Lease payments are accounted for as a repayment of the lease liability.

Expenses for lease contracts for objects with a value of less than CHF 5 000 and lease contracts with a duration of up to twelve months are recognized directly in the income statement.

1.14 – Intangible assets

Goodwill is recognized in accordance with the requirements of IFRS 3, Business Combinations; IAS 38, Intangible Assets; and IFRS 11, Joint Arrangements. Goodwill is not amortized, but tested annually for impairment as required by IAS 36, Impairment of Assets.

Trademarks and licenses are capitalized at historical costs and amortized on a straight-line basis to the income statement over their estimated useful lives, with a maximum of ten years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. They are amortized on a straight-line basis to the income statement over their estimated useful lives (three to five years).

Costs directly associated with the production of identifiable and unique software and other intangible products controlled by the Group that will probably generate economic benefits beyond one year are recognized as intangible assets and depreciated over their useful life of three years. Direct costs include software development costs, personnel costs, and advisory costs directly related to the software or product development and an appropriate portion of the relevant overheads. Costs associated with developing and maintaining common software programs are recognized as an expense when incurred.

Intangibles acquired in a business combination, with the exception of mining rights, are amortized using a straight-line method over their remaining useful lives as follows:

— Technology	3 to 15 years
— Customer relationships	6 to 20 years
— Tradenames	10 years
— Order backlog	2 years

Mining rights are depreciated over their useful lives using the units of production method.

REACH costs were capitalized until the end of 2020 and are depreciated over a period of 12 years.

1.15 – Impairment of assets

Impairment of assets is recognized and disclosed as per the requirements of IAS 36, Impairment of Assets.

1.16 – Noncurrent assets and disposal groups held for sale

Noncurrent assets and disposal groups are classified as held for sale when their carrying amount is to be recovered through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs of disposal, in accordance with the requirements of IFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations.

1.17 – Inventories

Purchased goods are valued at acquisition costs, while self-manufactured products are valued at manufacturing costs, including related production overhead costs. Inventory held at the balance sheet date is primarily valued at standard costs, which approximate actual costs on a weighted-average basis. This valuation method is also used for valuing the costs of goods sold in the income statement. Adjustments are made for inventories with a lower net realizable value. Unsaleable inventories are fully written off. These adjustments are recorded as valuation allowances, which are deducted directly from the inventory value in the balance sheet. The allowances are reversed when the inventories concerned are either sold or destroyed and, as a consequence, are removed from the balance sheet.

1.18 – Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business and are recognized in accordance with IFRS 9, Financial Instruments. They are generally due within 40 days and therefore classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 12.

1.19 – Cash and cash equivalents, short-term deposits

Cash and cash equivalents comprise cash in hand, deposits, and calls with banks, as well as short-term investment instruments with an initial lifetime of 90 days or less. Bank overdrafts are reported within financial debt in current liabilities on the balance sheet.

Short-term deposits are disclosed separately in the balance sheet if they have an original maturity between 90 and 365 days. They are valued at their nominal value, which is close to their fair market value.

1.20 – Derivative financial instruments and hedging

Derivative financial instruments and hedges are recognized in accordance with IFRS 9, Financial Instruments. Qualifying hedge instruments are derivatives and nonderivative financial assets and liabilities that are fully measured at fair value through profit and loss. Hedged items are assets or liabilities, unrecognized firm commitments, forecast transactions, or net investments in foreign entities. They are reliably measurable, and, if not recognized, they are highly probable. The hedges are accounted for either as fair value hedges in the case of exposures in fair value of recognized assets and liabilities or unrecognized firm commitments, as cash flow hedges in the case of exposures in cash flows arising from recognized assets or liabilities or forecast transactions that could affect profit or loss, or as hedges of a net investment in a foreign entity.

1.21 – Current income tax

The taxable profits (losses) of Group companies are calculated in accordance with the rules established by the taxation authorities of the countries in which they operate. They are the basis for the determination of income tax payments (reimbursements) for the reporting period in accordance with the prevailing local income tax rates. Current income tax is accounted for in accordance with the requirements of IAS 12, Income Taxes.

1.22 – Deferred income tax

Deferred income tax is calculated using the comprehensive liability method in accordance with the requirements of IAS 12, Income Taxes. No deferred income tax is calculated for the temporary differences on investments in Group companies, provided that the investor (parent company) is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognized on tax losses incurred if, based on the business plans of the respective subsidiaries, it is deemed probable that the tax losses are recoverable in the foreseeable future. The recoverability of these tax losses is assessed by Management on a regular basis.

1.23 – Employee benefits

Group companies operate various post-employment schemes, including both defined benefit and defined contribution pension plans, post-employment health care plans, and other benefits. Obligations for employee benefits are determined and recorded in line with the requirements of IAS 19, Employee Benefits.

Defined contribution plans: Contributions to defined contribution plans are recorded in the income statement in the period to which they relate.

Defined benefit plans: For defined benefit plans, the amount to be recognized in the provision is determined using the Projected Unit Credit method. Independent actuaries perform the actuarial valuations for the defined benefit plans on a regular basis. For the larger plans, these valuations take place annually. For the smaller ones, valuations are performed at least every three years, with systematic roll-forwards in the years in between.

The retirement benefit obligations recognized in the balance sheet represent the present value of the obligations at the end of the reporting period less the fair value of the plan assets.

The prepaid pension assets recognized in the balance sheet are capitalized only to the extent of their recoverability, that is, when a cash refund or a reduction in the future payments is available. The return on plan assets, except for amounts reflected in net interest income, are reported under other comprehensive income.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the income statement.

Some Group companies **provide post-employment health care benefits** to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting method similar to that for the defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The charges for defined benefit plans, defined contribution plans, and termination benefits are included in personnel expenses and reported in the income statement under the corresponding functions of the related employees.

Other **long-term employee benefits** are employee benefits (other than post-employment benefits and termination benefits) that do not fall wholly due within twelve months after the end of the period in which the employees render the related service.

These include long-term compensated absences, such as long-service or sabbatical leave, and jubilee or other long-service benefits. The accounting policy for other long-term employee benefits is equal to that for post-employment benefits, with the exception that actuarial gains and losses are recognized immediately in the income statement.

Short-term employee benefits are employee benefits (other than termination benefits) that fall due wholly within twelve months after the end of the period in which the employees render the related service.

1.24 – Provisions

Provisions are recognized in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities, and Contingent Assets.

1.25 – Research and development

Development expenses are capitalized to the extent that the recognition criteria set up by IAS 38, Intangible Assets, are met.

Considering the uncertainties inherent to the development of new key products, Clariant does not capitalize the associated development costs. Experience has proven that the structure of research and development in the industries that Clariant engages in makes it difficult to demonstrate how single intangible assets (patents) will generate probable future economic benefits.

Laboratory buildings and equipment included in property, plant, and equipment are depreciated over their estimated useful lives in accordance with the Group guidelines of note 1.12.

1.26 – Segment reporting

Segment information is presented in the same manner as in the internal reporting to the chief operating decision maker. The chief operating decision maker, responsible for strategic decisions, for the assessment of the segments' performance, and for the allocation of resources to the segments, is the Executive Committee.

Clariant had seven business units (BUs), two of which were reclassified to discontinued operations on 30 June 2019, as a result of the Group's decision to dispose of the Business Units Masterbatches and Pigments. The Business Unit Masterbatches was sold on 1 July 2020. The Business Unit Pigments was sold subsequent to the balance sheet date on 3 January 2022. See also note 38. For external reporting purposes the remaining five business units are grouped into three business areas (BA) (reportable segments), in accordance with IFRS 8, Operating Segments:

- Care Chemicals (BU ICS)
- Catalysis (BU Catalysts)
- Natural Resources (BU Oil & Mining Services, BU Functional Minerals, BU Additives)

The five business units were grouped into business areas so that they reflect, in Management's opinion, the similar economic characteristics of certain BU's and common traits regarding products, markets, technologies, and cyclicity. These business areas have full responsibility for their operating results.

The Business Area **Care Chemicals** comprises the BU Industrial & Consumer Specialties (ICS), Food Additives as well as the future Industrial Biotechnology business. It demonstrates a clear focus on highly attractive, high-margin, and low-cyclicity segments. The BA is a pillar of Clariant's efforts to be a supplier of green and sustainable products.

The Business Area **Catalysis** develops, manufactures, and sells a wide range of catalyst products for the chemical, fuel, and automotive industries, as well for the biofuel business. This BA is highly profitable with a cyclicity in line with the investment cycle of the petrochemical industry.

The Business Area **Natural Resources**, comprising the BUs Oil & Mining Services, Functional Minerals, and Additives, is characterized by high growth and a low cyclicity. Main drivers are the rising demand for high-value-added specialty chemicals used in the oil, mining, food and packaging industries; the increased consumption of oil, gas, and base metals, and the increasing use of plastics with tailor-made properties in applications such as mobile phones, cars and construction, driven by the fast-growing economies.

Discontinued operations comprise Business Units Masterbatches for the first six months of 2020 and Pigments for 2020 and 2021.

Corporate: Income and expenses relating to Corporate include the costs of the Corporate headquarters and some of the corporate coor-

dination functions in major countries. In addition, Corporate includes certain items of income and expense, that are not directly attributable to specific Business Areas, like central R&D costs.

The Group's business areas are segments offering a large variety of products. The segments are managed separately because they manufacture, distribute, and sell distinct products, that require differing technologies and marketing strategies. These products are also subject to risks and returns that are different from those of other segments.

Segment sales are sales reported in the Group's income statement directly attributable to a segment, as well as the relevant portion of the company income that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments.

Segment operating expenses are expenses resulting from the operating activities of a segment directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis, including expenses relating to sales to external customers and expenses relating to transactions with other segments. Inter-segment transactions are entered into under the normal circumstances and terms and conditions that would also be available to unrelated third parties.

The segment net assets consist of segment assets - primarily property, plant, and equipment, intangible assets, inventories and receivables, - less segment liabilities. Usually no allocation of Corporate items is made to the segments. Corporate assets and liabilities principally consist of net liquidity (cash, cash equivalents, and other current financial assets less financial debts) and deferred and current income taxes.

The Executive Committee assesses the performance of the operating segments based on income statement parameters like third-party sales, EBITDA, operating result, and cash flow. Interest income, interest expense, and taxes are not allocated to the segments. The return on the capital invested in each segment is measured by the Return on Net Assets (RONA).

1.27 – Share capital and other reserves

All issued shares are ordinary shares and, as such, are classified as equity. Incremental costs, directly attributable to the issue of new shares or options, are shown in equity as a deduction, net of tax, from the proceeds.

Written put options, where Clariant Ltd shares are the underlying, are reported as obligations to purchase Clariant Ltd shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required in case the option is exercised.

At inception, the obligation is recorded at the present value of the settlement amount of the option, and the corresponding effect is recognized in shareholders' equity.

The liability is measured subsequently at amortized costs using the effective interest method. Upon settlement of such written put options, the liability is extinguished, and the charge to equity is reclassified to the treasury shares.

Clariant Ltd shares, subject to such put options, are not considered to be outstanding for the purpose of basic earnings per share calculations, but are considered for the dilutive earnings per share calculations to the extent that they are dilutive.

Other reserves comprise the following items:

- **Share premium:** The share premium comprises the excess price paid over the par value of the share at the time of issuance of the share capital.
- **Cumulative translation reserves:** The translation reserves comprise the foreign exchange differences arising from the translation of the financial statements of the foreign subsidiaries stated in a currency other than the Group's functional currency. In addition, the cumulative translation reserves comprise the foreign exchange differences arising on the translation of financial liabilities denominated in a currency other than the functional currency of the parent company, Clariant Ltd, that are at the same time designated as a hedge of a net investment in a foreign entity.

1.28 – Treasury shares

Treasury shares are deducted from equity at their par value of CHF 3.00 per share (2020: CHF 3.70). Differences between this amount and the amount paid for acquiring, or received for disposing of, treasury shares are recorded in retained earnings.

1.29 – Financial debt

Financial debt is recognized based on the requirements of IFRS 9, Financial Instruments: Recognition and Measurement.

All financial liabilities are valued at amortized cost.

1.30 – Financial assets

Financial assets are classified, recognized, measured, and, if necessary, impaired based on the requirements of IFRS 9, Financial Instruments.

Financial assets are valued at amortized cost if there is the intention to hold them in order to collect the contractual cash flow, and this cash flow is only for the principal and interest.

Financial assets are valued at fair value through other comprehensive income when they are held with the intention of getting the contractual cash flow, but also with the intention of eventually selling the asset.

Equity investments are measured at fair value through other comprehensive income based on the Group's irrevocable election at initial recognition.

There are currently no financial assets at fair value through profit and loss.

Loss allowances are recognized for expected credit losses, in line with the requirements of IFRS 9, Financial Instruments. Changes in the measurement of the loss allowance are recognized in profit and loss.

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the Group receives or delivers the assets.

1.31 – Business combinations

The Group applies the acquisition method to account for business combinations in accordance with IFRS 3, Business Combinations, and recognizes any noncontrolling interests in the acquiree at fair value (full goodwill method).

Acquisition-related costs are expensed as incurred.

1.32 – COVID-19

The outbreak of the COVID-19 pandemic has affected the world-economy deeply and, as a consequence also the environment of Clariant and the company itself. Clariant has taken early measures to minimize the COVID-19 impact by assuring people safety first while supporting its communities and concurrently running business continuity, cash, and cost programs.

Business continuity was able to be preserved by stringent safety and contingency measures mitigated disruptions caused by temporary production site closures while cooperating closely with customers and suppliers along the value chains.

Management, together with the business units is continuously modeling and assessing the situation and executing stringent cash and cost programs.

These cash programs are centrally run and focus on optimizing net working capital efficiency, spend avoidance, cost cuts, and operational flexibilization. Supply and production plans have been adjusted to assure efficient levels of inventories. The recoverability of inventories is also assessed to be unchanged compared to the time prior to the COVID-19 crisis due to tight inventory management. Debtors are prudently managed, and so far, no increase in overdues or defaults was recorded.

The economic development is continuously monitored together with the Business Units and assessed for the need to adjust the business plans.

2. ENTERPRISE RISK MANAGEMENT IDENTIFICATION, ASSESSMENT, AND MANAGEMENT

In the framework of the Enterprise Risk Management Policy, risk assessments are prepared by business units, service units and corporate functions to assess threats that will impact the achievement of the objectives set for Clariant overall. These objectives are a result of the overall strategy of the Group as set by the Board of Directors and implemented by the Executive Committee.

The Executive Committee is responsible for monitoring the risk assessments for relevance and consistency. The Executive Committee has formed an »Ethics and Risk Management« subcommittee, which maintains an up-to-date understanding of areas where Clariant is, or may be, exposed to risk issues, and seeks to ensure that management is effectively addressing those issues.

The short- and long-term objectives are set in the fourth quarter of the year. These objectives and threats are subject to scrutiny by the Executive Committee during meetings with each business unit. Also reviewed and discussed are proposed measures to reduce or contain threats. In that context, responsibilities are assigned. All stakeholders are required to report significant changes to existing identified risks and new threats as they arise.

Risk registers are maintained using financial and reputational impact and probability assessments to score and rank all identified risks. The assessment also addresses the measures in place to manage the risks identified and indicate dates for completion of the measures.

When threats have been identified and quantified, they are delegated to qualified individuals who are required to deliver effective risk management. Depending on the nature of the risk identified, specific skill sets may be required for the management of those particular risks.

A summary risk assessment is submitted annually to the Executive Committee, the Audit Committee, and the Board of Directors for review.

In case of new or changed risks, reporting is accelerated. To support functional responsibility, certain functions have access to risk assessments to assist them in their roles.

Examples of such functions are Environmental Safety & Health Affairs (ESHA), to identify key sites for their property risk survey program, or Group Procurement, to ensure reliable and compliant supply of raw materials.

Examples of identified risks included in the risk register:

2.1 – Regulation & Compliance

Clariant is subject to many rules and regulations as well as compliance standards. These include chemical industry, country, government, and customer requirements as well as the European Union's (EU) Regulation on the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) or similar regulations in other countries.

The function Global Product Stewardship is responsible for ensuring that all relevant legal requirements are met. Certain specific matters are delegated to other functions.

2.2 – Sites and locations

This includes manufacturing plants and equipment important for the production of Clariant products for sale to customers.

Also addressed are country and culture issues that could create threats to business objectives. The aim is to maintain high-quality and safe production facilities. ESHA and Regional Services are responsible for the management of the associated risks.

Examples of emerging risks included in the risk register:

2.3 – Supply chain reliability

The achievement of targets depends on the reliability of the supply chain. The purchasing of raw materials may be impaired due to the unavailability of respective products, required energy, or corresponding means of transportation. Similarly, our customers may be affected by the unavailability of certain input materials outside the range of chemical products, limiting their production and thus Clariant's sales opportunities. Clariant responds to these challenges with market intelligence to identify potential constraints in an early stage and in close cooperation with our business partners.

2.4 – Sustainability transformation

Demand for sustainable products is clearly increasing, which opens up business opportunities. Nonavailability of sustainable offerings represents a market disadvantage. Clariant is responding with the new organizational unit Group Innovation & Sustainability, which combines various resources to accelerate the sustainability transformation.

2.5 – Digital interconnection

Successful performance of the Clariant Group depends on properly working information systems. Cyberattacks may result in the loss of business and personal data, knowledge, facilities, or money, leading to interruptions in manufacturing and product deliveries. Such attacks might cause significant economic damages as well as loss of trust. Clariant is responding to the increased cyber risk with a reinforced security operations center, state-of-the-art software, and frequent awareness campaigns.

3. FINANCIAL RISK MANAGEMENT

3.1 – Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk, counterparty risk, (re)financing and funding risk, and also settlement risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance at reasonable hedging costs. The Group uses derivative financial instruments, nonderivative financial instruments, and operating strategies to hedge certain risks.

Financial risk management is carried out by the central treasury department (Corporate Treasury) under policies approved by the Executive Committee and the Board of Directors. Corporate Treasury identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units and functions. Written principles for the management of overall foreign exchange risk and credit risk for the use of derivative financial instruments, nonderivative financial instruments and investing excess liquidity (counterparty risk) are in

place.

3.1.1 – Market risk

3.1.1.1 – Foreign exchange risk

- **Exposure to foreign exchange risk:** The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the euro, the US dollar and, to some extent, the currencies of emerging countries. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations when they are denominated in a currency that is not the respective subsidiary's functional currency.
- **Foreign exchange risk management:** To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use spot transactions, FX forward contracts, FX options, and FX swaps according to the Group's foreign exchange risk policy. Corporate Treasury is responsible, in close coordination with the Group's operating units, for managing the net position in each foreign currency and for putting in place the appropriate hedging actions.

The Group's foreign exchange risk management policy is to selectively hedge net transaction exposures in major foreign currencies.

Currency exposures arising from the net assets of the Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currency.

Detailed information regarding foreign exchange management is provided in note 31.

- **Foreign exchange risk sensitivity:** The estimated percentage change of the following foreign exchange rates used in this calculation is based on the historical foreign exchange rate volatility for a term of 360 days.

At 31 December 2021, if the euro had strengthened/weakened by 4 % (2020: 5 %) against the Swiss franc with all other variables held constant, pretax profit for the year would have been CHF 22 million higher/lower (2020: CHF 25 million higher/lower), mainly as a result of foreign exchange gains/losses on the translation of the euro-denominated financing, cash and cash equivalents, intragroup financing, and third-party trade receivables and payables. Equity would have been CHF 42 million lower/higher (2020: CHF 54 million lower/higher), arising mainly from foreign exchange gains/losses of the exposure of the foreign currency participations and the hedge instruments in the hedge of net investments, which partially offset this effect.

At 31 December 2021, if the US dollar had strengthened/weakened by 6 % (2020: 8 %) against the Swiss franc with all other variables held constant, pretax profit for the year would have been CHF 13 million higher/lower (2020: CHF 34 million higher/

lower), mainly as a result of foreign exchange gains/losses on the translation of US dollar-denominated cash and cash equivalents, intragroup financing, and trade receivables. Equity would have been CHF 60 million lower/higher (2020: CHF 30 million lower/higher), arising mainly from foreign exchange gains/ losses of the exposure of the foreign currency participations and the hedge instruments in the hedge of net investments, which partially offset this effect.

3.1.1.2 – Interest rate risk

- **Exposure to interest rate risk:** Financial debt issued at variable rates and cash and cash equivalents expose the Group to cash-flow interest rate risk; the net exposure as of 31 December 2021 was not significant. Financial debt issued at fixed rates does not expose the Group to fair value interest rate risk because it is recorded at amortized costs. At the end of 2021 and 2020, 100 % of the net financial debt was at fixed rates.
- **Interest rate risk management:** It is the Group's policy to manage the costs of interest using fixed- and variable-rate debt and interest-related derivatives. Corporate Treasury monitors the net debt fix-to-float mix on an ongoing basis.
- **Interest rate risk sensitivity:** To calculate the impact of a potential interest rate shift on profit and loss, the net debt exposure is taken into consideration for cash and debt maturing within the next 12 months. The variable Certificates of Indebtedness maturing after 12 months are also taken into consideration (interest rates comparison between the end of 2021 and end of 2020). At 31 December 2021, if the CHF interest rates on net current financial debt including Certificates of Indebtedness with variable interest rates after 12 months, had been 1 basis point higher/lower with all other variables held constant, pretax profit for the year would have been CHF 0.00 million higher/lower (2020: CHF 0.16 million higher/lower for a CHF interest rate shift of 1 basis point).

At 31 December 2021, if the USD interest rates on net current financial debt issued, including Certificates of Indebtedness with variable interest rates after 12 months, had been 1 basis point higher/lower with all other variables held constant, pretax profit for the year would have been CHF 0.15 million higher/lower (2020: CHF 0.65 million higher/lower for a USD interest rate shift of 1 basis point).

At 31 December 2021, if the EUR interest rates on net current financial debt issued, including Certificates of Indebtedness with variable interest rates after 12 months had been 1 basis point higher/lower with all other variables held constant, pretax profit for the year would have been CHF 5.09 million higher/lower (2020: CHF 2.38 million higher/lower for a euro interest rate shift of 1 basis point).

3.1.2 – Other price risks

With regard to the financial statements as per 31 December 2021 and 2020, the Group was not exposed to other price risks in the sense of IFRS 7, Financial Instruments: Disclosures.

3.1.2.1 – Credit risk

- **Exposures to credit risk:** Credit risk arises from deposits of cash and cash equivalents, from entering into derivative financial instruments, and from deposits with banks and financial institutions, as well as from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions with suppliers. Customer credit risk exposure is triggered by customer default risk and country risk. As of 31 December 2021, the Group had a diversified portfolio with more than 16 000 active credit accounts (2020: more than 19 000), with no significant concentration either due to size of customers or due to country risk. Of the accounts receivable, 50% are distributed among 244 corporate groups with moderate customer default risk.
- **Credit risk management:** Clariant has a Group credit risk policy in place to ensure that sales are made to customers only after an appropriate credit assessment. Procedures are standardized within a corporate customer credit risk policy and supported by the IT system with respective credit management tools. Credit lines are partially backed by credit risk insurance.

AGEING BALANCE OF TRADE RECEIVABLES

	31.12.2021	31.12.2020
Not due yet	93 %	93 %
Total overdue	7 %	7 %
– less than 30 days	4 %	5 %
– more than 30 days	3 %	2 %

NET TRADE RECEIVABLES PER GROUP INTERNAL RISK CATEGORY

	31.12.2021	31.12.2020
A – low credit risk	24 %	22 %
B – low to medium credit risk	31 %	33 %
C – medium to above-average risk	32 %	28 %
D – high credit risk	13 %	17 %
N – customers awaiting rating	0 %	0 %

Financial instruments contain an element of risk that the counterparty may be unable to either issue securities or to fulfill the settlement terms of a contract. Clariant therefore – whenever possible – only cooperates with counterparties or issuers that are at least rated »BB-« when it comes to entering into deposits with such counterparties. The cumulative exposure to these counterparties is constantly monitored by Corporate Treasury. There is no expectation of a material loss due to counterparty risk.

The Group maintains a large EUR cash pooling structure with a leading European bank, over which most European subsidiaries execute their cash transactions denominated in euro. A USD cash pooling structure with a leading US bank was introduced in 2020. As a result of this cash pool, the Group at certain times has substantial current financial assets and at other times substantial current financial liabilities with the corresponding banks.

In view of the European bank being rated »A-« (2020: BBB+) and the US bank being rated »A+« by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date, 71 % (2020: 63 %) of the total cash and cash equivalents and short-term deposits were held with five banks (2020: five banks), each with a position between CHF 21 million and CHF 132 million (2020: between CHF 89 million and CHF 154 million). All of these banks are rated »A-« (2020: »A«) and better.

The table below shows in percentage of total cash and cash equivalents the share deposited with each of the three major counterparties at the balance sheet date (excluding the banks managing the EUR and USD cash pools):

Counterparty	Rating	31.12.2021
Bank 1	A+	20 %
Bank 2	A+	7 %
Bank 3	A+	5 %

Counterparty	Rating	31.12.2020
Bank 1	AA+	15 %
Bank 2	A+	13 %
Bank 3	A+	13 %

3.1.3 – Liquidity risk

- **Liquidity risk management:** Cash flow forecasting is performed in the subsidiaries of the Group and in aggregate by Corporate Treasury. Corporate Treasury monitors the forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. At all times, the Group aims to meet the requirements set by the covenants of any of its borrowing facilities. Corporate Management therefore takes into consideration the Group's debt financing plans and financing options.

Cash that is not needed in the operating activities of the Group is invested in short-term money market deposits or marketable securities if an interest income higher than the one on a regular bank deposit can be achieved. At 31 December 2021, the Group held money market funds of CHF 29 million (2020: CHF 485 million), of which CHF 12 million have an initial tenor of more than 90 days (2020: CHF 267 million).

The following table analyzes the maturity profile of the Group's financial liabilities. The amounts disclosed are the contractual undiscounted cash flows and therefore do not reconcile with the financial liabilities presented in the consolidated balance sheets.

AT 31 DECEMBER 2021 in CHF m

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	707	272	655	18
Interest on borrowings	21	13	17	1
Lease liabilities	50	40	78	121
Trade payables and other liabilities	1 122	4	10	44
Derivative financial instruments	8	—	14	—

AT 31 DECEMBER 2020 RESTATED
in CHF m

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	411	358	832	234
Interest on borrowings	30	24	34	4
Lease liabilities	43	35	61	75
Trade payables and other liabilities	946	5	10	45
Derivative financial instruments	-1	—	-6	—

The Group covers its liabilities out of generated operating cash flow, liquidity reserves in form of cash and cash equivalents including money market deposits (31 December 2021: CHF 427 million vs. 31 December 2020: CHF 1004 million), out of uncommitted open cash pool limits and bank credit lines (31 December 2021: CHF 117 million vs. 31 December 2020: CHF 117 million), as well as out of additional uncommitted net working capital facilities and through issuance of capital market instruments.

Since 16 December 2016, Clariant Ltd had an agreement for a CHF 445 million (2020: CHF 445 million) five-year multicurrency revolving credit facility (RCF) with two one-year extension options. The RCF is structured as a club deal with ten key relationship banks with equal stakes and contains an accordion option for an increase up to CHF 600 million. The RCF is structured as a »backstop« facility for rating purposes to maintain Clariant's liquidity headroom. It contains customary covenants such as negative pledge, cross default, ownership change, and restriction on disposals, mergers, and subsidiary debt. The Group is required to maintain one financial covenant (debt leverage) that is tested at the end of each financial half year. The RCF has been extended until 16 December 2023.

3.2 – Fair value measurement

IFRS 13, Fair Value Measurement, requires the disclosure of fair value measurements for financial instruments measured at fair value in the balance sheet in accordance with the fair value measurement hierarchy.

The fair value hierarchies are defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3.2.1 – Valuation methods

As of 31 December 2021, the open derivative financial instruments held were valued using the following valuation methods:

Forward exchange rate contracts: The valuations of forward exchange rate contracts are based on the discounted cash flow model, using observable inputs such as interest curves and spot rates.

Exchange rate options: FX options are valued based on a Black-Scholes model, using major observable inputs such as volatility and exercise prices.

Equity investments valued at fair value through OCI: These are usually classified at Level 3. Their valuation is based on multiples of projected earnings and discounted cash flows.

The financial instruments measured at fair value through profit or loss were all classified as Level 2 (see note 31). There were no transfers between the levels in 2021 and 2020.

3.3 – Hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges)
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 31. Movements in the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a noncurrent asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

- **Cash flow hedges:** The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

As long as the hedged cash flow item is probable, the cumulative gain or loss on the respective hedge remains in equity and does not get recycled.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate/cross-currency swaps hedging variable-rate or fixed-rate borrowings is recognized in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

- **Hedges of net investments** in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

3.4 – Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain a capital structure suitable to optimize the cost of capital. This includes aspects of the credit rating.

In order to maintain or adjust the capital structure, the Group may adjust the amount of payouts to the shareholders, return capital to the shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital on the basis of invested capital as part of the return on invested capital concept. Invested capital is calculated as the sum of total equity as reported in the consolidated balance sheet plus current and noncurrent financial liabilities as reported in the consolidated balance sheet, including lease liabilities, plus estimated cash needed for operating purposes, less cash and cash equivalents and near cash assets not needed for operating purposes.

Invested capital for the Group was as follows on 31 December 2021 and 2020 respectively:

in CHF m		
	2021	2020 ²
Total equity	2 544	2 416
Total current and noncurrent financial liabilities (incl. lease liabilities)	1 949	2 022
Less cash and cash equivalents and short-term deposits ¹	-427	-1 004
Less assets held for sale (net of liabilities related to assets held for sale)	-581	-535
Cash needed for operating purposes	87	77
Invested capital	3 572	2 976

¹ Short-term deposits represent deposits over 90 days.

² Restated see note 1.03

At the end of 2021, Clariant considers the invested capital to be adequate.

3.5 – IBOR Reform

On 31 December 2021 LIBOR rates for all major currencies except for the US dollar were abandoned and replaced by alternative risk-free rates (ARFRs, e.g., SARON for CHF, SONIA for GBP, TONAR for JPY). ARFRs are transaction based on overnight rates (secured or unsecured). The loan documentation of Clariant's revolving credit facility (RCF) has been amended for the switch from LIBOR to ARFR for the relevant currencies. No other financial liabilities or derivatives were affected by the discontinuation of LIBOR. All of Clariant's floating Certificates of Indebtedness are denominated in EUR and therefore subject to EURIBOR, which continues to be used.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 – Estimated impairment of goodwill, intangibles, and property, plant, and equipment

The Group tests annually whether goodwill has suffered any impairment in accordance with the requirements of IAS 36, Impairment of Assets. The recoverable amounts of all cash-generating units have been determined based on value-in-use calculations reported in continuing operations. The recoverable amounts of all cash-generating units classified as discontinued operations have been valued at fair value less cost to sell.

The recoverable value of intangibles and property, plant, and equipment is also assessed applying value-in-use calculations. These calculations require the use of estimates, in particular in relation to the expected growth of sales, the discount rates, the development of raw material prices, and the success of restructuring measures implemented.

4.2 – Environmental liabilities

The Group is exposed to environmental regulations in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for environmental remediation. The Group constantly monitors its sites to ensure compliance with legislative requirements and to assess the liability arising from the need to adapt to changing legal demands. The Group recognizes liabilities for environmental remediation based on the latest assessment of the environmental situation of the individual sites and the most recent requirements of the respective legislation. Where the final remediation results in expenses that differ from the amounts previously recorded, such differences impact the income statement in the period in which such determination is made.

4.3 – Income tax and other taxes

The Group is subject to income tax and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain at the time a liability must be recorded.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made (see note 10). As a substantial part of Clariant's activities are based in Germany, this is where the largest tax risks arise. Some subsidiaries generate tax losses. Often these can be used to offset taxable gains of subsequent periods. The Group constantly monitors the development of such tax loss situations. Based on the business plans for the subsidiaries concerned, the recoverability of such tax losses is determined. In the event that a tax loss is deemed to be recoverable, the capitalization of a deferred tax asset for such a tax loss is then decided.

4.4 – Estimates for the accounting for employee benefits

IAS 19, Employee Benefits, requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected future salary increases, long-term increase in health care costs, average life expectancy, and discount rates. Substantial changes in the assumed development of any of these variables may significantly change the Group's retirement benefit obligation and pension assets (see note 20).

4.5 – Provisions and Contingencies

Clariant is regularly confronted with situations where possible obligations arising from past events will only be confirmed by the occurrence or nonoccurrence of future events not wholly within the control of the Group or where the amount of the obligation cannot be reliably estimated. Clariant reviews such situations at each balance sheet date and makes judgments based on all information available to determine if an outflow of resources can be reliably estimated or not. If this is not possible, a contingency is reported for each material case.

4.6 – Assets held for sale and liabilities directly associated with assets held for sale

As a result of the decision to divest two of its Business Units, Clariant reclassified the assets and liabilities pertaining to those activities to »held for sale« in accordance with IFRS 5 (see note 1.04). In distinguishing between the assets and liabilities pertaining to continuing operations and those pertaining to discontinued operations, judgment had to be applied, as a part of those assets and liabilities is used by both types of activities.

All assets and liabilities exclusively pertaining to one Business Unit were allocated to that Business Unit. In all other cases, a critical assessment was conducted as to whether it could be reasonably expected that the asset or liability concerned would be transferred in a disposal. This assessment was made based on past experience and most recent market developments. The allocation made may have to be adjusted when the disposal is actually consummated.

5. PROPERTY, PLANT, AND EQUIPMENT

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	Total 2021
Cost						
As per 1 January	293	881	1 924	274	351	3 723
Additions	1	14	51	17	279	362
Acquired in business combinations (see note 27)	4	2	42	1	—	49
Reclassified to/from held for sale (see note 25)	—	—	7	2	-4	5
Disposals	-26	-13	-16	-12	-1	-68
Reclassifications	3	71	129	14	-217	—
Exchange rate differences	-10	-12	-55	-5	-8	-90
At 31 December	265	943	2 082	291	400	3 981
Accumulated depreciation and impairment						
As per 1 January	-78	-454	-1 343	-220	—	-2 095
Additions	—	—	—	—	—	—
Reclassified to/from held for sale (see note 25)	—	—	-3	-2	—	-5
Disposals	—	12	15	12	—	39
Depreciation	—	-33	-117	-20	—	-170
Impairment (see note 28)	—	—	-1	—	—	-1
Reclassifications	—	—	—	—	—	—
Exchange rate differences	3	7	28	3	—	41
At 31 December	-75	-468	-1 421	-227	—	-2 191
Net book value	190	475	661	64	400	1 790

Impairments recognized in the income statement amounted to CHF 1 million in 2021 (2020: CHF 11 million). Impairments arise as a result of restructuring measures entailing site closures and of disposal projects.

Exchange rate differences mainly arise from the changes in the EUR/Swiss franc and Romanian leu/Swiss franc exchange rates. Both currencies significantly devalued against the Swiss franc in 2021.

As at 31 December 2021, commitments for the purchase of property plant, and equipment concerned various projects mainly in Germany, Romania and China and totaled CHF 78 million (2020: CHF 61 million).

As per 31 December 2021, property, plant, and equipment acquired by way of a business acquisition, with costs of CHF 49 million were recorded. See also note 27.

Additions in 2021 include CHF 112 million of investments in a cellulosic ethanol plant in Romania.

Disposals in 2021 include real estate in Germany, the US and Brazil with a total book value of CHF 27 million. A building in Brazil was subsequently leased back. Altogether a profit of CHF 15 million was incurred on these disposals, which is recognized in Selling, general and administrative costs.

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	Total 2020
Cost						
As per 1 January	340	1 128	1 981	296	248	3 993
Additions	1	8	40	11	228	288
Acquired in business combinations (see note 27)	—	2	1	—	—	3
Reclassified to/from held for sale (see note 25)	—	63	-48	-7	10	18
Disposals	-40	-255	-43	-15	-1	-354
Reclassifications	2	23	90	7	-122	—
Exchange rate differences	-10	-88	-97	-18	-12	-225
At 31 December	293	881	1 924	274	351	3 723
Accumulated depreciation and impairment						
As per 1 January	-105	-700	-1 310	-229	—	-2 344
Reclassified to/from held for sale (see note 25)	-1	-10	-13	3	—	-21
Disposals	27	242	39	14	—	322
Depreciation	—	-33	-109	-20	—	-162
Impairment (see note 28)	—	-2	-7	-2	—	-11
Exchange rate differences	1	49	57	14	—	121
At 31 December	-78	-454	-1 343	-220	—	-2 095
Net book value	215	427	581	54	351	1 628

Investment properties (Clariant as a lessor in operating leases)

As a result of the continuous efforts to increase efficiency and to optimize the structure of its facilities, sometimes production or administrative sites are vacated. In order to minimize expenses, Clariant seeks to find tenants for these facilities.

As a consequence, such facilities, which generate income exclusively from rental contracts, are considered as investment property in line with the requirements of IAS 40, Investment Property. All investment property is valued at cost less depreciation.

Investment property in Clariant is almost entirely located in Switzerland and Germany. The gross book value of investment property amounted to CHF 304 million on 31 December 2021 (CHF 524 million on 31 December 2020).

Accumulated depreciation on investment property amounted to CHF 186 million on 31 December 2021 (CHF 382 million on 31 December 2020).

The net book value amounted to CHF 118 million on 31 December 2021 (CHF 142 million on 31 December 2020).

Depreciation amounted to CHF 1 million in 2021 (CHF 1 million in 2020).

Income from investment properties amounted to CHF 6 million in 2021 (CHF 6 million in 2020) and is recorded in SG&A in the segment "Corporate".

Expected minimum lease income varies between CHF 5 million and CHF 6 million (2020: CHF 5 million and CHF 6 million) per annum for the next five years and amounts to CHF 199 million for later periods (2020: CHF 193 million).

Since all investment property consists of industrial and administrative sites that have been in use for several decades, there is no active market that would give information on possible market prices. The fair values of the investment properties were therefore determined by way of external appraisals and value-in-use calculations. As of 31 December 2021, the estimated fair value of investment property amounted to CHF 171 million (CHF 186 million on 31 December 2020).

6. INTANGIBLE ASSETS

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	Total 2021
Cost						
As per 1 January	998	231	368	86	288	1 971
Additions	—	—	—	—	3	3
Acquired in business combinations (see note 27)	60	—	—	5	26	91
Disposals	—	—	—	—	-7	-7
Reclassified to held for sale (see note 25)	-1	—	—	—	3	2
Exchange rate differences	-5	-3	3	—	-10	-15
At 31 December	1 052	228	371	91	303	2 045
Accumulated amortization and impairment						
As per 1 January	-4	-182	-251	-83	-213	-733
Disposals	—	—	—	—	3	3
Amortization	—	-9	-16	-3	-15	-43
Reclassified to held for sale (see note 25)	1	—	—	—	-1	—
Exchange rate differences	-2	2	-1	—	9	8
At 31 December	-5	-189	-268	-86	-217	-765
Net book value	1 047	39	103	5	86	1 280

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	Total 2020
Cost						
As per 1 January	1 069	238	387	87	292	2 073
Additions	—	1	—	—	10	11
Acquired in business combinations (see note 27)	2	—	2	—	2	6
Disposals	—	—	—	—	-2	-2
Reclassified to held for sale (see note 25)	-15	-6	-2	-1	-5	-29
Exchange rate differences	-58	-2	-19	—	-9	-88
At 31 December	998	231	368	86	288	1 971
Accumulated amortization and impairment						
As per 1 January	-24	-177	-243	-80	-198	-722
Disposals	—	—	—	—	1	1
Amortization	—	-12	-18	-4	-23	-57
Reclassified to held for sale (see note 25)	15	6	2	1	4	28
Exchange rate differences	5	1	8	—	3	17
At 31 December	-4	-182	-251	-83	-213	-733
Net book value	994	49	117	3	75	1 238

Amortization is allocated to the line in the income statement that represents the function to which the intangible asset pertains.

In 2021 and 2020, no impairment losses were recognized.

As per end of 2021, other intangible assets include the carrying value in the amount of CHF 27 million (2020: CHF 34 million) capitalized in connection with the REACH regulation and less than CHF 1 million (2020: CHF 4 million) of capitalized internally generated intangibles.

Impairment test for goodwill. Goodwill is allocated to the Group's cash-generating units (CGUs). Cash-generating units consist of business units which are for external reporting purposes reported under the corresponding business areas (reportable segments, see note 1.26).

Goodwill is allocated to the following CGUs:

in CHF m	31.12.2021	31.12.2020
Industrial & Consumer Specialties	119	60
Pigments	11	11
Functional Minerals	137	139
Catalysts	636	645
Oil & Mining Services	155	150
Total net book value	1 058	1 005
Thereof reclassified to held for sale:		
Pigments	-11	-11
Total as reported in the balance sheet	1 047	994

Continuing operations

The recoverable amount for CGUs reported as continuing operations is determined based on their value-in-use. The value-in-use calculations use cash flow projections based on the strategic plans up to 2025 as approved by the Executive Committee. For the terminal value, a market growth of 2.25% is assumed. The main assumptions used for cash flow projections are EBITDA in percent of sales and sales growth. The assumptions regarding these two variables are based on Management's past experience and future expectations of business performance. The pretax discount rates used are based on the Group's weighted average cost of capital. The assumed pre-tax discount rate was 10.70 % for all cash-generating units (2020: 10.68 %). As all CGUs operate in similar geographic areas, have the same source of funds and a similar risk pattern a uniform discount rate is applied to all of them.

For all CGUs, it was assumed that they achieve sales growth in line with or higher than market growth, based on the specific strategic plans for the respective CGUs. It was also assumed that the EBITDA in percent of sales will improve over present performance as a result of the continuous improvement measures implemented. The conclusion was that the net present value of the expected cash flows exceeds the carrying amount of the net assets allocated on a value-in-use basis of all CGU's.

Discontinued operations

The estimated recoverable amount of the CGU and BU Pigments, which is classified as a discontinued operation, was determined based on the signed sales contract. Based on this, the fair value less cost to sell of the CGU exceeds its book value. For further details on discontinued operations, see note 25.

7. LEASES

in CHF m	31.12.2021	31.12.2020
Right-of-use assets - net book value		
Leasehold land	30	22
Buildings	149	158
Machinery and equipment	90	19
Furniture, vehicles, computer hardware	24	22
Total	293	221
Reclassified to held for sale (see note 25)	-12	-17
Total as reported in the balance sheet	281	204
Lease liabilities		
Noncurrent lease liabilities	238	173
Current lease liabilities	51	41
Total	289	214
Reclassified to held for sale (see note 25)	-7	-14
Total as reported in the balance sheet	282	200

Additions to the right-of-use assets during 2021 were CHF 129 million (2020: CHF 51 million).

Consolidated income statements include the following amounts relating to leases:

in CHF m	2021	2020
Depreciation expense		
Leasehold land	-3	-2
Buildings	-29	-29
Machinery and equipment	-9	-6
Furniture, vehicles, computer hardware	-13	-13
Total depreciation	-54	-50
Interest expense, included in finance costs	-11	-11
Expense relating to short-term leases	-11	-13
Expense relating to leases of low-value assets	-4	-5
Total	-80	-79
Thereof reported under discontinued operations	1	4
Total continuing operations	-79	-75

The total cash outflow for leases in 2021 was CHF 70 million (2020: CHF 66 million).

There are CHF 1 million of commitments for leases not commenced at year-end (2020: CHF 1 million).

Potential future cash outflows arising from extension options in the amount of CHF 44 million were not reflected in the measurement of lease liabilities on 31 December 2021 (2020: less than CHF 1 million).

8. Investments in associates and joint ventures

in CHF m	2021	2020
As per 1 January	344	349
Change in the scope of consolidation	-14	—
Additions	—	2
Disposals	—	-1
Share in profit	69	63
Share in other comprehensive income of associates and joint ventures	2	1
Dividends received	-44	-44
Exchange rate differences	-7	-26
At 31 December	350	344
Thereof joint ventures	120	118
Reclassified to held for sale (see note 25)	-139	-191
Total as reported in balance sheet	211	153

The key financial data of the Group's principal associates is as follows:

INVESTMENTS IN ASSOCIATES:

in CHF m	Infraserv GmbH & Co. Höchst KG		Infraserv GmbH & Co. Gendorf KG		Infraserv GmbH & Co. Knapsack KG		Others	
	Germany		Germany		Germany			
	2021	2020	2021	2020	2021	2020	2021	2020
Summarized financial information								
Interest held %	33%	33%	50%	50%	21%	21%	—	—
Revenue	1 218	927	294	234	250	234	149	115
Total comprehensive income	82	59	34	34	13	13	21	16
Net income	78	63	33	34	13	13	21	16
Other comprehensive income	4	-4	1	—	—	—	—	—
Current assets	351	265	106	91	78	66	94	86
Noncurrent assets	930	815	193	199	119	126	23	23
Current liabilities	-311	-213	-78	-77	-73	-63	-40	-31
Noncurrent liabilities	-687	-605	-90	-76	-41	-41	-3	-3
Net assets	283	262	131	137	83	88	74	75
Reconciliation of book value								
Book value at the beginning of the period	87	86	69	63	19	18	52	73
Additions	—	—	—	—	—	—	—	2
Disposals	—	—	—	—	—	—	—	-1
Change in the scope of consolidation	—	—	—	—	—	—	-14	—
Share in profit for the period	25	21	17	17	3	3	17	6
Share in other comprehensive income	2	-1	—	—	—	—	—	—
Dividends received	-16	-18	-17	-10	-3	-3	-6	-5
Foreign exchange rate differences	-4	-1	-3	-1	-2	1	4	-23
Book value at the end of the period	94	87	66	69	17	19	53	52
Clariant's share in the book values at the end of the period	94	87	66	69	17	19	53	52
Reclassified to held for sale (see note 25)	—	55	—	—	—	—	32	28

The Infraserv companies were set up by the former Hoechst group to cater to the infrastructure needs of its subsidiaries in Germany prior to 1997. The shareholdings in associates summarized under »Others« concern mainly companies specializing in selling Clariant products.

On 31 December 2021, accumulated unrecognized losses amounted to CHF 4 million (2020: CHF 3 million).

The key financial data of the Group's principal joint ventures is as follows:

INVESTMENTS IN JOINT VENTURES:

in CHF m	Scientific Design Company Inc.		Global Amines group	
	USA			
	2021	2020	2021	2020
Summarized financial information				
Interest held %	50 %	50 %	50 %	50 %
Revenue	105	121	243	195
Total comprehensive income	14	17	14	19
Net income	14	17	14	14
Other comprehensive income	—	—	—	5
Current assets	108	87	101	96
Noncurrent assets	32	30	86	67
Current liabilities	-34	-25	-101	-77
Noncurrent liabilities	-11	-8	-13	-20
Net assets	95	84	73	66
Reconciliation of book value				
Book value at the beginning of the period	108	108	10	1
Share in profit for the period	—	9	7	7
Share of other comprehensive income	—	—	—	2
Dividends received	—	-8	-2	—
Foreign exchange rate differences	-1	-1	-2	—
Book value at the end of the period	107	108	13	10
Reclassified to held for sale (see note 25)	107			
Group's share in net assets at the end of the period	48	42	36	33
Fair value adjustment/goodwill	66	66	—	—
Impairment	—	—	-23	-23
Taxes, minorities, and other adjustments	—	—	—	—
Clariant's share in the book values at the end of the period	114	108	13	10

Scientific Design Company Inc. is a producer of ethylene and oxide catalysts headquartered in the United States and has around 140 employees. The Co-owner is the Saudi Arabia-based Sabic group. The sale of Clariant's participation in this company is imminent, which is why it has been reclassified to Held for Sale. As a consequence the accounting at equity was discontinued and the value of the shareholding was valued at the lower of the book value or the value expected to be recovered from the sale, i.e. at the book value. For this reason the book value is lower than Clariant's share in the net assets. Please also refer to note 38.

The Global Amines group is a joint venture of Clariant and Wilmar International Limited, a leading Asian agribusiness group headquartered in Singapore, and serves as a global platform for the production and sale of fatty amines and selected amine derivatives. It also has worldwide sales, distribution, and production facilities. The joint venture has existed since 26 October 2012 and is operated as part of the Business Unit ICS.

9. FINANCIAL ASSETS

in CHF m	2021	2020
As per 1 January	202	218
Additions	5	—
Fair value adjustment	2	-10
Repayments and disposals	-2	-5
Exchange rate differences	-9	-1
At 31 December	198	202

Financial assets include loans to joint ventures and a number of small-scale participations in companies, mostly in Germany and in Switzerland, engaged in activities closely related to those of Clariant.

In 2021, Clariant acquired a 10% stake in Aqdot Limited, which develops intelligent encapsulation solutions for the consumer, agrochemical, and household and personal care industries. The purchase price amounted to CHF 5 million.

In 2021, loans amounted to CHF 1 million (2020: CHF 4 million). Participations amounted to CHF 197 million in 2021 (CHF 198 million in 2020).

In 2021, loans in the amount of CHF 2 million (2020: CHF 5 million) from associates were repaid.

While loans are carried at amortized cost, participations are valued at fair value through OCI using Level 3 methods.

The valuation of participations is based on multiples of projected earnings and discounted cash flows. The change in participation values was mainly driven by the fair value estimation performed in 2021 and resulted in an increase of CHF 2 million, which was recognized in Other comprehensive income.

The key unobservable inputs used in the fair value estimation of the most material participation which constitutes 87.9% of these shareholdings are as follows: long-term revenue growth rate of 1%, long-term pre-tax operating margin of 16.5% and weighted-average cost of capital of 9.4%. The sensitivity analysis shows that if the long-term growth rate had been higher/lower by 1% with all other variables held constant, the fair value would have been CHF 8 million higher/lower. If the long-term pretax operating margin had been higher/lower by 1% with all other variables held constant, the fair value would have been CHF 12 million higher/lower. If the weighted-average cost of capital had been higher/lower by 0.5% with all other variables held constant, the fair value would have been CHF 10 million lower/CHF 12 million higher.

10. TAXES

in CHF m	2021	2020 ¹
Current income taxes	-119	-167
Deferred income taxes	-18	-16
Total taxes	-137	-183
Thereof reported under discontinued operations	35	82
Total continuing operations	-102	-101

¹ Restated, see note 1.03.

The main elements contributing to the difference between the Group's overall expected tax expense/rate and the effective tax expense/rate are:

	2021 in CHF m	in %	2020 ² in CHF m	in %
Income before taxes from continuing operations	394		231	
Income before taxes from discontinued operations	116		777	
Income before taxes total	510		1 008	
Expected tax expense/rate¹	-146	28.6	-158	15.7
Effect of taxes on items not tax-deductible	-27	5.3	-115	11.4
Effect of utilization and changes in recognition of tax losses and tax credits	3	-0.6	-40	4.0
Effect of tax losses and tax credits of current year not recognized	-24	4.7	-10	1.0
Effect of adjustments to taxes recognized in prior periods	18	-3.5	-4	0.4
Effect of tax-exempt income	40	-7.8	148	-14.7
Effect of other items	-1	0.2	-4	0.4
Effective tax expense/rate	-137	26.9	-183	18.2
Thereof reported under discontinued operations	35	30.2	82	10.6
Effective tax expense/rate continuing operations	-102	25.9	-101	43.7

¹ Calculated based on the income before tax of each subsidiary (weighted average)

² Restated, see note 1.03.

The effective tax rate for the period (continuing operations) was positively impacted by the recognition of deferred tax assets in Switzerland, the PIS-COFINS credit in Brazil, and an increased profitability in low-tax jurisdictions.

The movement of the net deferred income tax balance is as follows:

in CHF m	PPE, RoU assets, and intangible assets	Retirement benefit obligations/ assets	Tax losses and tax credits	Other liabilities and provisions	Total	Thereof offset within the same jurisdiction	Total
Deferred tax assets at 31 December 2019	170	110	66	101	447	-213	234
Deferred tax liabilities at 31 December 2019	-229	-2	—	-25	-256	213	-43
Net deferred tax balance at 1 January 2020 restated	-59	108	66	76	191		191
Charged/credited to income (restated)	2	-1	2	12	15		
Effect of disposals	1	—	-33	1	-31		
Total charged/credited to income statement (restated)	3	-1	-31	13	-16		
Charged/credited to other comprehensive income	—	-18	1	—	-17		
Effect of disposals	-23	-7	4	-4	-30		
Reclassified to/from held for sale	—	16	—	—	16		
Exchange rate differences	6	-2	3	-17	-10		
Net deferred tax balance at 31 December 2020 (restated)	-73	96	43	68	134	—	134
Deferred tax assets at 31 December 2020 (restated)	137	97	43	101	378	-220	158
Deferred tax liabilities at 31 December 2020 (restated)	-210	-1	—	-33	-244	220	-24
Net deferred tax balance at 1 January 2021 restated	-73	96	43	68	134	—	134
Charged/credited to income statement	-7	-11	-14	14	-18		
Total charged/credited to income statement	-7	-11	-14	14	-18		
Charged/credited to other comprehensive income	—	-7	—	—	-7		
Effect of disposals	1	—	—	—	1		
Effect of acquisitions	9	—	—	—	9		
Reclassified to/from held for sale	18	—	—	—	18		
Exchange rate differences	1	6	-4	-7	-4		
Net deferred tax balance at 31 December 2021	-51	84	25	75	133	—	133
Deferred tax assets at 31 December 2021	155	87	25	114	381	-218	163
Deferred tax liabilities at 31 December 2021	-206	-3	—	-39	-248	218	-30
Net deferred tax balance at 31 December 2021	-51	84	25	75	133	—	133

Of the deferred tax assets capitalized on tax losses, CHF 0 million relate to tax losses of the US subsidiaries (2020: CHF 17 million), CHF 0 million to tax losses of the Spanish subsidiaries (2020: CHF 4 million), CHF 6 million to tax losses of the Indian subsidiaries (2020: CHF 10 million) and CHF 6 million to tax losses of the Chinese subsidiaries (2020: CHF 0 million). Clariant considers it probable that these tax losses can be recovered.

Deferred income tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested. These unremitted earnings totaled CHF 2 252 million at the end of 2021 (2020: CHF 2 415 million).

The change compared to the prior year is primarily the result of Group-internal transactions.

The tax losses on which no deferred tax assets are recognized are reviewed for recoverability at each balance sheet date. The largest part of these tax losses arose in France (with a tax rate of 27%), in the US (with a tax rate of 25%), and in Switzerland (with a tax rate of 14%). At present, their recoverability is not considered probable.

Tax losses on which no deferred tax assets were recognized are as follows:

in CHF m	31.12.2021	31.12.2020
EXPIRY BY:		
2021	—	15
2022	10	12
2023	5	12
2024	3	6
2025	33	—
after 2025 (2020: after 2024)	532	406
Total	583	451

Tax credits amounting to CHF 9 million were recognized in 2021 (2020: CHF 3 million). They expire in and after 2026.

Temporary differences on which no deferred tax was recognized amount to CHF 1 208 million in 2021 (2020: CHF 1 160 million).

11. INVENTORIES

in CHF m	31.12.2021	31.12.2020
Raw material, consumables, work in progress	394	290
Finished products	531	430
Total	925	720
Reclassified to held for sale (see note 25)	-234	-186
Total as reported in the balance sheet	691	534

in CHF m	2021	2020
Movements in write-downs of inventories		
As per 1 January	-40	-40
Additions	-17	-23
Reversals	22	14
Effect of disposals	—	6
Exchange rate differences	1	3
At 31 December	-34	-40
Thereof reclassified to held for sale	-7	-9

As at 31 December 2021 and 2020, no inventories were pledged as collateral for liabilities.

The cost for raw materials and consumables recognized as an expense and included in »Costs of goods sold« amounted to CHF 1 860 million (2020: CHF 1 537 million) for continuing operations.

12. TRADE RECEIVABLES

in CHF m	31.12.2021	31.12.2020
Gross accounts receivable – trade	860	694
Gross accounts receivable – associates and joint ventures	26	15
Less: provision for doubtful accounts receivable	-9	-5
Total trade receivables – net	877	704
Reclassified to held for sale (see note 25)	-148	-127
Total as reported in the balance sheet	729	577

The following summarizes the movement in the provision for doubtful accounts receivable:

in CHF m	2021	2020
As per 1 January	-5	-5
Charged to the income statement	-9	-8
Amounts used	2	3
Unused amounts reversed	2	3
Exchange rate differences	1	2
At 31 December	-9	-5

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables within stage 1 and 2. The estimated expected loss rates are based on historical credit losses and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group recognizes impairment of trade receivables in »Selling, general, and administrative costs« in the income statement.

The maximum credit risk on trade receivables is equal to their fair value.

Collateral is only required in rare cases (2021: CHF 1 million, 2020: CHF 1 million).

The loss allowance for trade receivables as at 31 December 2021 and 2020 was determined as follows:

in CHF m	Current	30 - 60 days overdue	61 - 90 days overdue	More than 90 days overdue	Individually impaired	Total
31 December 2021						
Expected loss rate (in %)	0.92	3.05	3.23	3.29		
Gross carrying amount, trade receivables	847	18	6	15	—	886
Loss allowance	8	1	—	—	—	9

in CHF m	Current	30 - 60 days overdue	61 - 90 days overdue	More than 90 days overdue	Individually impaired	Total
31 December 2020						
Expected loss rate (in %)	0.29	5.65	9.81	14.38		
Gross carrying amount, trade receivables	678	13	7	11	—	709
Loss allowance	2	1	1	1	—	5

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

in CHF m	31.12.2021	31.12.2020
EUR	344	252
USD	262	198
CNY	54	66
BRL	45	40
JPY	29	28
INR	67	40
Other	76	80
Total trade receivables – net	877	704
Reclassified to held for sale (see note 25)	-148	-127
Total as reported in the balance sheet	729	577

As of 31 December 2021, »Total trade receivables – net« include an amount of CHF 72 million (2020: CHF 70 million) that was past due, but not impaired. These related to a number of customers for whom there is no recent history of default.

13. OTHER CURRENT ASSETS

Other current assets include the following:

in CHF m	31.12.2021	31.12.2020
Other receivables	271	255
Current financial assets	49	51
Prepaid expenses and accrued income	44	41
Total	364	347
Reclassified to held for sale (see note 25)	-48	-35
Total as reported in the balance sheet	316	312

Other receivables include, among others, staff loans, deposits, advances, and VAT and sales tax receivables.

At the end of 2021 a VAT credit in the amount of CHF 17 million arising in Brazil was recognized in this position.

Other receivables are recognized at amortized cost in the balance sheet.

Current financial assets are mainly made up of notes receivable and short term loans. These are classified as loans and receivables and recognized at amortized cost in the balance sheet.

The book value of current financial assets equals their fair value.

Other receivables and other current financial assets are also subject to the impairment requirements of IFRS 9. The identified impairment loss for other receivables was immaterial.

There was no impairment of current financial assets in 2021 and 2020.

Other receivables are denominated in the following currencies:

in CHF m	31.12.2021	31.12.2020
CHF	12	16
EUR	78	74
USD	18	8
JPY	5	3
BRL	33	20
CNY	24	16
INR	36	34
Other	65	84
Total	271	255
Thereof reclassified to held for sale	46	33

Current financial assets are denominated in the following currencies:

in CHF m	31.12.2021	31.12.2020
CHF	32	29
USD	1	5
CNY	16	17
Total	49	51

The maximum exposure to credit risk of other current assets at the reporting date is their fair value.

14. SHORT-TERM DEPOSITS

Short-term deposits have an original maturity between 90 and 365 days.

They are denominated in the following currencies:

in CHF m	31.12.2021	31.12.2020
CHF	—	80
USD	—	176
INR	12	11
Total	12	267

15. CASH AND CASH EQUIVALENTS

in CHF m	31.12.2021	31.12.2020
Cash at bank and on hand	398	520
Short-term bank deposits	17	217
Total	415	737

Cash and cash equivalents are denominated in the following currencies:

in CHF m	31.12.2021	31.12.2020
EUR	18	141
USD	149	304
CHF	83	71
GBP	23	27
CNY	8	2
JPY	20	63
INR	42	48
BRL	23	8
Other	49	73
Total	415	737

The effective average annual interest rate on short-term bank deposits in Swiss franc was -0.55 % (2020: 0 %); these deposits have an average maturity of 50 days (2020: 0 days).

The effective average annual interest rate on short-term bank deposits in US dollars was 0.31 % (2020: 0.34 %); these deposits have an average maturity of 60 days (2020: 21 days).

In 2021 and 2020, there were no short-term bank deposits in euro.

There were no material short-term bank deposits denominated in currencies other than Brazilian Real at the end of the reporting period (2020: US dollar and Swiss franc).

The maximum exposure to credit risk on cash and cash equivalents is equal to their book value.

16. CASH FLOW: ADDITIONAL INFORMATION

for the years ended 31 December 2021 and 2020

	Notes	2021 in CHF m	2020 ¹ in CHF m
Noncash income and expenses		373	825
Depreciation of property, plant, and equipment and right-of-use assets	5, 7	224	212
Impairment	28	1	11
Amortization of intangible assets	6	43	57
Impairment of working capital		18	26
Income from associates and joint ventures	8	-69	-63
Tax expense	10	137	183
Net financial income and costs	29	46	66
Gain/loss from disposals not qualifying as discontinued operations	26	—	-12
Gain on disposals of discontinued operations	25	—	-768
Other noncash items		-9	20
Total noncash income and expenses		391	-268
Changes in net working capital and provisions			
Changes in inventories		-226	84
Changes in trade receivables		-191	47
Changes in trade payables		196	-58
Changes in other current assets and liabilities		-26	-19
Changes in provisions (excluding payments for restructuring)		-58	-146
Total changes in net working capital and provisions		-305	-92

¹ Restated, see note 1.03

17. CHANGES IN SHARE CAPITAL AND TREASURY SHARES AND CHANGES IN NONCONTROLLING INTERESTS

Registered shares each with a par value of CHF 3.00 (2020: CHF 3.70)	Number of shares 2021	Par value 2021 in CHF m	Number of shares 2020	Par value 2020 in CHF m
Share capital as per 1 January	331 939 199	1 228	331 939 199	1 228
Nominal value reduction		-232		
Share capital at 31 December	331 939 199	996	331 939 199	1 228
Treasury shares	-2 822 712	-8	-2 385 509	-9
Outstanding share capital at 31 December	329 116 487	988	329 553 690	1 219

Treasury shares (number of shares)	2021	2020
Holdings as per 1 January	2 385 509	2 586 765
Shares purchased at market value	657 207	34 000
Shares purchased on exercise of put options	200 000	—
Shares transferred to employees	-420 004	-235 256
Holdings at 31 December	2 822 712	2 385 509

All shares are duly authorized and fully paid in.

Dividends are paid out as and when declared equally on all shares, excluding treasury shares. The information concerning payments per share to the shareholders is disclosed in the notes to the financial statements of Clariant Ltd.

In accordance with Article 5 of the company's Articles of Incorporation, no limitations exist with regard to the registration of shares which are acquired in one's own name and on one's own account. Special rules exist for nominees.

In accordance with Article 13 of the company's Articles of Incorporation, each share has the right to one vote.

Distribution from share capital to shareholders

On 7 April 2021 the Annual General Meeting of Clariant AG approved a distribution through capital reduction by way of a par value reduction of the par value from CHF 3.70 to CHF 3.00 per registered share. The payout reduced the share capital by CHF 232 million.

Significant shareholders of 3% or more of total share capital

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2021, the following shareholders held more than 3% of voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia	32.35 % ¹
BlackRock Inc., New York, United States	3.80 %
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting, Germany, and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82057 Icking, Germany ²	3.49 %
PSquared Master SICAV Ltd, on behalf of its subfund Valetta, Malta Leveraged Event Fund LP, Grand Cayman, Cayman Islands, controlled by Patrick Schmitz-Morkramer, Zurich, Switzerland, and Patrick Bierbaum, Zurich, Switzerland	3.035 %

¹ SABIC acquired 24.99 % of the shares of Clariant Ltd on 17 September 2018, and increased its participation by 6.51 % to 31.5 % on 9 September 2020. SABIC has not changed its participation of 31.5 % since then. The difference between this figure (i.e. 31.5 %) and the abovementioned 32.35 % corresponds to the amount of treasury shares held by Clariant Ltd as of 31 December 2021, which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

² According to a disclosure notification published on 18 December 2018, a group consisting of Konstantin Winterstein, 80333 Munich, Germany, and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 Munich, Germany, was formed.

Disclosure notifications during the financial year 2021 reported to the Stock Exchange Disclosure Office pursuant to Art. 120 of the Financial Markets Infrastructure Act (FMIA) as well as further information in relation to disclosure notifications can be found on the SIX Swiss Exchange reporting platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

On 31 December 2020, the following shareholders held a participation of 3% or more of the total share capital: SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia: 32.22%; APG Asset Management N.V., Amsterdam, Netherlands: 5.01%; BlackRock Inc., New York, United States: 3.8%; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany), and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany): 3.49%.

On 31 December 2021, Clariant AG itself held 2822712 shares in treasury, corresponding to 0.85% of the share capital.

Noncontrolling interests

At 31 December 2021, noncontrolling interests reported are primarily made up of those of the five following companies. They amount to more than 94.4 % of the minority shares reported:

Clariant Huajin Catalysts (Panjin) Ltd, reported sales in the amount of CHF 28 million in the reporting period and total assets in the amount of CHF 52 million as per 31 December 2021. The noncontrolling interests of 40 % of the shares outstanding are held by Northern Huajin Chemical Industry Group Co. Ltd.

Clariant Chemicals (India) Ltd reported sales in the amount of CHF 101 million in the reporting period and CHF 86 million of total assets as per 31 December 2021. The noncontrolling interests of 49% of the shares outstanding are traded on the Bombay Stock Exchange (BSE) in Mumbai.

Clariant Catalysts (Japan) K.K. reported sales in the amount of CHF 157 million in the reporting period and CHF 84 million of total assets as per 31 December 2021. The noncontrolling interests of 38.6 % of the shares outstanding are held by Nissan Chemicals Industries Ltd.

Süd-Chemie India Ltd (SCIL) reported sales in the amount of CHF 208 million in the reporting period and total assets of CHF 219 million as per 31 December 2021, thereof current assets of CHF 137 million and noncurrent assets of CHF 82 million. Total liabilities amounted to CHF 32 million, thereof current liabilities of CHF 29 million and noncurrent liabilities of CHF 3 million. As per 31 December 2021, total equity of Süd-Chemie India Ltd (SCIL) amounted to CHF 187 million. The noncontrolling interests of 50% of the shares outstanding are owned by private shareholders in India.

Clariant IGL Specialty Chemicals, acquired on 1 July 2021, reported sales in the amount of CHF 71 million in the reporting period since the time of the acquisition and total assets of CHF 156 million as per 31 December 2021, thereof current assets of CHF 51 million and noncurrent assets of CHF 105 million. Total liabilities amounted to CHF 70 million, thereof current liabilities of CHF 45 million and noncurrent liabilities of CHF 25 million. The noncontrolling interests of 49% of the shares outstanding are owned by the India-based IGL group.

18. NONCURRENT FINANCIAL DEBTS

in CHF m	Interest rate in %	Term	Notional amount	Net amount 31.12.2021	Net amount 31.12.2020
Certificate of indebtedness	0.779	2016-2021	55 EUR m	—	60
Certificate of indebtedness	3 m LIBOR +1.5	2016-2021	166 USD m	—	146
Certificate of indebtedness	2.618	2016-2021	111 USD m	—	97
Straight bond	3.500	2012-2022	175 CHF m	175	175
Certificate of indebtedness	mixed	2020-2022	115 EUR m	118	124
Certificate of indebtedness	3 m LIBOR +1.5	2020-2022	37 CHF m	—	37
Certificate of indebtedness	mixed	2015-2023	150 EUR m	155	161
Certificate of indebtedness	6 m EURIBOR +1.1	2016-2023	13 EUR m	13	14
Certificate of indebtedness	1.137	2016-2023	27 EUR m	27	29
Certificate of indebtedness	1.501	2016-2023	73 EUR m	76	79
Straight bond	2.125	2014-2024	160 CHF m	160	160
Certificate of indebtedness	1.194	2018-2024	92 EUR m	95	99
Certificate of indebtedness	1.548	2018-2025	102 EUR m	106	112
Certificate of indebtedness	6 m EURIBOR +0.95	2018-2025	54 EUR m	55	58
Certificate of indebtedness	6m EURIBOR +1.9	2020-2025	83 EUR m	—	89
Certificate of indebtedness	3 m LIBOR +1.8	2020-2025	25 CHF m	—	25
Certificate of indebtedness	2.010	2016-2026	15 EUR m	15	16
Straight bond	1.125	2019-2026	200 CHF m	200	200
Certificate of indebtedness	2.087	2018-2028	17 EUR m	18	18
Total straight bonds and certificates of indebtedness				1 213	1 699
Liabilities to banks and other financial institutions				38	28
Subtotal				1 251	1 727
Less: current portion (see note 23)				-293	-303
Total				958	1 424
Breakdown by maturity					
			2022	—	358
			2023	271	283
			2024	283	261
			2025	170	—
			after 2025 (2020: after 2024)	234	522
Total				958	1 424
Breakdown by currency			EUR	561	799
			CHF	374	603
			Others	23	22
Total				958	1 424
Fair value comparison (including current portion)					
Straight bonds				554	561
Certificates of indebtedness				678	1 164
Others				38	28
Total				1 270	1 753
Total net book value of assets pledged as collateral for financial debts				—	—
Total collateralized financial debts				—	—

On 23 August 2021, two certificates of indebtedness issued in 2020 were repaid early (CHF 37 million, original maturity 2022; CHF 25 million, original maturity 2025).

On 22 November 2021, the certificate of indebtedness issued in 2020 with a notional amount of EUR 83 million was repaid early (original maturity 2025).

On 22 May 2020, Clariant issued five certificates of indebtedness with a total amount of EUR 197.5 million and CHF 62.5 million. These certificates have terms of 2 years, expiring on 23 May 2022 (EUR 114.5 million and CHF 37.5 million), and 5 years, expiring on 22 May 2025 (EUR 83 million and CHF 25 million). While a tranche of CHF 62.5 million has a variable interest of 3 months CHF LIBOR plus a spread ranging between 1.50 % and 1.80 % and a tranche in the amount of EUR 110.5 million has a variable interest rate of 6 months EURIBOR plus a spread ranging between 1.45 % and 1.90 %, the fixed interest rate is 1.45 % for a tranche in the amount of EUR 87 million.

Valuation. Noncurrent financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. There are no long-term financial liabilities valued at fair value through profit and loss.

Fair values of straight bonds are determined by quoted market prices (Level 1 in the fair value hierarchy).

Certificates of indebtedness and other financial debts are recorded at notional amounts, which are a reasonable approximation of the fair values.

Covenants. For the covenants, please refer to note 3.1.3 Financial risk factors.

Exposure of the Group's borrowings to interest rate changes

- **Bonds:** the interest rates of all bonds are fixed.
- **Certificates of indebtedness:** the major part of the existing certificates of indebtedness has a fixed coupon.
- **Liabilities to banks and other financial institutions,** mostly consisting of bank loans with fixed interest rates mainly.

Collateral. In 2021, no assets were pledged as collateral (2020: no assets were pledged as collateral).

19. RECONCILIATION OF NET DEBT

in CHF m	01.01.2021	Effects of business acquisitions	Movements in cash flow	Exchange rate differences	Other noncash movements	31.12.2021	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	737		-318	-4		415	—	415
Short-term deposits	267		-255			12	—	12
Financial instruments with positive fair values	5		-4			1	—	1
Total cash and liquid investments	1 009	—	-577	-4	—	428	—	428
Noncurrent financial debt	-1 424	-24	150	47	293	-958	—	-958
Current financial debt	-411	—	12	-24	-293	-716	7	-709
Lease liabilities	-214	—	70	3	-148	-289	7	-282
Borrowings and other financial liabilities	-2 049	-24	232	26	-148	-1 963	14	-1 949
Net debt	-1 040	-24	-345	22	-148	-1 535	14	-1 521

in CHF m	01.01.2020	Movements from the disposal	Movements in cash flow	Exchange rate differences	Other noncash movements	31.12.2020	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	638		126	-27	—	737	—	737
Short-term deposits	304		-34	-3	—	267	—	267
Financial instruments with positive fair values	4		1	—	—	5	—	5
Total cash and liquid investments	946	—	93	-30	—	1 009	—	1 009
Noncurrent financial debt	-1 485		-288	46	303	-1 424	—	-1 424
Current financial debt	-587	6	472	1	-303	-411	13	-398
Lease liabilities	-246	23	66	11	-68	-214	14	-200
Borrowings and other financial liabilities	-2 318	29	250	58	-68	-2 049	27	-2 022
Net debt	-1 372	29	343	28	-68	-1 040	27	-1 013

20. RETIREMENT BENEFIT OBLIGATIONS

Apart from the legally required social security schemes, the Group has numerous independent retirement benefit plans. As a principle, assets are held externally. For certain Group companies, however, no independent assets exist for the retirement benefit and other noncurrent employee benefit obligations. In these cases, the related liability is included in the balance sheet as part of the noncurrent liabilities.

Defined benefit post-employment plans. Defined benefit pensions and termination plans cover the majority of the Group's employees. Future obligations and the corresponding assets of those plans considered as defined benefit plans under IAS 19 are reappraised annually and reassessed at least every three years by independent actuaries. Assets are valued at fair value.

Pension assets for funded defined benefit pension plans are managed according to local rules and legislation in each country.

The actual asset allocation is determined by current and expected economic and market conditions and in consideration of specific asset class risks in the risk profile. For this purpose, Asset Liability Matching studies are conducted by third party experts on a regular basis to ensure that investment strategies for pension assets are in line with the structure of the plan members of the pension plan concerned.

In all countries with funded defined benefit plans, the body governing the investment policy is constituted in accordance with local legal requirements. To the extent legally permitted, Clariant Corporate exercises influence to ensure that the investment policy is set in a way to serve best the needs of the retirement benefit plan and its members.

The largest defined benefit plans are operated in Switzerland, the United Kingdom, the United States, and Germany. These plans make up 95.2 % of the total defined benefit obligation.

The most important German plan is unfunded and covers the supplementary pension liabilities for plan members whose salaries exceed the level of the German mandatory social security coverage. Contributions are made primarily by the employer and vary depending on the salary level of the plan members. Benefits are paid out as annual pensions amounting to 20 % of total contributions. Lump-sum payments to employees are possible to the extent of the voluntary contributions. For employees having joined or joining in 2011 and later, there exists a funded retirement benefit plan. Contributions are pri-

marily paid into the plan by the employer and vary depending on the income of the individual plan member. Employees contribute to the plan up to 2 % of pensionable earnings on a voluntary basis, to which the employer contributes an equal amount on top of the regular contributions. Pensions paid by this plan are principally based on the return on plan assets (contributions paid in plus interest), apart from a minimal interest. In addition, there exists a smaller, similarly structured funded defined benefit plan for former employees of the Süd-Chemie group, acquired in 2011. All other pension liabilities regarding German staff members are covered by a funded multi-employer plan, which is accounted for as a defined contribution plan.

The defined benefit obligation in the United Kingdom is a funded plan covering the retirement benefit liabilities of UK employees who joined the company before 31 December 2001 and was closed to further accruals in April 2016. All staff members are now covered by a defined contribution plan. The defined benefit pension plan is fully funded according to legal requirements.

In the United States, Clariant operates a funded defined benefit pension plan covering the pension liabilities of employees who joined the company before 31 December 2000. Contributions are paid by the employer exclusively. Benefits are paid out as lifetime pensions determined on the basis of a final/career average calculation. Staff members who joined on 1 January 2001 or later are covered by a defined contribution plan. For members of Management whose annual salaries exceed the amount of CHF 275 000, an additional pension scheme is in place in the form of an unfunded defined benefit obligation, which covers the part exceeding this amount.

US employees transferred to Clariant with the Hoechst Specialty Chemicals business remain insured with Hoechst for their pension claims incurred prior to 30 June 1997.



In Switzerland, Clariant operates a funded defined benefit pension plan that covers the pension liabilities of all employees of the Swiss Clariant companies up to a salary level of CHF 200 000.

Both the employer and the employees contribute to the plan, the employer paying two-thirds of the total contributions. The pension plan provides lifetime pensions determined based on cumulative savings of the individual plan member and converted into an annual pension at a fixed conversion rate. Lump-sum payments are possible at up to 100 percent of the total individual cumulative savings.

The Swiss retirement benefit plan is marked by a shrinking operating basis and, as a result, an increasing share of retired members.

For members of Management whose annual salaries exceed the amount of CHF 200 000, an additional pension scheme is in place in the form of a funded defined benefit obligation. Any shortfalls in funded provisions for pension commitments to members of the Executive Committee are accounted for as an unfunded defined benefit obligation.

Mortality tables

The following mortality tables were used to determine the defined pension obligation of the most important pension plans:

Switzerland	BVG 2020 generation table
Germany	Richttafeln 2018G by Prof. Dr. Klaus Heubeck
UK	SAPS S2 series amount tables (base table)
	CMI Model (2019) (future improvements)
USA	Pri 2012 mortality table with projection scale
	MP-2020

Post-employment medical benefits. The Group operates a number of post-employment medical benefit schemes in the United States and France. The method of accounting for the liabilities associated with these plans is largely equal to the one used for defined benefit pension schemes. These plans are not externally funded, but are recognized as provisions in the balance sheets of the Group companies concerned.

Expenses for net benefits are recorded in the same line and function in which the personnel costs are recorded.

Changes in the present value of defined benefit obligations are as follows:

in CHF m	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
	2021	2020	2021	2020
As per 1 January	2 497	2 686	48	75
Current service cost	28	30	—	—
Past service cost/gain including curtailments	11	4	—	—
Gain/loss on settlements	-2	-2	—	—
Interest costs on obligation	22	29	1	2
Contributions to plan by employees	14	9	—	—
Benefits paid out to personnel in reporting period	-134	-119	-3	-3
Remeasurements:				
Actuarial gain/loss arising from changes in demographic assumptions	-39	—	-1	-5
Actuarial gain/loss arising from changes in financial assumptions	-45	75	-1	5
Actuarial gain/loss due to experience adjustments	57	-28	1	-9
Liabilities acquired in a business combination	1	—	—	—
Effect of disposals	—	-126	—	-13
Exchange rate differences	-15	-61	—	-4
At 31 December	2 395	2 497	45	48

Changes in the fair value of plan assets are as follows:

in CHF m	2021	2020
As per 1 January	1 932	1 981
Interest income on plan assets	15	20
Contributions to plan by employees	15	9
Contributions to plan by employer	37	30
Benefits paid out to personnel in reporting period	-109	-93
Remeasurements:		
Return on plan assets (excluding amount included in interest expense)	152	124
Effect of disposals	—	-85
Exchange rate differences	11	-54
At 31 December	2 053	1 932

As at 31 December 2021 and 2020, the pension plan assets did not include any directly held registered shares or bonds issued by Clariant Ltd.

The amounts recognized in the balance sheets are as follows:

in CHF m	Defined benefit pension plans		Post-employment medical benefits		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Present value of funded obligations	-1 815	-1 894	—	—	-1 815	-1 894
Fair value of plan assets	2 053	1 932	—	—	2 053	1 932
Overfunding/Deficit	238	38	—	—	238	38
Present value of unfunded obligations	-580	-603	-45	-48	-625	-651
Limitation on recognition of net asset ¹	-166	—	—	—	-166	—
Net liabilities, total	-508	-565	-45	-48	-553	-613
Reclassified to held for sale (see note 25)	36	38	—	2	36	40
Net liabilities in the balance sheet	-472	-527	-45	-46	-517	-573

¹ Limitation on recognition of net asset pertain to Swiss pension plan

Thereof recognized in:

in CHF m	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Retirement benefit obligations	-585	-622	-45	-48	-630	-670
Reclassified to held for sale (see note 25)	37	38	—	2	37	40
Retirement benefit obligations in the balance sheet	-548	-584	-45	-46	-593	-630
Prepaid pension assets	77	57	—	—	77	57
Reclassified to held for sale (see note 25)	-1	—	—	—	-1	—
Prepaid pension assets in the balance sheet	76	57	—	—	76	57
Net liabilities in the balance sheet for defined benefit plans	-472	-527	-45	-46	-517	-573

The amounts recognized in the income statement and in other comprehensive income are as follows:

in CHF m	Defined benefit pension plans		Post-employment medical benefits		Total	
	2021	2020	2021	2020	2021	2020
Current service cost	-28	-30	—	—	-28	-30
Net interest cost	-7	-8	-1	-2	-8	-10
Past service cost/gain including curtailments	-11	-4	—	—	-11	-4
Gain/loss on settlements	2	2	—	—	2	2
Components of defined benefit expense reported in the income statement	-44	-40	-1	-2	-45	-42
in CHF m						
Actuarial gain/loss arising from changes in demographic assumptions	39	—	1	5	40	5
Actuarial gain/loss arising from changes in financial assumptions	45	-75	1	-5	46	-80
Actuarial gain/loss due to experience adjustments	-57	28	-1	9	-58	37
Return on plan assets (excluding amount included in net interest expense)	152	124	—	—	152	124
Limitation on recognition of net asset	-166	—	—	—	-166	—
Components of defined benefit gain reported in other comprehensive income	13	77	1	9	14	86
Total defined benefit expense/gain	-31	37	—	7	-31	44

The fair value of the plan assets is split into the major assets categories as follows:

in CHF m	31.12.2021	31.12.2020
Equities	427	402
<i>thereof based on quoted market prices</i>	423	399
Bonds	614	614
<i>thereof based on quoted market prices</i>	423	416
Cash	82	56
<i>thereof based on quoted market prices</i>	82	56
Property	298	283
<i>thereof based on quoted market prices</i>	215	204
Alternative investments	632	577
<i>thereof based on quoted market prices</i>	220	202
Total fair value of plan assets	2 053	1 932

The principal actuarial assumptions at the balance sheet dates in percent are as follows:

2021 in %						2020 in %					
Group		Most important countries				Group		Most important countries			
		Weighted average	Switzerland	United Kingdom	United States	Germany	Weighted average	Switzerland	United Kingdom	United States	Germany
Discount rate		1.1	0.2	1.8	2.6	1.2	0.9	0.1	1.4	2.3	1.0
Future salary increases		1.7	1.5	—	3.5	2.5	1.8	1.5	—	3.5	2.5
Long-term increase in health care costs		5.1	—	—	6.0	—	5.1	—	—	6.1	—
Current average life expectancy for a 65-year-old male	in years	18	23	21	21	20	19	23	22	20	20
Current average life expectancy for a 65-year-old female	in years	20	25	24	23	24	22	25	24	22	24

A one-percentage-point change in health care cost trend rates would have the following effects on the obligation for post-employment medical benefits:

2021 in CHF m	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1	-1
Effect on defined benefit obligation	4	-3
2020 in CHF m	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1	-1
Effect on defined benefit obligation	5	-2

A 25-basis-point change in discount rate would have the following effects on the obligation for pension plans:

in CHF m	25 basis point increase	2020	25 basis point decrease	2020
	2021		2021	
Effect on defined benefit obligation	-81	-83	86	86

If life expectancy increased by one year, the defined benefit obligation would increase by CHF 96 million (2020: CHF 106 million).

Defined contribution post-employment plans. In 2021, CHF 22 million was charged to the income statement as contributions to defined contribution plans (2020: CHF 24 million).

In Germany, approximately 4 300 Clariant employees are insured in a defined benefit plan that is a multi-employer plan and, as such, is accounted for as a defined contribution plan. The reason for this accounting practice is that the plan exposes the participating Clariant companies to actuarial risks associated with the current and former employees of other companies who are members of the same pension plan. There is no consistent or reliable basis for allocating the obligation, plan assets, and cost to individual companies participating in the plan.

Based on the statutory actuarial calculation of 2021, the pension fund's obligations are fully funded. Also, for 2022 it is anticipated that the pension plan liabilities are covered by the respective assets.

In the case where the multi-employer plan faces a situation in which the pension plan liabilities exceed the assets, this can be remedied either by increasing the employer's contributions to the pension plan or by reducing the benefits paid out to the entitled parties. In the case of a reduction of the benefits, this must be compensated by the employer according to German legislation. If the pension plan were unwound, the remaining funds would be distributed among the plan members. In case there are no plan members left, the remaining funds would be transferred to social institutions.

If Clariant withdrew from the pension fund, all rights and obligations of the employer against the pension plan would remain in force as long as the pension plan continues to render pension services to the Group's plan members. Based on the number of plan members (active and passive), Clariant's share in the pension plan amounts to approximately 7 %.

Clariant's contribution to this pension plan amounted to CHF 16 million in 2021 (CHF 17 million in 2020) and is expected to be CHF 13 million in 2022.

The multi-employer plan originates in the pension plan scheme of the German companies of the former Hoechst Group, to which a part of the activities of Clariant pertained until 1997. Several of the companies that were formerly part of the Hoechst Group continue to participate in this multi-employer plan.



in CHF m	Pension plans		Post-employment medical benefits	
	2021	2020	2021	2020
Clariant Group regular and supplemental contributions (employer's contributions):				
Actual contributions in 2020		30	—	—
Actual contributions in 2021 (2020: estimated)	37	25	—	—
Estimated contributions in 2022	19	25	—	—
Estimated contributions in 2023	19	25	—	—
Estimated contributions in 2024	19	25	—	—
Estimated contributions in 2025	19	22	—	—
Estimated contributions in 2026	19		—	
Payments to beneficiaries:				
Actual payments in 2020		-119		-3
Actual payments in 2021 (2020: estimated)	-134	-113	-3	-3
Estimated payments in 2022	-120	-110	-3	-3
Estimated payments in 2023	-110	-109	-3	-3
Estimated payments in 2024	-112	-110	-3	-4
Estimated payments in 2025	-113	-112	-3	-3
Estimated payments in 2026	-113		-3	
Allocation of defined benefit obligation to plan members (in CHF m):				
Active members	605	636	10	13
Deferred members	317	334	5	2
Retired members	1 473	1 527	30	33
Total funded and unfunded obligations at 31 December	2 395	2 497	45	48
Weighted-average duration of the defined benefit obligation at the end of reporting period (in years):				
At 31 December	14.4	14.1	9.8	10.0

21. MOVEMENTS IN PROVISIONS

in CHF m	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	Total provisions 2021	Total provisions 2020 ¹
As per 1 January	108	137	119	116	480	557
Restatement (see Note 1.03)	—	-11	-22	-6	-39	-9
As per 1 January restated	108	126	97	110	441	548
Additions	27	112	26	47	212	441
Effect of business combinations (see note 27)	—	—	—	—	—	1
Disposals	—	—	—	—	—	—
Reclassified to/from held for sale	—	—	—	—	—	-5
Amounts used	-12	-118	-38	-33	-201	-380
Unused amounts reversed	-4	-9	-15	-40	-68	-142
Changes due to the passage of time and changes in discount rates	1	—	—	—	1	3
Exchange rate differences	-3	-2	-3	-2	-10	-25
At 31 December	117	109	67	82	375	441
Of which						
– Current portion	26	92	42	63	223	244
– Noncurrent portion	91	17	25	19	152	197
Total provisions	117	109	67	82	375	441
Expected outflow of resources						
Within 1 year	26	92	42	63	223	244
Between 1 and 3 years	29	12	24	12	77	74
Between 3 and 5 years	19	1	1	2	23	44
Over 5 years	43	4	—	5	52	79
Total provisions	117	109	67	82	375	441

¹ Restated, see note 1.03

Environmental provisions. Provisions for environmental liabilities are made when there is a legal or constructive obligation for the Group that will result in an outflow of economic resources. It is difficult to estimate the action required by Clariant in the future to correct the effects on the environment of prior disposals or release of chemical substances by Clariant or other parties and the associated costs, pursuant to environmental laws and regulations.

The material components of the environmental provisions consist of the costs to fully clean and refurbish contaminated sites and to treat and contain contamination at sites where the environmental exposure is less severe. The Group's future remediation expenses are affected by a number of uncertainties which include, but are not limited to, the method and extent of remediation and the percentage of material attributable to Clariant at the remediation sites relative to that attributable to other parties.

The environmental provisions reported in the balance sheet concern a number of different obligations, mainly in Germany, Brazil, the United States, and Switzerland.

Provisions are made for remedial work where there is an obligation to remedy environmental damage, as well as for containment work where required by environmental regulations. All provisions relate to environmental liabilities arising in connection with activities that occurred prior to the date when Clariant took control of the relevant site. At each balance sheet date, Clariant critically reviews all provisions and makes adjustments where required.

Personnel provisions. Personnel provisions include holiday entitlements, compensated absences such as sabbatical leave, jubilee, annual leave or other long-service benefits, profit sharing, and bonuses. Such provisions are established in proportion to the services rendered by the employee concerned.

Restructuring provisions. Restructuring provisions are established where there is a legal or constructive obligation for the Group that will result in the outflow of economic resources. The term restructuring refers to the activities that have as a consequence staff redundancies and the shutdown of production lines or entire sites. When the Group has approved a formal plan and has either started to implement the plan or announced its main features to the parties concerned and to the public, a restructuring provision is created. The restructuring provisions end of 2021 concern head count reductions in various countries, with the largest amounts incurred in Germany, Switzerland, and China. For further information regarding restructuring measures, refer to note 28.

Other provisions. Additionally, other provisions include provisions for obligations relating to tax (other than income tax) and legal cases and other items in various countries for which the amount can be reliably estimated.

An antitrust investigation initiated by the European Commission in 2017 against Clariant and some of its competitors was closed and settled with a payment of CHF 156 million in December 2020. A provision of CHF 50 million was reversed at the same time.

All noncurrent provisions are discounted to reflect the time value of money, where material. Discount rates reflect current market assessments of the time value of money and the risk specific to the provisions in the respective countries.

22. TRADE PAYABLES AND OTHER LIABILITIES

in CHF m	31.12.2021	31.12.2020 ¹
Trade payables	688	539
Contract liabilities	91	68
Payables to associates and joint ventures	55	51
Accruals	156	161
Other liabilities	190	187
Total trade payables and other liabilities	1 180	1 006
Reclassified to noncurrent liabilities	-58	-60
Reclassified to held for sale (see note 25)	-137	-132
Total as reported in the balance sheet	985	814

¹ Restated, see note 1.03

The amount recognized for trade payables is equal to their fair value.

Contract liabilities are short-term and will be recognized as revenues in the next reporting period.

23. CURRENT FINANCIAL DEBTS

in CHF m	31.12.2021	31.12.2020
Banks and other financial institutions	423	108
Current portion of noncurrent financial debts (see note 18)	293	303
Total	716	411
Reclassified to held for sale (see note 25)	-7	-13
Total current financial debts as reported in the balance sheet	709	398
Breakdown by maturity:		
in CHF m	31.12.2021	31.12.2020
Up to three months after the balance sheet date	364	98
Three to six months after the balance sheet date	143	1
Six to twelve months after the balance sheet date	209	312
Total	716	411
Reclassified to held for sale (see note 25)	-7	-13
Total current financial debts as reported in the balance sheet	709	398

A bond issued in 2012 with a nominal value of CHF 175 million will mature in 2022 and was therefore reclassified to current financial debts.

Two certificates of indebtedness issued in 2020 with a nominal value of EUR 115 million will mature in 2022 and were therefore reclassified to current financial debts.

On 5 August 2021, certificates of indebtedness issued in 2016 in the amount of EUR 55 million (CHF 60 million) and USD 277 million (CHF 250 million) reached maturity and were repaid.

On 17 April 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million (CHF 162 million) reached maturity and were repaid. On 26 October 2020 certificates of indebtedness in the amount of EUR 212 million (CHF 229 million) reached maturity and were repaid.

Current financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Except for derivatives, there are no current financial liabilities valued at fair value through profit and loss.

The fair value of financial debt at banks and other financial institutions approximates its carrying amount due to the short-term nature of these instruments.

24. SEGMENT INFORMATION

In 2019, Clariant set out to rearrange its portfolio of business activities. In October 2019, Clariant sold its business line Healthcare Packaging, operated as a part of the Business Unit Masterbatches, to US-based Arsenal Capital Partners. In July 2020, the Business Unit Masterbatches was sold to the US-based group Avient. Business Unit Pigments was sold in a post-balance sheet date transaction on 3 January 2022; see also notes 25 and 38. For these reasons, all these business units are reported as discontinued operations in the financial report (see also note 25 discontinued operations and assets held for sale).

As a result Clariant has grouped its remaining activities into three Business Areas (reportable segments): Care Chemicals (BU ICS), Catalysis (BU Catalysts), Natural Resources (BU Oil & Mining Services, BU Functional Minerals, BU Additives).

Intersegment transactions are entered into under the normal circumstances, terms, and conditions that would also be available to unrelated third parties.

Segment assets consist of property, plant, and equipment, goodwill, intangible assets, inventories, receivables, and investments in associates. They exclude deferred tax assets, financial assets, and operating cash. Segment liabilities comprise trade payables. They exclude items such as tax liabilities, provisions, pension liabilities, and corporate borrowings. Capital expenditure comprises additions to property, plant, and equipment, and intangibles.



SEGMENTS

in CHF m	Care Chemicals		Catalysis		Natural Resources		Corporate		Total Group	
	2021	2020 ²	2021	2020 ²	2021	2020 ²	2021	2020 ²	2021	2020 ²
Segment sales	1 716	1 423	907	879	1 790	1 581	—	—	4 413	3 883
Sales to other segments	-17	-12	—	—	-24	-11	—	—	-41	-23
Total sales from continuing operations	1 699	1 411	907	879	1 766	1 570	—	—	4 372	3 860
Operating expenses	-1 421	-1 205	-825	-783	-1 557	-1 442	-129	-113	-3 932	-3 543
Thereof:										
Income from associates and joint ventures	34	26	—	9	8	8	-1	-1	41	42
Gain/loss from disposals not qualifying as discontinued operations	—	12	—	—	—	—	—	—	—	12
Restructuring, impairment, and transaction-related costs	-15	-15	2	-12	-3	-30	-37	-42	-53	-99
Reversal of provision for EU investigation	—	—	—	—	—	—	—	50	—	50
Operating income	278	206	82	96	209	128	-129	-113	440	317
Net financial expenses and taxes									-148	-187
Net result from continuing operations									292	130
Result from discontinued operations									81	695
Net income									373	825
Segment assets	1 299	1 035	1 847	1 599	1 548	1 388	—	—	4 694	4 022
Segment liabilities	-239	-180	-192	-164	-259	-172	—	—	-690	-516
Net operating assets	1 060	855	1 655	1 435	1 289	1 216	—	—	4 004	3 506
Segment assets reported as assets held for sale	—	—	107	108	—	2	—	—	107	110
Corporate assets reported as assets held for sale	—	—	—	—	—	—	2	5	2	5
Segment assets of discontinued operations reported as assets held for sale	—	—	—	—	—	—	—	—	719	683
Assets held for sale	—	—	107	108	—	2	2	5	828	798
Segment liabilities of discontinued operations reported as liabilities associated with assets held for sale									-247	-263
Liabilities directly associated with assets held for sale									-247	-263
Corporate assets without cash							1 088	1 103	1 088	1 103
Corporate liabilities without financial liabilities							-1 608	-1 715	-1 608	-1 715
Net debt (see note 19)							-1 521	-1 013	-1 521	-1 013
Total net assets	1 060	855	1 762	1 543	1 289	1 218	-2 039	-1 620	2 544	2 416
Thereof:										
Investments in PPE and intangibles for the period	66	53	196	141	56	56	15	24	333	274
Investments in associates and joint ventures at the end of the period	85	85	—	—	121	63	5	5	211	153
Reconciliation of key figures										
Operating income	278	206	82	96	209	128	-129	-113	440	317
Add: systematic depreciation of PPE	57	52	50	50	49	45	14	15	170	162
Add: impairment	—	—	—	3	1	7	—	1	1	11
Add: depreciation of RoU assets	9	9	8	6	20	19	17	16	54	50
Add: amortization of intangible assets	7	7	12	14	21	25	3	11	43	57
EBITDA¹	351	274	152	169	300	224	-95	-70	708	597
Add: restructuring, impairment, and transaction-related costs	15	15	-2	12	3	30	37	42	53	99
Add: Reversal of provision for EU investigation								-50	—	-50
Less: impairment	—	—	—	-3	-1	-7	—	-1	-1	-11
Less: gain/loss from disposals not qualifying as discontinued operations	—	-12	—	—	—	—	—	—	—	-12
Adjusted EBITDA	366	277	150	178	302	247	-58	-79	760	623
Operating income	278	206	82	96	209	128	-129	-113	440	317
Add: restructuring, impairment, and transaction-related costs	15	15	-2	12	3	30	37	42	53	99
Add: Reversal of provision for EU investigation							—	-50	—	-50
Less: gain/loss from disposals not qualifying as discontinued operations	—	-12	—	—	—	—	—	—	—	-12
Adjusted operating income	293	209	80	108	212	158	-92	-121	493	354

¹ EBITDA is earnings before interest, tax, depreciation, and amortization.

² Restated, see note 1.03



Reconciliation of segment assets to total assets

in CHF m	31.12.2021	31.12.2020 ³
Segment assets	4 694	4 022
Segment assets reported as assets held for sale	107	110
Corporate assets reported as assets held for sale	2	5
Segment assets of discontinued operations reported as assets held for sale	719	683
Corporate assets without cash	1 088	1 103
Cash and cash equivalents	415	737
Short-term deposits	12	267
Financial instruments with positive fair values	1	5
Total Assets	7 038	6 932

in CHF m	Sales ¹		Noncurrent assets ²	
	2021	2020	31.12.2021	31.12.2020
EMEA	1 888	1 572	1 975	1 854
<i>of which Germany</i>	533	432	1 122	1 138
<i>of which Switzerland</i>	28	24	355	378
<i>of which MEA</i>	320	274	22	21
North America	692	703	903	895
<i>of which USA</i>	649	656	889	882
Latin America	487	457	171	140
<i>of which Brazil</i>	227	191	101	75
Asia-Pacific	1 305	1 128	711	536
<i>of which China</i>	479	402	291	216
<i>of which India</i>	262	168	232	123
Total	4 372	3 860	3 760	3 425

¹ Allocated by region of third-party sale's destination. Continuing operations

² Noncurrent assets excluding deferred tax assets and pension plan assets

³ Restated, see note 1.03.

All of the Group's segments generate their revenues to the largest extent from the sale of products. These come in such a great variety that a meaningful grouping below the segment information is not possible.

Revenue from services recognized in 2021 amounted to CHF 48 million (2020: CHF 83 million) and mostly were incurred in Business Area Natural Resources.

For a description of the business units see note 1.26.

25. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In 2019, Clariant announced its intention to sell the Business Units Pigments and Masterbatches and the Business Line Healthcare Packaging, which operated as a part of the Business Unit Masterbatches. As a result, these activities were reclassified to discontinued operations in June 2019. Income and expenses of the activities concerned have been reclassified to »Discontinued operations« in the consolidated income statement, and the assets and liabilities pertaining to these activities have been reclassified to »Assets held for sale« and »Liabilities directly associated with assets held for sale« in the consolidated balance sheet, according to IFRS 5, Noncurrent assets held for sale and discontinued operations.

On 31 October 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners, a private equity firm located in New York, USA. The final total consideration of the sale amounted to CHF 312 million including CHF 2 million received in 2020 and the after-tax gain to CHF 54 million.

On 1 July 2020, Clariant sold the Business Unit Masterbatches to the US-based group Avient. The total consideration of the sale net of cash transferred amounted to CHF 1308 million and the after-tax gain to CHF 723 million.

In a transaction after the balance sheet date, Clariant sold the Business Unit Pigments to US-based SK Capital Partners and the German Heubach Group on 3 January 2022. See also note 38.

One shareholding in an associate accounted for at equity in Germany, which was previously classified as "held for sale", was reclassified to investments in associates and joint ventures in Q4 2021. Income from associates and joint ventures was adjusted accordingly for the reporting period. As the impact of the reclassification on the numbers of the prior year was immaterial, no restatement of the financials of 2020 was made.

For a description of the business units please refer to note 1.26.

Other assets held for sale

An amount of CHF 2 million relates to plant, and equipment held for sale in Italy and in the US (2020: CHF 7 million), and CHF 107 million (2020: CHF 108 million) to an investment in an associate in the US.

During 2021, property held for sale in Italy and in the US partially have been sold.

DISCONTINUED OPERATIONS in CHF m	Plastics & Coatings (discontinued) ¹		Corporate		Total discontinued operations	
	2021	2020 ²	2021	2020 ²	2021	2020 ²
Sales	912	1 330	—	—	912	1 330
Operating expenses	-802	-1 189	-21	-62	-823	-1 251
Income from associates and joint ventures	28	21	—	—	28	21
Restructuring (see note 28)	2	-23	-5	-60	-3	-83
Operating result	140	139	-26	-122	114	17
Financial result					2	-8
Result from discontinued operations before taxes					116	9
Taxes					-35	-40
Result from discontinued operations after taxes					81	-31
Gain on the disposal of discontinued operations		768			—	768
Taxes (current and deferred)		-42			—	-42
Net result from discontinued operations					81	695
Currency translation differences of discontinued operations					-9	50
Other items					4	20
Other comprehensive income/loss from discontinued operations	—	—	—	—	-5	70
Operating cash flows	-17	154	-9	-62	-26	92
thereof: payments for restructuring	-9	-7			-9	-7
Investing cash flows	-27	-25			-27	-25
Total cash flow	-44	129	-9	-62	-53	67
Cash flow from disposals:						
Gross proceeds	—	1 450			—	1 450
Less cash and cash equivalents transferred	—	-140			—	-140
Less refund transaction cost to buyer	—	-5			—	-5
Net proceeds from disposal	—	1 305	—	—	—	1 305
Net assets held for sale:						
Property, plant, and equipment	192	174			192	174
Right-of-use assets	12	17			12	17
Intangible assets	30	31			30	31
Investments in associates and joint ventures	32	84			32	84
Deferred and income tax assets	22	29			22	29
Prepaid pension assets	1	—			1	—
Inventories	234	186			234	186
Trade receivables	148	127			148	127
Other current assets	48	35			48	35
Total assets held for sale	719	683	—	—	719	683
Trade payables and other liabilities	-137	-132			-137	-132
Retirement benefit obligations	-37	-40			-37	-40
Provisions	-59	-64			-59	-64
Lease liabilities	-7	-14			-7	-14
Current financial debts	-7	-13			-7	-13
Total liabilities directly associated with assets held for sale	-247	-263	—	—	-247	-263
Total net assets held for sale	472	420	—	—	472	420

¹ Including the Business Unit Pigments for 12 months in both 2021 and 2020, and the the business unit Masterbatches for 6 months in 2020.

² Restated, see note 1.03

Cumulative exchange rate differences recognized in equity for discontinued operations amounted to CHF 93 million on 31 December 2021 (2020: CHF 92 million).

Masterbatches

In July 2020, Clariant sold the Business Unit Masterbatches to the US-based group Avient. The result of this disposal was as follows:

in CHF m	2020
Purchase price consideration	1448
Less cash and cash equivalents transferred	-140
Total consideration for the sale	1308
Net assets sold, including disposal-related expenses	-411
Gain on the disposal from discontinued operations	897
Effect of the reclassification of foreign exchange differences related to the disposal of discontinued operations	-132
Gain on the disposal from discontinued operations before taxes	765
Taxes (current and deferred)	-42
Gain on the disposal from discontinued operations after taxes	723

The result from disposals in 2020 also comprises an additional payment in the amount of CHF 3 million resulting from the disposal of the Health Care Packaging business in 2019.

26. DISPOSALS

Activities not qualifying as discontinued operations

In this section, disposals of subsidiaries, associates, and activities are reported that do not qualify as discontinued operations in the sense of IFRS 5. The following disposal took place in 2020:

On 7 August 2020, Clariant sold its sulfonation production in Santa Clara, Mexico, pertaining to the Business Unit ICS, for a net consideration of CHF 13 million and resulting in a gain of CHF 12 million to the Mexico-based company Stepan Mexico, S.A. de C.V.

The result from disposals not qualifying as discontinued operations is reported under »Selling, general and administrative costs« in the income statement.

27. ACQUISITIONS

Beraca Ingredientes Naturais S.A.

On 25 October 2021, Clariant acquired the remaining 70% of the shares of the Brazilian personal Care company Beraca Ingredientes Naturais S.A. from the company's founder-owners. The company is one of the foremost producers of natural ingredients for the Personal Care industry and is based in the Amazonas region. This acquisition pertains to the Business Unit Industrial & Consumer Care Services (ICS). Clariant has been holding 30% of the shares since 2015 and is now a 100% owner. The shareholding was previously accounted for at equity, and the transaction is treated as a step acquisition. Since the acquisition date, Beraca Ingredientes Naturais S.A. is fully consoli-

dated in Clariant's financial statements. The summary of the financial impact of consolidating the company in the accounts at the acquisition date, using the provisional fair values of identified assets and liabilities, is as reported below. As part of the accounting for the business combination, the 30% shareholding previously held was revalued to fair value, which resulted in a one-time gain of CHF 9 million, recorded in Selling, general and administrative costs in the income statement. Goodwill incurred in the acquisition refers to expected cost and supply chain synergies and better market access.

The acquired intangible assets comprise mainly trademarks and developed technology.

in CHF m	2021
Cash consideration for the acquisition in 2021	33
Less cash and cash equivalents received	-2
Total cash outflow for the acquisition in 2021	31
Fair value of shareholdings previously owned	13
Total consideration for purchase	44
Recognized amounts of identifiable assets and liabilities assumed:	
Property plant, and equipment	2
Intangible assets	12
Inventories	3
Receivables	5
Other assets and liabilities	-3
Fair value of net assets acquired	19
Goodwill	25

From the acquisition date up to the end of the year 2021, Beraca Ingredientes Naturais S.A. reported net sales of CHF 3 million and an operating loss of CHF 1 million including CHF 1 million of depreciation and amortization. If the acquisition had occurred on 1 January 2021, Group sales would have been CHF 12 million higher and the operating result would have been CHF 6 million higher.

Joint venture Clariant IGL Specialty Chemicals Private Ltd

On 1 July 2021, Clariant and India Glycos Ltd (IGL) established a joint venture for ethylene oxide derivatives from renewable sources, Clariant contributing 51% to the joint venture, and IGL 49%. As Clariant exercises control over the joint venture it is consolidated in Clariant's financial accounts and accounted for as a business combination. The joint venture combines IGL's business with bio-ethyleneoxide derivatives from renewable sources, with Clariant's ICS activities in India, Sri Lanka, Bangladesh and Nepal. It comprises a multipurpose plant in Kashipur, India, including an alkoxylation plant. This acquisition pertains to the Business Unit Industrial & Consumer Care Services (ICS). Since the initiation of the joint venture, Clariant IGL SC is fully consolidated in Clariant's financial statements. The summary of the financial impact of consolidating the joint venture in the accounts at the acquisition date, using the provisional fair values of identified assets and liabilities, is as reported below.

The acquired intangible assets comprise mainly customer relationships and vendor contract.

in CHF m	2021
Total cash outflow for the acquisition in 2021	58
Total consideration for purchase	58
Recognized amounts of identifiable assets and liabilities assumed:	
Property plant, and equipment	47
Intangible assets	19
Deferred tax assets	9
Inventories	9
Receivables	10
Financial debt	-23
Pension plan liabilities	-1
Other assets and liabilities	-1
Fair value of net assets acquired	69
Noncontrolling interests	-46
Goodwill	35

For this transaction acquisition related costs of less than CHF 1 million, comprising M&A, legal costs and consulting, were recognized in Selling, general, and administrative costs. Goodwill incurred in the acquisition refers to a better access to important materials, expansion of the product portfolio and business know-how.

From the acquisition date up to the end of the year 2021, Clariant IGL Specialty Chemicals Inc. reported net sales of CHF 71 million and an operating result of CHF 9 million, including CHF 2 million of depreciation and amortization. This result includes the abovementioned items of a one-time nature, which were incurred in connection with the takeover by Clariant. If the acquisition had occurred on 1 January 2021, Group sales would have been CHF 54 million higher and the operating result would have been CHF 8 million higher.

Bentonite mining activities

In August 2020, Clariant acquired from Jianping Cimco Mining Co. Ltd, China, the activities of Clay Industrial Minerals Co Ltd by way of an asset deal for a consideration of CHF 9 million. The acquisition included a goodwill of CHF 2 million. The purpose of the transaction is to secure longer-term access to clay and to strengthen the Business Unit Functional Mineral's foothold and the Group's position in the Chinese Foundry market.

28. RESTRUCTURING, IMPAIRMENT, AND TRANSACTION-RELATED COSTS

in CHF m	2021	2020 ¹
Restructuring income/expenses	1	-118
Payments for restructuring	-38	-25
Impairment loss	-1	-11
thereof charged to PPE (see note 5)	-1	-11
Transaction-related costs	-77	-101
Total restructuring, impairment, and transaction-related costs	-77	-230
thereof reported under discontinued operations	-24	-131
Total continuing operations	-53	-99

¹ Restated, see note 1.03

In order to increase profitability over a sustained period, Clariant implements measures designed to improve the Group's performance. The aim of these efforts is to increase the Group's operating result and to reduce net working capital. The changes made to the processes and structures result in a reduction of head count across the Group.

Restructuring. In 2021, Clariant recorded a net income from the creation and reversal of restructuring provisions in the amount of CHF 1 million (2020: expenses CHF 118 million).

As a result of the economic developments, Clariant decided to resume its efficiency program in 2020. Measures to increase efficiency were defined, leading to a workforce reduction of approximately 600 positions and a reduction of the cost basis in excess of CHF 50 million for the continuing operations over the following two years. Additional measures are implemented to rightsize regional organizations and service units to the reduced size of the Group to avoid remnant costs post the expiration of transitory service agreements following the closing of the divestitures of the Masterbatches and Pigments businesses. An efficiency program was also launched for the Pigments business. Restructuring expenses for the efficiency program for continuing operations were booked in the amount of CHF 35 million. In 2021, additional measures were initiated to further automate and centralize processes primarily in the area of Finance.

In 2020, in discontinued operations, restructuring expenses for the efficiency program were booked for the Pigments business in the amount of CHF 24 million. For the rightsizing program, restructuring expenses in amount of CHF 59 million were booked in discontinued operations.

In 2021, certain economic developments have given rise to a reconsideration of some of these restructuring measures. Some of the envisaged measures were recalibrated or revoked. As a consequence, Clariant reports in Continuing Operations net income from the change in restructuring provisions in the amount of CHF 4 million in 2021, compared to an expense of CHF 35 million in 2020.

In addition, in discontinued operations, an expense from the change in restructuring provisions in the amount of CHF 3 million in 2021 was recorded, compared to an expense of CHF 83 million in 2020 for the rightsizing program.

Impairment. The impairment losses recorded in 2021 concerned mainly property, plant and equipment in USA, China and Italy. The ones recognized in 2020 relate mainly to properties, plants and equipment in USA, Germany and China.

Transaction-related costs comprise expenses incurred in connection with acquisition or disposal projects.

The total amount pertaining to continuing operations, CHF 53 million of Restructuring, impairment, and transaction-related costs (2020: CHF 99 million restated), is reported in the income statement from continuing operations as follows: CHF 7 million in Cost of goods sold (2020: CHF 31 million), CHF 47 million in Selling, general, and administrative costs (2020: CHF 55 million restated), and income of CHF 1 million in Research & Development costs (2020: CHF 13 million expenses).

29. FINANCE INCOME AND COSTS

FINANCE INCOME

in CHF m	2021	2020
Interest income	11	13
<i>thereof interest on loans, receivables, and deposits</i>	11	13
Other financial income	13	2
Total finance income	24	15

FINANCE COSTS

in CHF m	2021	2020
Interest expense	-62	-72
<i>thereof effect of discounting of noncurrent provisions</i>	-3	-4
<i>thereof net interest component of pension provisions</i>	-8	-10
<i>thereof interest on lease liabilities</i>	-11	-11
Other financial expenses	-8	-9
Total finance costs before currency result	-70	-81
Currency result, net	2	-28
Total finance costs	-68	-109
thereof reported under discontinued operations (see note 25)	2	-8
Total continuing operations	-70	-101

Other financial expenses include bank charges and miscellaneous financial expenses.

In 2021 and 2020, no foreign exchange gains pertaining to the ineffective part of hedges on net investments were recognized in the income statement.

Interest expense, other than the effect of discounting noncurrent provisions and the interest component of pension provisions, pertains to financial debts measured at amortized cost.

Interest costs capitalized on qualifying assets for 2021 were CHF 3 million (2020: CHF 1 million).

30. EARNINGS PER SHARE (EPS)

Earnings per share are calculated by dividing the Group net income by the average number of outstanding shares (issued shares less treasury shares).

	2021	2020 ¹
Net income attributable to shareholders of Clariant Ltd, undiluted and diluted in CHF m		
Continuing operations	267	106
Discontinued operations	77	678
Total	344	784
Weighted-average number of shares outstanding		
As per 1 January	329 517 644	329 594 997
Effect of transactions with treasury shares on weighted-average number of shares outstanding	-180 855	-77 353
Weighted-average number of shares outstanding at 31 December	329 336 789	329 517 644
Adjustment for granted Clariant shares	2 053 495	1 507 123
Weighted average diluted number of shares outstanding at 31 December	331 390 284	331 024 767
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.81	0.32
Discontinued operations	0.23	2.06
Total	1.04	2.38
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.81	0.32
Discontinued operations	0.23	2.05
Total	1.04	2.37

¹ Restated, see note 1.03

The dilution effect is triggered by the effect of Clariant shares granted as part of the share-based payment plan that have not yet vested. To calculate this dilutive potential, it is assumed that they vested on 1 January of the respective period. The effect of the services still to be rendered during the vesting period is taken into consideration.

Diluted earnings per share are calculated by adjusting the weighted-

average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

In 2021, Clariant made a cash distribution of CHF 0.70 per share to its shareholders out of the share capital, reducing the nominal value from CHF 3.70 to CHF 3.00 per share (see note 17).

31. DERIVATIVE FINANCIAL INSTRUMENTS

Risk management (hedging) instruments and off-balance sheet risks. Clariant uses forward foreign exchange rate and option contracts, currency options as well as other financial instruments to hedge the Group's risk exposure to volatility in interest rates, currencies, and prices and to manage the return on cash and cash equivalents. Risk exposures from existing assets and liabilities as well as anticipated transactions are managed centrally.

Interest rate management. It is the Group's policy to manage the costs of interest using fixed- and variable-rate debt and interest-related derivatives.

Foreign exchange management. To manage the exposure to the fluctuations in foreign currency exchange rates, the Group follows a strategy of hedging both balance sheet and revenue risk, partially through the use of forward contracts and currency swaps in various currencies. In order to contain costs, the Group does not hedge the entire exposure.

The following tables show the contract or underlying principal amounts and the respective fair value of derivative financial instruments by type at the year-end.

The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent the amount at risk.

DERIVATIVE FINANCIAL INSTRUMENTS

in CHF m	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Interest rate related-instruments						
Interest rate swaps	—	146	—	—	—	-1
Cross Currency Swaps	364	165	—	—	-22	-6
Currency related-instruments						
Forward foreign exchange rate contracts	413	274	1	5	—	-1
Total derivative financial instruments	777	585	1	5	-22	-8

The fair value of these derivative financial instruments is recorded in Other current assets in the balance sheet in the case of a positive value or in Current financial debts in the case of a negative value and if the instruments expire within the next twelve months.

If the remaining lifetime exceeds twelve months, the value is recorded in Financial assets in case it is positive and in Noncurrent financial debts in case it is negative.

DERIVATIVE FINANCIAL INSTRUMENTS BY MATURITY

in CHF m	31.12.2021	31.12.2020
Breakdown by maturity:		
Up to one month after the balance sheet date	32	100
More than one and up to three months after the balance sheet date	263	37
More than three and up to twelve months after the balance sheet date	324	283
More than one and up to five years after the balance sheet date	158	165
Total derivative financial instruments	777	585

DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY

in CHF m	31.12.2021	31.12.2020
USD	278	361
EUR	493	164
JPY	4	44
Others	2	16
Total derivative financial instruments	777	585

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES

in CHF m	31.12.2021	31.12.2020
Contracts with negative fair values	-22	
Interest rate swaps	-	-
Notional amount (USD)	-	146
Maturity date	-	05.08.2021
Hedge ratio	-	1:1
Change in fair value of hedging instruments since 1st January	-	-2
Change in fair value of hedged item	-	2
Cross-Currency Swaps	-5	-2
Notional amount (EUR)	50	56
Maturity date	25.03.2024	25.03.2024
Hedge ratio	1:1	1:1
Change in fair value since 1 January	-3	-
Change in fair value of hedged item	3	-
Cross-Currency Swaps	-9	-4
Notional amount (EUR)	103	116
Maturity date	25.09.2025	25.09.2025
Hedge ratio	1:1	1:1
Change in fair value since 1 January	-6	-
Change in fair value of hedged item	6	-
Cross-Currency Swaps	-8	
Notional amount (EUR)	200	
Maturity date	29.07.2022	
Hedge ratio	1:1	
Change in fair value since 1 January	-8	
Change in fair value of hedged item	8	
Notional amount of hedges of net investments in foreign entities:		
Borrowings denominated in foreign currencies	-521	-937
EUR amount	-521	-694
USD amount	-	-243
Hedge ratio	1:1	1:1

Since 2015, Clariant issued various certificates of indebtedness totaling EUR 1158 million, USD 277 million, and CHF 62 million (see note 18). During 2021, EUR 138 million and USD 277 million and CHF 62 million were paid back (2020: EUR 358 million). As per 31 December 2021, certificates of indebtedness totaling EUR 658 million are recorded.

As per 31 December 2021, EUR 505 million were designated as a hedge of a net investment in some of Clariant's European subsidiaries (2020: EUR 699 million). Due to the repayment of the USD denominated certificates of indebtedness in 2021, the hedge of a net investment in some US subsidiaries (2020: USD 277 million) was terminated.

The unrealized foreign exchange rate gain resulting from the hedge of a net investments amounted to CHF 22 million for 2021 (2020: CHF 26 million) and is recorded in the cumulative translation difference in shareholders' equity.

In addition the cash flow hedge applied to hedge the interest rate risk arising from the USD denominated certificates of indebtedness which were issued at a variable interest rate were closed; the interest rate swaps amounting to USD 166 million were matured during 2021.

The hedge effectiveness is assessed at the beginning of the hedging relationship by way of recurring prospective effectiveness tests. Thus it is ensured that there exists an economic relationship between the underlying transaction and the hedging instrument.

The Group enters into interest rate and cross-currency swaps that have identical critical terms as the hedged item, such as the reference rate, reset dates, payment dates, maturities, and notional amount. The Group does not hedge 100 % of its loans; therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100 % effective.

Hedge ineffectiveness for interest rate/cross-currency swaps is assessed using the following principles: The focus is on the credit value/debit value adjustment on the interest rate/cross-currency swaps that is not matched by the loan, and on differences in critical terms between the interest rate/cross-currency swaps and loans.

The Cross-Currency Basis Spread as per End of December 2021 was CHF -100 748 (2020: CHF 66 665).

There was no ineffectiveness during 2021 and 2020 in relation to the interest rate/cross-currency swaps. Clariant has chosen the cost-of-hedging approach for the newly entered cash flow hedging relationship. The cross-currency basis spread is not part of the hedging relationship.

32. EMPLOYEE PARTICIPATION PLANS

In 2019, the new Clariant Long-Term Incentive Plan (CLIP) was introduced with the first grants in April 2019. A subsequent grant took place in April 2020. The CLIP represents an equity-based award in the form of Performance Share Units with a three-year vesting period. The review of the target achievements (vesting criteria) for the first grant under this plan will be held in summer 2022, and vesting is scheduled to take place in September 2022. Target achievement reviews and vesting will continue on an annual basis for all subsequent grants.

For the first time in 2013, the Performance Share Unit (PSU) Plan was introduced for all senior managers. The term of Clariant's Performance Share Unit Plan is a three-year vesting period. The vesting is conditional upon achievement of the performance targets at the end of the vesting period. If the performance targets are achieved, each PSU will be converted into one Clariant share. The last grant under this plan took place in September 2018. Performance targets for this grant were met and granted PSUs vested in September 2021.

Under the Group Senior Management – Long-Term Incentive Plan (GSM-LTIP), a certain percentage of the actual bonus is granted to the plan participants in the form of registered shares of Clariant Ltd (investment shares). These shares vest immediately upon grant, but are subject to a three-year blocking period. Shares were granted for the first time in 2011, based on the performance achieved in the base year 2010. Similar plans were launched in all subsequent years. In the years 2013 to 2018, the plan participants also received an additional share free of cost (matching share) for each investment share held at the end of the blocking period. The number of shares not yet vested and thus disclosed are the matching shares already granted. No further grants were made after 2018 under this plan.

The expense recorded in the income statement and in equity spreads the costs of each grant over the measurement period and the vesting period. Assumptions are made concerning the forfeiture rate, which is adjusted during the vesting period so that at the end of the vesting period, there is only a charge for the vested number of shares.

In 2021, CHF 12 million was debited to the income statement for equity-settled share-based payments (2020: income of CHF 11 million).

As of 31 December 2021, the total carrying value of liabilities arising from equity-settled share-based payments, entirely recognized in equity, is CHF 22 million (2020: CHF 20 million).

SHARES FOR MEMBERS OF MANAGEMENT AND THE EXECUTIVE COMMITTEE

Base year	Granted	Vesting in	Fair value at grant date	Number 31.12.2021	Number 31.12.2020
2017	2018	2021	22.82	—	97 100
2018	2018	2021	23.58	4 665	270 024
2018	2018	2021	21.47	—	3 960
2018	2018	2021	24.11	—	2 074
2019	2019	2022	15.91	785 275	884 192
2020	2020	2023	12.87	1 025 099	1 138 348
2021	2021	2024	19.20	3 891	—
2021	2021	2024	18.84	20 317	—
2021	2021	2024	18.34	1 000	—
2021	2021	2024	13.64	1 154 066	—
Total				2 994 313	2 395 698

	Weighted average exercise price	Shares 2021	Weighted average exercise price	Shares 2020
Shares outstanding at 1 January	18.82	2 395 698	21.60	2 083 364
Granted		1 234 206		1 211 808
Exercised / distributed		-349 886		-173 290
Cancelled / forfeited		-285 705		-726 184
Outstanding at 31 December	14.03	2 994 313	18.82	2 395 698
Fair value of shares outstanding in CHF		42 010 204		45 087 027

The fair value of shares granted during 2021 is CHF 16 million (2020: CHF 15 million), calculated based on market value of shares at grant date.

No options were granted in 2021 and 2020.

33. PERSONNEL EXPENSES

in CHF m	2021	2020 ¹
Wages and salaries	-819	-1 010
Social welfare costs	-174	-185
Shares and options granted to directors and employees	-12	-11
Pension costs – defined contribution plans	-22	-24
Pension costs – defined benefit plans	-39	-34
Total personnel expenses	-1 066	-1 264
thereof reported under discontinued operations	133	265
Total continuing operations	-933	-999

¹ Restated, see note 1.03

34. RELATED-PARTY TRANSACTIONS

Clariant maintains business relationships with related parties. One group consists of the associates and joint ventures, of which the most important ones are described in note 8. The most important business with these companies is the purchase of services by Clariant (e.g., energy and rental of land and buildings) in Germany and the rendering of services to the Global Amines group.

The second group of related parties is key management, comprising the Board of Directors and the Executive Committee. The information required by the Ordinance against Excessive Compensation in Stock Exchange-Listed Companies regarding the emoluments for the members of the Board of Directors and the Executive Committee is disclosed in the Compensation Report.

More information on the relationship with the Board of Directors is given in the **Corporate Governance Report** (non-audited).

The third group of related parties is the pension plans of major subsidiaries. Clariant provides services to its pension plans in Switzerland, the United Kingdom, and the United States. These services comprise mainly administrative and trustee services. The total costs in 2021 of these services is CHF 1 million (2020: CHF 1 million), of which approximately half is charged back to the pension plans. The number of full-time employees corresponding to these is approximately four (2020: approximately four).

The fourth group of related parties is all companies pertaining to the SABIC group, which is a 32.35% shareholder of Clariant (see note 17). The most important business done with these companies is the sale and purchase of chemical products.

TRANSACTIONS WITH RELATED PARTIES

in CHF m	2021	2020
Income from the sale of goods to related parties	51	47
<i>thereof to joint ventures</i>	9	9
<i>thereof to associates</i>	11	11
<i>thereof to SABIC companies</i>	31	27
Income from the rendering of services to related parties	54	48
<i>thereof to joint ventures</i>	32	26
<i>thereof to associates</i>	22	22
Expenses from the purchase of goods from related parties	-33	-39
<i>thereof from joint ventures</i>	-19	-17
<i>thereof from associates</i>	-14	-17
<i>thereof from SABIC companies</i>	—	-5
Expenses from services rendered by related parties	-261	-216
<i>thereof by joint ventures</i>	-24	-30
<i>thereof by associates</i>	-237	-186
Expense from the purchase of property, plant, and equipment from related parties	-5	-7
<i>thereof from associates</i>	-5	-7
Expense from lease contracts with related parties	-6	-7
<i>thereof with associates</i>	-6	-7

PAYABLES AND RECEIVABLES WITH RELATED PARTIES

in CHF m	31.12.2021	31.12.2020
Receivables from related parties	26	15
<i>thereof from joint ventures</i>	12	4
<i>thereof from associates</i>	7	4
<i>thereof from SABIC companies</i>	7	7
Payables to related parties	55	51
<i>thereof to joint ventures</i>	7	4
<i>thereof to associates</i>	48	47
Loans to related parties	15	19
<i>thereof to joint ventures</i>	—	2
<i>thereof to associates</i>	15	17
Loans from related parties	1	1
<i>thereof from associates</i>	1	1

TRANSACTIONS WITH KEY MANAGEMENT

in CHF m	2021	2020
Salaries and other short-term benefits	9	9
Post-employment benefits	1	1
Share-based payments	3	2
Total	13	12

There are no outstanding loans by the Group to any members of the Board of Directors or Executive Committee.

35. COMMITMENTS AND CONTINGENCIES

Guarantees. No guarantees on behalf of third parties were issued in 2021 and 2020.

Purchase commitments. In the regular course of business, Clariant enters into relationships with suppliers whereby the Group commits itself to purchase certain minimum quantities of materials in order to benefit from better pricing conditions. These commitments are not in excess of current market prices and reflect normal business operations.

Clariant is engaged in contracts to buy a minimum quantity of ethylene for the next nine years and other materials in 2022. This implies a total purchase commitment of about CHF 925 million (2020: CHF 700 million).

Contingencies. Clariant operates in countries where political, economic, social, legal, and regulatory developments can have an impact on the operational activities. The effects of such risks on the company's results, which arise during the normal course of business, are not foreseeable and are therefore not included in the accompanying financial statements.

In the ordinary course of business, Clariant is involved in lawsuits, claims, investigations, and proceedings, including product liability, intellectual property, commercial, environmental and health, and safety matters. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, apart from those cases where a provision has already been recognized, there are no such matters pending that would likely have any material adverse effect in relation to its business, financial position, or results of operations.

After an internal complaint concerning misstatements relating to provision bookings, Clariant engaged external counsel to investigate the matter. The investigation found that the 2020 financial statements required restatement and the quarterly reporting of key financial data for 2020 and 2021 required correction, as announced by the Company on 27 April 2022. Clariant has made the required restatement and correction and is confident that the matter has been resolved (see note 1.03). Nevertheless, uncertainties around the existence, timing and amount of possible financial obligations of the Company may exist. It cannot be ruled out that this matter could result in Clariant becoming subject to formal investigations, proceedings or claims, and any fine or other sanction imposed or other possible financial obligations arising in connection with the restatement or correction or the underlying behavior could adversely affect the Company.

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and polyfluoroalkyl substances (PFAS). Clariant is monitoring the development of these cases, which relate to a line of business divested in 2013, and is defending all litigation matters related to PFAS. The initial trial on one of the PFAS litigation matters may occur no earlier than early 2023. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

Environmental risks. Clariant is exposed to environmental liabilities and risks relating to its past operations, principally in respect of remediation costs. Provisions for nonrecurring remediation costs are made when there is a legal or constructive obligation and the costs can be reliably estimated. It is difficult to estimate the action required by Clariant in the future to correct the effects on the environment of prior disposal or release of chemical substances by Clariant or other parties, and the associated costs, pursuant to environmental laws and regulations. The material components of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat and contain contamination at sites where the environmental exposure is less severe.

36. EXCHANGE RATES OF PRINCIPAL CURRENCIES

Rates used to translate the consolidated balance sheets (closing rate):

	31.12.2021	31.12.2020
1 USD	0.91	0.88
1 EUR	1.03	1.08
1 BRL	0.16	0.17
1 CNY	0.14	0.13
100 INR	1.23	1.21
100 JPY	0.79	0.85

Sales-weighted average exchange rates used to translate the consolidated income statements and consolidated statements of cash flows:

	2021	2020
1 USD	0.92	0.94
1 EUR	1.08	1.07
1 BRL	0.17	0.18
1 CNY	0.14	0.14
100 INR	1.24	1.26
100 JPY	0.83	0.88

37. IMPORTANT SUBSIDIARIES

Country	Company name	Currency	Share-/paid-in capital (in thousands)	Participation in %	Holding/Finance/Service	Sales	Production	Research	classified as discontinued operations
Argentina	Clariant (Argentina) SA, Buenos Aires	ARS	54 605	100.0		■	■		
	Colorants Solutions (Argentina) S.A., Ciudad Autónoma de Buenos Aires	ARS	92 556	100.0		■	■		■
Australia	Clariant (Australia) Pty Ltd, Notting Hill	AUD	1 902	100.0		■	■		
	Colorants Solutions (Australia) Pty Ltd, Notting Hill	AUD	1 000	100.0		■			■
Belgium	Colorants Solutions (Belgium) SA, Louvain-La-Neuve	EUR	19	100.0		■	■		■
Brazil	Clariant S.A., São Paulo	BRL	276 953	100.0	■	■	■	■	
	Companhia Brasileira de Bentonita Ltda, Vitoria da Conquista	BRL	17 470	100.0		■	■		
	Consórcio CCPN, Niteroi	BRL	26 113	100.0		■	■		
	Beraca Ingredientes Naturais S.A.	BRL	18 158	100.0		■	■	■	
	Colorants Solutions (Brazil) Ltda., Santo Amaro	BRL	44 152	100.0		■	■	■	■
	Clariant (Canada) Inc., Toronto	CAD	10 415	100.0		■	■		
Canada	Colorants Solutions (Canada) Inc., Toronto	CAD	2 800	100.0		■			■
	Clariant (Chile) Ltda., Maipú-Santiago de Chile	CLP	15	100.0		■	■		
Chile	Clariant Plastics & Coatings (Chile) Ltda. Maipú-Santiago de Chile	CLP	1 842	100.0		■	■		■
	Clariant (China) Ltd., Hong Kong	HKD	414 788	100.0	■				
China	Clariant Bohai Pigments Preparations (Tianjin) Ltd., Tianjin	CNY	49 176	100.0		■	■		■
	Clariant Catalysts (Nanjing) Co., Ltd., Nanjing	CNY	321 822	100.0		■			
	Clariant Chemicals (China) Ltd., Shanghai	CNY	210 014	100.0		■	■	■	
	Clariant Chemicals (Huizhou) Ltd., Daya Bay, Huizhou	CNY	247 577	100.0		■	■		
	Clariant China Holding Limited, Hong Kong	HKD	67 251	100.0	■				
	Clariant Huajin Catalysts (Panjin) Ltd., Panjin City	CNY	69 511	60.0		■	■		
	Clariant Redhill Bentonite (Liaoning) Ltd., Jianping	CNY	124 365	100.0		■	■		
	Clariant Specialty Chemicals (Zhenjiang) Co., Ltd., Zhenjiang	CNY	166 431	100.0		■	■		
	Clariant Bentonite (Jiangsu) Co., Ltd., Zhenjiang	CNY	79 058	100.0		■	■		
	Clariant Coatings (Shanghai) Ltd., Shanghai	CNY	245 393	100.0		■	■		■
	Clariant Chemicals Technology (Shanghai) Ltd., Shanghai	CNY	170 286	100.0		■	■	■	
	Clariant Specialty Chemicals (Jiaxing) Co., Ltd., Jiangxing	CNY	170 347	100.0			■		
	Clariant Colombia S.A., Cota (Cundinamarca)	COP	2 265	100.0		■	■		
	Colorants Solutions (Colombia) S.A.S., Cota (Cundinamarca)	COP	5 567	100.0		■	■		■
	Clariant Production (France), Choisy le Roi	EUR	6 273	100.0		■	■	■	
France	Clariant Services (France), Choisy le Roi	EUR	21 200	100.0	■				
	Colorants Solutions (France), Choisy le Roi	EUR	300	100.0		■			■
	Clariant Vierte Chemie GmbH	EUR	30	100.0	■				
Germany	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0	■	■	■	■	
	Clariant Plastics & Coatings (Deutschland) GmbH	EUR	149	100.0	■	■	■	■	
	Colorants Solutions (Deutschland) GmbH, Frankfurt a.M.	EUR	500	100.0		■	■	■	■
	Clariant SE, Frankfurt a.M.	EUR	916	100.0		■			
	Clariant Verwaltungsgesellschaft mbH, Frankfurt a.M.	EUR	2 560	100.0	■				
Great Britain	Clariant Distribution UK Limited, Yeadon, Leeds	GBP	500	100.0				■	
	Clariant Oil Services UK Ltd, Yeadon, Leeds	GBP	400	100.0		■	■	■	
	Clariant Production UK Ltd, Yeadon, Leeds	GBP	500	100.0	■	■	■		
	Clariant Services UK Ltd, Yeadon, Leeds	GBP	500	100.0	■				
	Colorants Solutions (UK) Ltd, Yeadon, Leeds	GBP	3 501	100.0		■			■
Greece	Süd-Chemie Hellas Monoprosopi EPE, Adamantas, Milos	EUR	548	100.0		■	■		
India	Clariant Chemicals (India) Ltd, Navi Mumbai	INR	230 818	51.0		■	■		■
	Clariant India Private Limited, Navi Mumbai	INR	10 829	100.0	■	■	■	■	
	Süd-Chemie India Pvt. Ltd., Ernakulam	INR	9 623	50.0		■	■	■	
	Clariant IGL Specialty Chemicals Private Limited, Kashipur	INR	220	51.0		■	■		



Country	Company name	Currency	Share-/paid-in capital (in thousands)	Participation in %	Holding/Finance/Service	Sales	Production	Research	classified as discontinued operations
Indonesia	PT. Clariant Indonesia, Tangerang	IDR	267 577	100.0	■	■	■		
	PT. Clariant Kujang Süd-Chemie Catalysts, Cikampek	USD	3 447	76.9		■		■	
	PT. Clariant Plastics & Coatings, Tangerang Banten	USD	10 282	100.0		■			■
	PT. Clariant Specialties Indonesia, Tangerang Banten	IDR	4 803	100.0		■			
	PT. Clariant Adsorbents Indonesia, Sukabumi	IDR	12 375	100.0		■	■		
	P.T. Colorants Solutions (Indonesia), Tangerang	IDR	21 750	100.0		■	■		■
Italy	Clariant Prodotti (Italia) S.p.A., Milano	EUR	1 000	100.0	■	■	■	■	
	Società Sarda di Bentonite S.r.l., Santa Giusta	EUR	2 050	100.0		■			
	Colorants Solutions (Italia) S.p.A., Milano	EUR	5 200	100.0		■			■
Japan	Clariant (Japan) K.K., Tokyo	JPY	450	100.0		■	■	■	
	Clariant Catalysts (Japan) K.K., Tokyo	JPY	544	61.5	■	■	■	■	
	Clariant Plastics & Coatings (Japan) K.K., Tokyo	JPY	250	100.0		■	■	■	■
Korea	Clariant (Korea) Ltd., Pohang, Pohang-Si	KRW	6 361	100.0		■	■		
	Colorants Solutions (Korea) Ltd.	KRW	600	100.0					■
Luxemburg	Clariant Finance (Luxembourg) S.A., Luxemburg	EUR	82 030	100.0	■				
Malaysia	Clariant (Malaysia) Sdn Bhd, Kuala Lumpur	MYR	5 000	100.0		■			■
	Clariant Oil Services (Malaysia) Sdn Bhd, Petaling Jaya	MYR	411	48.9		■			
	Clariant Specialty Chemical (M) Sdn Bhd, Kuala Lumpur	MYR	3 300	100.0					
Mexico	Clariant (Mexico) S.A. de C.V., Ecatepec de Morelos	MXN	22 219	100.0	■	■	■	■	
	Clariant Productos Químicos, S.A. de C.V., Ecatepec de Morelos	MXN	2 475	100.0					■
	Clariant Plastics & Coatings México, S.A. de C.V., Ecatepec de Morelos	MXN	358	100.0	■	■	■	■	■
	Clariant Servicios Integrales México, S.A. de C.V., Ecatepec de Morelos	MXN	3	100.0					
Morocco	Clariant (Maroc) S.A., Casablanca	MAD	4 000	100.0		■			
Norway	Clariant Oil Services Scandinavia AS, Bergen	NOK	4 725	100.0		■	■		
Pakistan	Clariant Pakistan (private) limited, Karachi	PKR	50 000	100.0		■			
Peru	Clariant (Perú) S.A., Lima	PEN	20 454	100.0	■	■	■		
	Clariant Plastics & Coatings (Perú) S.A.C., Lima	PEN	2 010	100.0		■			■
Poland	Clariant Poland Spolka z o.o., Konstantynów Łódzki	PLN	3 000	100.0		■	■		
	Clariant Services (Poland) SP. z o.o., Łódź	PLN	10 000	100.0					
	Colorants Solutions (Polska) Spolka z o.o., Łódź	PLN	4 500	100.0		■			■
Qatar	Clariant Qatar W.L.L., Mesaieed	QAR	30 000	65.0		■	■		
Romania	Clariant Products Ro Srl, Bucarest	RON	105 261	100.0					
Russia	Clariant (RUS) LLC, Moscow	RUB	19 000	100.0		■			
Singapore	Clariant (Singapore) Pte. Ltd., Singapore	SGD	21 500	100.0	■	■	■		
	Clariant South East Asia Pte. Ltd., Singapore	SGD	1 560	100.0	■	■		■	
	Colorants Solutions (Singapore) Pte. Ltd., Singapore	SGD	3 000	100.0		■	■		■
South Africa	Clariant Sasol Catalysts Ltd., Chloorkop, Gauteng	ZAR	1 417	80.0		■			
	Clariant Southern Africa (Pty) Ltd. Chloorkop, Gauteng	ZAR	6	100.0	■	■	■		
	Clariant Plastics & Coatings Southern Africa (Pty) Ltd., Chloorkop, Gauteng	ZAR	70 000	100.0		■			■
Spain	Clariant Ibérica Producción S.A., Sant Joan Despi	EUR	6 023	100.0	■	■	■	■	
	Colorants Solutions (Ibérica) S.A., Sant Joan Despi	EUR	3 503	100.0		■	■		■
Sweden	Clariant Production Sweden AB, Mölndal	SEK	500	100.0		■	■		
	Colorants Solutions Scandinavia AB, Mölndal	SEK	50	100.0		■			■
Switzerland	Clariant Consulting AG, MuttENZ	CHF	200	100.0	■				
	Clariant Chemical Consulting AG, MuttENZ	CHF	100	100.0	■				
	Clariant International AG, MuttENZ	EUR	101 648	100.0	■	■	■	■	
	Clariant Oil Services AG, MuttENZ	CHF	300	100.0	■				
	Clariant Reinsurance AG, MuttENZ	CHF	3 000	100.0	■				
	EBITO Chemiebeteiligungen AG, MuttENZ	CHF	202	100.0	■				■
	Clariant Produkte (Schweiz) AG, MuttENZ	CHF	5 000	100.0	■				
	Clariant Additives (Switzerland) AG, MuttENZ	CHF	5 000	100.0		■	■		
	Colorants International AG, MuttENZ	EUR	28 799	100.0	■	■	■	■	■
	Colorants Solutions Switzerland AG, MuttENZ	EUR	100	100.0		■	■		■
	Colorants Consulting AG, MuttENZ	EUR	100	100.0					■

Country	Company name	Currency	Share-/paid-in capital (in thousands)	Participation in %	Holding/Finance/Service	Sales	Production	Research	classified as discontinued operations
Taiwan	Clariant Specialty Chemicals (Taiwan) Co., Ltd., Taipei	TWD	36 000	100.0		■	■		
	Colorants Solutions (Taiwan) Co., Ltd.	TWD	1 000	100.0			■		■
Thailand	Clariant (Thailand) Ltd., Bangkok	THB	250 000	100.0		■		■	
	Colorants Solutions (Thailand) Ltd., Bangkok	THB	100 000	100.0		■	■		■
Turkey	Clariant (Türkiye) A.S., Ataşehir/İstanbul	TRY	17 538	100.0		■	■		
	Colorants Solutions (Türkiye) A.S., Ataşehir/İstanbul	TRY	1 500	100.0		■	■		■
UAE	Clariant (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0		■			
	Colorants Solutions (Gulf) FZE, Jebel Ali, Dubai	AED	1 000	100.0		■			■
Ukraine	Clariant Ukraine LLC, Severodonetsk	UAH	28 688	100.0		■	■		
USA	Clariant Corporation, Charlotte, NC	USD	749 500	100.0	■	■	■	■	
	Colorants Solutions USA LLC, Charlotte, NC	USD	1	100.0		■		■	■
Venezuela	Clariant Venezuela, S.A., Maracay	VEF	1	100.0		■	■		

¹ The participation in % reflects the capital and voting rights in %.

38. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 3 January 2022 Clariant sold the business unit Pigments to US-based SK Capital Partners and the German-based Heubach group. The total consideration of the sale net of cash transferred amounted to CHF 614 million, a 20 % stake in the combined group newly created from the former Clariant and Heubach pigment activities, plus an earn-out of CHF 50 million in case certain numbers of operating profit (EBITDA) were achieved in 2021.

On 3 January 2022, a bridging loan in the amount of EUR 250 million with no interest was repaid early.

On 4 March 2022 Clariant announced that it would suspend all business in Russia with immediate effect in response to the Russian armed forces' invasion of the Ukraine. Clariant's operations in Russia include a sales office and a laboratory in Moscow and contributed approximately 2% to the company's annual sales and CHF 16 million of total assets.

Also as a result of the war in the Ukraine Clariant was forced to put all business activities in the Ukraine on hold. Clariant's operations in the Ukraine comprise a Catalyst plant which contributed about 0.02% to the company's annual sales and CHF 9 million of total assets.

All holders of Certificates of Indebtedness (Col) in a total amount of EUR 544 million and the banks extending a Revolving Credit Facility (RCF) in the amount of CHF 445 million are entitled to be presented the audited consolidated financial statement of the Clariant Group by 30 April and 31 March, respectively, of the following year. In the case of a delay Col holders can extraordinarily terminate their investment and require an early repayment. RCF banks, subject to a majority vote of all RCF banks are entitled to a cancellation of their commitment and, as the case may be, a repayment of any funds drawn under the

RCF. Due to the investigation on Clariant' financial reporting (see Note 1.03) and the ensuing delay of the publication of the Annual Report the original deadlines could not be kept by Clariant. This led to negotiations with the holders of these financial instruments to extend the deadline for the presentation of the audited Financial Report 2021 until 30 June 2022. As of 17 May 2022 all 10 banks extending the RCF have consented to extend the deadline for the presentation of the audited Financial Report 2021, including the restatement for 2020 until 30 June 2022. Of the 101 holders of Cols as of 17 May 2022 three holders announced not to consent to an extension of the deadline for the presentation of the audited Financial Report 2021, and thereof one demanded an early payment of EUR 13 million which was repaid on 28 April 2022.

On 14 April 2022 Clariant announced the sale of the 50 % participation in the joint venture Scientific Design Company to the joint venture partner SABIC for a net consideration of USD 139.4 million.

Report of the statutory auditor

to the General Meeting of Clariant Ltd

Muttenz

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Clariant Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheets as at 31 December 2021 and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 1 to 69) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 32 million

We concluded full scope audit work at 16 reporting units in eight countries. Our audit scope addressed over 69% of the Group's revenue, including discontinued operations.

As key audit matters, the following areas of focus have been identified:

- Management's assumptions and estimates used in the impairment test of goodwill
- Assessment of provisions

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 32 million
Benchmarks applied	EBITDA (including discontinued operations) and total assets
Rationale for the materiality benchmarks applied	We chose EBITDA as the benchmark because management assesses its profitability mainly on the basis of this measure of profit and we took the Group's assets into consideration since the chemical industry, being highly capital-intensive, has a more volatile net profit margin than other industries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 1.6 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

From 118 reporting units, we identified 16 reporting units (components) as the largest contributors to the Group's financial statements (amounting to 69% of the Group's revenue including discontinued operations and addressing all geographical areas of the Group's business). These reporting units were subject to a full scope audit by local PwC network firms. We held regular virtual meetings during all phases of the audit to discuss material audit topics with the component auditors of the most significant reporting units. Further audit procedures were performed by the central Group audit team on certain Group functions (addressing, among other topics, taxation, treasury, independent investigations, litigation and information technology) and the Group consolidation. In addition, two PwC network firms performed specific audit procedures related to sales and procurement and to the financial closing cycle at the Group's shared service centres on behalf of PwC Switzerland.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management's assumptions and estimates used in the impairment test for goodwill

Key audit matter	How our audit addressed the key audit matter
The valuation of goodwill depends on the forecast results of the businesses and the discount rates applied to cash flow forecasts. We consider its valuation to be a key audit matter because of the significant scope for judgement involved in the assumptions on which these forecasts are based. In particular, we focussed on goodwill relating to the Catalysts business unit, which amounts to CHF 636 million,	We evaluated and challenged management's assumptions as presented on pages 20 and 21 (Critical accounting estimates and judgments, 4.1 Estimated impairment of goodwill and property, plant and equipment) in the notes to the consolidated financial statements.

and to the Oil and Mining Services business unit, which amounts to CHF 155 million, as we consider that the risk of impairment is higher for these units than for other business units.

Please refer to Note 4 'Critical accounting estimates and judgments', Note 4.1 'Estimated impairment of goodwill, intangibles, and property, plant and equipment', and Note 6 'Intangible assets' in the notes to the consolidated financial statements.

Management followed a clearly documented process for forecasting future cash flows, which was subject to timely oversight and challenge by the Board of Directors.

We compared the actual results of the year under review with the figures used to make the forecasts in the prior year in order to assess with hindsight whether any of the assumptions underlying the forecasts might have been too optimistic. In some cases, actual performance was found to be lower than forecast. Management analysed the underlying drivers, considered actual revenue growth rates and operating margins against those in the business plans prepared in the year under review and included the actual rates and margins in the new business plans.

We discussed with the business unit leaders management's assumptions regarding revenue, long-term growth rates and profit margins. We involved PwC's own valuation specialists to assess the model and the weighted average cost of capital (WACC) used. The WACC was assessed on the basis of comparable industry peers and data available from external sources. In addition, we assessed for reasonableness the expectations of movements in working capital and of investments in property, plant and equipment.

We found the assumptions to be balanced and reasonable.

We reperformed thorough sensitivity analyses on the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired. We discussed the results of our audit work as well as the headroom of the sensitivity analyses with management, the Audit Committee and the Board of Directors.

On the basis of the procedures performed and the evidence obtained, we identified no significant issues with respect to the process applied by management and the Board of Directors in the impairment test of goodwill.

Assessment of provisions

Key audit matter

The recognition and the measurement of provisions require critical accounting estimates and judgements by management concerning if and when future cash outflows will take place based on historical experience and future expectations.

Furthermore, as described in Note 1.03 'Restatement', Clariant launched an independent investigation conducted by a third party that focused on the recognition and measurement of certain provisions and accruals. This led to a re-statement of the opening balance sheet as at 1 January 2020 and the consolidated financial statements for the period ended 31 December 2020.

How our audit addressed the key audit matter

We obtained an understanding of management's process to assess provisions and management's internal controls over the completeness, recognition, measurement and disclosure of provisions.

We tested management's assumptions based on supporting documents, including third-party assessments, and management's calculations to assess the completeness, recognition and measurement of provisions.

We held discussions with management and the Group's Audit Committee to corroborate assumptions used in management's estimates.

We consider the performance of procedures relating to provisions to be a key audit matter principally on the grounds that a high degree of auditor judgement was necessary to evaluate the audit evidence obtained related to Clariant's independent investigation; significant audit effort was necessary to evaluate the audit evidence relating to the provisions; and the audit effort involved the use of professionals with specialised skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Please refer to Note 21 'Movements in Provisions', Note 1.03 'Restatements', Note 4.5 'Provisions and Contingencies' and Note 35 'Commitments and Contingencies' in the notes to the consolidated financial statements.

We involved our own forensic specialists and assessed the work of Clariant's external counsel with the objective of being able to rely on their work relating to provisions, the restatement of the 2020 consolidated financial statements and the disclosure of the note on contingencies.

We tested whether the accounting treatment and disclosure of provisions, the 2020 restatement and the note on contingencies comply with the requirements of IFRS.

On the basis of the procedures performed and the evidence obtained, we identified no significant issues with respect to the process applied by management and the Board of Directors in the accounting treatment of provisions.

Other information in the integrated report

The Board of Directors is responsible for the other information in the integrated report. The other information comprises all information included in the integrated report, but does not include the consolidated financial statements, the standalone financial statements and the compensation report of Clariant AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the integrated report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the integrated report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

During our audit, performed in accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system that has been designed in accordance with the instructions of the Board of Directors for the preparation of the consolidated financial statements is adequately documented, but has not been fully implemented in all material respects for the area of provisions, which is a critical process to the group.

In our opinion, except for the matter described in the preceding paragraph, an internal control system exists which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Rolf Johner
Audit expert
Auditor in charge



Michael Scheibli
Audit expert

Basel, 18 May 2022

Review of trends

FIVE-YEAR GROUP OVERVIEW 2017–2021

		2021 ²	2020 ²	2020 ²	2019 ²	2018 ³	2018	2017
			Restated					
Segment sales	CHF m	4 413	3 883	3 883	4 434	4 445	6 682	6 429
Change relative to preceding year								
in Swiss francs	%	14	-12	-12	—	—	4	9
in local currency	%	15	-5	-5	3	—	5	9
Group sales¹	CHF m	4 372	3 860	3 860	4 399	4 404	6 623	6 377
Change relative to preceding year								
in Swiss francs	%	13.3	-12.3	-12.3	—	—	4	9
in local currency	%	15	-5	-5	3	—	5	9
Adjusted operating income	CHF m	493	354	350	444	480	693	673
Change relative to preceding year	%	39	-20	-21	-7	-29	3	8
as a % of sales		11.3	9.2	9.1	10.1	10.9	10.5	10.6
Operating income	CHF m	440	317	298	165	348	546	496
Change relative to preceding year	%	39	92	81	-53	-30	10	-3
as a % of sales		10.1	8.2	7.7	3.8	7.9	8.2	7.8
EBITDA	CHF m	708	597	578	461	607	871	813
Change relative to preceding year	%	19	30	25	-24	-25	7	4
as a % of sales		16.2	15.5	15.0	10.5	13.8	13.2	12.7
Adjusted EBITDA	CHF m	760	623	619	740	739	1 018	974
Change relative to preceding year	%	22	-16	-16	—	-24	5	10
as a % of sales		17.4	16.1	16.0	16.8	16.8	15.4	15.3
Net income	CHF m	373	825	799	38	356	356	302
Change relative to preceding year	%	-55	2 071	2 003	-89	18	18	15
as a % of sales		8.5	21.4	20.7	0.9	8.1	5.4	4.7
Investment in property, plant, and equipment	CHF m	362	288	288	273	237	237	248
Change relative to preceding year	%	26	5	5	15	-4	-4	-16
as a % of sales		8	7	7	6	5	4	4
Personnel costs⁴	CHF m	1 066	1 264	1 273	1 431	1 457	1 457	1 460
Change relative to preceding year	%	-16	-12	-11	-2	—	—	6
as a % of sales		24	-33	33	33	33	22	23
Employees at year-end	number	13 374	13 235	13 235	17 223	17 901	17 901	18 135
Change relative to preceding year	%	1	-23	-23	-4	-1	-1	4

¹ Including trading

² Continuing operations

³ Restated for discontinued operations – see note 1.04

⁴ Including discontinued operations

Financial statements of Clariant Ltd, Muttenez

Balance sheets of Clariant Ltd

BALANCE SHEETS OF CLARIANT LTD

at 31 December 2021 and 2020

	Notes	31.12.2021 in CHF	in %	31.12.2020 in CHF	in %
Assets					
Current assets					
Cash and cash equivalents	3	110 241 664		352 170 332	
Short-term deposits	3	—		256 120 000	
Other short-term receivables	4	25 553 296		32 266 139	
Accrued income and prepaid expenses		1 656 405		2 998 856	
Total current assets		137 451 365	3.2	643 555 327	12.9
Noncurrent assets					
Loans to Group companies		2 516 588 306		2 528 737 770	
Other financial assets		364 800		502 240	
Shareholdings in Group companies	5	1 668 704 484		1 822 537 204	
Intangible assets		3 321 761		5 468 935	
Total noncurrent assets		4 188 979 351	96.8	4 357 246 149	87.1
Total assets		4 326 430 716	100.0	5 000 801 476	100.0
Liabilities and Equity					
Liabilities					
Current liabilities					
Other current non-interest-bearing liabilities	6	40 277 742		182 953 864	
Other current interest-bearing liabilities	7	638 157 043		620 205 551	
Current provisions		178 355 974		188 982 974	
Accrued expenses		4 607 288		5 864 408	
Total current liabilities		861 398 047	19.9	998 006 797	20.0
Noncurrent liabilities					
Noncurrent interest-bearing liabilities to third parties	12	967 393 436		1 417 038 097	
Total noncurrent interest-bearing liabilities	12	967 393 436	22.4	1 417 038 097	28.3
Total liabilities		1 828 791 483		2 415 044 894	
Equity					
Share capital	8, 11	995 817 597		1 228 175 036	
Reserves from capital contribution ¹	9, 11	1 304 491 391		1 308 215 414	
thereof from capital contribution reserves (other)		1 304 491 391		1 308 215 414	
Reserves from retained earnings ²	9, 11	-1 264 297 991		-1 264 297 991	
Other statutory reserves	11	223 724 023		220 000 000	
Total statutory capital reserves	11	263 917 423		263 917 423	
Voluntary retained earnings	11	1 137 181 196		865 920 811	
Total reserves	9, 11	1 401 098 619		1 129 838 234	
Profit for the financial year		150 758 264		271 260 385	
Treasury shares	10, 11	-50 035 247		-43 517 073	
Total equity		2 497 639 233	57.7	2 585 756 582	51.7
Total equity and liabilities		4 326 430 716	100.0	5 000 801 476	100.0

¹ In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as at 31 December 2021 due to distributions still amounting to approximately CHF 40 million). For further information, see also note 9 to the financial statements of Clariant Ltd.

² This amount corresponds to capital contribution reserves formerly offset with losses. For further information, see also note 9 to the financial statements of Clariant Ltd.

Financial statements of Clariant Ltd, Muttenez

Income statements of Clariant Ltd

INCOME STATEMENTS OF CLARIANT LTD

for the years ended 31 December 2021 and 2020

	Notes	2021 in CHF	2020 in CHF
Income from shareholdings in Group companies		277 791 735	106 883 944
Income from interest on loans to Group companies		45 778 600	55 575 323
Other financial income		6 652 529	7 123 835
Reversal of devaluations on shareholdings and other income related to Group companies	5	151 000 000	—
Income from disposals of shareholdings and other income	5	13 251 894	655 064 606
Total income		494 474 758	824 647 708
Expenses			
Financial expenses		36 728 407	42 089 305
Administrative expenses		66 177 750	63 789 124
Devaluations of shareholdings and other expenses related to Group companies	5	200 483 225	282 569 184
Exchange rate differences net		29 171 607	60 458 451
Other expenses		8 015 505	102 480 556
Taxes		3 140 000	2 000 703
Total expenses		343 716 494	553 387 323
Profit for the financial year		150 758 264	271 260 385

Notes to the financial statements of Clariant Ltd

1. ACCOUNTING POLICIES

Introduction. The statutory financial statements of Clariant Ltd comply with the regulations on financial accounting of the Swiss Code of Obligations.

Revenue recognition. Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company. Dividends are recognized when the right to receive payment is established.

Exchange rate differences. Balance sheet items denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses as well as unrealized exchange losses are recorded in the income statement.

Intangible assets. Patents are capitalized at cost and amortized on a straight-line basis to the income statement over their estimated useful lives with a maximum of 20 years. Capital increase costs are directly charged to the income statement.

The Board of Directors approved the stand-alone financial statements of Clariant Ltd for issue on 17 May 2022. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 24 June 2022.

2. BASIS OF PREPARATION

The statutory financial statements of Clariant Ltd have been prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

Clariant Ltd has no employees, except the members of the Board of Directors of the Clariant Group.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

Cash and cash equivalents amount to CHF 110 241 664 at the end of 2021, compared to CHF 352 170 332 at the end of 2020, and comprise cash in hand denominated mainly in US dollar, Swiss francs, Japanese yen, and, to a lesser extent, other currencies.

Short-term deposits amounted to CHF 0 at the end of 2021, compared to CHF 256 120 000 at the end of 2020, and include short-term deposits with an original maturity between 90 and 365 days.

4. OTHER SHORT-TERM RECEIVABLES

Other short-term receivables amounted to CHF 25 553 296 at the end of 2021, compared to CHF 32 266 139 at the end of 2020. They comprise third-party receivables for CHF 661 715 (compared to CHF 374 292 at the end of 2020) and intragroup receivables for CHF 24 891 581 (compared with CHF 31 891 847 at the end of 2020).

5. SHAREHOLDINGS IN GROUP COMPANIES

Shareholdings in Group companies are reviewed on a yearly basis to assess their cash-generating capabilities by applying either a mixed calculation method based on the equity value and the net result or, alternatively, the discounted cash flow model. In that review, the investments are classified and grouped in terms of sales and business areas.

The following shareholdings in Group companies were valued using the discounted cash flow method: Clariant S.A. (Brazil), Clariant Finance (Luxembourg) S.A. and Clariant (Japan) KK.

At the end of 2021, shareholdings in Group companies amount to CHF 1668 704 484, compared to CHF 1822 537 204 at the end of 2020. After this review, the following was recorded in the income statement: A reversal of devaluation of CHF 151 000 000 (2020: CHF 0) in »Reversal of devaluations on shareholdings and other income related to Group companies« and a devaluation of CHF 200 483 225 (2020: CHF 282 569 184) in »Devaluations of shareholdings and other expenses related to Group companies«.

In the year 2021, no hidden reserves were reversed (2020: CHF 0).

On 1 July 2020, Clariant Ltd sold its subsidiary Clariant Plastics & Coatings Ltd and that company's subsidiaries to the US-based group Avient, as part of Clariant's transactions to sell the Masterbatches business. Total consideration for the sale of the company amounted to CHF 736 million and resulted in a book gain of CHF 582 million. Additionally, loans extended to Masterbatches companies in the amount of CHF 430 million were transferred to the buyer at nominal value.

The table below shows the shareholdings directly held by Clariant Ltd.

Country	Company name		Capital interest (%)		Voting rights (%)		Capital interest (%)		Voting rights (%)	
			2021	2021	2021	2021	2020	2020	2020	2020
Brazil	Clariant S.A.	São Paulo	46.32 %	46.32 %			46.32 %	46.32 %		
Canada	Clariant (Canada) Inc.	Toronto	100.00 %	100.00 %			100.00 %	100.00 %		
China	Clariant (China) Ltd.	Hong Kong	100.00 %	100.00 %			100.00 %	100.00 %		
Colombia	Clariant (Colombia) S.A.	Cota (Cundinamarca)	5.13 %	5.13 %			5.13 %	5.13 %		
Ecuador	Clariant (Ecuador) S.A.	Quito	0.03 %	0.03 %			0.03 %	0.03 %		
France	Clariant Services (France)	Choisy-le-Roi	43.00 %	43.00 %			43.00 %	43.00 %		
Germany	Clariant Verwaltungsgesellschaft mbH	Frankfurt a.M.	100.00 %	100.00 %			100.00 %	100.00 %		
Great Britain	Clariant Services UK Ltd	Yeadon, Leeds	100.00 %	100.00 %			100.00 %	100.00 %		
Guatemala	Clariant Specialties (Guatemala) S.A.	Guatemala City	0.00 %	0.00 %			10.00 %	10.00 %		
Japan	Clariant (Japan) K.K.	Tokyo	70.48 %	70.48 %			70.48 %	70.48 %		
	Clariant Catalysts (Japan) K.K.	Tokyo	61.45 %	61.45 %			61.45 %	61.45 %		
Korea	Clariant (Korea) Ltd.	Pohang, Gyeongbuk	17.50 %	17.50 %			17.50 %	17.50 %		
Luxembourg	Clariant Finance (Luxembourg) S.A.	Luxembourg	100.00 %	100.00 %			100.00 %	100.00 %		
Morocco	Clariant (Maroc) S.A.	Casablanca	0.05 %	0.05 %			0.05 %	0.05 %		
Mexico	Clariant (Mexico) S.A. de C.V.	Ecatepec de Morelos	99.99 %	99.99 %			99.99 %	99.99 %		
Norway	Clariant Oil Services Scandinavia AS	Bergen	100.00 %	100.00 %			100.00 %	100.00 %		
Peru	Clariant (Perú) S.A.	Lima	0.23 %	0.23 %			0.23 %	0.23 %		
Singapore	Clariant South East Asia Pte. Ltd.	Singapore	100.00 %	100.00 %			100.00 %	100.00 %		
South Africa	Clariant Southern Africa (Pty) Ltd.	Chloorkop, Gauteng	100.00 %	100.00 %			100.00 %	100.00 %		
Spain	Clariant Ibérica Servicios S.L.	El Prat de Llobregat	0.00 %	0.00 %			85.03 %	85.03 %		
	Clariant Ibérica Produccion S.A.	El Prat de Llobregat	100.00 %	100.00 %			100.00 %	100.00 %		
Sweden	Clariant Production Sweden AB	Mölnådal	100.00 %	100.00 %			100.00 %	100.00 %		
Switzerland	Clariant Reinsurance AG	Muttenz	100.00 %	100.00 %			100.00 %	100.00 %		
	Clariant International AG	Muttenz	100.00 %	100.00 %			100.00 %	100.00 %		
	Clariant Oil Services AG	Muttenz	80.00 %	80.00 %			80.00 %	80.00 %		
	Clariant Chemical Consulting AG	Muttenz	100.00 %	100.00 %			100.00 %	100.00 %		
	Clariant Prime AG	Muttenz	100.00 %	100.00 %			100.00 %	100.00 %		
	Clariant Pro AG	Muttenz	100.00 %	100.00 %			100.00 %	100.00 %		
	Colorants International AG	Muttenz	100.00 %	100.00 %			100.00 %	100.00 %		
Thailand	Clariant (Thailand) Ltd.	Bangkok	100.00 %	100.00 %			100.00 %	100.00 %		
Turkey	Clariant (Türkiye) A.S.	Gebze	100.00 %	100.00 %			100.00 %	100.00 %		
UAE	Clariant (Gulf) FZE	Dubai	100.00 %	100.00 %			100.00 %	100.00 %		
USA	Clariant Corporation	Charlotte	100.00 %	100.00 %			100.00 %	100.00 %		

For further details on shareholdings indirectly held by Clariant Ltd, see note 37, Important Subsidiaries of this report.

6. OTHER CURRENT NON-INTEREST-BEARING LIABILITIES

Other current non-interest-bearing liabilities amount to CHF 40 277 742 at the end of 2021, compared to CHF 182 953 864 at the end of 2020. They comprise third party liabilities of CHF 17 317 634 (compared to CHF 12 266 501 at the end of 2020) and intragroup liabilities of CHF 22 960 108 (compared to CHF 170 687 363 at the end of 2020).

Liabilities to other Group companies comprise shareholder costs payable to Clariant International Ltd. and to Colorants International Ltd.

7. OTHER CURRENT INTEREST-BEARING LIABILITIES

Other current interest-bearing liabilities amount to CHF 638 157 043 at the end of 2021 (2020: CHF 620 205 551). They comprise third-party liabilities of CHF 322 115 893 (2020: CHF 329 130 020) and intragroup liabilities of CHF 316 041 150 (2020: CHF 291 075 531).

On 5 August 2021, certificates of indebtedness issued in 2016 in the amount of EUR 55 million (CHF 60 million) and USD 277 million (CHF 250 million) reached maturity and were repaid.

On 23 August 2021, two certificates of indebtedness issued in 2020 were repaid early (CHF 37 million, original maturity 2022; CHF 25 million, original maturity 2025).

On 22 November 2021, the certificate of indebtedness issued in 2020 with a notional amount of EUR 83 million (CHF 87 million) was repaid early (original maturity 2025).

On 17 April 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million (CHF 162 million) reached maturity and were repaid.

On 26 October 2020, the certificates of indebtedness issued in 2015 in the amount of EUR 212 million (CHF 229 million) reached maturity and were repaid.

A bond issued in 2012 with a nominal value of CHF 175 million and two certificates of indebtedness issued in 2020 with a nominal value of EUR 115 million (CHF 118 million) will mature in 2022 and were therefore reclassified to current interest-bearing liabilities.

Since 16 December 2016, Clariant Ltd had an agreement for a CHF 445 million five-year multicurrency revolving credit facility (RCF) with two one-year extension options. The RCF is structured as a club deal with ten key relationship banks with equal stakes and contains an accordion option for an increase up to CHF 600 million. The RCF is structured as a »backstop« facility for rating purposes to maintain Clariant's liquidity headroom. It contains customary covenants such as negative pledge, cross default, ownership change, and restriction on disposals, mergers, and subsidiary debt. The Group is required to maintain one financial covenant (debt leverage) that is tested at the end of each financial half year. The RCF has been extended until 16 December 2023.

The intragroup liabilities comprise the cash pool accounts and current accounts between Group companies.

8. SHARE CAPITAL

Capital issued	31.12.2021	31.12.2020
Number of registered shares each with a par value of CHF 3.00 (2020: CHF 3.70)	331 939 199	331 939 199
In CHF	995 817 597	1 228 175 036
Conditional capital	31.12.2021	31.12.2020
Number of registered shares each with a par value of CHF 3.00 (2020: CHF 3.70)	3 811 886	3 811 886
In CHF	11 435 658	14 103 978

9. RESERVES

General reserves must be at least 20 % of the share capital of Clariant Ltd, as this is the minimum amount required by the Swiss Code of Obligations.

As of 2011, if certain conditions are met, qualifying capital contributions made to Clariant Ltd by its shareholders since 1997 can be distributed without being subject to Swiss withholding tax. Qualifying

capital contribution reserves of approximately CHF 1.7 billion are confirmed by the Swiss Federal Tax Administration (SFTA).

The SFTA is of the opinion that capital contribution reserves that were formerly offset with losses of CHF 1.26 billion will not qualify as capital contribution reserves anymore (even if compensated with newly generated retained earnings). The Swiss Administrative Court confirmed the SFTA's view in a particular case (decision of 4 June 2015,

A-6072/2013), while the Swiss Supreme Court (as the highest Swiss court level) has up to now not dealt with this question. Clariant Ltd does not unconditionally share the above mentioned opinion. This is

why potential capital contribution reserves are also documented as capital contribution reserves in the balance sheet.

10. TREASURY SHARES

	2021	2020
Holdings at 1 January	2 385 509	2 586 765
Shares purchased at fair market value	657 207	34 000
Shares purchased on exercise of put options	200 000	—
Shares transferred to employees and Board of Directors	-420 004	-235 256
Holdings on 31 December	2 822 712	2 385 509

Each registered share has a par value of CHF 3.00 (2020: CHF 3.70)

In 2021 and 2020 no shares were sold.

The average price of shares bought in 2021 was CHF 19.03. In 2020, the average price of shares bought was CHF 17.02.

The profit or loss from the sale of own shares is recorded in the income statement as “other finance income” or “other expenses”.

11. RECONCILIATION OF EQUITY

in CHF	Share capital	Statutory capital reserves		Other statutory reserves	Voluntary re-tained earnings	Treasury shares	Net income	Total
		from capital contribution ¹	from retained earnings ²					
Balance 31 December 2020	1 228 175 036	1 308 215 414	-1 264 297 991	220 000 000	865 920 811	-43 517 073	271 260 385	2 585 756 582
Reduction of nominal value	-232 357 439					1 936 199		-230 421 240
Reclassification of profit carryforward to voluntary retained earnings					271 260 385		-271 260 385	—
Reclassification from voluntary retained earnings to statutory reserves		-3 724 023		3 724 023				—
Reclassification								—
Distribution								—
Changes in treasury shares						-8 454 373		-8 454 373
Profit for the financial year							150 758 264	150 758 264
Balance 31 December 2021	995 817 597	1 304 491 391	-1 264 297 991	223 724 023	1 137 181 196	-50 035 247	150 758 264	2 497 639 233

¹ In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as per 31 December 2020 due to distributions still amounting to approximately CHF 40 million). For further information, see also note 9 to the financial statements of Clariant Ltd.

² This amount corresponds to capital contribution reserves formerly offset with losses. For further information, see also note 9 to the financial statements of Clariant Ltd.

12. FINANCIAL LIABILITIES

in CHF	Interest rate	Term	Amount 31.12.2021	Amount 31.12.2020
Noncurrent interest bearing liabilities to third parties				
Certificate of indebtedness	0.779	2016-2021	—	60 128 700
Certificate of indebtedness	3m LIBOR +1.5	2016-2021	—	161 498 080
Certificate of indebtedness	2.618	2016-2021	—	107 503 240
Straight bond	3.500	2012-2022	175 000 000	175 000 000
Certificate of indebtedness	mixed	2020-2022	121 690 600	123 706 945
Certificate of indebtedness	3m LIBOR +1.5	2020-2022	—	37 500 000
Certificate of indebtedness	mixed	2015-2023	154 923 000	162 061 500
Certificate of indebtedness	6m EURIBOR +1.1	2016-2023	14 084 200	14 084 200
Certificate of indebtedness	1.137	2016-2023	28 710 100	28 710 100
Certificate of indebtedness	1.501	2016-2023	80 651 550	80 651 550
Straight bond	2.125	2014-2024	160 000 000	160 000 000
Certificate of indebtedness	1.194	2018-2024	103 868 000	103 868 000
Certificate of indebtedness	1.548	2018-2025	115 722 500	115 722 500
Certificate of indebtedness	6m EURIBOR + 0.95	2018-2025	60 401 500	60 401 500
Certificate of indebtedness	3m EURIBOR + 1.9	2020-2025	—	89 674 030
Certificate of indebtedness	6m EURIBOR + 1.8	2020-2025	—	25 000 000
Certificate of indebtedness	2.010	2016-2026	15 910 850	15 910 850
Straight bond	1.125	2019-2026	200 000 000	200 000 000
Certificate of indebtedness	2.087	2018-2028	19 193 000	19 193 000
Total straight bonds and certificates of indebtedness			1 250 155 300	1 740 614 195
Other noncurrent interest-bearing liabilities to banks and other financial institutions			13 928 736	5 553 922
Other current interest-bearing liabilities to banks and other financial institutions			25 425 293	—
Other current interest-bearing liabilities to Group Companies			316 041 150	291 075 531
Total interest bearing liabilities			1 605 550 479	2 037 243 648
Less: Other current interest-bearing liabilities			-638 157 043	-620 205 551
Total noncurrent interest-bearing liabilities to third parties			967 393 436	1 417 038 097
Total noncurrent interest-bearing liabilities			967 393 436	1 417 038 097
Breakdown by maturity				
one to five years			948 200 436	1 181 934 247
more than five years			19 193 000	235 103 850
Total noncurrent interest-bearing liabilities			967 393 436	1 417 038 097

On 23 August 2021, two certificates of indebtedness issued in 2020 were repaid early (CHF 37 million original maturity 2022; CHF 25 million original maturity 2025).

On 22 November 2021, the certificate of indebtedness issued in 2020 with a notional amount of EUR 83 million was repaid early (original maturity 2025).

On 22 May 2020, Clariant issued five certificates of indebtedness with the total amount of EUR 197.5 million and CHF 62.5 million. These certificates have terms of 2 years, expiring on 23 May 2022 (EUR 114.5

million and CHF 37.5 million), and 5 years, expiring on 22 May 2025 (EUR 83 million and CHF 25 million). While a tranche of CHF 62.5 million has a variable interest of 3 months CHF LIBOR plus spread that ranges between 1.50% and 1.80%, and a tranche in the amount of EUR 110.5 million with a variable interest rate of 6 months EURIBOR plus spread that ranges between 1.45% and 1.90%, the fixed interest rate is 1.45% for a tranche in the amount of EUR 87 million.

13. CONTINGENT LIABILITIES

in CHF m	Outstanding liabilities 31.12.2021	Outstanding liabilities 31.12.2020
Outstanding liabilities as guarantees in favor of Group companies	702	458

Clariant Ltd belongs to the Swiss value-added tax (VAT) group of Clariant and thus carries joint liability to the Swiss federal tax authority for value-added tax of the Swiss entities of that group.

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and polyfluoroalkyl substances (PFAS). Clariant is monitoring the development of these cases, which relate to a line of business divested in 2013, and is defending all litigation matters related to PFAS. The initial trial on one of the PFAS litigation matters may occur no earlier than early 2023. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

After an internal complaint concerning misstatements relating to provision bookings, Clariant engaged external counsel to investigate the matter. The investigation found that the 2020 financial statements required restatement and the quarterly reporting of key financial data for 2020 and 2021 required correction, as announced by the Com-

pany on 27 April 2022. Clariant has made the required restatement and correction and is confident that the matter has been resolved. Nevertheless, uncertainties around the existence, timing and amount of possible financial obligations of the Company may exist. It cannot be ruled out that this matter could result in Clariant becoming subject to formal investigations, proceedings or claims, and any fine or other sanction imposed or other possible financial obligations arising in connection with the restatement or correction or the underlying behavior could adversely affect the Company.

An antitrust investigation initiated by the European Commission in 2017 against Clariant and some of its competitors was closed and settled with a payment of CHF 156 million in December 2020. A provision of CHF 50 million was reversed at the same time.

14. SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

1. Board of Directors

SHARES HELD

Name	Number of shares granted ¹	Value of shares granted	Number of shares granted ²	Value of shares granted ²	Number of privately held shares	Number of privately held shares
	for 2021	for 2021	for 2020	for 2020	for 2021	for 2020
Günter von Au	15 790	300 000	5 118	100 000	73 981	68 863
Abdullah Mohammed Alissa	6 316	120 000	6 142	120 000	12 667	6 525
Nader Alwehibi	5 263	100 000	3 839	75 000	3 839	—
Calum MacLean	5 263	100 000	5 118	100 000	11 643	6 525
Thilo Mannhardt	5 263	100 000	3 839	75 000	3 839	—
Geoffery Merszei	5 263	100 000	5 118	100 000	11 643	6 525
Eveline Saupper	5 263	100 000	5 118	100 000	29 506	24 388
Peter Steiner	5 263	100 000	5 118	100 000	27 006	18 388
Claudia Suessmuth Dyckerhoff	5 263	100 000	5 118	100 000	24 606	19 488
Susanne Wamsler	5 263	100 000	5 118	100 000	1 190 298	1 185 180 ³
Konstantin Winterstein	5 263	100 000	5 118	100 000	6 092 021	6 086 903
Hariolf Kottmann	—	—	15 354	300 000	n.a.	449 573 ⁴
Dr. Khaled Homza A. Nahas	—	—	—	30 000 ⁵	n.a.	n.a.
Carlo G. Soave	—	—	—	25 000 ⁵	n.a.	n.a.
Total	69 473	1 320 000	70 118	1 425 000	7 481 049	7 872 358

¹ Final number of shares for the mandate year will be defined prior to grant in 2022. Underlying assumption here is a share price of CHF 19.00.

² Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 18.00; Final allocation of shares with CHF 19.54; therefore, the numbers of shares differ from the overview in the Integrated Report 2020.

³ Thereof 240 271 held by »The Honoré T. Wamsler Trust«.

⁴ Additionally 542 shares in vesting on 31 December 2021 resulting from previous years' participation in LTI plans as CEO.

⁵ Pro rata cash payment for 2020 instead of shares.

No options were granted to members of the Board of Directors for the years 2021 and 2020, nor did any member of the Board of Directors hold any options in those years.

For detailed information regarding emoluments of the Board of Directors and the Executive Committee, please refer to the Compensation Report.



2. Executive Committee

SHARES HELD

Name	Number of shares granted for 2021 ¹	Value of shares granted for 2021	Number of shares granted for 2020	Value of shares granted for 2020	Number of shares within vesting period 31.12.2021	Number of shares within vesting period 31.12.2020	Number of privately held shares 31.12.2021	Number of privately held shares 31.12.2020
Conrad Keijzer ²	109 971	1 500 004	—	—	109 971	—	—	—
Hans Bohnen	51 320	700 005	58 276	750 012	156 737	112 381	131 013	124 049
Bernd Hoegemann	51 320	700 005	58 276	750 012	125 058	79 299	65 056	59 495
Stephan Lynen	51 320	700 005	58 276	750 012	123 801	78 799	95 913	89 595
Total	263 931	3 600 019	174 828	2 250 036	515 567	270 479	291 982	273 139

¹ Performance Share Units represent contingency rights that will be converted into shares depending on the performance achievement after the 3-year vesting period.

² No grant in 2020; only became CEO in 2021.

No options were granted to members of the Executive Committee for the years 2021 and 2020, nor did any member of the Executive Committee hold any options in those years.

For detailed information regarding emoluments of the Board of Directors and the Executive Committee, please refer to the Compensation Report.

15. VOTING AND LEGAL REGISTRATION LIMITATIONS

In accordance with Article 5 of the Articles of Incorporation, no limitations exist with regard to registration of shares which are acquired in one's own name and on one's own account. Special rules exist for nominees.

In accordance with Article 13 of the Articles of Incorporation, each share has the right to one vote.

16. SIGNIFICANT SHAREHOLDINGS OF 3% OR MORE OF TOTAL SHARE CAPITAL

Based on the notifications received by Clariant and published by SIX Exchange Regulation, as at 31 December 2021, the following shareholders held more than 3% of voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia	32.35% ¹
BlackRock Inc., New York, United States	3.80%
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting, Germany, and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82057 Icking, Germany ²	3.49%
PSquared Master SICAV Ltd, on behalf of its subfund Valetta, Malta Leveraged Event Fund LP, Grand Cayman, Cayman Islands, controlled by Patrick Schmitz-Morkramer, Zurich, Switzerland, and Patrick Bierbaum, Zurich, Switzerland	3.035%

¹ SABIC acquired 24.99 % of the shares of Clariant Ltd on 17 September 2018, and increased its participation by 6.51 % to 31.5 % on 9 September 2020. SABIC has not changed its participation of 31.5 % since then. The difference between this figure (i.e., 31.5 %) and the above-mentioned 32.35 % corresponds to the amount of treasury shares held by Clariant Ltd as of 31 December 2021, which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

² According to a disclosure notification published on 18 December 2018, a group consisting of Konstantin Winterstein, 80333 Munich, Germany, and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 Munich, Germany, was formed.

Disclosure notifications during the financial year 2021 reported to the Stock Exchange Disclosure Office pursuant to Art. 120 of the Financial Markets Infrastructure Act (FMIA) as well as further information in relation to disclosure notifications can be found on the SIX Swiss Exchange reporting platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

On 31 December 2020, the following shareholders held a participation of 3% or more of the total share capital: SABIC International Holdings B.V., Sittard, The Netherlands, controlled by the Public Investment Fund of Saudi Arabia (PIF), Riyadh, Kingdom of Saudi Arabia: 32.22%; APG Asset Management N.V., Amsterdam, Netherlands: 5.01%; BlackRock Inc., New York, United States: 3.8%; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany), and Maple Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Grossdingharting (Germany): 3.49%.

At 31 December 2021, Clariant AG itself held 2822712 shares in treasury, corresponding to 0.85% of the share capital.

17. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 3 January 2022 Clariant sold the business unit Pigments to US-based SK Capital Partners and the German-based Heubach group. The total consideration of the sale net of cash transferred amounted to CHF 614 million, a 20 % stake in the combined group newly created from the former Clariant and Heubach pigment activities, plus an earn-out of CHF 50 million in case certain numbers of operating profit (EBITDA) were achieved in 2021.

On 17 May 2022, Clariant announced that the Board of Directors recommends to the shareholders of the Company a regular distribution by way of capital reduction of CHF 0.40 per share.

All holders of Certificates of Indebtedness (Col) in a total amount of EUR 544 million and the banks extending a Revolving Credit Facility (RCF) in the amount of CHF 445 million are entitled to be presented the audited consolidated financial statement of the Clariant Group by 30 April and 31 March, respectively, of the following year. In the case of a delay Col holders can extraordinarily terminate their investment and require an early repayment. RCF banks, subject to a majority vote of all RCF banks are entitled to a cancellation of their commitment and, as the case may be, a repayment of any funds drawn under the RCF. Due to the investigation on Clariant' financial reporting (see Note 1.03 of consolidated financial statements) and the ensuing delay of the publication of the Annual Report the original deadlines could not be kept by Clariant. This led to negotiations with the holders of these financial instruments to extend the deadline for the presentation of the audited Financial Report 2021 until 30 June 2022. As of 17 May 2022 all 10 banks extending the RCF have consented to extend the deadline for the presentation of the audited Financial Report 2021, including the restatement for 2020 until 30 June 2022. Of the 101 holders of Cols as of 17 May 2022 three holders announced not to consent to an extension of the deadline for the presentation of the audited Financial Report 2021, and thereof one demanded an early payment of EUR 13 million which was repaid on 28 April 2022.

On 5 August 2021 Clariant obtained a bridging loan from Commerzbank in Germany in the amount of EUR 250 million at 0%. The loan was incurred by Clariant Produkte GmbH and availed to Clariant Ltd in the form of an intragroup loan. On 3 January 2022 Clariant Ltd paid back this intragroup loan to Clariant Produkte GmbH who in turn repaid the loan to Commerzbank.

Appropriation of available earnings

The Board of Directors proposes to appropriate the profit of 2021 of Clariant Ltd in the amount of CHF 150 758 264 as follows.

Annual result	in CHF
Carried forward from previous year	—
Profit for the year 2021	150 758 264
Total available earnings	150 758 264
Appropriation	
Voluntary retained earnings as at 31 December 2021	1 137 181 196
Transfer to voluntary retained earnings	150 758 264
Voluntary retained earnings as at 1 January 2022	1 287 939 460
Balance to be carried forward	—

PROPOSED DISTRIBUTION THROUGH CAPITAL REDUCTION BY WAY OF A PAR VALUE REDUCTION

The Board of Directors proposes (in place of an ordinary dividend) a distribution through capital reduction by way of a par value reduction of CHF 0.40 per registered share, as a result of a reduction of the par value from CHF 3.00 to CHF 2.60 per registered share. The proposed payout would reduce the share capital by CHF 132 775 679.60.

The proposed payout of the par value reduction of CHF 0.40 is subject to approval by the ordinary General Meeting of shareholders and subject to the fulfillment of the necessary requirements and the entry of the share capital reduction in the Commercial Register of the Canton of Baselland.

If approved by the Annual General Meeting, the payment will be made as soon as practicable, following the expiry of the two-month period pursuant to Article 733 Swiss Code of Obligations and the subsequent registration of the share capital reduction in the Commercial Register.

Report of the statutory auditor

to the General Meeting of Clariant Ltd

Muttenz

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Clariant Ltd, which comprise the balance sheets as at 31 December 2021, income statements and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 76 to 86) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 17 million



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus has been identified:

- Valuation of shareholdings in and loans to Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 17 million
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the most relevant measure for the activities of Clariant Ltd as a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.8 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of shareholdings in and loans to Group companies

Key audit matter	How our audit addressed the key audit matter
We consider the valuation of shareholdings in and loans to Group companies to be a key audit matter owing to the significant scope for judgement involved with respect to the assumptions and the discount rates applied for the valuations of the shareholdings as well as to the significance of these shareholdings and loans on the balance sheet. Please refer to pages 78 to 79 (Shareholdings in Group companies, Note 5) in the notes to the financial statements.	We evaluated and challenged management's assumptions and the discount rates applied for the valuations of the shareholdings. We assessed management's process in grouping together certain shareholdings and the application of generally accepted valuation methods to calculate their value. We tested the calculation method and we compared the input figures used with the Group's accounting records. We also compared the actual results of the year under review with the figures included in the forecasts made in the prior year in order to assess with hindsight whether any of the assumptions underlying the forecasts might have been too optimistic. We assessed the assumptions relating to the forecasts and found them to be consistent with actual developments and reasonable. We involved PwC valuation specialists to assess the discount rates by comparison with market information.

We also tested the valuations of the loans to Group companies based on these companies' financial positions.

On the basis of work performed, we consider the approach, assumptions and discount rates used by management to support the carrying value of the shareholdings in and loans to Group companies to be reasonable.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Rolf Johner
Audit expert
Auditor in charge



Michael Scheibli
Audit expert

Basel, 18 May 2022

Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety, as there are certain factors that could cause results to differ materially from those anticipated. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed above, among the factors that could cause actual results to differ materially are the following: the timing and strength of new product offerings; pricing strategies of competitors; the company's ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; and changes in the political, social, and regulatory framework in which the company operates or in economic or technological trends or conditions, including currency fluctuations, inflation, and consumer confidence, on a global, regional, or national basis.

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