CLARIANT

Integrated Report

2023

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Letter from the Chairman

Dear Stakeholders,

2023 was a year characterized by a global polycrisis that left its mark on the chemical industry, as it prompted volatile raw material costs, supply chain issues, inflationary pressures, soaring interest rates, destocking across many industries, and shrinking consumer demand. All of these economic developments took place while the world was shaken by two terrible wars. Russia's ongoing attack on Ukraine keeps turning the international order upside down. And with the war in the Middle East, another major conflict is claiming innocent lives.

In such times, it is difficult for any company to make long-term strategic decisions. This is why it is more important than ever that we at Clariant reflect on our journey, adapt to the changing reality, and navigate the path ahead with confidence in our own strength. We are aware that the development of our share price cannot be satisfactory for our shareholders. The Board of Directors shares this view. Together with the Executive Steering Committee, we are therefore developing a concept and concrete plans that should lead to improved performance and thus also to a higher valuation.

2023 was the first full year in which the Executive Steering Committee (ESC), established in summer 2022, steered the company, and it was the first year in which Clariant's operations were organized in the three Business Units Care Chemicals, Catalysts, and Adsorbents & Additives. My colleagues on the Board of Directors and I are glad to see that the ESC has worked together so well in its first full year, and that it has made important decisions to steer the company in the right direction.

Based on the financial performance in 2023, the Board of Directors is proposing a distribution of CHF 0.42 per share, thus remaining at the same level as last year.

When we look back at Clariant's performance in 2023, I would also like to point out that all three business units took important steps for further growth: The proposed acquisition of Lucas Meyer Cosmetics will complement the existing customer and product portfolio, the geographic footprint, as well as the marketing and innovation capabilities of Care Chemicals, making this a strong strategic fit for Clariant. After the closing of the transaction, which we anticipate for the first quarter of 2024, we will be able to expand our reach into the high-value cosmetic ingredients space. Catalysts and Adsorbents & Additives both increased their capacities in China. Clariant is now in an even better position to participate in growth markets, like e-mobility, and to produce »in China, for China,« thus reducing supply chain risks.

Günter von Au
Chairman of the Board of Directors

These initiatives show: We are willing to make significant investments to support our sustainable growth strategy. We monitor the returns of each investment closely, and we make decisions if these expected returns fail to materialize. In the case of the sunliquid® bioethanol production in Podari, Romania, the Board of Directors concluded that, given continued losses, the economics of the plant in Podari cannot justify for Clariant to continue ramp up, which would have required significant additional capital expenditure. As a result, we decided to close the plant and downsize related activities of the Business Line Biofuels & Derivatives at our German locations Straubing, Planegg, and Munich. We will, however, keep the required capabilities to maintain the technology and fulfill existing contractual obligations. We also work closely with employee representatives in Romania and Germany and are committed to finding solutions that are most socially responsible.

While 2023 was a difficult year for the chemical industry as a whole, it brought home an important fact: Specialty chemical companies like Clariant have a more resilient business model compared to commodity providers. We offer innovative products that are very hard for other companies to reproduce, and that customers value because of their performance and sustainability properties.

In 2023, the world continued on its energy transition path and made further steps away from the use of fossil resources. Entire societies are changing their ways to become more sustainable, and many industries are rethinking their operations and their ecological footprint. This is the perfect environment for companies with innovative technologies and sustainable products – such as Clariant. Our solutions make a real difference when it comes to decarbonizing the economy and reaching the climate targets that the world has agreed upon. We see that the regulatory framework with respect to sustainability is tightening, especially in the EU. Thanks to our pioneering role as a sustainable manufacturer of specialty chemicals, we are well prepared for this development and can expect to benefit from it.

Speaking of sustainability, Clariant remains committed to achieving its medium-term financial and 2030 non-financial targets and to advancing in environmental, social, and governance dimensions. This includes the implementation of science-based targets to fight climate change and contributing to the UN Sustainable Development Goals (SDGs).

»Our solutions make a real difference when it comes to decarbonizing the economy and reaching the climate targets that the world has agreed upon.«

Günter von Au
Chairman of the Board of Directors

Looking ahead, the geopolitical and economic uncertainties are likely to stay with us for quite some time. We are closely monitoring how the global markets develop and how regulatory frameworks, trade agreements, and investment incentives might influence Clariant's business perspectives. We will adopt an agile response to the economic environment and remain resolute in our plans to achieve the medium-term targets. China will continue to be important for us. While the market environment in the country remains challenging, its growth fundamentals remain intact. Increasing our local presence in China will not come at the expense of other markets. For example, the planned acquisition of Lucas Meyer Cosmetics underlines our strong interest in the Americas. We also keep a close eye on the competition between the EU and the US, as it has a significant impact on our operations and strategic decisions.

As the world keeps changing quickly, Clariant is privileged to rely on its highly committed and skilled people. My colleagues on the Board of Directors and I would like to thank all employees for their constant support, for their integrity, and for making the first operational year of our three new business units a success. We would also like to take this opportunity to thank our customers, investors, shareholders, suppliers, and other stakeholders. All of you play an important role for Clariant, and together, we are able to create »Greater chemistry – between people and planet.«

Sincerely,

Günter von Au
Chairman of the Board of Directors

Interview with the CEO

2023 was a challenging year for the chemical industry. Does this mean that, for Clariant, 2023 was characterized by negative rather than positive influences?
No, there were a lot of positive developments worth mentioning. Firstly, we significantly improved key metrics like safety, customer satisfaction, and employee engagement, helped by the successful implementation of our new operating model. Safety is our number one priority, and I am very happy to see that accidents, measured by »Days Away, Restricted, or Transferred« (DART), decreased by over 46% in 2023, which places us in the top quartile of the chemical industry. Our overall Customer Net Promoter Score improved from 42 to 45 in 2023, placing us eight points above the chemical and gas industry average. We have reduced hierarchies to empower our employees, expediting decision-making and enhancing agility. It's great to see that our employees recognize this positive development, as our employee engagement scores have improved significantly. Our Employee Net Promoter Score increased by more than 20 points in 2023.

Secondly, our performance improvement programs show very good progress, with 80% of the programs implemented: We already achieved CHF 135 million savings out of our CHF 170 million commitment.

Thirdly, we completed the divestment of our Quats business and the sale of the North American Land Oil business to realign our portfolio. By the same token, the proposed acquisition of Lucas Meyer Cosmetics will further strengthen our position as a true specialty chemical company. And finally, we continued to invest in growth projects and celebrated the opening of two new facilities in China, which are contributing to the success of our »in China, for China« strategy, positioning us for more resilient local growth in this important market.

How do you assess the development of the whole sector?
2023 was a year marked by geopolitical tensions and a slowing global economy. GDP growth was at 2.7%, according to Oxford Economics, but demand for durable goods was rather weak, which led to lower industrial activity. We also saw continued elevated energy prices, rising interest rates, and global inflation of 6.0%. On top of that, the vulnerability in global supply chains was amplified by the war on Ukraine and the conflicts in the Middle East. Taken together, these were difficult conditions for the entire chemical industry, which increased its production by only 2% globally. The situation in Europe is especially concerning: The capacity utilization is at about 75%, and production declined by 8% in 2023.

Conrad Keijzer
Chief Executive Officer (CEO)

How much did these conditions affect Clariant's performance?
We have a resilient business model characterized by a strong focus on innovation, sustainability, and our customers. Our business is less affected by energy prices, and we do not use natural gas as a raw material. The fact that we had already implemented our new customer-focused operating model in 2022 helped us to continue to support our customers with a strong flow of new products. However, the difficult business environment and the weak demand from customers in 2023 left their mark on our financial results: While we were able to defend pricing, volumes sold decreased by 7%. Our EBITDA declined to CHF 607 million, as did our EBITDA margin, which now stands at 13.9%, compared to 15.6% last year, as profitability was negatively impacted by operational losses and costs related to sunliquid®. Net operating cash flow is CHF 421 million, compared to CHF 502 million last year. Our free cash flow conversion rate, however, remained stable at 36% compared to last year.

As part of the new operating model, Clariant now reports in the three Business Units Care Chemicals, Catalysts, and Adsorbents & Additives. How did they perform?
For the full year 2023, sales in Care Chemicals decreased by 9% organically in local currency[1] and by 15% including scope in local currency (21% in Swiss francs). Volumes were down 7%, excluding the divestment impact, while pricing was down by 2%. Oil Services

grew organically, while the prolonged destocking cycle and lower demand negatively impacted sales in the other segments. The Care Chemicals EBITDA margin increased to 19.9% from 19.5%, positively impacted by the gain from the Quats disposal, offsetting lower volumes and prices.

In Catalysts, sales increased strongly by 9% in local currency (1% in Swiss francs). This increase was balanced between positive pricing (4%) and volume growth (5%), while at a segment level, Propylene and Syngas & Fuels were particularly strong. The 2023 EBITDA margin increased to 10.3% from 9.4%, despite the significant negative sunliquid® impact, as a result of positive pricing, higher volumes, and positive business mix effects. This strong turnaround of the Catalysts business is reflected in a 640-basis-point improvement in the EBITDA margin before exceptional items to 16.3%. Excluding operational and exceptional effects related to sunliquid®, the Catalysts underlying EBITDA margin in full year 2023 was 20.8%, compared to 13.8% in full year 2022.

Adsorbents & Additives reported lower sales of -15% organically in local currency and -13% including scope in local currency (-17% in Swiss francs). Volumes were down 17% due to the weak demand for consumer electronics and durable goods in the Additives segments. Pricing increased by 2%, while changes in scope contributed a further 2%. The Adsorbents & Additives EBITDA margin decreased to 11.2% from 21.7% in 2022. Profitability levels were impacted by substantially lower volumes and reduction of inventory in Additives in particular, which resulted in lower operating leverage and fixed-cost absorption. Additional restructuring costs to further adapt to the low-volume environment also weighed on profitability. The relatively strong Adsorbents performance also led to a less favorable business mix.

In December 2023, Clariant's Board of Directors decided to close the sunliquid® bioethanol plant in Podari, Romania, and to downsize related activities in Germany. Can you comment on this decision?

This was a hard but necessary decision to make. The plant began producing bioethanol in the second quarter of 2022, but it eventually became clear that it did not achieve Clariant's targeted yields and other operational parameters on an industrial scale. The economics of the plant in Podari could not justify for Clariant to continue ramp up, which would have required significant additional capital expenditure. It is our responsibility to allocate capital to those projects that best support our sustainable growth strategy.

Speaking of strategy, would you say that Clariant made good progress in 2023 to achieve its strategic objectives?

Yes. First of all, we continued our »in China, for China« strategy. In Daya Bay, China, we invested CHF 80 million in an ethoxylation plant for Care Chemicals and CHF 60 million for our new state-of-the-art plant for innovative halogen-free flame retardants, which will be followed by a CHF 40 million investment for a second production line. Considering that about 60% of all electric cars in the world are produced in China, and that each electric car requires about one kilogram of flame retardants, this is an appealing market. We also invested CHF 80 million in a new high-tech production facility for our innovative CATOFIN® blockbuster catalysts in Jiaxing. CATOFIN® products have the highest performance for selective propane dehydrogenation to make propylene. This is used to produce polypropylene, which is needed for food packaging and to replace metal in cars. Another strategic milestone was our agreement to acquire Lucas Meyer Cosmetics, which will strengthen our exposure toward high-growth, high-value consumer end markets and our footprint in North America. By combining our own personal care ingredients portfolio with Lucas Meyer Cosmetics, we will become a market leader in the high-value cosmetic ingredients space, which is one of the most attractive specialty chemical markets in terms of growth and profitability. Let me also mention that Catalysts made significant progress in developing its portfolio to support the energy transition, winning the contract to supply the world's largest e-methanol plant in Kasso, Denmark.

The world has to become more sustainable and reduce carbon emissions. What can Clariant do to support this transition?

The sustainability transformation is a great opportunity for us as a specialty chemical player. Innovation is the decisive driver for this transition. By offering innovative solutions for our customers' sustainability challenges, we bring about real change. After achieving our growth target for innovation sales in 2022, Clariant met expectations again in 2023 with an innovation sales growth of 3.5%, despite the challenging and dynamic macroeconomic environment. These innovations help reduce carbon emissions in sectors that still rely heavily on fossil resources. We promote solutions based on renewable feedstock, and we foster a circular economy while accelerating the portfolio shift to safe and sustainable chemicals.

»Innovation is the decisive driver for the sustainability transition. By offering innovative solutions for our customers' sustainability challenges, we bring about real change.«

Conrad Keijzer
Chief Executive Officer (CEO)

Can Clariant also help transform the chemical industry itself?
Our innovative catalyst technologies are enabling about 35 million tons of carbon dioxide-equivalent emission reductions for our customers across various industries per year. This is equivalent to the emissions that a country the size of Switzerland produces in a year. Our Additives business eliminated all PFAS from its portfolio by launching PTFE-free additives for printing inks and coatings. As a result, Clariant's portfolio is now completely PFAS-free, demonstrating our commitment to helping other industries become safer and more sustainable. We believe transparency around product safety and sustainability drives positive change. Over a decade ago, we pioneered our Portfolio Value Program to evaluate our portfolio against sustainability criteria. We shared this expertise in the World Business Council for Sustainable Development's Portfolio Sustainability Assessment 2.0 project with other leading chemical companies to establish a common language and increase sustainability. Clariant has also actively contributed to the launch of three high-level global ambitions for 2030 by the International Council of Chemicals Associations, or ICCA, in the context of the UN-led Strategic Approach to International Chemical Management (SAICM) and the new UN Global Framework on Chemicals. These ambitions for the sound management of chemicals and waste start with transparency and are fully in line with our sustainability commitments.

»Consumers increasingly care about how products are made, which benefits sustainability front-runners like Clariant.«

Conrad Keijzer
Chief Executive Officer (CEO)

What about the transition at Clariant?
We are committed to our ambitious, science-based absolute targets for 2030 to reduce our greenhouse gas emissions and are aiming for net zero emissions for scope 1 and 2 by 2050. In 2023, our scope 1 and 2 total greenhouse gas emissions declined by 13 %, exceeding volume declines in Care Chemicals and Adsorbents & Additives, and more than offsetting the volume increase in Catalysts. Our 2023 scope 3 emissions for purchased goods and services also decreased by 12 % from 2022. While this is to an extent attributable to the lower sales volumes in 2023, focus projects advancing the decarbonization of raw materials achieved approximately 40 % of this net reduction. I think it is crucial that we are transparent about our greenhouse gas emissions – and we would need this to happen across the entire value chain.

What about transparency in Clariant's upstream activities?
We are among the few chemical companies to have adopted a scope 3 science-based target that helps us measure our suppliers' performance in terms of emission reduction. Once this data is available across the entire value chain, it is possible to calculate the carbon footprint of a product. In addition to emissions, we also scrutinize other sustainability aspects, such as the protection of human rights and nature.

Industry is facing unprecedented pressure to accelerate the transition to more sustainable operations, products, and value chains. How can Clariant show resilience, considering the present economic and geopolitical turbulences?
Our industry faces a historic transformation to become climate neutral, circular, and digital while transitioning to safe, sustainable chemicals. Despite uncertainty, higher sustainability ambitions driven by regulations, business commitments, and customer demand are here to stay. Consumers increasingly care about how products are made, which benefits sustainability front-runners like Clariant. Showing resilience by anticipating risks and opportunities while remaining committed to the transition is critical. In 2023, Clariant continued diligently working toward science-based climate targets, providing greater transparency than ever around product carbon footprints with our »CliMate« tool. Though challenging, the transformation brings opportunities.

We are now almost three months into 2024. What is your outlook on the rest of the year?
The tragic geopolitical conflicts in the world – including in Ukraine and the Middle East – increase the existing macroeconomic risks. We do not see a significant economic recovery, but expect a moderation in general inflation, and for raw material and energy costs to ease. Interest rates are expected to remain at an elevated level despite an estimated easing of rates in the second half of 2024.

And what would these developments mean for Clariant?
Clariant expects low single-digit sales growth in local currency in 2024 and an improvement in the reported EBITDA margin to around 15 %. Growth in Care Chemicals, including the impact of the proposed acquisition of Lucas Meyer Cosmetics, and in Adsorbents & Additives is expected to offset a temporary slowdown in Catalysts momentum. We will adopt an agile response as our end markets recover and growth normalizes over the next two to three years, since we remain committed to and resolute in our plans to achieve our medium-term targets in that period. Considering the continued challenging macroeconomic environment, we now expect 2025 to be a year of significant progress toward these targets with continued growth and substantial profitability improvement.

[1] All references to local currency growth, pricing, volumes, and scope exclude the impact from hyperinflation countries Argentina and Türkiye. All references to currency include a net impact from hyperinflation countries Argentina and Türkiye.

Presenting the Executive Leadership Team

Under the leadership of Chief Executive Officer (CEO) Conrad Keijzer, the Executive Steering Committee (ESC) includes the CEO, the Chief Financial Officer (CFO), and the Presidents of the Business Units Care Chemicals & Americas, Catalysts & APAC, as well as Adsorbents & Additives and EMEA.

Conrad Keijzer
Chief Executive Officer (CEO)
Member of the ESC

Jens Cuntze
Business President Catalysts and APAC
Member of the ESC

Bill Collins
Chief Financial Officer (CFO)
Member of the ESC

Angela Cackovich
Business President Adsorbents & Additives and EMEA
Member of the ESC

Christian Vang
Business President Care Chemicals and Americas
Member of the ESC

Together with the Chief Human Resources Officer, the Chief Technology & Sustainability Officer, the Chief Corporate Development Officer, and the General Counsel, the Executive Steering Committee (ESC) forms the Executive Leadership Team (ELT).

Tatiana Berardinelli
Chief Human Resources Officer
Member of the ELT

Chris Hansen
Chief Corporate Development Officer
Member of the ELT

Judith Bischof
General Counsel
Member of the ELT

Richard Haldimann
Chief Technology & Sustainability Officer
Member of the ELT

Clariant on the Capital Markets

The Clariant share at a glance

SHARE DETAILS

Valor symbol	CLN
Valor number	1214263
ISIN	CH0012142631
Trading currency	CHF
Stock exchange	SIX Swiss Exchange
Nominal value	CHF 2.18
Security type	Registered share
Dividend 2023	0.42
Free float (%)	68.5
Bloomberg	CLN SW
Reuters	Reuters CLN.VX
Index member	Dow Jones Sustainability Index Europe 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 SPI Select Dividend 20 Index
Country	Switzerland

DATA PER SHARE

Five-year overview and dividend	**2023**	2022	2021	2020	2019
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	328 848 494	329 016 801	329 116 487	329 553 690	329 352 434
Price at the end of the year (CHF)	12.42	14.65	19.00	18.82	21.60
High of the year (CHF)	16.18	20.40	20.50	23.82	22.40
Low of the year (CHF)	12.30	13.90	17.07	14.39	17.10
Market capitalization at year-end (CHF m)	4 123	4 863	6 307	6 247	7 170
Basic earnings per share (CHF)	0.51	0.26	1.04	2.38 [1]	0.03 [2]
Distribution per share (CHF)	0.42 [3]	0.42 [3]	0.40 [3]	0.70 [4]	

[1] Restated
[2] Including CHF 231 m provision for a competition law investigation by the European Commission
[3] Through capital reduction by way of par value reduction
[4] Of which CHF 0.55 relate to the 2019 financial year (dividend payout withheld due to COVID-19 uncertainties) and CHF 0.15 relate to the 2020 financial year; distribution through a capital reduction by way of a par value reduction of CHF 0.70 per registered share

SMIM market performance in 2023

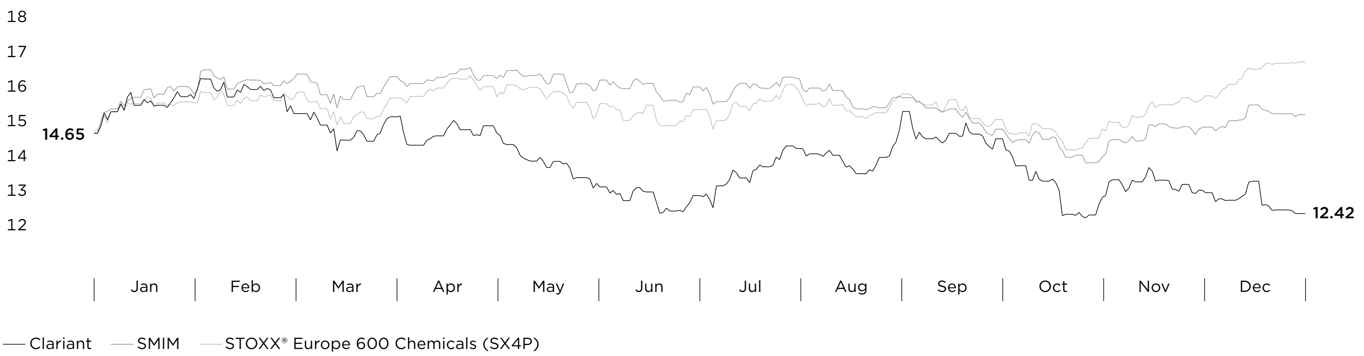
The Swiss Market Mid Cap Performance Index (SMIM or SMI MID) comprises the 30 largest mid-cap stocks on the Swiss equity market that are not included in the blue-chip Swiss Market Index. The SMIM had a positive start into 2023, gaining over 5% in January. Thereafter, the index exhibited a largely sideways development until around August. As of that point, several factors started to influence the developments of the financial markets. The positive sentiment of the first half year ran out of steam as macroeconomic data continued to show continued inflation, no strong recovery in China, and potential for a mild recession in the US. Also, »higher-for-longer« interest rates came into play. Further interest rate increases by the Federal Reserve, European Central Bank, and Swiss National Bank, at a time when markets were starting to speculate about potential rate cuts, saw money flow out of the stock markets. In early October, the escalation of the conflict between Israel and Hamas caused further negative sentiment on the markets. In the last two months of the year, the index recovered as global equity markets picked up on first signs of lower inflation and associated expectations that interest rates would not be increased further.

The SMIM (SMI Mid) closed the 2023 financial year with 2 565 points on 31 December 2023, which corresponds to an increase of 3.6% versus the end of the previous year. Closing at 1 296 points, the STOXX® Europe 600 Chemicals (SX4P) increased by 13.6% across the same period.

Clariant share price decreased by 15.2% throughout the course of the year

The Clariant share price ended the year 2023 at CHF 12.42. This corresponds to a decrease of 15.2% compared to the closing price of the previous year (CHF 14.65). Including the CHF 0.42 distribution to shareholders, the total shareholder return (TSR) amounted to -12.4% in 2023. With an opening price of CHF 14.65 on 3 January 2023, the share trended upwards initially, in alignment with the trend seen in broader markets, and reached the year's high of CHF 16.18 on 2 February 2023. Thereafter, heading toward the full year 2022 results, the share price weakened somewhat as market expectations for the broader chemical industry in 2023 became apparent. Following full year reporting on 2 March, the share price decreased slightly to CHF 15.20. On 5 May 2023, Clariant reported results for the first quarter of 2023, which showed a resilient performance in a challenging environment. The market interpreted this a sign of stability, leaving the share price largely stable at CHF 14.34 on reporting day. Heading into the second quarter, however, Clariant's share price started to gradually weaken as the impact of destocking, weaker demand, and no sign of an economic recovery continued to weigh on the broader chemical industry. This led more and more chemical companies to revise their initial outlook for the year downwards, leading to speculation and concerns about what to expect from others. On 7 July 2023, Clariant also provided a trading update based on a preliminary assessment of Q2 2023 results and adjusted its expectations for FY 2023. In addition, it was announced that strategic options for sunliquid® were actively being evaluated to address its negative impact on EBITDA. The market took the additional clarity provided by the update very positively, leading the share price to recover by 4% on reporting day to CHF 14.37. Given the news provided in the trading update, the publication of the second quarter results on 28 July meant the share price was fairly stable that day and closed at CHF 14.34. The share price increased and reached CHF 15.26 on 1 September, following an announcement a few days before that Standard Industries held over 3% of the voting rights in Clariant. As of the end of September and into October, the share price fell and reached a low point for the year of CHF 12.30 on 26 October. Upon announcing results for the third quarter as well as the agreement to acquire Lucas Meyer Cosmetics on 30 October 2023, the share price reacted positively and closed up 2.4% at CHF 12.68. Until the middle of November, the share price was supported by a positive market, before a slightly downward pattern commenced as the sector's recovery expectations for 2024 were dampened. The Clariant shares ended the year with a closing price of CHF 12.42.

001 **CLARIANT SHARE PRICE PERFORMANCE 1 JANUARY – 31 DECEMBER 2023** IN CHF



Dividend policy

Clariant's dividend policy remains unchanged. The Group is committed to maintaining and increasing the absolute dividend in Swiss francs on the back of profitable growth, while maintaining an attractive payout ratio.

Dividend proposal for 2023

The Board of Directors recommends a stable regular distribution of CHF 0.42 per share to the Annual General Meeting 2024 based on the Group's performance in 2023. This distribution is proposed to be made through a share capital reduction by way of a par value reduction.

Shareholder structure (shareholders/distribution of free float)

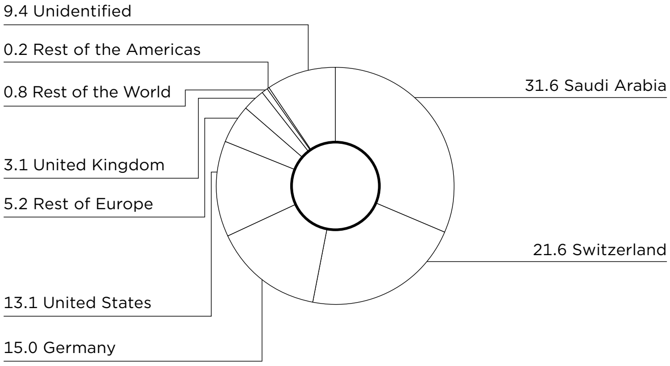
In the 2023 financial year, Clariant maintained its well-diversified and stable shareholder structure. SABIC acquired 24.99 % of the shares of Clariant Ltd on 17 September 2018 and increased its participation by 6.51 % to 31.5 % on 9 September 2020.

A list of shareholders that held 3 % or more of voting rights in Clariant Ltd on December 2023 can be found in the → Corporate Governance Report.

Current information about significant shareholders of Clariant can be found on the → SIX Exchange website.

Subject to certain limitations on voting by nominees, each registered share entitles the holder to one vote at shareholders' meetings. Shareholders have the right to receive dividends and other such rights as granted by the Swiss Code of Obligations. However, only shareholders entered in the Clariant share register may exercise their voting rights. Shareholders who, alone or together, hold at least 0.5 % of the share capital or the votes may request that an item be included on the agenda or that a proposal relating to an agenda item be included in the notice convening the General Meeting. Such a request, specifying the agenda item and the proposal or proposals, must be received by the Company in writing at least 45 calendar days prior to the 29th Annual General Meeting on 9 April 2024.

002 **GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS** IN %



Analyst coverage

In the 2023 financial year, Clariant was actively covered by 17 analysts tracking the financial performance of Clariant on behalf of their respective companies. Their analyses served as the basis for the performance estimates and recommendations published in the 2023 financial year, which can be found on the Clariant website. At the end of 2023, ten analysts had a neutral recommendation on Clariant, six analysts recommended buying the share, and one recommended to sell. The average target price of the 17 actively covering analysts was CHF 16.09, representing an upside of 29.5 % from the 2023 closing price of CHF 12.42. The target price range was between CHF 13.00 and CHF 22.00 on 31 December 2023. 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 in the Investor Relations section of the → Clariant website. This information reflects analyst forecasts as of 31 December 2023 and will change on a continuing basis.

BONDS

Issue	CHF 2024 Bond	CHF 2026 Bond	CHF 2027 Bond	CHF 2028 Bond
ISIN code	CH0253592759	CH0469273541	CH1210198144	CH1290870901
Valor symbol and number	CLN14, 25359275	CLN19, 46927354	CLN22, 121019814	CLN23, 129087090
Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange	SIX Swiss Exchange
Amount	CHF 160 million	CHF 200 million	CHF 175 million	CHF 150 million
Structure	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Issued	October 2014	April 2019	September 2022	September 2023
Coupon	2.125 %	1.125 %	2.717 %	2.750 %
Maturity	17 October 2024	15 April 2026	24 September 2027	22 September 2028

Debt market and credit ratings

In September 2023, Clariant successfully placed a CHF 150 million senior unsecured bond at a rate of 2.750 % with a five-year tenure, with the proceeds going to refinancing and general purposes.

Clariant maintains its commitment to a solid investment grade credit rating, supported by its robust balance sheet. At the end of 2023, this commitment was reflected in Clariant being rated »BBB-« long-term, »A-3« short-term, and with a »stable« outlook by S&P Global (solicited). This rating already includes the proposed acquisition of Lucas Meyer Cosmetics for approximately CHF 720 million. This transaction will initially be funded by a bridge facility, which is intended to be refinanced soon after completion, at which point Clariant's net leverage is expected to moderately increase to ~2.8 x EBITDA, including pension and lease liabilities.

An overview of the most recent credit ratings of Clariant bonds can be found in the → Investor Relations section of the Clariant website.

Dialogue with the capital market

Clariant's corporate strategy is aimed at generating long-term value enhancement. That is why continuous and open communication with all capital market participants is important. Clariant primarily used physical meetings as well as virtual formats, such as video or telephone conferences, for the dialogue in 2023. 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 – a sustainable investment

The Clariant shares are attractive for investors focusing on companies with a strong ESG performance. Several 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 in place to address relevant sustainability issues. Clariant actively participates in several ESG ratings and is listed in numerous sustainability indices.

For instance, Clariant is a member of the Dow Jones Sustainability Index (DJSI) Europe and is assessed as one of the most sustainable companies in its sector. The listing in the index 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 2023. In addition, Clariant is listed in the FTSE4Good Index, which measures the performance of companies demonstrating specific ESG practices, and in the SPI ESG index of Swiss companies with a standardized and well-founded sustainability profile.

Clariant's sustainability activities are evaluated by Sustainalytics. In December 2023, the Sustainalytics ESG Risk Rating for Clariant was 20.9 (medium risk), which corresponds to rank 40 out of 569 companies in the chemical industry.

The Morgan Stanley Capital International (MSCI) ESG Rating measures a company's resilience to ESG risks. In 2023, Clariant remained rated in the second-best category, AA.

Institutional Shareholder Services (ISS) issues regular ESG corporate ratings. Companies are rated on their sustainability performance on an absolute best-in-class basis. With a rating of B-, Clariant was awarded the »Prime« status. This means that Clariant's ESG performance is above the sector-specific »Prime« threshold, fulfilling ambitious absolute performance requirements.

Clariant's sustainability performance is evaluated regularly by EcoVadis. With an overall score of 75 out of 100, Clariant belongs among the top 2 % of EcoVadis performers in its sector and across industries. As the partner of the chemical industry initiative »Together for Sustainability« (TfS), EcoVadis also evaluates the sustainability performance of Clariant's suppliers.
→ Read more in »Supply Chain.«

Since 2007, Clariant has been participating in the CDP (formerly »Carbon Disclosure Project«), which publishes the greenhouse gas emissions of the world's largest corporations. Clariant is rated above global average for »Climate«, »Forests« and »Water« (all rated B).

CLARIANT

Management Report

Between challenges and solutions

In the Management Report, we feature the management perspective on the business development in 2023, explain how the three business units have created value in the financial year, and provide comprehensive information about Clariant's material topics. The report is supplemented by disclosures in accordance with GRI, TCFD, SASB, and Art. 964b of the Swiss Code of Obligations.

Challenges Solutions

CLARIANT

✓I Disclosures assured by KPMG

Foundations of the Business

✓I As one of the world's leading specialty chemical companies, Clariant aspires to be at the forefront of sustainable change. This is reflected in Clariant's purpose »Greater chemistry – between people and planet.« This purpose leads Clariant's strategy with its four dimensions:

- Customer focus
- Innovative chemistry
- Leading in sustainability
- People engagement

→ Read more about Clariant's purpose-led strategy.

Clariant contributes to value creation with innovative and sustainable solutions for customers from many industries. The portfolio is designed to meet very specific needs with as much precision as possible. Research and development at Clariant creates solutions with unique value propositions that address challenges such as fighting climate change and protecting planet and people. Clariant's products play an important role in energy efficiency, in the use of renewable raw materials, in emission-free mobility, and in conserving finite resources. The Group reports in three business units: Care Chemicals, Catalysts, and Adsorbents & Additives. On 31 December 2023, the company employed a total workforce of 10 481.

Organizational structure

Clariant is headquartered in Muttenz, Switzerland. In the 2023 financial year, Clariant's continuing operations comprised the Business Units Care Chemicals, Catalysts, and Adsorbents & Additives. They are based on the nature of the business, similar market and industry dynamics, technology and applications used, and a comparable customer approach. I

003 **BUSINESS UNITS**

Business Unit
Care Chemicals

- Business Segment **Personal & Home Care**
- Business Segment **Crop Solutions**
- Business Segment **Industrial Applications**
- Business Segment **Base Chemicals**
- Business Segment **Oil Services**
- Business Segment **Mining Solutions**

The business unit has a clear focus on highly attractive, high-margin, and low-cyclicality segments with a large share of the business being consumer-facing in Consumer Care and Industrial Applications.

Business Unit
Catalysts

- Business Segment **Propylene**
- Business Segment **Specialties**
- Business Segment **Syngas & Fuels**
- Business Segment **Ethylene**
- Business Segment **Biofuels & Derivatives**

The business unit 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.

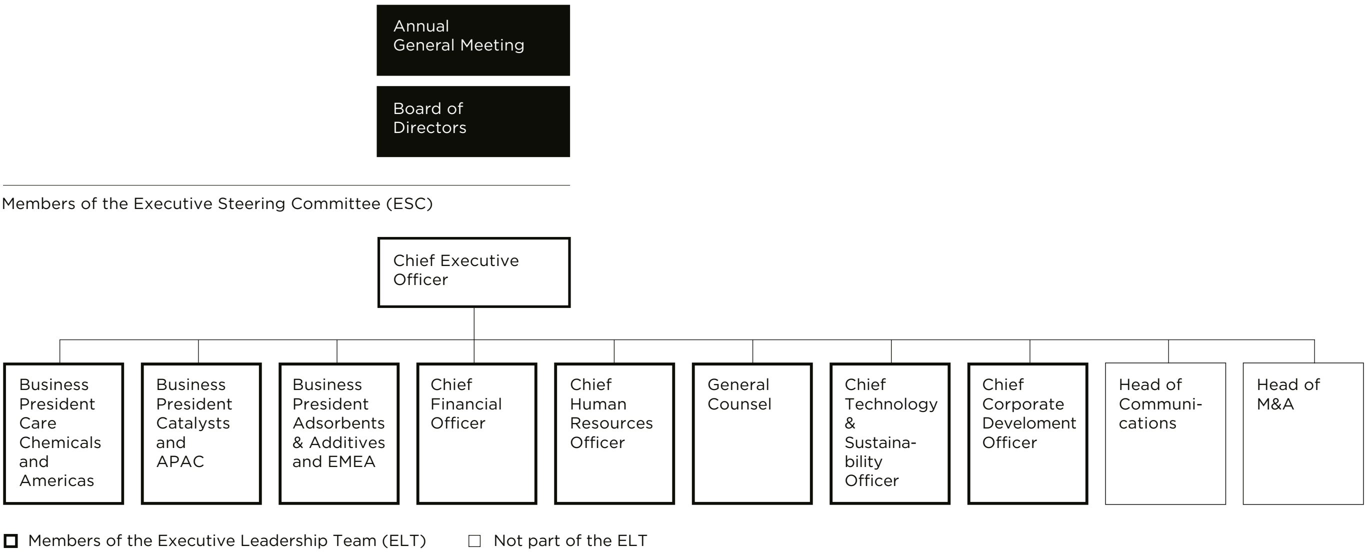
Business Unit
Adsorbents[1] & Additives

- Business Segment **Adsorbents EMEA**
- Business Segment **Adsorbents APAC**
- Business Segment **Adsorbents Americas**
- Business Segment **Additives Coatings & Adhesives**
- Business Segment **Additives Polymer Solutions**

The business unit creates value through enhanced sustainability benefits, for example, by enabling material circularity and by reducing customers' dependency on fossil resources to reduce CO_2 emissions.

[1] The Adsorbents business is primarily divided into the EMEA, APAC, and Americas regions, with local representatives for Purification, Foundry & Specialities, and Cargo & Device Protection.

004 ✓I **CLARIANT ORGANIZATIONAL STRUCTURE**



Executive Steering Committee and Executive Leadership Team

✓I The Board of Directors has delegated the management of Clariant Ltd and the Group to the Executive Steering Committee (ESC). Under the leadership of the CEO, the ESC includes the CEO, the CFO, and the Business Presidents of the Business Units Care Chemicals and Americas, Catalysts and APAC, and Adsorbents & Additives and EMEA.

The members of the ESC, together with the Chief Human Resources Officer, the General Counsel, the Chief Corporate Development Officer, and the Chief Technology & Sustainability Officer, form the Executive Leadership Team. All key functions are combined in this team to facilitate strategic decision-making. More information about the organizational structure can be found in the → Corporate Governance Report.

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, as → Figure 005 depicts. 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. I

005 ✓| **BUSINESS MODEL**

Input

Resources and relationships that Clariant draws upon for its business activities

160
R&D spend in CHF m

> 320
Active innovation projects

> 45
Scientific collaborations

1 657
Raw material procurement in CHF m

2.81
Raw materials procured in m t

68
Production sites

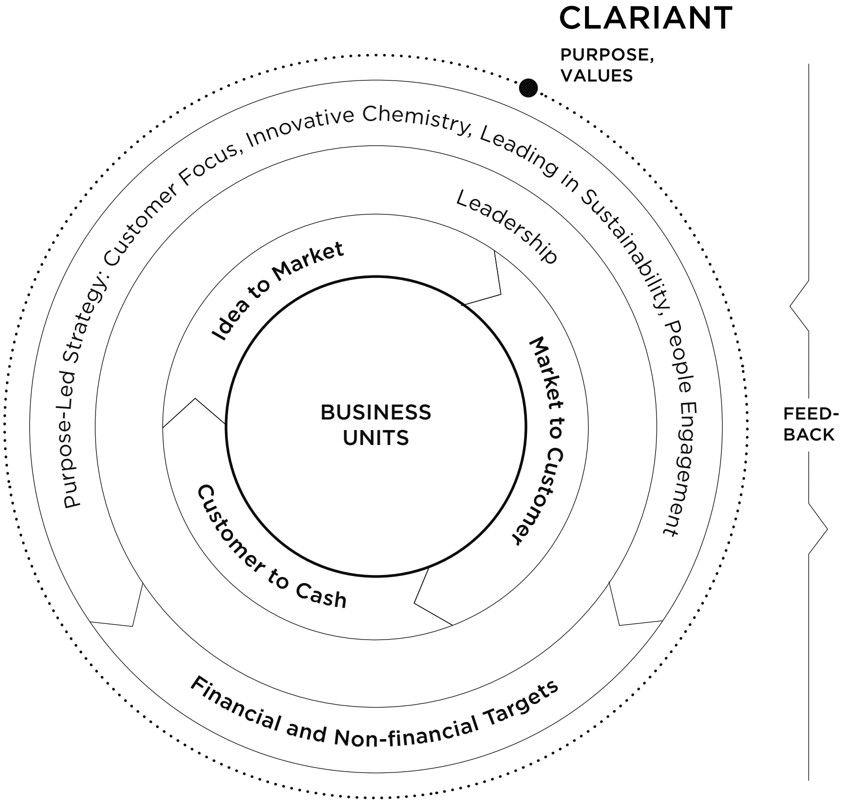
91 %
Raw material spend covered by sustainability evaluations

1 004
New employees hired

95 957
Training hours

630
Energy consumption in kWh/t production

1.95
Water intake in m^3/t production



External environment

Societal trends and market drivers

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
→ Contributing to the SDGs

Output

Results from Clariant's business activities

4 377
Sales in CHF m

-10 %
Growth in local currencies[1]

13.9 %
EBITDA margin

6.6 %
Return on invested capital (ROIC)

> 3.5 %
Growth through innovation[2]

> 3 600
Patents at year-end

3.79
Production volume in m t

0.18
Lost-time accident rate (LTAR)

10 481
Staff in FTEs at year-end

0.54
Scope 1 & 2 GHG emissions market-based in m t CO_2e (excluding biogenic CO_2 emissions)

1.48
Wastewater in m^3/t production

2.28
Scope 3 GHG emissions for purchased goods and services (cat. 1) in m t CO_2e

1 Excluding hyperinflation accounting countries Argentina and Türkiye
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.

Business units

Clariant reports in three business units: Care Chemicals, Catalysts, and Adsorbents & Additives.

Care Chemicals

The Business Unit Care Chemicals consists of the Business Segments Personal & Home Care, Crop Solutions, Industrial Applications, Base Chemicals, Oil Services, and Mining Solutions. The business unit has a clear focus on highly attractive, high-margin, and low-cyclicality segments with a large share of the business being consumer-facing in Consumer Care and Industrial Applications.

The business unit 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 in the value chain;
- its position as a formulations solutions provider with superior performance and a favorable sustainability profile.

The priority Sustainable Development Goals (SDGs) for the Business Unit Care Chemicals are:

- 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

In October 2023, Clariant agreed to acquire Lucas Meyer Cosmetics, a leading provider of high-value ingredients for the cosmetics and personal care industry. The proposed transaction is subject to regulatory approvals and customary closing conditions and is expected to close in the first quarter of 2024. It will increase Clariant's exposure to the high-value active and functional cosmetic ingredients markets and strengthen its North American presence in the Business Unit Care Chemicals.

Catalysts

The Business Unit Catalysts includes the Business Segments Propylene, Specialties, Syngas & Fuels, Ethylene, and Biofuels & Derivatives. The business unit contributes significantly to value creation in our customers' operations, ensuring that finite raw materials and energy are used efficiently and sustainably and, in turn, ensuring the quality and yield of processes.

The business unit profits from several business drivers:

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

The priority SDGs for the Business Unit Catalysis are:

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

Adsorbents & Additives

The Business Unit Adsorbents & Additives comprises the Business Segments Adsorbents EMEA, Adsorbents APAC, and Adsorbents Americas on the Adsorbents side, as well as Coatings & Adhesives and Polymer Solutions in Additives. The business unit creates value through enhanced sustainability benefits, for example, by enabling material circularity and by reducing customers' dependency on fossil resources to reduce CO_2 emissions.

The business unit profits from several business drivers:

- more demanding customer expectations and stricter global regulations that drive demand for high-performing additives that enable circular economy, climate protection, and safety in core markets such as e-mobility, packaging, and consumer goods;
- increased demand for lightweight, sustainably firesafe, and thermoresistant materials for electrical and electronic (E&E) applications;
- strong growth for renewable fuels, including Sustainable Aviation Fuel (SAF), in the transportation sector to reduce greenhouse gas (GHG) emissions.

The priority SDGs for the Business Unit Adsorbents & Additives are:

- 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

Core processes for value creation

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

Idea to Market

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 innovations to address customer needs.

Innovative chemistry is one of the four dimensions of Clariant's purpose-led strategy. The Group aims to deliver sustainable products with outstanding technical performance. To find these solutions, Clariant emphasizes understanding market and customer needs through collaboration.

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 product portfolios and new business models systematically for many years, using redirected waste streams for new applications.

Clariant's innovation activities are based on a strong network of more than 660 full-time equivalents. R&D is performed in contract R&D centers in Germany, the US, China, and India, where the business units are represented. Dedicated centers with a focus on biotechnology, high-throughput experimentation for catalysts and consumer care innovation complement the global network of Clariant's contract R&D centers.

The company structures its research activities along Technology Platforms. They collaborate closely with the business units to ensure that technology push and market pull go hand in hand, covering:

- Catalysis
- Process technology
- Polymer science
- Surfactants
- Phosphorus chemistries
- Biotechnology

You can read more about the Technology Platforms, and how Clariant drives innovation via external collaborations, in the chapter → »Sustainable Innovation and Technological Advances«.

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 with respect to the entire value chain. Thus, the company's innovation team is collaborating closely with Procurement to create opportunities for joint supplier innovation. In 2023, this was recognized by EcoVadis as Clariant was awarded the Sustainable Procurement Leadership Award for Best Value Chain Engagement. In addition, the company's Procurement team again gave a lecture on Sustainable Procurement in the Chemical Industry at the University of Zurich.

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.

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.

Following the trends from recent years, customer interest in sustainable products continued to grow in 2023. Clariant's Portfolio Value Program (PVP) methodology assesses the sustainability profile of the project and product portfolio, anticipating customers' requests, upcoming legislation, and trends. Based on 39 sustainability criteria covering all life cycle phases, PVP determines the benefits and risks of product application. The assessment allows Clariant to design and promote new solutions with less footprint and greater handprint. PVP also identifies products with an outstanding sustainability profile for recognition with the EcoTain® label. On the other hand, Clariant classifies products with sustainability risks as unsustainable and develops roadmaps to replace these products step by step with more sustainable alternatives. This underlines Clariant's strategy to develop a sustainable portfolio and contributes to value creation and growth.

As a member of the World Business Council for Sustainable Development (WBCSD), Clariant contributed significantly to the second edition of the WBCSD Portfolio Sustainability Assessment (PSA), published in 2023. This framework provides a methodology to improve the sustainability performance of product portfolios. The PSA now also covers the R&D process and thereby reflects the approach that Clariant takes in the context of the PVP.

Clariant conducts customer satisfaction surveys to understand how customers perceive the company's operational, commercial, and innovation performance. As per the Customer Satisfaction Survey for 2023, Clariant's overall Net Promoter Score (NPS) improved from 42 to 45, placing the company in the 63rd percentile compared to relevant industry peers. Moreover, 44% of respondents stated that their general perception of Clariant improved in the last 12 months. Clariant continues to be viewed favorably for its brand image, product quality, and reliability. The best scores related to the areas »Product & Packaging,« Account Management, and »Customer Service.«

Clariant's Commercial Excellence approach facilitates dialogue with current and prospective customers to improve commercial strategies, customer engagement, and sales and marketing operations. It concentrates on three areas that are central to all business units:

- **Sales Force Effectiveness:** Sales Force Effectiveness aims to increase sales performance. In addition to its focus on improving sales force productivity, the approach includes in-depth analyses of market gaps and of the performance potential for key market segments. This provides the basis for growth analytics, including lead identifications.
- **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 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.
- **Digital solutions:** Creating effective digital solutions starts with understanding each touchpoint along the customer journey, systematically investigating potential digital opportunities for go-to-market approaches. Clariant's Customer Relationship Management (CRM) system acts as a core digital solution, enabling effective customer relationships and performance management.

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.

Clariant continuously optimizes its operational chain. The company fosters process efficiency using digitalization, improves CAPEX efficiency with so-called front-end loading, and responds to customer needs and changes in market environments with agile approaches. 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.

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.

Operational Excellence is part of the DNA of every Clariant manufacturing site. Through Lean Six Sigma and an evolving project portfolio, Clariant's Operational Excellence efforts continue to deliver safety, productivity, and quality improvement through local Green Belts and Black Belts and global coordination and steering. Clariant is committed to maintaining a healthy and safe work environment. In 2023, workplace accident frequency was significantly reduced, and the injury severity rate was at the lowest level ever. Shop-floor commitment for improved workplace safety is also reflected by increased near-miss and unsafe situation reporting compared to last year. You can find more safety information in the chapter → »Occupational Health and Safety«.

Sustainability is a key priority for Clariant's own operations. The Group continues to increase its renewable electricity share. Clariant also keeps rethinking its operations in the pursuit of net-zero emissions in production. For instance, the design of plant construction aims at optimal energy 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's Procurement continuously seeks low-carbon solutions or other alternatives to fossil-based materials. Clariant is a member of Together for Sustainability (TfS) and contributed significantly to a guideline to calculate the Product Carbon Footprint (PCF) of chemical products. The company also collaborates with suppliers to reduce GHG emissions.

Clariant aims to source materials responsibly by maintaining high ethical, social, and environmental standards throughout the supply chain. The sourcing strategy focuses on transparency and risk mitigation. Clariant seeks to minimize impacts, to ensure fair practices, and to support suppliers in improving sustainability through assessments and audits. Key suppliers are invited to join a TfS assessment via EcoVadis. In 2023, over 90 % of the direct spend for raw materials came from suppliers that were covered by shared sustainability ratings. Clariant's efforts were honored with the EcoVadis Sustainable Procurement Leadership Award for Best Value Chain Engagement in 2023.

Digitalization across the core processes

Digitalization plays an important role in all three core processes for value creation. For example, digitalization of R&D and innovation processes brings significant efficiency gains at increased speed. Customers benefit from digital solutions across all touchpoints. And digitally steered production processes optimize process efficiency, raw material delivery, plant throughput, and energy use.

The vast majority of Clariant's IT systems operate in the cloud, making the group an industry front-runner in this respect. With cloud-based IT operations, Clariant can integrate new technologies in a short time. For example, only weeks after generative AI tools had become available, Clariant already provided a secure environment for the use of these tools. All employees can gain hands-on experience with them and determine where generative

AI can be valuable for Clariant without putting Clariant data at risk. There is a strong interest in the Group to explore the advantages of generative AI, with 1 300 employees having signed up for these tools in just three months.

In 2023, Clariant also launched projects to explore how generative AI can increase productivity and improve quality. These include:

- R&D to reuse know-how faster, to accelerate development, and to bring innovations to market faster
- Sales to improve customer service and to enable customers to answer questions about Clariant products
- Customer Service to make support better and faster
- Operations to identify deviations, for example, with respect to energy use, asset utilization, or quality

In addition to implementing generative AI tools across the Group, Clariant also made progress with respect to Integrated Business Planning (IBP), a supply chain best practice process that aligns strategic, financial, and operational business plans across the organization. In the context of IBP, Clariant plans and manages the entire business over a 24- to 48-month horizon, with alignments taking place each month. This creates new capabilities to manage disruption and to speed up decision-making across departments.

The Business Unit Care Chemicals pilots a shop floor management solution for production. This solution integrates information from production control systems, material flow, production orders, and quality control. It will provide an integrated cockpit to manage and optimize production, allowing Clariant to dispatch information and work using mobile devices.

In 2023, the Business Unit Care Chemicals also successfully completed a pilot for a global standard laboratory management solution. This solution will automate workflows and integrate instrument data to accelerate quality controls, experiments, and sample management.

During the same year, Business Unit Catalysts adopted CLARITY™, its own digital service platform for catalyst customers. You can read more about CLARITY™ in the chapter → »Management Discussion«.

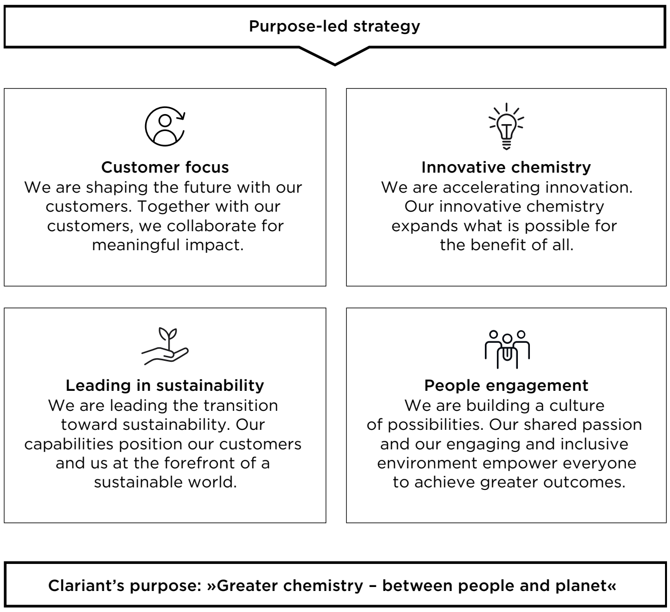
A Purpose-Led Strategy

Clariant aims to move toward top-quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people. Based on its purpose, »Greater chemistry – between people and planet,« Clariant unveiled a purpose-led strategy with four dimensions, accompanied by 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. Clariant's new claim »Greater chemistry« builds a strong tie between the purpose and the Clariant brand. The claim makes the purpose easy to use while safeguarding the strength and meaning of the purpose statement.

Strategic dimensions

The world is changing quickly. In 2023, the world has moved away from the COVID-19 pandemic and many of the issues that came with it. However, it brought about new challenges: Consumer behavior in many important markets is heavily influenced by growing inflation, resulting in weak demand. The macroeconomic environment suffers from wars and geopolitical tensions, with the global economy becoming more fragmented. At the same time, climate change becomes increasingly tangible for populations across the planet. 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. This is reflected in Clariant's purpose, »Greater chemistry – between people and planet.« This purpose leads Clariant's strategy, which Figure 006 depicts.

006 **CLARIANT'S PURPOSE-LED STRATEGY**



The purpose-led strategy establishes four strategic dimensions:

— Customer focus: Customer centricity is an important differentiator to stay ahead of the competition. In 2023, Clariant took important steps to become more simplified and focused with a true specialty chemicals portfolio. Following a strategic review, Clariant concluded that the North American Land Oil business was primarily a distribution and service business with a limited focus on sustainable solutions and would not reach profitability levels expected for a specialty chemicals portfolio. In April 2023, Clariant therefore sold its North American Land Oil business to Dorf Ketal, a specialty chemicals manufacturer and service provider headquartered in India. In June 2023, Clariant completed the divestment of its global Quats business to Global Amines Group, a sale that included certain assets in Germany, Indonesia, and Brazil. A major step for more customer focus was made in October 2023 with the agreement to acquire Lucas Meyer Cosmetics, a leading provider of high-value ingredients for the cosmetics and personal care industry. With its unique customer-centric business model, Lucas Meyer Cosmetics will play an important role in Clariant's efforts to build a leading position in one of its most customer-focused specialty businesses. Clariant continues to become more agile, delivering tailor-made solutions to satisfy customers' evolving expectations, which mirror 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 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 units. These solutions are strongly linked to customer-driven sustainability requirements. Continuously investing in R&D – 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 authorities and policy circles, as Figure 007 shows. Clariant is particularly committed to engaging with employees at 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.

Clariant targets organic growth, accompanied by bolt-on acquisitions which strengthen the company's existing core specialty businesses, across these four dimensions.

007 **EXAMPLES OF STAKEHOLDER ENGAGEMENT**

Stakeholder Group	Examples of engagement formats	Key needs and concerns
Customers	— Daily interactions — Customer interviews, innovation workshops, joint ideation, iGarage — Best practice exchange sessions — Biennial customer satisfaction survey — Trade fairs and international conferences — Webinars and customer portal	— On time, in full: quality, reliability of supply, prices — Innovative solutions — Achieving sustainability goals — Circular economy
Employees	— Personal dialogues — Intranet, Yammer/Viva Engage, newsletters, town halls — Employee engagement survey — Performance management cycle — mySuccess platform — Awards landscape (special recognition, appreciation, badges) — Integrity Line — Global learning catalogue — Focus group discussions — 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	— Compensation and benefits — Competence building — Leadership skills — Occupational health, safety, and well-being — Integrity — Diversity, Equity, and Inclusion — Digitalization, simplification, and harmonization — Work setup and configuration — Clariant purpose, culture, and values — Attrition — Cost of living
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

007 **EXAMPLES OF STAKEHOLDER ENGAGEMENT** CONTINUED

Stakeholder Group	Examples of engagement formats	Key needs and concerns
Environment	— Corporate culture that prioritizes sustainability — Innovative and sustainable products and offerings addressing sustainability challenges — Environmental management tools and programs — Global Impact Coalition incubated by the World Economic Forum — EcoCircle collaborations fostering transition to a circular plastics economy — Clariant Podcast »Sustainability Shift« — »Driving change in a changing world« videos on YouTube	— Minimizing impacts on the environment — Safeguarding natural resources — Reducing environmental footprint and handprint of customers — Creating transparency — Collaboration for increased impact
Suppliers	— Together for Sustainability (TfS) initiative — Supplier performance assessment reviews — Procurement events — Partnerships — Innovation initiatives — Integrity Next	— Prices, payment practices — Supply disruption — Compliance (e.g., Supplier Code of Ethics) — Safety — Circular economy — Digitalization
Policymakers and Civil Society	— Engagement in trade associations, multistakeholder alliances, and scientific and research associations — Community dialogues — Dialogue with policymakers and related stakeholders (industry alliances, NGOs, academia) on public policies — Preparation of position papers and communication materials — Responses to public consultations — Investor conferences	— Governance and compliance — Sustainable chemistry — Circular economy — Bio-economy — Climate change and energy transition

Clariant Sustainability Strategy

Sustainability is at the core of Clariant's purpose, and progress is overseen by the → Board of Directors. Embedding sustainability across the organization and executing »Sustainable Operations« and »Sustainability-Driven Portfolio Change« will help Clariant employees and customers achieve their sustainability ambitions and shift global value chains toward more sustainable solutions There is an increasing demand for sustainability in all industries that Clariant serves. With its focus on innovative and sustainable chemicals, the company is in an excellent position to benefit from this ongoing shift. A balanced incentive system, including → key non-financial performance indicators, underlines Clariant's sustainability strategy.

Sustainability is a core pillar of Clariant's purpose. To drive sustainable solutions in the company's own operations, in the portfolio, and for all customers, sustainability is embedded into the existing management and governance structures as well as into the core processes. Clariant has set long-term non-financial targets, which secure to create value for people, planet, and performance.

— Our sustainability approach
— Clariant's Board to oversee progress
— Sustainability is embedded in the organization
— Our sustainability policy is guiding our activities
— Balanced incentive system, including key non-financial performance indicators
— Sustainability at the core of our innovation process

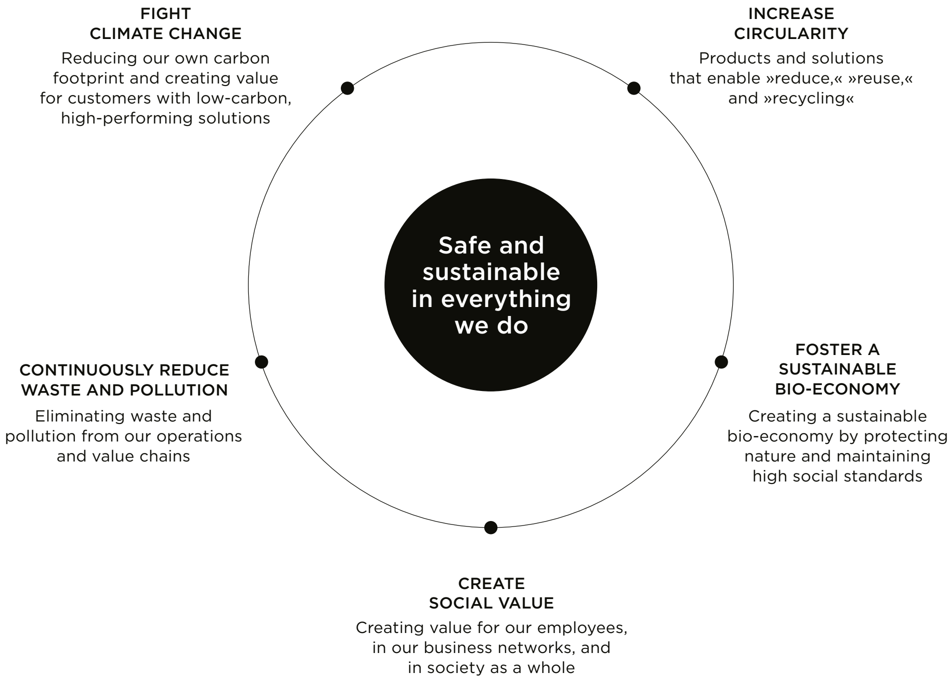
»2023 marked significant progress in sustainable value chain transformation with our customers. Innovations include → new hydrogen economy catalysts aiding the energy transition, PTFE-free and biodegradable coatings to preventing the formation of microplastics, and sustainable, low carbon, biodegradable ingredients for personal and home care markets. More initiatives are underway to further tackle sustainability challenges together.«

Richard Haldimann
Chief Technology & Sustainability Officer
Member of the ELT

Clariant's holistic approach to sustainability covers the entire value chain, from raw materials to end of life. The Sustainability Policy outlines the core sustainability standards and expectations that Clariant has set globally for its own operations and for direct suppliers. The sustainability priorities along the dimensions people, planet, and performance are defined within the »1+5 focus areas.« The Group's efforts center around the ambition to be safe and sustainable in everything Clariant does. This comprises not only the target of zero accidents, but also the development of a safe and sustainable product portfolio. Based on this foundation, there are five key focus areas:

— fight climate change,
— increase circularity,
— foster a sustainable bio-economy,
— continuously reduce waste and pollution,
— and creating social value, which includes fostering the development of employees as well as creating value in the business networks and in society as a whole.

008 **SUSTAINABILITY PRIORITIES**



To determine the most material topics for the Group, Clariant has performed a double materiality assessment to identify the potential impacts of Clariant's business activities on people and planet as well as the risks and opportunities for the value of the company and its financial development arising from sustainability aspects. A sustainability-related topic is considered as → material in this sense if it is relevant in either of these two dimensions.

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.

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, as Figure 009 describes.

— 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 »

009 **CLARIANT'S PRIORITY SUSTAINABLE DEVELOPMENT 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.« Figure 010 provides examples for Clariant's contribution to the SDGs.

010 **EXAMPLES OF CLARIANT'S ACTIVITIES AND PRODUCTS CONTRIBUTING TO THE SDGs**

3 GOOD HEALTH AND WELL-BEING

→ Ceridust® 8170 M – the PFAS- and PTFE-free alternative
→ Ceridust® 8091 Vita – Smoothing the shift to water-based wood coatings
→ Ceridust® 8330 – Elevating printing sustainability

7 AFFORDABLE AND CLEAN ENERGY

→ AmoMax®-Casale – An award-winning innovation for more sustainable ammonia production
→ TexCare® Gemini SG Terra – energy-efficient washing
→ Plastic-free Desi Pak® ECO moisture-adsorbing packets
→ MegaMax® – The solution for a greener methanol production
→ Clariant's SBTi-commitment for scientific and ambitious climate targets
→ Tonsil – Enabling the use of alternative feedstocks in biofuel production
→ Competence Center for Decarbonization Minerals – Empowering a more sustainable future in mining

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

→ Finding new pathways for sustainable chemistry together with some of the world's best universities
→ MegaMax® – The solution for a greener methanol production
→ AmoMax®-Casale – An award-winning innovation for more sustainable ammonia production

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

→ Ceridust® 8091 Vita – Smoothing the shift to water-based wood coatings
→ PHASETREAT™ WET – introducing a more sustainable demulsification process for oil and gas industry
→ The Forget-It-All Relaxing Mask and the Feel-Good Magic Stick – Two formulations based on natural and sustainably-sourced active ingredients
→ CliMate – Clariant's tool for product carbon footprint calculations
→ Licocare RBW: Renewable feedstock made from rice bran wax
→ AmoMax®-Casale – An award-winning innovation for more sustainable ammonia production
→ Tonsil – Enabling the use of alternative feedstocks in biofuel production
— Clariant's involvement in the World Business Council for Sustainable Development (WBCSD): Co-developing a portfolio sustainability assessment framework
→ Clariant's involvement in the International Council of Chemical Associations (ICCA): Forging a high-ambition alliance for the sound management of chemicals
→ Aristoflex Eco T – a high-performing, renewable-based skincare ingredient
→ Ceridust® 8330 – Elevating printing sustainability
— Clariant is committed to transparent and comprehensive reporting. Our 2022 Integrated Report came in 2nd place in the »Value Reporting« category at the Swiss Annual Report Rating.

13 CLIMATE ACTION

→ Plastic-free Desi Pak® ECO moisture-adsorbing packets
→ PHASETREAT™ WET – A sustainable solution for the oil and gas industry
→ Licocare RBW: Renewable feedstock made from rice bran wax
→ TexCare® Gemini SG Terra – energy-efficient washing
→ Genapol Complete – The low-emissions alternative for automatic dishwashing detergents
→ MegaMax® – The solution for a greener methanol production
→ CliMate – Clariant's tool for product carbon footprint calculations
→ Clariant's SBTi-commitment for scientific and ambitious climate targets
→ A catalyst portfolio achieving impactful emissions reductions for our customers

17 PARTNERSHIPS FOR THE GOALS

→ Clariant acts on the ground, for example through organizations such as the Small Producer Inclusivity and Resilience Alliance (SPIRAL) or Beracare, Beraca's sociobiodiversity enhancement programme.
→ Clariant is an active member of the Round Table for Sustainable Palm Oil (RSPO) and Action for Sustainable Derivatives (ASD)
— Clariant's involvement in the International Council of Chemical Associations (ICCA): Forging a high-ambition alliance for the sound management of chemicals

Sustainability can only be achieved by joint efforts. Therefore, Clariant is engaged in several collaborations, partnerships, and special initiatives like the EcoCircle. All business units have ambitious targets and work intensively on reducing water, waste, and air emissions, as Clariant is striving for 2030 science-based climate targets. Clariant shows social responsibility by engaging in corporate citizenship activities and supporting its employees volunteering in sustainable projects (see figure 018).

Financial and Non-financial Targets

The four dimensions of the purpose-led strategy are reflected in Clariant's 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.

For the medium-term, Clariant is aiming 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 has introduced a cash conversion target, which sees the company reach a free cash flow (FCF) conversion ratio of around 40 % – a figure that Clariant defines as cash flow from operating activities minus CAPEX, divided by EBITDA.

FINANCIAL MEDIUM-TERM TARGETS

	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 non-financial targets for 2030: The company plans to reduce its scope 1 and 2 emissions by 40 % and its scope 3 (cat. 1) emissions by 14 % from a 2019 baseline. Also, Clariant aims to be in the top quartile in employee engagement in its industry by 2030. These non-financial targets are embedded in the Clariant Long-Term Incentive Plan (CLIP) or short-term incentive plans.

NON-FINANCIAL TARGETS BY 2030

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

Clariant has set itself a long-term net-zero target for scope 1 & 2 emissions by 2050. You can find more information in the → »Climate« chapter.

Levers for success

Clariant is committed to its medium-term targets and expects to deliver them as end markets recover and growth normalizes over the next two to three years. The company will adopt an agile response to the economic environment and remain resolute in its plans to achieve the medium-term targets. With its specialty portfolio, market-driven innovation, focus on sustainability and highly committed people, Clariant is well positioned to achieve these targets.

Regional expansion is another important growth driver for Clariant. The regional focus for investments lies outside of Europe, especially in Asia, North America, and the Middle East. Over the coming years, Clariant expects to further leverage its successful investments in China. The CATOFIN® catalyst production site in Jiaxing, Zhejiang Province, has been successfully serving local customers and delivering sales growth. Similar positive contributions are expected from the new halogen-free flame retardants plant in Daya Bay, Huizhou, China. This strengthens Clariant's ability to supply local Original Equipment Manufacturers (OEM). Furthermore, an ongoing expansion to the Care Chemicals ethoxylation plant, also in Daya Bay, will boost support for pharmaceutical, personal care, home care, and industrial application customers in the region.

Sustainability-driven innovations will also contribute to growth. Bio-based products and solutions that enable decarbonization and circularity, including the EcoTain® product range, are well positioned to serve a continuously growing demand for sustainable solutions.

The proposed agreement to acquire Lucas Meyer Cosmetics (LMC) will also contribute to the realization of the medium-term targets. Clariant intends to continue the impressive track record in terms of financial performance, profitability, and cash generation that LMC delivered in the past. Due to the strong strategic fit and high complementarity to parts of the existing Personal Care business, the target is to increase LMC' annual sales from around USD 100 million currently to USD 180 million by 2028.

The company will also continue with the realization of its performance programs. Originally set to deliver CHF 110 million of savings when announced back in 2019, this target was raised to CHF 170 million with the implementation of a new operating model as well as adjustments to a lower volume environment. At the end of 2023, CHF 135 million of savings have been realized. In addition, benefits from a procurement optimization are expected.

For the full year 2024, Clariant expects to see a continued easing of the inflationary environment but no significant economic recovery, with macroeconomic uncertainties and risks remaining. The company therefore expects low single-digit sales growth in local currency. Growth in Care Chemicals, including the impact of the proposed acquisition of Lucas Meyer Cosmetics, and in Adsorbents & Additives is expected to offset a temporary slowdown in Catalysts momentum.

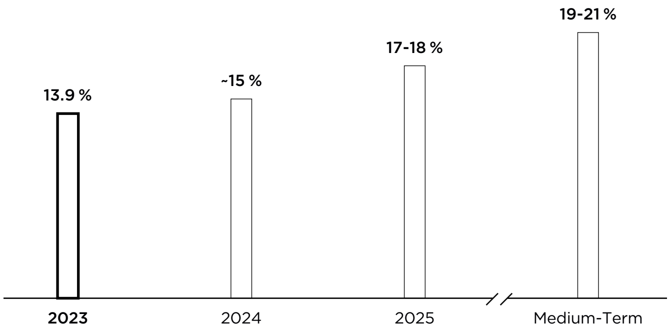
Continued improvement in EBITDA margin

Clariant sees a clear path of continuously improving profitability. From a reported EBITDA margin of 13.9% in 2023, the company expects this to improve to around 15% in 2024. This includes the impact of the proposed acquisition of Lucas Meyer Cosmetics and a sunliquid® restructuring impact of up to CHF 30 million, which was originally expected in Q4 2023. Clariant also expects operational sunliquid® costs of up to CHF 15 million related to preparation for the closure or divestment of the Podari plant. Cost savings benefits from restructuring programs are expected to deliver CHF 25 million in 2024.

Given the impact of the expected continuation of the challenging macroeconomic environment, Clariant now expects 2025 to be a year of continued, albeit significant, recovery in profitability. On the basis of an expected 3% – 5% improvement in key end market demand, Clariant expects to achieve an EBITDA margin of 17% – 18% in 2025, while the free cash flow conversion is expected at the targeted level of around 40%.

From this basis, Clariant then expects to take another step towards the targeted medium-term EBITDA margin range of 19 to 21%. The company remains committed to these medium-term targets as end markets recover and growth normalizes over the next two to three years. Clariant will adopt an agile response to the economic environment and remain resolute in its plans to achieve the medium-term targets. The company is well positioned to achieve these targets as the accretive impacts of the Lucas Meyer Cosmetics acquisition and investments in China are realized. In addition, benefits from a procurement optimization program and remaining cost savings are expected.

011 **CONTINUED IMPROVEMENT IN EBITDA MARGIN**



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% over the course of its medium-term targets. Capital expenditure (CAPEX) in 2023 was CHF 205 million due to continued growth investments, maintenance, and sustainability investments. About half of this CAPEX will be used for growth: Clariant will continue to invest in attractive businesses such as Care Chemicals and Additives, and in growth regions like China. Clariant will also continue investing in sustainability measures, especially to reduce greenhouse gas emissions. For 2024, CAPEX is targeted at CHF 220 million, while medium-term CAPEX is expected to normalize in the range of CHF 200 million to CHF 240 million per year.

Environmental targets

Clariant has set itself 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, and calculated medium-term investments and specific intermediate reduction targets for 2025.

Management Discussion

Political and economic environment

The year 2023 was affected by many different factors, few of them supportive for the chemical industry. The war on Ukraine and its devastating impact continued. An additional conflict escalated between Israel and Hamas, while tensions over Taiwan continued. Furthermore, while the world has moved away from the COVID-19 pandemic, the economic recovery since then has been weak. Inflation rates also remained significant, particularly in the first half of the year. Against this uncertain economic background, the Swiss franc, Clariant's reporting currency, was strong in 2023 against the dollar and euro.

As China lifted its restrictions at the turn of the year, expectations were that this would be a positive impact for local and global growth, stimulating local production and consumption to drive demand for raw materials – including chemicals. However, while the reopening did provide some initial positive impulses, consumer spending on services outweighed that on durable goods. GDP growth stagnated for the rest of the year and, at 5.2%, is expected to be significantly below that of the pre-pandemic years. Particularly the property sector, a big driver for the country's growth in the past, weighed on economic sentiment. Building activity dwindled, reducing demand for construction chemicals in particular, and homebuyers grew cautious of other large expenses as large Chinese property developers ran into problems with their creditors. Elsewhere in the Asia-Pacific region, India continued to experience strong GDP growth.

In the US, economic developments throughout 2023 were more positive than initially expected. While consumer spending held up well, especially taking inflation into account, services spending outweighed durable goods spending. This was reflected in the Manufacturing PMI published by the Institute for Supply Management, which remained below 50 for the entire year. Interest rates, which had shot up during 2022, continued to go up as the FED raised the federal funds rate four more times in 2023 before settling at 5.5 %. Toward the end of the year, the US economy appeared to slow down somewhat as excess consumer savings ran low. However, GDP growth of 2.5 % was still considered strong in comparison to that of other Western countries.

Economic growth in Europe was elusive during some quarters of 2023. In the end, while GDP was up 0.5 % over the year, Germany, as the leading economy, experienced a slight contraction due to the country's large industrial production network. The region managed to avoid an expected recession as it showed remarkable resilience to the energy crisis early in the year. Nevertheless, consumer spending was pressured due to inflation and subsequently by the monetary policy response of increased interest rates.

Overall, this picture of weak global economic growth with consumers preferring to spend on services instead of goods made for a difficult year for the global chemical industry. This was further enhanced by the fact that many supply chains were still holding higher-than-normal inventory levels after the disruptions during the pandemic. As a result, a prolonged period of destocking was observed. Overall, global chemical production grew by about 2 % in 2023 (Cefic), with increased production in China offsetting a slight decline in the US and a more notable drop in Europe. Particularly in Europe, the decreased production meant lower capacity utilization, which pressured earnings.

GDP GROWTH AND INFLATION RATE

in %	2023 GDP growth	2023 inflation rate
US	2.5	4.1
EU27	0.5	6.4
China	5.2	0.2
World	2.7	6.0

Source: Oxford Economics

Q&A

Bill Collins
Chief Financial Officer (CFO)
Member of the ESC

Given the difficult business environment in 2023, which measures did you take as CFO to steer the financial performance of Clariant?
Steering the results of the company during such a difficult macroeconomic environment can be quite a challenge. But I am very pleased with how Clariant performed in 2023. We implemented clear accountabilities around market segmentation including internal segment margin targets. Also, we looked closely at the volume impacts on our plant manufacturing costs and adjusted accordingly. And we realigned our functional cost structures to top quartile external benchmarks. Last but not least, we focused on working capital management. All of these measures have significantly impacted our EBITDA margins as well as free cash flow.

How did the shutdown of the sunliquid® plant in Podari impact the 2023 results?
The shutdown costs total CHF 53 million. And there is an CHF 80 million impairment, which does not impact EBITDA.

That is a lot of money.
Indeed, but you need to consider that the negative operational impact in 2023 added up to CHF 43 million. It is critically important that we took the right decision to resolve a significant issue that has been negatively impacting our Group results.

In October 2023, Clariant announced the agreement to acquire Lucas Meyer Cosmetics for a total consideration of about CHF 720 million. How will this change the financial performance of Clariant?
Lucas Meyer Cosmetics has an impressive track record in terms of financial performance, profitability, and cash generation. It is also an asset-light business with outsourced production. We see a strong strategic fit and high complementarity to our current Care Chemicals business, which is why we want to increase Lucas Meyer Cosmetics' annual sales from around USD 100 million currently to USD 180 million by 2028.

And how will this create value for Clariant's shareholders?
Lucas Meyer Cosmetics is accretive to Clariant's growth, margin, and cash flow profile. We expect the transaction to be mid-single digit percentage accretive to our earnings per share from year one onwards.

How will you finance this planned acquisition?
The funding is secured by a fully committed bridge facility, which is intended to be refinanced soon after completion.

Growth by acquisitions is one element of Clariant's growth strategy. Organic growth is another. What about Clariant's CAPEX?
In 2023, we continued our investment program in China to develop capacity specifically to serve the Chinese market while reducing the reliance on imports. Being a local player is a significant element of our growth strategy. But it is also important to note that we do not always have to invest more CAPEX to drive higher volumes. We have capacity available in a number of plants around the world to satisfy local demand.

Economic situation

Actual vs. guidance

At the beginning of 2023, expectations were for the Group to generate annual sales of around CHF 5 billion, compared to CHF 5198 million in 2022. This included a negative CHF top line net impact of the divestments in Care Chemicals and the bolt-on acquisition in Adsorbents and Additives.

Furthermore, reported EBITDA margin for the full year 2023 was expected to slightly improve from the 15.6% delivered in 2022. This was due to the Catalysts recovery offsetting lower volumes in the other business units, an increasing year-on-year negative impact of sunliquid®, and continued inflation, counterbalanced by savings benefits from restructuring.

The basis for these assumptions at the beginning of the year was an easing economic recession sentiment, including moderation in general inflation, while uncertainties and risks related to the economic environment remained. For the first half of the year, the expectation was for a soft recessionary environment, followed by a recovery in the second half, helped by a positive contribution from China reopening after COVID. Customer destocking, which started in the last months of 2022, as well as softer demand, was expected to continue into 2023. Despite a reduction from peak levels, raw material and energy costs were expected to remain high and could potentially go in an upward trend again if a potential recovery in the second half of 2023 materialized.

Over the course of the year, the continued economic headwinds impacted financial performance. Where a strong commitment to maintain pricing was reflected in a stable development, volumes were impacted in Care Chemicals and Adsorbents & Additives as customers reduced their inventory levels and demand in some key end markets was weaker. While Catalysts showed a continuing recovery following 2022 in both pricing and volume, the ramp-up of the sunliquid® facility in Romania expectedly weighed on the profitability of the business.

Around the midpoint of the year, the Group became increasingly aware that the risks and uncertainties regarding an economic recovery in the second half of 2023 were unfortunately materializing and impacting the entire chemical industry. Ongoing macroeconomic challenges, the slow pace of recovery in China, and the prolonged destocking cycle continued to impact demand in key end markets in the Care Chemicals and Additives businesses, with limited indications of a substantial recovery. The strength of the Swiss franc, the Group's reporting currency, also created a significant translation effect.

This led the company to publish a trading update in early July to adjust the guidance for 2023, as preliminary assessments of the performance in the first half of the year were below expectations despite substantial improvements in the Business Unit Catalysts. Furthermore, the Group initiated structural measures to further focus its biotechnology activities on second-generation bioethanol and indicated to actively evaluate strategic options for sunliquid® as the ramp-up challenges continued.

Given the limited indications for a recovery in the second half of the year, full year 2023 sales under the adjusted guidance were now expected to be between CHF 4.55 and CHF 4.65 billion, including a net divestments/acquisition impact of CHF -150 million relating to the Quats, NORAM Land Oil, and Attapulgite transactions, as well as an expected approximately 5-10% negative FX translation impact from both a strong Swiss franc and currencies of high-inflation countries. With the profitability improvement in Catalysts facing a muted recovery in Care Chemicals and Additives, full year 2023 reported EBITDA was now expected to be between CHF 650 and CHF 700 million (14.3%-15.1% reported EBITDA margin), including a CHF 55 million gain from the Quats divestment and ~CHF 30 million restructuring charges. These charges resulted from actions taken to increase restructuring efforts to address the lower volumes environment without impacting the positioning to benefit from a market recovery, as well as structural measures to further focus its biotechnology activities on second-generation bioethanol.

During the latter part of the year, even though there was no notable macroeconomic improvement, the performance of the business improved slightly. The recovery in Catalysts maintained its momentum against the prior year. In Care Chemicals, volumes increased slightly on a sequential basis from the second into the third and fourth quarter but remained below the strong comparison base of 2022. While Adsorbents performed well, the challenging conditions in Additives remained, and foreign exchange headwinds continued to affect the Group as a whole.

On 6 December 2023, Clariant was necessitated to revise its full year 2023 reported EBITDA following the conclusion of the strategic review for sunliquid®. The decision cease operations of the plant in Romania and downsize related activities in Germany triggered, among others, restructuring costs and provisions of approximately CHF 60 to CHF 90 million, which were incurred in December 2023 and impacted EBITDA. Therefore, incorporating the latest expectations of the financial markets prior to announcement, reported EBITDA expectations for the full year 2023 were revised to CHF 570 to CHF 600 million.

Sales

Group sales in 2023 amounted to CHF 4 377 million, versus 5198 million in the previous year. This represents a sales decrease of 7% organically in local currency[1] and 10% including scope in local currency (16% in Swiss francs). While pricing was stable, volumes decreased by 7%. Changes in scope had a net negative impact of 3%, with the divestments of the North America Land Oil and Quats businesses, partially offset by the acquisition of the US Attapulgite business. Hyperinflation in Argentina and Türkiye had a net - 1% impact.

[1] All references to local currency growth, pricing, volumes and scope exclude the impact from hyperinflation countries Argentina and Türkiye. All references to currency include a net impact from hyperinflation countries Argentina and Türkiye.

Sales decreased in all geographic areas. Both Europe, Middle East, and Africa and the Americas decreased by 12% in local currency (2% and 5% related to scope, respectively). Sales in Asia-Pacific declined by 6% (1% related to scope).

Earnings

Group EBITDA for 2023 decreased by 25% to CHF 607 million from CHF 810 million in the prior year. Profitability was negatively impacted by lower volumes and CHF 103 million of operational losses and costs related to the decision to shut down the sunliquid® bioethanol production in Podari, Romania, and to downsize related activities of the business segment Biofuels & Derivatives in Germany. Other negative factors included the CHF -11 million fair value adjustment of the Heubach Group participation in the first quarter and restructuring charges of CHF 64 million, of which CHF 42 million related to sunliquid®. The disposal of the Quats business in Care Chemicals contributed a CHF 61 million gain while pricing effects overall were flat. Raw material costs decreased by 11%, and the execution of performance improvement programs resulted in additional cost savings of CHF 50 million in the full year 2023. Overall EBITDA margin decreased to 13.9% from 15.6% in 2022.

Order situation

Across the Clariant portfolio, the order situation and visibility thereof differ significantly. In the Catalysts business, orders are placed comparatively far in advance, as a large part of the products is used as either a first-fill or refill of a chemical production facility. In 2023, the business had a strong order book, particularly in propylene (CATOFIN®) and Syngas & Fuels. Overall, volumes in the Business Unit Catalysts grew 5 % in 2023.

On the other hand, the order situation in Care Chemicals and Adsorbents & Additives follows a less straightforward pattern with relatively short lead times. In 2023, destocking and weaker demand had a significant impact on the order pattern, particularly in the first half of the year. Some sequential improvement in volumes for Care Chemicals became apparent during the second half of 2023, while particularly Additives continued to experience the impact of weak demand for durable goods such as smartphones and laptops.

Cashflows

Net cash generated from operating activities for the total Group amounted to CHF 421 million versus CHF 502 million in the full year 2022. This was a result of lower earnings, which was not fully offset by an improvement in Net Working Capital. Free cash flow of CHF 216 million compared to CHF 293 million in 2022 resulted in a free cash flow conversion rate of 36% for full year 2023, flat versus a year ago.

Outlook

For the full year 2024, Clariant expects to see a continued easing of the inflationary environment but no significant economic recovery, with macroeconomic uncertainties and risks remaining. Clariant therefore expects low single-digit sales growth in local currency. Growth in Care Chemicals, including the impact of the proposed acquisition of Lucas Meyer Cosmetics, and in Adsorbents & Additives is expected to offset a temporary slowdown in Catalysts momentum. Reported EBITDA margin is expected to improve to around 15%. This includes the impact of the proposed acquisition of Lucas Meyer Cosmetics and a sunliquid® restructuring impact of up to CHF 30 million, which was originally expected in Q4 2023. Clariant also expects operational sunliquid® costs of up to CHF 15 million related to preparation for the closure or divestment of the Podari plant. Cost savings benefits from restructuring programs are expected to deliver CHF 25 million in 2024.

Business Unit Care Chemicals

In 2023, following the strong focus in the prior year on supply chain resilience and the associated buildup of safety stocks, end markets shifted into a pattern of destocking as logistics channels normalized and signs of weaker demand became apparent. Furthermore, declining raw material prices further enhanced this effect as buyers speculated on even lower prices in the future. As a result, volumes declined through the first nine months. Toward the fourth quarter, destocking came to an end in most segments except Crop Solutions, and volumes stabilized.

For the full year 2023, sales in Care Chemicals decreased by 9% organically in local currency[1] and by 15% including scope in local currency (21% in Swiss francs). Volumes were down 7%, excluding the divestment impact, while pricing was down by 2%. Oil Services grew organically, while the prolonged destocking cycle and lower demand negatively impacted sales in the other segments.

[1] All references to local currency growth, pricing, volumes and scope exclude the impact from hyperinflation countries Argentina and Türkiye. All references to currency include a net impact from hyperinflation countries Argentina and Türkiye.

On 30 October 2023, Clariant announced an agreement to acquire Lucas Meyer Cosmetics to expand its reach into high-value cosmetic ingredients space, based on customer-driven innovation, active ingredients, and natural solutions.

The EBITDA margin in the full year 2023 increased to 19.9 % from 19.5 % as the disposal gain from the Quats disposal offset lower volumes and prices.

»With the proposed acquisition of Lucas Meyer Cosmetics, a leader in high-value cosmetic ingredients, we've hit a crucial milestone, significantly advancing our purpose-led growth strategy by expanding our footprint in the cosmetics and personal care industry.«

Christian Vang
Business President Care Chemicals and Americas
Member of the ESC

→ Watch the video statement on clariant.com

The full year 2023 was a strong year in terms of launches of innovative and sustainable solutions for Clariant's customers in many segments. Highlights include, to mention just a few:

New partnerships and products

At the trade show in-cosmetics® Global 2023, Clariant launched Rootness® Mood+, a light-mimicking skin tone equalizer derived from environmentally friendly plant milking technology. The new skincare active ingredient reproduces the natural benefits of light to revitalize skin and enhance mood. It boosts Vitamin D through distribution and receptor activation to increase the skin's natural radiance and is sourced from Sanguisorba officinalis, a plant used in traditional Chinese medicine. The innovation received second prize in the category »Most innovative raw material« at in-cosmetics® Global 2023.

FEATURED STORY

Rheology modifier based on renewable sources

In Personal & Home Care, Clariant launched Aristoflex® Eco T, a new rheology modifier that provides skincare formulators with an ingredient exhibiting strong thickening and stabilizing performance. At the same time, it is readily biodegradable and naturally derived, with a renewable carbon index (RCI) of 71 %. The innovation received the innovation zone – best ingredient award Silver at the trade show in-cosmetics® Global 2023.

Learn more

At the trade show CPHI Barcelona, Clariant Personal & Home Care launched a new range of excipients to improve stability and solubility of active pharmaceutical ingredients (API). The excipient is a new effective carrier system for drug delivery in different dosage applications, including oral, topical, and parenteral.

In the fall, Clariant Personal & Home Care introduced TexCare® Gemini SG Terra, a game-changing soil release polymer for laundry applications with innovative rheology control. It is based on an exclusive soil release polymer technology that simplifies formulators' lives by eliminating the need for additional thickeners. Its high renewable carbon content allows for high-performing eco-detergents.

In its Business Segment Industrial Applications, Clariant supports a shift to using lower-fossil carbon materials and adding green carbon into the carbon footprint of product formulations without compromising processing results or finished product performance. Within its new VITA range of fully segregated carbon emission-reducing, 100% bio-based products, Clariant offers a number of Polyglycols (PEGs) and ethylene oxide derivatives that can be used as surfactants and intermediates in paint and coatings production, thus contributing to the removal of fossil carbon from the value chain. In the spring, Clariant Industrial Applications launched Dispersogen Flex 100 at the European Coatings Show (ECS). This multifunctional product enables pigment paste and paint producers to reduce the number of different ingredients in a paint formulation. This significantly reduces complexity, transportation, and ultimately costs.

In Oil Services, Clariant launched Phasetreat™ Wet, introducing a more sustainable demulsification process for the oil and gas industry. Phasetreat Wet employs nanoemulsion technology to help customers reduce carbon emissions. The solution reduces demulsifier dosages by up to 75 % compared to current solutions and optimizes customers' onshore and offshore operations.

Innovation activities

While officially opened in late 2022, the new Competence Center for Decarbonization Minerals in Dubai really started making an impact during 2023. The center and its staff focused on the development of innovative solutions for processing lithium, nickel, cobalt, and alumina ores, the key material for E-mobility and E-economy. Contract R&D activities include improving metallurgical performance by maximizing recovery and grade, optimizing cost performance, and creating more sustainable solutions for the processing of decarbonization minerals. It demonstrates Clariant's aspiration to be a leader in sustainability transformation across all business segments.

Clariant's wide portfolio of innovative, customized solutions has long been recognized by the mining industry. In February 2023, Clariant was named Outstanding Supplier by the global mining company Anglo American for the second year in a row. Anglo American also awarded Clariant in the categories »Optimization,« »Performance,« and »Sustainability/Social Projects.« These awards demonstrate Clariant's innovative customer solutions and commitment to sustainability.

The business unit continues to focus on innovation inspired by sustainability in all segments. The entire innovation portfolio is continuously shifted toward value propositions that combine a performance and/or cost benefit with a sustainability benefit.

Business Unit Catalysts

2023 was a year in which conditions normalized from a challenging prior year. While raw material prices remained elevated over historic levels, price volatility reduced significantly. As China came out of its strict COVID-19 policy, there was some pickup in industrial activity, but not to the extent that was initially expected.

For the full year 2023, sales in Catalysts increased by 9% in local currency[1] (1% in Swiss francs). This increase was balanced between positive pricing (4%) and volume growth (5%), while at a segment level, Propylene and Syngas & Fuels were particularly strong.

[1] All references to local currency growth, pricing, volumes and scope exclude the impact from hyperinflation countries Argentina and Türkiye. All references to currency include a net impact from hyperinflation countries Argentina and Türkiye.

In 2023, the EBITDA margin increased to 10.3 % from 9.4 %, despite the significant negative sunliquid® impact, as a result of positive pricing, higher volumes, and positive business mix effects.

The Biofuels & Derivatives segment continued to be impacted by the challenging ramp-up of the commercial-scale sunliquid® bioethanol production in Podari, Romania. Over the course of 2023, this led to a significant negative operational impact while the challenges persisted. Therefore, in July 2023, Clariant announced it would actively evaluate strategic options for the sunliquid® technology as well as the initiation of structural measures to further focus its biotechnology activities on second-generation bioethanol and adjust the cost structure to the lower run-rates being achieved. On 6 December 2023, Clariant announced that, after a careful review of all the strategic options, the decision was made to cease operations of the plant in Romania and to downsize related activities of the Business Segment Biofuels & Derivatives in Germany. This decision led to a CHF 53 million negative impact from shutdown costs in the fourth quarter and thus had a significant negative impact (CHF 103 million in total) on the profitability for the year.

Clariant's catalyst technologies enabled emission reductions of more than 35 million tons of carbon dioxide equivalent (CO_2e) in customers' chemical processes across a wide range of industrial sectors. For example, figures for 2022 show that the reductions in that year amounted to more than eight times the total carbon footprint of the entire Clariant corporation in 2022.

»Launching the world's largest e-methanol project in Kasso, Denmark, with an annual production capacity of 32 000 tons from CO_2, powered by our MegaMax® catalysts, represents a significant milestone for Clariant and supports the fight against climate change.«

Jens Cuntze
Business President Catalysts and APAC
Member of the ESC

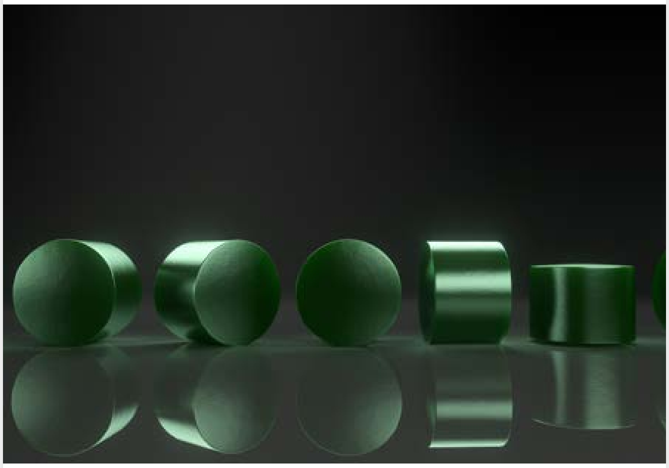
→ Watch the video statement on clariant.com

A significant proportion of these emission reductions came from the steel industry. Clariant's reformer catalysts are used in the Direct Reduction of Iron (DRI) process, which feeds into steel production. The CO_2 emissions from DRI-based steel are 38 % lower than in conventional steelmaking. Another key contributor to emission reduction is Clariant's solution for the catalytic abatement of nitrous oxide (N_2O) emitted during the production of nitric acid. Undesired N_2O by-products account for annual CO_2e emissions of 100 million tons. Clariant's catalysts offer an economic solution to remove up to 99 % of N_2O emissions. Additional catalytic innovations include »green« technologies for methanol and ammonia production and catalysts for the efficient production of low-carbon hydrogen.

New partnerships and products

The new AmoMax®-Casale ammonia synthesis catalyst has proven itself in all of its first three industrial references. Jointly developed by Clariant and Casale, the catalyst features exceptional activity, stability, and energy efficiency. These benefits have been confirmed at the ammonia production facilities of Nutrien in Trinidad and Tobago, Mosaic in the USA, and YARA Sluiskil in the Netherlands. Based on plant data, all sites report superior catalyst performance with significant reductions in energy and production costs. At the same time, lower carbon dioxide emissions have greatly improved the sustainability of the plants. With ammonia considered to play an important role in a future hydrogen ecosystem, a high-performing, energy-efficient ammonia synthesis catalyst, like AmoMax®-Casale, is crucial for accelerating the transition toward net zero.

FEATURED STORY



MegaMax selected for world's largest e-methanol project

In 2023, the Business Unit Catalysts continued to drive energy transition lighthouse projects. European Energy selected Clariant's methanol synthesis catalyst MegaMax for the world's largest e-methanol project. Located in Kasso, Denmark, the facility will have the capacity to produce 32 000 tons of e-methanol annually from carbon dioxide, using Clariant's catalyst. MegaMax was chosen, as it is proven to deliver high activity and stability under the challenging conditions of CO_2-to-methanol conversion. A large portion of the plant's annual yield is already allocated to the logistics group Maersk for powering its first-ever carbon-neutral maritime fleet. The remaining green methanol will be supplied to the Lego Group and Novo Nordisk.

Learn more

In April 2023, Clariant announced the grand opening of its new CATOFIN® catalyst production site in Jiaxing, Zhejiang Province, China. This investment is part of Clariant's strategy to strengthen its regional footprint and increase the share of local production in China with leading catalysts technology. It adds to the existing nearby catalyst plants in Jinshan and catalyst contract R&D center within the One Clariant Campus in Shanghai.

Developed by Clariant company Navigance, CLARITY™ is a cloud-based platform that provides customers 24/7 access to their real-time catalyst performance data as well as access to advanced visualization, analysis, and monitoring tools. The tool supports all Clariant catalyst applications, allowing end-to-end encrypted data sharing, with key performance indicators visualized in customizable dashboards. The user interface also connects customers directly with Clariant's experts for technical exchange and guidance. Since its launch, CLARITY™ has been adopted by more than 80 plants and is serving more than 380 active users in 28 countries around the world.

Innovation activities

Clariant has signed an agreement with Conser, part of MAIRE Group, for the supply of maleic anhydride (MA) catalysts. Conser is a leading technology licensor of MA technology globally, with a strong focus on the growing market in China. The partners will develop next-generation catalysts based on Clariant's successful SynDane series, with the aim of offering superior productivity, cost efficiency, and sustainability.

Clariant's SynDane catalysts are designed for cost-efficient production of MA via partial oxidation of n-butane in fixed-bed tubular reactors. Their superior yield and selectivity greatly reduce by-product formation and downstream polymerization, which minimizes downtime of MA plants. Clariant has also been awarded a major contract by Jiangsu Shenghong Petrochemical Co., Ltd, to use Clariant's SynDane 3142 LA catalyst for its new MA production plant in Lianyungang, Jiangsu Province, China. With a production capacity of 200 000 tons per year, the new plant, slated for start of production in 2025, will be one of the largest production plants for MA worldwide.

In April 2023, Clariant Catalysts had the grand opening of its new CATOFIN catalyst production site in Jiaxing, Zhejiang Province, China. CATOFIN is a catalyst with excellent reliability and productivity for propane dehydrogenation (PDH), which is used in the production of olefins such as propylene. Investing in innovations such as CATOFIN is a core element of Clariant's new purpose-led strategy, as expressed in the statement »Greater chemistry – between people and planet.« Beyond that, the site serves to increase the already expanding footprint in China, adding on to the existing nearby catalyst plants in Jinshan and catalyst contract R&D center within the One Clariant Campus in Shanghai.

Clariant and Technical University of Munich (TUM) have renewed their long-term strategic alliance in the field of research and application of new catalyst systems. The cooperation, named MuniCat (Munich Catalysis), has generated improved catalyst formulations and designs as well as innovative process technologies since 2010 and will continue to focus on upcoming challenges in the area of sustainable chemistry applying catalysis.

Business Unit Adsorbents & Additives

The year 2023 was a tale of two halves for the business unit. Adsorbents had a strong year, in which it leveraged the acquisition of the Attapulgite assets acquired from BASF while also growing its existing businesses. On the other hand, the Additives business was notably impacted by destocking and lower demand for durable goods.

For the full year 2023, sales in Adsorbents & Additives decreased by 15 % organically in local currency[1] and by 13 % including scope in local currency (17 % in Swiss francs). While volumes were down 17 % due to the weakness in Additives segments, pricing increased by 2 %. Changes in scope contributed a further 2 %.

[1] All references to local currency growth, pricing, volumes and scope exclude the impact from hyperinflation countries Argentina and Türkiye. All references to currency include a net impact from hyperinflation countries Argentina and Türkiye.

In 2023, the EBITDA margin decreased to 11.2 % from 21.7 %, largely resulting from substantially lower volumes and reduction of inventory in Additives in particular, which resulted in lower operating leverage and fixed cost absorption. Furthermore, the business mix was less favorable than prior years.

»In 2023, launching our state-of-the-art flame retardant plant in Daya Bay, China, was a highlight, boosting our lead in fire safety innovation and connecting us with key sectors like e-mobility and 5G.«

Angela Cackovich
Business President Adsorbents & Additives and EMEA
Member of the ESC

→ Watch the video statement on clariant.com

New partnerships and products

Addressing the increasing regulatory changes in light and heat stabilization for SMP (silyl-modified polymer) sealants, Clariant presented AddWorks® IBC 760 at the European Coatings Show 2023. This label-free solution provides improved performance in light and heat stability versus standard solutions that are labeled as hazardous. The backbone synergistic technology is also being tested for coating applications, proving that solutions in one industry can cross over into other application segments with minimal R&D expenditure.

FEATURED STORY

An alternative to PTFE

In response to a growing demand from customers for PTFE alternatives, including in Architectural Powder Coatings, Clariant Additives also launched Ceridust® 8170 M. This is the latest addition to the growing Ceridust® portfolio of additives, which offer solutions focused on today's challenges of minimizing environmental impact and maximizing product performance. Clariant's PTFE-free solutions include polyethylene waxes and a bio-based wax blend, all with proven success in replacing PE/PTFE additives.

Learn more

In June 2023, Clariant Adsorbents added plastic-free Desi Pak® ECO moisture-adsorbing packets to its range of responsibly mined, highly-adsorbent natural clay solutions that help manufacturers and distributors protect sealed packaged goods from moisture damage. The innovative new moisture-adsorbing packets feature bio-based paper made from raw materials that are sustainably grown and use only water-based inks and adhesive. They are filled with carefully selected granulated high-grade bentonite clay, which is responsibly-sourced, minimally processed, and offers highly efficient moisture adsorption compared to synthetic alternatives in the most common packaging conditions. This new solution fulfills an increased demand for packaging solutions with a lower carbon footprint while still delivering the trusted protection performance.

Innovation activities

In October 2023, Clariant Additives officially opened its new state-of-the-art production facility for halogen-free flame retardants in Daya Bay, Huizhou, China. The CHF 60 million investment in the plant's first production line will provide local customers with access to innovative and sustainable Exolit OP flame retardants and related technical expertise. This supports the significant growth of engineering plastics applications in E-mobility and electrical and electronic segments. With this local production capability, Clariant can improve cooperation and design tailored solutions to their developing needs as well as significantly reduce delivery lead times. These are critical components to better serve the local Chinese customers.

In June 2023, Clariant joined the FOREST project, together with various industrial and academic partners. This EU funded research delves into advanced lightweight bio-based or recycled materials to facilitate the decarbonization of the transport sector. The project consortium consists of 14 partners from eight different countries developing innovative bio-based polymers, additives, and recycled carbon fibers for sustainable and safe transport applications. The focus of Clariant is on the development of flame-retardant bio-based composites.

The Clariant Additives team was honored by Sleemon, the leading mattress brand owner in China. The team received Sleemon's 2023 best-quality supplier award for Licocene® PP 2502 GR. This is one of the best performing and most sustainable hot-melt adhesives (HMAs) globally for pocket spring application in the mattress industry. It has low volatile organic compounds (VOC), extremely low odor, can be recycled, and its raw material can be bio-based.

FEATURED STORY

An award-winning solution

Clariant's 100 % bio-based micronized wax, Ceridust® 8091 Vita, was honored with the »Ringier Technology Innovation Award 2023« in Shanghai, China. This coveted award recognizes the relentless pursuit of innovative and sustainable solutions. Ceridust® 8091 Vita stands out as a very first water-based solution that excels in both ease of dispersibility and scratch resistance.

Learn more

In Italy, Clariant was awarded the Responsible Care® prize from Federchimica, the Italian federation of the chemical industry. This award promotes sustainable development by upholding the highest standards of safety, health, and environmental responsibility. Clariant earned this recognition for the »Solar Drying« project implemented at the S'Aliderru site in Sardinia, which has led to a significant reduction in greenhouse gas emissions. This showcases Clariant's commitment to environmental responsibility and sustainability in the production cycle.

Non-Financial Report

Materiality Assessment

✓I 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 prioritize initiatives. This process was conducted in 2023 using a new methodology that takes upcoming legislation into account.

Materiality process reflects CSRD requirements

The 2023 materiality assessment reflected the requirements of the EU Corporate Sustainability Reporting Directive (CSRD). A CSRD-compliant materiality process is based on the concept of double materiality: It considers positive and negative impacts of corporate activities on people and planet (impact materiality) as well as the risks and opportunities for the value of a company and its financial development arising from sustainability aspects (financial materiality). In this concept, a topic becomes material once it is relevant in either of these two dimensions. The materiality process in accordance with CSRD is defined in greater detail in the European Sustainability Reporting Standards (ESRS).

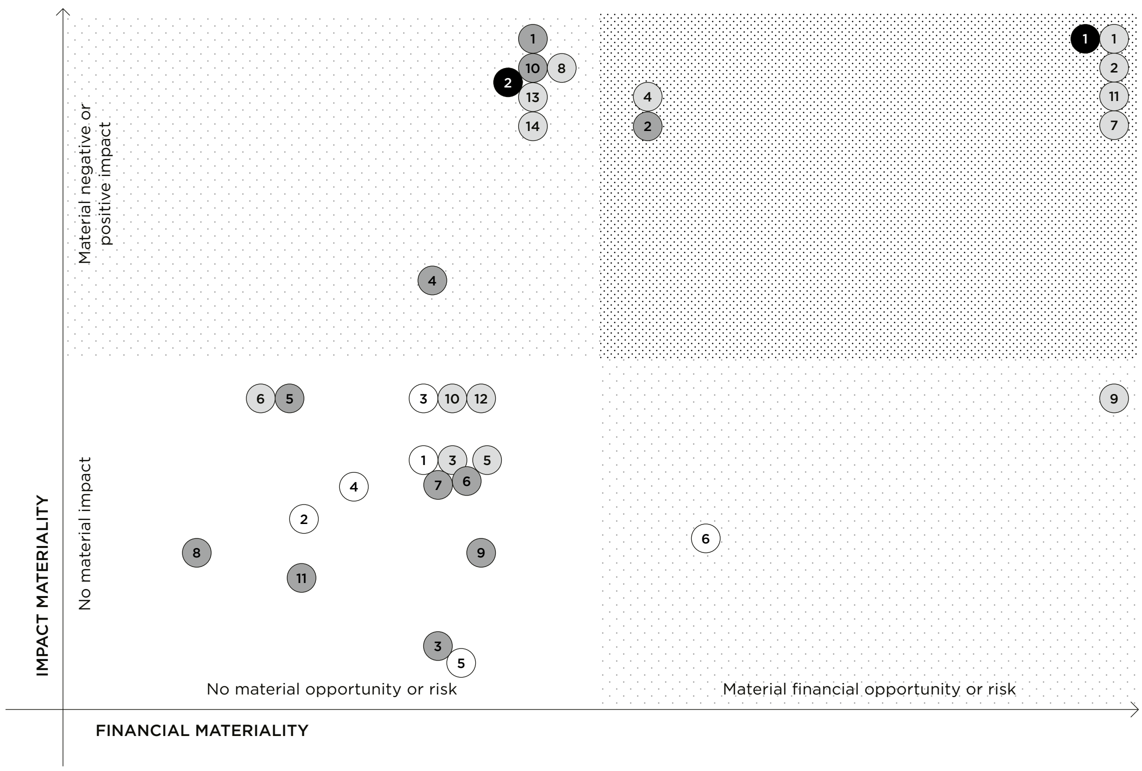
The materiality assessment process consisted of six steps:

- Conducting a status quo analysis: This included mapping the previous material topics to the topics defined in the ESRS and conducting a peer group analysis. The relevant SASB Standards, the MSCI Materiality Map, and the CSR Risk Check were also taken into account at this stage.
- Involving internal stakeholders: Eighteen internal stakeholders assessed topic-related actual and potential impacts, risks, and opportunities in Clariant's own operations and in upstream and downstream activities.
- Involving external stakeholders: Nineteen interviews with customers, suppliers, NGOs, sustainability experts, and financial institutions served to include the view of external stakeholders. Financial institutions provided input in relation to the financial materiality perspective. The other external stakeholders commented on the impact perspective.
- Determining impact materiality: Based on these inputs, Clariant then determined impact materiality according to the severity and likelihood of impacts.
- Determining financial materiality: Financial materiality was determined according to the magnitude and likelihood of risks and opportunities.
- Consolidating results: The results were then consolidated, validated, and presented to top management.

Materiality Matrix

The Clariant Materiality Matrix in → Figure 012 summarizes the outcomes of the materiality assessment. In total, 16 topics were identified as material, either because of impact materiality (upper part of vertical axis), financial materiality (right part of horizontal axis), or both (upper right quadrant). I

012 ✓| **CLARIANT MATERIALITY MATRIX**



ENVIRONMENT
1. **Climate***
2. **Energy***
3. Pollution of air
4. **Pollution of water***
5. Pollution of soil
6. Pollution of living organisms and food resources
7. **Substances of concern and very high concern***
8. **Microplastics**
9. **Water**
10. Marine resources
11. **Direct impact drivers of biodiversity loss***
12. Impacts on species and ecosystems
13. **Resource use**
14. **Waste**

SOCIAL
1. **Own workforce: Working conditions**
2. **Own workforce: Equal treatment***
3. Own workforce: Other work-related rights
4. **Value Chain: Working conditions**
5. Value Chain: Equal treatment
6. Value Chain: Other work-related rights
7. Communities' economic, social, and cultural rights
8. Communities' civil and political rights
9. Particular rights of indigenous communities
10. **Information-related impacts for consumers and/or end users**
11. Personal safety of consumers and/or end users

GOVERNANCE
1. Corporate culture
2. Protection of whistleblowers
3. Animal welfare
4. Political engagement and lobbying activities
5. Management of relationships with suppliers, including payment practices
6. **Corruption and bribery**

ENTITY-/SECTOR-SPECIFIC
1. **Sustainable innovation/Innovation and technological advances***
2. **Bio-based economy**

Not material topic
Material topic
***Material and relevant for non-financial reporting in Switzerland**

✓| Article 964b of the Swiss Code of Obligations requires undertakings to prepare and publish a report on non-financial matters that covers the following five areas:

— environmental matters (with particular focus on emissions targets);
— social issues;
— employee-related issues;
— respect for human rights; and
— combating corruption.

All topics in the upper right quadrant of the materiality matrix were identified as relevant for non-financial reporting in accordance with Article 964b of the Swiss Code of Obligations. The material topics are linked to the legally required matters as follows: I

013 ✓I **LINKING MATERIAL TOPICS AND LEGALLY REQUIRED NON-FINANCIAL MATTERS**

— Climate — Energy — Pollution of water — Substances of concern and very high concern — Direct impact drivers of biodiversity loss	**Environmental matters**
— Own workforce: Equal treatment	**Employee-related issues** **Respect for human rights**
— Sustainable innovation/Innovation and technological advances	**Social issues**
— Corruption and bribery	**Combating corruption**

Sustainability Management

✓I Sustainability is a dimension of Clariant's purpose »Greater chemistry – between people and planet.«. Embedding sustainability across the organization and executing »Sustainable Operations« and »Sustainability-Driven Portfolio Change« will help Clariant employees and customers achieve their sustainability ambitions and shift global value chains toward more sustainable solutions. Clariant is applying a value chain approach, considering both impacts and the corresponding opportunities from raw material feedstock to the end-consumer markets.

Clariant's sustainability is structured along people, planet, and performance.

The activities in the 2023 financial year were marked by transforming Clariant operations as well as focusing on the sustainable transformation of the Clariant portfolio. Increasing the safety and sustainability of Clariant products and solutions activates the company's purpose. Clariant uses its scientific expertise and innovative power to offer products and solutions for the major sustainability challenges of these times, considering the sustainability goals of its customers as well. Developing growth opportunities from sustainable products and solutions therefore directly supports three interconnected focus themes of the purpose-led strategy: customer focus, innovative chemistry, and leading in sustainability. I

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 achieve their sustainability targets for a more sustainable portfolio and the reduction of greenhouse gas emissions. With our solutions, we contribute to the UN SDGs.
→ Read more in »Contributing to the SDGs«.

✓I Management approach – Performance

Although business growth and profitability are a shared responsibility between all management functions, Clariant's Board of Directors defines the Group's overall direction. It has delegated the executive management of this strategy to the Executive Leadership Team (ELT), which is responsible for implementing, monitoring, and improving the financial and operational management strategy. Read more in → »Executive Steering Committee and Executive Leadership Team.« Clariant's Strategic Management Process (SMP) ensures that each business unit executes the corporate strategy.

Clariant has made it a priority to set and refine its sustainability strategic approach with the so-called »1+5 focus areas.« The Group's efforts center around the ambition to be safe and sustainable in everything Clariant does. This comprises not only the target of zero accidents but also the development of a safe and sustainable product portfolio. Based on this foundation, there are five key focus areas: fighting climate change, increasing circularity, fostering a sustainable bio-economy, eliminating waste and pollution from operations and value chains, and creating social value. Social value includes fostering the development of employees as well as creating value in the business networks and society.

Clariant material topics (→ read more in »Materiality Assessment«) identified through a double materiality assessment are clustered along the 1+5 sustainability priorities (→ read more in »Clariant sustainability strategy«).

Read more in the following chapters:

→ »Sustainable Innovation and Technological Advances«
→ »Circular Economy Including Resource Use«
→ »Biodiversity and Bio-based Economy«
→ »Energy«
→ »Climate«
→ »Diversity, Equity, and Inclusion«
→ »Water«
→ »Substances of Concern and Product Stewardship«
→ »Occupational Health and Safety«
→ »Human and Labor Rights«

Management approach – Planet

The Board of Directors has overall accountability for Clariant's environmental, social and governance priorities.

PLANET OVERVIEW[1]

	Total 2023	2022
Total greenhouse gas emissions (scope 1 & 2, CO_2 equivalents) (in m t)	0.54	0.62 [2]
Total indirect greenhouse gas emissions for purchased goods and services (scope 3, CO_2 equivalents) (in m t)	2.28	2.58
Water intake (without »pass-through« water) (in m^3/t production)	1.95	2.11 [3]
Wastewater generation (in m^3/t production)	1.48	1.62
Sites in areas of high water stress with advanced water management (%)	77	75
Landfilled nonhazardous waste (in kg/t production)	19	45.1
Hazardous waste (in kg/t production)	6.8	11.3
Nitrogen oxide (NO_x) emissions (in kg/t production)	0.09	0.11
Energy consumption (in kWh/t production)	630	680
Greenhouse gas emissions (scope 1 & 2, CO_2 equivalents) (in kg CO_2e/t production)	142	163
Indirect greenhouse gas emissions (scope 3, CO_2 equivalents) (in kg CO_2e/CHF sales)	0.63	0.58
Total water intake (without »pass-through« water) (in m m^3)	8.4	9.0
Total wastewater generation (in m m^3)	6.8	7.4
Total quantity of waste (in thousand t)	129.2	270.4
Total energy consumption (in m kWh)	2 389.7	2 592.5

1 Clariant follows the »control approach« in the consolidation of the data.
2 This excludes 0.02 m t biogenic CO_2 emissions.
3 In 2023, the total volume of water withdrawn and intake consumption from 2019 to 2022 was restated for 3 sites in Germany to exclude losses from 3rd party cooling towers outside the operational boundaries of Clariant. Based on previous years' reporting, the specific water intake (without "pass-through" water) has been calculated at 2.24 for 2022 and 2.06 for 2023.

The Innovation and Sustainability Committee (ISC), a BoD committee tasked with the oversight of innovation and sustainability matters, has oversight on sustainability and innovation strategies, with a focus on the 1+5 sustainability-related focus areas, including climate and forest portfolio implications as well as the related risk and impact management. It also monitors the progress on sustainability KPIs, including scope 1, 2, and 3 emission reductions and the corresponding roadmaps as well as progress on occupational health and safety. It is chaired by a designated member of the BoD and is composed of four members of the BoD, including the Chairman of the Board of Directors as well as the Chief Executive Officer and Chief Technology & Sustainability Officer (CTSO) ex officio.

The innovation and sustainability KPIs and progress of material topics within the dimension »planet« are reviewed quarterly in the Innovation and Sustainability Meeting (ISM), comprising the CTSO, the innovation and operation heads of the BU's, key functions, like Sustainability Transformation, Environmental Safety & Health Affairs (ESHA) and Integrated Group System Management (IGSM), and Product Stewardship as well as the CEO and the board delegate of the Innovation and Sustainability Committee (ISC) as permanent guests. The conclusions are further reported to the Innovation and Sustainability Committee (ISC).

To ensure the implementation and execution of the innovation and sustainability strategies, the Chief Technology & Sustainability Officer is supported by Global Function Technology & Sustainability (T&S) and the global organization in executing these responsibilities. T&S comprises Sustainability Transformation, ESHA/IGSM, Global Product Stewardship, Government Affairs & Public Funding, and Analytical Sciences. It is responsible for Group-wide innovation and sustainability policies, processes, tools and reporting, regulatory compliance, strategies, and standards and coordinates their implementation.

The CTSO also has a direct reporting line to the Innovation Champions in the business units and, through this, is reinforcing the steering of the innovation portfolio toward increased sustainability. Clariant regularly reviews its innovation approach as part of its Strategic Management Process (SMP). Sustainability is additionally embedded into the existing management and governance structures as well as into the core processes of the company.

Specialized ESHA teams set the standards for environmental protection and resources. They ensure via audits that the executing business units and country organizations who have full operational responsibility adhere to them.

The Global Function Product Stewardship takes care of health, safety, environmental, and all relevant regulatory aspects of the company's portfolio throughout product life cycles. 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.

Management approach – People

The progress of the material topic Diversity, Equity, and Inclusion (DE&I) within the dimension »people« is steered by the DE&I Steering Team. It is chaired by the Chief Executive Officer and the Chief Human Resources Officer, and it comprises six additional senior leaders. The purpose of the DE&I Steering Team is to set the direction of DE&I and monitor progress and outcomes on a yearly basis. In addition to the global goals, each business unit and global function is establishing specific action plans and will review achievements twice a year. → Read more in »Diversity, Equity, and Inclusion«. To foster an inclusive workplace, Clariant is supporting Employee Resource Groups (ERG), which are sponsored by members of the Executive Leadership Team.

Human Rights are overseen by the Human Rights Committee, which is chaired by the Chief Technology & Sustainability Officer, the General Counsel, or the Chief Human Resources Officer in rotation.

The Human Rights Committee consists of the Chief Executive Officer, the Chief Technology & Sustainability Officer, the Chief Human Resources Officer, the General Counsel, the Head of Group Compliance, the Head of Sustainability Affairs, the Head of ESHA / IGSM, and the Head of Procurement. The Committee will be launched starting in the first quarter of 2024 and will meet quarterly.
→ Read more in »Human and Labor Rights«.

Business ethics has been anchored in the value »act with integrity.« 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, training, and advice. The oversight of the topic is within the quarterly Ethics and Risk Management Committee, which consists of the CEO as its Chair as well as the CFO, the General Counsel, the CHRO, the Head of Group Compliance as its secretary, and Internal Audit as a standing guest.
→ Read more in »Business Ethics and Compliance«.

Policies to guide Clariant toward sustainability:
Based on Clariant's Management Bylaws, Clariant is guided by its corporate values and its Code of Ethics in all its business activities. Its commitment to sustainability is outlined in its Group Sustainability Policy. Clariant is using the Portfolio Value Program (PVP) to assess the innovation projects and portfolio according to its sustainability performance with respect to requirements, often setting targets beyond those outlined in applicable regulations. The standards and guidelines are applied throughout the Group. We promote internationally recognized principles, such as the principles of the UN Global Compact, and comply with international labor and social standards of the International Labor Organization (ILO), as outlined in our Human Rights Policy, and expressly acknowledge International Labor Organization (ILO) Conventions 138 (Minimum Age Convention) and 182 (Worst Forms of Child Labor Convention) as the minimum standard.

The main reporting channel for any indication of bribery, corruption, and money laundering is Clariant's Integrity Line. Reports are handled by the compliance team under the Head of Group Compliance's supervision.
→ Read more in »Business Ethics and Compliance«.

Clariant's commitment toward No Deforestation, No Peat, No Exploitation (NDPE) in the palm oil value chain is outlined in the palm oil policy. Clariant also 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.

Clariant expects its business partners to comply with prevailing laws, regulations, and internationally recognized principles, as also described in our Supplier Code of Ethics.

- Innovation is managed through the Idea-to-Market process, which is the core process within R&D management. → Read more in »Sustainable Innovation and Technological Advances«
- Clariant's social commitment is fostered through its Volunteering Policy, providing employees with paid time off to volunteer in Clariant's communities.

Measures to implement policies that guide Clariant toward sustainability:
Clariant has set environmental targets in its efforts to increase sustainability. All business units have developed roadmaps toward these 2030 sustainability goals. In this context, they defined improvement projects, planned their implementation, and calculated medium-term investments and specific intermediate reduction targets for 2025. Progress toward these targets is monitored regularly. **I**

Sustainability Engagement
An open and constructive dialogue with Clariant's stakeholders and collaboration in numerous sustainability and innovation collaborations activate the company's purpose »Greater chemistry – between people and planet.« → Read more in »Customer Relationships and Dialogue.« By participating actively in sustainability initiatives, such as the World Business Council for Sustainable Development (WBCSD), or the Global Coalition Impact (GCI), Clariant is driving sustainability forward in general. Clariant supports transparency and is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). It also actively participates in external ratings and rankings. The ratings include CDP, EcoVadis, Sustainalytics, and others.
→ Read more in »Clariant on the capital markets.«

Global Impact Coalition
Clariant is one of the founding members of the Global Impact Coalition (GIC), a Swiss-based non-profit organization. The GIC intends to forge partnerships within and across value chains to establish an open collaboration space for transparent dialogue and knowledge-sharing. The initiative will accelerate, incubate, catalyze and scale up projects with a focus on the transformation for sustainability until they are »ready for spin-off« to be pursued further commercially. The GIC was established in 2023 by the LCET initiative (Low-Carbon Emitting Technologies initiative) of the World Economic Forum, of which Clariant was also a founding member.

Sustainability highlights 2023
- The first net zero production plant achieved
- Significant reduction of lost time accident rate (LTAR)
- Strengthen portfolio Value program (PVP) with action-oriented governance for portfolio transformation
- Increased availability of product carbon footprints (PCF)

Clariant engagement in the public policy dialogue

Public policies and new legislation 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. The year 2023 was again marked by an unprecedented number of regulatory developments occurring in several jurisdictions and impacting both the chemical industry and related value chains.

The continuous engagement of Clariant representatives in trade associations, industry coalitions, or sustainability organizations supports the company's sustainability and business strategies. Clariant is active in several policy areas, including chemical management policies; product legislation; climate change and energy; clean mobility; and the bio- and circular economy, through direct advocacy and collective action.

Clariant is a member of numerous trade associations at the international level (ICCA), at the EU level (Cefic), and at the national level (national chemical industry associations such as ABIQUIM in Brazil, CPCIF in China, Verband der Chemischen Industrie (VCI) in Germany, or the American Chemistry Council (ACC) in the USA, and Scienceindustries, the Swiss association for the chemical, pharmaceutical, and biotech industries).

Clariant supports ambitious, science-based, and consistent policies. recognizing the importance of a fit-for-purpose legislative environment that can also enable and incentivize further the chemical industry's transition to net zero, as well as to safer and more sustainable chemicals.

How impacts are managed

Growing demand for sustainability products and solutions

Consumer and customer demand for sustainable products increased again in 2023. In response to 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.

The number of consumers that consider sustainability criteria when buying products continues to increase. In addition, in 2023, Clariant experienced an expansion of industrial goods companies taking sustainability criteria into account in their buying decisions, most frequently to lower their carbon footprint. These trends are expected to endure in the future, driven by an increasing number of companies setting climate-related targets, including scope 3 targets, as well as by increasing pressure to back up sustainability claims of products with robust data.

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

Portfolio Value Program (PVP)

Visit the → »Portfolio Management« site for the full description of the PVP methodology.

014 **KEY AREAS COVERED BY PVP'S 39 CRITERIA**

Raw Materials	Own Production	Use Phase	End of Life
GHG and water footprint	GHG emissions and water consumption	GHG and other emissions and water comsumption	Biodegradability and compostability
Chemical hazard profile	Chemical hazard profile and hazardous waste	Levels of solvents and VOCs	End-of-life evaluation, whether supports reuse or recycling of articles
Use of renewable raw materials, and if food-competing, certified, or genetically modified	Use of recycled material and recycling of side products	Supporting transition to bio-economy	Partnerships and collaboration along the value chain: EU Taxonomy
Impact on biodiversity; sustainable sourcing; traceability and scarcity	Waste generation	Supporting customers to use fewer resources, shift to a circular economy, and use circular packaging	
	Material efficiency	Third certification of product; overall sustainability benefit to customers	
		Waste and wastewater generation	
		Material efficiency and additional performance features	

Since its launch in 2012, the Portfolio Value Program (PVP) has served as a strategic tool for Clariant in evaluating and steering the product and project portfolio toward increased sustainability. The methodology has been upgraded in 2022, and the portfolio is successively screened according to the PVP 2.0 requirements. The PVP screening process employs a comprehensive two-sided assessment approach, comparing each product not only against the market average but also in a holistic evaluation across 39 criteria. Aligned with both present and future sustainability standards, these criteria mirror Clariant's 1+5 priorities, ensuring a robust evaluation that covers a cradle-to-grave perspective → Figure 014.

PVP covers Clariant's innovation process (Idea to Market) through the PVP R&D initiative, ensuring the integration of sustainability considerations at crucial milestones. Any project categorized as 'non-sustainable' is prohibited from progressing within the innovation process until all associated sustainability concerns have been effectively addressed. This stringent requirement underscores our commitment to sustainable innovation.

The PVP screenings play a pivotal role in providing Clariant with insights, offering a comprehensive understanding of sustainability drivers and concerns within our existing and upcoming portfolio. This serves as a proactive early warning system, enabling the identification of solutions that may be vulnerable to regulatory impact and negative market perception. To address sustainability concerns, mitigation options are developed as necessary, reflecting our commitment to responsible business practices.

The PVP establishes a robust foundation of sustainability evidence, anchored in reliable criteria, and verified assessments. This foundation facilitates collaborative engagement with key stakeholders, ensuring a transparent and credible approach to sustainable solutions. Any external sustainability claim is communicated only for products that attain, at the very least, a sustainable rating in the PVP. This approach underscores Clariant's dedication to delivering and communicating sustainable practices with integrity and accountability.

015 **PVP CATEGORIZES THE CLARIANT PORTFOLIO IN FOUR CATEGORIES**

ECOTAIN®	SUSTAINABLE	TRANSITIONAL	NON-SUSTAINABLE
Front-runners of the market segments standing out for their sustainability excellence performance, and which can be distinguished by Clariant's EcoTain® label	Products with a positive sustainability contribution – which, however, typically goes beyond the regulatory requirements	Products for which there are sustainability issues actively being addressed, which means R&D projects, replacement of product with an alternative, amongst other options	Products falling below the Clariant sustainability standard, which then become part of an »Improvement Roadmap« and are closely monitored

016 **KEY FOCUS AREAS REFLECTED IN PVP 2.0**

PVP 1.0	PVP 2.0
— Analysis along Performance, People, and Planet — No differentiation of products according to use phase — Limited analysis of circularity — Limited focus on raw materials — No focus on footprint	— Analysis from raw material to end of life (value chain) — Differentiation of industrial vs. professional/consumer use — Consideration of circularity internally and across the value chain — Increased background information on raw materials — Systematic identification of handprint benefits

According to the product classification, periodic re-screenings are carried out: EcoTain® products are rescreened every two years and sustainable products every five years, while Transitional and Non-Sustainable products have yearly progress checks regarding their roadmaps.

PVP screenings are performed annually throughout the year. During 2023, Clariant's primary focus centered on the implementation of (re)screenings within the business units. Considering the 2022 methodological update which enhanced the capture of sustainability aspects, the target of achieving an 80% screening coverage of sales to third parties in the respective fiscal year was reevaluated: Our strategic emphasis for the year shifted toward either screening or thoroughly reviewing products with notable sustainability claims, as well as those in the R&D phase, regardless of their sales impact. The absence of new EcoTain products and the reclassification of existing ones to the Sustainable category are also credited to streamlining the transition to the upgraded methodology, driven by the heightened approval scrutiny for EcoTain products. The PVP, as a dynamic and evolving initiative, has been further fine-tuned throughout 2023, also following the significant methodological update published in 2022, resulting in improved governance aspects, particularly for Transitional and Non-Sustainable products. This approach underscores our overarching strategy to cultivate a sustainable portfolio that not only aligns with but actively contributes to, value creation and overall growth.

The PVP incorporates the World Business Council for Sustainable Development's (WBCSD) sectoral Portfolio Sustainability Assessment (PSA) framework, reflecting our steadfast commitment to sustainable business practices. Having played a role in the initial development of the PSA framework, Clariant has continued its proactive engagement by collaborating with WBCSD and industry peers throughout 2023 to enhance the framework in its second version. The revised version not only refines existing elements but introduces a comprehensive guide for sustainability assessments during the innovation process. It also proposes an approach for integrating circularity into the assessment process and ensures the framework remains at the forefront of evolving regulatory landscapes by updating thresholds and lists. This elevated level of ambition mirrors Clariant's dedication to sustainability, aligning with the improvements made in our PVP since 2022, with the methodological update.

Regular training on PVP internally as well as with external audiences ensures the level of understanding required. Internal training covered onboarding of new colleagues, department-specific training as well as introduction within the Clariant Innovation Green Belt Training. External training has been customer-specific as well as part of the American Chemical Council (ACC) Innovation Program webinar. In total, the training reached more than 280 people.

SUSTAINABILITY PORTFOLIO CLASSIFICATION

	Total 2023	2022	2021	2020	2019
EcoTain®-awarded products	0	6	18	24	27
EcoTain®-withdrawn products	161	0	3	15 [3]	0
Cumulative number of EcoTain® products	54	215	243 [4]	228 [1]	204 [2]
Product portfolio screened for sustainability performance (sales %)	73	77	78 [2]	76 [2]	76 [2]
Screened products meeting internal sustainability definition (sales %)	80	68	68 [2]	67 [2]	68 [2]
Screened products not meeting internal sustainability definition (sales %)	14	9	10 [2]	10 [2]	8 [2]

[1] Restated due to EcoTain® withdrawals
[2] This number refers to continuing businesses only.
[3] This number refers to discontinued businesses.
[4] This number contains 34 products from discontinued business.

Clariant Designator:
Clariant's product sustainability designators help orient customers and value chains to the sustainability benefits of our products and solutions. They can be found across our sustainable product portfolio and target market and customer needs. In addition to meeting minimum market expectations on sustainability, products, and solutions distinguished with sustainability designators deliver confirmed contributions in some particularly important sustainability areas. For example, renewable resource-based ingredients, plastics recycling, and circularity.

Terra: Found on products and solutions with significant content based on renewable resources, featuring biomass-balance certification or real renewable content of at least 50 % RCI (Renewable Carbon Index).

Vita: Found on products and solutions based on renewable resources, with real renewable content of at least 98 % RCI (Renewable Carbon Index). A biomass-balance approach is not allowed.

Circle: Found on products with the primary purpose of supporting the reduction, reuse, or recycling of plastic products demonstrating a beneficial and validated performance above the market standard.

Overall, the number of products with designators has increased over the past two years, reflecting the increasing interest in clearly distinguishing sustainability-driven products. Especially the number of products with Terra designator has increased in 2023 to 102 different products being offered. Products with Vita designator increased to 78 products while products supporting circularity remained stable at 22.

Progress toward Clariant's sustainability targets

In line with the Science-Based Targets initiative (SBTi), the company's → 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 %

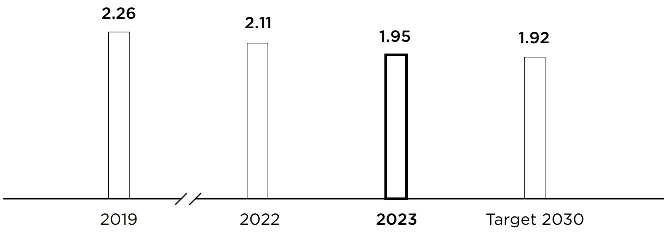
Furthermore, Clariant has set itself more sustainable operations targets for the 2019–2030 period, measured by impact per ton of production:

- 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 %

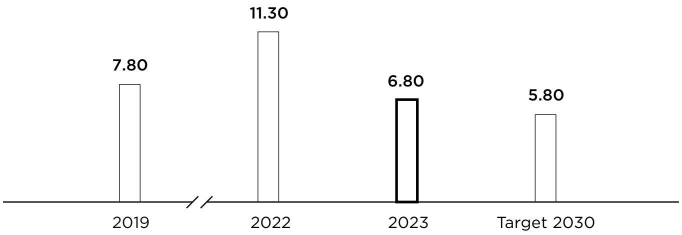
»Our holistic approach to assessing our products not only creates the needed transparency to steer our portfolio but also helps our customers to make informed decisions to shift towards more sustainable alternatives.«

Bettina Siggelkow
Head of Sustainability Affairs

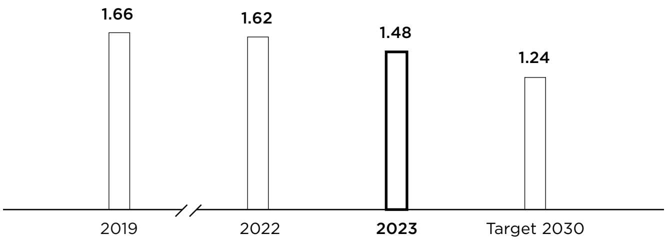
017 **PROGRESS TOWARD 2030 TARGETS**



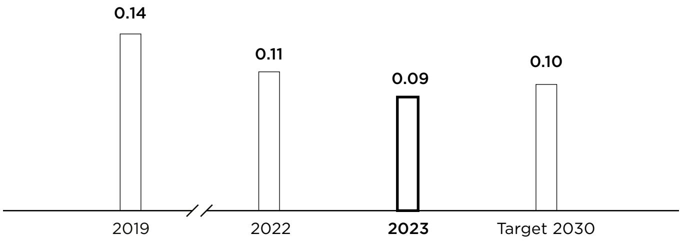
Water intake
in m³ per t produced goods, corresponding to -14 % since 2019



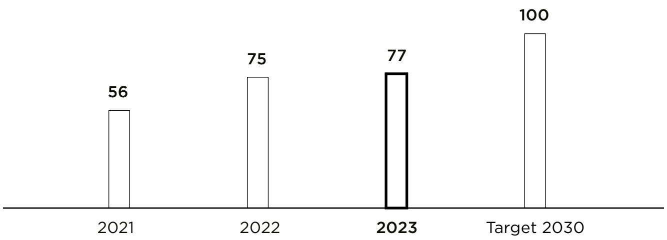
Hazardous waste generation
in kg per t produced goods, corresponding to -13 % since 2019



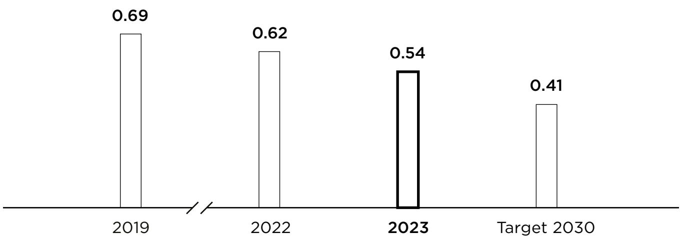
Wastewater generation
in m³ per t produced goods, corresponding to -11 % since 2019



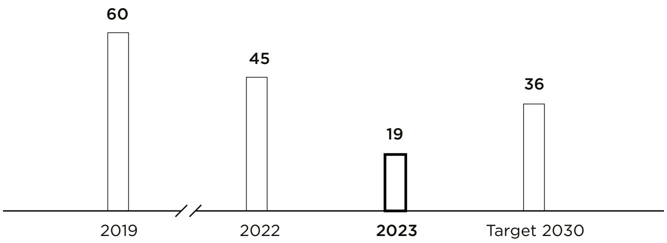
NO_x emissions
in kg per t produced goods, corresponding to -39 % since 2019



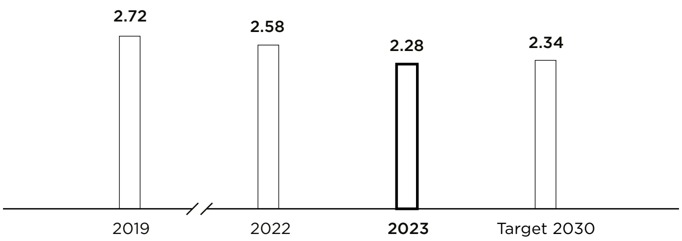
Sites in areas of high water stress that apply advanced water management
in %, target established in 2021



Scope 1 and 2 GHG emissions market-based excluding biogenic emissions
in m t CO_2e, corresponding to -22 % since 2019



Nonhazardous waste generation
in kg per t produced goods, corresponding to -69 % since 2019



Scope 3 GHG emissions for purchased goods and services (Category 1)
in m t CO_2e, corresponding to –16 % since 2019

All diagrams refer to the production activities of continuing busines only (without Pigments).

Sustainability progress

Expenditures for environment, safety, and health protection are the bases, to support Clariant's ambitious targets to keep the environmental performance. In 2023, investments related to environment, safety, and health increased and amounted to CHF 44.2 million including CHF 21.0 million for environmental protection. The expenditures for environment, safety, and health protection in operative facilities reduced, amongst other reasons due to cost efficiency measures to CHF 99.9 million, including CHF 59.7 million for environmental protection.

Overall Clariant is well on track to achieve its 2030 emission reduction targets. For scope 1 and 2 emissions, since 2019 there has been a 22 % absolute reduction, which brings Clariant ahead of the trajectory towards Clariant's goal of a 40 % reduction by 2030.

Notably, our Bonthapally site in India has already achieved net-zero scope 1 and 2 emissions, becoming Clariant's first production site to reach this milestone. For scope 3 category 1 emissions from purchased goods and services, we have exceeded expectations, achieving a 16 % emission reduction since 2019, surpassing our 2030 target of a 14 % reduction compared to 2019 levels. The decline in scope 3 emissions is partly attributable to decreased purchasing volumes across certain business segments, driven by lower demand and effective inventory management as well as the executed divestments in 2023. Clariant continues to improve transparency and understand emission drivers within the supply chain, as purchased goods and services contribute significantly to potential carbon emission reductions. Prioritized projects focused on impactful raw materials and have helped reduce scope 3 category 1 emissions in 2023 accounting for almost 40% of the net reduction in 2023 vs 2022.

Progress towards the sustainable operations targets is well on track. The impact is measured per ton of production. Water intake reduction corresponds to -14% since 2019 and wastewater generation to -11% since 2019. The specific water intake reduction and specific wastewater generation are well on track towards the 2030 target. Progress was achieved through both, savings from projects as well as portfolio effects.

Due to the implementation of sun drying in relevant segments, the use of coal and the corresponding generation of hazardous waste and NO_x emissions could be significantly reduced. With the implementation, Clariant has reduced the specific hazardous waste by 40% vs. 2022 and by 13% since 2019 and is back on its trajectory to achieve -25% hazardous waste reduction in 2030 compared to 2019; further efforts need to be implemented towards the 2030 target. The specific NO_x emission reduction has in 2023 already exceeded its 2030 target.

Clariant also exceeded its target to reduce landfilled nonhazardous waste measured per ton of production between 2019 and 2030 by -40%. In 2023, Clariant achieved a reduction of -59% vs 2022, mainly through the implementation of projects at two sites, for which a byproduct could be qualified for a second life, and thus referred from landfilling. Overall, in 2023 the specific nonhazardous waste generation could be reduced by 69% against the 2019 baseline.

In 2023, 77% of sites in areas of high water stress applied advanced water management. This reflects a continuous improvement since the baseline was established in 2021 and the result is well on track toward the 100% target in 2030.

Like in the previous year, Clariant's ambitions gained external recognition again in 2023 as Clariant was listed in the Dow Jones Sustainability Indices (DJSI) and the S&P Sustainability Yearbook. Its efforts in innovation and sustainability are also acknowledged through reputable awards such as the Gold Prize at the in-cosmetics Green Ingredients Awards 2023 for natural active ingredient Rootness® Awake or the SAP Quality Awards 2023 in the Sustainability category for the development and launch of the Climate tool. → Read more in »Sustainable Innovation and Technological Advances.« Clariant also launched its podcast »Sustainability Shift,« featuring discussions about sustainability with external guests. In 2023 five episodes have been published, with more expected in 2024.

Read more about new Clariant products launched in 2023 with significant sustainability benefits in the individual chapters.

Through its corporate citizenship activities, Clariant is creating a positive impact across the globe, particularly in the communities around the sites. Clariant's Volunteering Policy allows each employee to spend a day on volunteering activities of their choice. In 2023 a variety of volunteering work has been conducted around the globe on different activities like tree planting, waste collection, or social support by Clariant's employees.

018 **EXAMPLES OF CORPORATE CITIZENSHIP ACTIVITIES**

— Clariant Foundation donation after earthquake in Türkiye and Northern Syria
— Opening of vocational training center in Kashipur, India
— Participation in urban forestation initiative in Navi Mumbai, India
— Supporting local "School of Sports Project" in Minas Gerais region, Brazil
— Participation in World Clean Up Day by Clariant employees in Poland, Switzerland, and China

Business Ethics and Compliance

»Business ethics and compliance« refers to ethical, responsible, and integrity-based behavior regarding, for example, management, procurement, marketing, and sales. It also involves complying with legal and regulatory frameworks on accounting and taxation, anti-competitive practices, anti-money laundering, anti-bribery and corruption, lobbying and political involvement, and intellectual property rights.

Clariant is a high-performance company that aims to act 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 win the trust of business partners and customers.

»In 2023, Clariant emphasized enhancing its compliance and speak-up cultures, recognizing their fundamental importance. The absence of these cultures poses a risk of ethics and compliance incidents, potentially damaging stakeholder trust, which is vital for the company's existence.«

Judith Bischof
General Counsel
Member of the ELT

Management approach

In the company's purpose and values, business ethics has been anchored in the value »act with integrity.« Clariant's Business Units and Global Functions are responsible for ensuring compliance with laws, regulations and all Clariant internal policies. Group Compliance promotes an ethics-based culture and assists Business Units and Global Functions to promote and foster the ethics-based foundation of that culture by providing the Ethics and Integrity Framework, communication, tools, trainings, and advice.

For this, Clariant has a full-time Head of Group Compliance, full- or part-time Regional Compliance Officers in each region, Country Compliance Officers, a Compliance Project Manager, a Compliance Communication and Learning Manager, a Head of Group Privacy, a Head of Information Security and a Head of Antitrust. The Group Compliance team gets support from Global Function Legal, Environmental Safety and Health Affairs (ESHA), Technology & Sustainability, Product Stewardship, Enterprise Risk Management (ERM), and Internal Control over Financial Reporting. These insights help to ingrain a culture of ethics and integrity throughout the organization and provide assurance on the overall program.

In 2023, one focus of Group Compliance was on further strengthening the compliance culture and fostering the speak-up culture, which is of fundamental importance to encourage our employees around the globe to keep Clariant a great place to work and keep the trust of our customers and other stakeholders alike. The team also continued to digitalize internal processes such as training development, translation or screening of tools (e.g., in the area of third-party due diligence and data privacy), thus improving the efficiency of these processes.

Group Compliance also rearranged the setup of Clariant's Ethics and Risk Management Committee (ERMC, which was the former Executive Subcommittee Ethics & Risk). As before, the ERMC consists of the CEO as its Chair, as well as the CFO, the General Counsel, the Chief Human Resources Officer, the Head of Group Compliance as its secretary, and Internal Audit as a standing guest.

Furthermore, a focused Regional Ethics and Risk Management Committee (RERMC) was introduced for each region. The RERMC ensure a holistic oversight of compliance matters in the respective regions and has the task to set the strategy for each region, implement global initiatives, and review the implementation, and agree on focus areas based on lessons learned from investigations for continuous improvement. In the regions, the Chair of the RERMC is the respective Business Unit President. Other members are Regional HR, Legal, Finance, and Compliance. The Regional Compliance Officer also acts as RERMC secretary.

Policies

Clariant's Strategic Compliance 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 Compliance Roadmap is the overarching document to implement Clariant's 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 22 key performance indicators from these categories, which the Executive Committee and the Audit Committee set in 2018. The roadmap has continued to be in effect throughout the reporting year. Updates on progress and measures are provided quarterly to the ERMC 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 Compliance Roadmap annually.

Code of Ethics

A central instrument to ensure ethical behavior under the roof of the roadmap is Clariant's »We Reflect Ourselves« Code of Ethics. It outlines the company's ethical commitments and guides employees in their decisions and actions. It also contains a clear commitment to human rights. To ensure that our employees have access to and understand the Code of Ethics, it is available in all major languages relevant to Clariant's business operations. A Code of Ethics Resource Center is available to resolve dilemmas, get input for team meetings, scenarios, videos, and other materials.

The Code of Ethics lays out Clariant's investigation process, which is described in the Investigation Policy. The process has a nine-step approach, which applies to all reported concerns and breaches of the Code of Ethics. Global functions (Group Compliance, Human Resources, Internal Audit, ESHA / IGSM, and other functions where appropriate) are entitled to lead investigations assigned to them and have received appropriate training. Remediation lies with the global ERMC and the regional RERMC. The company tracks the number and type of process changes made in response to allegations.

019 **NINE-STEP APPROACH**

1 IDENTIFY AND REPORT

Report your concerns or observed misconduct to Management, Legal, HR, Compliance, or anonymously to the Integrity Line (IL). Third parties can use the Clariant Integrity Line as well. Do not start to investigate by yourself.

2 REGISTER AND ASSIGN

All cases are registered in the IL Case Management Tool.

If reported out of IL, the case will be registered by Management or Compliance.

The case gets assigned through IL to the Case Manager (CM) of the respective function.

3 PRE-ASSESS

The CM makes plausibility checks, reviews evidence, requests more information, and evaluates whether an investigation should be started. If so, an investigation will be conducted. If not, the case will be closed.

If reported anonymously, the reporter is requested to safeguard the login details to keep the anonymous communication channel open.

4 DEVELOP INVESTIGATION PLAN / FORM INVESTIGATION TEAM

The CM forms the team and agrees on the scope of the investigation.

5 INVESTIGATION FACTFINDING

The CM leads the execution of the investigation plan – the discovery phase, interviews, documentation, reviews, etc.

6 INVESTIGATION REPORT

The CM reports on the investigation's facts and findings and addresses the recommended actions according to the sanctioning matrix.

7 RESOLUTION OF THE CASE

The regional or global Ethics & Risk Management Committees review the investigation report and decide on corrective and/or disciplinary measures. Decisions are never taken by one person only.

8 SHARING OF LESSONS LEARNED

The CM performs a root cause analysis and shares with key stakeholders the lessons learned.

9 CLOSING THE CASE

After the resolution is implemented, the CM documents relevant facts, findings, root causes, and lessons learned with the IL and closes the case.

The outcome and investigation details are strictly confidential and will not be shared with the reporter. The reporter will be notified that the case has been reviewed and closed.

Anti-bribery, anti-corruption, antitrust

Clariant's Anti-Bribery, Anti-Corruption, and Anti-Money Laundering Policy (ABC AML Policy) reflects Clariant's commitment to conducting fair and transparent business. It explains how Clariant defines bribery, corruption, improper advantages, money laundering, and fraud. Furthermore, the policy provides instructions to employees when receiving or planning to provide gifts or entertainment and when interacting with public officials. Regarding third-party selection and qualification, the policy lays out a compulsory due diligence process and »red flags« to consider. The policy also provides »red flags« in relation to money laundering.

In sum, the ABC AML Policy provides information and guidance on how to recognize and deal with bribery, corruption, and money laundering and ensures that all employees have a clear and consistent understanding of their responsibility to follow this policy, in addition to anti-bribery and anti-corruption laws, rules, and regulations existing in, or applying to, jurisdictions in which Clariant operates, including the OECD Convention on Combating Bribery, the Swiss Penal Code, the UK Bribery Act, and the US Foreign Corrupt Practices Act.

As all policies, the ABC AML Policy applies to all Clariant employees and Clariant Group companies. It also sets out standards to be adhered to by organizations representing or acting on behalf of Clariant in the public or the private sector and all third parties or stakeholders Clariant collaborates with. The ABC AML Policy is available to all employees and third parties if required.

In addition to its global ABC AML Policy, and its Gifts and Entertainment 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.

Anti-fraud

In line with the commitments to ethics and integrity stated in the Code of Ethics, Clariant does not initiate or participate in any type of fraud. To facilitate the prevention and detection of fraud, Clariant's Anti-Fraud Policy provides general guidance and defines key principles, tools, controls, roles, and responsibilities regarding fraud that must be followed by all Clariant employees.

Clariant's Anti-Fraud Policy contains a »three lines of defense against fraud« model, with clear roles and responsibilities. The business units and Global functions, representing the first line in this model, are responsible for periodic risk assessments and the implementation of anti-fraud actions. Compliance, the second line of defense, oversees the policy's processes and supports the first line of defense in defining actions. Internal Audit represents the third line of defense. It provides independent assurance and audits policy adherence.

Third-party due diligence

Compliance and ethical values apply not only to Clariant's own operations, but also to third parties acting for or on behalf of Clariant, such as 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.

Clariant's Third Party Due Diligence Guideline applies to all Clariant entities and employees worldwide and sets out the standard process to be followed for engaging third parties in scope. This guideline applies to the engagement of third parties that are a company or an individual that acts for or on behalf of Clariant either in the private or in the public sector. This includes but is not limited to, companies or individuals that represent Clariant in front of private or public officials or governmental bodies.

Clariant Group Compliance also supports the activities regarding human rights. Clariant is committed to enhancing its existing activities, proving its commitment to and continued focus on human rights in its own operations and the supply chain.

Information security and data privacy

Clariant has established an Information Security Program to create awareness and train employees on the appropriate use of data. The Information Security Program 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 the 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/Viva Engage, etc.) make important information directly available to end users (push and pull principle).

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, Communications, Marketing, IT, and Sales, and to introduce new employees to 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.

Measures taken to implement the policies

Together with the Code of Ethics, Clariant launched a global tool called »Integrity 'Yes'-Check«. It helps employees to ask questions related to their daily work 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 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 responsibly.
- We take care of our resources.

INTEGRITY LINE

	2023	2022	2021	2020	2019
Cases submitted via the anonymous Integrity Line	**112**	**120**	**82**	**64**	**99**
thereof fully or partially substantiated	29	22	31	17	8
thereof closed during the year	81	69	56	38	31
Questions submitted via the anonymous Integrity Line	**27**	**20**	**13**	**9**	**17**
Total submissions	**139**	**140**	**95**	**73**	**116**

In 2023, Group Compliance continued the rollout of a new Code of Ethics e-learning to promote greater understanding and explore the principles and values of Clariant's Code of Ethics.

The ABC AML Policy was also rolled out in 2023. This took place through a series of publications, Yammer/Viva Engage posts, and articles in our Ethics Journal. An e-learning was also created and distributed to all employees who are susceptible to bribery and corruption in their line of work.

Training and communication

Clariant has set a target of completion of mandatory compliance trainings as part of employee performance management. The company offers regular e-learning courses on the Code of Ethics, anti-bribery and anti-corruption, trade compliance, data privacy, and information security, as well as microlearning on gifts and entertainment, speaking up, nonretaliation, the Integrity Line, third-party risks, bribery and corruption, conflict of interest, and theft and misuse of sensitive information.

Special target groups, like employees with higher exposure, receive further face-to-face trainings or targeted e-learning. 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. It was put into practice in 2022. In 2023, Group Compliance added new awareness trainings on data privacy, information security, anti-bribery, anti-corruption and anti-money laundering, and gifts and entertainment to the curriculum.

In 2023, more than 95% of Clariant employees successfully completed all compliance trainings.

Clariant Integrity Line

An important reporting channel for any indication of violation of Clariant's Code of Ethics or its policies is Clariant's Integrity Line. Reports are handled by the Group Compliance team under the Head of Group Compliance's supervision. Through this independent, third party-operated platform, employees and business partners can confidentially report malpractices, violations of the Code of Ethics, and workplace-related compliance issues. Reports can be made anonymously, if preferred. It is available in multiple languages 24/7 via an easy-to-use online portal. The Integrity Line was adapted to the legal requirements of the EU whistleblower directive. Reporters located in one of the countries in scope can choose if they want a local case manager to look into their report or if they want the global team to handle their case. Furthermore, a retaliation check has been activated, which allows reporters to inform about potential retaliation.

Global monitoring of data privacy regulation

To improve Data Privacy, Clariant continued to review its Data Privacy strategy »Think Privacy 2.0,« in 2023. The strategy rests on 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. In compliance with GDPR requirements for the management of personal data, Clariant has integrated the information life cycle management (ILM) concept into its SAP system. Clariant permanently monitors regulatory changes to, or introductions of, legal frameworks to protect the data privacy rights of individuals and legal entities across all jurisdictions and takes necessary measures. In 2023, Clariant monitored developments of data protection legislation in China, India, Europe, and the US particularly closely. These will remain in focus in 2024.

Risks related to business ethics and compliance

Regarding corruption and bribery, Clariant annually conducts an overall assessment. It particularly investigates corruption risks during reviews of high-risk businesses in high-risk environments with high-risk customers. This includes operations related the oil and gas business in the Middle East or overall operations in China and Venezuela.

Clariant assesses third parties against a predefined risk model: Enhanced due diligence is required for medium- and high-risk business partners. All business partners must confirm, however, that they have an appropriate compliance framework in place. They are also required to complete a relevant training program provided by Clariant. The process of assessing the supplier base was reviewed and updated in 2023.

Compliance incidents

In 2023, Clariant received 27 questions and 112 reports through its Integrity Line. One case can relate to several issue types. Of the reports, 81 were related to business integrity, 56 to the treatment of employees (of which 33 related to the same concern), 5 to health and safety or environmental violations, and the remaining cases related to quality concerns, and others. 29 cases were partially or fully substantiated. 40 cases were unsubstantiated.

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES[4]

	Total 2023	2022	2021	2020	2019
Percentage of members of the Board informed about anti-corruption policies (%)[4]	100	100	100	50	100
Percentage of employees informed about anti-corruption policies (%)[4, 5]	100	99	3	14	90
Percentage of business partners informed about anti-corruption policies (%)[4]	80[1]	80[1]	70	60	60
Percentage of members of the Board who received anti-corruption training (%)[4]	91	36[2]	100	50	100
Percentage of employees who received anti-corruption training (%)[4]	95	98	3	14	86
Percentage of employees who received compliance training (%)	98	98	81	14	86
Number of completed trainings on elements of the Group Compliance Programs	72 655[3]	28 649[3]	11 751[3]	n.a.	n.a.

1 80% is an estimation based analysis run on our business partners
2 In 2022 the training was held for the Audit Committee.
3 This number represents the number of trainings completed by employees with a Clariant e-mail. In this number there are double headcounts, as one employee has been invited several times for different compliance e-learnings.
4 Considering the complexity of the KPI, Clariant omits the KPI's total and split by region, category or business type.
5 This number refers to employees with a Clariant e-mail.

The stabilization of the number of reports received demonstrates that the speak-up culture that Clariant has adopted since 2018 continues to foster. The company has worked on the communication, training and also on delivering to what we promise to our colleagues.

Depending on the severity of the substantiated compliance matters, the ERMC and the RERMC decide to implement appropriate measures, such as counseling, warning letters or termination notices.

Noncompliance

In 2023, nine allegations regarding bribery, corruption, and kickbacks were brought forward. According to the investigations conducted, all allegations turned out to be unsubstantiated. There were no legal proceedings against Clariant or its employees for alleged corruption. Clariant did terminate the relationship with two business partners (agents, distributors, or consultants).

Anti-competitive behavior

In 2023, the pending annulment action relating to infringement of competition law on the ethylene purchasing market (which was sanctioned by the European Commission in July 2020) was closed with no financial impacts. Two civil damages claim relating to the same conduct are reported in the financial report.

Compliance with laws and regulations

In 2023, Clariant received a fine of CHF 150 000 for negligent noncompliance with IFRS accounting principles. This marked the end to Clariant's 2022 investigation of accounting issues.

Trainings

In 2023, a total of 72 655 trainings were completed on elements of the Group Compliance programs.

Clariant also continues to regularly train its employees in antitrust matters with global webinars and class-room trainings.

Substances of Concern and 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 takeoff point for its 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. |

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 emerging regulatory issues that are relevant to the marketing of Clariant's portfolio.

Sustainability leadership, however, goes even further than assessing human health and environmental safety. Therefore, Clariant focuses closely on continuously steering its environmental performance toward increased sustainability and setting new environmental benchmarks through leading-edge operations and innovation. With the company's vision to become climate-neutral by 2050, it has set itself ambitious targets that allow it to measure its success based on clearly defined metrics and milestones. 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 all innovation projects against strict and forward-looking sustainability criteria, Clariant aims to develop more sustainable and innovative solutions that support long-term value creation.

✓I Handling chemicals responsibly and safely is key for Clariant's portfolio risk and opportunity management process. This applies to – but is not limited to – handling so-called Substances of Concern (SoC) and Substances of Very High Concern (SVHC), which Clariant identified as material topics. I The portfolio risk and opportunity management process enables the company to serve markets with innovative and sustainable products that align with regulatory requirements, while also responding to market trends.

✓I Definition of SoC and SVHC

SoCs are defined in the Council of the European Union's Interinstitutional File 2022/0095(COD) on the subject of »Regulation establishing a framework for setting ecodesign requirements for sustainable products and repealing Directive 2009/125/EC – Analysis of the final compromise text for an agreement« of 19 December 2023. This document is part of the legislative process for the EU's intended Ecodesign for Sustainable Products Regulation (ESPR). In this draft regulation, the category of SoCs serves to facilitate recyclability (communication of SoCs in products). Conversely, the category of SVHCs serves to address the safety and prioritization of substances for regulatory action, as defined by the EU REACH (European Union Registration, Evaluation, Authorization, and Restriction of Chemicals) Regulation.

Management approach for product stewardship regarding hazardous or polluting substances

The Global Function Product Stewardship takes care of health, safety, environmental, and all relevant 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, including SoCs and SVHCs. I

The company has embedded its product stewardship practices into the innovation process (see chapter »Idea to Market,«) guaranteeing that chemical safety and regulatory compliance concerning all substances are considered throughout the entire product life cycle: Product Stewardship and Sustainability Transformation are involved early in the innovation process to assure from the beginning that the product developed will be safe and sustainable by design (see chapters PVP R&D and PVP). Product Stewardship also ensures adequate communication in the value chain on the safe use and handling of products. Furthermore, Product Stewardship and Sustainability Transformation jointly address advocacy challenges to tackle the wave of additional legislation on chemical substances envisaged by the Green Deal in Europe and other regions likely following.

✓I Evaluating the 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. Product Stewardship also forms an important part of the indicators for the assessment of Clariant's environmental sustainability pillar by ESG rating agencies, such as Sustainalytics, MSCI, and others. I

Senior Product Stewardship experts: connecting the dots

For each business unit, a senior Product Stewardship expert (BU Business Partner) with sound knowledge of the product portfolio of the respective business unit is assigned. This guarantees that business units' product stewardship issues, including issues related to microplastics, SoCs and SVHCs, will be tackled and solved in an efficient and cost-optimized way. The expert also has a profound knowledge of the company and excellent communication skills to ensure that the product stewardship strategy is communicated and implemented in the business unit, and to advocate Clariant's interests outside of the company. The senior expert plays a key role in helping to prevent reputational or legal risks, increasing customer satisfaction, and ensuring proper communication of the value chain requirements.

Internally, the BU Business Partner receives full support from all Product Stewardship functions. Any new business information (strategy, portfolio, R&D developments) is conveyed to Product Stewardship, enabling the supervision of all aspects of a product or portfolio – e.g., regulatory matters from cradle to end of life for the respective portfolio or toxicology/ecotoxicology.

Networking skills are also crucial to the BU Business Partner. Product Stewardship shapes Clariant's positioning in chemical associations in view of chemical management development – in close cooperation with Sustainability Transformation. The BU Business Partners assume proactive regulatory product advocacy in external (chemical) associations on a country (e.g., VCI), regional (e.g., Cefic, ACC), and global level (ICCA).

✓I Risks and policies related to SoCs

As ESPR is still not fully finalized (in discussion among the Commission, Council, and the EU Parliament), the main risk related to SoCs is a lack of preparedness for future regulation. Consequently, Clariant keeps closely monitoring the development of SoCs and ensures full transparency to all stakeholders.

Risks and policies related to SVHCs

The main risks for SVHCs are in the areas of penalties for regulatory violations and health & safety concerns for handlers. Clariant fully commits to the targets of the EU REACH (European Union Registration, Evaluation, Authorization, and Restriction of Chemicals) Regulation, which addresses SVHCs.

Clariant manages SVHCs by minimizing their use, implementing strict safety protocols to avoid exposure, training workers, complying with regulations, and proactively seeking alternatives that are safer for human health and the environment. Where appropriate, Clariant recommends human biomonitoring to some of its staff to verify that there has not been any exposure to critical substances. I

020 **BU BUSINESS PARTNER – CONNECTING INTERNAL AND EXTERNAL STAKEHOLDERS**

Input for BU Business Partner

— Product expertise
— BU expertise
— Company strategy
— Product stewardship strategy
— R&D news
— Portfolio strategy
— Toxicology

BU Business Partner

The many roles of a BU Business Partner

INTERNAL
— Project coordination of BU products' regulatory marketability
— Communication of portfolio marketability strategy
— Communication of value chain requirements
— Ensuring regulatory customer support
— Communication of retailer standards

EXTERNAL
— Business consulting
— Customer consulting (legal, reputational)
— Networking in associations

✓I Although there are differences among regulations in various Countries/Regions/Markets, the EU REACH SVHCs list, being currently the most comprehensive, is used as the reference for Clariant's PVP process.

Whenever substances are identified as new SVHCs or new relevant information is available, the PVP approach applies to identify which portion of Clariant's portfolio is affected. I

KPIs Related to SVHCs

✓I In 2023, approximately 8.02% of Clariant products contained SVHCs in their composition, out of which 4.42% were found in Catalysts, 2.72% in Care Chemicals, and 0.88% in Additives and Adsorbents.

A Strategic Management Process is in place to reduce the proportion of SVHCs within Clariant's product portfolio and to monitor the status of this transformation through the various systems and processes. Any product with at least one SVHC included in its composition is under scrutiny in the PVP. Clariant updates and publishes lists of priority substances monthly and performs impact assessments in case of changes in regulations of chemicals. I

Policies related to value chain communication between Clariant and its customers

The Customer Support (CS) function ensures business support for product stewardship-related communication to customers. CS collects regulatory data to assess the relevant regulatory status of products and ensure legal compliance for customers. The CS function determines and communicates the regulatory status to satisfy customer demand and ensures traceable archiving of customer requests and product stewardship confirmations and statements. There were more than 12 000 individual customer requests in 2023.

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

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

A close relationship with customers is maintained, and all REACH-relevant information is provided. Comprehensive customer support services ensure compliance with the strict communication requirements set by REACH regarding the use of products in the customer chain.

Clariant goes beyond compliance with regulatory requirements: 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.

Policies related to microplastics

Clariant identified microplastics as another material topic. As microplastics do not biodegrade, they stay in the environment for a long time, and they might end up in the food chain. Clariant is committed to preventing the release of plastic waste, including microplastics, in oceans, rivers, and other natural systems. The company offers solutions for mechanical recycling, dissolution and depolymerization processes, and chemical recycling. For more information, see the chapter »Circular Economy.«

The European Commission announced measures to restrict microplastics intentionally added to products under the EU chemical legislation REACH in September 2023. Clariant closely followed the discussion on microplastics, and in alignment with its value chain partners, Product Stewardship screened the overall portfolio to identify potential products releasing microplastics into the environment, based on solubility and biodegradability criteria.

Policies related to 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 the demands of a modern and globalized society.

Clariant considers the application of genetically modified organisms (GMOs) as part of its technology portfolio for more sustainable and efficient production processes, particularly 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. As of 2022, no more products of the Clariant portfolio contain GMOs.

Policies related to animal welfare

The need to ensure proper product safety testing as well as maintaining and respecting animal and environmental welfare are both issues of great societal and ethical concern and subject to regulation and mandatory obligations. It is Clariant's responsibility to not only ensure the safety of its products for human health and the environment but to also promote animal welfare. Clariant is committed to ensure animal welfare; and the 3R principles – i.e., to Replace, Reduce and Refine animal testing – and actively pursue and promote their application.

Clariant is also committed to supporting the development of alternative testing methods and New-Approach-Methodologies (NAMs). Clariant is therefore proactively engaged – directly or through industry associations – in scientific and regulatory exchanges to promote the development of alternative test systems and support the validation process of these non-animal methods. Clariant has set up an internal framework and specific procedures, including an internal Animal Testing Advisory Board, to ensure the overall evaluation of the third parties used for animal testing in studies where animal testing is legally required or cannot be avoided otherwise, and the overall implementation of our commitments in relation to animal welfare considerations. Clariant's toxicology experts also actively follow scientific and regulatory developments, and the members of the Advisory Board ensure the regular review of our practices where updates may be needed in accordance with the latest scientific and regulatory developments and practices.

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 assessments. 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.

→ More information is available in Clariant's Animal Welfare Position Paper at www.clariant.com/en/Sustainability/Safe-and-Sustainable-Solutions/Chemicals-and-Evaluation#

Furthermore, since 2022, Clariant has been engaged in a partnership with the IUF Leibniz Research Institute for Environmental Medicine to develop an in vitro assay battery to characterize chemical effects on the development and function of immune cells as part of the so-called »T-cell-dependent antibody response.« In addition, Clariant has collaborated with the University of Potsdam, resulting in an in vitro screening assay for developmental impacts of chemicals on dendritic cells, a different type of immune cell. Moreover, Clariant toxicologists support the development of a new in vitro eye irritation assay in collaboration with the Fraunhofer Society, the German Federal Institute for Risk Assessment (BfR), and the Goethe University Frankfurt. To advance the 3R principle, the Clariant toxicology and ecotoxicology team is involved in the implementation of an array of digital technologies (»Computational Toxicology«), including quantitative structure-activity relationship (QSAR) methodologies and data integration.

✓I Incidents of noncompliance

In 2023, there were no fines, penalties, or warnings resulting from incidents of noncompliance with regulations or voluntary codes concerning product and service information and labeling.

Health and safety impacts of products and services

In 2023, 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 2023, Clariant had no incidences of noncompliance with regulations or voluntary codes concerning marketing communications. I

Sustainable Innovation and Technological Advances

»Sustainable Innovation / Innovation and Technological Advances« is a material topic for Clariant. Innovative chemistry is strongly anchored as one of the four dimensions in Clariant's purpose: »Greater chemistry – between people and planet.« Clariant tackles emerging macrotrends to stay ahead in dynamic markets, creates high-performing solutions for ever-changing customer needs, and drives profitable growth in all its businesses.

Innovation supports »leading in sustainability,« a dimension of Clariant's purpose. The company's cutting-edge innovations meet the increasing demand for sustainability performance and create long-term value for Clariant's stakeholders. Innovation provides the capabilities to position Clariant and its customers at the forefront of a sustainable world.

Innovation activities at Clariant focus on products, processes, and services along 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

✓I Clariant's Innovation and Sustainability Meeting (ISM) 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 the CTSO, the ISM comprises the business units' Innovation heads, the Head of Sustainability Transformation, as well as the CEO and the board delegate of the Innovation and Sustainability Committee (ISC) as permanent guests. Other key functions join upon invitation. **I**

The ISM is focused on: reviewing Clariant's sustainability, innovation, and technology strategy; ensuring that value creation is sustainability-focused and market- and consumer-driven; challenging the effectiveness and efficiency of strategy execution; deciding on global or regional cross-business unit programs, projects, and initiatives; and acting as an advisory platform to the Executive Leadership Team (ELT).

In 2023, Clariant Global Function Technology & Sustainability (T&S, formerly GIS) introduced structural changes to strengthen the link between innovation and sustainability. T&S now consists of the following departments: Environment Safety and Health Affairs (ESHA) / Integrated Group System Management (IGSM), Global Product Stewardship, Analytical Sciences, and Sustainability Transformation. The Sustainability Transformation team manages Clariant's innovation- and sustainability-related processes, tools, and reporting. Clariant regularly reviews its innovation approach as part of its Strategic Management Process.

In each business unit, the Head of Innovation steers innovation activities, including annual BU innovation target setting, R&D budgets, resource allocation, personnel, I2M (Idea to market) process and strategic IP portfolio management.

✓I Policies

1. Global Function Policy: T&S

Consistent with Clariant's Management Bylaws, T&S defines its Global Function Policy, comprising its scope, management structure, authorities, delegation of responsibilities, and risk management.

Hierarchically, the Global Function Policy ranks below and is in line with Clariant's Management Bylaws, but above other mandatory document categories issued by the Global Function, such as Subject Matter Policies, Process Instructions, Standard Operating Procedures, and Instructions. **I**

The policy was released in 2023. It defines the roles and responsibilities of the Global Function Sustainability Transformation, including corporate innovation sales and margin tracking, I2M innovation training, innovation target and KPI proposals, etc. The Sustainability Transformation Unit is accountable for corporate innovation processes, including I2M and tools. It provides hands-on project support for strategic sustainability-driven innovation projects by using agile customer-focused innovation approaches, and is responsible for leading corporate sustainability process implementation projects.

✓I 2. Innovation handbook

The innovation handbook provides the innovation practitioners within Clariant and stakeholders with an overview of the company's innovation policy and defines its innovation processes and tools. It covers topics such as innovation definition, the Idea-to-Market process, innovation culture, governance, innovation portfolio management, and project management tools. The innovation setup is described in the section on the Idea-to-Market process (Stage Gate), project portfolio management, innovation governance, and the metrics used to measure innovation success. **I**

The goal of this handbook is to provide the innovation practitioners within Clariant (Project Leader, Innovation Champion, Project Champion, and team members) and stakeholders with an overview of the innovation setup.

This handbook is a living document and is regularly updated. Feedback regarding the handbook and the innovation processes is encouraged and is meant to help to continuously improve the processes which allow Clariant to find and develop innovations more effectively and efficiently.

Measures

✓I Clariant's measures to implement its innovation and sustainability policies can be summarized into ten themes:

- Develop and implement innovation strategy
- Develop technology platforms with market-relevant state-of-the-art capabilities
- Focus on key areas of innovation
- Fill the innovation pipeline
- Fully utilize the global innovation network
- Foster innovation culture
- Maximize return on innovation applying a systematic innovation process
- Design for safety and sustainability – PVP R&D
- Stringent IP management for innovation
- Strengthen collaborations. **I**

✓I Develop and implement innovation strategy

Clariant's innovation and sustainability strategy is driven by Clariant's purpose »Greater chemistry – between people and planet.« It is reviewed by the Board of Directors' Innovation and Sustainability Committee every three years through the Strategic Management Process (SMP) of the business units (BUs). As part of the overall BU strategy, each business unit develops its BU innovation strategy, which consists of growth focus areas, growth aspirations, and roadmaps. It allocates resources and funds to the focus areas after assessing their attractiveness along with their fit with the sustainability strategy. Then the BU sets annual innovation targets in accordance with the approved innovation strategies. I

Develop technology platforms with market-relevant state-of-the-art capabilities

Clariant's competitive advantage comes from its various technology platforms and the many years of R&D invested in developing the company's capabilities. ✓I Clariant has structured its R&D activities along six technology platforms: Catalysis, Process Technology, Polymer Science, Surfactants, Phosphorus Chemistries, and Biotechnology. All technology platforms collaborate closely across business units to ensure that technology push and market pull go hand in hand. I

Catalysis

Clariant's Catalysts strong commitment to innovation requires a significant investment in R&D. The company invests in the improvement of heterogeneous industrial catalysts, which are employed for the production of chemicals at a scale of millions of tons annually. The technology platform catalysis covers the whole process of catalyst development.

Clariant Catalysts comprises ten R&D and technology centers in seven countries. This local presence guarantees proximity to customers and production. The company develops »new to the world« as well as fine-tuned improved catalyst formulations to achieve excellent performance even under extreme conditions. Once a new catalyst concept has been prepared, characterized, and tested, the in-house facilities enable Clariant to carry out pilot-scale trials to verify results prior to full scale-up in a plant. To accelerate the innovation process, Clariant's lab in Palo Alto, California, focuses on high-throughput research with an R&D rate 50-100 times faster than the traditional rate. Clariant collaborates with 15 international universities engaged in additional advanced research in catalyst.

Process Technology

The process technology platform is a key enabler for Clariant's sustainability transformation and a tool for continuous improvement regarding process safety and reliability. Navigated by the global program »Process Innovation and Sustainability,« it supports business units in continuously shaping their production processes, not only for state-of-the-art technologies, but also for upcoming ones. This program keeps the company technologically competitive in its manufacturing processes and helps it to achieve its target of net-zero emissions in operations by 2050.

With regular systematic analyses of major technological risks and opportunities related to Clariant's production process landscape, the company's global process technology platform identifies the most relevant focus areas for medium- to long-term process innovation. All business units conduct this assessment with experts from the T&S and the Group Operational Excellence organizations, including regional hubs. One goal is to increase the sites' and plants' readiness levels to follow Clariant's sustainability roadmap successfully.

In 2023, the Digital Solutions team developed innovative solutions that optimize processes in Operations, Marketing, and Supply Chain through data insights. It also pioneers the use of Generative AI to enhance customer service and production processes. The Production Systems team assessed emerging technologies to meet sustainability goals for emissions, energy, and net zero carbon. Additionally, it identified innovative approaches to improve Clariant's production, including value-based maintenance and mobile maintenance. The Engineering team implemented cutting-edge technologies and equipment to manufacture innovative products and optimize manufacturing processes. Finally, the Process Technology team leveraged expertise in water, solids handling, reaction engineering, and process simulation to optimize production. They did this by deploying innovative technologies and scaling up new products from lab to final manufacturing.

Polymer Science

Clariant's developments in the technology platform Polymer Science are driven by the market's needs for multifunctionality and sustainability, in particular biodegradability and renewability (higher Renewable Carbon Index, RCI). Typical functionalities targeted are pH stability, salt stability, viscosity control, adhesion, repellency, anti-corrosion, or particle stabilization. Clariant achieves them through its scientific expertise in polymeric systems synthesis, and by building structures optimized for specific applications.

With multifunctionality, customers can reduce the number of ingredients in their formulation, which also means a reduction in cost and complexity. A wide range of soil-release polymers developed at Clariant anticipates future regulatory needs by offering new polymer structures designed for biodegradability. The newly launched TexCare® Gemini is an example of a soil-release polymer that also functions as a rheology modifier.

The Terra range of Clariant's TexCare® soil release polymers, for example, with a Renewable Carbon Index of 80%, is particularly suited to the sustainability needs of laundry care brands. Clariant's soil-release polymers offer polymer structures designed for biodegradability in anticipation of future regulatory requirements. Aristoflex® Eco T, a recently launched, high-performance, award-winning rheology additive is based on a patented technology and addresses similar needs in personal care applications, through higher RCI and biodegradability. The product is the start of a new class of biodegradable polymers, which can efficiently thicken cosmetic formulations while maintaining a sensory like current market standards. Further examples of Clariant's continued investment in low-carbon feedstocks are bio-based ethylene oxide and derivatives, such as those supplied by its joint venture with India Glycols.

FEATURED STORY

How rice bran waxes can protect beverage cans

Clariant recently launched Ceridust® 1060 VITA, a sustainable alternative to PTFE based coatings used for beverage cans to improve abrasion resistance and printability. Based on rice bran waxes, it offers a more biodegradable alternative, while enabling a safer environment in and around metal recycling facilities. PTFE coated cans pose an environmental hazard because the PTFE is a stable, persistent chemical. If the cans are recycled, the PTFE can release byproduct fumes.

Learn more

Surfactants

Clariant's competitive advantage in a number of markets, such as personal care, home care, oil and mining, results from its expertise in surfactants and its continuous efforts in new molecular design. The company's focus in 2023 was on mild surfactants and plant oil-derived surfactants.

Clariant owns a large portfolio of high-performing surfactants with smooth sensory profiles based on renewable sources. GlucoTain surfactants, for example, serve the trend in skin and hair care of mild and sulfate-free, yet foaming and emulsifying products. They contain sugar-based glucamides, with a renewable carbon index score of up to 96 %.

Clariant has developed unique catalysts, which allow a one-step production of plant oil-derived surfactants via a specific ethoxylation technology. The company has filed patents on this technology, which it applies, for example, on its dishwashing ingredient Genapol Complete. Here, Clariant reduces a three-step synthesis to one step, thus lowering the product carbon footprint significantly. More products of this range are in development in multiple application areas, including a 100 % bio-based version of Genapol Complete.

Clariant continues to develop innovative concepts to deliver surfactant-based chemistries. For example, it has recently launched the demulsifier Phasetreat Wet, which is applied in oil production and creates multiple Sustainability benefits.
→ Read more in »Water«.

Phosphorus Chemistries

Clariant's phosphorus hub in Knapsack, Germany, is the epicenter for the company's expertise in both production and contract R&D of phosphorus-based chemistries. With its 70 years of experience, it has a broad portfolio of phosphorus-based chemicals, which allows it to serve a wide variety of end markets with tailor-made, non-toxic, halogen-free flame retardants. Its advanced production capabilities run on 100 % green electricity and are backward integrated with the processing of yellow phosphorus as a key raw material.

Due to these capabilities, Clariant has been a key supplier of phosphinate- and ammonium polyphosphate-based flame retardants and other phosphorus chemicals for decades. In 2023, Clariant expanded its production infrastructure into China by opening a new production facility in Daya Bay. In combination with state-of-the-art contract R&D labs in Shanghai, this will further speed up the development and commercialization of new flame retardants for China, made in China.

Clariant continues to invest in developing this technology platform by adding new grades with improved performance based on innovative approaches and synergistic formulations. For example, the company launches a new flame retardant for the construction industry, using its capability to apply phosphorus pentoxide as the raw material. It also continues to expand its Exolit®OP Terra grade of low-carbon footprint flame retardants.

Clariant also works with external partners to build its application know-how and contribute its expertise in phosphorus chemistries. Along with various industrial and academic partners, Clariant has joined the EU-funded FOREST project, which targets the decarbonization of the transport sector. Within this project, Clariant works closely with the Technological Institute of Plastics AIMPLAS to develop flame-retardant bio-based composites.

Biotechnology

While the transition to a sustainable bio-economy is gaining momentum, Clariant additionally employs biotechnology to leverage the full potential of renewable resources.

Clariant's biotechnology activities focused on using aeroponic conditions to stimulate plants to produce specific molecules. An example of such a product is Rootness® Awake, a natural active ingredient extracted from the roots of the ipomoea batatas thanks to Clariant's plant-milking technology. It is an eco-friendly process to grow the plant in aeroponic conditions and to stimulate its roots to boost the production of molecules of interest. Rootness® Awake is rich in DCQEs (dicaffeoylquinate esters) and targets several mechanisms responsible for under-eye circles and eye bags. In 2023, the technology received the Gold Prize at the in-cosmetics Green Ingredients Awards 2023, and the PCHi Fountain Award 2023.

Clariant's Personal Care division is continuously looking to nature as a source of inspiration for new technologies and bio-sourced active ingredients to achieve much-desired functions for skin or hair benefit, such as anti-aging, anti-inflammation, moisturization, and adjustment of circadian rhythms.

In 2023, Clariant announced that it will acquire Lucas Meyer Cosmetics, which will give the company access to its portfolio of more such innovative plant-derived active ingredients and allow it to rapidly commercialize them on a global scale.

Focus on key areas of innovation

✓I The technology platforms fuel Clariant's innovation pipeline and drive progress in four key areas: hydrogen economy, circular solutions, digital innovation, and bio-economy. I 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 CO_2 footprint and increased handprint.

Hydrogen economy and energy transition

Clariant supports sustainable technologies by continuously investing in catalyst solutions that enable new value chains for a great number of applications, including hydrogen production, sustainable chemical and fuel production, and the transition to carbon-neutral energies. With innovative catalysts and strong process partners, Clariant delivers tailor-made solutions that help defossilize the chemical industry.

Hydrogen production

A spectacular growth in renewable hydrogen applications in the coming years is expected and is a necessary evolution in mankind's energy management to help achieve carbon neutrality. Hydrogen underpins the vast majority of important chemical and fuel processes. Clariant is committed to supporting the delivery of clean hydrogen technologies with its ever-evolving syngas portfolio and in new purification applications such as the deoxygenation of green hydrogen produced by electrolyzers. Clariant's EnviCat® emission control catalysts have been used in deoxygenation applications for decades.

With green hydrogen production still in the ramp-up phase, the readiest technology to produce low-carbon hydrogen is blue hydrogen produced from natural gas with subsequent capturing of CO_2. The technologies currently available for blue hydrogen production include steam methane reforming (SMR hydrogen), autothermal reforming (ATR hydrogen), and partial oxidation (POX hydrogen). They differ in their catalyst requirements and their potential to reduce CO_2 emissions for sequestration. Clariant offers high-performance catalysts for cost-efficient blue hydrogen production via all these methods.

Hydrogen transportation

Green hydrogen from renewable energy sources, such as wind and hydropower, can be an abundant, versatile, and clean energy source. Consequently, there is great interest in an energy transition away from fossil fuels toward a hydrogen economy, with the goal of decarbonizing transport and industry. However, hydrogen's high volatility and very low density make it difficult and expensive to transport over long distances.

The most economically viable solution is to convert hydrogen into a safer form for transportation chemically and then reconvert it at the point of use. There are currently two effective ways to »carry« hydrogen: via LOHCs or ammonia. Clariant is proud to be one of the front-runners in developing highly specialized catalysts for both pathways.

Transporting hydrogen through chemical conversion to ammonia is gaining considerable attention, as it is expected to be the most cost-competitive solution at the very large scale required. In this method, hydrogen is first converted to ammonia (NH_3) for storage and transportation, and then at the point of use, ammonia is reconverted to hydrogen via cracking. As one of the leading catalyst providers in the ammonia-related new hydrogen economy, Clariant offers highly innovative AmoMax® and HyProGen DCARB series catalysts for ammonia synthesis and its cracking.

Liquid organic hydrogen carriers (LOHCs) are means of transporting hydrogen by chemically binding the molecules. Developed by Hydrogenious Technologies, the method involves hydrogenation of the liquid organic hydrocarbon benzyltoluene using Clariant's EleMax® H catalyst to »store« hydrogen. At the point of use, dehydrogenation with EleMax® D »releases« hydrogen on demand. The tailor-made catalysts offer exceptional activity and selectivity for loading and unbinding hydrogen in order to optimize the life cycle and efficiency of LOHCs.

Hydrogen conversion to chemicals and fuels

Hydrogen can either be used as a direct energy source, for example, in vehicles or for co-firing in energy plants, or be further processed into chemicals and fuels like ammonia, methanol or Sustainable Aviation Fuel (SAF).

Green ammonia is produced from renewable energy, water, and air-captured nitrogen, so at best there are no CO_2 emissions. Clariant works closely together with engineering partners like KBR and Casale to tailor the catalysts to their processes, facilitating the green ammonia deployment. The AmoMax® series of ammonia synthesis has already been selected for multiple prestigious green ammonia projects that are projected to come on stream over the next couple of years. By transitioning to carbon-free green ammonia production, this can significantly reduce the environmental impact of a base chemical needed for vital applications, such as fertilizer production or maritime transport.

When hydrogen is combined with carbon capture and utilization (CCU), it is a powerful path to the defossilization of industry and transport, either by taking advantage to utilize CO_2 as an alternative feedstock for conversion into valuable products or using biogenic carbon captured from biological process or directly from the atmosphere. A rapidly developing application of CCU is Power-to-X, which uses power from renewable sources, such as solar, hydro, and wind energy, to convert water into green hydrogen. The hydrogen can be utilized directly to decarbonize industrial processes, or it can be further reacted with carbon dioxide or nitrogen from air to produce a variety of fuels and chemicals.

One fast-emerging Power-to-X technology is e-methanol. E-methanol or green methanol can clearly impact the energy transition by playing a larger role in decarbonizing and de-fossilizing hard-to-abate sectors, including the maritime sector and the aviation industry as a SAF through methanol-to-kerosine.

In 2023, Clariant´s MegaMax methanol synthesis catalyst was selected for the largest e-methanol project run by European Energy in Kasso, Denmark.

Circular solutions

Circular solutions are another of Clariant's key innovation areas. Clariant's EcoCircle initiative, for example, focuses on circularity in the plastics industry to offer solutions to improve the quality of Post Consumer Recyclates (PCRs) as well as the amount of PCR that can be used while keeping the same quality of plastic goods. Clariant actively contributes to industrial clusters, consortia, and organizations to drive innovation and collaboration along the value chain. Clariant takes a holistic approach to solving complex and challenging situations to develop innovative circular solutions.

For example, Clariant successfully participated in a cross-industry project including partners from all stages of the value chain to develop test methods simplifying the design process of electric vehicle battery housings for automotive original equipment manufacturers.

Driven by its vision to enable a circular economy, Clariant launched an innovative portfolio of flexible, custom solutions for the emerging market of chemical plastics recycling.

Among them are new HDMax® catalysts and Clarit™ adsorbents. They are designed to purify pyrolysis oil made from hard-to-recycle mixed plastic waste to achieve a cracker-compatible feedstock. Clariant's flexible and economical solutions enable producers to remove a wide range of contaminants that are continuously changing in the feed, regardless of process configuration and plastic waste feedstock. Combining HDMax® catalysts and Clarit™ adsorbents, the adsorbents extend the catalysts' lifetime by reducing impurities. These pyrolysis oils are made in a chemical recycling process that reduces plastic waste, which otherwise would have been incinerated or landfilled. Instead, this enables a circular value chain to produce base chemicals.

Clariant achieved an important milestone in its recently launched Tailings Management Program. Mining company Largo Inc. started its operations at Vanadio de Maracás, S/A, in 2023, using Clariant flotation reagents for the reprocessing of tailings to upgrade its vanadium tailings to produce ilmenite. Ilmenite, which was previously discarded through tailings, is an important titanium mineral used to make titanium dioxide for pigments, plastics, toothpaste, cosmetics, and many other applications.

Clariant carries out its Tailings Management Program via its global Competence Center for Tailings Treatment (CCTT), a crucial part of Clariant's strategy to support the global mining industry's focus on sustainability, and to improve the way the industry handles mining waste with fewer tailings dams. Flotation chemicals could help mines recover valuable minerals from tailing that are currently discarded, as well as old tailings to be reprocessed through secondary mining. The program includes four complementary technology platforms: Flotation, Magnetic Separation, Dewatering, and Rheology Modification.

Digital innovation

Clariant deploys its internal digital innovation capabilities to provide a range of digital offerings to customers, as well as to improve the internal efficiency of Clariant's innovation and production processes, bringing products to market faster and with lower spending.

For example, in December 2023, Clariant announced the favorable adoption and excellent performance of its digital service platform for catalyst customers. Developed by Clariant company Navigance, CLARITY® is a cloud-based platform that provides customers 24/7 access to their real-time catalyst performance data as well as access to advanced visualization, analysis, and monitoring tools. The tool supports all Clariant catalyst applications, allowing end-to-end encrypted data sharing, with key performance indicators visualized in customizable dashboards. The user interface also connects customers directly with Clariant's experts for technical exchange and guidance. Since its launch, CLARITY® has been adopted by more than 80 plants, and is serving more than 380 active users in 28 countries around the world.

Clariant recently launched ClariCoat, a unique digital assistant to help paints and coatings formulators. Based on user inputs covering a wide range of performance criteria such as paint stability, workability optics effects, and sustainability criteria, the product recommendation engine proposes the most suitable additives to cover the needs of the paint formulator using real lab data. With increasing consumer preferences for sustainable formulations and water-based paint systems, and ever more stringent government regulations, for example, on the reduction of Volatile Organic Compounds (VOCs), this new tool offers paint formulators a head-start in tackling their paint development challenges.

»We took a proactive stance on GenAI from the very beginning, creating a secure environment for our employees to reap the benefit of GenAI in their day-to-day tasks. Concurrently, we've launched pilot programs for various high-impact GenAI projects, some of which are already in the advanced stages of implementation.«

Chris Hansen
Chief Corporate Development Officer
Member of the ELT

Clariant has successfully built multiple digital solutions in its end markets. For example, Chemberry™ is an online ingredient-sourcing platform, spun off as Covalo, an independent company. Chemberry™ has become one of the most comprehensive ingredient platforms in the personal and home care market.

Clariant has several tools to improve the speed, cost, and resource efficiency of research activities.

Through the development and integration of high-throughput experimentation (HTE) techniques such as miniaturization, parallelization, and automation, Clariant R&D has evolved from labor-intensive, batch-based, semi-automated operations to fully automated experimental approaches with lower amounts of consumables and reduced energy cost. This makes existing processes more sustainable and economically viable, boosting a safe and sustainable design of new chemicals, and ultimately reducing time-to-market of new offerings. Clariant operates HTE labs in Palo Alto and Houston, USA, and in Frankfurt, Germany.

Clariant has also completed the rollout of its newly implemented Electronic Lab Notebook (ELN) to digitalize R&D data. The ELN 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.

A new and high-level aspect of digital innovation at Clariant is generative artificial intelligence. The company deploys AI-based tools in several of its technology platforms to develop solutions to challenging problems, such as alternative oxidation solutions for rice bran waxes. The company is an early adopter of this technology and trains its workforce to use it on a daily basis for innovation. Machine learning and AI also apply predictive and prescriptive analytics to strengthen activities toward energy saving and yield increase. Clariant uses innovative data collection techniques, such as molecular spectroscopy sensors, to enhance the information basis for applied machine learning models.

Bio-economy

Clariant enhances the bio-economy by providing Syngas catalysts for biomass-to-liquid processes and purification aids for bio-based feedstocks for renewable diesel. Clariant also offers catalysts for downstream purification in biomass and municipal solid waste gasification. Additionally, Clariant has introduced high RCI products from bio-based feedstocks, including rice bran wax, natural plant oil extracts, and bio-ethylene derived products sourced through Clariant's 51% joint venture with India Glycols, Clariant IGL Specialty Chemicals (CISC).

SAFs offer a way to reduce emissions from flying and are a key component of Clariant's technology pillar and an enabler to mitigate the environmental impact of aviation. Clariant has touchpoints with sustainable aviation fuels across two businesses – purification aids and catalytic solutions – both in the existing portfolio and with future opportunities.

Clariant has extensive expertise in offering high-performance catalysts for SAF production, whether for hydroprocessed esters and fatty acids (HEFA), alcohols to jet, power to liquids, or other routes. Its catalyst innovations help improve conversions, reduce waste, lower energy use, and enable more cost-competitive SAF production.

A major challenge in combating climate change is the high proportion of fossil carbon in many consumer products. By substituting fossil carbon with bio-based carbon, the earth's natural carbon cycle could be restored. Clariant has launched a new VITA range of bio-based nonionic surfactants made 100% from plants through bioethanol. These surfactants are fully segregated, meaning that the plant-based origin of their raw materials is fully traceable and measurable, with a 100 % Renewable Carbon Index (RCI). Due to the biogenic carbon uptake of their raw materials, the VITA surfactants are natural CO_2 savers compared to the fossil-based variety, and yet are chemically equivalent and matchable in performance.

Other bio-based products by Clariant include the biodegradable, low-carbon-footprint automatic dishwashing surfactant Genapol® Complete and the award-winning, multifunctional preservation booster Velsan® Flex, which is highly water-soluble, allows formulation flexibility, and has an RCI of 93 %. All these products feature outstanding compatibility with environmental labels.

✓I Fill the innovation pipeline

Clariant has developed an innovation methodology for discovering value, developing ideas into products, and making sure products are sustainable. I

The company uses multiple formats to discover innovation opportunities, such as iGarage, mini iGarage, and innovation workshops.

iGarage focuses on specific strategic topics identified by business units. It is suited to de-risk concepts with high uncertainty in an agile manner. iGarages host a cross-functional team, supported by external professionals and innovation coaches. The team convenes off-site over two to six months and develops business options in collaboration with prospective customers and other stakeholders, using agile design thinking and lean start-up methodologies. Thus, the iGarage format fuels the innovation pipeline through fast-paced, highly efficient processes to develop market-validated innovations in the discovery and incubation stages. Subsequently, business units take over and scale the projects further.

The miniGarage is a lean four-week format, which is limited in scope. It accelerates innovation projects by applying an outside-in view to a set of critical assumptions. Both formats take place according to the business units' needs and the availability of prospective team members.

Innovation workshops with customers help Clariant discover opportunities in various markets. They take place on an ongoing basis with a wide team of participants from customers in both technology and marketing functions. They are set to discover opportunities to innovate through a structured discussion covering the innovation and sustainability needs of the entire value chain that customers play in.

✓I Fully utilize the global innovation network

Clariant's global research network covers Clariant contract Innovation Centers, R&D Centers, and Technical Centers. Three contract innovation centers are located in Frankfurt, Germany; Mumbai, India; and Shanghai, China. They are the foundation of Clariant's global innovation network and coordinate global R&D activities, fostering the exchange of ideas with customers, industrial and academic partners concerning global sustainability challenges.

State-of-the-art equipment and infrastructure are applied in eleven contract R&D Centers. More than 35 Technical Centers build up the basis for innovation while ensuring proximity to the customer. I

021 **CLARIANT INNOVATION CENTER**

Foster innovation culture

An innovation culture further mobilizes and enables Clariant employees to realize their common purpose: »Greater chemistry between people and planet«.

✓I Clariant equips its employees with information and training on sustainability and market trends. To develop innovation capabilities and skills among its workforce, the company provides comprehensive innovation-related training for continuous learning and development. I

For example, the Idea to Market process training guides innovation project teams through the stages of scout, scope, execute and commercialization. The training includes innovative problem-solving techniques to help innovation teams generate novel solutions for challenging problems. Project management training is offered to equip employees with tools and methods for managing complex innovation projects using Clariant's internal Project and Portfolio Management tool.

In 2023, three trainings sessions were conducted globally, increasing the total number of trained Innovation Belts to more than 330.

Clariant promotes knowledge sharing and cross-function collaborations and appreciates and acknowledges contributions to its innovation performance. Quarterly, the Innovation Star Award honors the best innovation projects based on customer value, sustainability impact, novelty, and extension to other areas.

Innovation always involves uncertainty and risks. Clariant creates a safe environment for employees to test their hypotheses and learn from their mistakes. The company provides support for early-stage projects, encourages fast proof of concept and validation, supports risk-taking and experimentation, and celebrates failures as opportunities for learning and improvement.

As an example, in 2023, One Clariant Campus (OCC) updated sustainability policies every week. TechConnect China Conference 2023 successfully connected more than 90 colleagues across business units, global functions, and labs to explore opportunities for collaboration on sustainability and innovation. Jens Cuntze, Business President Catalysts and APAC, kicked off the event. In 2023, Innovation Star collected 35 successful projects, proof-of-concept projects, and innovative ideas. In March 2023, Clariant CEO Conrad Keijzer presented the award to the winner of the Innovation Star.

Maximize return on innovation applying a systematic innovation processes

✓I Clariant's innovation pipeline is developed through Clariant's Idea to Market process (I2M Process). This is an iterative process that allows project teams to discover attractive business opportunities and translate global trends and unmet customer needs into compelling value propositions and profitability and growth. The process consists of four stages and systematically de-risks projects as they move through stage gates with agility and speed and receive additional funding allocation. Clariant encourages experimentation and tolerates failure in the early stages. I

Clariant groups innovation projects into three categories: Class 1 projects have high strategic importance, complexity, investment or double-digit million sales potential. They are managed by Innovation Black Belts who typically dedicate their full working time to managing Class 1 projects. Class 2 and 3 projects are usually led by Innovation Green Belts, who dedicate part of their working time to these projects in addition to other R&D tasks.

Design for safety and sustainability – PVP R&D

✓I To ensure all projects fulfill Clariant's sustainability ambitions, resulting in products that will steer the portfolio toward increased sustainability, Clariant's PVP is embedded in the innovation process through the PVP R&D initiative, which is mandatory at the end of the scope phase for Class 1 and 2 projects. PVP R&D follows the same methodology and ambition as the full PVP screening, but with selected criteria that are most material for the innovation process. Its results allow Clariant to capture sustainability drivers and concerns in its forthcoming portfolio. In addition, it paves the way for a full PVP as solutions approach market launch.

The result of the PVP R&D screening is the project's sustainability classification. In line with the ambition of being safe and sustainable, Clariant established formally in 2023 that any project classified as »not sustainable« in the PVP R&D assessment cannot advance to the next stage of development. That is, projects can only continue in the innovation process once all sustainability concerns have been addressed, and they have received at least a »sustainable« classification in PVP R&D. This ensures that new solutions are in line with Clariant's sustainability ambitions. I

In 2023, Clariant collaborated with the World Business Council for Sustainable Development (WBCSD) and other leading chemical companies to update the Portfolio Sustainability Assessment (PSA) framework. Drawing from its own experience in assessing the sustainability profile of R&D projects, Clariant contributed to developing a guideline on how to apply PSA for innovation. This guideline adjusts its scope progressively from guiding principles in the early phase to a full assessment as solutions reach market launch. It also raises safety and sustainability ambitions, thus further improving the playing field of the chemical sector in designing safe and sustainable solutions.

Stringent IP management for innovation

✓I Global Intellectual Property (IP) Management secures value creation through intellectual property protection and enforcement while being closely linked to Clariant's business units and the innovation process. The IP strategy approach was updated jointly with the BUs to capture full value in the respective focus areas while further optimizing the IP spend. This will ensure an enhanced business alignment and steering of all IP activities, from building, maintaining, and reviewing the IP portfolios to licensing, defending, and enforcing Clariant's IP rights. I

Strengthen innovation collaborations

✓I Clariant continuously seeks collaboration with external partners to promote innovation. Its vast network comprises experts in various important fields. I

Collaboration with industry and associations

Clariant actively contributes to industrial clusters, consortia, and organizations to drive collaboration along the value chain. It always seeks holistic approaches to solving complex and challenging situations.

ODH-E catalyst with TUM and Linde

A collaboration between Clariant, the Technical University of Munich, and the industrial gas company Linde produced new catalysts for the oxidative dehydrogenation of ethane (ODH-E). This is an innovative catalytic technology with low emissions to produce ethylene (EDHOX™). The novel catalyst is a step change in selectivity and productivity, which reduces CO_2 emissions by up to 100 % compared to conventional steam cracking.

A label-free solution with Omya

In 2023, Clariant and Omya joined forces on a new project to tackle customers' concerns related to the yellowing of the increasingly popular SMP (silane-modified polymers) sealants. The results of the collaboration addressed the yellowing issue while delivering a label-free solution with higher light and heat performance versus standard solutions in the market.

Malodor counteractants with Aqdot

Clariant is represented on the board of Aqdot, a Cambridge-based (UK) supramolecular chemistry company. Clariant has invested in a collaboration to develop malodor counteractants that work for textiles in low temperature washes.

Power-to-X

Power-to-X initiatives convert green electricity into chemical energy sources in order to store electricity and use them 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 (BMBF). Together with partners from industry, institutes, and academia, Clariant develops technologies to reduce CO_2 emissions from steel manufacturing and other hard-to-abate CO_2 sources following the Carbon Capture and Utilization (CCU) approach. Based on 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.

TransHyDE

Clariant is also a partner in TransHyDE, a project funded with EUR 135 million from the German Federal Ministry of Education and Research (BMBF) to develop solutions for the hydrogen infrastructure such as a technology for green ammonia (ammonia produced using energy from renewable sources). This substance is a potential substitute for conventionally produced ammonia and has a significantly lower carbon footprint. Due to the higher density of ammonia, converting hydrogen into ammonia is an economically viable method for hydrogen transportation and release at the point of use. TransHyDE is one of three flagship hydrogen projects aiming to prepare Germany's entry into the hydrogen economy.

Clariant is engaged in the sub-project AmmoRef and currently actively contributes to the development of new and improved catalysts for the cracking of ammonia – for hydrogen release. In 2023, it delivered its first semi-commercial quantities of catalysts for use in demonstration units for mobile and stationary applications.

Design4Circularity

»Design4Circularity« is the first cross-industry collaboration for the personal care industry. Clariant, ink and coating company Siegwerk, producer of polyethylene and polypropylene Borealis, and skin care producer Beiersdorf combine their expertise to create circular consumer packaging for cosmetics applications that is 100 % based on retrieved plastic packaging waste.

Action for Sustainable Derivatives

Clariant joined the Action for Sustainable Derivatives (ASD) in 2021. ASD is a collaborative initiative comprising companies in the cosmetics, home, personal care, and oleochemicals industries to collectively tackle supply chain issues around palm oil and palm kernel oil derivatives.

Collaborations with academics

In 2023, Clariant and Technical University of Munich (TUM) have renewed their long-term strategic alliance in the field of research and application of new catalyst systems. The cooperation, named MuniCat (Munich Catalysis), has generated improved catalyst formulations and designs as well as innovative process technologies since 2010 and will continue to focus on upcoming challenges in the area of sustainable chemistry applying catalysis.

Besides TUM, Clariant BU Catalysts has also built up collaborations with ETH Zurich and Tianjin University, China.

In 2023, Clariant sponsored the Achievement Award of the Catalysis Society of China and awarded it to physical chemist Xinhe Bao for the »most significant R&D accomplishment in catalysis.« Xinhe Bao's research focuses on new catalyst materials for clean and efficient energy conversion.

Clariant has a strategic collaboration with JiangNan University, a top university in cosmetics, since October 2022 to leverage its expertise in green chemistry, sustainability, and cosmetic R&D to jointly develop innovative ingredients and formulations, as well as foster innovation through student cosmetic formulation competitions. This partnership allows Clariant to enhance its position in the cosmetics industry through access to JiangNan's cutting-edge research capabilities.

Risks

✓I «Sustainable Innovation/Innovation and technological advances« – company-specific topic

(1) Financial & Impact Opportunity: Successfully executed innovation projects could deliver material financial benefits for Clariant's own business and market share, and potential medium-term material financial benefits for Clariant's downstream value chain. These benefits would be created by innovative products addressing customers' sustainability challenges such as energy efficiency, GHG emissions, environmental toxicity, etc. Such products could also reduce regulatory risk for Clariant and downstream customers. Some examples of such benefits are reduced GHG emissions from carbon intensive industries through the use of innovative Clariant catalysts and reduced energy consumption in domestic processes such as dishwashing and laundry through the use of Clariant surfactants.

(2) Financial & Impact Opportunity: Clariant could gain a significant advantage in new product development speed by more aggressively applying digital technologies throughout the innovation processes. Digital tools enable faster discovery, prototyping, testing, and refinement of chemistries, helping to design sustainable products.

(3) Financial Risk: While Clariant strives to develop solutions that perform better and are more sustainable than the industry standard, there is a likelihood in innovation projects spanning multiple years, that the industry standard could also improve during that time, through migration to other technologies. This could reduce the attractiveness of Clariant's innovations and thereby their profitability to Clariant. **I**

Therefore, Clariant ensures that the company captures the most recent market trends and gains early access to new technologies by working closely with universities, research institutes, customers, and value chain partners and proactively monitoring its policy and regulations related to sustainability.

This ensures that Clariant's new products maintain their competitive edge compared to alternatives already available to the market, especially those meeting customers' sustainability-related needs.

✓I **(4) Impact Risk:** As Clariant strives to bring new products to market, there could be a possibility that through conventional R&D practices, some of the products launched would fail to account for important sustainability considerations.

To proactively reduce the likelihood of this and ensure all innovation initiatives align with its commitment to environmental stewardship and social responsibility, Clariant has established a screening protocol, the »Portfolio Value Program« (PVP), to systematically vet potential developments at the earliest conceptual stage against a holistic set of sustainability criteria. Clariant aims to guarantee this risk is avoided from the outset by firmly establishing sustainability as a core driver of each new product's value proposition. **I**

This also enables Clariant to holistically articulate sustainability value propositions for players upstream and downstream from its direct customers. This creates an opportunity for Clariant to gain a competitive advantage by developing and marketing products that meet the growing market demand for sustainable solutions.

Results and KPIs

✓I After achieving its growth target for innovation sales in 2022, Clariant met expectations again in 2023 despite the challenging and dynamic macroeconomic environment.

Clariant endeavors to realize a local currency growth rate of 2–3% through innovation. The target is to achieve 1–2% sales growth from top line innovations alone. These are innovations that create new sales in new markets, contributing actively to Clariant's net growth. In 2023, innovation sales of the continuing businesses strongly contributed to the company's overall sales, growing by more than 3.5%. This resulted from Clariant's continuous commitment and efforts to understand its customers' needs and to deliver better and more sustainable solutions.

R&D spend in 2023 was CHF 160 million for the continuing businesses, remaining same level as in 2022. As a share of sales, R&D spending was 3.7%. The number of R&D employees (in full-time equivalents) decreased from >785 to >660.

Clariant's state-of-the-art equipment and infrastructure in 3 Clariant Innovation Centers, 11 Research & Development Centers, dedicated Technology Centers, and more than 35 regional Technical Centers form the basis for successful innovation while ensuring proximity to customers. In 2023, Clariant had more than 320 active projects in the innovation pipeline. With more than 45 active scientific collaborations, their number decreased compared to 2022, as several projects were completed.

By 2023, Clariant had more than 330 employees trained as Innovation Belts. These employees are a key factor in ensuring a well-filled project pipeline and efficient project management. More than 50 innovation projects are classified as Class 1 projects, which bring significant impact on Clariant innovation performance. **I**

✓I INNOVATION AND TECHNOLOGICAL ADVANCES

	Total 2023	2022	2021	2020	2019
Growth through innovation (%) [2]	>3.5	>5.5	>3.5	>1.5 [3]	<3.0
Research & Development expenditures (CHF m)	160	162	167	195 [1]	207
Research & Development expenditures as share of sales (%)	3.7	3.1	3.2	3.8 [1]	3.2
Clariant Innovation Centers [4]	3	3	3	n.a.	n.a.
Research & Development Centers and dedicated Technology Centers	11	10	10	8 [3]	8
Technical Centers	>35	>45	>45	>50 [3]	>50
Patents (year-end)	>3 600	>4 300	>5 100	>5 400 [3]	>6 500
Trademarks (year-end)	>5 100	>5 900	>7 400	>7 400 [3]	>9 000
Active innovation projects	>320	>330	>325	>350 [3]	>375
Of which Class 1 projects with double-digit million sales potential or of strategic relevance	>50	>60	>65	>55 [2]	>65
Scientific collaborations	>45	>65	>80	>100 [3]	>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 contract R&D sites were reorganized in 2021 due to changes in Clariant's R&D landscape after, e.g., divestments.

✓I At the end of 2023, Clariant's patent portfolio counted more than 3 600 patents. The trademark portfolio included more than 5 100 trademarks. The number of patents and trademarks decreased in comparison to 2022 due to stringent portfolio optimization measures. I

Innovation and sustainability awards

✓I In 2023, Clariant won several awards for outstanding innovative and sustainable products: I

- Gold Prize at the in-cosmetics Green Ingredients Awards 2023 for natural active ingredient Rootness® Awake;
- PCHi Fountain award for natural active ingredient Rootness® Awake;
- Rootness® Mood+ was awarded: 2nd prize at the BSB Innovation Awards 2023;
- Ringier Innovation Award 2023;
- Bronze prize at CITE Japan 2023 in the category »technology«;
- BSB Innovation Award 2023 in the category »Environment«;
- Innovation Zone silver award at in-cosmetics, category »Best Functional Ingredient,« for biodegradable, renewable-based rheology modifier Aristoflex Eco T;
- Sleemon's 2023 best quality supplier award for Licocene PP 2502;
- Ringier Technology Innovation Award 2023 for Ceridust® 8091 VITA;
- Responsible Care Award for the Sardinia sun drying operation by the Italian Federchimica;
- SAP Innovation Awards 2023: CliMate tool – automated Product Carbon Footprint engine for PCF calculation, simulation, and prediction;
- EcoVadis – Sustainable Procurement Leadership Awards 2023.

Energy

✓I Energy is one of Clariant's 1+5 focus areas, as part of the focus area Fighting climate change (→ Read more in »Clariant Sustainability strategy«) and has been identified as a material topic in the 2023 conducted double materiality assessment, based on high impact and high financial risk. (→ Read more in »Materiality Assessment«). Energy consumption is a key issue, not only because of the associated costs but also because it determines the scope 1 & 2 emissions. Therefore, Clariant aims to reduce energy consumption and replace fossil fuels with carbon-neutral energy sources. I

✓I Management Approach

As one of Clariant's strategic pillars, energy is overseen by the company's Innovation and Sustainability Meeting (ISM) and the Board of Director's Innovation and Sustainability Committee (ISC) (→ Read more in »Sustainability Management«) with the Chief Technology & Sustainability Officer in the highest responsibility. I

Clariant's Global Function Technology & Sustainability together with the energy experts of the Engineering and Process Development (EPT) department, provide the framework and support the business units in their energy efforts and have established energy targets for 2030.

✓I Clariant monitors the energy consumption and the related CO_2 emissions of all production sites. Monthly, the energy manager of each production site reports the data in a predefined matrix. The data are consolidated at the site level and visualized in the Sustainable Operations Cockpit (SOC). The SOC allows the analysis of trends including the specific energy consumption. The trends and deviations from standard values or historical trends are analyzed by the site management teams, who also monitor the implementation of improvement measures. Actions are defined and taken as needed. The data are compiled on various hierarchical levels in the SOC and used for the reporting. I

✓I Policies
Clariant's company-wide energy policy supports Clariant's approach of combating climate change on the one hand and reducing costs through energy efficiency measures on the other. Fighting climate change through the reduction of GHG emissions is also driven by the transition to renewable energy. Therefore, Clariant strives to move from fossil fuels to renewable fuels and from fossil-based electricity to green electricity. This is built into Clariant's roadmap to reduce scope 1&2 emissions by 40 % by 2030 and to reach net-zero in scope 1&2 by 2050.

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. Clariant's Energy Policy is described in the SOP »Energy Management System« and the energy reporting is defined in the Guide to Guideline 8. **I**

Measures
Similar to other key sustainability focus areas, climate-related topics are assessed at the product level considering a cradle-to-grave approach with Clariant's Portfolio Value Program (PVP), a strategic tool aimed at steering the portfolio toward improved sustainability.
→ Read more in »Sustainability Management.«

Clariant has certified some sites according to the new ISO 50001 standard for energy conservation. It passed the surveillance audits globally and prepared for the updated standard at sites, primarily in Germany and Spain. By the end of 2023, around 20 % of production sites were certified, and Clariant produced more than 40 % of its production volume at sites certified with ISO 50001.

Clariant is continuously optimizing its energy consumption with dedicated energy efficiency programs, including programs to turn capital expenditures into new energy-efficient equipment, processes, and technologies. Although energy consumption depends on several variables, such as production levels, product mix, and production technologies, Clariant monitors absolute and relative energy consumption as one means to assess the effectiveness of its energy savings measures.

Energy consumption
✓I The company consumes energy in the form of process heat, steam, cooling, and electricity. With respect 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. The company also needs energy for drying as a part of its mineral processing.

Electricity is necessary for electric motor drives in mixers, pumps, and other process-engineering equipment; for measurement and control technology; as well as for lighting. **I** Clariant endeavors to increase its share of electricity obtained from renewable sources on an ongoing basis. In 2023, it increased from 47 % to 60 %, considering all measured energy sources.

Other energy-related measures

Corporate programs of resource efficiency and environmental protection
✓I 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. Under the leadership of the program »Sustainable Operations,« a »core team for Sustainable Operations« consisting of members from Group Operational Excellence (GOE), Group Innovation & Sustainability (GIS), and business units have been established. The team meets biweekly and tracks progress toward annual targets and 2030 targets. **I** There is an exchange regarding best practices, new regulatory developments, new policies and guidelines, and new technologies. As a result, further improvement projects have been identified and are currently being implemented.

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™, the operation teams systematically assess site maturity and propose improvement measures along three dimensions: operating system, management system, and employee system. Energy experts from EPT support business units in 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 the Clariant Project Tracking Tool, Clariant measures the outcome of eWATCH™ by cost savings and project tracking (97 projects in 2023). Through the Sustainable Operations Cockpit, Clariant measures the outcome of eWATCH™ by energy consumption and CO_2 impact. Since 2013, Clariant has saved a total of CHF 40.8 million through eWATCH™ by implementing energy efficiency measures and energy-purchasing optimizations. In 2023 alone, the savings amounted to CHF 3 million.

Clariant Production System Yield, Energy, Environment (YEE) initiative

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. The YEE team consists of four people, one of whom was contracted in 2022 to focus on energy. The team conducts Maturity Value Assessments, which analyze yield, energy, and the environment of a specific unit with the aim of finding 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. Jointly with ESHA / IGSM, CPS assesses the site maturity against the blueprint through Operations Assessment audits to create a comprehensive picture of energy optimization potential.

Since its inception in 2012, YEE has saved more than CHF 85 million. In 2023 alone, YEE allowed for cost savings of CHF 15 million, thereof CHF 3 million related to energy savings.

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 from raw materials to the use phase. The company aims to help its customers reduce their energy consumption. For this purpose, Clariant reworked its assessment criteria in 2021. A reviewed version of all criteria was implemented in 2022. Full information on PVP is described in → »Sustainability Management.«

Risks

Burning fossil fuels releases greenhouse gases like carbon dioxide and methane, which trap heat in the atmosphere and cause global warming and climate change. This leads to melting glaciers, rising sea levels, more extreme weather events, ecosystem damage, etc. Therefore, fossil fuels must be replaced by renewable energy sources.

Clariant analyzes potential risks to its operations and the environment together with the topic climate following the TCFD methodology. → Read more in »Climate.« Based on the analysis, appropriate measures are developed.

✓I One of the risks is related to energy pricing, which has financial implications for Clariant. To mitigate this risk, the energy efficiency measures, combined with the switch to renewable energy, reduce Clariant's financial risks deriving from carbon pricing. I Additionally, the sustainable products provided by the company help customers to save energy in their own production processes.

✓I The use of fossil fuels must be reduced to minimize greenhouse gas emissions. Alternative renewable energies are more expensive and could become scarce in the future. The switch to renewable energies requires investment, both from the public sector and from companies. There is a risk that the restructuring of the energy supply and the supply system will not keep pace with the requirements resulting from the goals of becoming climate-neutral by 2050 at the latest. I

KPIs

✓I Across the Group, Clariant records total energy consumption from energy sources. I Since 2019, the total energy consumption decreased by 9 % and the specific energy consumption decreased by 4 %.

✓I ENERGY CONSUMPTION

	Total 2023	2022	2021 [1]	2020	2019 [1]
Total energy consumption within the organization (in m kWh)	**2 390**	**2 593**	**3 244**	**3 071 [2]**	**3 204**
Relative energy consumption (in kWh/t production)	**630**	**680**	**733**	**758**	**754**
Total fuel consumption within the organization (in m kWh)	**1 449**	**1 587**	**1 859**	**1 653**	**1 795**
Oil	18	8	70	49	60
Natural gas	1 184	1 211	1 285	1 154	1 248
Diesel	69	83	128	95	113
Biomass (e.g., wood waste, agricultural waste)	68	34	97	65	125
Coal	110	251	279	289	235
Total electricity consumption (in m kWh)	**503**	**518**	**610**	**626**	**704**
Total steam consumption (in m kWh)	**438**	**488**	**759**	**685**	**685**

[1] Until 2021, Clariant validated environmental data from all production sites every three years. Before that year, 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.

The absolute energy consumption has been significantly reduced by 8% and the specific per ton of product by 7% versus 2022. This is partially due to portfolio effects but mainly due to energy efficiency measures. The most effective initiative to reduce energy consumption was the introduction of solar/natural drying of bentonites. For example, the specific energy consumption in MWh/t of finished goods produced at a production site in China has been reduced by more than 50% versus the baseline year 2019 and the years 2020 and 2021. If we compare the years 2020 and 2023 with almost the same production volume, the reduction in energy consumption in absolute terms is around 80 GWh per year. Another significant reduction in specific energy consumption resulted from the replacement of coal with natural gas for drying minerals at a site in Indonesia. Energy efficiency could be improved by 25% in 2023 versus 2022, as heat generation and dosing for the drying process could be made much more efficient. In absolute terms, the energy consumption was reduced by 14 GWh versus 2022 and 33 GWh versus the peak year 2020. In addition, numerous smaller projects, including heat integration, upgrading of steam traps, improved lagging, dynamic reactive power compensation, installation of heat pumps, more efficient air compressors, and monitoring and visualization of top consumers, have been implemented.

✓I Various sites have already increased their share of renewable electricity purchases, and Clariant made further progress substituting fossil fuels with renewable energy sources in the past years. The company installed solar panels, e.g., in Germany, China, and Spain. The first long-term ten-year PPAs for green electricity in the US and Indonesia have been implemented. For several production plants, certificates for green electricity have been purchased. The share of green electricity has increased from 47% to 60% in 2023. I

Climate

✓I Climate change is widely recognized as one of the greatest challenges of our time, and greenhouse gas emissions are at their highest levels in human history. Droughts, heat waves, melting glaciers, and biodiversity loss pose serious risks to life as we know it. Customers are searching for low-carbon alternatives, including materials produced using renewable energy, to meet their own climate targets, while an increasing number of financial players are requesting investor-grade data for non-financial information. Clariant is fully committed to operating sustainably and reducing pollution from its business activities. I

Legislators around the world are implementing measures to mitigate the adverse impacts of climate change. The first binding global milestone took place at the United Nations (UN) Climate Change Conference in Paris, France in 2015 with the aim of limiting global warming to 1.5°C. At the COP28 held in December 2023, 198 parties delivered a roadmap to transition away from fossil fuels with the goal of keeping 1.5°C within reach.

The EU has adopted its »Fit for 55« climate and energy package, a major legislative effort that targets an overall reduction of GHG emissions by at least 55% by 2030 compared to 1990 levels. With the adoption of the revised Renewable Energy Directive (REDIII) and the ReFuelEU Aviation Regulation in October 2023, the EU now has legally-binding enhanced climate targets covering key sectors of the economy ranging from industry to transport, incentivizing technologies such as renewable hydrogen, eFuels, advanced biofuels, and biogas. The overall package also includes an expanded and more ambitious Emissions Trading System (ETS), a new Carbon Border Adjustment Mechanism (CBAM), and emissions reduction targets across a broad range of sectors.

In the US, the US Inflation Reduction Act (IRA) includes unprecedented measures and incentives supporting GHG emission reductions, clean energy, and clean mobility. The first year after the adoption of the IRA, which marked a milestone in the US climate landscape, has shown promising signs. Notably, the act is mobilizing investments in clean energy solutions and driving several GHG emissions reduction projects across the country. It is also mobilizing private sector investments, especially in energy-intensive industries such as steel, cement, and chemicals. The 48C Qualifying Advanced Energy Project Credit Program offers a tax incentive of USD 10 billion. In addition, USD 7 billion of funding has been offered under the Regional Clean Hydrogen Hubs (H2Hubs) Program. Ambitious national goals have been set under various Earthshots, such as the Hydrogen Shot ambition of achieving USD 1 per 1 kg of hydrogen within a decade.

In the Asian market, China is positioning itself as the global leader in renewable energy, solar power capacity, and electric vehicle (new energy vehicle (NEV)) production. In 2023, China's GHG emissions topped the emissions in the US, EU, and India combined. More than any other country, China has a critical role in the success of global efforts to prevent climate change. In 2023, China accelerated the PV and wind power deployment, and increased the renewable energy (hydropower, PV, wind, and bioenergy) share of the total power generation capacity to 31.3% by the third quarter of 2023. E-mobility development continuously grew at a fast pace in China. In the first three quarters of 2023, 6.3 million NEVs were produced, which is an increase of 33.7% year-on-year.

Management approach

Within Clariant's purpose – »Greater chemistry – between people and planet« – sustainability and innovation are key pillars of the success of the company. Sustainability transformation includes both transforming Clariant's own operations to reduce company-wide emissions in line with climate science and developing sustainable products, which in turn, support Clariant's customers in their sustainability transformation journeys.

✓I Because sustainability is of strategic importance for Clariant, the Board of Directors (BoD) is advised by the Innovation and Sustainability Committee (ISC) on a quarterly basis. → Read more in »Sustainability Management.« The Sustainability Transformation (ST) team periodically reports progress as well as risks and proposed mitigations in relation to the sustainability policy to the

ISC. The ISC monitors the progress on sustainability KPIs, including scope 1, 2, and 3 emission reductions and the corresponding reduction roadmaps. In addition, the CTSO oversees and manages climate risks and opportunities across the company and is part of the Executive Leadership Team. **I**

✓**I** Climate change is one of the key priorities identified in the double-materiality assessment. Climate falls under the responsibility of Technology & Sustainability (T&S) and more specifically within T&S, the ST team and the Environmental Safety and Health Affairs (ESHA) team manage the topic. **I**

At an operational level, the ST team coordinates core teams that steer the reduction of scope 1, 2, and 3 purchased goods and services (category 1) emissions and drives other climate-related topics such as TCFD. The core teams include BU and Procurement representatives as well as other relevant representatives from different functions. The ST team's mission is to support the development of concrete roadmaps to achieve Clariant's climate targets, and to identify investment needs, risks, and mitigation activities.

Clariant is a signatory of the Task Force on Climate-related Financial Disclosures (TCFD) and reports on climate change-related risks & opportunities, following the TCFD guidelines. Clariant's approach for its third TCFD reporting year was led by the ST team and developed together with BUs and other departments such as Enterprise Risk Management (ERM), Communications, Operations, Environmental Safety and Health Affairs (ESHA), Government Affairs and Procurement. Risk and opportunity assessment workshops were complemented by a gap analysis and an alignment of governance and reporting. In 2023, selected transitory risks and opportunities were analyzed from a financial perspective as well.

Clariant constantly optimizes its own operations with respect to reducing GHG emissions and focuses on climate issues along its entire value chain and the life cycle of its products. Clariant offers numerous products, ranging from catalysts and low-carbon surfactants to coatings, that enable GHG emission reductions compared to conventional alternatives.

Success in achieving climate targets on scope 1, 2 and 3 is additionally rewarded by short- and long-term bonus scheme incentives. Since 2022, scope 1 & 2 emission reduction has been a Key Performance Indicator (KPI) in the long-term incentive plan for top management. From 2024, scope 1 & 2 reduction targets will be indirectly embedded as a KPI in the short-term incentive plan for most employees directly involved in the production processes.

✓**I** Sustainability Transformation (ST) is responsible for ensuring that climate and environmental data are being managed in response to increasing demands from the investor community. **I**

Various environmental KPIs, including the energy consumption per type of energy, are collected at the site level and coordinated by the Program Manager Sustainable Operations. All KPIs are consolidated monthly using an in-house tool.

Climate policies

Clariant's company-wide Sustainability Policy guides Clariant in its approach to fighting climate change. Clariant commits to reducing its absolute GHG emissions by 2030 from a 2019 base year.

✓**I** Clariant's scope 1, 2, and 3 emissions are calculated following the GHG Protocol, 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 control approach.

Clariant has set science-based targets with the SBTi and commits to reducing absolute scope 1 and 2 GHG emissions by 40 % by 2030 from a 2019 base year. Clariant also commits to reducing absolute scope 3 GHG emissions from purchased goods and services (category 1) by 14 % by 2030 from a 2019 base year. Clariant aims to update its near-term company-wide emission reductions to be in line with the latest climate science according to the SBTi. The updated near-term targets will be subject to validation by the SBTi in 2024. In addition, Clariant has set itself a long-term net-zero target for scope 1 & 2 emissions by 2050. **I**

Clariant's scope 3 category 1 emission target collectively covers more than two-thirds of the total mandatory scope 3 emissions in conformance with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard.

In addition to corporate emissions, Clariant developed an internal tool called »CliMate« to calculate the product carbon footprints (PCFs) of its own products. The calculation methodology is based on the ISO 14067 standard and widely follows the Together for Sustainability (TfS) PCF Guideline.

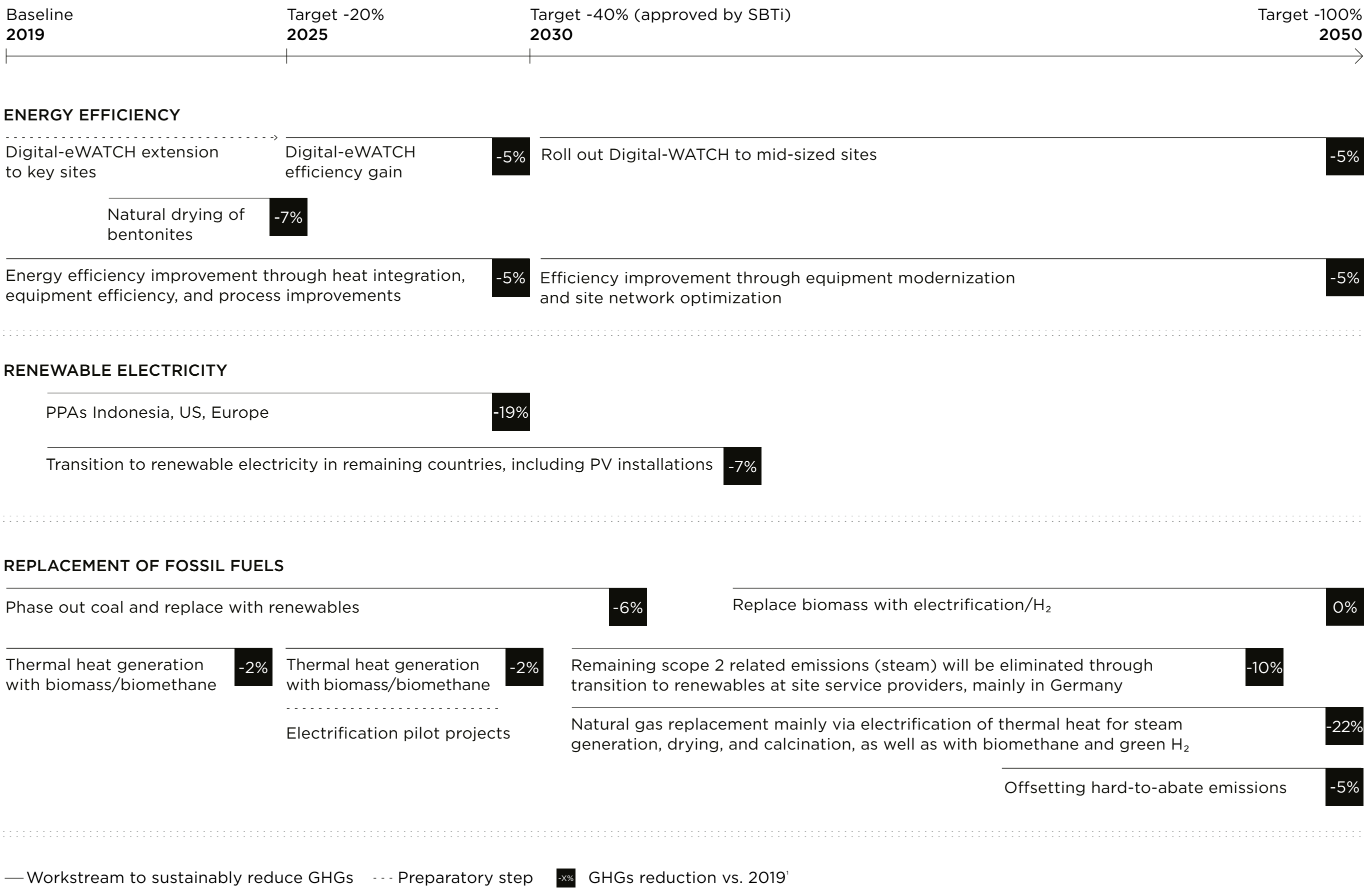
Measures to implement climate policies

To reach its climate targets, each BU evaluates its own specific impacts and identifies projects to reduce scope 1, 2 and 3 GHG emissions with the support of other functions. These projects are included in Clariant's decarbonization roadmap covering all BUs.

✓**I** An important initiative developed to implement the climate policy is the energy efficiency of production processes, including natural drying with wind and sun. **I**

Clariant implements energy efficiency measures in combination with digitalization (Digital-eWATCH) which are expected to reduce GHG emission for scope 1 & 2 by 10 % by 2030 and another 10 % by 2050.

022 **CLARIANT'S SCOPE 1 & 2 GHGs NET-ZERO ROADMAP**



[1] potential growth related emissions must be reduced as well.

Switching the drying of bentonites from fossil fuel drying to natural drying will contribute 7% by 2025. This measure not only serves to improve the efficiency but also to transition from fossil energy to renewable (solar, wind) energy. Another improvement area includes switching to renewable electricity, which is planned to be almost completed by the beginning of the next decade. Power Purchase Agreements (PPAs), where available and applicable, will contribute 19%, and Renewable Electricity Certificates (RECs) will contribute an additional 7%. Fossil fuel replacement has already begun, but near-total replacement is the most significant challenge to driving down emissions. Coal has been replaced by biomass and partially, as an interim step, by natural gas. This is expected to lead to a reduction of around 5-6% by 2030. In collaboration with site service providers, Clariant is defining plans to switch the thermal energy supply to green steam, generated from biomass, biomethane, landfill gas, or electrification. The replacement of natural gas (scope 1) will be mainly through electrification, with the pilot phase starting after 2025. To a lesser extent, Clariant plans to use biomethane and, if available at affordable costs, green hydrogen for specific applications. The remaining hard-to-abate 5% of scope 1 & 2 emissions will be offset through certificates.

The internal carbon-pricing system was continuously used in the evaluation of CAPEX projects. The price was increased in 2023 from CHF 50 per ton of CO_2 to CHF 100 per ton of CO_2 which allows Clariant to assess the impact and opportunity of investments regarding the impact on scope 1 & 2 targets.

Clariant creates value by innovating sustainability-driven solutions, helping customers to reduce climate change impacts in many aspects of everyday life. Climate protection measures often result in energy savings that reduce costs, strengthen competitiveness, and trigger business opportunities.

✓I Reducing scope 1 & 2 emissions

Clariant's direct GHG emissions result mainly from combustion processes (94%) which are proportional to the amount of fossil carbon in the combusted fuels. To calculate the emissions, Clariant uses the standard emission factors for the primary fuels defined by the GHG Protocol. A minor share results from process-related emissions.

Clariant's indirect emissions related to scope 2 are caused by external energy purchases 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 emission factors from local suppliers or country-specific grid factors published according to the GHG Protocol. To better reflect the Sustainability Policy, Clariant favors market-based emission factors where available but also reports the location-based electricity-related emissions. **I**

✓**I** For energy attribute certificates (EACs), emission factors resulting from specific instruments, such as RECs are used. For green electricity supply contracts, Clariant uses the emission factor obtained from contract agreements on specific sources for which there is no emission of specific attributes. Supplier-specific or utility emission rates (marked-based factors) are disclosed as a result of the supplier's retail mix. If a residual mix is unavailable, grid-average emission factors (location-based) are used as a proxy. For US-based sites, Clariant uses the most recent US eGRID data whereas for all other sites, Clariant uses International Energy Agency (IEA) data.

The use of electricity from renewable sources and the validation requirements for RECs are defined in a Standard Operating Procedure (SOP). The transition to green electricity is a core element of Clariant's sustainability transformation. Of the available options, Clariant favors PPAs and Green Tariffs over unbundled RECs and will use such favored green energy options over unbundled RECs as far as commercially reasonable, based on limitations regarding the availability of these contractual instruments. Compliance with the rules and requirements of this SOP is mandated to guarantee quality conformity and compliance with the GHG Protocol.

Clariant created the Sustainable Operations Cockpit (SOC) to enable monthly tracking of energy consumption and GHG emissions. It combines energy consumption data for all production sites with conversion and emission factors. It also enables more granular reporting using individual conversion factors at the site and plant level. All conversion factors are centrally managed to ensure data harmonization and accuracy. The SOC is also used to track energy and utility supply to third parties at sites where Clariant serves as site service provider.

The SOC also allows for user-friendly data visualization to analyze trends and perform benchmarking as a basis for improvement. The tool was successfully audited upon implementation and is subject to evaluation as part of our yearly limited assurance process. **I**

✓I Emissions of ozone-depleting substances (ODS), nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant emissions

At the Group level, air pollutants including volatile organic compounds (VOCs), sulfur oxides (SO_x), particulates, and nitrogen oxides (NO_x) are tracked. NO_x emissions from process and combustion sources are included as a KPI for Clariant's sustainability 2030 targets. Clariant no longer uses ozone-depleting substances. If relevant, Clariant reports cooling agents under the category »greenhouse gases«. **I**

✓I Reducing scope 3 emissions

As part of its extensive reporting for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP), as well as to satisfy the SBTi requirements, Clariant publicly reports its scope 1, 2 and 3 emissions annually. Scope 3 emission calculations include the categories deemed most relevant for Clariant's business at the time the baseline was calculated for 2019: purchased raw materials (category 1), fuel- and energy-related activities (not included in scope 1 or 2) (category 3), upstream transportation (category 4), downstream transportation (category 9), and end-of-life treatment of sold products (category 12). In 2023, category 12 emissions were omitted from the calculation due to an ongoing review of the methodology aimed at enhancing data quality. This process will be finalized upon completion of Clariant's baseline recalculation exercise in 2024.

The emissions from purchased energies are based on the average Clariant site data from the specific country, based on internally validated supplier-specific data or average databases (e.g., the IEA) and stored in the SOC, while the emissions from consumed materials and outputs (e.g., waste, wastewater) are based on average emission factors, from internally validated supplier-specific data, industry average databases or literature representing a similar technology or process under study.

To calculate its scope 3 category 1 emissions, Clariant uses emission factors (EFs) based on data from secondary LCA databases such as ecoinvent or other verified sources when supplier-specific emission factors are not available. All EFs go through an internal validation process. Global warming potential (GWP) characterization factors from the Intergovernmental Panel on Climate Change Assessment Report 5 (IPCC AR5) and IPCC AR6 with a 100-year timeframe are used, which are expressed in kg of CO_2 equivalents per input unit. Where no data are available, extrapolations are used. This allows Clariant to generate transparency, identify hotspots and reduction opportunities in the value chain, influence suppliers, and work on innovation. **I**

Chemical industry collaboration

Through its membership in the TfS initiative, a chemical sector collaboration to build sustainable chemical supply chains, Clariant contributed to the development of a chemical industry guideline on product carbon footprint and corporate GHG emission accounting, which was published in November 2022. Clariant is now working to adapt its own methodology in line with the TfS PCF Guideline to ensure harmonized PCF calculations. In the future, harmonization and standardization will allow consumers and the wider market to directly compare and assess the climate impact of products.

NITROGEN OXIDES (NO_x), SULFUR OXIDES (SO_x), AND OTHER SIGNIFICANT AIR EMISSIONS

Significant air emissions in tons, for each of the following:	Total 2023	2022 [2]	2021 [1]	2020	2019
Total inorganic emissions	**516**	**747**	**995**	**915**	**839**
NO_x	326	414	566	540	613
SO_x	162	245	323	248	172
Hydrogen chloride HCI	28	60	35	45	33
Ammonia NH_3	39	28	71	82	21
Total organic emissions (VOCs)	**191**	**305**	**374**	**413**	**543**
Particle emissions (fine particles) (in t)	311	361	3 671	293	201
Particle emissions (fine particles) (in g/t production)	82	95	834	71	47

[1] Until 2021, Clariant followed a full reporting scope of production sites on a three year cycle. Before that year, 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] In 2023, the 2022 emissions are restated to reflect the coal emission factors according to the quality of coal used for combustion at the time.

In 2023, Clariant was involved in the development and testing of a PCF data-sharing solution, which is an IT solution based on Siemens' SiGREEN® technology that enables TfS members and their suppliers to safely share PCFs. The pilot is expected to be completed in early 2024.

Beyond Clariant's own internal roadmap, one of the most important means of achieving ambitious climate goals is engaging with external stakeholder groups that share Clariant's objectives. Together, through direct involvement with international organizations and in projects, we can achieve significant progress. Clariant participates in diverse partnerships in the area of climate change and energy transition, including industry associations (Cefic, American Chemistry Council, Advanced Biofuels Coalition – LSB, or the Hydrogen Council), international organizations (WBCSD, WEF), and institutional platforms (EU Renewable and Low Carbon Fuels Alliance – RLCF). In addition, Clariant also participates in the TfS Work Stream on GHG scope 3 emissions and in particular, on the work package dedicated to designing a data collection and sharing approach.

Calculating product carbon footprints with Clariant's CliMate tool

In 2022, Clariant introduced its automated product carbon footprint calculator »CliMate«, which was developed together with an external partner, NDC Group. »CliMate« allows for calculating the PCFs of the portfolio based on standardized production recipes. The PCF includes the potential contribution of a product to global warming expressed as kg of CO_2 equivalents per kg of product by quantifying all significant GHG emissions from cradle to gate.

»CliMate« enables Clariant to offer consistent cradle-to-gate greenhouse gas (GHG) emission data for thousands of finished products and solutions from across its whole portfolio, in line with the the ISO standard 14067:2018. The powerful tool is based on leading standards for PCF calculations and is aligning with the TfS PCF Guideline. »CliMate« has also been validated by the independent organization TÜV Rheinland. See the certification under certified products using the ID 0000082466 at www.certipedia.com.

The system boundaries applied reflect the cradle to gate emissions and removals including all material extraction; agricultural activities; manufacturing, production and processing steps; and disposal/treatment of waste generated by upstream activities, excluding capital goods, packaging, and transportation emissions. The downstream life cycle stages (i.e., use stage and end of life stage) are not included due to the diverse application and customer structure.

The primary operations data consist of Clariant's Bill of Materials (BOM), which describes the inputs and outputs (e.g., intermediates, raw materials, utilities, waste, wastewater, etc.) that together create this product. The PCF refers to the most recent available BOM when the calculation is carried out.

»CliMate« enables Clariant to monitor PCF improvements over time as it continues to achieve ongoing reductions in emissions within its own operations and from purchased goods and services.

✓I Supply chain targets

Clariant has set a target to reduce scope 3 category 1 GHG emissions by 14 % by 2030 approved by SBTi. Per the SBTi Monitoring Report 2022, Clariant is one of only 24 companies in the chemical sector to have set a scope 3 reduction target through the SBTi. The implementation and execution of the defined roadmaps to achieve the target and to manage risks and opportunities is within the responsibility of the different businesses and functions. The supply chain targets are set within the BUs for the subsequent reporting period. Procurement and the BUs work closely together identifying suppliers that can support reduction targets. Without concrete positive actions from suppliers, the targets Clariant has set for itself cannot be met.

The short-term incentive plan for the management team includes a target on the reduction of scope 3 emissions as one of the top priorities. The scope 3 reduction is being strengthened under the new short-term incentive plans applicable from 2023 by increasing the weighting for this KPI as well as rolling out this KPI to a broader population. **I**

Reducing emissions in the supply chain

More than 70 % of Clariant's 2023 carbon footprint comes from purchased raw materials. In the future, an increasing share of renewable raw materials will replace fossil-based resources, potentially leading to reduced GHG emissions. Engaging with suppliers is one of the key actions to ensure that GHG emissions are reduced over time. In addition, Clariant works closely with its joint venture (JV) business partners on aligning ambitions and aspirations to reduce GHG emissions to make reduction targets achievable. A systematic approach to engaging with value chain partners is ongoing.

✓I In 2023, Clariant undertook several steps to replace conventional raw materials with low-carbon alternatives. This includes ethylene oxide derivatives from renewable sources in the joint venture with India Glycols. I

Supplier engagement to support emission reduction remains a key priority for the next years. Transparency and availability of validated and credible supplier-specific emission factors of the raw materials purchased gain importance to make informed decisions and to execute the strategic roadmap. In 2023, the scope 3 category 1 emission reductions are due in part to the projects (39 % of total reductions), in addition to volume decreases.

The PCFs calculated by the CliMate tool are also used by Clariant to uncover improvement opportunities within its supply chains. Clariant's current PCF portfolio coverage will expand to ever-wider application areas as supporting information becomes increasingly available from suppliers through the company's supplier engagement program. Clariant continues to engage with its raw material suppliers to encourage them to share their carbon footprint data and demonstrate the greenhouse gas emission reductions Clariant expects from its strategic suppliers.

✓I In 2023, Clariant focused on reduction project implementation and supplier engagement, e.g., with key suppliers, collected supplier-specific emission factors, and developed reduction plans. Together with other members of the TfS initiative, Clariant formed a workstream focused on increasing transparency and enabling emission reductions in the value chain. I

Educational webinars and trainings

In 2023, internal sessions were prepared by Government Affairs to raise awareness on key emerging themes and policy developments, such as CBAM. Approximately 70 colleagues joined. To address prioritization of continuous improvements and new developments related to carbon footprinting in general at Clariant, a workshop was organized in August with all relevant teams from the BUs, Sustainability Affairs, Procurement, and IT. A cross-functional improvement program was established and will be executed in 2024. Topics include proper EF data management to ensure high-quality emissions accounting and alignment with the TfS PCF Guideline.

In 2023, the Sustainability Transformation Manager for BU Adsorbents & Additives provided trainings to many colleagues:

- General sustainability topics with 160 participants
- Sustainability Hub presentation with 175 participants
- Focus on PCFs as requested by individual groups with 60 participants

All training sessions were recorded for the internal learning platform and made available to employees for self-learning.

In addition, the Sustainability Transformation Manager for BU Care Chemicals also provided trainings in 2023 on topics including PVP, PCF, and the overall sustainability strategy at Clariant. Approximately 150 employees attended in total. A global training rollout for the sales, marketing, and technical community is planned for the first quarter of 2024.

MAIN CLIMATE RISKS

In Clariant's risk assessment process, the risk analysis was enhanced by an impact assessment where risk consequences were classified in terms of financial impact. The responsible entity for Clariant's ERM and risk assessment process has been continuously involved in the climate-risk and opportunity assessment to ensure that concepts and processes are aligned where possible. For example, a financial impact classification similar to the ERM process has been applied. Clariant decided in 2023 to integrate the risk assessments into the company's internal risk management. The TCFD analysis in 2023 includes financial exposure estimates in alignment with the company's risk assessment process.

✓I Identifying and assessing climate-related risks and opportunities at Clariant is performed by a project team, led by the Sustainability Transformation team and complemented by experts from Enterprise Risk Management, Communications, Operations, ESHA, and Procurement. I

In 2023, the TCFD-specific project team and an external consultant continued the risk and opportunity assessment and conducted workshops to identify relevant climate-related, TCFD-recommended risks and opportunities. This enhanced risk and opportunity (R&O) assessment comprises a physical risk analysis of Clariant's sites (see → Figure 023), sales, and sourcing regions. The risk analysis of Clariant sites was prepared using the »Climate Change Edition« of the »Location Risk Intelligence« software from reinsurer Munich Re. It is based on the RCP scenarios for atmospheric greenhouse gas concentrations from the latest IPCC Assessment Report (IPCC AR5, 2014). In up to three climate scenarios (RCP 2.6, RCP 4.5, and RCP 8.5) and time horizons (2030, 2050, 2100), the tool analyses site-specific hazard exposure for various acute and chronical hazards, such as sea level rise and wildfires.

For the risk analysis of Clariant's sales and sourcing regions, regional information from the IPCC's Interactive World Atlas was used to identify physical hazards. This helps to identify which sales and sourcing regions are in danger and could impact the company's supply chain reliability. For both sales and sourcing regions, the analysis identified mean temperature changes, maximum temperature increase, and heavy precipitation as the main risks.

For transitory risks and opportunities, the Net Zero Emission scenario (NZE) of the IEA has been applied. It shows a pathway to achieve net zero CO_2 emissions by 2050, mainly driven by energy, innovation, and technological changes. It is therefore consistent with limiting global temperature increase in line with the Paris Agreement and allows Clariant to make scenario-based assumptions about the impacts and risks and opportunities associated with the transition to net zero CO_2 emissions by 2050.

In 2023, to enhance its TCFD (and CDP) reporting, as well as to make best use of the whole process, Clariant analyzed selected risks and opportunities from a financial perspective. The financial impact assessments may contain forward-looking statements based on current assumptions and forecasts. Uncertainties and unknown factors may lead to different financial impact in the future. Clariant has no obligation to update these disclosures or to adjust them to future events and developments.

✓I Actual material negative impact on climate in Clariant's own operations and in the upstream and downstream value chain

Scope 3 emissions account for the majority of GHG emissions for the specialty chemical sector. Clariant's direct GHG emissions (scope 1) result mostly from combustion processes (94%).

More than 68% of Clariant's 2022 carbon footprint comes from purchased raw materials. Hence, most impacts materialize upstream in the supply chain. The (bulk) chemical industry, in general, is heavily dependent on fossil fuels as petrochemicals are used as both raw materials and energy sources for production.

There are climate risks from Clariant's business relationships. One of the risks is that Clariant could lose customers if there is no change geared toward reducing emissions. This also requires actions that are aimed at reducing product-related risks. **I**

Clariant categorizes climate-related, business-relevant risks and opportunities into physical risks, transitory risks, and physical and transitory opportunities. Physical risks comprise events such as extreme weather, storms, and heavy precipitation, but also chronic changes in climatic conditions, such as temperature changes or sea level rise. Transition risks, which arise in connection with the transition to a lower carbon economy, emerge in policy and legal, technology, market, and reputational risks. Examples are changing political frameworks, technological developments, and changing market expectations. But both physical and transitory risks also bring along opportunities with climate mitigation solutions as a focus area for Clariant. They arise in the areas of resource efficiency, energy sources, products and services, markets, and resilience. More information on Clariant's risks and opportunities, can be found in → Figure 024.

023 **CLIMATE PORTFOLIO ASSESSMENT**[1]

Tropical Cyclone
The tropical cyclones hazard has almost no changes in the different scenarios.

River Flood Undefended
The share of sites with a 100-year return period increases from currently 18% to 22% by 2050.

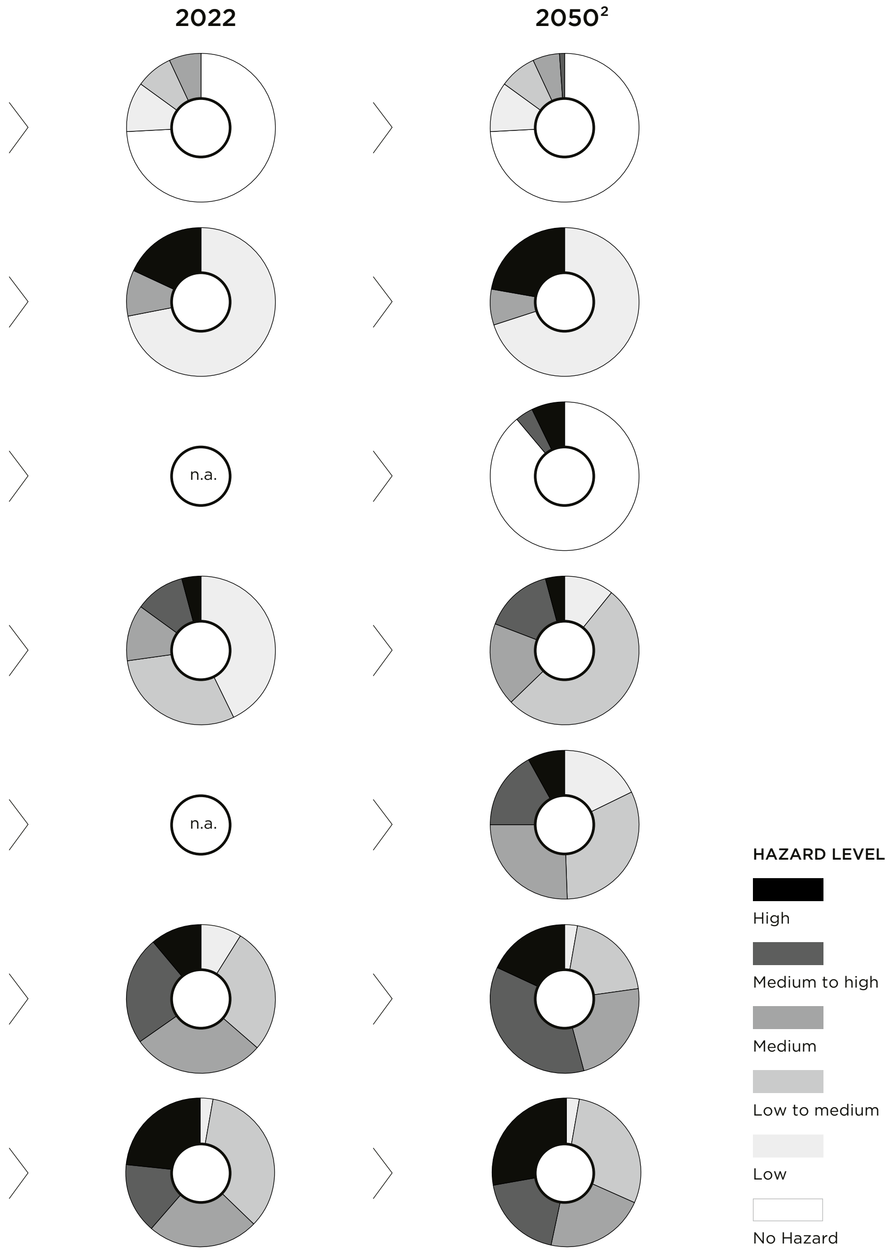
Sea Level Rise
89% of all locations are without a hazard for sea level rise until 2100. 11% face a medium-high to high hazard.

Fire Weather Stress Index
The share of low-hazard sites decreases from currently 43% to 11% by 2050. By 2100, every fifth location faces a medium-high or high hazard for wildfires.

Drought Stress Index
50% of the sites are in the low or low-medium hazard range in 2050. 24% face a medium-high or high hazard.

Heat Stress Index
In 2050, 54% of sites are facing a medium-high or high hazard, which increases to 70% by 2100.

Precipitation Stress Index (heavy rainfall)
Low-medium hazard sites decrease from 37% to 32% by 2050. At the same time, high hazard sites increase from 23% to 28%.



[1] Figures refer to the share of locations taken into account,
[2] 4-Degree Scenario (IPCC, RCP 8.5)

Most material risks and opportunities
a. Physical risks:
✓I a. 1. Limited insurance capacity / increasing costs for insurance I

Main risk: The increasing frequency and severity of natural catastrophes, combined with an accumulation of risks at certain locations, has led insurance companies to carry significant losses. The financial ability of insurance companies to cover such scenarios can be expected to come to a limit. As a consequence, steep increases in insurance premiums can be expected, as well as the inability to transfer such risks.

Main initiatives: Risk mitigation measures such as flood defense improvement, business continuity planning, etc. will consequently need to be gradually enhanced where risk transfer mechanisms are no longer available.

✓I a. 2. Process constraints associated with water stress or increasing water temperature I

Main risk: Many manufacturing processes require cooling with river water. Low water levels or river water temperature increase can lead to the interruption of production and loss of business.

024 **MATERIAL RISKS AND OPPORTUNITIES**

Material climate-related risks and opportunities	Scenario	Category	Risks and opportunities
	4-DEGREE SCENARIO The applied RCP 8.5 2050 scenario defines climatic changes expected when the global temperature increases by around 4 °C.	Physical risks	— Lack of insurance/increasing costs for insurance — Decreasing bio-based raw material availability — Cooling of processes impacted by water stress or increasing water temperature — Damage to energy infrastructure by extreme weather events — Damage to infrastructure, transportation routes, and production sites by extreme weather events — Damage to warehouses and plants by extreme weather events — Decreasing river water levels due to drought stress impacting transportation
		Physical and transitory opportunities	— Development and/or expansion of low-emission goods and services — Expansion of renewable energies — Improved capital availability — Use of more efficient production and distribution processes — Use of lower emission sources of energy — Increased public funding — Use of more efficient modes of transport — Shift in consumer preferences — Development and/or expansion of catalysts
	NET ZERO SCENARIO The applied Net Zero scenario of the International Energy Agency defines transitory changes necessary to reach net zero emissions by 2050.	Transitory risks	— Costs of transition to low-carbon technologies — Supply chain disruptions — (Non-fossil) raw material regulations — Increased pricing for energy and raw materials and GHG emissions — Increasing stakeholder pressure — Reduced capital availability — Substitution of products and services with lower-emissions solutions — Geopolitical crises and impact on raw materials and energy costs — Climate change litigation

Main initiatives: Clariant has been conducting comprehensive water stress assessments since 2017. Risk mitigations include water efficiency improvements as well as enhanced cooling technologies and energy recovery projects.

b. Transitory risks:
b.1. Increased prices for energy

Situation: The energy market has shown high volatility in the past. There are various factors impacting availability and prices. Also, climate change poses risks to reliable energy generation and security of the supply infrastructure. Resulting shocks on the global energy market can therefore affect energy prices, directly affecting Clariant's indirect operating costs.

Main risk: Geopolitical crises, carbon pricing, and energy shortages would lead to higher operational expenditures and high fossil fuel price dependency.

Main initiatives: Clariant is actively diversifying its supplier landscape and increasing the share of renewable energies to become more independent of fossil fuels. In its strategies for raw materials, Procurement also relies on multi-sourcing to achieve optimum purchase prices through competition. Digital market analysis as well as regular strategy meetings to assess the raw materials situation have been established. Additionally, replacing fossil-based raw materials through low-carbon alternatives reduces the dependency on fossil-based price drivers.

Financial impact 2024: very low

Explanation of financial impact figure: For the financial quantification, Clariant focuses on energy as one of the key cost components associated with climate change impacts. Clariant expects stable prices over the next five years. Due to increasing investments in renewable electricity generation, the increasing demand for renewable electricity will be covered. Therefore, Clariant does not expect electricity prices to rise during this period. However, unexpected events in the supply of energy, such as extreme weather events, including droughts and flooding, can have an additional impact on energy prices. In 2023, Clariant spent approximately CHF 164 million on electricity, natural gas, and steam, which are the primary types of energy. IEA data for average wholesale prices from 2016 show no consistent price trend in all types of energy, but a variance in prices of up to 100 %. Considering risk hedging in electricity procurement, a maximum increase was assumed at 25 %, medium at 10 %, and minimum at 5 %.

✓I b. 2. Costs of transition to low-carbon technologies and products I

Situation: Clariant has set near-term science-based climate targets through the SBTi. In addition, Clariant has set itself a long-term net-zero target for scope 1 & 2 emissions by 2050. Clariant already uses solutions like GlucoTain® to offer low-carbon products in the market. To achieve long-term emission reduction in own operations requires additional investments in new technologies and equipment. Quantifying the financial impact of the costs associated with the required low-carbon technologies therefore supports the necessary transition through effective long-term planning and implementation in line with the emission reduction target.

Main risk: High expenditures required for the development of sustainable products, reliable energy supply, and sustainable raw materials, which can impact the company's overall profitability.

Main initiative: Investments in sustainable long-term green electricity PPAs increase supply security and optimized expenditures. Another approach of Clariant is to increase efficiency by leveraging cross-industry collaborations and thereby simultaneously increasing the scope and chances for the success of innovative and sustainable solutions. Clariant is actively participating in industry forums like the Low-Carbon Emitting Technology Initiative of the World Economic Forum (WEF) to find further cross-industry collaborations.

Financial impact: low

Explanation of financial impact figure: Implementing the roadmap to reduce emissions by at least 40% until 2030 compared to 2019 requires investments in energy efficiency and the transition to renewable energy. Investments in energy efficiency are distributed over many individual measures like heat integration, digitalization, more efficient equipment, and implementation of natural drying for bentonites. The transition to renewable energy represents the major share and requires investment in new equipment, including new boilers for biomass steam generation, or to adapt the infrastructure for electrification and the use of biomethane. For the financial impact, Clariant also includes the additional costs for green electricity which gradually increase until 2027. However, Clariant expects a much higher financial impact, looking at a 28-year forecast until 2050. The expected accumulated costs for the transition to low-carbon technologies are CHF 750 million.

b.3 Pricing of GHG emissions / carbon pricing

Carbon pricing (either in the form of direct taxation or emission trading schemes (ETSs)) is designed to make polluters pay and reduce greenhouse gas (GHG) emissions. Putting a price on carbon has become the preferred policy tool implemented by governments to achieve their climate and emission reduction goals. Carbon prices are hitting record highs in many jurisdictions, and an increasing number of companies will be subject to regulatory-driven impacts in their jurisdictions. As a specialty chemical company, Clariant, however, does not operate carbon-intensive processes, and operational emissions only represented 17% of total scope 1, 2 and 3 (cat. 1) emissions. According to the current scenario and the expected development until 2027, CO_2 costs will not have a major direct impact on the company.

Financial impact: very low

Explanation of financial impact figure: While Clariant expects the CO_2 price at the EU level to increase by 2030 and beyond, Clariant is currently facing a limited/low financial impact from the world's largest ETS scheme. In fact, as of today, Clariant currently has only one site within the scope of the EU ETS. This site in Germany is sufficiently covered by certificates. Therefore, no direct costs will be incurred until the end of 2025. Following the adoption of the revised EU ETS Regulation in 2023, free allocations of European Union Allowances (EUAs) will be gradually phased out by 2035. EUA prices will rise and result in additional direct costs to Clariant operations, especially after 2034. Clariant is currently not in scope of any other ETS schemes. Lastly, as Clariant competes in global markets, additional indirect costs (pass-through of ETS-derived costs from power suppliers) may affect international competitiveness. At the national level, the only notable impact should occur in Germany: CO_2 price will be set at EUR 45 per ton CO_2 in 2023, and increase to EUR 55-65 per ton CO_2 by 2027.

Mitigation steps: Clariant has set SBTs with the SBTi and is committed to reducing absolute scope 1 and 2 GHG emissions by 40% by 2030 from a 2019 base year. Clariant aims to set near-term company-wide emission reductions in line with SBTi climate science. The updated near-term targets will be subject to validation by the SBTi in 2024. This will be achieved through several projects and initiatives such as energy efficiency measures (heat integration, natural drying of bentonites, and digitalization), the transition to renewable electricity via PPAs and RECs, and finally the replacement of fossil fuels with biomass, biomethane, and electrification. In addition, the application of an internal carbon price (CHF 100 per ton CO_2) helps to factor in costly carbon regulations and reallocate resources to lower carbon projects.

c. Opportunities:

c. 1. Development and/or expansion of low-emission goods and services

A significant share of Clariant's sales is based on carbon emission-reducing products such as catalysts and bio-based products. The Net Zero Scenario by the IEA foresees that the demand of low-emission goods and services will increase through policy changes and consumer behavior (IEA World Energy Outlook 2022, November 2022). For companies developing low-emission products, this rising demand in the Net Zero Scenario can lead to increased revenue. For example, Clariant is working closely with the automotive value chain to offer advanced additive technologies for plastics and to progress their focus on weight optimization, sustainable and recyclable materials, as well as CO_2 reduction alongside performance and safety needs.

In terms of climate change, Clariant's additives will support and unlock e-mobility developments for this industry's sustainable transformation across design and production. The trend toward using higher voltages for faster charging is creating the need for advanced battery and charging infrastructure materials as well as high voltage connectors, offering higher tracking resistance and flame retardancy. Clariant's patent-protected, widely used halogen-free flame retardants help achieve industry goals toward faster charging and lower greenhouse gas-emitting materials. In the United States, as well as at the EU and Member States level, policymakers have adopted ambitious and mandatory targets for deploying EV-charging infrastructure. The US goal, for example, is to install 500 000 public chargers. At the EU level, the new regulation for the deployment of alternative fuels infrastructure (AFIR) sets mandatory deployment targets for electric recharging for passenger cars, vans, and heavy-duty vehicles.

Among different additives, one of Clariant's most important products is the halogen-free Exolit® OP flame retardant series. For this single product group for the EV market, Clariant expects a medium to high financial impact, illustrating the significant opportunity for all low-emission goods and services for Clariant. These flame retardants also have a more sustainable version (TERRA), which would enable savings of approximately 0.07 million tons of CO_2 equivalents from 2024 until 2027.

Financial impact 2027: high

Explanation of financial impact figure: Based on internal forecasts for e-mobility sales that consider newly registered electric vehicles, Clariant expects an increase in sales of flame retardants for this specific market.

c.2. Expansion of renewable energies

Increasing energy prices affect Clariant, making energy improvement even more important, especially for some sites and business activities. In general, energy prices fluctuate strongly due to external circumstances such as wars or political unrest. At the same time, fossil fuels are increasingly bound to CO_2 prices, making fossil fuels more expensive, and CO_2 prices are expected to further increase in the future.

Decreasing dependence on the fossil fuel market becomes a strong advantage, especially since, in the short and medium term, carbon pricing will be introduced in additional countries, which seems likely given the current political developments. Therefore, Clariant prepares for these scenarios with investments in renewable energies (see IR 2022, chapter PPP).

As a result of the Paris Agreement, the global demand for low-emission goods has increased. The reduction of scope 1 & 2 emissions in the value chain is a key element in this transformation. Consequently, more and more customers would benefit from, and have expressed interest in, low-emission goods. Customers ask specifically for ways to reduced scope 1 & 2 emissions to reduce their scope 3 emissions. Clariant has implemented several Power Purchase Agreements (PPA) in various locations and countries, including Indonesia, India, and the US, and is working on realizing additional PPAs in Europe and the US. By 2023, the share of renewable electricity will increase to about 60%. Reducing the scope 1 & 2 emissions of Clariant products are therefore an opportunity that will lead to higher returns on investments in low-emission technologies, especially as renewable energy prices are expected to fall due to higher availability.

Financial impact: low-medium

Explanation of financial impact figure: Clariant is reducing its scope 1 & 2 emissions and is committed to a well below 2°C-path (for scope 1 & 2). To ensure the reduction, Clariant is replacing fossil fuels and transitioning to green electricity. As of 2023, one site is net zero in scope 1 & 2. This will differentiate Clariant from peers and allow for above industry-average GDP growth.

Clariant measures growth through innovation, and in the past years, the contribution was in the range of 1.5% to 5.5%. Clariant believes that 30% to 50% of this innovation growth is and will be related to products with a competitive advantage in terms of reduced carbon footprints, and therefore assumes that the impact of an increased share of low-emission goods and services through lower scope 1 & 2 emissions on the growth will be in the range of 0.75 – 1.5% of the total sales.

c.3. Use of more efficient production and distribution processes

Situation: Clariant has 70 production sites with an output of 3.8 million tons and over CHF 4.377 billion in sales volume in 2023, which decreased by -10% in local currency. Efficient production and distribution processes are a key to Clariant's business. In the past years, Clariant was successful at improving efficiency and generating savings between CHF 30 million and CHF 50 million per year. Clariant will continue to further improve efficiency. Therefore, it is necessary to quantify the possible future financial benefits.

Financial impact: low

Explanation of financial impact figure: The quantification of this opportunity uses historical data from 2018 to 2022 available from Clariant. This includes the realized benefit of more efficient supply chain and production processes with a focus on energy efficiency initiatives, including more efficient equipment, heat integration, digitalization, and development of more efficient processes. The historical data shows an increasing trend of realized benefit. Following this trend for the next five years, we calculate the expected financial impact. Furthermore, we consider a +/- 20% increase or decrease in the trend gradient for calculating a corridor, leading to a minimum and maximum financial impact.

c.4. Development and/or expansion of catalysts

Business Unit Catalyst's business is organized into five different business segments: Syngas & Fuels, Ethylene, Propylene, Specialties and Biofuels & Derivatives. Syngas & Fuels manages Clariant's catalyst business related to processes for hydrogen, steam reforming, water gas shift, methanol, ammonia, Fischer-Tropsch, and the refinery businesses, such as dewaxing. The Ethylene segment is home to Clariant's catalyst businesses catering to the ethylene value chain, that is selective hydrogenation on styrene. It also manages Clariant's zeolite powder business. The Propylene segment manages Clariant's catalyst businesses for the production of propylene and polypropylene. The Specialty segment comprises a larger number of downstream specialty businesses such as various hydrogenation businesses, various oxidation businesses, and stationary emission control businesses.

Climate change risks and opportunities – the next five years: The outlook for Clariant's businesses in the next five years is overwhelmingly determined by the traditional drivers in the industry. These are regional feedstock and energy price trends, regional economic outlook, geopolitical trends, and business and investment cycles. In general, Clariant's Syngas & Fuels segment has the highest exposure to climate change-related trends in the industry, but most of these changes will not kick in at scale before 2030. Syngas (or synthesis gas) catalysts from Clariant are used around the world for cost- and energy-efficient production of ammonia, methanol, and hydrogen as well as for fuel cells, gas processing, and various gas-to-liquid (GTL), coal-to-liquid (CTL), and biomass-to-liquid (BTL) processes. Clariant Catalysts has been supporting Power-to-X technologies for over a decade, collaborating in over 40 private and public projects. Clariant has developed several innovative catalysts for CO_2 conversion in Power-to-X applications, including those to produce green methanol, carbon neutral SNG, and renewable hydrocarbons such as Sustainable Aviation Fuels (SAFs). These solutions will greatly benefit from the regulatory push in several jurisdictions in support of transport defossilization.

Climate change risks and opportunities – looking to 2050: Assuming a successful decarbonization of the chemical industry, especially the Syngas & Fuels segment will see significant changes. Ammonia and methanol could develop into major hub molecules for the transport of energy and the production of alternative fuels. The respective markets for these products could increase several times compared to today, and there is opportunity for Clariant's businesses to capitalize on this trend. However, a switch to synthesis gas produced from electrolysis and captured CO_2 alone would also mean a loss of Clariant's reforming and water gas shift businesses.

Clariant's other catalyst businesses are more insulated from climate change trends. One reason for this is the centrality and growth outlook for plastics and polymers. This is the case even if the energy inputs for these processes are decarbonized through electrification of crackers or carbon capture of crackers. Clariant catalysts are required even in a scenario with extensive chemical recycling of plastics, because all Clariant products are downstream of the cracker.

Clariant's propylene PDH process can be greatly reduced in its carbon intensity through electrification and use of green electricity. The downstream polypropylene process would be required irrespective of how the propylene has been produced. Like the Business Segment Ethylene, the Business Segment Propylene is relatively insulated from any disruptive climate change-related changes happening in the chemical industry.

The technologies in Clariant's Business Segment Specialty are furthest downstream of the large-base chemicals (olefins and aromatics) of all Clariant products, and these conversions are required also in the context of green base-chemical production.

c.5. Development and expansion of products with low product carbon footprint (PCF)

An increase in customer needs for products with low PCFs is inevitable. Clariant developed an automated product carbon footprint calculator (CliMate), which allows Clariant to calculate the carbon footprints of its products at scale to share this key information with its customers. Combined with Clariant's commitment to achieve its scope 1, 2 and 3 targets, Clariant is striving to offer products with improved PCF along with the required data transparency over time.

Climate-related risks and opportunities have influenced Clariant's strategy and financial planning in several areas, among which:

Products and services: Clariant's carbon footprint is driven by its scope 3 emissions (>83% in 2023), and thus, the company's strategy is not only focused on its own operations, but also covers the value chain. Clariant carries out a comprehensive sustainability assessment of its products during the development phase using Clariant's PVP, including an assessment of the impact of the product on climate change across its life cycle of the product. This allows for the identification of those products that have a particularly beneficial impact on GHG emissions compared to the industry standards or the most recent product generation; this number (>80) is up to date for 2023.

Supply chain: Starting in 2019, a dedicated workstream was put in place to develop a roadmap to reduce Clariant's scope 3 emissions. It started with a deep-dive analysis with a group of internal experts to evaluate the main emission sources, followed by the collection of potential ideas for emission reduction. These ideas were prioritized in terms of technical approval needs, influenceability by Clariant, and potential cost impacts.

Operations: At an operational level, Clariant's scope 1 & 2 emissions together represent approximately 17% of the company's carbon footprint in 2023. Although they are lower than the scope 3 emissions, the influence on emission-reduction activities is higher. Clariant has validated SBTs to reduce the absolute scope 1 & 2 emissions by 40% by 2030 (base year: 2019) and plans to further increase the ambition in 2024. In addition, in 2021, Clariant introduced an internal carbon price for major capital expenditures to factor into decision-making, ensuring resource allocation toward low-carbon technologies and product offerings, while mitigating the risk of increasingly costly regulations.

Clariant's corporate carbon intensity (as measured in tons CO_2 equivalents per million Swiss francs in sales) is relatively low compared to the company's peers. With the main initiatives mentioned above and further quantitative assessments, Clariant can react to both risks and opportunities in different scenarios and is well set up to overcome the climate challenges ahead.

✓I KEY PERFORMANCE OUTCOMES

By tracking the progress toward the SBTi targets on a quarterly basis, Clariant is able to identify the impact of the measures taken with regards to the GHG emission reductions achieved. I

Since 2019, CO_2 emissions (scope 1 & 2 excluding biogenic carbon) have decreased by 22 % year-on-year.

✓I Scope 1 & 2 emissions fell by 0.08 million tons of CO_2 equivalents in 2023. Improvement projects had an impact of 0.09 million tons of CO_2 equivalents. Divestments contributed 0.016 million tons of CO_2 equivalents, and the acquisition of an adsorbents site in the United States added 0.01 million tons of CO_2 equivalents, leading to a net decrease of 0.007 million tons of CO_2 equivalents emissions. Adverse effects, including refrigerants, portfolio changes, and volume changes led to an increase of 0.015 million tons of CO_2 equivalents. The net reduction in 2023 totaled 0.08 million tons of CO_2 equivalents. I

Various initiatives contributed to this significant decrease of 13 % in emissions. Scope 1 emissions were reduced by 0.046 million tons of CO_2 equivalent. Further progress has been made by replacing coal with sun/natural drying at various sites in China and Indonesia. Coal has been replaced with biomass for steam generation at Bonthapally in India and at Jianping in China. Coal consumption has also been reduced at a site in Indonesia by switching to natural gas. These measures reduced scope 1 emissions by 0.04 million tons of CO_2 equivalents. In addition, small-scale energy efficiency measures contributed to the decrease in emissions. Overall, coal consumption as well as corresponding GHG emissions have decreased by almost 80 % compared to peak consumption in 2020. Bonthapally in India became Clariant's first scope 1 & 2 net zero emission production site. Compared to the 2019 baseline, 0.01 million tons of CO_2 equivalents have been reduced by switching to green electricity and by switching from coal to biomass. The remaining hard-to-abate emissions of 200 tons of CO_2 equivalents (2 % of baseline) were offset with compensation certificates.

Scope 2 emissions were reduced by 0.043 million tons of CO_2 equivalents mainly through RECs in China and Spain, as well as the installation of solar panels at various sites. In 2022, Clariant established the first PPA together with the site service provider Celanese at a site in Clear Lake (US), covering 33 % of the annual electricity demand. For five sites in Indonesia – Cileungsi, Cimapag, Medan, Cikampek, and Tangerang – Clariant concluded a ten-year contract for green electricity supply (PPA) generated from geothermal heat in 2022. Other sites including Baroda and Bonthapally, India; Heufeld, Germany; Jiangsu and Jiaxing, China; and Tarragona, Spain; partially use directly or indirectly self-generated renewable electricity.

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; and Novara, Italy
- Since 2021: Bakersfield, Midland, and Reserve, US; and Suzano, Brazil
- Since 2022: Callao, Peru; Maipu, Chile; Louisville, US; Jacarei and Ananindeua, Brazil; and Santa Giusta and S'Aliderru, Italy
- Since 2023: Artziniega, Yuncos and Tarragona; Spain; Bonthapally, India; Daya Bay, Jiaxing, and Zhenjiang; China; Toyama, Japan; and Quincy, US
- Overall, the scope 1 & 2 emissions were reduced by 0.09 million tons. Some minor effects, including the emission of refrigerants, portfolio and volume effects, have cancelled each other out.

All scope 3 category 1 emissions from years other than 2023 do not include emissions for the Süd-Chemie India Ltd joint venture. Historical emissions, including emissions from this joint venture, will be updated in 2024 as part of the baseline recalculation exercise.

✓I In 2023, category 12 emissions were omitted from the calculation due to an ongoing review of the methodology aimed at enhancing data quality. This process will be finalized upon completion of Clariant's baseline recalculation exercise in 2024. Because the total scope 3 emissions change with the exclusion of category 12 emissions, all historical scope 3 emission totals and intensities (kg CO_2 equivalent/CHF sales) were adjusted accordingly.

✓I GREENHOUSE GAS EMISSIONS

in million tons CO_2 equivalents	**Total 2023**	2022	2021	2020	2019
Scope 1					
Carbon dioxide	0.28	0.32	0.37	0.36	0.37
Hydrofluorocarbons (HFCs)	0.01	0.00	n.a.	n.a.	n.a.
Total	0.29	0.32	0.37	0.36	0.37
Scope 2					
Electricity market-based	0.13	0.17	0.21	0.22	0.21
Electricity location-based	0.24	0.24	n.a.	n.a.	n.a.
Steam	0.12	0.13	0.13	0.11	0.11
Scope 2 location-based	0.36	0.37	n.a.	n.a.	n.a.
Scope 2 marked-based	0.25	0.30	0.34	0.33	0.32
Scope 1 and 2 GHG emissions location-based	**0.65**	**0.69**	**n.a.**	**n.a.**	**n.a.**
Scope 1 and 2 GHG emissions market-based	**0.54**	**0.62**	**0.71**	**0.69**	**0.69**
Biogenic CO_2 emission	**0.04**	**0.02**	**n.a.**	**n.a.**	**n.a.**

Between 2022 and 2023, Clariant's net decrease in scope 3 emissions from continuing business was 9% (0.26 m t CO_2e), partially reflecting the GHG emission reduction initiatives implemented with regards to raw materials among others. Clariant measures the emission intensity in terms of total reported scope 3 GHG emissions in relation to the Group-wide total sales in CHF. The emission intensity of Clariant's 2023 continuing business increased by 8% compared to 2022.

The scope 3 emission reduction projects include the purchase of raw materials with lower product carbon footprints as well as an increase in the quality and transparency of emission factors related to the raw materials Clariant purchases. Projects are executed in all business segments, in alignment with the business strategies. In 2023, scope 3 category 1 emissions decreased by 12% (0.30 m t CO_2e) from 2022 emissions, of which the projects contributed to 39% (0.11 m t CO_2e) of the reduction achieved for category 1. I

Compared to the 2019 baseline, scope 3 emissions from continuing business decreased by 31%, while emissions related to purchased goods and services decreased by 34%. Compared to 2019, the scope 3 emission intensity increased by 2%. As a result of the data quality improvements Clariant is performing, some emission factors increased compared to the 2019 baseline emission factors used, thus contributing to a partial increase in GHG emissions.

Biogenic CO_2 emissions are currently included in the emission factors used for raw materials. Clariant is collecting information on biogenic carbon emissions and removals for scope 3 accounting to allow for separate reporting in the future. The separation of emissions will be required per the TfS PCF Guideline by 2025.

FEATURED STORY

Recycled and bio-based solutions for aviation

Monopropylene glycol is used as a raw material for the production of aircraft deicing fluid. Due to the high contribution of MPG to Clariant's overall scope 3 category 1 emissions, Clariant teams worked together to implement actions to reduce emissions by sourcing recycled and bio-based raw materials. The use of recycled and bio-based raw materials, as well as emission reduction efforts of key suppliers, reduced Clariant's scope 3 category 1 GHG emissions by 0.06 million tons CO_2 equivalents in 2023.

Clariant is now supporting Helsinki Airport in a sustainability initiative in which the Clariant plant in Scandinavia is using a mixture of fossil and recycled MPG to produce aircraft deicing fluid, which has enabled the Helsinki Airport to significantly reduce its own scope 3 category 1 emissions in turn.

Learn more

✓I INDIRECT (SCOPE 3) GHG EMISSIONS [1,2,3]

	Total 2023 [4]	2022	2021	2020	2019
Gross indirect (Scope 3) GHG emissions (in m t CO_2e)	**2.77**	**3.03**	**3.78**	**3.63**	4.04
Gross indirect (Scope 3) GHG emissions (in kg CO_2e/CHF sales)	**0.63**	**0.58**	**0.72**	**0.70**	0.62
Purchased goods and services	2.28	2.58	3.19	3.12	3.44
Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	0.19	0.18	0.32	0.27	0.29
Upstream transportation and distribution	0.16	0.14	0.12	0.12	0.17
Downstream transportation and distribution	0.14	0.13	0.15	0.12	0.14

1 Emissions from category 12 were excluded as part of an ongoing process to improve data quality and methodology revision.
2 Due to the exclusion of category 12 emissions in 2023, historical data have been adjusted.
3 All figures are rounded, resulting in discrepancies between the total emissions and the breakdown figures.
4 The scope 3 category 1 emissions include all related Süd-Chemie India Ltd. emissions for 2023 only.

Water

✓I Water management is vital for the chemical industry, using water in products and processes that generate wastewater. Efficient water management protects resources, prevents the pollution of receiving water, such as rivers, and saves costs in wastewater treatment. Ensuring sufficient water availability and quality is vital for Clariant to maintain business operations. Water scarcity poses risks, especially in stressed areas, by potentially limiting supply for production needs. Additionally, improperly treated wastewater from production sites can pollute receiving waters. This chapter examines Clariant's water usage and the prevention of water pollution from wastewater discharge. **I**

Management approach to all water-related impacts
✓I Clariant's plants and office buildings are located mostly in industrial parks or appropriate commercial districts with the required infrastructure. This includes a sufficient and stable water supply via third parties, especially at large production sites. **I**

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. Clariant strictly abides by the environmental regulations regarding water intake and the quality of the wastewater discharged, ensuring that its activities have no measurable impact on the health of people as well as the environment.

✓I Clariant tracks water-related incidents like floods, storms, or chemical spills at production sites using the global Environmental Safety and Health Affairs (ESHA) incident reporting system. Additionally, annual site surveys assess water event impacts over the past year, including property damage, operational disruptions, and other consequences. Standardized tracking and reporting allow Clariant to closely monitor water risk effects across its operations. Clariant also tracks incidents of noncompliance related to wastewater pollution limit exceedances annually. Sites are responsible for the management of water-related impacts, while regional, business unit, and global ESHA teams check if water-related impacts are addressed by the site management. **I**

✓I Management approach to pollution of water in particular
Pollution of water has been identified as a material topic in the double materiality assessment conducted in 2023, based on high impact and high financial risk. The topic of water pollution is overseen by the Technology & Sustainability department with the Chief Technology & Sustainability Officer in the highest responsibility.

Clariant has a wastewater management process in place, which ensures that contaminated wastewater is adequately treated. At all production sites, the company makes sure it follows local regulations regarding discharge limits of substances of concern in its wastewater discharged either directly to the receiving waters or for further treatment at municipal or third-party treatment plants. Clariant treats priority substances of concern based on the type of industrial operation and is not generalized at the Group level. These priority substances of concern are identified in the respective wastewater discharge permits. Further, uncontaminated rainwater and pass-through cooling water, which are often discharged independently from contaminated wastewater, are controlled as per local regulatory requirements, and released directly into the environment. **I**

✓I Policies to prevent pollution of water
Clariant's principal policies and governance frameworks addressing the pollution of water are the Quality, Environment, Safety, and Health Policy (QESH) of the ESHA and the Integrated Group System Management (IGSM), the ESHA guideline on wastewater management, and related guides and standard operating procedures (SOPs) as well as each site's environmental permits defining regulatory requirements to prevent any pollution of receiving waters.

The QESH policy states that all Clariant sites have a global mandate to minimize the pollution of water. This mandate stipulates that direct or indirect discharges of wastewater from Clariant sites into the environment shall not pose an unacceptable risk to human health or the environment or become a nuisance to the neighborhood. Furthermore, the sites shall implement adequate wastewater treatments and ensure that any wastewater gets discharged within permitted limits. **I**

✓I Policies regarding water management
The QESH policy of ESHA/IGSM described above states the overarching requirement for sites to optimally manage the water resources. Furthermore, the ESHA/IGSM water risk assessment guide and tool provide a framework for the sites to perform and document site-level water risks and identify appropriate management solutions. The ESHA/IGSM environment global function is currently developing an environmental management process instruction that will include requirements for efficient water management to be followed by Clariant operational sites in addition to the requirements of the existing ESHA/IGSM environmental guideline on wastewater management.

Measures to address water availability-related impacts
Management at the site level has the responsibility to implement all water-related policies and guidelines at Clariant. Operational Assessment audits are aimed at validating the implementation measures. The Global ESHA/IGSM team tracks the audit findings and follow-ups completed by the sites. Clariant has set site-level water intake reduction targets based on environmental aspect/impact assessments done at the site level. To optimize Clariant operational sites' water intake, focus areas are defined. These include cooling tower optimization, demineralized water optimization using retentates or concentrates, control of leakages through monitoring by a control system with alarm for peak demand, upgrading or replacing sealings of liquid-ring pumps, the use of conductivity meters to optimize washing processes, and the use of steam condensate. The resulting measures are added to the BU roadmaps toward the achievement of the 2030 sustainability targets.

Measures to prevent pollution of water

The site's management is also responsible for implementing and adhering to the relevant Clariant policies and guidelines on the pollution of water. Most of these relate to the downstream step of water life cycles at Clariant's production facilities, as this step has the highest leverage for the prevention of water pollution.

At each site, Clariant strictly adheres to the relevant environmental regulations regarding runoff water. In addition, Clariant has internal guidelines and a hazard analysis framework designed to mitigate the risk of contaminated runoff water reaching and polluting receiving waters. The internal guidelines take precedence over local regulations whenever the latter are less stringent. This applies to the measurement and monitoring of runoff water along quality parameters, as well as retention basins established for stormwater and contaminated excess runoff water retention, among other measures. Implementation of Clariant standards by sites gets verified through internal Operational Assessment audits.

Whenever required by local wastewater discharge limits and regulations, Clariant pretreats wastewater at its own sites in a multi-stage chemical and/or physical procedure before transferring these effluents. Only small amounts of substances of concern such as heavy metals remain in the discharged effluent post-treatment. In combination with constant monitoring, this approach ensures that wastewater discharged is within permitted limits. **I**

Risk Management related to water stress

Since 2017, Clariant has undertaken an annual Group-wide water risk/stress assessment using the WRI Aqueduct tool. This locates sites in water stress areas and calculates a water risk score based on quantity, quality, regulatory, and reputational risks. For sites with intake above 10 000 m^3, regional assessments further refine the risk profile. Through this two-step process, Clariant shortlists high-risk sites and updates the number annually if assessments change. These sites then perform detailed assessments and identify risk management options. The 2030 KPI »sites with advanced water management« tracks the high-risk sites that have initiated solutions to appropriately manage the risks, as evaluated by Clariant internal environmental experts.

The water risk assessments revealed that in 2023, a fraction of Clariant production sites (<20 %) were situated in areas under water risk and that around 30 % of the total water intake was from sites identified to be under water stress/risk. Also, around 20 % of the total wastewater discharge was from water-risk sites.

✓I Risk management related to the pollution of water

Key water pollution risks for Clariant stem from exceedances in the substances of concern in the wastewater released such as excessive chemical oxygen demand (COD) release from Care Chemicals sites, suspended solids from Adsorbents sites, and heavy metals from Catalyst sites. Additional water pollution risks arise from potential spills and leakages from wastewater pipelines that transport contaminated industrial effluents between Clariant facilities and wastewater treatment plants. Pollution of the environment can cause production disruptions and reputational impacts. To mitigate this, the wastewater pipelines undergo regular inspections per ESHA guidelines to address any leakages immediately. Soil and groundwater also get inspected regularly at operating and non-operating sites as locally mandated. When pollution is found, optimal remediation solutions are selected based on pollutant types to control the contamination. **I** At a Catalyst production site at Richards Bay in South Africa, a key risk of high COD and suspended solids loading in the wastewater discharged from the site has been identified and addressed with the construction of a wastewater treatment plant, which was completed in 2023. The plant has advanced filtration and separation of the mother liquor, which ensures that the discharged wastewater from the site is safe for the environment, with the effluent parameters well below the regulatory limits. A reduction of water intake of the site is also underway, with water reuse projects in production as well as with the future option of reusing the treated wastewater.

FEATURED STORY

For a more sustainable demulsification process

Going beyond improving the quality of wastewater output from own plants, Clariant also develops innovative chemistries to help customers reduce pollutants in their wastewater. A recent example of such a product is PHASETREAT™ WET used by oil producers to separate oil from water. Due to its high performance, PHASETREAT™ WET achieves lower crude oil contamination in water that is returned to nature, compared to traditional demulsifiers. Further, the product itself uses environmentally safe water-based nano emulsions to replace traditional solvents such as naphtha and butyl glycol ether which are harmful to aquatic organisms. A significant reduction in greenhouse gas footprint of oil exploration activities is another benefit of this product. Oil exploration remains an important energy vector and a critical source of feedstocks to drive the world's transition towards a fossil free energy future. Clariant is committed to developing innovative products to minimize the environmental impacts of this important industry.

Learn more

WATER WITHDRAWAL AND INTAKE

	Total 2023	2022	2021 [1]	2020	2019 [1]
Total volume of water withdrawn (in m m³) [4]	**21.1**	**23.2**	**41.9**	**40.3** [2]	**43.6** [2]
Surface water	5.3	6.2	6.8	6.3	7.5
Groundwater	4.2	4.3	5.2	5.2	5.7
Seawater	n.a.	0.0	0.1	0.2	0.1
Third-party water [4]	11.6	12.7	29.8	28.5	30.4
Total water intake consumption (in m m³) [4]	**8.4**	**9.0**	**14.8** [3]	**40.5**	**43.8**

[1] Until 2021, Clariant followed a full reporting scope of production sites on a three-year cycle. Before that year, 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] Data for 2021 is reported with a new definition of water intake without pass-through cooling water. Therefore, it is not comparable to previous years.

[4] In 2023, the total volume of water withdrawn and intake consumption from 2019 to 2022 was restated for 3 sites in Germany to exclude losses from 3rd party cooling towers outside the operational boundaries of Clariant.

Another example of an innovative product helping customers reduce pollutants in their wastewater is SÜDFLOCK™ K2, a precipitant in municipal and industrial wastewater treatment plants. The mixture of magnesium, calcium, iron, and aluminum salts ensures efficient and effective precipitation of phosphate ions from wastewater.

KPIs relevant to water

✓I All KPIs relevant to water are assessed for each site and tracked globally, either monthly or yearly. I

Water withdrawal and intake

Clariant records the entire volume of water withdrawn and taken in. Since 2021, the company revised its definition of the Water Consumption indicator and renamed it as »water intake« to exclude pass-through cooling water (sustainability 2030 target KPI). In 2023, of the 8.4 million m³ total water quantity that the company took in, it used about 9 % for cooling production plants, 70 % for production processes, and 19 % 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 by 8 % from 2.11 m³ per ton in 2022 to 1.95 m³ per ton in 2023 due to product portfolio changes as well as efficiency measures. Water intake reduction projects are being carried out in many of Clariant's production sites every year toward the achievement of 2030 sustainability targets. In 2023, at the Clear Lake site in the United States, around a 30 % water intake reduction per ton of produced output has been achieved, owing to scrubber optimization and other water reduction measures completed. In 2023, wastewater generation per ton of production decreased by 9 % from 1.62 m³ per ton in 2022 to 1.48 m³ / t due to increased wastewater recycling and changes in product portfolio.

Wastewater

✓I Clariant's most relevant performance indicators regarding the pollution of water are the total amount of wastewater discharged from Clariant sites as well as the COD, heavy metal, and suspended solid loads of any discharged wastewater. For assessing wastewater quality, Clariant consolidates water quality indicators at the Group level, such as loading of heavy metals, nitrogen and phosphorus compounds, soluble salts, and total suspended solids (TSS), as well as biological (BOD) and COD, which are the indicators of organic content in wastewater. COD discharged in the wastewater decreased by 28 % from 709 t in 2022 to 511 t in 2023 due to increased efficiency of wastewater treatment at many sites and changes in the product portfolio.

In 2023, Clariant was imposed with two nonmonetary penalties for noncompliance with water discharge limits. I

Freshwater

For most of its operations, Clariant uses freshwater with a total dissolved solids (TDS) concentration of less than 1000 mg/l. 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 DISCHARGE

	Total 2023	2022	2021 [1]	2020	2019
Total volume of planned and unplanned water discharge to all areas (in m m³)	**6.8**	**7.4**	**11.2**	**11.4**	**11.9**
Surface water	3.0	3.5	7.5	7.7	7.9
Groundwater	n.a.	0.0	n.a	n.a	n.a.
Seawater	0.2	0.2	0.5	0.4	0.5
Third-party water treatment	3.6	3.7	3.1	3.2	3.5

[1] Until 2021, Clariant followed a full reporting scope of production sites on a three year cycle. Before that year, 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.

Circular Economy Including Resource Use

A circular economy results in the reduction of resources used. It is a necessary alternative to the current linear economic model and stems from increasing awareness of planetary resource limits. It is driven by sustainability ambitions and policy objectives linked to climate change, environmental protection, and the sustainable use of finite resources.

Organic chemistry will always depend on carbon since it is integral to the creation of chemicals and materials that are essential in almost all industries. The most promising solution is to reuse carbon already found in materials or in the atmosphere. For a range of its products, Clariant therefore uses viable alternative carbon sources, such as biomass and recycling streams.

Regulators increasingly focus on accelerating circularity and reducing waste. At the EU level, the Ecodesign for Sustainable Products Regulation (ESPR) establishes a framework for setting new sustainability requirements to improve circularity for specific product groups (plastics, packaging, detergents and surfactants, cosmetics, electronics, etc.).

On a global level, the United Nations Environment Programme (UNEP) is leading discussions to reach a legally binding Global Treaty to End Plastic Pollution, planned to be agreed upon by 2025. The zero-draft document published in October 2023 contains provisions for reducing the production and use of virgin polymers, for eliminating or restricting plastics deemed »problematic«, and for establishing measures and targets for managing waste, including recycling and reusing plastics. While the exact terms are still under negotiation, there is a strong acknowledgement that the vast international problem of plastic pollution calls for a holistic global approach and harmonized measures.

The policy incentives include targets for mandatory recycled content and bans on substances hampering circularity. This provides opportunities for Clariant's circular offerings. The company also closely monitors the evolution of waste management and recycling policies in major economies like the US and China, including such important aspects as recycling strategies, the role of chemical recycling, and product-specific regulations.

Management approach to waste and resource use

Circularity is one of Clariant's 1+5 focus areas. → Read more in »Clariant sustainability strategy.« Resource use and waste management, which are both fundamentally important for circularity, were identified as material topics in the 2023 conducted double materiality assessment. Resource use is critical for Clariant: it relates to the company's sustainability commitment. As part of Clariant's focus toward a circular economy, the company strives to increase the efficiency of using resources, both in own operations and in packaging use.

Waste management is also critical for Clariant: it relates to the company's sustainability commitment and directly impacts disposal costs. Clariant is committed to operating sustainably and decreasing pollution that results from its business activities. This is the company's responsibility toward protecting the environment and also required by legislation in many countries around the world.

As one of Clariant's strategic pillars, circularity, including resource use and waste management, is overseen by the company's Innovation and Sustainability Meeting (ISM) and the Board of Director's Innovation and Sustainability Committee (ISC), with the Chief Technology & Sustainability Officer holding the highest responsibility.
→ Read more in »Sustainability Management.«

Clariant's Technology & Sustainability department provides the framework and supports the business units in their circular economy efforts. It has established resource efficiency and sustainable production targets for 2030. These intensity reduction targets include landfilled non-hazardous waste, which is monitored monthly for the most relevant sites, as well as water intake, wastewater, and hazardous waste, which are monitored yearly. → Read more in »Sustainability Management.«

The business units manage opportunities and engagements with stakeholders, create business opportunities, and initiate new product designs. Additionally, in 2023, Clariant introduced a quarterly cross-business unit Circular Solutions Platform, steered by Sustainability Transformation. Its meetings focus on regulatory and policy developments and their implications, key industry initiatives and associations, market trends, and customer insights to identify opportunities in the area of circularity.

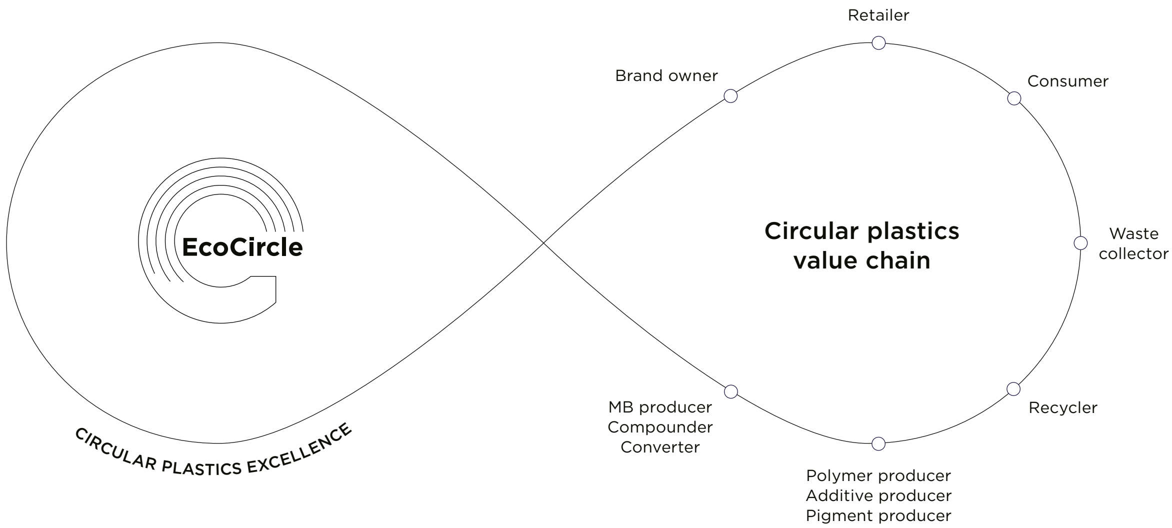
The management of waste and resource use is conducted at the site level. The KPIs and effectiveness of measures are consolidated by the Program Manager Sustainable Operations within the Sustainability Transformation Organization.

Sustainability Transformation also drives the cross-functional circular plastics platform → EcoCircle initiative. It is defining boundaries and positions of Clariant within the value chain of a circular plastics economy.

The contribution of Clariant's products to a circular economy is assessed on product level using a cradle-to-grave approach with Clariant's Portfolio Value Program (PVP), a strategic tool aimed at steering the portfolio toward more sustainability.
→ Read more in »Sustainability Management.«

Clariant reviews risks and opportunities associated with the circular economy as part of its corporate strategy management process. This structured approach further advances the topic within Clariant's business units.

025 **ECOCIRCLE - BEYOND A PRODUCT FOCUS, COLLABORATING ALONG THE VALUE CHAIN**



Memberships

Circular economy is gaining attention from all value chain players, especially customers and end users, as brand owners and original equipment manufacturers (OEMs) strive for circularity. Clariant is a signatory of the EU Commission-driven Circular Plastics Alliance (CPA) and actively participates in several industry collaborations such as the Alliance to End Plastic Waste (AEPW), the Polyolefin Circular Economy Platform (PCEP), and World Business Council on Sustainable Development (WBCSD) working groups on circular chemicals, circular transition indicators (CTI), and plastic pollution and accountability. The company also takes an active role in several European Chemical Industry Council (Cefic) working groups, chairing the Sustainable Product Issue Team and participating in the Chemical Recycling Issue Team.

Alliance to End Plastic Waste (AEPW)

Clariant is a founding member of the Alliance to End Plastic Waste (AEPW), together with some 70 other members 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.

A key industry challenge is securing fit-for-purpose mechanically recycled feedstock, both post-industrial and post-commercial. It must meet key plastic application requirements, promoting broader use of recyclates in critical applications, such as cosmetic or detergent bottles from high-density polyethylene (HDPE). In fact, industry tends to use a customized quality of recyclates for an individual application – which is not conducive to developing high efficiency and economies of scale and both cost and quality optimization. Furthermore, the variability of feedstock and the lower level of expertise in polymer design and control of quality mean that the quality of recyclates produced from mechanical recycling falls short of the high-quality standards required for large-scale convertor operations and stringent performance targets.

In the AEPW, Clariant has been actively participating in shaping a program that starts from the value chain and aims to understand critical performance requirements for key applications while defining the benefits to the industry. The company addresses how the Alliance can best support in establishing clarity around the required quality for recyclates suitable for use in high-volume applications. On this basis, the forum can drive a step change. As a follow-up, it can achieve continuously improved availability of recyclates and recycling rates.

Policies related to resource use and waste management

Clariant's company-wide Sustainability Policy guides Clariant in its approach to circularity, including resource use and waste management. The company strives to implement circularity principles by reducing the use of primary raw materials in its products, and by using resources such as water, raw materials, and energy efficiently.

Circular economy goes beyond Clariant's own operations, affecting its complete value chain. To support the upcoming ESPR, circular approach, including analyzing the full life cycle of products and business models, is part of Clariant's internal Portfolio Value Program (PVP). Product solutions are evaluated along their full life cycle with their impact on circularity for the product itself as well as the impact on the final application.

As part of the circular economy platform 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. Clariant is globally certified according to ISO 14001:2015 (for Environmental Management Systems).

Measures related to circularity

Clariant offers a number of different solutions supporting a circular economy and is exploring promising options, partnerships, and areas for growth and innovation within its Circular Solution and EcoCircle platforms.

Innovations for a circular economy

Areas that can support the circular plastics economy include solutions in home care and personal care to reduce plastic waste and plastic packaging.

The company also develops additive solutions, which enable the reduction and reuse of fossil-based polymers without a loss of quality, and enable and improve the mechanical recycling of plastic.

Clariant's 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's processing aids support chemical recycling by, for example, enhancing the quality of pyrolysis oil through purification or stabilization through its HDMax® catalysts and Clarit® adsorbents.

Clariant also participates in industry collaborations to support circularity along the value chain, such as the project → STEPS – Sustainable Plastics and Transition Pathways.

In addition, the company supports its customers' sustainability ambitions by collaborating with several industry partners across the value chain to solve specific impurity challenges and make closing the loop even for mixed plastics waste an achievable goal. Working with over 30 partners in the value chain, Clariant is part of InReP – An Integrated approach towards Recycling of Plastics, a joint project of science and industry, and focuses on the field of pyrolysis oil purification and upgrading.

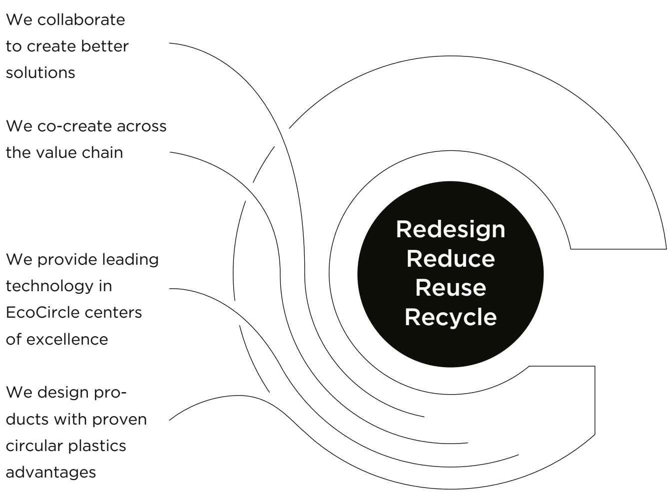
Specifically, Clariant is responsible for removing contaminants from different feedstocks in chemical and dissolution recycling, for example, from pyrolysis oils. The aim is for these technologies to complement mechanical recycling, allowing for the use of a wider range of waste streams that otherwise would be landfilled or incinerated. A cross-functional and cross-BU team works on this project. The team uses Clariant's decades of experience in dealing with different kinds of contaminants and collaborating with technology providers as well as with oil and gas and chemical and engineering companies.

Another collaboration example is the EU project REVOLUTION for the automotive industry. In that context, the Business Unit Adsorbents & Additives contributes to the value chain consortium by increasing the efficiency and the range of electric vehicles by utilizing advanced materials and more efficient production processes (including artificial intelligence). The project targets the entire life cycle of products, including their design, and promotes circular economy processes, such as processes to increase the content of recycled material, in various automotive use cases.

Besides Clariant's efforts in the area of innovation, the company aims to improve operational excellence along the dimension of increasing the eco-efficiency of production processes by:

— 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

026 **ECOCIRCLE – THE APPROACH TO CIRCULAR SOLUTIONS**



EcoCircle

Clariant supports the global transition to a circular economy with its corporate circular plastics initiative EcoCircle. This is a company-wide initiative launched in 2019 for supporting the transition from a one-way plastics value chain to a circular plastics economy. EcoCircle goes beyond a product focus, but looks at the entire value chain, identifying the most sustainable and viable solutions for a circular plastics economy.

The company is particularly committed to preventing the release of plastic waste in oceans, rivers, and other natural systems in the value chain. In the context of EcoCircle, Clariant offers a continuously expanding product portfolio for a circular economy. As part of the initiative, the company has mapped the entire value chain, including players, drivers, and challenges, and analyzed external pressures for the different value chain players. Clariant offers solutions for the different steps of the value chain within polymer production, conversion, and mechanical and chemical recycling.

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.

Measures specific to resource use

Production material

Clariant strives to use recycled materials in production wherever possible, e.g., through re-distillation of solvents in use. However, the percentage is low due to the nature of the production processes, as recycled raw materials often do not meet purity or safety standard requirements. Clariant supports the expansion of chemical recycling technologies to increase the availability of recycled raw materials for its business units.

Using bio-based raw materials can also contribute to the responsible use of resources. See the chapter on → »Biodiversity and Bio-based Economy« for more information.

Packaging

Globally, 70% of Clariant's spend on packaging is for reusable or refurbishable packaging, while 23% of the packaging spend consists of packaging that can be recycled after use. The remaining materials need to be disposed of, either due to the filling material being dangerous goods or due to the packaging itself being made of materials that do not allow for refurbishing or recycling.

Where applicable, Clariant works together with return systems, which enable our customers to dispose of and/or recycle most of the packaging they receive from Clariant free of charge and support packaging suppliers with their re-conditioning return systems.

Other products are shipped as bulk goods in tank trucks, 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.

To deliver smaller quantities of chemicals, Clariant uses intermediate bulk containers (IBCs) and other containers mostly made from recyclable high-density polyethylene (HDPE). It selects the packaging in use due to regulations for product safety as well as a safe and efficient transportation mode. The packaging has no marketing messages as for consumer products, but solely fulfills the aspect of transportation and storage and displays product information for transparency.

There is a special collection and recycling system for IBCs in the chemical industry offered by different industry players, which is available globally. In many European countries, extended producer responsibility (EPR) systems support the recycling Clariant of packaging.

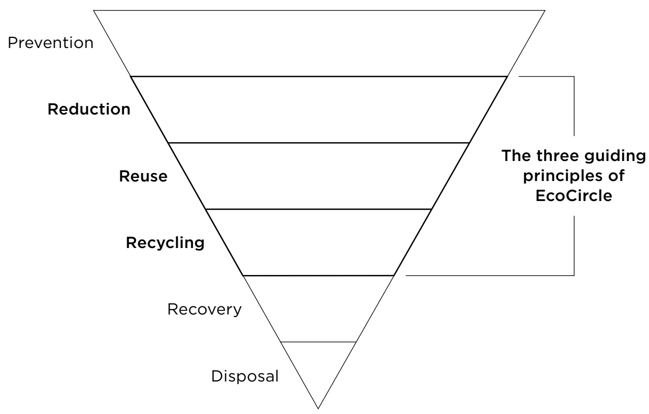
There are strict UN requirements for transporting chemicals. Currently, they exclude packaging with recycled content in direct contact with the transported chemicals because the quality and quantity of available post-consumer recycled (PCR) materials is limited. Additionally, the quality of PCR materials can have an influence on technical specifications, which requires additional tests and reduces the market attractiveness.

Measures specific to waste management

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 manufacturing of products, the company makes every effort to generate as little waste as possible.

At the site level, the company minimizes waste generation through comprehensive planning: Through the Yield, Energy, Environment (YEE) initiative, 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. Clariant sends most of its waste to third-party contractors approved by local regulators for treatment, recycling, or disposal. They must comply fully with the requirements of transport and waste legislation. Clariant arranges transportation according to the plant the waste originates from, the amounts that accrued during the period, the properties of the waste components, and how the hazardous waste can be recycled or disposed of.

027 **WASTE HIERARCHY PRINCIPLES**



Gypsum is generated as a byproduct at certain Clariant sites and most of it has so far been disposed by way of landfill as non-hazardous waste. In 2023, two projects at sites with high impact were executed. The first project achieved various certifications for the use of gypsum as a soil conditioner in agricultural applications. This allowed to execute supply contracts to provide gypsum into the agricultural sector, eliminating a significant quantity of previously reported non-hazardous waste and substantially reducing associated disposal costs. The second project achieved the qualification of specific gypsum grades for use in the fiberboard and building products sector and to secure long-term agreements, similarly reducing reported non-hazardous waste and disposal costs, while creating new circular economy revenue streams. In total, the associated landfilled non-hazardous waste generation rates have fallen 69% from our 2019 baseline and total non-hazardous waste to landfill from the respective sites has dropped 59%, in 2023 with further improvements expected in 2024.

Risks regarding resource use

The bulk chemical industry is heavily dependent on fossil fuels, as petrochemicals are used as both raw materials and energy sources for production. While the use of fossil-based chemicals as a feedstock is well established, alternative, renewable feedstock still accounts for a small share of resources used. Therefore, the purchase of predominantly fossil-based resources has significant impacts on the release of greenhouse gas emissions and climate change, as well as on wastewater and water pollution. To address the risks, Clariant is collaborating with various stakeholders (suppliers and customers) to identify alternatives.

Clariant is not a plastics producer but offers products which are applied in all steps of the value chain within polymer production, conversion, and mechanical and chemical recycling. The company is focusing on solutions which support the recycling, reuse, or reduction of plastics, in order to contribute to moving toward a circular economy. As part of the EcoCircle initiative, the impacts Clariant products have on the value chain have been analyzed. The assessment was done mainly on environmental impacts but also on human health, especially during the use phase. Clariant products are used within the different value chain steps and generally not directly placed on the market. Impacts therefore focus especially on the ability to support a circular economy in achieving high recycling targets in the industry.

Risks regarding waste

Clariant's main risks arising from dealing with waste are spills. They can occur during waste handling at the sites or during transportation. But there are also risks of future liabilities related to waste disposed of in landfills. The main opportunity from dealing with waste is the complete elimination of landfilled waste through recycling. This requires an end-of-life analysis of each manufactured product and changes to its composition already at the innovation stage.

The company mitigates potentially negative issues related to dealing with waste systematically. At its production sites, waste sorting helps to recycle waste according to local regulatory classifications of waste and the availability of authorized waste recyclers. Only the remaining waste that cannot be recycled or treated is sent to landfill. The company mitigates future liabilities related to waste disposed of in landfills by ensuring that it disposes of waste only in certified landfills regulated by local authorities. It records and maintains the properties of waste sent to landfills in waste cadasters. Landfilling of liquid waste is prohibited for Clariant sites.

KPIs related to resource use

In 2023, Clariant used a total of 4.25 m tons of materials by weight or volume to produce primary products and services, which is about 4% higher compared to 2022. This slight increase is in line with a constant total production volume compared to 2022 and may be due to slight changes in portfolio composition.

KPIs related to Waste Management

The total amount of waste generated at production sites does not always depend directly on the production volume, as changes to the product portfolio may influence waste significantly. Clariant produces both hazardous and nonhazardous waste. Most of the nonhazardous waste is from the neutralization of acidic wastewater in the Business Unit Adsorbents & Additives.

Indicators for waste management include the weight of hazardous and nonhazardous waste by disposal method (recycling, treatment, landfill), the properties of waste components, and the number and volume of significant spills. Internal records document proper disposal according to local regulations.

In 2023, Clariant's relative total waste generation decreased by 52%, falling from 71 to only 34kg per ton of production. As total production volumes remained constant, the key driver for this significant improvement were measures implemented to reduce non-hazardous waste, such as selling more byproducts and thus avoiding disposal into landfills. This is the case for gypsum from BU Adsorbents & Additives, which due to a variety of measures and projects could be qualified to be sold for agricultural or building product applications. Read more about Clariant's target to reduce landfilled nonhazardous waste and other sustainability targets in → »Sustainability Management.«

MATERIALS USED BY WEIGHT OR VOLUME

in m t	**Total 2023**	2022	2021 [2]	2020 [1]	2019
Total weight or volume of materials that are used to produce the organization's primary products and services during the reporting period	4.25 [3]	4.08	4.90	4.10	4.50
Total production	3.79	3.80	4.43	4.10	4.25

[1] Figure restated

[2] Until 2021, Clariant validated environmental data from all production sites every three years. Before that year, 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.

[3] In 2023, 5.2 % of materials used were made of renewable raw materials.

WASTE BY TYPE AND DISPOSAL METHOD

in thousand t	Total 2023	2022	2021	2020	2019 [4]
Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: [1, 3]	**29**	**43**	**59**	**63**	**61**
Recycling [2]	5	10	13	17	16
Landfill [2]	4	2	14	11	14
Treatment [2]	20	31	33	35	31
Total weight of nonhazardous waste, with a breakdown by the following disposal methods where applicable: [1, 3]	**101**	**227**	**270**	**259**	**277**
Recycling [2]	10	14	30	31	21
Landfill [2]	70	189	226	221	248
Treatment [2]	20	24	14	7	8
Total waste (hazardous and nonhazardous) [1, 3]	**129**	**270**	**329** [3]	**328**	**337** [5]
Total waste (hazardous and nonhazardous) (kg/t production) [1]	**34**	**71**	**74**	**81**	**79** [5]

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 may not add up, as the numbers are rounded
4 Until 2021, Clariant followed a full reporting scope of production sites on a three year cycle. Before that year, 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

Biodiversity and Bio-Based Economy

✓I »Bio-based economy« refers to efforts that make the economy sustainable by using biological resources, for example, replacing fossil materials with biomass. Ecosystems provide a variety of critical resources and services such as clean water, energy, raw materials, recreational areas, and protection from flooding. Biodiversity encompasses all forms of life on the planet and is key to securing the resilience of ecosystems. Therefore, businesses and societies must collaborate with a variety of stakeholders to operate within nature's boundaries. I

Currently, around 98 %[1] of all industrially manufactured goods rely on fossil resources. Industry and government stakeholders broadly recognize that alternative sources to virgin fossil carbon will play a key role on the path toward a net-zero, circular economy. Governments worldwide have set targets for environmental and climate protection, e.g., in the Paris Agreement or the European Green Deal, which aims to achieve climate neutrality by 2050.

1 https://www.systemiq.earth/systems/circular-materials/planet-positive-chemicals/.

Policymakers and the broader stakeholder spectrum increasingly support sustainable, bio-based feedstocks, as they are essential for a net-zero, circular economy. On both sides of the Atlantic, regulations are emerging with the goal of incentivizing bio-chemicals and materials, while guiding industry and relevant value chains in making long-impacting choices. Clariant welcomes clear and consistent policy frameworks that can stimulate demand and accelerate the shift toward sustainable, bio-based chemicals in key value chains such as packaging, plastics, detergents and surfactants, and cosmetics. Clariant supports industry calls for better recognition of biogenic uptake credits under the GHG Protocol or Product Environmental Footprint (PEF) methodologies, and concrete incentives such as minimum binding bio-based content targets in product legislations, tax incentives, and public procurement obligations.

A resource-efficient and competitive bio-based innovation ecosystem can decrease Europe's dependency on and accelerate the substitution of nonrenewable fossil raw materials and mineral resources. By replacing nonrenewable fossil resources with waste and sustainably sourced biomass to produce industrial and consumer goods, bio-based industries can help to achieve climate neutrality while increasing the sustainability and circularity of production and consumption systems. In the double materiality assessment for Clariant, conducted in 2023, direct impact drivers of biodiversity loss as well as the bio-based economy (as a company-specific topic) were identified as material topics.

✓I Management approach

Fostering a sustainable bio-economy is one of Clariant's 1+5 focus areas. → Read more in »Clariant sustainability strategy.« The Innovation and Sustainability Meeting (ISM) and the Board of Director's Innovation and Sustainability Committee (ISC) are responsible for this focus area. At least annually, topics related to bio-based economy and biodiversity are discussed and when required, the Chief Technology & Sustainability Officer (CTSO) brings up the topic more often. The CTSO, as a member of the Executive Leadership Team, reports on biodiversity-related progress as well as risks and opportunities. Progress toward achieving the targets is assessed annually. I

In the field of forest and ecosystems protection, Clariant participates in the CDP Forest assessment (→ Read more in »Sustainability Management«), which is aligned with the → Accountability Framework. This helps companies meet the expectations of their buyers, investors, and other stakeholders in terms of managing risks and seizing opportunities related to biodiversity.

The CDP is a transparent way for companies to show their progress in sustainable practices on seven forest-risk commodities: palm oil, timber products, soy, cattle products, rubber, cocoa, and coffee. The first three are sourced by Clariant. The company purchases small amounts of timber products (paper and carton for bulk packaging only) and soy-based raw materials. Palm-based raw materials, however, are material to Clariant, accounting for the largest category of sourced renewable raw materials, and therefore Clariant reports on this commodity in CDP Forest.

✓I Specific approach related to the direct impact of biodiversity loss

Biodiversity-related issues and future trends are assessed regularly in cross functional teams, comprising business unit members and Procurement, steered by the Sustainability Transformation team. For example, Clariant established quarterly Palm Oil Coordination meetings in 2023. In these meetings, relevant activities and initiatives are discussed and agreed upon, including progress on supply chain transparency.

To drive compliance with the No Deforestation, No Peat, No Exploitation (NDPE) approach, Clariant set up a professional grievance process together with the NGO Earthworm Foundation in 2023. The governance has been set up with defined roles and responsibilities at the BU Care Chemicals, Sustainability Transformation, and Procurement. Grievance rapid response and exposure reviews are being assessed with support from Earthworm. A Grievance Committee regularly oversees compiled grievance monitoring results, reviews selected grievance cases, and makes decisions on consequence management. The committee meets quarterly, starting in 2024. This grievance management approach focuses on supplier engagement and industry collaborations. **I**

Specific approach related to the bio-based economy

The business units manage bio-economy-related opportunities for engagements with stakeholders, create business opportunities, and initiate new product designs. Moreover, in 2023, Clariant introduced a quarterly cross-business unit Bioeconomy Platform, steered by Sustainability Transformation. The focus of the meetings is on discussing bio-economy-related regulatory and policy developments and their implications and key industry initiatives and associations, as well as on fostering an exchange about market trends and customer insights to identify key potential markets or segments related to bio-economy.

Clariant will adopt a revised corporate management approach to the bio-based economy in the near future. This includes a review of policies and goals and the introduction of new policies such as a company-wide biodiversity policy, which is likely to be finalized in 2024.

Policies

✓I Policies related to the direct impact of biodiversity loss

Clariant encourages supplier communities to work with different native species so that many species have economic value and thus the vegetation is conserved. Besides, there are contracts with suppliers that require respect for environmental laws and on-site monitoring as needed. Clariant also complies with the Brazilian Forest Code, which requires landowners to maintain 35 % to 80 % of their land under native vegetation.

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 % sustainable palm-based materials according to Roundtable on Sustainable Palm Oil (RSPO) certification or equivalent by 2025. The policy also focuses on supplier requirements such as compliance with the NDPE approach.

Clariant encourages actors along the value chain to pursue increased transparency. This facilitates the achievement of the commitments of Clariant's Global Policy on Sustainable Palm Oil.

Policies related to the bio-based economy

As a leading provider of specialty products based on bentonite, Clariant defines the entire value chain: from exploration, mining, processing, and refinement to tailored industry- and customer-specific solutions. Clariant operates 26 production sites worldwide. As sustainability is a strategic dimension of Clariant's purpose-led strategy, the company is committed to responsible mining and to re-naturalizing its bentonite mines. This is done in close cooperation with all related stakeholders – authorities, local governing bodies, and individual owners of property and mining and water rights. **I**

Measures

✓I Measures related to the direct impact of biodiversity loss

Clariant's activities in the area of sustainable palm sourcing contribute to achieving the objectives of its purpose-led strategy in its focus areas fostering a sustainable bio-economy, creating social value, and fighting climate change. Forest-related issues are thus integrated into Clariant's long-term business objectives, including fighting deforestation and biodiversity loss as well as supporting local livelihoods. **I**

As a member of the Roundtable on Sustainable Palm Oil (RSPO), Clariant aims to prevent ecological degradation caused by the clearing of land for palm oil plantations.

✓I To keep up the awareness of the potential impact of palm oil and its cultivation on biodiversity, Clariant promoted the Global Palm Oil Policy throughout 2023 in day-to-day discussions with oleochemical suppliers, for example, when discussing RSPO and NDPE or when introducing the new grievance process. In many cases, Clariant's suppliers were aware of Clariant's NDPE requirements within the policy; where required, the company shared the policy with the supplier. **I**

Projects supported directly by Clariant with its customers include the project SPOTS (Sustainable Palm Oil and Traceability with Sabah Small Producers, 2015-2020) and its successor SPIRAL (Small Producer Inclusivity and Resilience Alliance led by Wild Asia, 2020-2025). SPIRAL aims to connect global key players in the palm oil industry to support the inclusion of small farmers in the global supply chain and promote sustainable farming methods. Palm oil produced under SPIRAL is 100 % traceable from farm to mill, certified sustainable, and compliant with global policies such as NDPE. Key objectives are to achieve and improve sustainable livelihoods, improve local biodiversity, reduce GHG emissions from fertilizer use, and improve natural carbon sequestration.

Memberships and value chain collaboration

Since 2020, Clariant has been a member of Action for Sustainable Derivatives (ASD), a collaborative industry-led platform bringing 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.

Through supply chain mapping, ASD promotes greater visibility for oleochemical manufacturers and corporate end users of derivatives. ASD has mapped volumes for all its members, representing a total of 11% of the global palm-based oleochemicals market. ASD aims to increase the transparency of the global derivatives supply chain and to collectively monitor risks and activities with the members' direct and indirect suppliers. Clariant participates in an annual analysis of its Tier 1-5 suppliers and risk categorization of the sourcing areas (at the country and province level).

The issue of biodiversity degradation beyond the palm oil industry is increasingly in focus for all value chain players. To find solutions, Clariant actively collaborates in several industry initiatives such as Biochem Europe, the Bioeconomy Issue Team, the VCI Nachwachsende Rohstoffe working group, the US Alternative Fuels & Chemicals Coalition – AFCC, and the Advanced Biofuels Coalition.

Through its involvement in multistakeholder initiatives, Clariant engages in continuous exchange and collective action with peers and partners regarding the transformation of the industry.

✓I Responsible mining

At its bentonite mining locations, Clariant takes measures to conserve surrounding ecosystems. Clariant's geologists develop plans to minimize environmental impacts 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. Through these efforts, Clariant ensures healthy relationships with local communities and protects ecosystems.

Clariant's mines are always operated under the prerequisite that the land will ultimately be returned to at least the same state as before bentonite extraction began. At the start of extraction, Clariant plans for the renaturalization of mining sites and coordinates all activities with local and regional authorities and the land's owners. Agricultural land is returned to the same use as before mining without loss of fertility and productivity for the farmer. Forests, abandoned agricultural land, and wasteland are renaturalized for an enhanced level of biodiversity, in close cooperation with authorities. → LIFE TECMINE, an EU-funded mining re-cultivation initiative, selected Clariant's re-cultivation project, located within the Cabo De Gata-Nijar National Park in Almería, Spain, as a reference for best practices in their 2023 reforestation guide. **I**

Measures related to the bio-based economy

Since 2013, Clariant has been a partner in the Bio-based Industries Consortium (BIC). BIC represents the private sector in a EUR 2 billion public-private partnership with the European Commission: Circular Bio-based Europe Joint Undertaking (CBE JU). The partnership supports research and innovation activities, including first-of-its-kind industrial plants for new and sustainable bio-based solutions under the umbrella of Horizon Europe, the EU's research and innovation program for the 2021-2027 period. In 2023, a focus of BIC was the joint development of the Annual Work Program with dedicated calls for proposals for 2024 in a structured co-creation process between BIC, the European Commission, and the CBE JU Programming Office. Clariant, as a founding member of BIC, actively engages in the BIC Programming Working Group and the BIC Programming Core Team.

Additionally, Clariant engages in several industry initiatives at the European and country level, such as the above mentioned Cefic Bioeconomy Issue Team, BioChem Europe, and VCI working groups, to discuss topics related to the challenges, opportunities, and potential incentives to foster the market development for bio-based economy.

<u>Action on the ground</u>

As part of Clariant's engagement with ASD, the company participates in selected action projects to address social and environmental issues on the ground. Clariant participates in such projects either directly with its customers or via Clariant Foundation's contribution to the ASD Impact Fund in collaboration with BSR (Business for Social Responsibility). In this initiative, members collectively invest in on-the-ground projects that drive sustainable palm production in priority sourcing areas, while fostering improvements in social justice for farmers and communities. This is in line with Clariant's Palm Oil policy, which entails a commitment to support on-the-ground projects.

In 2023, Clariant participated in the first satellite monitoring pilot project managed by ASD to monitor deforestation in Malaysia and Indonesia using the Nusantara Atlas tool. The goal is to achieve a palm derivative supply chain that upholds NDPE principles, respects human rights, and supports local livelihoods.

In total, Clariant supports over 3000 smallholders located mainly in Indonesia and Malaysia, in regions where a significant amount of palm-based raw materials are sourced. These collective action projects focus on protecting and restoring landscapes, enhancing workers' and communities' lives, and addressing smallholders' needs for responsible practices. These on-the-ground activities aim to support models for sustainable land management as a strategy to improve livelihood, biodiversity, and community resilience.

Clariant supports on-the-ground projects via the → Clariant Foundation. An example is the contribution to the ASD Impact Fund in collaboration with BSR, funding projects such as the Kaleka Mosaik Initiative (2022-2026, see details in highlight box below) and HERRespect, a project that tackles violence against women by addressing the root causes of violence in the workplace along the upstream palm oil value chain (plantations, mills).

→ Kaleka Mosaik Initiative (2022-2026)

The aim of this project is to improve the welfare of farmers and indigenous people by simultaneously protecting and restoring the landscape while driving sustainable economic growth in two of the largest palm-producing districts in Central Kalimantan, Indonesia: Seruyan and Kotawaringin Barat. This is where, on average, ASD members source 5% of their palm derivatives. The initiative supports sustainable economic growth through the certification of more than 1400 smallholder farmers, covering up to 4000 hectares of land. It also supports the replanting of 490 hectares and encourages local communities to protect around 6500 hectares of natural forests in their villages by incentivizing the implementation of restorative agriculture on 65 hectares of land. The Mosaik initiative focuses not only on certifying palm oil, but also on making the production of other agricultural commodities more sustainable and inclusive.

In 2022, Clariant completed the integration of the Brazilian Personal Care Specialties company Beraca into its portfolio, offering a full range of active and natural origin ingredients. Beraca is a leading provider of natural ingredients ethically sourced from the Amazon rainforest and other Brazilian biomes. With the Socio-biodiversity Enhancement Program®, shared value is created for the company, customers, communities, and other stakeholders. Through this, Beraca can connect Brazilian local communities to its clients, offering transparency, full traceability, give-back projects, with true positive impact by keeping the forest standing, protecting the wildlife, and water resources. Under the Program, local communities not only collect plant resources from forests but are also trained and entrusted with conducting the first extractive steps on their own. This fosters a higher level of self-reliance and entrepreneurship in the communities.

The biodiversity team closely monitors the communities and assesses associations and cooperatives from the point of view of quality, sustainability, and compliance. Contracts with supplier communities contain labor and environmental clauses, and meetings are held with all members presenting the Supplier Code of Ethics, which mainly deals with good labor and social practices.

In 2023, Clariant agreed to acquire Lucas Meyer Cosmetics, a leading provider of high-value ingredients based on renewable raw materials for the cosmetics and personal care industry.
→ Read more in »Business Unit Care Chemicals.«

Research for sustainable materials

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 and home care markets. Consumers are increasingly aware of climate change and related issues and are willing to pay a premium for sustainable products that provide a sustainability benefit along with a performance benefit. Clariant is ready to meet this increasing 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.

Clariant believes in the pivotal role renewable raw materials, in particular waste and residue streams, play in the transition toward a more sustainable future. Clariant has developed broad product and technology offerings to accelerate the shift toward bio-based raw materials. These include both

- Bio-based and bio-derived products;
- Products creating a circular economy to enable the downstream partners' shift toward a sustainable economy.

→ Read more in »Sustainable Innovation and Technological Advances«

Through its Portfolio Value Program (PVP), Clariant assesses the sustainability profile of its product and project portfolio. With the PVP, the company continuously screens its portfolio based on 39 criteria, including bio-economy, to ensure that it aligns with sustainability principles, i.e., whether products or projects are bio-based, enabled bio-based processes, or supported the transformation of bio-based raw materials. In 2022, the company conducted a methodology update, which raised the ambition on bio-economy-relevant topics. From the early stage of an innovation project until commercialization, the use of renewable raw materials is assessed, also considering whether they are food-competing, genetically modified, or have an impact on biodiversity.

In 2023, the Business Unit Adsorbents and Additives continued its search for sustainable raw materials with an improved carbon footprint or toxicity profile. The Exolit® OP, Licowax®, 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.
→ Read more on the sustainability designator TERRA

Another focus was the scale-up of the rice bran wax-based coatings platform, which experienced rapid growth throughout the year, prompting a capacity expansion. This platform replaces fossil-based waxes with wax derivatives based on a wax side stream from the production of rice bran oil. The resulting products have a lower carbon footprint, show excellent performance, and benefit from the inherent properties of the natural source being biodegradable or compostable and thus preventing the formation of microplastics.

In the Business Area Care Chemicals, Clariant unveiled new Vita bio-based surfactants, which can be applied in personal and home care products, for crop protection as well as in industrial applications.
→ Read more on VITA sustainable surfactants

In the Business Units Adsorbents & Additives and Catalysts, Clariant continued to provide key ingredients and catalysts for the production of sustainable aviation fuels (SAFs). For more sustainable products, see → »Business Unit Catalysts.«

The Business Unit Adsorbents & Additives collaborates with the English biomaterials company Floreon, which develops and markets polylactic acid-based (PLA-based) compounds. They are also suitable for durable and demanding applications such as flame-retardant home appliances, potentially replacing traditional fossil-based materials and significantly reducing the carbon footprint. These compounds are mechanically harder than traditional PLA, deliver significant energy savings in processing, and are industrially compostable. Additives from Clariant are critical to improving the processability and performance of Floreon's biopolymer compounds.

Clariant's Indian joint venture Clariant IGL Specialty Chemicals (CISC) Private Limited presented its new »Vita« portfolio of renewable-based ethylene oxide derivatives at ChemExpo India 2023 for the first time. Products in the Vita range of surfactants and polyethylene glycols (PEGs) are 100 % bio-based, carbon-reducing, fully segregated, and have an RCI (Renewable Carbon Index) of >95 %. This will support customers in reducing their carbon footprint and Scope 3 emissions. The CISC facility will cater to the Indian market but will also serve as a major export hub for the Vita range.

Clariant participates in the Horizon Europe-funded project FOREST. The three-year research project aims to develop innovative bio-based polymers and additives as well as recycled carbon fibers that will facilitate the decarbonization of the transport sector. The 13 partners from industry and academia intend to provide new and innovative green composites for sustainable and safe transport applications. Furthermore, the project aims to develop effective circularity solutions applied to multifunctional bio-composite constituents with more than 50 % sustainable materials contained in lightweight products. Clariant is leading, together with Aimplas, the sub-work package for bio-based flame-retardant synthesis and is contributing to other workstreams for the definition of performance criteria for sustainable composites and the characterization and scale-up of sustainable materials development.

✓I Certifications

Since 2016 Clariant's most relevant production sites have been RSPO-certified, following the Mass Balance certification rules. This enables the company to sell sustainable products that have been produced with certified palm-based oleochemicals. Clariant has a portfolio of over 100 palm-derived products that can be offered as RSPO Mass Balance-certified, which continue to be promoted in partnership with customers and other stakeholders.

Clariant's plants in Gendorf, Knapsack, and Frankfurt (all in Germany) received the ISCC Plus certification. Knapsack and Frankfurt also received the REDcert certification for the mass-balance approach used in the manufacturing of products containing biomass feedstocks. The production sites offer a range of products as certified upon customer request. These certifications are recognized schemes for validating the chain of custody and the traceability of sustainable biomass, biofuels, and bioliquids in production processes. I

Risks

✓I Risks related to the direct impact of biodiversity loss

Most Clariant sites are located in industrial parks or areas designated as industrial zones by local municipalities, which usually do not affect vulnerable ecosystems. 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. I

For example, Clariant has for many years partnered with a local land conservancy, the Catawba Lands Conservancy, to preserve land on and around Clariant's current and former production sites near Mt. Holly, North Carolina, using conservation easements. These easements prohibit or significantly limit any kind of development or significant land disturbance to preserve the natural state of the areas.

If there are unprotected areas such as 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.

✓I Clariant also assesses and acts on biodiversity-related risks regarding its own operations locally. In Clariant's own operations, land-use change from its own bentonite mining and drilling activities poses the primary risk of adverse effects on biodiversity. Biodiversity risk management of Clariant's supply chain also takes place through Together for Sustainability (TfS).
→ Read more in »Supply Chain.«

Regarding Clariant's upstream value chain, the sourcing of oleochemicals derived from palm oil and palm kernel oil is a key focus, as this commodity typically comes from areas of great biodiversity value, such as Southeast Asia. Clariant is aware of the risks to biodiversity posed by palm oil and its cultivation. The company has set up several initiatives and activities, both internally and externally, to ensure sustainable sourcing practices and mitigate the risk of deforestation in its supply chain. An analysis of forest-related risks through the sourcing of palm (kernel) oil derivatives is embedded in Clariant's annual strategic business update. This analysis covers availability and quality as well as price developments. I

Risks related to the bio-based economy

As part of Clariant's Responsible Sourcing strategy, the company has developed a Supplier Sustainability Journey and Consequence Management Framework based on Together for Sustainability (TfS) standards and EcoVadis Ratings, in order to engage with the

suppliers in their improvement journey. These regular external evaluations of risk profiles and supplier assessments involve topics related to bio-based economy and cover the assessment areas of environment, human rights, ethics, and sustainable procurement.
→ Read more about Clariant's supplier evaluation process in »Supply Chain.«

Results and KPIs

✓I KPIs related to the direct impact of biodiversity loss

As part of its ASD membership, Clariant conducts a yearly supply chain transparency exercise regarding the risk exposure of its portfolio. I

✓I In 2022, for the first time, the company engaged with its 20 most important suppliers based on 2021 volumes, within ASD, by using the Sustainable Palm Index (SPI) tool. The SPI is an evaluation scorecard for suppliers of palm-based derivatives and aims to assess the level of commitments, processes, and achievements in terms of sustainable sourcing practices. It is a self-disclosure questionnaire with independent verification based on desk information. Through this assessment, Clariant achieved an understanding of the level of compliance of its main suppliers. The results covered 89% of Clariant's sourced palm-based volumes and showed that 57% of the key suppliers are compliant, corresponding to 72% of Clariant's sourced volumes. Moreover, on a yearly basis, Clariant undergoes the SPI assessment as a supplier itself and was evaluated in 2023 as compliant with best-in-class scores of 93/100.

On RSPO certification, Clariant has increased its share of RSPO MB-certified raw materials. It reported an uptake of 24.78% RSPO MB-certified palm-based raw materials for all Clariant businesses in its last progress report for RSPO. I

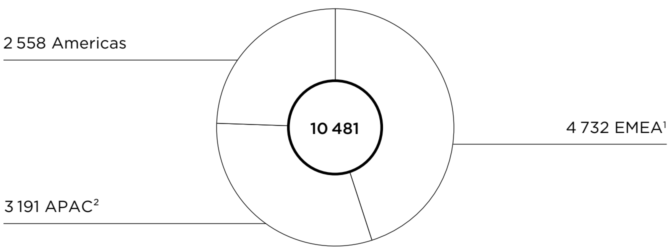
✓I KPIs related to the bio-based economy

Across all business units, Clariant sourced more than 4500 different raw materials. In 2023, 26.1% of purchased raw materials stemmed directly or indirectly from fossil-based raw materials. About 43.8% were derived from non-fossil natural resources such as bentonite and clay, and 5.2% were made of renewable raw materials. The remaining raw materials include inorganic compounds, metals, and non-chemicals. The most frequently purchased renewable raw materials were vegetable oil derivatives, followed by wood pulp extracts, starch, and bioethanol downstreams. I

Diversity, Equity, and Inclusion

✓I Clariant is a diverse workplace with 10481 employees in 37 countries. They represent 94 nationalities and a wide range of cultures, religions, and professional and educational backgrounds. Diverse and inclusive teams have the capacity to boost Clariant's innovative strength and enable the company to better address the needs of its customers. Thus, diversity contributes to the company's problem-solving mindset and customer-centric culture. I

028 **FTEs BY REGION**



1 Europe, Middle East and Africa
2 Asia-Pacific

✓I NUMBER OF EMPLOYEES BY AGE GROUP

	2023		2022		2021		2020		2019	
	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent
Total	**10 481**		**11 148**		**13 374**		**13 235**		**17 223**	
Under 30	**1 580**	**15.1**	**1 667[1]**	**14.9**	**1 907[1]**	**14.3**	**1 896**	**14.3**	**2 474**	**14.4**
Male	1 155	11.0	1 208	10.8	1 398	10.5	1 367	10.3	1 761	10.2
Female	425	4.1	458	4.1	510	3.8	529	4.0	713	4.1
30–50	**6 174**	**58.9**	**6 579**	**59.0**	**7 843**	**58.6**	**7 798**	**58.9**	**10 092**	**58.6**
Male	4 590	43.8	4 914	44.1	5 944	44.4	5 889	44.5	7 844	45.5
Female	1 583	15.1	1 665	14.9	1 899	14.2	1 909	14.4	2 248	13.1
Over 50	**2 727**	**26.0**	**2 902**	**26.0**	**3 624[1]**	**27.1**	**3 541**	**26.8**	**4 657**	**27.0**
Male	2 249	21.5	2 405	21.6	3 028	22.6	2 959	22.4	3 891	22.6
Female	479	4.6	497	4.5	595	4.4	582	4.4	766	4.4

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

✓I NUMBER OF INCIDENTS OF DISCRIMINATION

	Total 2023	2022	2021	2020	2019
Total number of incidents of discrimination during the reporting period	0	0	0	0	2

✓I BREAKDOWN OF EMPLOYEES BY NATIONALITY

	2023		2022		2021		2020		2019	
Nationality	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent	FTEs	Percent
German	2 835	27.1	3 044	27.3	3 922	29.3	4 023	30.4	4 595	26.7
Indian	1 252	12.0	1 212	10.9	1 688	12.6	1 517	11.5	1 798	10.4
Chinese	1 002	9.6	1 019	9.1	1 081	8.1	1 031	7.8	1 181	6.9
Brazilian	798	7.6	894	8.0	1 053	7.9	981	7.4	1 179	6.8
Indonesian	571	5.5	593	5.3	618	4.6	620	4.7	724	4.2
Mexican	364	3.5	357	3.2	535	4.0	521	3.9	597	3.5
Spanish	317	3.0	314	2.8	314	2.3	310	2.3	427	2.5
Polish	266	2.5	288	2.6	276	2.1	282	2.1	351	2.0
Turkish	243	2.3	255	2.3	290	2.2	282	2.1	396	2.3
Japanese	190	1.8	194	1.7	258	1.9	260	2.0	279	1.6
Colombian	174	1.7	189	1.7	191	1.4	183	1.4	268	1.6
Argentinian	146	1.4	171	1.5	186	1.4	191	1.4	219	1.3
French	141	1.3	155	1.4	161	1.2	167	1.3	236	1.4
Romanian	125	1.2	122	1.1	92	0.7	36	0.3	23	0.1
Italian	119	1.1	125	1.1	137	1.0	140	1.1	515	3.0
South African	102	1.0	118	1.1	139	1.0	142	1.1	182	1.1
Swiss	95	0.9	120	1.1	137	1.0	141	1.1	139	0.8
Others (incl. North America, for whom no nationality data is recorded)	1 741	16.6	1 980	17.8	2 298	17.2	2 408	18.2	3 612	21.0

1 Numbers below 1.0 % threshold

✓I Management approach

Clariant's Diversity, Equity, and Inclusion (DE&I) is championed and steered on a strategic corporate level by the DE&I Steering Team, which met for the first time in July 2022 and twice in 2023 (May and November). Chaired by the CEO, Conrad Keijzer, and Chief Human Resources Officer, Tatiana Berardinelli, it comprises six additional senior leaders, namely the CTSO, the CCDO, the Global Head of Talent and Culture, and three business senior leaders. Four of the members are female.

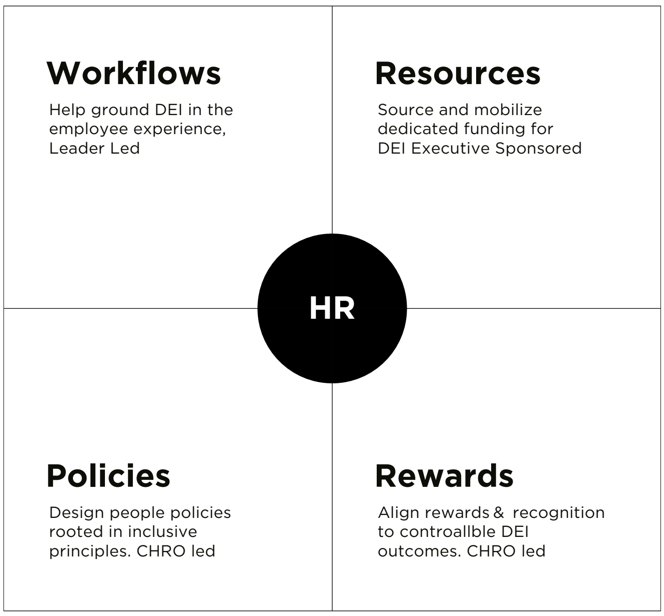
The purpose of the DE&I Steering Team is to set the direction for DE&I at Clariant by validating short- and medium-term action plans and ensuring they are aligned with Clariant's business goals. It is also responsible for monitoring progress and outcomes, and it acts as an advisor by identifying and providing feedback on the processes and policies that could adversely impact underrepresented groups. In addition to the global goals, each business unit and global function is establishing specific action plans and will review achievements twice a year. **I**

Leadership alignment serves as the baseline for all actions toward DE&I. This was confirmed in November 2022, when the new Executive Leadership Team jointly and firmly committed to advancing toward those goals on a yearly basis. Clariant has now embarked on a journey with the Executive Leadership Team and the leadership teams in the business units and global functions to further enhance the understanding of some of the key concepts of DE&I.

This is how the Diversity in DEI SteerCo influences DE&I.

029 **OPPORTUNITIES FOR DEIST TO INFLUENCE DEI**

Four areas where DEIST members can remove barrieres to Advance DEI



The double materiality assessment led us to identify the DE&I topic as material.

✓I DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

	Total 2023	2022	2021	2020	2019
Percentage of individuals within the Board of Directors (%)					
Male	64	64	73	75	75
Female	36	36	27	25	25
30–50	0	0	9	8	0
Over 50	100	100	91	92	100

✓I MANAGEMENT FUNCTIONS

	Total 2023	2022	2021	2020	2019
Total Management functions (in FTEs)	**573**	**585**	**676**	**691** [1]	**812**
Male	450	477	569	575	674
Female	123	108	107	115	138
Senior Management functions (in FTEs) [2]	**146**	**168**	**190**	**196**	**234**
Male	122	144	171	177	209
Female	24	24	19	19	25
Junior Management functions (in FTEs) [3]	**428**	**417**	**486**	**495** [1]	**578**
Male	328	333	398	398	465
Female	99	84	88	96	113

[1] The sum does not add up as the numbers are rounded.
[2] Executive Committee and Management Levels 1–4
[3] Management Level 5

Policies

Clariant has been committed to promoting an inclusive and diverse environment and to ensuring a discrimination-free workplace with equal opportunities for a few years. The company is committed to a discrimination-free workplace and to equal opportunities. It promotes an inclusive and diverse environment where everyone can learn and develop. In addition, an inclusive culture has been anchored in Clariant's corporate purpose.

✓I The belief that trust, integrity, appreciation, and respect make Clariant and its employees stronger, ensuring long-term prospects, has been incorporated in the company's Global Employment Policy and Code of Ethics.

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 DE&I area. Clariant's worldwide family support and flexible working policy are a strong pillar in allowing parents in general, and particularly women, to combine professional development and private life. Clariant continuously reassesses how to support parents and caregivers. Clariant reviewed its policies for their inclusivity at the end of 2022 and also in 2023. I

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 or applicant has the right to be treated solely based on personal abilities, skills, performance, and potential.

DE&I Roadmap

✓I In the context of its purpose-led strategy as well as through feedback from employees and customers, Clariant has set up its DE&I roadmap for 2022 to 2030 and it concentrates on four select core elements: I

- Leadership Commitment: Clariant leaders continuously commit to a diverse and inclusive workplace. Leaders will be made accountable for achievements and advocacy for underrepresented groups and for leading inclusively with cultural intelligence.
- Inclusive Culture: Everyone at Clariant demonstrates by their behaviors that every single employee is welcome and contributes to a strong Clariant. Emphasis is on a feedforward and speak-up culture.
- Employee Equality: Equality is essential for all Clariant employees. The company offers equal opportunities and equal pay for equal work for all positions. It gives equal access to career development for all ethnicities and national identities with particular emphasis on the leadership team.
- Cultural Intelligence: Build awareness of difference across the global business, seeking to build empathy and appreciation for all. This promotes a sense of Inclusion.

030 **DIVERSITY, EQUITY, AND INCLUSION ROADMAP OF ACTIONS**

2022 →
- Launch roadmap
- Align leadership
- Implement first actions against baseline

2023 →
- Fully integrate DE&I into core people processes
- Connect to employees' experience

2024 →
- Review progress
- Broaden focus areas and action plans

2025 and beyond →
- Continuously fine-tune measures to ensure embedding of DE&I in Clariant culture and environment

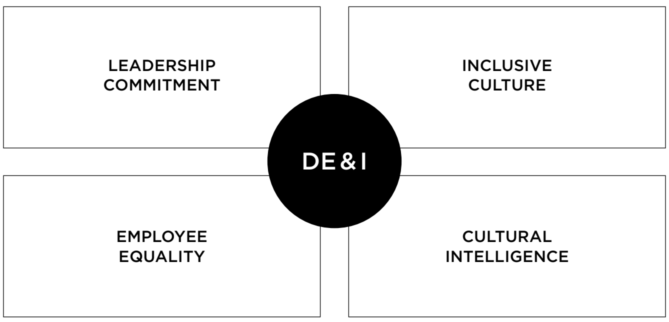
Diversity, Equity, and Inclusion Aspirations

Clariant aspires to have its employees represent the diverse and global world we live and work in. In each country, efforts might be required to increase the outreach and advancement of underrepresented ethnicities and races within Clariant. On its DE&I journey, the company is committed to continuously reviewing and assessing how it can create a more equitable and inclusive workplace that engages a workforce reflective of the world's diversity.

Clariant aspires to:

— Increase the Inclusion Index from 66 % in 2021 to 82 % in 2030
— Grow the percentage of female leaders from 16 % in 2021 to over 30 % in 2030 and strengthen gender balance for non-frontline employees from 35 % female in 2021 to 45 % by 2030
— Increase the percentage of leaders of national origin outside Europe at the senior management level from 32 % in 2021 to over 40 % in 2030

031 **DE & I CORE ELEMENTS**



✓I Proportion of senior management hired from the local community

National origin refers to the nationality associated with the employment contract. This goal relates to the senior and top leadership levels. **I**

According to Clariant's growth plans, Europe will represent less than 40 % of sales by 2025. Increasing the share of nationals from outside Europe serves the purpose of ensuring that Clariant leadership reflects the business footprint to include different regional perspectives and increase the quality of global decision-making.

✓I Measures taken to implement the policy

In 2022, Clariant's focus was on setting the ground for the DE&I roadmap and setting up the DE&I Steering Team, allowing for regular metrics reviews and creating sponsorship for Employee Resource Groups (ERGs). On a global and regional level, Clariant has started partnerships with relevant external initiatives to support these processes, such as the global organization »Inclusive Employers« and the »Charta der Vielfalt« in Germany.

Inclusive Employers offer consultancy, training, and thought leadership to help make inclusion an everyday reality at the place of work. In 2023, Clariant signed the Workplace Pride charter, which champions LGBTQ+ inclusion.

For 2023, the objective was to focus on increasing the acumen of the executive and senior leadership around DE&I, implementing diverse slates and inclusive interview panels in the recruiting processes, developing specific learning measures for talents from underrepresented groups, and leveraging the community-specific knowledge of Clariant's ERGs.

The ELT and Leadership teams have considerably expanded their appreciation of this topic. All our Leadership team members went through a diagnostic called IDI to identify their current state of intercultural awareness and how to address the gaps.

Also, based on a first analysis of gender pay gaps prepared in 2022, a roadmap of actions to resolve systematic causes for pay gaps was defined in early 2023. Educational material and opportunities will be rolled out to increase awareness and understanding, with a special focus on Clariant leaders. The equal pay roadmap was introduced in 2023. **I**

Raising Awareness

In 2023, Clariant employees engaged in various activities aiming at raising awareness for DE&I issues and celebrating differences across the global business.

International Women's Day

On 8 March, International Women's Day, Clariant held a live virtual panel discussion to mark the day and contribute to its motto and campaign theme for 2023. In the spirit of creating a strong ally network, Clariant invited anyone who wanted to join the session, and the topic was Leadership Odyssey.

Women Inclusion Network

In 2023, the Women Inclusion Network (WIN) hosted three virtual training sessions on digital presence and sustainability, which complemented its virtual coffee breaks and peer coaching groups. The WIN expanded its scope from Germany to worldwide and is now sponsored by Jens Cuntze, Business President Catalysts, and APAC. It is the mission of WIN to empower all women at Clariant to make the organization a better workplace for all and help achieve its aspirational goal of a more equal gender balance. WIN is a grassroots initiative to promote the advancement of female employees within Clariant, using the diversity of thought and life experience to fuel innovation.

The Clariant Pride

The Clariant Pride is an employee-led affinity group within Clariant to champion a culture that is increasingly inclusive and participatory, which values the diverse ideas, experiences, and backgrounds of every individual. The mission of this ERG is to build a community of pride, which offers an inclusive space for the LGBTQ+ and Allies community to share experiences and which drives diversity within Clariant. The ERG is a safe space for like-minded people. It sees itself as a sparring partner for Clariant to positively influence non-inclusive behaviors, processes, and benefits towards the LGBTQ+ community and is a platform to educate all Clariant employees, with the support of allies and ambassadors. This ERG is sponsored by Richard Haldimann, Clariant's Chief Technology & Sustainability Officer.

An additional global ERG for employees with disabilities is in the process of being created, which will continue in 2024.

Diversity in the recruiting process

Clariant is committed to fostering diversity and inclusion in its workforce. The company recruits and promotes individuals based on their skills and abilities, regardless of their social identity. A diversity of perspectives and ways of thinking is seen as essential to driving innovation and growth.

Clariant uses a variety of strategies to ensure that its recruitment practices support DE&I objectives. The practices include targeted outreach efforts to underrepresented groups, training on unconscious bias, and the use of inclusive language in job postings. Clariant also utilizes data to track progress toward DE&I targets and to identify areas for improvement. By continuously evaluating and improving recruitment practices, Clariant can attract and retain a diverse talent pool that reflects the communities it serves.

Accelerated review and external benchmarking exercise on all family-friendly policies, including adoption leave

Clariant accelerates its review and external benchmarking exercise on all family-friendly policies. This includes adoption leave.

Developed a detailed action plan to rebalance any pay inequities across the business and focus on pay transparency education

Clariant developed a detailed action plan to rebalance any existing pay inequities across the business. It also focuses on pay transparency education.

Clariant has commenced a review of key location hubs and undertaken a review of its facilities.

Clariant has initiated more vigorous pipeline activities to focus on graduate development in key markets and career returner programs for women and underrepresented groups.

✓I Risks relating to diversity, equity, and inclusion

Clariant faces risks related to diversity and equal opportunities for all from its own business operations. The company still works on improving gender equality and providing equal opportunities for women.

The risks that Clariant faces are retention of females and difficulty in hiring female talent due to many reasons – some being fewer women graduating in the STEM streams, some locations which are remote amongst other factors.

Clariant mitigates these risks. It is a priority to focus on equal opportunities for all. The mitigations include a sponsorship program, a women-in-leadership program, and changes to policies. For the inability to hire, the mitigation is broader outreach through specialist programs and more work in STEM activities to attract female talent earlier in their careers.

The company's key areas of focus are: improving infrastructure for women, improving disability-friendly facilities, and increasing nationality split for leadership positions (beyond European). This will go a long way in getting a more diverse workforce mix. **I**

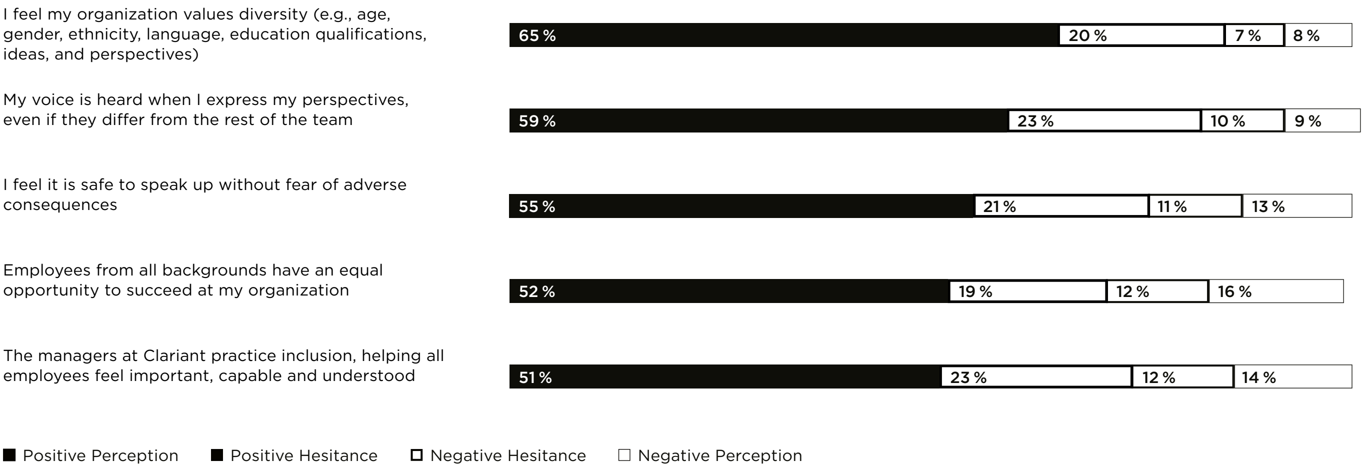
Further, starting in 2024, we are diversifying our approach to talent acquisition by increasing our outreach efforts to underrepresented groups. We are going to measure success by tracking our talent acquisition pipeline. We have set an objective to bring in 50 % of our talent from underrepresented groups for all vacant positions in the organization.

Results and KPIs

✓I Inclusion Index

Clariant introduced an Inclusion Index in 2021, which measures employees' approval for a select subset of DE&I-related items from the regular annual engagement survey questionnaire.

032 **DIMENSION AND ITEMS**[1]



1 The sums do not always add up to 100 as the numbers are rounded

Relevant criteria, as of 2023, refer to the following key areas and questions:

- Belonging: I feel my organization values diversity (e.g., age, gender, ethnicity, language, education, qualifications, ideas, and perspectives).
- Uniqueness: My voice is heard when I express my perspectives, even if they differ from the rest of the team.
- Psychological safety: I feel it is safe to speak up without fear of adverse consequences.
- Fairness: Employees from all backgrounds have an equal opportunity to succeed in my organization.
- Authenticity: The managers at Clariant practice inclusion, helping all employees feel important, capable, and understood. I

The Inclusion Index measures employee experience and perception of Clariant as a Diverse and Inclusive workplace and the behaviors that contribute to it.

As measured through the Our Voice survey from 2023, the inclusion index score is 57 %, showing an improvement of 8 percentage points over the results from the Purpose survey in 2021. The employee experience improved across four of the five questions that form the Inclusion Index.

✓I Diversity in management positions

The company's structured global succession planning promotes a variety of profiles for leadership positions, encouraging cross-business and cross-functional experiences. As a result of these efforts, Clariant has achieved a 24 % representation of women in the total workforce and 21.5 % in management positions.

The current share of the new Executive Leadership Team (ELT), with three women and six men, reflects a share of female leaders of 33 %. On the Board of Directors, 36 % of the members are women. I This is more than the Swiss gender quota of 30 % for executive boards in publicly traded companies.

✓I Proportion of senior management hired from the local community

97 % of all managers are non-Swiss, which reflects Clariant's international footprint and diversity. While, at the end of 2023, 40 % of Clariant's employees were of European origin, this applies to 57 % of junior management and 66 % of senior management. Regarding the percentage of leaders of national origin outside Europe at the senior management level, the objective is to move from 32 % in 2021 to over 40 % in 2030.

In 2023, 53 % of all senior managers (Executive Leadership Team 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 were considered »local.« I

✓I PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY

	Total 2023	2022	2021	2020	2019
Percentage of senior management at significant locations of operation who are hired from the local community (%)[1]	53	57	58	60	60

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

»At Clariant, we consider diversity and inclusion as cornerstones of our workplace, fostering our innovation power and enabling us to better address our customers' needs through a culture built on trust, integrity, appreciation, and respect.«

Tatiana Berardinelli
Chief Human Resources Officer
Member of the ELT

Pay equity and fairness

Ensuring equal opportunities and equal pay is one of Clariant's core elements in its Diversity, Equity, and Inclusion strategy. In 2023, Clariant took several important steps to promote equal pay. Clariant updated its remuneration policy to ensure that all remuneration programs and practices are consistent and fair to all employees. Factors like age, gender, cultural background, religion, and sexual orientation will never be a differentiating factor for pay. Increasing pay transparency is an important step for pay equity. Therefore, Clariant has introduced a set of measures to increase the transparency of remuneration programs and packages for employees, supervisors, and HR, such as training sessions, updated and simplified materials, and easier access to remuneration-related information. In addition, awareness sessions were conducted specifically on the topic of the gender pay gap, including important information on the causes and best practices on how to avoid and close the gender pay gap.

Globally, the ratio of the average base salary of female employees in 2023 is at 103.6 % of the average base salary of male employees.

As part of the equal pay actions, a global and structured analysis was performed taking into account the pay position of each employee per gender and job level on different criteria levels such as business units, functions, regions, and countries. Pay positions indicate where employees are placed within Clariant's salary bands, which are determined based on market data and job levels. In 2023, the average pay position of male employees was 1.96 % higher than the average pay position of female employees globally.

The results of this analysis are shared with and monitored by involved stakeholders (e.g., HR, and people managers) and are updated regularly. The analysis is used for potential pay decisions to promote pay equity and fairness at Clariant. Clariant will continue with this pay analysis in the upcoming years as one activity of its equal pay and Diversity, Equity, and Inclusion roadmap.

In 2023, Clariant joined the pledge to pay a living wage to all employees by 2030. The goal of a living wage is to provide employees with enough income to ensure acceptable living standards. This means that employees can afford their housing, food, childcare, and schooling but also expenses for other household members. The living wage goes beyond the legally required minimum wage, which may not always support a decent living.

As part of this commitment, Clariant is working in partnership with the Fair Wage Network, a well-recognized NGO in this field. In 2023, eight countries were selected to serve as pilots for the living wage assessment. The assessment includes a comparison of employees' guaranteed remuneration elements against living wage levels defined by Fair Wage for a given location, as well as anonymized questionnaires for employees to verify pay practices. Together with Fair Wage, Clariant is seeking a certification for these eight countries in the first quarter of 2024. In 2024, the living wage assessment will also be rolled out to other countries.

Valuing Employees

Clariant's people are an invaluable competitive factor in developing, improving, protecting, and delivering innovative and sustainable products and services. Long-term success is only possible with motivated and highly skilled employees who create value for the company, its stakeholders, and society. Clariant's success is intricately tied to the engagement and well-being of every individual who contributes to our shared goals. Hence engagement is one of the four pillars of Clariant's purpose-led strategy.

Clariant aspires to foster a better life at work with empowered employees who are well-equipped and supported to perform at their best. Clariant aspires to be a top-quartile employer in terms of engagement by 2030. The overall goal remains: Clariant strives to be an employer of choice, attracting and retaining talent to help it deliver lasting results.

Management approach

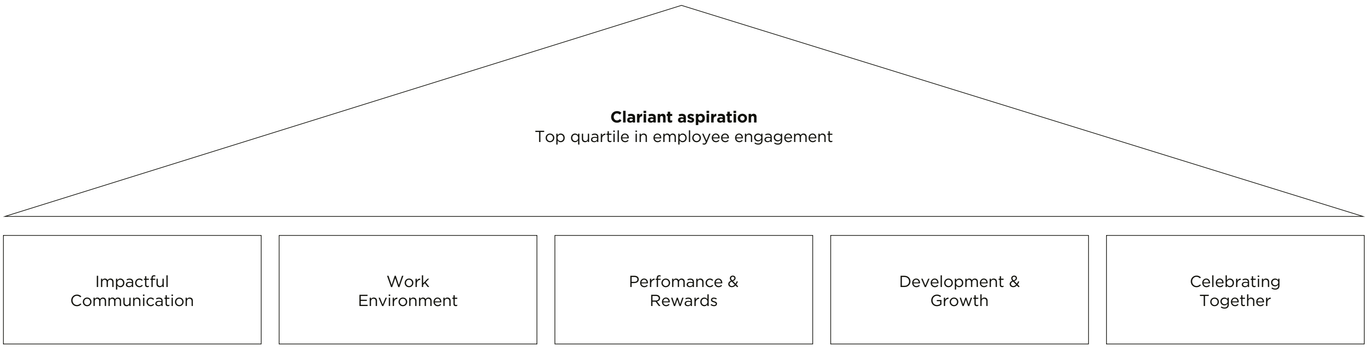
In 2022, Clariant's transformation set the stage for a more agile, empowered, and leaner organization – a development that continued in 2023. Clariant's leadership is convinced that this transformation will enable Clariant employees to grow and fully develop their potential, including skills that will be needed to compete in the future. In line with the commitment to fostering a highly engaged workplace, Clariant has defined key pillars that help the company progress on the engagement roadmap.

Employee engagement is driven by each leader at Clariant by influencing the key engagement drivers. Each leader owns and drives engagement for their respective team by sharing the strategic roadmap, co-creating goals, clarifying responsibilities, providing necessary enablers, and implementing impactful processes. Leadership efforts are supported by enhanced people processes across the employee experience cycle, starting from talent acquisition to enabling performance, and professional growth, as well as recognizing and rewarding behaviors and results.

The leaders continued to work in close partnership with Human Resources to strengthen key engagement drivers in 2023.

The following chart illustrates the key pillars enabling engagement at Clariant

033 **CLARIANT ASPIRATION**



Impactful communication

Clariant fosters open and transparent communication channels throughout the organization. These channels are designed to foster a sense of community, enable dialogue between leaders and employees, and to strengthen alignment within teams. In 2023, the leadership team drove impactful communication as a focus area and strengthened connections across the organization.

— Fostering a sense of community: Important information was shared promptly across the organization, leveraging channels including ClariNet, team meetings, newsletters, and other digital communication.
— Enabling dialogue between leaders and employees: In 2023, quarterly town halls at the corporate, BU and function level enabled two-way exchange between employees and respective leaders on Clariant's strategic topics. In addition, two new forums were introduced – Leaders Circle and Coffee Connects. Through Leaders Circle, the Executive Leadership Team members and senior people leaders exchanged perspectives on key leadership behaviors that are enabling Clariant's cultural transformation.
— To Strengthen alignment between managers and team members, employees continued to leverage regular one-on-one check-ins.

EMPLOYEE BREAKDOWN BY GENDER AND REGION

	Total 2023	2022	2021	2020	2019
Total staff (FTEs)	**10 481**	**11 148**	**13 374**	**13 235**	**17 223**
Male	7 994	8 472	10 431	10 191	13 434
Female	2 486	2 675	2 942	3 044	3 789
EMEA	4 732	5 026	6 211	6 265	8 102
APAC	3 191	3 216	3 920	3 726	4 720
Americas	2 558	2 906	3 244	3 244	4 401
Total number of employees by employment contract (FTEs)					
Permanent	**10 124**	**10 769**	**12 893**	**12 763**	**16 650**
Male	7 728	8 231	9 986	9 846	13 084
Female	2 396	2 538	2 907	2 917	3 566
EMEA	4 446	4 747	5 851	5 907	7 679
APAC	3 186	3 211	3 909	3 713	4 699
Americas	2 492	2 812	3 134	3 144	4 273
Temporary	**356**	**378**	**481**	**472**	**572**
Male	266	296	384	368	412
Female	90	82	97	104	160
EMEA	287	279	360	359	423
APAC	5	6	11	13	20
Americas	65	94	110	100	129
Total number of non-guaranteed hours employees (FTEs)	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Male	n.a.	n.a.	n.a.	n.a.	n.a.
Female	n.a.	n.a.	n.a.	n.a.	n.a.
EMEA	n.a.	n.a.	n.a.	n.a.	n.a.
APAC	n.a.	n.a.	n.a.	n.a.	n.a.
Americas	n.a.	n.a.	n.a.	n.a.	n.a.
Total number of employees by employment type (FTEs)					
Full-time	**10 198**	**10 836**	**13 023**	**12 887**	**16 786**
Male	7 925	8 444	10 280	10 143	13 396
Female	2 273	2 392	2 743	2 744	3 390
EMEA	4 489	4 757	5 904	5 967	7 750
APAC	3 189	3 215	3 919	3 724	4 716
Americas	2 520	2 864	3 200	3 196	4 320
Part-time	**283**	**312**	**351**	**348**	**437**
Male	69	83	90	71	100
Female	213	228	261	277	337
EMEA	243	269	307	299	352
APAC	2	1	1	2	4
Americas	37	42	44	48	82

Work environment

Clariant's culture aims to foster innovation, customer orientation, agility, sustainability, empowerment, and inclusion. This culture creates an environment where everyone is enabled to thrive as Clariant pursues its strategic goals and pursues a changing business landscape.

- The new operating model at Clariant empowers quick decision-making across the organization. Employees share inputs in projects, policies, and changes, especially those that affect their work.
- DE&I is enabled through a long-term strategic roadmap and interventions that strengthen inclusion. For initiatives in 2023, please refer to the chapter → »Diversity, Equity, and Inclusion«.
- A healthy work-life integration is enabled through flexible work arrangements. Clariant's Global Flexible Remote Working Policy provides guidance on achieving healthy work-life integration. As part of this policy, employees are permitted to work from home for up to two full working days per week, or a maximum of 40 % of their working hours, subject to local legal requirements and the agreement of their line managers. Additionally, line managers may set specific weekdays when all team members are required to be present in the office.
- Clariant offers wellness initiatives to support the physical and mental well-being of its employees. Tailored programs are offered 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 training 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 2022, Clariant reviewed health and well-being offerings to identify and adapt related offerings for employees.
- Parental leave: Clariant recognizes the importance of supporting employees with family responsibilities and provides family-friendly job opportunities. Clariant guarantees all mothers a comparable position for up to one year

following the birth or adoption of a child. Additionally, for two years following the birth or adoption, all parents are granted a minimum of ten days of paid leave for family purposes in addition to their standard annual vacation.

— Clariant's global employment policy 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, age group, and personal background. Employment agencies and contractors doing business with Clariant are also obliged to adhere to this policy.

Performance management programs

Clariant's performance management process ensures that strategic business objectives are translated into day-to-day activities. The performance management process has been revamped in 2023 to make the process simpler for people managers and employees, create a high performing culture, and ensure a focus on individual development.

Employees have one-on-one meetings, referred to as »performance check-ins,« with their supervisors to identify objectives, areas for improvement, development actions, and opportunities to leverage strengths and celebrate successes. To guarantee consistency of performance ratings, calibration sessions are part of the performance management process.

The performance review includes goal setting, continuous check-ins, feedforward, and a year-end performance review. The goal-setting process starts with the ELT goal setting and alignment and gets cascaded down throughout the company. All employees must commit to various goals: Business goals connected to Clariant's strategic pillars, holistic behavioral goals along the Clariant People Development Model, and development goals for the upcoming year.

Continuous check-ins and feedforward take place every six to eight weeks, focusing on goal achievement status, areas for improvement, development actions, and opportunities to leverage strengths and celebrate successes. An employee can take action to ask for feedforward at any point in time from their manager, their peers, and other stakeholders through the »MyFeedforward« tool. The year-end performance review is retrospective, includes a forward-looking development component, and may also cover discussions about potential progression over several years. Managers are enabled to calibrate their results.

The »MyPerformance« tool documents the goals and keeps track of the individual performance progress. The outcome of the individual performance review is the basis for employee development, the yearly short-term incentive, and compensation development.

In 2023, the performance management process covered 72.6 % of all employees. This means that 7 607 employees followed a standardized performance management process. Pilot projects are being conducted to increase the employees' involvement in the standardized performance management process, particularly for production workers who currently lack access to technology and tools. Once these workers gain access, they can actively participate in the process, ensuring inclusivity and equal engagement across all employee groups.

Awards and benefits programs

Clariant has a comprehensive Recognition Program that acknowledges strong results with a variety of rewards. Monetary awards are available for outstanding achievements and efforts, for example, leading projects or initiatives. Nonmonetary awards include virtual appreciation badges, which employees can receive for supporting colleagues in busy times or for project contributions. In alignment with the global framework, the »MySuccess« platform, and subject to approval by the supervisor, in general, any employee can give an award or recognition to any colleague. At the same time, in general, every employee is eligible to be awarded or recognized. Multiple awards and recognitions per employee during a calendar year are possible. As in previous years, employees and supervisors took advantage of the opportunity to recognize the achievements and efforts of their colleagues.

EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT

	Total 2023	2022	2021	2020	2019
Total number of employees who receive regular performance and career development reviews (headcount)	**7 607** [2]	**6 696** [2]	**7 514**	**7 335**	**10 063**
Management Level 1–5	670	596	732	658	776
Management Level 1–5 (%)	9	9	10	9	8
Local managers, professionals, and employees	6 937	6 100	6 782	6 677	9 287
Local managers, professionals, and employees (%)	91	91	90	91	92
Male	5 346	4 764	5 285	5 125	6 687
Female	2 261	1 932	2 229	2 210	3 376
Percentage of total employees who receive regular performance and career development reviews (%)	**73**	**60**	**56**	**55**	**58**
Male	67 [1]	56 [1]	51 [1]	50 [1]	50 [1]
Female	91 [1]	72 [1]	74 [1]	73 [1]	91 [1]

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

[2] Performance management is a mandatory and consistent global process for all employees of the type White Collar or Manager (except for local exceptions based on employee class and employee level). Performance management is not a mandatory global process for Blue Collar employees; execution depends on local regulations.

In 2023, two new awards programs were introduced. The Value Recognition Awards allow employees to nominate colleagues who promote Clariant's five values by exhibiting the behaviors defined in the new People Development Model. The Clariant Sales Award recognizes outstanding individual achievement in increasing revenue and providing value to our customers. Winners are recognized with monetary awards and/or an official award ceremony.

Clariant's Global Benefits Policy contains key benefits related to retirement, flexible work arrangements, death, travel, accidents, healthcare, and well-being, among others. It also acknowledges country-specific circumstances and is updated regularly to account for developments in the local benefit landscape. Clariant's employees are also offered a range of benefits designed to enhance work-life integration. 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.

Local programs for stress management

Clariant's Employee Assistance Program offers free counseling by external specialists for work-related stress, as well as burnout, and personal crises. Flexible work arrangements can be 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 assesses the health habits and specific health problems of all employees and updates local programs based on these findings.

Clariant People Development model

Clariant's culture is the foundation for building capabilities, fostering innovation, and enabling every individual to thrive as they navigate a changing business landscape. The new People Development model was rolled out in 2023 and is instrumental in shaping and embedding Clariant's desired culture. Developed through extensive research and employee insights, the model defines behaviors that reflect Clariant's aspirational culture and values. It establishes a new way of working centered on customer focus, agility, sustainability, innovation, empowerment, and inclusion.

The model is embedded across Clariant's people management practices like performance, learning, talent management, recognition, and recruitment. Targeted learning interventions in 2023 also align with the model, enabling cultural change. To drive deeper understanding, Clariant followed a comprehensive global rollout plan. 400 people leaders and HR members across regions were trained first. Rollout workshops were then conducted across Clariant's business units and functions worldwide, building awareness and a common language.

Clariant offers a wide range of formal and informal programs so that employees can achieve their full potential. People Development links these programs closely to business needs and implements them effectively and efficiently. It ensures that all employees can contribute to Clariant's success and that Clariant's full potential is harnessed. It encompasses the global performance management process, individual development, enablement, and skill building and ensures the identification and accelerated development of Hi-Potentials.

In 2023, Clariant reworked its People Development strategy by introducing a new Performance Management process, a new People Development Portfolio, the implementation of which will continue throughout 2024, and a new Talent Management strategy, for which rollout will also continue in 2024. All measures are aligned to and based on the new Clariant People Development Model.

People Development portfolio

The People Development portfolio encompasses learning and development offerings designed to support Clariant's strategy and promote common knowledge, language, and values across the organization. In response to the dynamic and evolving landscape of industry trends and technologies, Clariant has reworked its people development portfolio to ensure employees receive more personalized and adaptive training, fostering continuous skill development and staying ahead in the competitive market.

People Development aims to ensure that all employees can contribute to business success. To this end, Clariant uses its structured performance management process as well as individual development plans. Both are embedded in the people development portfolio.

Clariant strives to create a learning and development culture that is personalized and reflective. This empowers individuals to embrace continuous improvement and introspection while taking ownership of their development journey. Proactive and self-driven measures integrate learning seamlessly into daily operations, valuing its role, and fostering adaptability to changing needs. At the same time, each employee is supported by resources, tools, leadership, and celebrated through recognition.

Clariant's development and training philosophy is based on the »70:20:10 model« by 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 is grouped into five areas to simplify the learning offering for employees:

— Functional Training: Functional skills refer to the competencies necessary to complete the daily tasks of one's role and can vary between roles and organizations. Functional skills training aims to ensure that learners complete job tasks correctly. This can be defined as safe, efficient, timely, etc.

- Mandatory Training: Mandatory training refers to essential learning programs or courses that employees must complete to comply with legal, regulatory, or other Clariant-wide requirements for all employees. Trainings may be assigned directly via myLearning as mandatory training or are strongly recommended, as they support employees in acquiring essential knowledge and skills necessary for their roles and responsibilities, promoting safety, efficiency, and adherence to standards within Clariant.
- Core Offering: Includes cross-functional training and offers a global baseline along the People Development model, Clariant culture, and strategy. Leadership training belongs to the Core Offering.
- Accelerated Development Offering: Predefined journeys for specific career levels & identified pools of Hi-Potentials.
- Individual Offering: Learning and development offering to support individual development needs.

Skills for all learning offerings are grouped into technical and functional skills, safety and sustainability, personal development, leadership, law/compliance, IT skills, and general management skills.

To drive the people development transformation in 2023, Clariant has introduced a cutting-edge eLearning platform designed to empower employees with a diverse range of professional development opportunities. The platform offers an extensive library of more than 20 000 online courses, books, book summaries, audiobooks, webinars, and resources, spanning topics from technical skills to leadership development. With its user-friendly interface and adaptive learning features, the platform provides employees the flexibility to enhance their skills at their own pace, fostering a culture of continuous learning and growth within Clariant. Employees are guided to create individualized Learning Paths within the platform, and Learning Paths are created on Clariant-wide focus topics. In addition to establishing the global eLearning platform, the core offering entails global trainings targeted at business and leadership skills. The core offering closely follows Clariant's purpose-led strategy. Hence, in 2023, the development focus lay on change management, DE&I, the new People Development model, and the senior leadership performance management program.

Leadership programs

In 2023, the focus in leadership programs was on three general topics closely tied to Clariant's transformation, enabling people managers to individually develop and contribute to Clariant's success.

The »Top Team Effectiveness Program,« which was designed to help leaders build high-performing teams, was rolled out in 2023. The new program is closely linked to Clariant's purpose as well as the new values. The goal was to create a high-performing culture, with leadership teams bringing out the best in people and in the company. The program will enable the ELT as well as the business unit and functional leadership teams to effectively deliver as teams and strive toward joint goals. The program was designed and facilitated with the support of an external consultant. The rollout started in the first quarter of 2023 with an initial session with the ELT. Thereafter, it was cascaded down to all business units and functional leadership teams and will continue in 2024.

As Clariant has undergone a significant transformation, leaders have been actively engaged in the »Change Awareness Training« to navigate and drive successful transitions. This specialized training is based on the ADKAR change framework. It is used at Clariant to equip leaders with the essential skills to inspire and guide their teams through change, fostering adaptability and resilience. By investing in change leadership, Clariant ensures that its leaders play a pivotal role in steering the organization toward continued growth and success amid ongoing transformations. 217 managers have been trained in Change Management with an investment of 1 496 hours. The expected outcome of this training was to better equip managers to drive further change projects while ensuring employee engagement, which should be reflected in the Our Voice survey.

Furthermore, DE&I training has been conducted for 64 managers with an investment of 143 hours. This training equipped leaders with the knowledge and skills to champion diversity, foster an inclusive environment, and drive equitable practices throughout Clariant. This aligns with our commitment to creating a workplace that thrives on diverse perspectives and values for every individual. The success of this training is measured by ensuring further achievement of yearly DE&I targets and a more inclusive culture measured by the Inclusion Index.

TRAINING HOURS

	Total 2023	2022	2021	2020	2019
Number of training hours	**95 957**	**114 508**	**164 523**	**113 190**	**205 861**
Male	62 558	80 547	108 996	75 372	140 548
Female	33 064	33 960	55 526	37 818	65 277
Management Level 1–5	9 421	10 424	12 345	8 897	19 318
Local managers, professionals, and employees	86 536	104 083	152 178	104 293	186 543
Number of employees participating in training (headcount)	**7 842**	**9 575**	**11 956**	**12 630**	**13 891**
Average hours of training that the organization's employees undertook during the reporting period	**12.2**	**12.0**	**13.8**	**9.0**	**14.8**

Talent Management

Talent Management enables Clariant to strengthen the leadership pipeline by implementing strategic initiatives that identify, develop, and engage top talent. By aligning individual potential with Clariant objectives, the company strives to build a strong talent pipeline that drives and delivers on Clariant's purpose-led strategy.

The process is conducted in four phases, starting with (i) identification of Key Positions across Clariant, followed by (ii) identification of Hi-potentials who can grow into these Key Positions, (iii) identifying Successors for Key positions, and finally (iv) activating actions including development for identified successors and Hi-potentials.

The Hi-Potential employees at Clariant are managed in three pools (i) Executive Potentials (ii) Senior Management Potentials and (iii) Early Career Potentials.

In 2023, the new Talent Management process focused on identifying key positions and high potentials in the executive and senior management pool. Overall, 10% of positions at the N-2 and N-3 levels are identified as key positions. Of these key positions, 29% are currently staffed with high potential.

To enable development for identified senior management potentials, a leadership development center was designed and rolled out. The insights from the development center enabled all nominated senior management potentials to initiate individual development plans.

One short-term challenge is to make talent development individualized for each employee while driving Clariant's strategy.

In the medium to long term, Clariant talent development aims to focus on delivering differentiated input to high-potential employees, creating individualized learning experiences for most employee groups. This will enable every employee to learn according to their needs. Clariant plans to rely on the newest technologies, including AI, in creating development plans and delivering differentiated learning experiences. They will be paired with further social and on-the-job learning measures.

Talent attraction

Clariant's talent attraction is guided by a set of global talent acquisition policies and strategies. These policies clearly define the roles and responsibilities of hiring managers, recruiters, and Human Resources personnel, ensuring a smooth and professional recruitment process. Skilled talent acquisition teams collaborate with business units and global functions to identify and recruit the most qualified candidates, while employer branding initiatives promote Clariant's reputation in the job market and attract potential candidates.

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	Total 2023	2022	2021	2020	2019
Total number of new employee hires (headcount)	**1 004**	**1 418**	**1 438**	**918** [2]	**1 570** [1]
Male	679	995	1 057	647	1 080
Male (%)	68	70	74	70	69
Female	325	423	381	271	490
Female (%)	32	30	26	30	31
Under 30	475	605	627	393	744
Under 30 (%)	47	43	44	43	47
30-50	471	687	732	464	750
30-50 (%)	47	48	51	51	48
Over 50	58	126	79	61	76
Over 50 (%)	6	9	5	7	5
EMEA	417	541	583	335	622
Americas	321	538	432	248	590
APAC	266	339	423	335	358
Employees who left (headcount)	**1 554**	**1 390**	**1 556**	**1 522**	**1 817**
Male	1 113	980	1 121	1 085	1 322
Male (%)	72	71	72	71	73
Female	441	410	435	437	495
Female (%)	28	29	28	29	27
Under 30	324	320	353	393	461
Under 30 (%)	21	23	23	26	25 [4]
30-50	772	734	717	668	915
30-50 (%)	50	53	46	44	50 [4]
Over 50	458	336	486	461	441
Over 50 (%)	29	24	31	30	24 [4]
EMEA	654	568	659	544	622
Americas	621	520	514	607	831
APAC	279	302	383	371	364
Turnover rate (%)	14.3	12.1	11.3	10.3 [3]	10.3

[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 %.
[4] The sum does not add up to 100%, as the numbers are rounded.

New ways of recruiting

In 2023, Clariant focused on improving the agility and pragmatism of its recruiting by enhancing its use of digital tools to fill critical positions promptly. By using a digital interviewing platform, Clariant made it easier for applicants worldwide to participate in recruitment processes, with techniques such as asynchronous video interviews, which provided flexibility for both applicants and hiring managers. These digital tools helped to save time and cut costs while still delivering an effective and efficient recruitment process.

Clariant further leveraged digital interview techniques to assess a greater number of candidates during the recruitment process. The digital environment created a fairer and more objective evaluation process, reducing inherent biases and promoting high-quality hiring decisions from a more diverse talent pool. The traditional approach of talent attraction has often relied on predefined profiles, limiting the talent pool.

Clariant is committed to building a sustainable talent pipeline and, to that end, has maintained its engagement with various formats, including virtual lectures, tech talks, and working circles. Additionally, Clariant has intensified its strategic partnerships with renowned universities and institutions, such as the Impact Hub in Basel. These partnerships provide a platform for the exchange of knowledge and ideas, supporting efforts to attract and develop talented individuals for long-term career growth. By partnering with these institutions and continuing its engagement with various formats, Clariant can expand its reach, discover new talent, and ensure a robust talent pipeline for future success.

In 2023, Clariant streamlined the global talent acquisition processes and systems to further support data-driven recruitment, which is key when targeting improvements in DEI objectives. The team also trained key stakeholders in bias-free recruitment and strengthened the messaging in all our advertisements to support this.

The main successes in 2023 include significant reductions in time-to-hire, despite labor shortages in key markets such as the US. The organizational transformation was supported by several high-impact senior placements.

One challenge for talent acquisition in 2024 and beyond will be to focus on an individualized journey for both hiring managers and candidates. This will allow both a highly targeted strategy for finding the most suitable talent and allow candidates to present their best selves, in a clear win-win scenario.

In the medium and long term, automation and AI will significantly affect talent acquisition across all organizations. Clariant's focus will be on taking advantage of this technology to maximize human interaction where it is essential and automate processes where it is not.

Flexible work policies

In 2023, Clariant provided additional training to employees on how to better leverage the company's systems for remote work, including team collaboration via Microsoft Teams. As a result, the use of existing tools increased, and global teams were able to intensify collaboration, leading to improved productivity and efficiency. By implementing these measures, Clariant aims to support its employees in achieving a healthy work-life integration while maintaining its commitment to delivering excellent results for its customers.

Employee feedback

Clariant is committed to being a great employer and regularly assesses how employees perceive the company. In 2023, the listening forums included the Our Voice engagement survey, which offered an opportunity for all employees at Clariant to share their insights and experiences on working at Clariant. The survey saw strong participation with 75% of invited employees across all levels sharing their perspectives and reaffirming their support for the process.

The main metric in the survey is the employee net promoter score (eNPS), which calculates how many people are likely to advocate for the company. The improvement in eNPS is also one of the KPIs in the Clariant Long-Term Incentive Plan, as described in the Compensation Report. Clariant aims to be in the top quartile of employers by 2030.

Clariant has made progress on the engagement roadmap with the eNPS moving to the third quartile (score 3) from the fourth quartile (score -7) from the last survey in 2021. In addition to determining eNPS, Clariant also measured overall employee engagement in this survey. This sets the foundation for tracking progress against robust benchmarks. According to the survey, 54% of employees feel engaged at Clariant. This indicates that Clariant needs to continue building engagement.

The 'Inclusion' scores show employee recognition of Clariant's DE&I priority and efforts. The question, »I feel my organization values diversity« is among the 'top ten' scoring questions at 65%, rising 13 percentage points from the 2021 baseline. There is a significant increase in some experience areas compared to the last survey, with the areas listed below emerging as strengths:

- 100% ELT engagement score: Clariant's ELT signals confidence and belief with a perfect engagement score of 100%
- 86% Safety score: Clariant's commitment to safety is felt strongly. Safety questions are among Clariant's 'top score' and beat the benchmark
- Strong managerial connection: People feel connected to their managers. 6/10 manager question items feature in Clariant's top ten scores

The insights from the survey enabled action plans led by business and people leaders across Clariant. The three areas actioned are strengthening leadership impact through internal communication, decision-making, and empowerment, as well as strengthening inclusion. The progress will be measured through the Our Voice survey in January 2024.

Besides this, Clariant continued to leverage feedback loops to assess the effectiveness of the company's engagement pillars. The insights for initiatives across communication, performance, and development helped Clariant refine and improve its approach over time.

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.

Minimum notice periods regarding operational changes

Clariant adheres to all local statutory and operational obligations related to informing employee representatives and employees about any significant operational changes. Employees receive prompt and regular communication about such changes through channels such as the intranet, e-mails from the CEO, forums with senior leaders such as Coffee Connects and Leaders Circles, and meetings with local leaders. All information is provided in the relevant languages. Clariant also holds regular corporate information sessions, including CEO and business unit/functional town hall meetings, to keep employees informed.

Risks

The main risks related to employee engagement include a lack of talent attraction and retention as well as low performance due to a lack of skills and development among the workforce, low motivation and poor health.

Results and KPIs

In 2023, 7 842 employees participated in training sessions recorded in the central learning management system, MyLearning, for a total of 95 957 training hours. Training sessions included fully virtual, blended (virtual plus face-to-face), and fully face-to-face live sessions, as well as engaging on-demand content available on the newly established eLearning platform. The average number of training hours per employee remained at 12 hours per employee. Each female employee had an average of 12 hours, while male employees averaged 12.4 hours of training per year. At Management Level 1–5, 9 421 hours were recorded, whereas local managers, professionals, and employees completed 86 536 hours of training.

In 2023, 1 545 employees benefited from Global People Development programs. All programs were newly developed with a close focus on strategic implications. Overall, training participation related to safety and sustainability (19.5%), legal and compliance (18.9%), functional skills (19.8%), IT skills (9.1%), personal development (27.8%), general management skills (0.8%), and leadership (4.1%). These figures include training sessions beyond the Global People Development program. In 2023, the average feedback score for Global People Development training sessions was 4 (with a maximum possible score of 6). Positive feedback highlighted the high quality of training, including a good overview of new concepts and methodology, with a focus on practical application through examples and interaction with colleagues across different functions.

Participant feedback has been invaluable for adapting and enhancing the training offerings. This has been especially important because all Global People Development programs rolled out were new and offered for the first time.

Clariant's dynamic placement process is reflected in an 18% promotion rate for senior managers in 2023. In the general talent population, the average tenure in a certain role before promotion is around four years.

Clariant hires individuals who both share its values and meet the qualifications for their defined roles. In 2023, the company brought on 1 004 new employees, comprising 325 women and 679 men. Europe was the largest contributor of new hires (417), followed by Americas (321).

During the same period, 1 554 employees, including 441 women and 1 113 men, left the company due to different reasons. The company's turnover rate per Headcount (HC) was 14.3%, a slight increase from 12.1%, in 2022.

Parental leave

In 2023, 161 mothers and 289 fathers took advantage of the opportunity to take parental leave. Out of the 423 employees who returned to work in the same year, 136 were female and 287 were male.

PARENTAL LEAVE[1]

	Total 2023	2022	2021	2020	2019
Total number of employees who were entitled to parental leave, by gender (headcount)	**10 653**	**11 322**	**13 573**	**13 647**	**17 223**
Male	8 043	8 574	10 422	10 373	13 497
Female	2 610	2 748	3 151	3 274	3 726
Total number of employees who took parental leave, by gender (headcount)	**450**	**378**	**449**	**445**	**643**
Male	289	236	273	317	432
Male (%)	64	62	61	71	67
Female	161	142	176	128	211
Female (%)	36	38	39	29	33
Total number of employees who returned to work in the reporting period after parental leave ended, by gender (headcount)	**423**	**373**	**472**	**471**	**599**
Male	287	238	333	318	419
Male (%)	68	64	71	68	70
Female	136	135	139	153	180
Female (%)	32	36	29	32	30
Total number of employees who returned to work after parental leave ended, and who were still employed 12 months after their return to work (headcount)	**326**	**421**			
Male	215	311	n.a.	n.a.	n.a.
Male retention rate	90	93	n.a.	n.a.	n.a.
Female	111	110	n.a.	n.a.	n.a.
Female retention rate	82	79	n.a.	n.a.	n.a.
Total retention rate	**87**	**89**	**n.a.**	**n.a.**	**n.a.**

[1] The return to work rate for parental leave KPIs is calculated but not reported as the employees going on parental leave and returning from parental leave may belong to different reporting periods

PEOPLE OVERVIEW

	Total 2023	2022
Total staff	10 481	11 148
Male (in FTEs)	7 994	8 472
Male (%)	76	76
Female (in FTEs)	2 486	2 675
Female (%)	24	24
Employees	6 413	6 843
Male (in FTEs)	4 244	4 538
Male (%)	66	66
Female (in FTEs)	2 169	2 305
Female (%)	34	34
Workers	4 068	4 305
Male (in FTEs)	3 750	3 989
Male (%)	92	93
Female (in FTEs)	318	316
Female (%)	8	7
Staff under the age of 30 (%)	15	15
Staff between the ages of 30 and 50 (%)	59	59
Staff over the age of 50 (%)	26	26
Employees in permanent employment contracts (in FTEs)	10 124	10 769
Employees in temporary employment contracts (in FTEs)	356	378
Full-time employees (in FTEs)	10 198	10 836
Part-time employees (in FTEs)	283	312
Turnover rate (%)	14.3	12.1
Staff in Research & Development (in FTEs)	>660	>785
Total training hours	95 957	114 508
Training hours (Ø per participant)	12.2	12.0
Percentage of total employees covered by collective bargaining agreements (%)	45	47
Lost-Time Accident Rate (LTAR) [1]	0.18	0.24
Lost-Time Accident Rate (LTAR) for contractors [1]	0.19	0.30
Lost Workday Rate (LWR)	2.52	5.89
Employee participation in engagement survey (%)	75	n.a.
Employee Net Promoter Score (eNPS)	3 [2]	n.a. [2]
Survey responses obtained from customer contacts	943	n.a.
Customers who want to continue doing business with Clariant (%)	86	n.a.

[1] LTAR: accidents with at least 1 day lost/200 000 work hours
[2] Engagement survey was launched in January 2023.
[3] Survey is conducted every two years.

Human and Labor Rights

Clariant is committed to doing business with respect for human rights. The company recognizes its responsibility to promote respect for human rights, including child labor, within the business, throughout the supply chain, and in relation to the communities within which it operates. The company expects all suppliers and business partners to comply with internationally recognized human and labor rights standards.

Management approach

Ensuring oversight and ownership

There are a variety of ways in which Clariant may impact or influence the human rights of various groups, both through its own operations and supply chain. To develop an effective response to these potential impacts, Clariant takes a cross-functional, integrated approach to managing its human rights risks.

In 2023, Clariant conducted a thorough evaluation of its Human Rights Policy and governance structure with the support of external human rights experts. Building on a comprehensive mapping and assessment of Clariant's existing management systems and processes, this included reviewing and assigning roles and responsibilities for human rights due diligence across Clariant's own operations and its supply chain as well as further strengthening monitoring systems and indicators. In this context, the company established a cross-functional Human Rights Committee, responsible for coordination and oversight of all human rights-related activities.

The Human Rights Committee consists of the main company functions responsible for implementing various aspects of human rights due diligence across Clariant's own operations and supply chain, including Human Resources, Procurement, Health and Safety, Legal and Compliance, and Sustainability. This ensures that every part of the business is clear about its role in implementing

Clariant's commitments to respect human rights, including child labor, and that human rights considerations are integrated into relevant management systems and processes. The committee will meet quarterly starting in the first quarter of 2024.

In 2024, Clariant is focusing on the implementation of these updated processes, including systems for monitoring and reviewing the effectiveness of approaches taken.

Continuous improvement

Clariant is committed to enhancing its management approach continuously, considering its sustainability objectives and strategy as well as external expectations and new human rights due diligence legal requirements across several jurisdictions. A cross-functional team comprised of representatives from the Sustainability Transformation team, Legal and Compliance, Human Resources, ESHA/IGSM, and Procurement regularly reviews Clariant's human rights due diligence process to ensure effectiveness in light of existing and new regulations, such as human rights-related reporting and due diligence obligations in Switzerland (Konzernverantwortungsinitiative, KVI), the Norwegian Transparency Act, and the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz, LkSG).

The evaluation of the company's management approach on human rights issues also takes into account benchmarking against Clariant's peers, using external ratings such as the Ecovadis rating and the Dow Jones Sustainability Index, and participating in industry and multistakeholder networks and discussions. Clariant strongly supports collaborative initiatives aimed at promoting respect for human rights across the industry. The company is a signatory to the UN Global Compact and the chemical industry's Responsible Care® initiative, and a member of the Together for Sustainability (TfS) initiative and of the Roundtable on Sustainable Palm Oil (RSPO).

Human and labor rights policies

Over the years, Clariant has built a comprehensive framework of policies, guidelines, and processes to identify and address potential negative human rights impacts, including labor rights. The Human Rights Policy forms the basis for the integration of human rights considerations into relevant functions and processes across the business. To support the implementation of the Human Rights Policy, the company is reviewing and further developing comprehensive internal guidelines, defining key roles and functional responsibilities as well as processes for the identification, assessment and mitigation of human rights risks.

Overarching policies related to all stakeholders and to child, forced, or compulsory labor

Clariant's publicly available → »Human Rights Policy« sets out the company's overall commitment and outlines the core human rights standards and expectations the company has established for its employees, suppliers, contractors, and business partners. It was updated in 2023 to include a more comprehensive description of relevant standards, Clariant's due diligence process as well as key responsibilities and governance structures. The policy builds on the UN Guiding Principles for Business and Human Rights and is aligned with internationally recognized human rights standards, notably the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

As stated in Clariant's Human Rights Policy, Clariant prohibits all forms of child and forced labor and respects the rights of children, both in relation to its own operations and those of its suppliers. It expressly acknowledges International Labour Organization (ILO) Conventions 138 (Minimum Age Convention) and 182 (Worst Forms of Child Labor Convention) as the minimum standard.

Policies related to Clariant's own operations including child, forced, or compulsory labor

Respect for human rights and fair treatment of people are also key components of Clariant's → »Code of Ethics«, the central instrument to ensure ethical behavior. The code also includes guidance on how to respond to suspected violations, including in relation to human rights issues, such as child labor. The Code of Ethics is an integral part of any applicable employment contract and is also the subject of e-learning programs for Clariant employees.

With regard to its own workforce, Clariant's 2018 → »Global Employment Policy« and its employment standard guidelines protect workers' rights regarding nondiscrimination, 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 and form an integral part of Clariant's HR management, including ensuring compliance with applicable labor rights standards. They are covered and explained as part of the onboarding curriculum for all new employees. See chapter → »Valuing Employees« for more information about Clariant's people management.

Policies related to Clariant's supply chain including child, forced, or compulsory labor

Clariant's suppliers play an integral role in Clariant's overall sustainability strategy, including respect for human rights. Based on the values expressed in Clariant's Human Rights Policy and Code of Ethics, the → »Supplier Code of Ethics« sets out the ethical, environmental, human, and labor rights standards Clariant expects its suppliers to meet. Building on relevant international frameworks, the document includes key labor standards, such as occupational health and safety, freedom of association, fair treatment, as well as other relevant human and labor rights.

Regarding child labor, the Supplier Code of Ethics sets out Clariant's expectation that suppliers avoid all use of child and forced labor and act in line with the principles set out in relevant ILO Conventions as well as national law. The Supplier Code of Ethics also requires suppliers to uphold the same standards in their own supply chains. It is publicly available on Clariant's website and communicated to new suppliers as part of their onboarding. It refers to Clariant's Integrity Line as a key channel for supply chain grievances or concerns, including in relation to human rights.

Measures taken to implement the policies

Putting commitments into practice

Clariant’s commitment to respecting human rights is integrated into its operations and decision-making processes. To implement this commitment, Clariant relies upon management and monitoring systems that enable the company to detect potential human rights concerns so they can be effectively addressed and mitigated.

Human rights due diligence

Human rights due diligence is an ongoing process through which Clariant identifies and manages, as appropriate, actual and potential adverse impacts on human rights, including child labor, associated with its business activities and relationships. The key elements of Clariant’s due diligence process are depicted in the figure → »KEY ELEMENTS OF THE HUMAN RIGHTS DUE DILIGENCE PROCESS«.

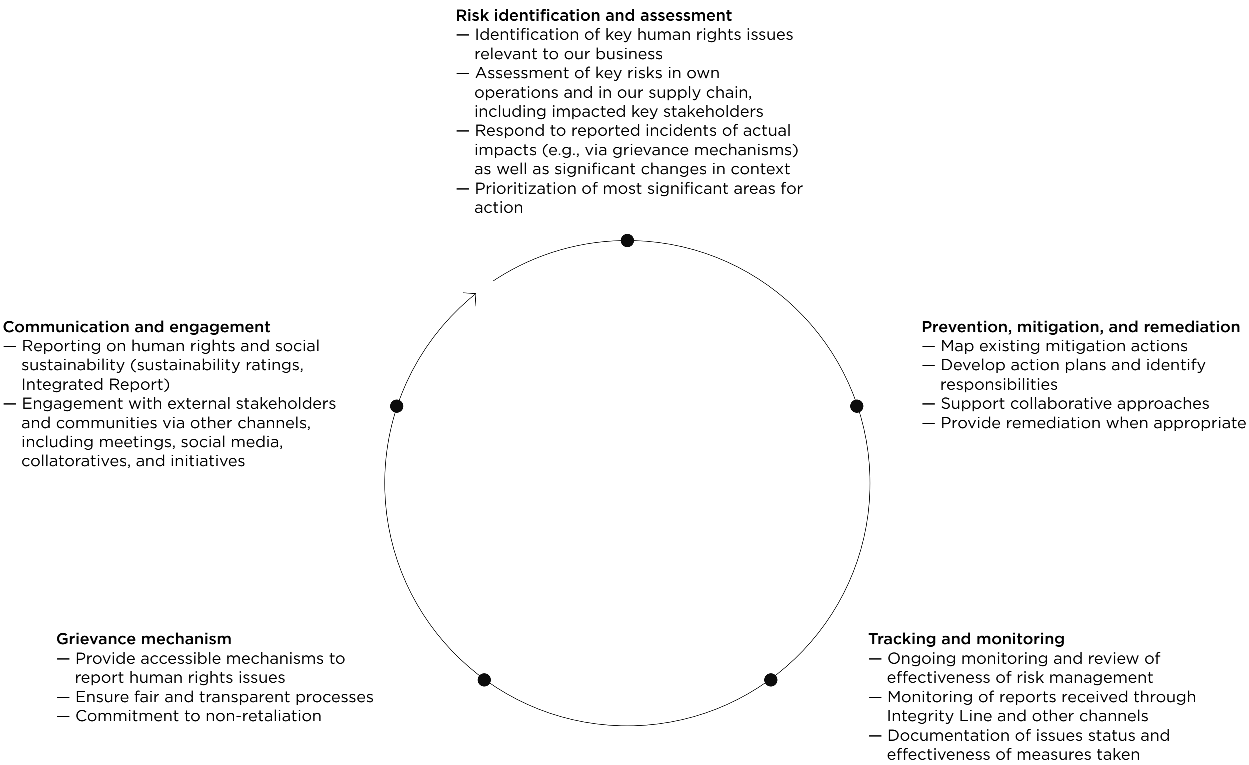
In this process, key functions within Clariant identify, assess, and address potential human rights risks concerning the company’s own operations and supply chains. See also the chapters → »Valuing Employees«, → »Supply Chain,« and → »Occupational Health and Safety« for more information on Clariant’s approach to ensuring fair working conditions for its own employees and human rights in the supply chain.

When undertaking due diligence, Clariant relies on key information, such as data gathered by the various functions, supplier assessments or insights from reports received via its grievance mechanism, as well as on external expertise, such as international organizations, non-governmental organizations, experts, and relevant stakeholders, including rightsholders’ perspectives. Clariant prioritizes identified human rights risks, considering the likelihood and severity of adverse impacts on people, and determines appropriate prevention and mitigation actions in response to key risk areas, including clear responsibilities and monitoring systems. Actions taken can include enhanced due diligence, engagement with suppliers and contractual assurances, supplier assessments and on-site checks, awareness-raising and training, or other measures as appropriate considering the specific risk.

Clariant acknowledges that many human rights challenges may be outside its direct control or of a systemic nature. In such instances, the company seeks to use its leverage or collaborate with others, particularly its direct suppliers, as well as other industry stakeholders, to support solutions.

Clariant seeks to continuously improve its human rights due diligence, including in relation to specific risk areas.

034 **KEY ELEMENTS OF THE HUMAN RIGHTS DUE DILIGENCE PROCESS**



Clariant Integrity Line

To enable all internal and external stakeholders to bring to Clariant's attention any concerns they may have, the company established an Integrity Line and closely monitors reports received.

Clariant's Integrity Line is open to anyone wishing to report an actual or suspected breach of Clariant's policies, including the Human Rights Policy, without retaliation. Based on the evaluation of its human rights due diligence approach undertaken in 2023, Clariant will continue to further strengthen the effectiveness of the Integrity Line from a human rights perspective, including ensuring transparency about the types of issues that can be raised and about how concerns will be investigated. See chapter → »Business Ethics and Compliance« for more information on Clariant's Integrity Line.

Embedding human and labor rights considerations in investment agreements and contracts

Investments are subject to Clariant's internal capital appropriation request process, and approvals are granted according to the Management Bylaws. Significant investments are subject to the approval of the Executive Steering Committee or its respective subcommittees and take into consideration financial, strategic, and sustainability criteria, which also include human and labor rights aspects.

Additionally, Clariant links its Supplier Code of Ethics to the general Terms and Conditions of purchase as part of its contracts and purchase orders with suppliers and contractors, which also include explicit reference to ILO Conventions 138 and 182.

Employee training and involvement

Trainings and capacity building for Clariant's workforce is an important pillar of its approach to human rights management. For example, e-learning modules and internal trainings related to the Code of Ethics are mandatory, and completion is linked to the performance management review of employees. Additionally, function-specific trainings are conducted, for example via the EcoVadis tool for Procurement employees.

The trainings include practical examples and case studies and gives guidance to employees on how to act in case of questions or concerns related to human and labor rights. The training curriculum will be revised and expanded in 2024, including additional coverage related to human rights in light of Clariant's updated Human Rights Policy.

Taking action: Clariant's approach to addressing human rights risks

Working conditions in Clariant's own operations and approach to child, forced, or compulsory labor

Clariant recognizes its responsibility for the well-being of its staff and has well-established processes in place to ensure fair working conditions and a safe working environment for all of its employees. Human Resources is the lead function to identify, assess, and address potential human rights risks in relation to Clariant's own workforce, while ESHA / IGSM is responsible for monitoring and addressing issues related to occupational health and safety.

Regular risk assessments are performed on a regional or site level, the risks are categorized, corrective measures are identified, and progress is monitored. For example, the ESHA global risk platform for health and safety-related topics makes it possible to track the status of corrective measures against the agreed timeline. When it comes to the company's grievance mechanism, Integrity Line tags make it possible to track reports related to human rights issues, and the respective case workers have KPIs related to resolving incidents.

Based on the human rights due diligence review and update in 2023, Clariant is currently expanding its assessment criteria to systematically include a stronger focus on risks to people in its existing risk management processes. In 2024, the company plans to roll out this approach, identifying and implementing any enhancements to the risk assessment methodology in the regions, including capacity-building and awareness-raising measures when needed.

Clariant's Code of Ethics, which applies to all Clariant's own employees, sets out that Clariant will not tolerate any form of child and forced labor, in line with international standards and applicable national law. Concerning child labor, Clariant's Human Resources function, in line with the company's Employment Policy, ensures that minimum age provisions are adhered to and that local Human Resources at Clariant workplaces use mechanisms for age verification. Clariant prides itself on offering interesting and attractive learning and career opportunities to young people via its internship and apprenticeship programs. Where these involve young workers below 18 years of age, Clariant strictly abides by applicable laws and regulations on the protection of such young workers. Clariant's rigorous Environmental Health & Safety procedures ensure that young workers are protected from any health hazards in the context of their employment.

Working conditions in Clariant's supply chain and approach to child, forced, or compulsory labor

Clariant's Procurement organization and Responsible Sourcing program play a central role in ensuring the application of the Supplier Code of Ethics in practice, including in relation to child labor. Within the Together for Sustainability (TfS) Initiative, Clariant assesses human and labor rights practices of its suppliers via the EcoVadis platform. This evaluation plays an important role in determining the extent to which Clariant appropriately mitigates adverse human and labor rights impacts. The EcoVadis questionnaire also contains a specific section for child and forced labor, where suppliers need to state and provide documented evidence to whether they have public commitments and a grievance mechanism in place, processes for age verification, and whether they carry out measures such as conducting trainings for managers or engaging with local authorities and multistakeholder groups for a certain geography or industry sector.

In 2023, Clariant focused on promoting improvements relating to human and labor rights in the supply chain, based on the results of a high-priority action analysis performed on the EcoVadis platform. Clariant engaged with identified target suppliers, invited them to trainings, and initiated corrective action plans on the identified improvement areas. EcoVadis introduced the Sector Initiative Action Priorities Dashboard/analysis this year. Based on this analysis, suppliers that needed to take action to improve their sustainability performance were identified and contacted. In 2023, Clariant set the focus on suppliers with a high-priority improvement action in the section child labor, forced labor, and human trafficking. Clariant continuously tracks its suppliers' performance as well as improvement against corrective action plans.

In addition, all new suppliers are invited to take part in an assessment of their sustainability performance using either the EcoVadis or the IntegrityNext tool, covering key human and labor rights issues. This enables Clariant to identify relevant risks and take targeted follow-up measures. Clariant is also rolling out a new tool as part of its existing EcoVadis platform for real-time and automated risk management across Clariant's supply chain, by enabling geography and industry-specific risk assessments, including in relation to human rights and child labor. This complements the human rights and child labor risk assessment undertaken in 2023, further enhancing Clariant's understanding of drivers of potential risk, for example, key raw material and agricultural supply chains or contexts of weak governance. As part of its overall human rights due diligence, the company will continue to develop and enhance its approach to child labor in 2024.

Where Clariant becomes aware of incidents of child labor at one of its suppliers, for example as a result of a report via Clariant's Integrity Line or an audit finding, Clariant will take appropriate action to investigate the issue and support a resolution.

Please refer to chapter → »Supply Chain« for details on the risk assessment and mitigation process within Clariant's Responsible Sourcing program.

Depending on the nature of the identified risk, Clariant's response can include supplier assessments or audits, supplier and internal trainings, direct engagement with suppliers, collaboration with peers and industry initiatives (such as TfS or RSPO), sourcing from certified sources or seeking to increase visibility and transparency in the supply chain. For example, Clariant is engaging with several raw material suppliers to gain a better understanding of the provenance of sourced materials and potential exposure to child labor risk. Clariant records both identified risks and actions taken in response to enable continuous monitoring.

Clariant will continue to address key supply chain risks connected to the geographic origin and industry nature of specific raw materials. For example, regarding palm oil-based raw materials, Clariant developed a sustainable palm oil sourcing roadmap, performing a comprehensive analysis of environmental and social sustainability aspects regarding palm-based raw materials. This involved a variety of activities such as intensifying the collaboration with suppliers to increase transparency in the palm oil value chain and engaging in multistakeholder initiatives. For example, Clariant is a member of Action for Sustainable Derivatives (ASD). The goal is to increase the transparency of the global derivatives supply chain, collectively monitor risks and activities with direct and indirect suppliers, address grievances in the supply chain, and implement collective action projects to address social and environmental issues on the ground.
→ Read more in the chapter »Biodiversity and Bio-Based Economy«.

Additionally, Clariant recently reviewed its conflict minerals approach to ensure and enhance alignment with key regulatory frameworks, such as the EU Conflict Minerals Regulation. Clariant is screening its portfolio for conflict minerals once a year and requests the respective suppliers to provide conflict-free statements. Conflict-free statements are deemed to be valid for no longer than three years, at which point Clariant is requesting to renew the statements by suppliers.

Main performance indicators

In 2023, Clariant conducted a thorough evaluation of its Human Rights Policy and governance structure with the support of external human rights experts. The project was co-led by the Sustainability Transformation and the Compliance departments, with the project leaders having their responsibilities reflected in their annual goal-setting process (comprising in total about 80 % of an FTE in 2023).

The project included reviewing and assigning roles and responsibilities for human rights due diligence across Clariant's own operations and its supply chain, including establishing a cross-functional Human Rights Committee. The Committee will kick off in early 2024.

KPIs related to own operations

Regarding Clariant's own operations, regular risk assessments are performed on a regional or site level. The ESHA global risk platform for health- and safety-related topics makes it possible to track the status of corrective measures against the agreed timeline. In 2023, nine risks related to human rights were identified. All cases are assigned to a responsible person, and a time-bound corrective action plan is agreed upon. In 2023, six of the agreed measures were implemented and the respective cases closed, and three of the corrective action plans are still ongoing and due in 2024.

When it comes to the company's grievance mechanism, Integrity Line tags allow tracking of reports related to human rights issues, and the respective case managers have KPIs related to resolving incidents. 52 cases related to human rights were reported in 2023 via the Integrity Line under the category treatment of employees (covering e.g., employee relations, mistreatment, HR issues or violations, harassment and bullying, sexual harassment, discrimination). All cases have been investigated by the responsible case managers, and 75% of them were closed in 2023, while the remaining 25% are ongoing investigations.

Trainings and capacity building of Clariant's workforce is key to fulfilling its human rights commitments. Registered participation in e-learning modules and internal trainings related to the Code of Ethics including human and labor rights aspects is part of the mandatory training curriculum, for which completion consists of one of the goals in the performance-based employee remuneration. For the number of employees trained in Code of Ethics modules in 2023, please refer to the training overview in the chapter → »Business Ethics and Compliance«.

While formal trainings are an important tool when it comes to awareness-raising and building internal capabilities, a large part of the knowledge-building relates to on-the-job experiences. In the context of the mentioned cross-functional project carried out in 2023 to review and update Clariant's Human Rights Policy and governance, 30 employees from several global functions and all three business units were actively involved and gained valuable experience in the topic of human and labor rights.

KPIs related to supply chain

Clariant's suppliers are key partners in supporting the company in achieving its sustainability commitments, including with regard to human rights. Clariant continuously tracks its suppliers' performance as well as improvement against corrective action plans. Overall, 4 796 suppliers of Clariant have performed an EcoVadis assessment, including an assessment of their labor and human rights management systems and practices. The risk exposure, i.e., the percentage of suppliers with an overall EcoVadis score below Clariant's expectations, remains below the 10% target. Suppliers that present a high or medium risk score are required to work on corrective actions and are requested to go through an EcoVadis re-assessment after one or two years, respectively, in line with Clariant's → »Supplier Sustainability Journey«. In 2023, 58% of reassessed suppliers improved their score.

In 2023, EcoVadis assessments had a 54% vendor coverage for direct spend, with an average score of 63.3 for the LAB category (labor and human rights); for indirect spend, the vendor coverage was 18.3% with an average score of 61.9 for the LAB category. Learn more about the EcoVadis assessment methodology in the chapter → »Supply Chain«.

In addition, the Together for Sustainability (TfS) platform offers several function-specific trainings to its members, including training related to the social dimension of EcoVadis assessment covering topics such as labor and human rights. For the number of TfS training completed in 2023, please refer to the chapter → »Supply Chain«.

Regarding the IntegrityNext tool, used primarily to evaluate new suppliers that have not yet been through an EcoVadis assessment, 54.5% of newly registered suppliers scored green in the labor and human rights category.

KPIs related to child labor including in relation to minerals and metals from conflict-affected and high-risk areas

In 2023, Clariant decided to undertake an assessment of child labor risks in relation to its own operations and supply chains, supported by external human rights experts. This assessment considered and collated data from a variety of relevant sources, including UN institutions such as UNICEF, child labor statistics as well as reports from NGOs and media, to assess Clariant's exposure to child labor risk across all of Clariant's countries of operation and supply chains, covering both direct and indirect spend, and determine follow-up actions, as and where appropriate.

In 2023, the company was not aware of any reported instances of child labor in the company or with its direct suppliers. There were no reports concerning child labor or forced labor made to Clariant's Integrity Line, which is publicly accessible and enables anyone directly or indirectly affected by Clariant's activities to speak up, with the option to raise concerns anonymously. In total, there are no reasonable grounds to suspect child labor as to the reporting requirements of the Ordinance on Due Diligence on Child Labor, Article 964 j-k Section 3.

Moreover, Clariant has conducted a procurement analysis in relation to minerals and metals from conflict-affected and high-risk areas and in relation to child labor, with the outcome that Clariant does not import or process conflict minerals in quantities exceeding the thresholds set by the reporting requirements of the Ordinance on Due Diligence and Transparency Regarding Minerals and Metals from Conflict Areas and Child Labor, Article 964 j-k Section 2 art 3 or EU Regulation 2017/821 of the European Parliament and of the Council 02017R0821-EN-19.11.2020-001.001-1.

Supply Chain

A priority for Clariant is the building of a resilient supply chain that ensures business continuity. Systematically integrating sustainability practices will remain on the front burner for Clariant. In an increasingly unpredictable environment, Clariant does not maintain a static position. The company is determined to further strengthen its position by securing customer supply and balancing the interests of customers and consumers with the demands for low-carbon materials and products.

Clariant incorporates sustainability standards into its procurement practices and demands transparency from its direct and indirect suppliers on various topics such as environment, labor & human rights, ethics, and sustainable procurement practices. Considering the impact of changing legislation with respect to due diligence in supply chains regarding human and labor rights has been another focus in 2023 and will require further analysis and actions in the future. → Read more in the chapter »Human and Labor Rights.« In 2023, Clariant also further increased transparency regarding spend coverage and reduced risk exposure.

Management approach

»Working conditions in the value chain« is a material topic for Clariant (see → »Materiality Assessment«). Therefore, Clariant takes an active approach to the management of supply chain topics and issues. The backbone for Clariant's supply chain resiliency and sustainability comprises 68 production sites in 24 countries. Global responsibility 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 Global Function Procurement, Global Business Services, business units, and other function units in reducing their risk exposure. Supply strategies are aligned with each business unit.

The Supplier Sustainability & Climate Initiatives team is responsible for setting the sustainable procurement strategy and implementing supplier sustainability projects globally. The team reports to the Head of Supplier Sustainability & Climate Initiatives, who is a member of the Procurement leadership team and reports directly to the Head of Procurement. The team includes regional sustainability specialists for EMEA, Asia Pacific, and the Americas.

Through the Supplier Sustainability & Climate Initiatives team, which comprises four procurement experts with specific expertise and a responsibility for sustainable procurement, Clariant has made it a priority to integrate sustainability actions into procurement processes and its global supply chain. In line with customer and consumer interests, these actions aim to continuously increase the share of suppliers joining Clariant's supplier sustainability program and the share of low-carbon and renewable raw materials sourced.

Yearly defined targets are tracked monthly and shared during the Procurement Leadership Team (PLT) meetings.

The highest level of responsibility of Supply Chain Management lies with the Head of Procurement, Nicola Comiotto. He reports to Chris Hansen, a Member of the Executive Leadership Team.

Supply chain policy

The Supplier Code of Ethics (SCoE) of January 2023 reflects the principles of the UN Global Compact initiative, the UN Guiding Principles on Business and Human Rights, the International Bill of Rights, the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization, the global chemical industry's Responsible Care® initiative, the OECD Conflict Minerals Guidance, and Clariant's Policy Statement on Human Rights. Clariant's general terms and conditions of purchase refer to its Supplier Code of Ethics. It extends to all its suppliers and their contractors. The SCoE 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). For relevant new and/or renewed supply agreements, the supplier is asked to sign Clariant's SCoE as a standard process. Furthermore, its General Contract Terms also request adherence to the SCoE. However, the company does not have the resources to proactively approach its entire supplier base.

To evaluate the ESG risk profile and increase the sustainability performance of its supply chain, Clariant relies on external assessments and audits of the »Together for Sustainability« (TfS) initiative. TfS is a nonprofit organization and joint initiative of chemical companies, focusing on the promotion of sustainability practices in the chemical industry's supply chain. It uses the internationally recognized EcoVadis evaluation platform to measure the sustainability performance of its chemical suppliers. Clariant also considers Responsible Care® audits, the Sedex Members Ethical Trade Audit (SMETA), the Chemical Road Safety Assessment System (CRSAS), and the Cefic Safety and Quality Assessment for Sustainability (SQAS).

Measures taken to implement the policies

Clariant actively measures and manages the performance and behavior of its suppliers, outsourcing partners, and service providers based on a comprehensive set of criteria. For this purpose, the company has set individual targets that represent all its relevant specifications and needs. In addition to economic and product-specific aspects, the company considers environmental, labor, and human rights practices, sustainable procurement practices, as well as integrity and ethics. It concludes the → Supplier Sustainability Journey, which outlines the company's sustainability expectations toward suppliers.

Clariant conducts an annual supplier evaluation through a lean questionnaire, while holistic risk management processes allowing for comprehensive insights into Clariant's key supplier base are under implementation and will be finalized by mid-2024.

Procurement started the process of implementing a new Supplier Life Cycle Management tool (SLM tool) with a go-live target of mid-2024. The tool will be the front-end solution (entry gate) of CLN's supplier base and will allow CLN to create the following transparency: supplier segmentation, 360° view of the business relationships, and performance measurement. Part of the implementation will also consider the monitoring process for action plans and related reporting.

Depending on the overall score of the annual performance evaluation, actions are triggered to suppliers and followed up on by the respective procurement manager in charge as follows:

— Scores ≥80%: no actions
— Scores 66-79%: corrective action is optional
— Scores 51-65%: corrective action is mandatory
— Scores ≤50%: corrective action is mandatory

The scores and status of corrective action for each evaluated supplier are stored and monitored by the Supply Risk Manager. The abovementioned process will also be implemented through the new Supplier Life Cycle Management tool (SLM tool) in 2024.

Clariant continuously enhances the breadth and depth of its Procurement Sustainability Roadmap. It sets annual targets for supply chain sustainability, as well as scope 3 GHG reductions, 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.

Internal sustainability trainings

Clariant Global Function Procurement (GFP) organizes annual procurement-specific internal trainings so that employees can adequately evaluate performance in the supply chain and incorporate sustainability aspects into their purchasing decisions. In 2023, GFP organized 6 trainings mainly for procurement managers, the corporate sustainability team, and sustainability experts from business units. Additional 193 Sustainability training has been completed in the TfS Academy on-demand program by Clariant employees. New employees in Procurement also receive special training and support material. Clariant introduced several remote training formats, mainly on scope 3 greenhouse gas emissions. 94 % of procurement employees have been trained in sustainability-related topics by the end of the reporting year.

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 addition, Clariant's suppliers are invited to participate in webinars in the TfS Academy, a free-of-charge learning platform.

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.

Supplier evaluation

Suppliers are selected for participation in an assessment, or an audit based on country and business risks, global category priorities, spend, and purchase volumes. Outsourcing these assessments and audits to external providers guarantees process robustness, independence, confidentiality, and conformity with antitrust and competition laws. Clariant supports strategic suppliers that outperform their peers in assessments and audits and the continuous improvement of their performance.

Clariant has developed a Supplier Sustainability Journey and Consequence Management Framework based on Together for Sustainability standards and EcoVadis Ratings to engage with the suppliers in their improvement journey.

Main risks related to supply chain and how Clariant deals with these risks

Aside from managing persistent turbulences in the supply chain related to the uncertain economic environment, additional challenges marked the 2023 reporting year, such as the ongoing war on Ukraine, political frictions related to Taiwan and the unexpected Israeli-Palestinian conflict, maintaining a high and difficult-to-predict supply complexity. In 2023, Clariant proactively took care to prepare its supply chain for the future by anticipating bottlenecks and choosing its suppliers accordingly. Clariant aims to cooperate with suppliers that are striving to reduce their GHG emissions and provide emergency schemes for extreme weather events.

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

Long-established local and regional supply bases help Clariant mitigate disruption risks. In 2023, this network once again proved itself to be valuable in dealing with geopolitical issues, trade disputes, factory shutdowns, and blocked traffic routes. In addition, Clariant's procurement managers continuously review and adapt supply strategies. Further priorities include increasing transparency through digital applications, such as tracking product carbon footprints, and the ability to illustrate how raw material issues affect the production of finished goods to see the sales at risk.

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.

For regular external evaluations of risk profiles and supplier assessments, Clariant engages in the industry initiative Together for Sustainability and collaborates with sustainability ratings provider EcoVadis, which covers the assessment areas of environment, human rights, ethics, and sustainable procurement. → Read more about supplier evaluation.

Following a comprehensive approach to supplier assessments and audits, 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, and indicates to suppliers how they 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 2023, 40.5 % of the 360 suppliers identified with significant negative environmental impact followed a CAP (CAPs implemented in 2023 but discussed and agreed in previous years were also included in the metric). The identified negative environmental and social impacts were mostly related to weaknesses in suppliers' sustainability management systems, such as a lack of measures in employee health and safety, limited reporting with respect to environment or labor and human rights, and missing sustainable procurement policies. The suppliers were mainly located in Asia, North America, and Latin America.

CAPs are determined in accordance with the Supplier Sustainability Journey and Consequence Management Framework. These have turned out to be helpful tools 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, although rarely, terminates the business relationship. In 2023, no business relationship with suppliers was terminated due to the environmental and social assessment, as Clariant focused on collaborating with its suppliers to close the gaps.

NEGATIVE ENVIRONMENTAL AND SOCIAL IMPACTS IN THE SUPPLY CHAIN

	Total 2023	2022	2021	2020	2019
Number of suppliers assessed for environmental impacts	4 796	4 242	4 876	4 205	9 434
Number of suppliers identified as having actual or potential significant negative environmental impacts	360	400	524	472	784
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	41	44	13	14	18
Number of suppliers assessed for social impacts	4 796	4 242	4 876	4 205	9 434
Number of suppliers identified as having actual or potential significant negative social impacts	234	242	357	342	1 060
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	44	47	9	14	16

Main performance indicators

PRODUCTION SITES AND FACILITIES

	Total 2023	2022	2021	2020	2019
Production sites [4]	68	70	79	126	118
Countries with production facilities	24	24	27 [2]	39	38
Production (in m t) [3]	3.79	3.80	4.43	4.1	4.25
Investment in property, plant, and equipment (in CHF m)	205	209	357	288 [1]	273

[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.

[4] Two sites that are not in the reporting scope are excluded from the count.

RAW MATERIAL PROCUREMENT

	Total 2023	2022	2021	2020	2019
Raw materials procured (in m t)	**2.81**	**3.50**	**3.67**	**2.92**	**3.13**
Percentage of the procurement budget that is used for significant locations of operation and spent on suppliers local to that operation (%) [5]	**92.2**	**89.3**	**87.1**	**87.6** [4]	**88.0**
APAC (in CHF m)	**332**	**376**	**501**	**426**	**597**
Of which with local suppliers (in CHF m) [2]	325	367	476	405	564
Number of local suppliers [3]	693	679	1 422	2 296	2 422
EMEA (in CHF m)	**837**	**1 236**	**1 309**	**1 084**	**1 331**
Of which with local suppliers (in CHF m) [2]	777	1 101	1 122	946	1 172
Number of local suppliers [3]	707	829	964	1 732	1 811
Americas (in CHF m)	**488**	**646**	**542**	**518**	**715**
Of which with local suppliers (in CHF m) [2]	427	548	449	425	595
Number of local suppliers [3]	728	778	1 253	1 992	2 067
Grand Total (in CHF m)	**1 657**	**2 258**	**2 352**	**2 027**	**2 642**
Of which with local suppliers (in CHF m) [2]	1 529	2 016	2 048	1 777	2 330
Number of local suppliers [3]	2 128	2 286	3 639	6 020	6 300

[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] Continuing operations only
[5] All locations are considered significant

PERCENTAGE OF SUPPLIERS ASSESSED VIA ECOVADIS

	Total 2023	2022	2021	2020	2019
Percentage of direct spend for raw materials from suppliers covered by shared sustainability ratings (EcoVadis)	91	89	87	84	78

Through the TfS initiative, Clariant has online access to many 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 2023, TfS members initiated 1 269 new supplier assessments and 7 320 reassessments, 58 % of which resulted in improved scores. At the end of the year, the TfS pool included 16 902 actively managed assessments. The number of new audits among TfS members amounted to 492. Clariant correlates these assessments and audits against its supplier base to determine the share of total spend covered by TfS assessments, which in 2023 amounted to 91 %.

New suppliers, undergoing the Integrity Next self-assessment

In 2023, Clariant started business with more than 411 new suppliers. More than 70 % represented direct spend vendors. With exceptions (see below), these suppliers are required to fill in the Integrity Next Self-Assessment form, which also covers other topics besides sustainability, such as cybersecurity and sanctions lists. Given that not all of Clariant's suppliers are suitable for the rigorous and resource-demanding assessment conducted by Ecovadis, due to size or spend, Integrity Next represents another solution to gain traceability and transparency about the activities that suppliers are compliant with. The suppliers must reach at least the »satisfactory« or »green« level in their Integrity Next self-assessment to be registered as a new vendor with Clariant.

The following vendors are exempt from an Integrity Next Self-Assessment:

- one-time vendors
- vendor types such as governmental institutions, banks, NGOs, law firms, patent/certification bodies, educational und research facilities, insurance brokers
- suppliers registered on the EcoVadis platform (and present on an EcoVadis target list)
- suppliers with previous annual spend below 100 000 CHF.

Clariant evaluation as supplier

In 2023, Clariant received a score of 72 for its own EcoVadis assessment. The company scored high in sustainable procurement (70 points), which acknowledges its advanced sustainability system of supply chain management.

Supplier trainings

In 2023, 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 multiple 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 could further improve their assessment scores. More than 2100 participants in total attended 10 TfS/EcoVadis webinars in four languages. → Read more on TfS.

In its Procurement Sustainability Roadmap, Clariant defined the following indicators with respect to supply chain sustainability due diligence:

— spend covered by sustainability assessments or audits;
— spend with risk suppliers;
— number of new sustainability assessments (EcoVadis) generated;
— number of new sustainability audits generated;
— number of suppliers that have improved from one assessment or audit to the next.

Occupational Health and Safety

As a global chemical company and a responsible employer, Clariant is strongly committed to promoting and protecting a healthy culture in the workplace. Zero accidents worldwide are the goal Clariant aims to achieve. Therefore, processes regarding occupational safety are top priorities to protect Clariant's employees, ensure seamless manufacturing operations, and meet legal requirements and regulations at any time. Aside from observing health protection, meeting safety requirements is of paramount importance for staff morale, labor costs, and productivity, as well as operational costs.

Management approach

At Clariant, the Global Function ESHA (Environmental Safety and Health Affairs) & IGSM (Integrated Group System Management) department manages occupational health and safety globally. 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.

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 audit system ensures quality and triggers continuous improvements.

Worker participation, consultation, and communication regarding occupational health and safety

Ninety-five percent of staff employed in production are represented by a safety committee. Considering the whole workforce (production, procurement, sales, and management), 91% of staff are represented. At Clariant, committees that do not primarily deal with this topic also address safety issues. In case internal standards need to be modified or updated, a working group is established. It sends the resulting draft 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.

Policies

To ensure the health and safety of employees, Clariant has a set of principles and guidelines in place. They are accessible online in the Group Management System (GMS) database for the employees in more than 25 languages, e.g., English, Chinese, Spanish, Portuguese, German, and French.

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 2023, it carried out audits in accordance with ISO 45001. The certificate confirming compliance with the standard is available on the → »Clariant website«.

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 work environment is also anchored in Clariant's sustainability policy.

Measures

Clariant aims to achieve a zero accidents culture and be a leader in safety in the chemical industry. Progress in this area is linked to the bonuses of management, and safety is integrated into the daily routines of all operations.

EMPLOYEES COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

	Total 2023	2022	2021	2020	2019
Percentage of employees covered by an Occupational Health and Safety management system (%)	100 [1]	100	100	100	100
Percentage of employees covered by an Occupational Health and Safety management system that has been internally audited (%)	100 [1]	100	100	100	100
Percentage of employees covered by an Occupational Health and Safety management system that has been externally audited or certified (%)	100 [1]	100	100	100	100

[1] The value includes all employees and is calculated as monthly average: 10 979 own employees + 1 412 supervised workers.

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. To increase awareness among its employees globally, Clariant carries out various trainings and awareness measures every year.

Learning Management System

Clariant has a Learning Management System (LMS) that is used to provide, steer, and monitor various programs such as e-Learnings, webinars, and workshops on occupational health and safety. Additionally, there are special trainings regarding work-related hazards, hazardous activities, and potentially hazardous situations. Each plant and building management also provides special trainings regarding work-related hazards. These trainings are customized and depend on the jobs to be performed.

Six Life-Saving Rules

The company continued introducing the Six Life-Saving Rules first presented in 2021. In the reporting year, it reviewed the training approach and developed an eTraining, which will be mandatory to all Clariant employees in 2024. Every worker at Clariant must be aware of the Life-Saving Rules. They are part of the Code of Ethics and must be complied with. Witnesses to a breach of these rules should immediately notify the line manager or ESHA.

035 **6 LIFE-SAVING RULES**

1 Use fall protection when working at heights greater than 1.80 meters or 6 feet and outside a guarded area.	**2** Wear Personal Protective Equipment (PPE) when required.
3 Always work with a valid work permit whenever required.	**4** Do not disable safety-critical equipment without authorization and without having additional precautions in place.
5 Use lock out/tag out procedures to protect you from danger.	**6** Don't walk or work under suspended loads.

Handouts on Occupational Health and Safety-related topics

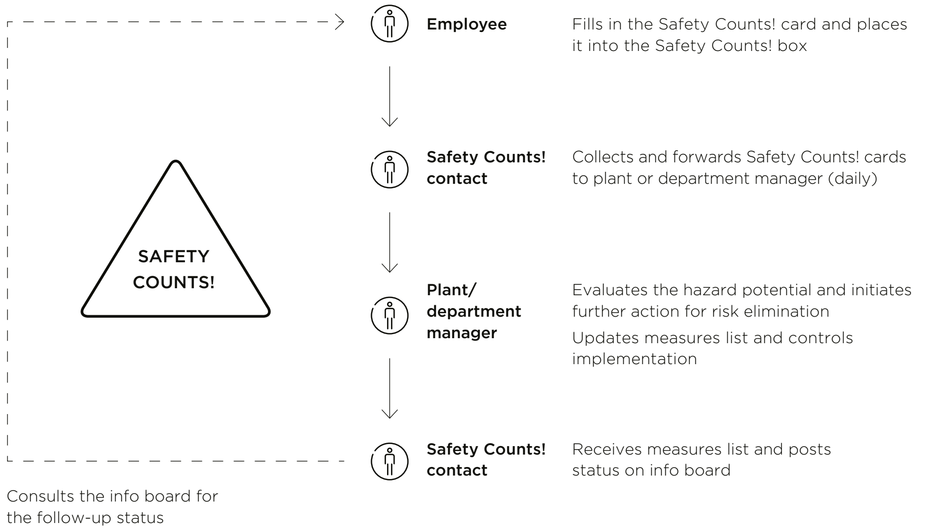
As part of the »Safety Moments« initiative, more than 400 illustrated handouts have been created for employees at Clariant and the training on topics related to occupational health and safety – from operations to administration – since 2017. These are presented and discussed, for example, at the beginning of meetings and can be accessed via an internal platform. At the end of 2023, there were more than 350 »Safety Moments.«

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, safety weeks, and selected webinars on various guideline-specific topics. In 2023, Clariant organized more than 120 safety weeks/days in more than 150 locations worldwide. For the safety weeks executed in 2023, the company provided an information hub with ideas and training modules besides the regular trainings in the different units.

036 **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 0.18.



Process Safety Academy
Clariant has also established a Process Safety Academy to enhance the Process Hazard Analyses standard. This one-week training delivers theory and practical knowledge on relevant process safety topics, facilitating a better implementation of the process safety standards at the sites.

In 2023, a new edition of Clariant's process safety academy took place in the Asia-Pacific region, and refresher trainings on the Safe Behavior program were delivered.

Tracking health and safety
Clariant uses DARTR (Days Away, Restricted, or Transferred Rate) and LTAR (Lost-time Accident Rate) as bonus-relevant metrics. This increases the focus on smaller events in addition to the more severe lost-time accidents, which helps to establish a zero-accident culture.

Safety performance and initiative updates have been a standing agenda item in every Executive Leadership Team (ELT) meeting since the beginning of 2023. The ELT reviews all DART events and the overall company performance and discusses corrective actions. One of the consequences has been to introduce an alert system alerting the business unit heads about any DART event in their business unit within 24 hours of the event, as well as a call from the ESHA responsible for providing more insights into the accident within seven days of the event.

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 all these cases, investigation reports are mandatory.

Reporting near misses and unsafe situations
To report unsafe situations and 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. In 2023 and early 2024, Clariant started the preparation of a broader rollout of this online system to include all its 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 investigates 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 Global Function ESHA & IGSM.

Risks
As part of Clariant's audit program, internal experts from Global Function ESHA & 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. In addition, in 2023, the company conducted work permit checks to improve the quality of the work and, thus, safety. In 2024, it will further strengthen this process and simplify data gathering and analysis of 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, as well as chemical industry-specific hazards like handling of hazardous substances, biological hazards, or mechanical and thermal hazards. If a workplace falls below defined minimum requirements, Clariant takes measures to redesign that workplace.

Process Safety management system

Clariant has a set of standards for an effective process safety management system – Process Hazard Analyses (PHAs), explosion protection, Pre-Start Safety Review (PSSR), incident management, Management of Change (MOC), and asset integrity. The core process safety requirement is the Process Hazard Analysis (PHA). It allows the company to identify, assess, and control risks in the production processes and auxiliary activities. Clariant provides tools and templates globally for all sites to conduct such PHAs, specific assessments, and management of mechanical integrity to maintain fully operational safety-critical elements.

Competent personnel at the sites conduct PHAs regularly. They 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.

Clariant has also developed a reporting system that records and systematically assesses substances and energy releases from process units to avoid major incidents. It categorizes them as process safety events (PSEs) according to criteria stipulated by the International Council of Chemical Associations (ICCA).

After a process safety event, Clariant investigates to determine its root cause (using, e.g., fishbone or fault tree analysis) and establishes corrective and preventive measures to avoid recurrence. The company tracks the measures at the site level and global level with its global reporting tool EBR@ILX to ensure effective implementation.

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 Hazards to Health«. Clariant ensures medical confidentiality.

Results and KPIs

WORK-RELATED INJURIES [1]

	Total 2023	2022	2021	2020	2019
Number of fatalities as a result of work-related injury and ill health (own employees + supervised workers)	0	0	0	0	0
Rate of fatalities as a result of work-related injury (per 200 000 hours, own employees + supervised workers)	0	0	0	0	0
Number of fatalities as a result of work-related injury and ill health (contractors)	1 [2]	0	0	0	0
Rate of fatalities as a result of work-related injury (per 200 000 hours, contractors)	0.04	0	0	0	0
Number of high-consequence work-related injuries (excluding fatalities)	1	0	2	2	0
Rate of high-consequence work-related injuries (excluding fatalities) (per 200 000 hours)	0.01	0.00	0.01	0.01	0.00
Number of recordable work-related injuries	102	97	141	157	232
Rate of recordable work-related injuries (per 200 000 hours)	0.82	0.80	1.00	0.95	1.21
Number of hours worked (own employees + supervised workers)	24 782 000	24 196 000	28 440 000	33 262 000	38 556 000
Number of hours worked (contractors)	5 322 333	5 957 333	7 129 667	5 691 000	n.a.

[1] Information about “not employees” (contractors) are not in the same way gathered like “all employees” (own workers and supervised workers) due to medical data privacy.

[2] This refers to a fatality from a contractor at a joint venture site in Baroda/India.

OCCUPATIONAL ACCIDENTS

	Total 2023	2022	2021	2020	2019
Lost-time accidents (own employees + supervised workers) [1]	**22**	**29**	**23**	**26**	**28**
Male	20	27	21	26	27
Female	2	2	2	0	1
Lost-time accident rate (LTAR, own employees + supervised workers) [2]	**0.18**	**0.24**	**0.16**	**0.16**	**0.15**
Male	0.16	0.22	0.15	0.16	0.14
Female	0.02	0.02	0.01	0.00	0
Lost-time accidents (contractors) [1]	**5**	**9**	**13**	**6**	**10**
Male	5	9	12	6	10
Female	0	0	1	0	0
Lost-time accident rate (LTAR, contractors) [2]	**0.19**	**0.30**	**0.30** [5]	**0.14** [5]	**0.22** [5]
Male	0.19	0.30	0.28	0.14	n.a
Female	0.00	0.00	0.02	0.00	n.a
Lost-time accidents by supervised (non-Clariant) workers (included in the overall number of occupational accidents) [1]	**3**	**6**	**1**	**1**	**1**
Male	2	6	1	1	1
Female	1	0	0	0	0
Lost workdays (LWDs) caused by occupational accidents	**312**	**712**	**974** [3]	**1 229**	**661**
Male	274	709	962 [3]	1 229	648
Female	38	3	12	0	13
Lost workday rate (LWDR)	**2.52**	**5.89**	**6.85**	**7.39**	**3.43**
Number of cases of recordable work-related ill health [4]	**2**	**0**	**0**	**0**	**3**

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
4 For all reported years, there were no fatalities as a result of work-related ill health
5 This includes discontinued business

OCCUPATIONAL ACCIDENTS BY REGION

	2023		2022		2021		2020		2019	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Occupational accidents with at least one day's work lost	**20**	**2**	**27**	**2**	**21**	**2**	**26**	**0**	**27**	**1**
Europe, the Middle East, and Africa	14	1	16	2	17	2	18	0	15	0
Asia-Pacific	0	1	3	0	0	0	1	0	1	0
Latin America	5	0	7	0	2	0	6	0	4	1
North America	1	0	1	0	2	0	1	0	7	0

OCCUPATIONAL ACCIDENTS OF CONTRACTORS

	2023		2022		2021		2020		2019	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Occupational accidents of contractors, with at least one day's work lost	**5**	**0**	**9**	**0**	**12**	**1**	**6**	**0**	**10**	**0**
Europe, the Middle East, and Africa	4	0	6	0	8	1	3	0	4	0
Asia-Pacific	1	0	0	0	3	0	1	0	3	0
Latin America	0	0	3	0	1	0	2	0	3	0
North America	0	0	0	0	0	0	0	0	0	0

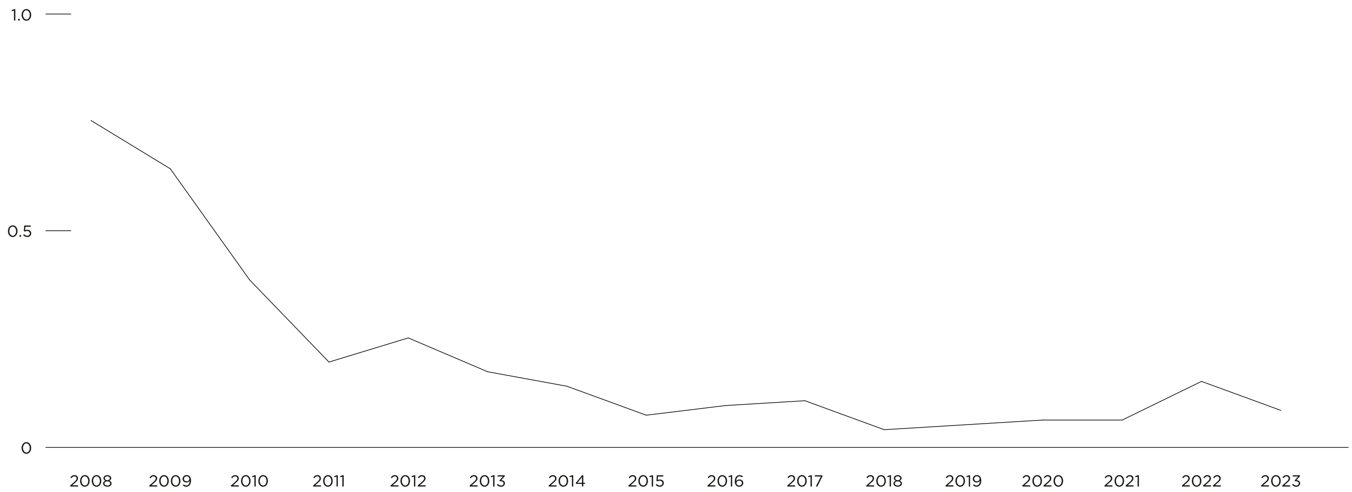
DART

In 2023, the numbers for unsafe situations and near misses stayed at a high level, which shows the high interest in and awareness of safety.

For 2023, Clariant defined the DART rate (the Days Away, Restricted, or Transferred), which includes Lost-Time Accidents and Restricted Work cases. With the definition of this new indicator, Clariant increases the insights into the accident occurrence even more to decrease the total number. The milestones are defined on the Group and business unit/service unit level for the calendar year. The DART rate subsided from 0.37 in 2022 to 0.21 in 2023.

In 2023, the overall health and safety performance at Clariant's sites improved significantly. The total number of lost-time accidents decreased from 30 in 2022 to 22 in 2023. In addition, five lost-time accidents occurred involving contractors, which is a slight decrease compared to six accidents in 2022. First aid was required for 80% of all recorded injuries; 19% needed medical treatment; and 1% of recorded injuries were restricted work cases. The most frequent injury types in 2023 were sprains, bruises, and contusions (58%); open wounds (15%); bone fractures (4%); and burn injuries (8%). There were no limb losses or injuries due to electrical incidents.

037 **DEVELOPMENT OF CLARIANT LOST-TIME ACCIDENT RATE (LTAR)**



Since the start of AvoidingAccidents@Clariant in 2007, the lost-time accident rate (LTAR) has decreased from 0.92 to 0.18 in 2023.

The lost-time accident rate (LTAR) of 0.18 accidents per 200 000 hours of work decreased compared to 2022. The total number of lost workdays decreased significantly from 712 in 2022 to 312 in 2023. This indicates that job-related injuries were less severe in 2023 than in 2022. Accordingly, the lost-workday rate (LWDR) decreased from 5.89 workdays lost per 200 000 hours of work in 2022 to 2.52 workdays lost per 200 000 hours of work in 2023.

There were no fatalities attributable to work-related accidents or ill health, in the group of own employees and supervised workers in 2023. Regrettably, there was one fatality from a contractor at a joint venture site in Baroda/India.

Process safety

In 2023, Clariant's rate for process safety events increased from 0.36 to 0.42. In total, there were 51 cases, an increase of 19% compared to the 43 cases of 2022. Of the 51 cases, 75% (38) had a low impact and, therefore, were in the lowest category.

Significant process safety events for Clariant are those with a score of more than three points according to ICCA criteria. In 2023, Clariant had 13 cases considered significant with a total spilled volume of 86.7 m^3, compared to nine cases in 2022. This led to an increase in the Process Safety Severity Rate to 0.73. Personal and organizational causes represented 67% of the process safety events, whereas technical causes made up 33%.

Clariant is setting programs, according to the root causes identified, to improve the Process Safety KPIs and avoid incidents.

SAFETY MANAGEMENT

	Total 2023	2022	2021	2020	2019
Process safety event rate [1]	0.42	0.36	0.46	0.36	0.48
Number of significant spills	12	9	6	17	2
Total volume of significant spills (m^3) [2]	86.66	12.88	13.24	78.69	1.30

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.

Customer Relationships and Dialogue

Clariant makes developing strong relationships with its customers a high priority. The company strives to stay ahead of rapidly evolving consumer demands, resource availability, and regulations. This proactive approach allows Clariant to align its offerings with emerging customer interests and needs to the best of its ability. Clariant aims for collaborative consultation and engagement, working to assist customers in reaching their goals.

Constructive relationships built on mutual trust are key. Clariant sees durable customer partnerships as vital across its value chain, from sourcing raw materials to end-consumer channels. By keeping customers at the forefront of a bilateral consultative relationship, Clariant seeks to provide them with long-term value.

038 **CUSTOMER APPROACH ANCHORED IN VALUES**

Management approach

Customer engagement lies at the core of Clariant's commercial strategy. Clariant is committed to adding value for its customers by delivering innovative, competitive and sustainable solutions while creating continuous, profitable growth. In the past years, Clariant has built additional marketing capabilities in its business units to continue its journey from a product-driven to a customer-centric organization. With the introduction of the new purpose in 2021 and the purpose-led strategy, customer focus has been anchored as a purpose dimension. As such, Clariant aims to shape the future together with customers through fruitful collaboration for meaningful impact. To create this impact, Clariant embodies the customer perspective, as well as their demands, and leverages regional market knowledge.

In the fight against climate change, topics such as energy efficiency, renewable raw materials and emissions reduction play significant roles. Clariant helps its customers to improve their handprint or reduce their footprint and aims to build long-term relationships to win together.

Policies

An internally certified Data Privacy Organization is responsible for providing guidance and regular information, creating awareness, conducting multiple 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/Viva Engage, etc.) make important information directly available to end users.

Clariant's 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.

Clariant provides its customers with all necessary information regarding its data privacy program, which is available on the corporate website.

— Data protection and privacy https://www.clariant.com/en/Meta-Nav/Data-Protection-and-Privacy statements for customers, vendors, and business partners https://www.clariant.com/en/Meta-Nav/Privacy-Statements

The Data Privacy Program addresses information-related impacts for consumers and end-users such as the use of collected data, the obligation to observe confidentiality, and protection of data from theft and misuse.

Measures

CLARITY™

Clariant's Business Unit Catalysts announced this year the favorable adoption and excellent performance of CLARITY™, a digital service portal with a cloud-based service platform. It presents catalyst customers with a real-time exchange and visualization of plant performance. This tool supports all Clariant catalyst applications, allowing secure and end-to-end encrypted sharing, with key performance indicators visualized in customizable dashboards. The interface connects customers directly with technical experts for guidance and troubleshooting.

Since its launch in 2021, CLARITY™ has been adopted by more than 80 plants, serving more than 380 active customer users in 28 countries around the world. The platform enables seamless two-way communication between customers and Clariant experts, such as applied catalyst technology engineers and technology advisers. Customers from fully onboarded plants can significantly reduce their workload and receive the best possible support on time, which is crucial in challenging troubleshooting situations.

Overall, the platform enables a seamless collaboration that results in a more efficient catalyst operation for Clariant customers. CLARITY™ will undergo further development, combining Clariant's proprietary tools and experts with software provider Navigance's data science, machine learning capabilities, and artificial intelligence, to further advance predictive and prescriptive data analytics for customers.

Clarihub

The free online customer portal Clarihub, which was introduced in 2021, offers a 24/7 self-service platform for Clariant customers in several market segments such as personal and home care, healthcare, paints & coatings, industrial lubricants, and crop solutions. The ClariHub portal helps Clariant to immediately respond to customer inquiries, and in addition, it serves as an information hub with real-time ingredient data and 24/7 access to various documentation. For example, users can track key metrics or find reference documents, such as material safety data sheets (MSDSs) and technical data sheets (TDSs), ecolabel information, trend reports, and webinars. In addition, they are provided with relevant information such as FAQs and troubleshooting tips, as well as company and product details.

While ClariHub serves as an extra channel for customer communication and queries, it is also helpful for Clariant to derive additional oversight and visibility. In 2023, the platform continued its expansion, now covering more than 3.600 users at the end of the reporting year. ClariHub makes it easier for customers to identify and select ingredients from the Clariant portfolio. The platform is under continuous improvement; new functionalities are developed and offered frequently.

One of the highlights was the Claricoat web app for paints and coatings customers, allowing customized property selection covering a wide range of performance criteria from liquid paint stability and workability to sustainability. Once the criteria selection is complete, the product recommendation engine proposes the most suitable additives covering the needs of the paint formulator.

Another example is the development of »BeautyForward 6« in 2022, with which Clariant empowered the personal care industry to make natural ingredient choices. In 2023, Clariant launched the Beauty Forward Hair Care Edition. As hair care is increasingly elaborate and consumers adopt more multi-step hair care routines, Clariant meets this demand with a series of formulations containing natural ingredients and featuring some of its readily biodegradable new developments.

Customer journey

In a global 2021 project, Business Unit Industrial & Consumer Specialties (ICS) mapped the customer journey for a typical buying process, from the first contact to delivery and invoicing. The project which continued in 2023, 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. An important outcome and key improvement from this evaluation was »ClariHub« (referred to above), offering easy access for customers to extensive product information.

Data-driven strategies

Due to increasing raw material and energy costs, Business Unit ICS continued the algorithm-based price optimization modeling in 2022. The algorithms recommend pricing corridors for individual customers and products. This automated process saves significant time for analysis and computation. The algorithm optimization continued in 2023, expanding the data-driven capabilities in identifying pricing outliers and value-based pricing opportunities.

Additional price management tools help the company to integrate different perspectives and information, to arrive at optimum prices, and to track them. In 2022, Clariant developed the »churn prediction tool« using data and statistics to identify the risk of losing a specific customer business. This tool will remain relevant and valuable in times of increased market volatility.

Additives Global Order Management Survey

Clariant also conducted an Additives Global Order Management Survey with its customers in 2023. Afterward, Business Unit Additives started a project involving digital solutions, aiming at improving its customers' experience by having faster, more reliable, and more transparent information throughout the entire order processing, from order receipt to goods delivery.

Innovative Catalysts and Future Technologies Seminar Conference

Clariant Business Unit Catalysts under the Syngas and Fuels segment, together with global engineering partners, organized the Innovative Catalysts and Future Technologies Seminar Conference for the MENA and APAC Regions in 2023. Held separately in Bahrain and Thailand, the events gathered some 62 and 74 participants, respectively, from these regions and tackled key issues in energy transition, focusing on low-carbon hydrogen, low-carbon and green ammonia, ammonia cracking, and power-to-X solutions. With both events receiving 10 out of 10 overall customer ratings, Clariant proved its commitment to enabling customers to reach their sustainability targets and jointly tackling the challenges of decarbonizing the chemical industry.

Maleic Anhydride Technology Summit

Clariant Business Unit Catalysts under the Specialty segment also organized the Maleic Anhydride (MA) Technology Summit in China in 2023, together with its technology partners MAN, and Conser. Clariant, MAN and Conser pooled resources to gather experts to tackle technologies and low-carbon emission processes for the production of MA, a key precursor for the manufacture of biodegradable plastics. Attended by 22 major producers of MA in China, the event proved not only successful with 100 % positive customer ratings on all key aspects in the post-event survey, but also a significant contributor to China's goal of phasing out the use of non-degradable plastics.

Adsorbents customer events

In June 2023, Business Unit Adsorbents welcomed over 70 customers from the EMEA and Americas regions to an exclusive event in Dusseldorf. Setting the theme »Greater together to cast the future,« jointly with its customers, Clariant addressed the climate change challenges that foundry businesses are facing worldwide and the pressing need for a transformation. As part of the discussion with its customers, Clariant highlighted its sustainability focus to lower the CO_2 footprint of its products with initiatives such as sun-drying. In addition, it elaborated on how low-emission technology products permit its customers to reduce their BTEX (benzene, toluene, ethylbenzene and xylenes) and CO_2 emissions.

As a dedicated, innovative, and sustainable specialty chemicals supplier, Clariant has also been deeply engaged in the bentonite field for many years in the Asian foundry market. To further strengthen its communication with customers and provide a more accurately targeted customer service, Clariant held three technical seminars focusing on pre-mix/green sand for foundry bentonite customers in the region in 2023.

Similarly, Clariant Adsorbents hosted an event for its foundry customers in Brazil. Themed »Together to shape a more sustainable future,« it listened to the concerns of its clients regarding sustainability and discussed current regulations and how to anticipate new and future directives affecting foundry companies.

Collaborative »Coatings Innovation Center«

At Clariant's new Coatings Innovation Center in the Charlotte metro area (North Carolina, USA), the innovation journey begins with the customer in mind. The center addresses the challenges faced by North American formulators in the paints and coatings industry. Completed in 2023, the innovation center was designed to enable the company to work collaboratively with its customers all along the value chain.

The new lab will also be able to support compliance with regulatory and sustainability-specific requirements. In this way, Clariant supports its customers with high-performing products and solutions that can accelerate their success and meet the changing needs of the market.

Risks

Against the background of its B2B activities, there are information-related risks for Clariant's consumers and end users. The company processes all publicly available personal data like e-mail addresses concerning the relevant data subjects.

Clariant takes steps to prevent or mitigate potentially negative customer privacy concerns or data breaches. For this purpose, it implements and carries out regular training sessions, including documentation and tracking of completion, implements task-specific classroom training in particularly sensitive areas (e.g., HR, IT), and conducts communication and awareness campaigns regularly.

In 2023, Clariant received no substantial complaints from outside parties or regulatory bodies concerning breaches of customer privacy or losses of customer data. Similarly, the company is not aware of any identified leaks, thefts, or losses of customer data. In 2023, Clariant adapted its existing policies governing the privacy of customers due to organizational and legal requirements within the framework of standardized life cycle management.

Results and KPIs

Customer satisfaction survey

Clariant's bi-annual customer satisfaction survey serves as the most important feedback mechanism on customer satisfaction, enabling Clariant to evaluate our performance and take corresponding actions.

Clariant conducted its latest edition in 2023 after being postponed from 2022 due to Group-wide transformation processes. The survey gauges satisfaction across key areas including key buying factors, customer touchpoints and sustainability. To further strengthen the customer experience and uncover new business opportunities, Clariant adjusted the survey to include more detailed questioning to uncover actionable insights.

The overall results show that the high level of customer satisfaction has increased further, with the Net Promoter Score (NPS) increasing from 42% to 45%. In the Chemical & Gases industry, an NPS of 37% is considered a benchmark, putting Clariant in the 63rd percentile.

86% of respondents stated they are likely to intensify business with Clariant (2020: 82%). Likewise, 86% highlighted Clariant's excellent customer-oriented approach (2020: 78%).

As of 2020, respondents ranked »Technical Service« and »Products and Packaging« as the two most important buying criteria; Sustainability Key Buying criteria were introduced in 2023, and »Respect for Human Rights« and »Certified Raw Materials« ranked on top.

Clariant targets further improvements in satisfaction and net promoter scores supported by continuous improvements in how we support and engage with our customers to solve their concrete challenges.

CUSTOMER RELATIONSHIPS

	Total 2023	2022	2021	2020	2019
Customer interviews as part of marketing and strategy initiatives	242	0	287	132	404
Interviews with industry experts as part of marketing and strategy initiatives	55	0	82	75	144
Survey responses obtained from customer contacts	943	n.a.	n.a. [1]	1 735	n.a. [1]
Customers who want to continue doing business with Clariant (%)	86	n.a.	n.a. [1]	88	n.a. [1]
Customers who plan to intensify the business relationship (%)	90	n.a.	n.a. [1]	82	n.a. [1]
Net Promoter Score (NPS) (%)	45	n.a.	n.a. [1]	42	n.a. [1]

[1] Surveys are conducted every two years. In 2022 the survey was postponed due to Group-wide transformation processes

Independent Limited Assurance Report

Independent limited assurance report on selected quantitative and qualitative Sustainability Information of Clariant AG

To the Board of Directors of Clariant AG

We have undertaken a limited assurance engagement on Clariant AG's (hereinafter "Clariant") following selected quantitative and qualitative Non-financial Information in Clariant's Management Report 2023 for the financial year from the 1st of January 2023 to the 31st of December 2023 (hereinafter "Sustainability Information"):

- Global Reporting Initiative (GRI) related KPIs, marked as "assured by KPMG" in the GRI Index table (pages 142-150).
- Clariant's internally developed KPIs, marked as "assured by KPMG" in Clariant's own KPI table (page 151).
- Non-financial disclosures prepared in accordance with article 964b of the Swiss Code of Obligation, as included in the index table (page 141) of the Management Report, and the text marked accordingly with "✔ I" in Clariant's Management Report 2023.

Our assurance engagement does not extend to information in respect of earlier periods or forward-looking information included in Clariant's Integrated Report 2023 or any other Report, including any images, audio files or embedded videos.

Understanding how Clariant AG has Prepared the Sustainability Information

Clariant prepared the Sustainability Information using the following criteria (hereinafter referred to as the "Sustainability Reporting Criteria"):

- For Global Reporting Initiative (GRI) related KPIs – GRI Standards
- For Clariant's internally developed KPIs, criteria as described in Clariant's own KPIs table (page 151)
- For the non-financial disclosures referenced in the index table on page 141 of the Management Report – article 964b of the Swiss Code of Obligation

Consequently, the Sustainability Information needs to be read and understood together with these standards and criteria.

Our Limited Assurance Conclusion

Based on the procedures we have performed as described under the *'Summary of the work we performed as the basis for our assurance conclusion'* and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information in Clariant's Management Report 2023 for the financial year from the 1st of January 2023 to the 31st of December 2023 is not prepared, in all material respects, in accordance with the Sustainability Reporting Criteria.

We do not express an assurance conclusion on information in respect of earlier periods or to any other information included in Clariant's Integrated Report 2023 or any other Report, including any images, audio files or embedded videos.

Inherent Limitations in Preparing the Sustainability Information

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur in disclosures of the Sustainability Information and not be detected. Our engagement is not designed to detect all internal control weaknesses in the preparation of the Sustainability Information because the engagement was not performed on a continuous basis throughout the period and the audit procedures performed were on a test basis.

Clariant's Responsibilities

The Board of Directors of Clariant is responsible for:

– Selecting or establishing suitable criteria for preparing the Sustainability Information, taking into account applicable law and regulations related to reporting the Sustainability Information;

- The preparation of the Sustainability Information in accordance with the Sustainability Reporting Criteria
- Designing, implementing, and maintaining internal control over information relevant to the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our independent conclusion to the Board of Directors of Clariant.

As we are engaged to form an independent conclusion on the Sustainability Information as prepared by the Board of Directors we are not permitted to be involved in the preparation of the Non-financial Information as doing so may compromise our independence.

Professional Standards Applied

We performed a 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*, issued by the International Auditing and Assurance Standards Board.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work was carried out by an independent and multidisciplinary team including assurance practitioners and sustainability experts. We remain solely responsible for our assurance conclusion.

Summary of the Work we Performed as the Basis for Our Assurance Conclusion

Based on risk and materiality considerations we have undertaken procedures to obtain sufficient evidence. The procedures selected depend on the practitioner's judgment. This includes the assessment of the risks of material misstatements in the above-mentioned Management Report. Our limited assurance procedures included, amongst others, the following work:

- Assessment of the design and implementation of systems, processes, and internal controls for determining, processing, and monitoring sustainability performance data, including the consolidation of data;
- Inquiries of employees responsible for the determination and consolidation as well as the implementation of internal control procedures regarding the selected disclosures;
- Inspection of selected internal and external documents to determine whether quantitative and qualitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Assessment of the data collection, validation, and reporting processes as well as the reliability of the reported data on a test basis and through testing of selected calculations;
- Analytical assessment of the data and trends of the quantitative disclosures included in the scope of the limited assurance engagement;
- Assessment of the consistency of the disclosures applicable to Clariant with the other disclosures and key figures and of the overall presentation of the disclosures through critical reading of Clariant's Integrated Report 2023;
- Check that the Management Report contains the information required by the Swiss Code of

KPMG

Obligations article 964b (1) and (2) to understand the business performance, the business results, the state of the undertaking, and the effects of its activity on material topics of environmental matters, social matters, employee-related matters, respect for human rights, and combating bribery and corruption.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

KPMG AG

Cyrill Kaufmann
Licensed audit expert

Diana Guerra
Engagement Manager

Zurich, 28 February 2024

Indices

Introduction

Clariant reports in accordance with internationally recognized frameworks to create transparency and comparability. For 17 years, Clariant's reporting has been based on the Global Reporting Initiative (GRI). Since 2013, Clariant has committed to the United Nations Global Compacts (UNGC) and reports annually on its contribution to the 10 principles. Clariant's Management Report also complies with the new non-financial reporting requirements of Art. 964b of the Swiss Code of Obligations. Additionally, 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).

Disclosures in accordance with Art. 964b Swiss Code of Obligations

✓I Disclosures assured by KPMG

Art. 964b content requirement	Section	Reference
General information required to understand our business	→ Foundation of the Business	p. 16
	→ Organizational structure	p. 16
	→ Executive Steering Committee and Executive Leadership Team	p. 18
Description of the business model	→ Long-term value for all stakeholders	p. 18
Materiality Assessment	→ Materiality Assessment	p. 42
Sustainability Management	→ Sustainability Management	p. 44
Environmental matters (incl. CO_2 goals)	→ Climate	p. 74
	→ Energy	p. 71
	→ Water	p. 88
	→ Substances of Concern and Product Stewardship	p. 57
	→ Biodiversity and Bio-Based Economy	p. 96
Social issues	→ Sustainable Innovation and Technological Advances	p. 60
Employee-related issues	→ Diversity, Equity, and Inclusion	p. 101
Respect for human rights	→ Diversity, Equity, and Inclusion	p. 101
Combating corruption	→ Business Ethics and Compliance[1]	p. 52

[1] Based on Clariant's materiality assessment, Corruption & Bribery do not qualify as material topic and thus are not subject to mandatory reporting on non-financial matters. Clariant still discloses on policies, risks, measures and KPIs related to the topic. Not assured by KPMG.

Global Reporting Initiative Content Index

GRI Content Index

Reporting according to the Global Reporting Initiative (GRI) is integral to Clariant's Integrated Report 2023, providing comprehensive insights into sustainable value creation. For each material topic — 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.

Statement of use: Clariant has reported in accordance with the GRI standards for the period of 1 January to 31 December 2023.

GRI 1: Foundation 2021

		Omission			
Disclosures	Location	Requirement(s) Omitted	Reason	Explanation	External Assurance
General disclosures					
GRI 2: General Disclosures 2021					
2-1 Organizational details	→ Publication Details → Clariant Locations				
2-2 Entities included in the organization's sustainability reporting	→ 24. Segment Information → 36. Important Subsidiaries				
2-3 Reporting period, frequency, and contact point	Annual. 1 January-31 December 2023. Point of contact for the Integrated Report: Alessandro Canalis, → alessandro.canalis@clariant.com				
2-4 Restatements of information	Any restatement of previously reported data is explained in a footnote under the respective disclosure.				
2-5 External assurance	→ Independent Limited Assurance Report				
2-6 Activities, value chain, and other business relationships	→ Core processes for value creation → Supply Chain				
2-7 Employees	→ Valuing Employees				
2-8 Workers who are not employees	→ Occupational Health and Safety				
2-9 Governance structure and composition	→ Principles of Corporate Governance				
2-10 Nomination and selection of the highest governance body	→ Internal Organizational Structure				
2-11 Chair of the highest governance body	→ Günter von Au				
2-12 Role of the highest governance body in overseeing the management of impacts	→ Internal Organizational Structure				
2-13 Delegation of responsibility for managing impacts	→ Internal Organizational Structure				
2-14 Role of the highest governance body in sustainability reporting	→ Internal Organizational Structure				
2-15 Conflicts of interest	→ Business Ethics and Compliance				
2-16 Communication of critical concerns	→ Business Ethics and Compliance				

Disclosures	Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation	External Assurance
2-17 Collective knowledge of the highest governance body	→ Board of Directors				
2-18 Evaluation of the performance of the highest governance body	→ Internal Organizational Structure				
2-19 Remuneration policies	→ Compensation Principles and Structures → Diversity, Equity, and Inclusion				
2-20 Process to determine remuneration	→ Compensation Principles and Structures				
2-21 Annual total compensation ratio	→ Comments on the 2023 compensation				
2-22 Statement on sustainable development strategy	→ Interview with the CEO				
2-23 Policy commitments	→ Business Ethics and Compliance				
2-24 Embedding policy commitments	→ A Purpose-Led Strategy				
2-25 Processes to remediate negative impacts	→ Supply Chain				
2-26 Mechanisms for seeking advice and raising concerns	→ Business Ethics and Compliance				
2-27 Compliance with laws and regulations	→ Business Ethics and Compliance → Substances of Concern and Product Stewardship				
2-28 Membership associations	→ Sustainable Innovation and Technological Advances → Diversity, Equity, and Inclusion → Climate → Circular Economy Including Resource Use				
2-29 Approach to stakeholder engagement	→ A Purpose-Led Strategy				
2-30 Collective bargaining agreements	→ Valuing Employees				
Material topics					
GRI 3: Material Topics 2021					
3-1 Process to determine material topics	→ Materiality Assessment				→ KPMG CH
3-2 List of material topics	→ Materiality Assessment				→ KPMG CH
Economic performance					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Sustainability Management				
GRI 201: Economic Performance 2016					
201-1 Direct economic value generated and distributed	→ Long-term value for all stakeholders				
201-2 Financial implications and other risks and opportunities due to climate change	→ Climate				
201-3 Defined-benefit plan obligations and other retirement plans	→ Post-employment benefits				

Disclosures	Location	Omission			External Assurance
		Requirement(s) Omitted	Reason	Explanation	
Market presence					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Diversity, Equity, and Inclusion				
GRI 202: Market Presence 2016					
202-2 Proportion of senior management hired from the local community	→ Diversity, Equity, and Inclusion				→ KPMG CH
Procurement practices					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Supply Chain				
GRI 204: Procurement Practices 2016					
204-1 Proportion of spending on local suppliers	→ Supply Chain				→ KPMG CH
Anti-corruption					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Business Ethics and Compliance				
GRI 205: Anti-corruption 2016					
205-1 Operations assessed for risks related to corruption	→ Business Ethics and Compliance				
205-2 Communication and training about anti-corruption policies and procedures	→ Business Ethics and Compliance				→ KPMG CH
205-3 Confirmed incidents of corruption and actions taken	→ Business Ethics and Compliance				
Anti-competitive behavior					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Business Ethics and Compliance				
GRI 206: Anti-competitive Behavior 2016					
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	→ Business Ethics and Compliance				→ KPMG CH
Tax					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Critical accounting estimates and judgments				
GRI 207: Tax 2019					
207-1 Approach to tax	→ Taxes				
207-2 Tax governance, control, and risk management	→ Taxes				
207-3 Stakeholder engagement and management of concerns related to tax	→ Taxes				

Disclosures	Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation	External Assurance
Materials					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Circular Economy Including Resource Use				
GRI 301: Materials 2016					
301-1 Materials used by weight or volume	→ Circular Economy Including Resource Use				→ KPMG CH
301-3 Reclaimed products, and their packaging materials	→ Circular Economy Including Resource Use				
Energy					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Energy				
GRI 302: Energy 2016					
302-1 Energy consumption within the organization	→ Energy				→ KPMG CH
302-2 Energy consumption outside of the organization	→ Energy				
302-3 Energy intensity	→ Energy				→ KPMG CH
302-4 Reduction of energy consumption	→ Energy				
302-5 Reductions in energy requirements of products and services	→ Energy				
Water and effluents					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Water				
GRI 303: Water and Effluents 2018					
303-1 Interactions with water as a shared resource	→ Water				
303-2 Management of water discharge-related impacts	→ Water				
303-3 Water withdrawal	→ Water	303-3 b. breakdown of the total withdrawal from areas with water stress	Information unavailable/ incomplete	Data not available	→ KPMG CH
303-4 Water discharge	→ Water	303-4 c. breakdown of the total water dicharge to areas with water stress	Information unavailable/ incomplete	Data not available	→ KPMG CH
303-5 Water consumption	→ Water				

		Omission			
Disclosures	Location	Requirement(s) Omitted	Reason	Explanation	External Assurance
Biodiversity					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Biodiversity and Bio-Based Economy				
GRI 304: Biodiversity 2016					
304-2 Significant impacts of activities, products and services on biodiversity	→ Biodiversity and Bio-Based Economy				
Emissions					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Climate				
GRI 305: Emissions 2016					
305-1 Direct (Scope 1) GHG emissions	→ Climate				→ KPMG CH
305-2 Energy indirect (Scope 2) GHG emissions	→ Climate				→ KPMG CH
305-3 Other indirect (Scope 3) GHG emissions	→ Climate				→ KPMG CH
305-4 GHG emissions intensity	→ Climate				→ KPMG CH
305-5 Reduction of GHG emissions	→ Climate				→ KPMG CH
305-6 Emissions of ozone-depleting substances (ODS)	→ Climate				→ KPMG CH
305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	→ Climate				→ KPMG CH
Waste					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Circular Economy Including Resource Use				
GRI 306: Waste 2020					
306-1 Waste generation and significant waste-related impacts	→ Circular Economy Including Resource Use				
306-2 Management of significant waste-related impacts	→ Circular Economy Including Resource Use				
306-3 Waste generated	→ Circular Economy Including Resource Use				→ KPMG CH
306-4 Waste diverted from disposal	→ Circular Economy Including Resource Use				→ KPMG CH
306-5 Waste directed to disposal	→ Circular Economy Including Resource Use				→ KPMG CH

Disclosures	Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation	External Assurance
Supplier environmental assessment					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Supply Chain				
GRI 308: Supplier Environmental Assessment 2016					
308-1 New suppliers that were screened using environmental criteria	→ Supply Chain				
308-2 Negative environmental impacts in the supply chain and actions taken	→ Supply Chain				→ KPMG CH
Employment					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Valuing Employees				
GRI 401: Employment 2016					
401-1 New employee hires and employee turnover	→ Valuing Employees				→ KPMG CH
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	→ Valuing Employees				
401-3 Parental leave	→ Valuing Employees				→ KPMG CH
Labor/management relations					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Valuing Employees				
GRI 402: Labor/Management Relations 2016					
402-1 Minimum notice periods regarding operational changes	→ Valuing Employees	b. No mention in the collective bargaining agreements	Information unavailable/ incomplete	Data not available	
Occupational Health and Safety					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Occupational Health and Safety				
GRI 403: Occupational Health and Safety 2018					
403-1 Occupational health and safety management system	→ Occupational Health and Safety				
403-2 Hazard identification, risk assessment, and incident investigation	→ Occupational Health and Safety				
403-3 Occupational health services	→ Occupational Health and Safety				
403-4 Worker participation, consultation, and communication on occupational health and safety	→ Occupational Health and Safety				
403-5 Worker training on occupational health and safety	→ Occupational Health and Safety				
403-6 Promotion of worker health	→ Occupational Health and Safety				

Disclosures	Location	Omission			External Assurance
		Requirement(s) Omitted	Reason	Explanation	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	→ Occupational Health and Safety				
403-8 Workers covered by an occupational health and safety management system	→ Occupational Health and Safety				→ KPMG CH
403-9 Work-related injuries	→ Occupational Health and Safety				→ KPMG CH
403-10 Work-related ill health	→ Occupational Health and Safety				→ KPMG CH
Training and education					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Valuing Employees				
GRI 404: Training and Education 2016					
404-1 Average hours of training per year per employee	→ Valuing Employees				→ KPMG CH
404-2 Programs for upgrading employee skills and transition assistance programs	→ Valuing Employees				
404-3 Percentage of employees receiving regular performance and career development reviews	→ Valuing Employees				→ KPMG CH
Diversity and equal opportunity					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Diversity, Equity, and Inclusion				
GRI 405: Diversity and Equal Opportunity 2016					
405-1 Diversity of governance bodies and employees	→ Diversity, Equity, and Inclusion				→ KPMG CH
405-2 Ratio of basic salary and remuneration of women to men	→ Diversity, Equity, and Inclusion				
Non-discrimination					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Diversity, Equity, and Inclusion				
GRI 406: Non-discrimination 2016					
406-1 Incidents of discrimination and corrective actions taken	→ Diversity, Equity, and Inclusion				

Disclosures	Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation	External Assurance
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Human and Labor Rights				
GRI 407: Freedom of Association and Collective Bargaining 2016					
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	→ Human and Labor Rights				
Child labor					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Human and Labor Rights				
GRI 408: Child Labor 2016					
408-1 Operations and suppliers at significant risk for incidents of child labor	→ Human and Labor Rights				
Forced or compulsory labor					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Human and Labor Rights				
GRI 409: Forced or Compulsory Labor 2016					
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	→ Human and Labor Rights				
Supplier social assessment					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Supply Chain				
GRI 414: Supplier Social Assessment 2016					
414-1 New suppliers that were screened using social criteria	→ Supply Chain				
414-2 Negative social impacts in the supply chain and actions taken	→ Supply Chain				→ KPMG CH
Customer health and safety					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Substances of Concern and Product Stewardship				
GRI 416: Customer Health and Safety 2016					
416-1 Assessment of the health and safety impacts of product and service categories	→ Sustainability Management				
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	→ Substances of Concern and Product Stewardship				→ KPMG CH

Disclosures	Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation	External Assurance
Marketing and labeling					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Substances of Concern and Product Stewardship				
GRI 417: Marketing and Labeling 2016					
417-1 Requirements for product and service information and labeling	→ Substances of Concern and Product Stewardship				
417-2 Incidents of non-compliance concerning product and service information and labeling	→ Substances of Concern and Product Stewardship				→ KPMG CH
417-3 Incidents of non-compliance concerning marketing communications	→ Substances of Concern and Product Stewardship				→ KPMG CH
Customer privacy					
GRI 3: Material Topics 2021					
3-3 Management of material topics	→ Customer Relationships and Dialogue				
GRI 418: Customer Privacy 2016					
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	→ Customer Relationships and Dialogue				→ KPMG CH

Clariant-KPIs

Overview of KPI tables disclosed in Clariant's management report based on GRI or internally developed criteria – all assured by KPMG CH

Sustainability Accounting Standards Board Index

SASB 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 third 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 2023	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	→ Climate	1.4 % 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	→ Climate	
Air Quality	Air emissions of the following pollutants: (1) NO_x (excluding N_2O), (2) SO_x, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	RT-CH-120a.1	→ Climate → Climate → Sustainability Management	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	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	
	Number of incidents of noncompliance associated with water quality permits, standards, and regulations	RT-CH-140a.2	→ Water	
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	→ Water	
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	→ Circular Economy Including Resource Use	
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	→ Substances of Concern and Product Stewardship → Supply Chain	
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	→ Occupational Health and Safety	
	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 → Occupational Health and Safety	
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	→ Sustainability Management	
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	→ Substances of Concern and Product Stewardship	
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 → Human and Labor Rights → Climate → 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	→ Occupational Health and Safety	
	Number of transport incidents	RT-CH-540a.2		In 2023, there were no transport incidents.
Activity Metric	Production by reportable segment	RT-CH-000.A	→ Table Business Model → Business Unit Care Chemicals → Business Unit Catalysts → Business Unit Adsorbents & Additives	

Task Force on Climate-Related Financial Disclosures Index

TCFD Index

Since January 2021, Clariant has been an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). The Integrated Report 2023 features TCFD-related disclosures for the third 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 2023	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.	→ Climate	CDP Climate Change – C1.1b
	Describe management's role in assessing and managing climate-related risks and opportunities.	→ Climate	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.	→ Climate	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.	→ Climate	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.	→ Climate	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.	→ Climate	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.	→ Climate → Climate	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.	→ Climate	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.	→ Climate → Sustainability Management	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.	→ Climate → Climate	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.	→ Climate → Sustainability Management → Climate	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

UNGC Index

Clariant has been a member of the United Nations Global Compact (UNGC) since 2013 and reports on its 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 2023
Human Rights	1: Businesses should support and respect the protection of internationally proclaimed human rights; and	→ Human and Labor Rights → Supply Chain → Biodiversity and Bio-Based Economy
	2: make sure that they are not complicit in human rights abuses.	→ Human and Labor Rights
Labor	3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	→ Human and Labor Rights
	4: the elimination of all forms of forced and compulsory labor;	→ Human and Labor Rights
	5: the effective abolition of child labor; and	→ Human and Labor Rights
	6: the elimination of discrimination in respect of employment and occupation.	→ Diversity, Equity, and Inclusion → Human and Labor Rights
Environment	7: Businesses should support a precautionary approach to environmental challenges;	→ Climate → Sustainability Management
	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.	→ Biodiversity and Bio-Based Economy → Circular Economy Including Resource Use → Substances of Concern and Product Stewardship
Anti-Corruption	10: Businesses should work against corruption in all its forms, including extortion and bribery.	→ Business Ethics and Compliance

CLARIANT

Corporate Governance Report

Between structure and process

In the Corporate Governance Report, we explain the principles of corporate governance at Clariant. We provide information about Clariant's leadership, the organizational structure, and elections.

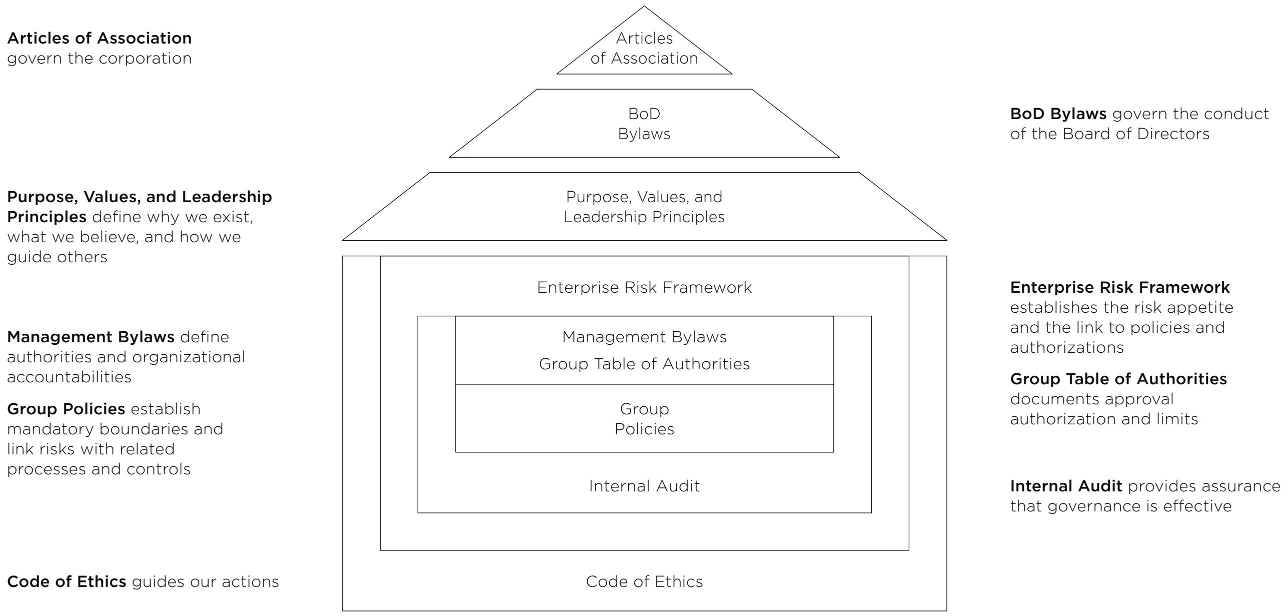
Structure | Process

CLARIANT

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 Swiss Code of Obligations, the Directive on Information relating to Corporate Governance by the SIX Swiss Exchange, the Articles of Association of Clariant Ltd, the Bylaws of the Board of Directors, 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/en/Company/Corporate Governance.

039 **GROUP CHARTER HOUSE COMPRISES ALL MAIN GOVERNANCE ELEMENTS**



Group Structure and Shareholders

Group structure

The registered address of Clariant Ltd is Rothausstrasse 61, 4132 Muttenz, Switzerland. Please find the contact form at www.clariant.com/en/Company.

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. These companies' shares are not publicly traded.

The important subsidiaries of Clariant Ltd are listed in note 36, page 248 of the Notes to the consolidated financial statements of the Clariant Group in the Financial Report 2023.

The Group conducts its business through three business units: Care Chemicals, Catalysts, and Adsorbents & Additives (see p. 20 et seq. in the Management Report).

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 2023, the following shareholders held 3 % or more of the voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by Saudi Arabian Oil Company, Saudi Aramco, P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia [1]	31.50 %
BlackRock Inc., New York, United States	3.8 %
Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, Strasslach-Dingharting, Germany, and Maple Beteiligungsgesellschaft mbH, Icking, Germany [2]	3.49 %
Standard Latitude Master Fund Ltd, Ugland House, Cayman Islands	3.05 %

[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.

[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 2023 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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

As of 31 December 2023, Clariant Ltd itself held shares in treasury, corresponding to 0.93% of the share capital.

Cross-Shareholdings

There are no cross-shareholdings.

Capital Structure

Capital

As of 31 December 2023, the fully paid-in nominal share capital of Clariant Ltd totaled CHF 723 627 453.82 and was divided into 331'939'199 registered shares, each with a par value of CHF 2.18. 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 12.42 on 31 December 2023, the company's market capitalization at year-end amounted to CHF 4 122 684 851.58. Except for the share capital reductions in 2021, 2022, and 2023 as a consequence of the distributions through capital reductions by way of par value reduction (see below Section on Distribution through capital reduction by way of par value reduction), there was no change in the capital structure of Clariant Ltd in the last three years (2021 to 2023).

Conditional capital

The company's share capital may be increased by no more than CHF 8 309 911 by issuing 3 811 886 registered shares, each with a par value of CHF 2.18, 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.

Distribution through capital reduction by way of par value reduction

In 2023, the Annual General Meeting decided on a distribution in the amount of CHF 0.42 per share. The total amount of CHF 139 414 463.58 was paid out on 6 June 2023.

A table with additional information on the distribution of capital reserves can be found in note 17, page 229 of the Financial Report 2023.

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.

Nominee registrations and voting rights

Each registered share entitles the holder to one vote at the General 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 %.

Details can be found at www.clariant.com/en/Company/Corporate-Governance/Articles-of-association.

Options

There are no options or option rights.

Closed Periods

The periods during which information and data is prepared for publication (»Closed 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, Communications, and Legal 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 the value of Clariant securities. Noncompliance may not only entail disciplinary measures but also result in criminal charges. There have been no exceptions to the Closed Periods.

Board of Directors

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.

The members of the Board of Directors, the Chairperson of the Board of Directors, and the members of the Compensation Committee are 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. The composition of the Board of Directors and the Compensation Committee remained unchanged in 2023.

For the upcoming term 2024, the Board of Directors proposes to the Annual General Meeting the election of Jens Lohmann as new member of the Board of Directors since Naveena Shastri decided to not stand for reelection. Jens Lohmann’s CV can be found at www.clariant.com/en/Investors/Annual-General-Meeting.

All members of the Board of Directors are considered independent in accordance with best-practice standards, in particular the »Swiss Code of Best Practice for Corporate Governance«. For Clariant Ltd, a candidate for the Board of Director is considered independent if the candidate:

— is not, and has not been for the prior three years, employed as an Executive Steering Committee member in the company or employed by any parent or subsidiary,
— is not, and has not been for the prior three years, an employee or affiliated with the elected external auditor or consultant,
— does not maintain a material direct or indirect business relationship with the company or any parent or subsidiary,
— is not a family member of an individual who is currently employed by the company or by any parent or subsidiary of the company as an executive officer,
— is not affiliated with a not-for-profit entity that receives significant contributions from the company.

No member of the Board of Directors exceeded any of the maximum number of mandates as set forth in Article 31 of the Articles of Association. Details on the mandates of the members of the Board of Directors can be found in the table below:

BOARD OF DIRECTORS – MEMBERSHIP IN OTHER BOARDS

Member	Listed companies	Private companies	Not-for-profit organizations	Location	Function
Günter von Au		Stada Arzneimittel AG		DE	Chairman of the Supervisory Board
		Gebr. Röchling KG		DE	Member of the Advisory Committee
		CeramTec GmbH		DE	Chairman of the Supervisory Board
		Tyczka GmbH		DE	Chairman of the Advisory Board
Ahmed Mohammed Al Umar		Saudi Methanol Company		SA	Chairman of the Board of Directors, Chairman of Business Committee
		Gulf Petrochemical Industries Co (GPIC)		BH	Member of the Board of Directors, Chairman of Audit, Finance and Risk Committee (AFRC)
		SABIC Fujian		CN	Member of the Board of Directors
			GCC Board Directors Institute (BDI)	UAE	Member of the Governors Board, Chairman Human Capital Committee
Roberto Gualdoni	Synthomer plc			UK	Member of the Board
		CABB		DE	Chairman of the Board of Directors
		Envalior GmbH		DE	Chairman of the Shareholders‘ Committee
		Arceegee Consulting		DE	Chairman of the Board of Directors
Thilo Mannhardt	C&A Modas S.A. (until April 2023)			BR	Member of the Board of Directors
		Algar Telecom		BR	Member of the Board of Directors, Chairman of the Audit and Risk Committee
		BMI Holding		BR	Member of the Advisory Council
		Logus Capital Financial Advisors		BR	Member of the Advisory Council
Geoffery Merszei		Zolenza AG in liquidation		CH	Chairman of the Board of Directors
Eveline Saupper	Flughafen Zürich AG (until April 2023)			CH	Member of the Board of Directors
	Georg Fischer AG			CH	Member of the Board of Directors, Chair-woman of the Compensation Committee
	Forbo Holding AG			CH	Member of the Board of Directors
		Stäubli Holding AG		CH	Member of the Board of Directors
		Mentex Holding AG		CH	Member of the Board of Directors
		Tourismus Savognin Bivio Albula AG		CH	Vice Chairwoman of the Board of Directors
			UZH [University of Zurich] Foundation	CH	Member of the Foundation Board
			Foundation Piz Mitgel Val Surses	CH	Member of the Foundation Board
			University of St. Gallen	CH	Member of the Advisory Council
Naveena Shastri	No other mandates				
Peter Steiner	Wienerberger AG			AT	Chairman of the Supervisory Board, Chairman of the Nomination and Remuneration Committee
	Zeal Network SE			DE	Chairman of the Supervisory Board
Claudia Suessmuth Dyckerhoff	Roche Holding AG			CH	Member of the Board of Directors
	Ramsay Health Care Limited (Sydney)			AUS	Member of the Board of Directors
	Prudential plc			UK and HK	Member of the Board of Directors
		QuEST Global Services Pte. Ltd.		SG	Member of the Board of Directors
		Edugreen Education & Services Ltd. (until August 2023)		IN	Member of the Board of Directors
		Huma Therapeutics Limited (until October 2023)		UK	Member of the Board of Directors
		IMA [International Market Assessment]		CN	Member of the Forum Advisory Board
			University of St. Gallen	CH	Member of the Advisory Council
			St. Galler Stiftung für Internationale Studien (SSIS)	CH	Member of the Foundation Board
			Buurtzorg Neighborhood Care Asia Ltd.	HK	Member of the Board of Directors
			Empower underprivileged children Schweiz	CH	Chairwoman of the Foundation Board
			Kinderhilfe Kambodscha e.V.	DE	Member of the Foundation Board
Susanne Wamsler	no other mandates				
Konstantin Winterstein	Ringmetall SE			DE	Member of the Board of Directors, Co-CEO
		GFT Holding GmbH		DE	Member of the Board of Directors

Members of the Board of Directors

Günter von Au, German citizen

Function at Clariant: Chairman of the Board of Directors since April 2021; Non-executive Member of the Board of Directors
Born: 1951
Year of first election: 2011[1]
Independency: Independent
Experience: CEO; Finance; Compliance; M&A; Capital Markets; Chemical Industry; Innovation; Strategy; Sustainability
Qualifications: PhD in chemistry from the University of Tübingen, Germany

Career highlights: Günter von Au joined Wacker-Chemie AG in 1980, holding different management positions and became CEO at Wacker Systems GmbH & Co. KG in Burghausen, Germany. In 2001, he took over the position of President and CEO of Süd-Chemie Inc. From 2004, he was CEO of the Management Board of Süd-Chemie AG until 2012, when he joined Clariant's Board of Directors[1]. Apart from his Board mandate with Clariant Ltd Günter von Au currently holds four other Board memberships in private chemical and pharmaceutical companies headquartered in Germany. He has no mandate in any listed company other than Clariant Ltd. More details can be found in the table above.

[1] The election at the Annual General Meeting in 2011 was subject to the condition that Günter von Au would 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, which took place on 27 March 2012.

Ahmed Mohammed Al Umar, Saudi Arabian citizen

Function at Clariant: Vice-Chairman of the Board of Directors since June 2022; Non-executive Member of the Board of Directors
Born: 1964
Year of first election: 2022
Independency: Independent (nominated by SABIC International Holdings B.V.)
Experience: Chemical Industry; Finance; Regulatory; M&A; Operational; Innovation; Strategy; HR / compensation
Qualifications: Bachelor's degree in business administration from the King Abdulaziz University, Saudi Arabia; Executive Master of Business Administration (EMBA) degree from the King Fahad University of Petroleum and Minerals, Saudi Arabia; Certified Board Director of the GCC Board Directors Institute (BDI), United Arab Emirates.

Career highlights: After joining SABIC in 1987 as an Operations & Information Analyst, he held several senior management positions within SABIC between 2006 and 2015. From 2015-2020, he was Vice President of Joint Venture Affairs, followed by his position as President of Joint Venture Affairs and M&A. In addition to this role, he became SABIC's Board Secretary in December 2022. Apart from his Board mandate with Clariant Ltd Ahmed Mohammed Al Umar currently holds three other board memberships in private chemical companies headquartered in the Middle East and China. He has no mandate in any listed company other than Clariant Ltd. More details can be found in the table above.

Roberto Gualdoni, German and Italian citizen

Function at Clariant: Non-executive Member of the Board of Directors
Born: 1956
Year of first election: 2022
Independency: Independent (nominated by SABIC International Holdings B.V.)
Experience: CEO; Finance; Chemical Industry; M&A; Capital Markets; Strategy; Sustainability
Qualifications: Master's degree in industrial engineering from the University of Buenos Aires, Argentina; MBA from INSEAD, France

Career highlights: Roberto Gualdoni started his professional career in 1983 as a Commercial Coordinator at Tenaris in Buenos Aires, Argentina. After joining BASF in 1987, and holding different senior management positions in amongst others marketing, sales, finance and procurement in both specialty and commodity business, he became President of BASF's Styrenics Business unit in 2010, which merged with INEOS units to form the Styrolution Group, where he served as CEO from 2011 to 2014. Apart from his Board mandate with Clariant Ltd, Roberto Gualdoni currently holds three other board memberships in private chemical companies headquartered in Germany. In addition, he has one other mandate in a listed company (Synthomer plc, UK). More details can be found in the table above.

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; Finance; Chemical Industry; Capital Markets; Innovation; Strategy; Sustainability
Qualifications: Master's degree and PhD in aeronautical and space engineering from the Technical University of Berlin, Germany; postgraduate certificate in business administration from the University of Hagen, Germany.

Career highlights: After several years in academia and research, Thilo Mannhardt joined McKinsey & Co., Inc. in 1985, where he held various leadership roles in Europe, Latin America, and Africa for 28 years until he joined Ultrapar SA in São Paulo. There, he served as Member of the Board of Directors and CEO from 2011 until 2018. Apart from his Board mandate with Clariant Ltd Thilo Mannhardt currently holds three other board memberships in private companies headquartered in Brazil. Until April 2023, he was a member of the Board of Directors of C&A Modas S.A., a listed company in Brazil. More details can be found in the table above.

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; Capital Markets; Chemical Industry; Regulatory/Compliance; Strategy
Qualifications: Bachelor of science in economics from Albion College, Michigan, USA.

Career highlights: Geoffery Merszei served at Alcan Inc. as Executive Vice President and Chief Financial Officer in 2001 and afterwards joined The Dow Chemical Company as Executive Vice President and Chief Financial Officer. He served on Dow's board from 2005 until 2009 and was the Lead Director on the board of Dow Corning Corporation. Before retiring in 2013, he held the position of Executive Vice President of The Dow Chemical Company, President of Dow Europe, the Middle East, and Africa, and Chairman of Dow Europe. Apart from his Board mandate with Clariant Ltd Geoffery Merszei holds no other board memberships except for Zolenza AG, which is in liquidation.

Eveline Saupper, Swiss citizen

Function at Clariant: Non-executive Member of the Board of Directors
Born: 1958
Year of first election: 2016
Independency: Independent
Experience: Legal, Tax, M&A and Compensation
Qualifications: PhD in Law from the University of St. Gallen, Switzerland (HSG), attorney-at-law, Zurich, Switzerland, certified tax expert

Career highlights: Eveline Saupper was a partner at the law firm Homburger AG, Zurich, Switzerland, until 2014 and Off 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. Apart from her Board mandate with Clariant Ltd Eveline Saupper currently holds three other board memberships in private companies and two other mandates in listed companies, all with headquarters in Switzerland (Forbo Holding AG and Georg Fischer AG; her mandate at Flughafen Zürich AG ended in April 2023). More details can be found in the table above.

Naveena Shastri, American citizen

Function at Clariant: Non-executive Member of the Board of Directors
Born: 1964
Year of first election: 2022
Independency: Independent (nominated by SABIC International Holdings B.V.)
Experience: Legal; M&A; Capital Markets; Chemical Industry; HR / Compensation
Qualifications: Bachelor's degree in history and political science from Bangalore University, India; law degree from Cambridge University, England; LL.M. from Harvard University

Career highlights: Since 1 January 2017, Naveena Shastri is the Vice President & General Counsel of SABIC. In addition to this role, she leads SHE, SABIC's global Women's Network, and is an active champion of SABIC's diversity and inclusion initiatives. Prior to becoming SABIC's General Counsel, Naveena Shastri was the Chief Regional Counsel for the Americas region as well as the legal business partner for SABIC's specialties strategic business unit. Apart from her Board mandate with Clariant Ltd Naveena Shastri has no other board memberships.

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; Capital Markets; M&A; Regulatory/Compliance; Chemical Industry; Innovation and Digitalization; Compensation; Sustainability
Qualifications: Master of Business Administration from the University of Mannheim and Cologne, Germany; certified public accountant, tax advisor, and business consultant with a focus on mergers and acquisitions, financing, and investment management

Career highlights: 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. Apart from his Board mandate with Clariant Ltd Peter Steiner currently holds two other board memberships in listed companies (Wienerberger AG, Austria; Zeal Network SE, Germany). More details can be found in the table above.

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: Finance; Regulatory/Compliance; M&A; Strategy; Innovation and Digitalization; HR / Compensation; Sustainability
Qualifications: PhD in business administration from the University of St. Gallen, Switzerland, and the University of Michigan, Ann Arbor, USA; MBA from CEMS/ESADE

Career highlights: Claudia Suessmuth Dyckerhoff 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. Apart from her Board mandate with Clariant Ltd Claudia Suessmuth Dyckerhoff currently holds two other board memberships in private companies and three other mandates in listed companies (Roche Holding AG, Switzerland, Ramsay Health Care Limited, Australia, Prudential plc, Hong Kong). More details can be found in the table above.

Susanne Wamsler, American citizen

Function at Clariant: Non-executive Member of the Board of Directors
Born: 1961
Year of first election: 2015
Independency: Independent
Experience: Strategy; Innovation and Digitalization; Sustainability; Chemical Industry
Qualifications: Degree in political economy from the University of Princeton, USA; MBA from INSEAD, France

Career highlights: Susanne Wamsler held various positions with Deutsche Bank AG in Munich and New York from 1984 until 1988. 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. Apart from her mandate with Clariant Ltd she has no other board mandates.

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; Finance; Strategy; HR / Compensation
Qualifications: Degree in production engineering from the technical universities of Darmstadt and Berlin, Germany; MBA from INSEAD, France and Singapore.

Career highlights: Konstantin Winterstein held various positions with the BMW Group from 1997 until 2014. Since 2014, he has been a Member of the Management Board of Ringmetall SE in Munich, and Co-CEO since 2017. From 2006 to 2011, he served on the Supervisory Board of Süd-Chemie AG. Apart from his Board mandate with Clariant Ltd Konstantin Winterstein currently holds one other board memberships in a private company and one other mandate in a listed company (Ringmetall SE, Germany). More details can be found in the table above.

Board of Directors' competence matrix and corresponding Board Committee memberships:

BOARD OF DIRECTORS: COMPETENCE MATRIX

Member	Executive Experience	Finance, audit, risk management	Compliance, regulatory, legal	Capital markets, M&A	Chemical industry experience	International business experience	Innovation, digitalization	Strategy, business transformation	HR, compensation	Sustainability	BoD Committe [1]
Günter von Au	✓		✓	✓	✓	✓	✓	✓		✓	NC (Chair), ISC
Ahmed Mohammed Al Umar	✓	✓	✓	✓	✓	✓		✓	✓		NC
Roberto Césare Gualdoni	✓	✓		✓	✓	✓		✓		✓	ISC
Thilo Mannhardt	✓	✓		✓	✓	✓	✓	✓		✓	ISC (Chair)
Geoffery Merszei	✓	✓	✓	✓	✓	✓		✓			AC
Eveline Saupper			✓	✓					✓		CoC (Chair)
Naveena Shastri	✓	✓	✓	✓	✓				✓		CoC
Peter Steiner	✓	✓	✓	✓		✓	✓	✓	✓	✓	AC (Chair), NC
Claudia Suessmuth Dyckerhoff		✓	✓	✓		✓	✓	✓	✓		AC, CoC
Susanne Wamsler					✓	✓	✓	✓		✓	ISC, NC
Konstantin Winterstein	✓	✓				✓		✓	✓		AC, CoC

[1] AC: Audit Committee; CoC: Compensation Committee; ISC: Innovation & Sustainability Committee; NC: Nomination Committee

Cross-involvement

There are no cross-involvements.

Internal Organizational Structure

The Board of Directors and its committees

The **Board of Directors** consists of the Chairperson, the Vice-Chairperson, and the other members. No member of the Board of Directors held a senior management position at Clariant Ltd or any current or former Clariant Group company in the last five years 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[1]
— 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 Chairperson, the CEO, the CFO, and other members of the Executive Steering 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/en/Company/Corporate-Governance/Committees). The committees report on their activities and results to the Board of Directors after each Committee meeting. They prepare the business of the Board of Directors in their respective areas.

[1] As elected by the Annual General Meeting

BOARD OF DIRECTORS – COMMITTEE RESPONSIBILITIES AND MEETINGS

Member of the Board of Directors	Nomination Committee	Audit Committee	Compensation Committee	Innovation and Sustainability Committee
Günter von Au	C since 7 April 2021			M since 7 April 2021
Ahmed M. Al Umar	M since 24 June 2022			
Roberto Gualdoni				M since 24 June 2022
Thilo Mannhardt				C since 7 April 2021
Geoffery Merszei		M since 16 October 2018		
Eveline Saupper			C since 16 October 2018	
Naveena Shastri			M since 24 June 2022	
Peter Steiner	M since 21 April 2016	C since 21 April 2016		
Claudia Suessmuth Dyckerhoff		M since 24 June 2022	M since 16 October 2018	
Susanne Wamsler	M since 7 April 2021			M since 7 April 2021
Konstantin Winterstein		M from 2012 until 21 April 2016 and since 20 March 2017	M since 7 April 2021	

C = Chairperson
M = Member

The **Nomination Committee** (NC) comprises the Chairperson, the Vice-Chairperson, and other members of the Board of Directors, as elected by 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, as well as for the position of CEO and for the other members of the Executive Steering Committee, and prepares the corresponding recommendations. The NC considers and submits to the Board of Directors the CEO's proposals concerning candidates for Executive Steering Committee positions. For 2023, the composition of the Board of Directors, as well as of the Executive Steering Committee fulfill the gender requirements of Article 734f of the Swiss Code of Obligations. The NC also reviews, at least annually, the independence of all members of the Board of Directors as well as the membership and structure of its committees, and presents its assessment to the Board of Directors for final determination. More information can be found at www.clariant.com/en/Company/Corporate-Governance/Committees.

The **Compensation Committee** (CoC) comprises at least three 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. The CoC 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 Steering Committee, subject to the approvals of the total compensations by the Annual General Meeting. The CoC also adjusts the development of the compensation structures to changing conditions, as necessary. In this context, the long-term incentive program for the Executive Steering Committee and the senior management team is also aligned with current market and business developments, and corresponding adjustments are made, if required. Furthermore, the CoC reviews fringe benefit regulations and dismissal regulations of the CEO, the CFO and the other members of the Executive Steering Committee and takes note of the planned direct and indirect compensation packages of the heads of global functions reporting to the CEO, always in accordance with the Articles of Association and the Code of Obligations. More information can be found in the Compensation Report 2023, and at www.clariant.com/en/Company/Corporate-Governance/Committees.

The **Audit Committee** (AC) comprises two to four 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, including the Chair, should have financial and accounting experience. The AC meets at least four times a year. The CFO, and representatives of the external auditor are invited to Audit Committee meetings. 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 AC reviews and recommends the Group's financial statements for the first three quarters of each year and the annual financial results as well as the report on non-financial matters pursuant to article 964c of the Swiss Code of Obligations to the Board of Directors for approval. Further, 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. Furthermore, the Head of Internal Audit, along with the Head of Risk Management, the Group Compliance Officer, and Clariant's General Counsel report on a regular basis to the Audit Committee. More information can be found at www.clariant.com/en/Company/Corporate-Governance/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. The ISC 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, and capability-related decisions. Furthermore, the ISC supports the AC in preparing the report on non-financial matters. The ISC meets as often as necessary for the company's business or at the request of any of its members, but in any case at least four times per year. The Chair of the ISC reports regularly to the Board of Directors on the activities and findings of the ISC and provides updates on Clariant's Scope 1, 2, and 3 emissions as well as measures implemented to further reduce Clariant's emissions. More information can be found at www.clariant.com/en/Company/Corporate-Governance/Committees.

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 in particular the following nontransferable and inalienable duties:

- 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 Steering Committee;
- Appointing and dismissing the CEO and members of the Executive Steering Committee, the Head of Internal Audit, 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;
- Approving and reviewing 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.

Working methods

In 2023, the Board of Directors held eight meetings in person and two meetings by video conference/phone. The overall attendance rate for the ten meetings was 94.5 %. Details on the individual attendance by Board member can be found in the table below. The company's strategy is reviewed and developed once a year in a two day meeting (included in the ten meetings as shown in the table below).

Members of the Executive Steering Committee and the General Counsel are invited to attend the meetings of the Board of Directors. Members of the Executive Leadership Team are also invited to these meetings, depending on the agenda topics. The views of external and internal consultants are heard, if necessary, in the case of projects of considerable scope.

Further, in each Board meeting, the Board of Directors receives updates regarding the economy, the environment, and people so that it can review the effectiveness of Clariant's processes and identify and manage its impact in these three areas. The Board also receives monthly reports regarding Clariant's performance, key projects, and DART (Days Away, Restricted, or Transferred) rate. The Board of Directors also directly engages with stakeholders by providing feedback during Board meetings and follows up with stakeholders if questions arose during the Board meeting.

BOARD OF DIRECTORS MEETINGS

	BoD		NC		AC		CoC		ISC	
Number of meetings in 2023	**10**		**5**		**6**		**3**		**6**	
	(average duration 5h)		(average duration 2h)		(average duration 3h)		(average duration 2h)		(average duration 4h)	
Directors										
Günter von Au	10	100.0%	5	100.0%					6	100.0%
Ahmed M. Al Umar	10	100.0%	5	100.0%						
Roberto Gualdoni	9	90.0%							5	83.3%
Thilo Mannhardt	10	100.0%							6	100.0%
Geoffery Merszei	8	80.0%			6	100.0%				
Eveline Saupper	10	100.0%					3	100.0%		
Naveena Shastri	10	100.0%					3	100.0%		
Peter Steiner	10	100.0%	5	100.0%	6	100.0%				
Claudia Suessmuth Dyckerhoff	8	80.0%			4	66.7%	2	66.6%		
Susanne Wamsler	10	100.0%	5	100.0%					6	100.0%
Konstantin Winterstein	9	90.0%			6	100.0%	3	100.0%		
Average Attendance rate		**94.5%**		**100.0%**		**91.7%**		**91.7%**		**95.8%**

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 Steering Committee. The Executive Steering 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 Steering 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 Steering 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 Steering Committee is supported by the Executive Leadership Team, consisting of the members of the Executive Steering Committee, as well as the heads of global functions appointed by the CEO as permanent members.

The role of the Executive Leadership Team is to support the Executive Steering Committee in its decision-making process by promoting dialogue among its members, enabling information to be exchanged, and creating awareness of the Group's environment. The Group operates and reports in the three Business Units

Care Chemicals, Catalysts, and Adsorbents & Additives, each one headed by a Business President (more details can be found on page 20 et seq. in the Management Report). 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 global functions (e.g., Procurement, Finance, Information Technology, Legal, Human Resources, Communications, and Group Technology & Sustainability).

Information and control instruments vis-à-vis the Executive Steering Committee

The Board of Directors ensures that it receives sufficient information from the Executive Steering 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 Steering Committee are made available to the Chairperson of the Board of Directors;
- Informal meetings and teleconferences are held, as required, between the CEO and the members of the Board of Directors;
- The members of the Executive Steering Committee are invited to attend meetings of the Board of Directors to report on the business units under their responsibility;
- The members of the Board of Directors are entitled to request information from members of the Executive Steering Committee or any other Clariant senior manager.

Internal Audit

The purpose of Internal Audit is to provide independent, objective assurance and consulting services guided by a philosophy of adding value to improve Clariant. It assists Clariant in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness and efficiency of the organization's governance, risk management, and controls. Internal Audit carries out its audits in accordance with a plan approved by the Audit Committee. Internal Audit prepares reports on the audits it has performed and reports actual or suspected deficiencies and irregularities to the Audit Committee and Management. The Audit Committee regularly reviews the scope, plans, and results of Internal Audit. The Group pursues a risk-oriented approach to auditing and coordinates internal audit activities with the external auditors. The quality of Internal 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 on page 170 of the Corporate Governance Report.

Group Management

The Executive Steering Committee (ESC)

The ESC consists of the CEO, the CFO, and the three Business Presidents. The ESC regularly holds meetings mainly at the Corporate Center in Pratteln and sometimes at other Clariant sites worldwide. It uses such external meetings to discuss business performance with the management of the local companies in person.

Members of the Executive Steering Committee

The ESC comprised the following members in 2023:

Conrad Keijzer, Dutch citizen

Function at Clariant: Chief Executive Officer (CEO) and Member of the ESC since 1 January 2021

Qualifications: MSc in industrial engineering of the Twente University of Technology; Advanced Management Program at Harvard Business School, USA

Career highlights: Prior to joining Clariant, Conrad Keijzer was CEO at the French listed specialty materials company Imerys, where he set the strategic direction for organic growth and profitability improvement. From 2013 to 2018, Conrad Keijzer was an Executive Committee Member at AkzoNobel and CEO of Performance Coatings, its largest division. Previously, he had held leadership roles at AkzoNobel in the Netherlands, Germany, Spain, the United States, and Mexico.

Other activities: Member of the Board and the Executive Committee and Chairman of the Nomination Committee of the European Chemical Industry Council (Cefic); Member of the Board of Directors at the American Chemistry Council (ACC).

Bill Collins, US citizen

Function at Clariant: Chief Financial Officer (CFO) and Member of the ESC since 1 July 2022

Qualifications: MBA from Kellogg Graduate School of Management; master of science in Finance from the University of Illinois; certified public accountant from the State of Illinois

Career highlights: Bill Collins has a strong track record in driving performance and large-scale transformation in complex global businesses, including AkzoNobel, Eaton Corporation, and Schneider Electric. He joined Clariant's ESC from ENGIE, where he served as the North American CEO as well as CFO. Prior to this, he held the position of ENGIE's Group Deputy CFO in Paris.

Other activities: none

Angela Cackovich, German citizen

Function at Clariant: Business President of the Business Unit Adsorbents & Additives and the region EMEA and Member of the ESC since 1 July 2022

Qualifications: Master's degrees in chemical engineering from the Fachhochschule Fresenius Wiesbaden/Germany, as well as a master's in international finance and management and master of business administration from the University Business School London/UK.

Career highlights: Angela Cackovich joined Clariant's ESC from tesa SE, where she was a member of the Executive Board. Previously, she held various management positions with P&L responsibility at Henkel, e.g., as Head of Global Building & Construction Business, Head of Adhesives Automotive/Aviation Americas, and Head of Adhesives Automotive/Aviation Europe. Prior to this, she gained significant industry experience in several leadership positions at Celanese, Rohm & Haas, Dow Corning, and Hoechst.

Other activities: Member of the Advisory Board of Lehmann & Voss & Co. KG, Germany

Jens Cuntze, German citizen

Function at Clariant: Business President of the Business Unit Catalysts and the region APAC and Member of the ESC since 1 July 2022

Qualifications: PhD in chemistry from the Swiss Federal Institute of Technology (ETH Zurich).

Career highlights: In 1997, Jens Cuntze started his career as a consultant and later Associate Principal at McKinsey, with a focus on the chemical industry. In 2003, Jens Cuntze joined Clariant as Head of Strategic Planning Division Life Science & Electronic Chemicals. He then held several management positions in the business and in corporate functions, e.g., as Head of New Business Development Business Unit Custom Synthesis, Head of Corporate Strategy, Head of Business Line Industrial Applications Business Unit Industrial & Consumer Specialties as well as Vice President and Head of Group Procurement. From 2013 until 2018, he held the positions of Vice President and Head of Business Segment Petrochemical Catalysts (former Süd-Chemie business) as well as Board Member of two global joint ventures. Then he served as Head of Corporate Planning & Strategy at Clariant until June 2022.

Other activities: Member of the Advisory Board of Association of International Chemical Manufacturers Co. LTD, China (AICM)

Christian Vang, Danish citizen

Function at Clariant: Business President of the Business Unit Care Chemicals and the region Americas and Member of the ESC since 1 July 2022

Qualification: Bachelor's degree in international business and macroeconomics from the Schiller International University; Executive General Management Program at INSEAD (CEDEP); various executive degrees from institutions such as London Business School, Harvard, and INSEAD

Career highlights: Christian Vang launched his career at Clariant in 2008 as Head of Region Asia-Pacific for the Pigment & Additive Division based in Singapore. He then became Regional Head of Business Unit Industrial & Consumer Specialties (ICS) based in Shanghai, China, followed by Head of Corporate Planning & Strategy. Before joining Clariant, Christian Vang was Regional Head for Siegwerk Group in Asia-Pacific until 2008. For the 20 years before this, Christian had been assigned by the Hempel Group to various growth regions in EMEA, including Egypt, Eastern Europe, Greece, Malaysia, and Singapore, where he was Group Vice President and Managing Director for Hempel Group in Southeast Asia.

Other activities: none

Other activities and functions

While the members of the ESC may undertake other activities in accordance with Article 31 para. 2 of the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-association), none of the members of the ESC undertake other activities or hold consultancy functions or other offices except for the ones disclosed above.

Management contracts with third parties

There are no management contracts with third parties.

Contractual arrangements for members of the Executive Steering Committee

All members of the ESC hold employment contracts with Clariant International Ltd, Clariant Group's management company. The contractual provisions are governed by Swiss law. Contracts of the members of the ESC are subject to a standard notice period of twelve months.

Remuneration, Shareholdings, and Loans

All information on the remuneration of the Board of Directors and the Executive Steering Committee of Clariant Ltd can be found in the Compensation Report 2023 on pages 175-193.

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.

Voting right restrictions and representation

A registered shareholder may be represented at the Annual General Meeting by another person with the right to vote, 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.

Statutory quorums

The quorums laid down in the Articles of Association correspond to those in Article 704 of the Swiss Code of Obligations.

Convocation of the Annual General Meeting

The Articles of Association do not contain any rules that differ from the standard terms proposed by law.

Proposal of agenda items for the 2025 Annual General Meeting

The Articles of Association do not contain any rules that differ from the standard terms proposed by law. Shareholders holding at least 0.5 % of the share capital may request that an item be included on the agenda at least 45 days prior to the 30th Annual General Meeting on 1 April 2025. Items to be included on the agenda – with regard to the 2024 financial year – must be submitted no later than 14 February 2025. Such requests must be made in writing and specify the item(s) to be included on the agenda and must contain a proposal on which the shareholder requests a vote.

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 2025 Annual General Meeting concerning the financial year 2024, this applies as of 27 March 2025. Shareholders who have been entered into the share register by 26 March 2025 may exercise their right to vote at the Annual General Meeting on 1 April 2025. There are no voting rights restrictions except those mentioned above.

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 or the Executive Steering Committee other than with regard to the Clariant Long-Term Incentive Plan (CLIP). Unvested Performance Stock Units will be settled as follows: Grants in 2019-2022: Immediate pro-rata cash out based on 80 % performance. Grants in 2023: Immediate cash out based on 100% performance.

Information Policy

Notices; dates

Notices are published, in accordance with Article 35 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/May, July, October, and February/March of the following year, respectively. Current publication dates can be found online in English on Clariant's website (www.clariant.com/en/Investors/Financial-Calendar). All information pertaining to investor updates, as well as presentations at analyst and investor conferences can be obtained online (www.clariant.com/en/Investors/Results-Reports-and-Publications) or at the following address:

Clariant International Ltd, Investor Relations, Hardstrasse 61, 4133 Pratteln, Switzerland,
investor-relations@clariant.com, Phone +41 61 469 63 73.

The results for the 2024 financial year will be published as follows:

— First Quarter Reporting	30 April 2024
— Second Quarter/First Half Year Reporting	30 July 2024
— Third Quarter/Nine Months Reporting	29 October 2024
— Fourth Quarter/Full Year Reporting	28 February 2025

Annual General Meeting 2025

The Annual General Meeting for the 2024 financial year will take place on 1 April 2025.

Weblinks

Clariant website
www.clariant.com

E-mail distribution list (push system)
www.clariant.com/en/Investors/Ad-Hoc-Announcements-and-Investor-News/Subscribe-to-Ad-hoc-and-Investor-News

Ad hoc messages (pull system)
www.clariant.com/en/Investors/Ad-Hoc-Announcements-and-Investor-News

Financial reports
www.clariant.com/en/Investors/Results-Reports-and-Publications

Corporate calendar
www.clariant.com/en/Investors/Financial-Calendar

Auditors

Duration of the mandate and term of office of the lead auditor

KPMG was first elected as auditor for the 2022 financial year at the Annual General Meeting dated 24 June 2022 and confirmed for the 2023 financial year at the Annual General Meeting dated 4 April 2023. The Audit Committee ensures that the position of lead auditor is changed at least every seven years. The current lead auditor took office on 24 June 2022.

Auditing fees

KPMG received a fee of CHF 4.0 million for auditing the 2023 financial statements. For auditing the 2022 financial statements KPMG received a total fee of CHF 3.8 million.

Additional fees

KPMG received a total fee of CHF 0.6 million for other assurance services in the 2023 financial year.

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 KPMG should be proposed to the Annual General Meeting for reelection. Criteria applied for the performance assessment of KPMG include technical and operational competence, independent and objective views, 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, Internal Audit, and Management. In 2023, the external auditor's representatives joined all six meetings in parts. 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 Internal Audit, the General Counsel, as of June 2023 the Group Controller and partly the Head of Group Compliance. 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 KPMG exceeding a fee volume of CHF 25 000. These services may include audit and audit-related services as well as tax and other services. KPMG and the Executive Steering Committee report to the Audit Committee on a regular basis regarding the extent of services provided in connection with this approval.

Enterprise Risk Management (ERM)

Within the framework of the Enterprise Risk Management Policy, risk assessments are prepared by business units and global 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 Steering Committee. The Executive Steering Committee is responsible for monitoring the risk assessments for relevance and consistency. The Executive Steering 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 Steering 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.

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 Steering 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 and Health Affairs (ESHA), to identify key sites for their property risk survey program, and Global Function Procurement, to ensure reliable and compliant supply of raw materials.

CLARIANT

Compensation Report

Between strategy and reward

In the Compensation Report, we outline the governance, design and results of the compensation programs for the Board of Directors and the Executive Steering Committee.

Strategy | Reward

CLARIANT

Message from the Chair of the Compensation Committee

Dear Stakeholders,

What started in 2022 continued in many ways also in 2023: Russia's war on Ukraine, higher inflation rates than in past years, increased raw material and energy prices, disruptions in global supply chains. All of this affected many of us personally, the global economy and of course Clariant as well.

Despite dealing with these external factors, Clariant continued its internal transformation that started in 2022. I am happy to see that this transformation in terms of portfolio, organization and culture is progressing successfully.

In April 2023, the company announced the divestment of the North American Land Oil Business and in June 2023, the divestment of the Quats business. On the other hand, the company continued the full integration of the Attapulgite business acquired in late 2022, which is strongly contributing to the performance of the Adsorbents business. Finally, an agreement was signed to acquire Lucas Meyer Cosmetics from International Flavors & Fragrances (IFF). This acquisition is expected to close in Q1 of 2024.

We also see the positive effects of the new operating model announced in 2022. Driven by a structured and rigorous approach, the measures to achieve a flatter structure and fewer hierarchical levels, as well as the resulting cost savings, are well on track.

In addition, the cultural transformation is on track. To give you a few examples: The Employee Net Promoter Score (eNPS) and the female representation in management positions increased significantly, the »Safety First» culture paid off with a significant reduction of accidents and of course the continued efforts on sustainability, transforming the company into a sustainable specialty chemicals organization.

Eveline Saupper
Chair Compensation Committee

2023 Performance
The external factors mentioned above naturally also impacted Clariant. The effects from, for example, destocking, a weaker demand and higher energy prices are visible from the results on Group level, but also in the Business Units Care Chemicals and Adsorbents & Additives. In light of these challenges, Clariant showed a resilient performance and partially outperformed expectations as in the Business Unit Catalyst. An important part of the resilient performance was also the strong steering of cost saving activities and monitoring spending. Resulting in significant cost savings in Business Units and Functions alike, the company was able to achieve a Free Cash Flow level above expectations.

In addition, the members of the Executive Steering Committee performed above expectations in terms of their individual goals and behaviors by successfully driving projects and initiatives along the four strategic pillars Customer Focus, Innovation & Sustainability, People & Culture and Compliance. These results are reflected in the amounts of variable compensation to the members of the Executive Steering Committee. At the same time, the realized compensation in 2023 is impacted by a low vesting factor of the long-term incentive plan granted in 2021.

Further details on the financial and individual performance are outlined later in this report.

Compensation Committee Activities

The Compensation Committee met three times during 2023 and passed one circular resolution. During the year, the Committee adopted a new charter to reflect changes in the Articles of Association approved by the Annual General Meeting 2023 and approved new benchmarking guidelines for the Board of Directors and the Executive Steering Committee.

In addition, the Compensation Committee performed its regular activities. These included, for instance, the proposal for approval by the Board of Directors of targets for the 2024 Clariant Long-Term Incentive Plan (CLIP) grant, the Group and Business Unit targets for the 2024 short-term incentive plan as well as, in close collaboration with the Nomination Committee, the individual goals for the CEO for 2024. Finally, the Compensation Committee prepared the Compensation Report and the say-on-pay votes at the Annual General Meeting 2024.

Changes to the Compensation System in the Reporting Year

As announced in the 2022 Compensation Report, ROIC replaced EBITDA Margin as a Key Performance Indicator in the CLIP beginning with the grant in April 2023, as EBITDA margin was chosen as a KPI in Clariant's new short-term incentive plan. The weighting for the two financial KPIs remained unchanged at a 33 % weighting each. The two ESG-related KPIs (CO_2 emission reduction and Employee Net Promoter Score) remained unchanged with a substantial weighting of 34% in total, in continued support of the company's sustainability and people agenda.

As also outlined in the 2022 Compensation Report, Clariant introduced a new short-term incentive plan effective 1 January 2023. The new design places greater emphasis on a pay-for-performance philosophy by including an individual performance factor and supports Clariant's sustainability and people agenda by increasing the weightings for the sustainability and safety KPI. You will find further details on the design of the new plan in this report.

Binding/Non-Binding Votes at the 2023 Annual General Meeting

We are thankful for the continued strong support of our stakeholders on Clariant's compensation philosophy and framework. All motions on compensation were approved by the stakeholders at the 2023 Annual General Meeting. While the approval rate of 89.09% on the consultative vote on the Compensation Report remains high, we also see a slight decline in the approval rate. The paragraph below outlines how we are addressing stakeholder concerns on the disclosures in the Compensation Report.

Increasing transparency

From discussions with our stakeholders during the AGM and over the year, we receive valuable feedback on the Compensation Report. Building on the additional disclosures in the 2022 Compensation Report and the positive feedback received, you will find further additional disclosures in this year's report.

Like last year, we are disclosing the details of the performance targets and achievements that applied to the payout of the short-term incentive (STI) plan. Because they impact the bonus payout via the individual performance multiplier, this year we have also disclosed the CEO's individual goals and highlight his major achievements towards these goals. Similar to the STI, we have decided to disclose targets and achievements under the Clariant Long-Term Incentive Plan that was granted in 2021 with a performance period of 2021 to 2023.

This Compensation Report is subject to the new requirements implemented in the Swiss Code of Obligations. As a result, we have added certain details to the report. These include the list of external mandates of the members of the Board of Directors and the Executive Steering Committee, as well as changes to the disclosure of shareholdings for the current and previous years.

As we continue the engagement with our stakeholders, we welcome further feedback on our report and compensation philosophy, helping us to improve the disclosures.

Sincerely,

Eveline Saupper
Chair Compensation Committee

Compensation Summary 2023

Board of Directors

To ensure their independence, members of the Board of Directors (BoD) receive a fixed compensation only, partially provided in cash and partially provided via restricted shares. The restricted shares are blocked for a period of three years.

BOD COMPENSATION STRUCTURE

	Chair	Vice-Chair	Member
Board fee	450 000	180 000	150 000
Committee fees		Based on individual activities	Based on individual activities
Share-based compensation	300 000	120 000	100 000
Social security contributions	Based on individual situation	Based on individual situation	Based on individual situation

For chairing one of the four committees, BoD members receive a cash payment of CHF 50 000 (CHF 80 000 for chairing the Audit Committee). For regular membership in a committee, BoD members receive a cash payment of CHF 30 000 (CHF 40 000 for the Audit Committee). The chairperson of the BoD is not entitled to committee membership fees.

The following shareholding requirements apply to BoD members:
— Chairperson: 30 000 shares
— Vice-Chairperson: 15 000 shares
— Member: 12 000 shares

For the mandate year 2022/2023, total compensation for BoD members was within the approved budget:

Mandate year	Actual	Approved
2023/2024 [1]	CHF 4.0m	CHF 5.0m
2022/2023	CHF 4.0m	CHF 5.0m

[1] Estimation, mandate year not yet ended

For the mandate year 2023/2024, the actual total amount of compensation paid out to the BoD members is estimated to amount to CHF 4.0 million, and therefore, the total amount is estimated to stay within the amount of CHF 5.0 million approved by the Annual General Meeting (AGM) in 2023.

Executive Steering Committee (ESC)

The compensation for the ESC comprises the following elements:
— A fixed compensation payable in twelve installments
— A variable cash bonus payable once a year
— A long-term incentive plan settled in shares after a three-year vesting period
— Benefits in line with local practice

ESC COMPENSATION STRUCTURE

	CEO	Paymix	Other ESC members	Paymix
Fixed compensation	1 200 000	30.0 %	500 000 – 630 000	37.0 %
Short-term incentive (STI)	108 % of fixed compensation	32.5 %	80 % of fixed compensation	30.0 %
Long-term incentive (LTI)	125 % of fixed compensation	37.5 %	90 % of fixed compensation	33.0 %
Other benefits [1]	Based on individual situation	Based on individual situation	Based on individual situation	Based on individual situation

[1] Other benefits include pension contributions, social security contributions, benefits related to international assignments, and other benefits.

The following shareholding requirements apply to the ESC:
— CEO: 150 000 shares
— Other ESC members: 80 000 shares

For the 2023 financial year, total compensation for the ESC was within the approved budget:

Performance year	Actual	Approved
2023	CHF 14.4m	CHF 16.0m
2022	CHF 12.2m	CHF 16.0m

In 2022, there were significant changes to the ESC (former EC). As of 30 June 2022, the three EC members stepped down from their appointments and left Clariant during 2023.

Since July 2022, ESC comprises:
— Conrad Keijzer, CEO
— Bill Collins, CFO
— Angela Cackovich, Business President Adsorbents & Additives and EMEA
— Jens Cuntze, Business President Catalysts and APAC
— Christian Vang, Business President Care Chemicals and Americas

Despite the personnel changes in the ESC, the aggregate compensation for the ESC for 2022 and 2023 remains within the amounts approved by the AGM.

The total amount paid to members of the ESC in the 2023 business year was CHF 14.4 million, after CHF 12.2 million in the prior year. The increase in the total amount from 2022 to 2023 is mainly driven by higher payouts under the short-term incentive plan, cost for the international assignments of two of the Business Presidents and continued payments, until mid-2023, to the EC members whose term ended in 2022 (CHF 1.3 million).

Compensation Governance

Clariant's Articles of Association, in combination with the Bylaws of the BoD and the Charter of the Compensation Committee (CoC), include regulations on compensation principles and the governance framework for compensation-related decisions. These documents can be found here:

- Articles of Association and Bylaws of the Board of Directors: https://www.clariant.com/en/Company/Corporate-Governance/Articles-of-association
- Charter of the Compensation Committee: https://www.clariant.com/en/Company/Corporate-Governance/Committees
- The Articles of Association include, among others, the following compensation-related items:
  - Stakeholder involvement: Articles 16 and 17
  - Setup and responsibilities of the Compensation Committee: Article 24
  - Compensation principles for the BoD and the ESC, including rules on the allocation of equity securities to members of the BoD and the ESC, and rules on performance-related payments to the members of the ESC: Articles 26 and 27
  - Additional amount payable due to ESC changes: Article 28
  - No grant of loans, credits, or securities to members of the BoD or the ESC: Article 29

Compensation Committee

The roles and responsibilities of the Compensation Committee are defined in Article 24 of the Articles of Association and Article 3.2.2 of the Bylaws of the BoD, in combination with the Compensation Committee Charter.

According to Article 24 of the Articles of Association, the Compensation Committee comprises at least three members, who are elected by the AGM. During the 2023 reporting year, the Compensation Committee comprised four nonexecutive members of the BoD: Eveline Saupper (Chair), Naveena Shastri, Claudia Suessmuth Dyckerhoff, and Konstantin Winterstein.

The Compensation Committee's main responsibilities are to:

- Propose to the BoD the maximum total compensation for the BoD and the ESC to be submitted to the AGM for approval;
- Propose to the BoD the actual compensation to be paid to the BoD and the ESC members (including the performance under the company's short- and long-term incentive plans), subject to the limits approved by the AGM;
- Review and propose to the BoD general compensation policies and programs;
- Propose employment contracts and compensation packages for newly appointed ESC members or any updates to employment contracts and compensation packages of existing ESC members;
- Propose the Compensation Report to the BoD.

The Compensation Committee convenes at least twice a year; however, it is regular practice to hold at least three meetings or more if required. In 2023, the Compensation Committee met three times and, outside these meetings, made decisions via one circular resolution. Each meeting lasted between 90 and 120 minutes.

In those meetings, among others, the following topics were discussed:

Meeting	Topics
February	– Company performance and resulting payouts/vesting under short- and long-term incentive plans – Target setting for the 2023 performance period for short-term incentive plans – Approval of the Compensation Report – Preparation of resolutions for the AGM (compensation proposals and amendment of Articles of Association)
July	– Adoption of new Compensation Committee Charter – BoD and ESC compensation benchmark guidelines – Country-specific termination handling for LTI
December	– Assessment of ESC performance for 2023 and goal setting for 2024 – Consideration of potential adjustments to short- and long-term incentive plan KPIs and performance – Target setting for the short- and long-term incentive plans for 2024 – Improvements of the Compensation Report, based on proxy advisor and stakeholder feedback and new legal requirements

The Corporate Secretary acts as Secretary to the Compensation Committee. The Chief Human Resources Officer (CHRO) regularly attends the meetings to share information, present proposals, and consult on relevant compensation-related topics. The Chairperson of the Compensation Committee may invite the CEO to attend the Compensation Committee meetings, except when his own compensation is discussed or when there are other conflicts of interest.

Where deemed appropriate, external compensation advisors are asked to provide consulting services and asked to join the committee meetings. In 2023, the Compensation Committee did not retain any such consulting services.

The following table summarizes the authority levels on compensation-related matters:

	CHRO	NoC	CoC	BoD	AGM
Compensation policy for ESC members	P		R	A	
Short-term and long-term incentive plans	P		R	A	
CEO compensation	P		R	A	
ESC members compensation	P		R	A	
CEO – individual performance goal setting and target achievement	P	R		A	
ESC members – individual performance goal setting and target achievement	P	R		A	
Shareholding requirements – CEO and other ESC members	P		R	A	
Maximum aggregate compensation for ESC			P	R	A
Compensation policy for BoD members	P		R	A	
Board of Directors – maximum aggregate compensation			P	R	A
Compensation Report			P	R	V
Compensation-related changes to Articles of Association			P	R	A

P=Proposes, R=Recommends, A=Approves, V=Consultative Vote

Stakeholder Involvement

According to Articles 16 and 17 of the Articles of Association, the AGM approves the maximum aggregate compensation to be paid to the members of the BoD for the period up to the next AGM. For the members of the ESC, the AGM approves the maximum aggregate amount to be paid for the business year following the AGM. Finally, the Compensation Report is submitted to the AGM for a consultative vote.

Benchmarking

The compensation structure and levels for the BoD as well as the ESC are reviewed against market practice and developments on a periodic basis (typically every three to four years). The basis for the evaluations is benchmarking information and support from well-known external compensation consultants, as well as input from publicly available information, such as annual reports, compensation reports, and other compensation disclosures. Based on the discussions in the Compensation Committee meeting in July 2023, no benchmark was conducted in 2023. A benchmark on the BoD and ESC compensation is planned for 2024. Information on peer groups applied and decisions taken based on the benchmarks will be outlined in next year's Compensation Report.

While the peer group may differ for each evaluation, the following principles apply to the peer group setting:

— Listed and globally operating companies,
— A mix of Swiss and international companies from within and outside of the chemical industry,
— All companies of the peer group have a similar size in terms of market capitalization, revenue, and number of employees.

Performance Management

Performance management for the ESC follows the same approach as for all Clariant employees. The performance management cycle starts in November of each year with discussions on objectives for the following business year, including financial KPIs on the Group and BU level, projects, and priorities. In December and January, these targets are cascaded down to managers and employees. These meetings also include the target setting for individual goals for each employee. The Board of Directors, supported by the Nomination Committee, sets the individual goals for the CEO and the other members of the ESC for the following business year.

Under the new performance management process rolled out as of 2023, the progress against the defined goals is measured on a continuous basis. The performance ratings are determined based on a combined evaluation of achievement of individual goals related to Clariant's strategic pillars (70 % weight) and behaviors (30 % weight). The final performance evaluation takes place in December. The Board of Directors, supported by the Nomination Committee, assesses the performance of the CEO and the other members of the ESC against their individual goals and behaviors and sets a final performance rating for the year.

Starting in 2023, individual performance is used as a modifier to the individual STI payout. Please refer to → Compensation Principles and Structure/Executive Steering Committee.

Compensation Principles and Structures

Board of Directors (BoD)

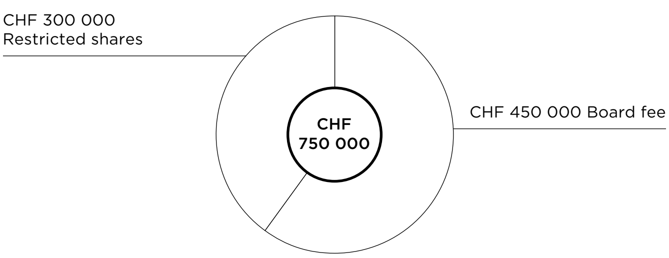
In order to ensure the independence of the BoD members in their supervisory duties, the members receive a fixed compensation only based on their responsibilities and committee memberships. The compensation is partially provided in cash and partially provided via restricted shares to ensure the alignment to stakeholders' interests.

The cash component covers the annual fee and committee membership fees and is provided retroactively on a quarterly basis. Payments are made in March, June, September, and December of each year.

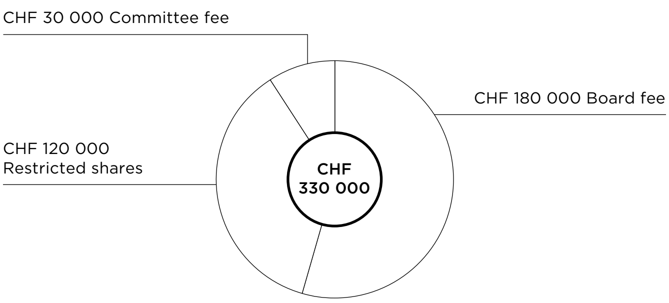
The restricted shares are granted retroactively for the past mandate year on the last trading day four weeks prior to the AGM, based on the average share price of the last ten trading days prior to the grant date. Once granted, the shares are subject to a blocking period of three years, which also remains in place if a BoD member leaves the Board.

The following outlines the structure of the Board of Directors compensation:

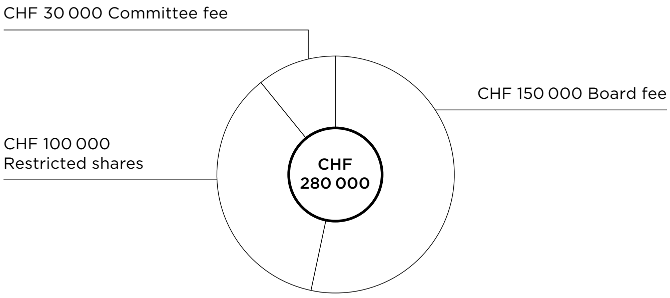
040 **BOD** CHAIR



041 **BOD** VICE-CHAIR



042 **BOD** MEMBER



The assumption for committee fees is a minimum of CHF 30 000.

The Chairperson of the Board is not entitled to receive committee fees when serving as a member of a committee. The following table illustrates the fees applicable to committee membership:

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

The compensation for BoD members is subject to taxation and social security, depending on the individual's situation, with Clariant paying the employer contributions as required. The BoD members do not receive any lump-sum reimbursement of entertainment expenses above and beyond actual expenditure on business trips. All BoD members are asked to build up a defined minimum shareholding within three years from becoming a member of the Board. The shareholding 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

All members of the BoD have either reached the required share ownership requirements or are expected to reach the requirements in the given timeline.

Executive Steering Committee

Compensation Principles

Clariant's compensation philosophy is built around six fundamental principles, as outlined below. They apply to the entire Clariant workforce, including the ESC. These principles were updated in 2023 to strengthen the focus on equal pay.

043 **COMPENSATION PRINCIPLES**

Alignment to company strategy and shareholders' interests	Competitiveness	Compliance
Remuneration programs are designed to support the execution of Clariant's Business Strategy, both in terms of financial and non-financial focus. With a mix of fixed and variable components as well as a strong component of long-term oriented remuneration for top management, remuneration programs and levels are aligned to the interests of the company's stakeholders.	Clariant offers competitive remuneration programs to ensure the attraction and retention of talent. Clariant conducts regular benchmarking studies on remuneration programs and levels against the chemical and general industry. In terms of Total Target Cash, Clariant aims at a pay position between median and third quartile of the market.	Clariant's remuneration practices always follow local regulations, practices and agreements with employee representative bodies.

Fairness and Equity	Pay for Performance	Transparency
The remuneration programs and practices ensure consistency and a fair treatment of all Clariant employees. While there may be differences on remuneration elements and amounts based on e.g., grade, location and performance, the following should never be a differentiating factor: Age, gender, cultural background, religious and sexual orientation.	Clariant's remuneration programs incentivize business results as well as individual performance and contributions. They allow and expect a differentiation of remuneration components for high-performing employees and where applicable, are linked to the Performance Management process.	Individual remuneration elements are being made transparent to the respective employees. Targets and achievements for the Key Performance Indicators under the incentive plans are regularly shared with the organization.

2023 Structure and Elements

The total compensation structure for the ESC is highly performance- and success-oriented. A mix of fixed compensation and short- and long-term incentives ensures an alignment of stakeholder and management interests.

The following table outlines details of the different compensation elements:

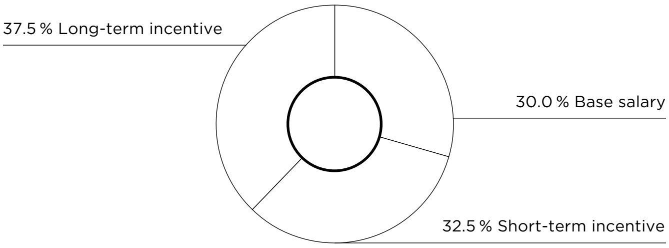
ESC COMPENSATION ELEMENTS

Element	Delivery	Purpose	Criteria	Performance Indicators	Rationale for choice of KPIs
Base salary	Monthly, in cash	Attract and retain	Position, responsibilities, experience, and market practice		
Short-term incentive	Annually, in cash	Reward for annual performance	Annual company and individual performance	Group KPIs (for CEO and CFO): EBITDA margin, Free Cash Flow, Scope 3 emissions, DART. BU Presidents: Group EBITDA margin, Group Free Cash Flow, BU EBITDA, BU Cash Flow, BU Scope 3 emissions, BU DART. Individual performance multiplier based on achiement against goals and behaviors.	Group targets focus the work of the CEO and CFO on overall company performance, while BU targets help the BU Presidents focus on their area of responsibility. The combination of KPIs is aligned with the company's business and sustainability strategy. The individual performance multiplier incentivizes focus on goals and behaviors.
Long-term incentive	Annually, subject to a three-year vesting period, Performance Share Units, settled in shares	Reward for long-term company performance; align to strategy and stakeholder interest	Company performance over a three-year performance period	Relative TSR ROIC CO_2 reduction eNPS improvement	rTSR aligns well with the experience of stakeholders investing in Clariant, while ROIC supports focus on increasing returns. CO_2 reduction and eNPS support Clariant's sustainability and people agenda.
Benefits	Contributions to pension and other insurances, international assignment benefits, allowances	Life events support; attract and retain	Local regulations and market practice		

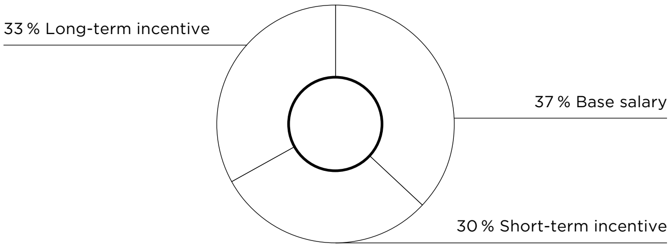
EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization, TSR: Total Shareholder Return, eNPS: Employee Net Promoter Score, DART: Days Away from Work, Job Restriction, or Job Transfer

The illustrations below show the compensation mix for the CEO and the other ESC members based on target compensation and excluding benefits:

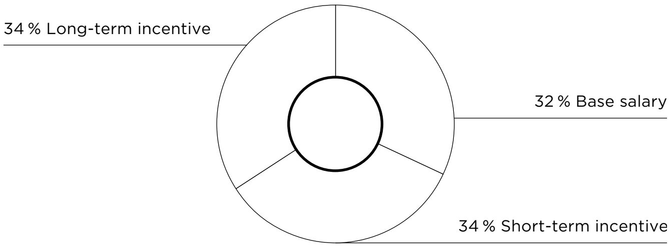
044 **STRUCTURE AND ELEMENTS** CEO



045 **STRUCTURE AND ELEMENTS** ESC MEMBERS (AS OF 1 JULY 2022)



046 **STRUCTURE AND ELEMENTS** EC MEMBERS (UNTIL 30 JUNE 2022)



The target compensation levels are summarized below:

REMUNERATION STRUCTURE OF THE CLARIANT EXECUTIVE STEERING COMMITTEE[1] IN CHF

	CEO Compensation	as % of base salary	CFO & Business Presidents Compensation	as % of base salary	EC Compensation (for members whose term ended 2022)	as % of base salary
Base salary	1 200 000	100	500 000–630 000	100	650 000	100
Short-term incentives[2]	1 300 000	108	400 000–504 000	80	700 000	108
Long-term incentives[3]	1 500 000	125	450 000–567 000	90	700 000	108
Total annual target	**4 000 000**	**–**	**1 350 000–1 701 000**	**–**	**2 050 000**	**–**

1 Excluding other benefits
2 Target cash bonus under the Global Bonus Plan (GBP); annual payout capped at 200 % target achievement
3 Annual grant volume; Performance Share Units with three-year vesting and defined performance hurdle; vesting capped at 200% target achievement

Base Salary

The base salary is determined and reviewed on a regular basis, taking into account the size, scope, responsibilities, and complexity of the role. In addition, the required experience for the role and individual contributions, as well as market data and market practice in the industry, are considered.

Please refer to → Changes to the Compensation System in the Reporting Year for details on changes to the compensation levels and structure for the ESC in 2022 and 2023.

Benefits

Benefits granted to the members of the ESC include employer contributions to the company's pension plans; employer contributions to health, life, disability, and accident insurances; and customary allowances, such as relocation, car, family, and education allowances. The benefits are granted in alignment with practices in Switzerland.

The ESC members 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 682 000 per annum. The maximum insured income under the pension plans therefore stands at CHF 882 000 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 Article 79c BVG. For ESC members 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.

Short-Term Incentive

Like all managers at Clariant, the ESC members are eligible to participate in one of the annual short-term incentive plans, the Global Bonus Plan (GBP). The GBP is one of the two new global short-term incentive plans that were developed and approved by the BoD for all Clariant employees, including the ESC members in 2022. These plans came into effect as of 1 January 2023.

SHORT-TERM INCENTIVE PLAN 2023

	Category	CEO and CFO	Business Presidents
Group Results			
EBITDA margin	Financial	35 %	10 %
Free Cash Flow	Financial	35 %	10 %
CO_2 emissions (Scope 3)	ESG	15 %	
DART [1]	ESG	15 %	
Business Unit Results			
BU EBITDA (absolute)	Financial		25 %
BU Cash Flow	Financial		25 %
CO_2 emissions (Scope 3)	ESG		15 %
DART [1]	ESG		15 %
TOTAL		**100 %**	**100 %**

[1] Days Away from Work, Job Restriction, or Job Transfer

For each KPI, a bonus curve is defined with a target (stretched goal), a threshold (minimum performance required for a payout), and a maximum (maximum performance/payout cap). The payout is determined based on a straight line between threshold and target and target and maximum. Prior to the performance year, the Compensation Committee reviews these targets and provides a recommendation to the BoD for approval.

The development of the company's target proposal follows a well-defined process subject to several rounds of discussions between the ESC and business leaders as well as the BoD. This process ensures that defined targets support the company's financial and growth ambitions and are challenging, yet achievable. The exact actual targets are not being disclosed prospectively, as these are considered commercially sensitive. However, the Group and Business Unit targets, as well as achievement levels, are disclosed retrospectively (see the chart »2023 STI Performance Summary« below).

The annual evaluation of the achievement of objectives is conducted by the Compensation Committee following the respective financial year and approved by the BoD. This system ensures that the bonus payments granted to employees are closely aligned with the company's overall results.

Depending on individual performance assessed by the BoD, the payout under the short-term incentive plan may decrease or increase in a corridor from 50 % to 150 % of the achievement based on Group and BU targets. In this assessment, performance against defined individual goals is weighted at 70 %, and behaviors are weighted at 30 %. The respective goals and assessment for the CEO for 2023 are outlined in a separate table below. In any case, the payout under the short-term incentive plan is capped at 200 % of the individual target bonus.

Except for the individual multiplier, all KPIs are quantitative in nature. They are either directly audited (financial KPIs) or Clariant obtains limited assurance over the actual outcome for 2023 (Scope 3 and DART).

The Compensation Committee may propose to the BoD for approval adjustments to the payout factors for each KPI in the event of extraordinary and nonrecurring events during the performance period (please refer to → Comments on the 2023 Compensation).

The plan design is consistently applied for the ESC members as well as other Clariant employees eligible to participate in the GBP.

047 **KPI STRUCTURE 2023**

CEO and CFO

35 % EBITDA margin

35 % Free Cash Flow

15 % Scope 3 emissions

15 % DART

BU Presidents

10 % EBITDA margin

10 % Free Cash Flow

25 % BU EBITDA (absolute)

25 % BU Cash Flow

15 % Scope 3 emissions

15 % DART

☐ Group ⬚ Business Unit

Overall achievement

X
Individual performance multiplier (between 50 % and 150 %)

Payout (between 0 % and 200 % of target STI)

The GBP contains both a malus and a clawback provision. This enables the BoD or the company to not only decide on a reduction or forfeiture of not-yet-paid entitlements (malus), but also to claim back already-paid entitlements (clawback) from the plan participants in defined and justified cases of misconduct, for example, misconduct leading to a restatement of financial statements or financial or reputational damage, or in cases of a substantial breach of legal, regulatory, or contractual requirements, or a substantial breach of internal policies, such as the Clariant Code of Ethics. Under the malus provision, the entitlement may be reduced to zero. Under the clawback provision, the full amounts paid out may be reclaimed by the company.

Long-Term Incentive

Along with employees in senior management positions, the ESC members are eligible to participate in the Clariant Long-Term Incentive Plan (CLIP). Implemented in 2019, the CLIP was designed to align compensation with long-term stakeholder interests and to have eligible employees drive the company's long-term strategy. In 2022, the CLIP was redesigned to ensure continued alignment with the company's updated strategy and to ensure that the CLIP contributes to an overall attractive and competitive compensation package.

The CLIP represents an equity-based award in the form of Performance Share Units (PSUs) with a three-year vesting period. The CLIP grant per individual is defined as a fixed percentage of the annual base salary. The vesting is conditional upon achievement of defined performance targets, and a vesting will only occur if at least a threshold performance level as defined by the BoD has been achieved. KPIs applied for the CLIP are purely quantitative in nature. For each KPI, the BoD determines a threshold, a target, and a maximum performance level prior to each grant date, and the grant details are communicated to participants accordingly.

For the relative total shareholder return (TSR), the target is met if the index performance is met. Threshold and maximum are determined by one standard deviation down and up from the target. For the internal targets, exact actual targets are not being disclosed prospectively, as these are considered commercially sensitive.

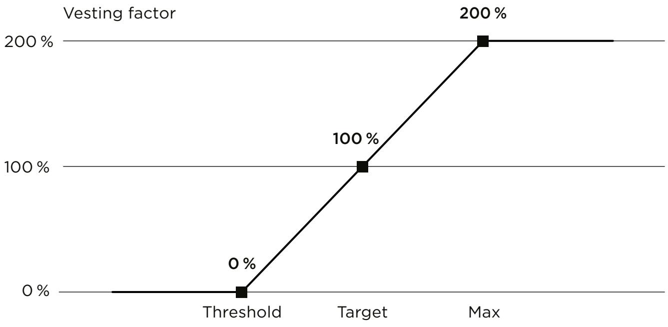
However, acting on feedback received from Clariant stakeholders, the Compensation Committee has decided to disclose both the targets and the achievements of CLIP grants after the performance period has ended. For the CLIP grant 2021, this information is displayed in the section »Vesting of previous plans» below.

At vesting and subject to continued employment up to the vesting date, the number of PSUs that vest for a participant is calculated by multiplying the number of granted PSUs with the overall vesting factor. Under the CLIP 2020 and 2021 design, each PSU is converted into up to one Clariant share. Under the CLIP 2022 and 2023 design, each PSU is converted up to a maximum of two Clariant shares. The vesting factor for each KPI is determined by the BoD at the end of the vesting period upon proposal of the Compensation Committee. The Compensation Committee may propose to the BoD for approval adjustments to the vesting factors for each KPI in the event of extraordinary and nonrecurring events during the vesting period. (Please refer to » Comments on the 2023 Compensation»).

CLIP STRUCTURE 2023

Item	Details	Weighting
KPIs	Relative TSR (measured against the MSCI World Chemicals Index) ROIC CO_2 (Scope 1+2) reduction Employee Net Promoter Score (eNPS)	33 % 33 % 17 % 17 %
Vesting Period	3 years	
Delivery	Performance Share Units	
Settlement	Equity	
Grant Value	% of base salary	
# of PSUs	Grant value divided by 30-day average share price	
Clawback / Malus	Malus and clawback	
Vesting Levels	0 % to 200 %	

048 **VESTING CURVE 2023**



Like the GBP, the CLIP also includes both malus and clawback provisions. The conditions under which malus or clawback can be applied are fully aligned between the GBP and the CLIP.

The procedures upon termination of employment during the vesting period are:

- Retirement: Pro-rata vesting at the regular vesting date based on actual performance
- Disability and death: Immediate pro-rata cash-out based on 100 % performance
- Sale of a business and redundancy: Grants in 2019-2022: Immediate pro-rata cash-out based on 80 % performance for the grants. Grants in 2023: Pro-rata vesting at the regular vesting date based on actual performance
- Change of control: Grants in 2019-2022: Immediate pro-rata cash-out based on 80 % performance for the grants. Grants in 2023: Immediate vesting based on 100 % performance
- Voluntary termination and termination for cause: Full forfeiture

The participation in the CLIP is tied to share ownership targets that have to be achieved within five years of the first participation:

- CEO: 150 000 shares
- Other ESC members: 80 000 shares
- Other participants: Up to 30 000 shares, depending on management level

The ESC members are still building up the share ownership within the allowed time frame. Three members of the ESC have not yet received any vesting under the CLIP, and two members have only received shares from the vesting of CLIP grants made before they were ESC members. The previous EC members were in compliance with the share ownership requirements.

<u>Other Contractual Terms</u>

As per Article 32 of the Articles of Association, employment contracts of the ESC members may have a definite or indefinite term. All current ESC members have a contract with an indefinite term. The notice period is twelve months followed by a noncompete period of twelve months. The contracts do not allow for any severance packages.

Changes to the Compensation System

This section outlines the changes that have been implemented in 2022 or 2023 or that will take effect in 2024 for the compensation system for Executive Steering Committee members.

<u>Paymix</u>

Accompanying the organizational transformation and the newly formed Executive Steering Committee, compensation levels and the paymix for the CFO and the Business Presidents were reviewed and adjusted in 2022. Each role was benchmarked against the market, taking into account the scope, responsibilities, and experience required, as well as the size of the respective business units (e.g., revenue, FTEs). Benchmarks were conducted with the support of Mercer and based on their market data. While the overall compensation package for EC members was already reduced effective January 2021, the benchmark results showed a further need to adjust the compensation levels and the paymix for the new ESC members. As a result, in 2022, the base salaries of the ESC members were reduced and the paymix adjusted.

As of the end of 2023, the base salary for the CFO and the three Business Presidents ranges from CHF 500 000 to CHF 630 000, depending on the indicators as described above. This compares to the identical fixed compensation of CHF 650 000 for EC members whose term ended in 2022. The target short-term incentive amount was reduced from previously 108 % of base salary to 80 % of base salary while the fair market value of long-term incentive entitlements was reduced from 108 % of base salary to 90 % of base salary. With these changes, the total target compensation for the new ESC members ranges from CHF 1 350 000 to CHF 1 701 000, compared to CHF 2 050 000 for EC members whose term ended in 2022.

With the new paymix, the compensation structure continues to focus on variable compensation elements supporting the company's pay-for-performance philosophy. The higher percentage for the long-term incentive plan ensures alignment with the company's long-term strategy and shareholder interests.

Changes to the Short-Term Incentive

The new short-term incentive plan GBP was approved in 2022 and effective as of the 2023 business year. The following is a summary of the main changes and their rationale:

- Closer alignment to Clariant's financial strategy and steering: By exchanging ROIC with EBITDA margin and Operating Cash Flow with Free Cash Flow, the new design not only follows market practice, but it also strengthens the commitment to the financial targets communicated to stakeholders in November 2021
- Continued strong focus on sustainability: Clariant's commitment to sustainability is supported by the increase in the weightings for sustainability-related KPIs compared to the previous design (weight changed from 20 % to 30 %)
- Increase pay-for-performance philosophy: The broader range of potential performance outcomes with the possibility to overachieve targets and the upside and downside potential from the individual performance factor increase employee motivation and company performance (payout range changed from 0-100 % to 0-200 % of target)
- Align with market practice: The selection of KPIs, payout curves, and higher cap are closely aligned with market practices as confirmed by external compensation advisors
- Simplification: Fewer KPIs provide for higher transparency and an increased focus on the selected KPIs due to higher weightings

For the 2024 short-term incentive, the Business Unit EBITDA KPI will be defined as a margin instead of an absolute value. In addition, the cash flow measure will be changed from BU Cash Flow to BU Cash Flow Clariant. The metric BU Cash Flow Clariant includes CAPEX on a BU level and thus, is closer aligned to the Free Cash Flow KPI used on Group level.

Changes to the Long-Term Incentive

In order to avoid an overlap with the KPIs for the new short-term incentive plan, the KPIs for the Clariant Long-term Incentive Plan (CLIP) were adjusted for the 2023 grant. For this grant, ROIC replaced EBITDA margin as a CLIP KPI. The weighting of 33 % remains.

As with the STI, the LTI plan regulations, beginning with the 2023 grant, were strengthened through the inclusion of a clawback provision in addition to the already existing malus provision.

For the 2024 CLIP grant, the reference index for the TSR KPI will change from the MSCI World Chemicals Index to the MSCI Europe Chemicals Index. An index of European companies provides a comparison to companies that, like Clariant, are headquartered in Europe with European and global business operations.

Board of Directors Compensation and Share Ownership 2023

2023 ANNUAL COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS, GROSS IN CHF

Name	Role on Board of Directors	Board fee	Committee fee	Social security contribution	Restricted shares [1]	Total 2023
Günter von Au	Chair	450 000	0	45 147	300 002	**795 149**
Ahmed Mohammed Al Umar	Vice-Chair	180 000	30 000	22 109	120 001	**352 110**
Roberto Gualdoni	Member	150 000	30 000	0	100 011	**280 011**
Thilo Mannhardt	Member	150 000	50 000	22 848 [2]	100 011	**322 859**
Geoffery Merszei	Member	150 000	40 000	0	100 011	**290 011**
Eveline Saupper	Member	150 000	50 000	17 607	100 011	**317 618**
Naveena Shastri	Member	150 000	30 000	0	100 011	**280 011**
Peter Steiner	Member	150 000	110 000	0	100 011	**360 011**
Claudia Suessmuth Dyckerhoff	Member	150 000	70 000	21 662	100 011	**341 673**
Susanne Wamsler	Member	150 000	60 000	21 003	100 011	**331 014**
Konstantin Winterstein	Member	150 000	70 000	0	100 011	**320 011**
Totals 2023		**1 980 000**	**540 000**	**150 376**	**1 320 102**	**3 990 478**

[1] Amounts reflect value of shares after rounding of the entitlement to full shares.
[2] Incl. additional social security contributions due to inexistent social security agreement between countries

2022 ANNUAL COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS, GROSS IN CHF

Name	Role on Board of Directors	Board fee	Committee fee	Social security contribution	Restricted shares [3]	**Total 2022**
Günter von Au	Chair	450 000	0	52 562	300 015	**802 577**
Ahmed Mohammed Al Umar [1]	Vice-Chair	135 000	22 500	11 629	0	**169 129**
Roberto Gualdoni [1]	Member	112 500	22 500	0	0	**135 000**
Thilo Mannhardt	Member	150 000	50 000	12 105 [4]	100 011	**312 116**
Geoffery Merszei	Member	150 000	40 000	0	100 011	**290 011**
Eveline Saupper	Member	150 000	60 000	25 329	100 011	**335 340**
Naveena Shastri [1]	Member	112 500	22 500	0	0	**135 000**
Peter Steiner	Member	150 000	110 000	0	100 011	**360 011**
Claudia Suessmuth Dyckerhoff	Member	150 000	60 000	24 425	100 011	**334 436**
Susanne Wamsler	Member	150 000	60 000	25 454	100 011	**335 465**
Konstantin Winterstein	Member	150 000	70 000	0	100 011	**320 011**
Abdullah Mohammed Alissa [2]	Vice-Chair until AGM 2022	45 000	7 500	13 006	120 010	**185 516**
Nader Alwehibi [2]	Member until AGM 2022	37 500	7 500	12 764	100 011	**157 775**
Calum MacLean [2]	Member until AGM 2022	37 500	7 500	0	100 011	**145 011**
Totals 2022		**1 980 000**	**540 000**	**177 274**	**1 320 124**	**4 017 398**

1 New Member of the Board since AGM 2022
2 Member of the Board up to AGM 2022
3 Amounts reflect value of shares after rounding of the entitlement to full shares. Members who joined in 2022 received their share grant only in March 2023. In the Compensation Report 2022, this table indicated the number shares to be granted for the relevant year, based on an assumed grant date and grant price in the following year.
4 Incl. additional social security contributions due to inexistent social security agreement between countries

The compensation disclosed in the tables reflects the respective calendar year (January to December), while at the AGM, stakeholders approve the total compensation to the BoD for a mandate year, i.e., for the period between two AGMs (in general April to March). The total compensation amount paid to BoD members for the mandate year 2022/2023 was CHF 4.0 million and, thus, below the amount approved by stakeholders of CHF 5.0 million. For the mandate year 2023/2024, a total compensation amount of CHF 4.0 million is expected, which would be within the limits of the approved amount of CHF 5.0 million for this mandate year. The final total compensation amounts for the mandate year 2023/2024 will be provided in the Compensation Report 2024.

In 2022 and 2023, there were no payments to former BoD members. No payments were made to the related parties of BoD members or former BoD members in 2022 or 2023. In both years, no loans or credits were outstanding and/or granted to BoD members, former BoD members, or their related parties. No compensation for special duties beyond their regular duties was paid to any BoD member in 2022 or 2023.

The share ownership of the members of the BoD is shown below. No options were held by the BoD members or their related parties on 31 December 2022 or on 31 December 2023.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

Name	Role on Board of Directors	Number of shares granted in 2023 [1]	Number of shares granted in 2022 [1]	Number of shares held as of 31 Dec. 2023	Number of shares held as of 31 Dec. 2022
Günter von Au	Chair	19 330	16 817	110 128	90 798
Ahmed Mohammed Al Umar	Vice-Chair	7 732	0	7 732	0
Roberto Gualdoni	Member	6 444	0	14 644	8 200
Thilo Mannhardt	Member	6 444	5 606	15 889	9 445
Geoffery Merszei	Member	6 444	5 606	23 693	17 249
Eveline Saupper	Member	6 444	5 606	41 556	35 112
Naveena Shastri	Member	6 444	0	6 444	0
Peter Steiner	Member	6 444	5 606	39 056	32 612
Claudia Suessmuth Dyckerhoff	Member	6 444	5 606	36 656	30 212
Susanne Wamsler	Member	6 444	5 606	1 202 348 [2]	1 195 904 [2]
Konstantin Winterstein	Member	6 444	5 606	6 104 071	6 097 627
Total		**85 058**	**56 059**	**7 602 217**	**7 517 159**

1 In the Compensation Report 2022, this table indicated the number shares to be granted for the relevant year, based on an assumed grant date and grant price in the following year. The current table discloses the grants in the relevant year.
2 Includes 240 271 shares held by The Honoré T. Wamsler Trust

The following table shows the additional mandates that the members of the BoD hold in other organizations.

BOARD OF DIRECTORS – MEMBERSHIP IN OTHER BOARDS

Member	Listed companies	Private companies	Not-for-profit organizations	Location	Function
Günter von Au		Stada Arzneimittel AG		DE	Chairman of the Supervisory Board
		Gebr. Röchling KG		DE	Member of the Advisory Committee
		CeramTec GmbH		DE	Chairman of the Supervisory Board
		Tyczka GmbH		DE	Chairman of the Advisory Board
Ahmed Mohammed Al Umar		Saudi Methanol Company		SA	Chairman of the Board of Directors, Chairman of Business Committee
		Gulf Petrochemical Industries Co (GPIC)		BH	Member of the Board of Directors, Chairman of Audit, Finance and Risk Committee (AFRC)
		SABIC Fujian		CN	Member of the Board of Directors
			GCC Board Directors Institute (BDI)	UAE	Member of the Governors Board, Chairman Human Capital Committee
Roberto Gualdoni	Synthomer plc			UK	Member of the Board
		CABB		DE	Chairman of the Board of Directors
		Envalior GmbH		DE	Chairman of the Shareholders‘ Committee
		Arceegee Consulting		DE	Chairman of the Board of Directors
Thilo Mannhardt	C&A Modas S.A. (until April 2023)			BR	Member of the Board of Directors
		Algar Telecom		BR	Member of the Board of Directors, Chairman of the Audit and Risk Committee
		BMI Holding		BR	Member of the Advisory Council
		Logus Capital Financial Advisors		BR	Member of the Advisory Council
Geoffery Merszei		Zolenza AG in liquidation		CH	Chairman of the Board of Directors
Eveline Saupper	Flughafen Zürich AG (until April 2023)			CH	Member of the Board of Directors
	Georg Fischer AG			CH	Member of the Board of Directors, Chair-woman of the Compensation Committee
	Forbo Holding AG			CH	Member of the Board of Directors
		Stäubli Holding AG		CH	Member of the Board of Directors
		Mentex Holding AG		CH	Member of the Board of Directors
		Tourismus Savognin Bivio Albula AG		CH	Vice Chairwoman of the Board of Directors
			UZH [University of Zurich] Foundation	CH	Member of the Foundation Board
			Foundation Piz Mitgel Val Surses	CH	Member of the Foundation Board
			University of St. Gallen	CH	Member of the Advisory Council
Naveena Shastri	No other mandates				
Peter Steiner	Wienerberger AG			AT	Chairman of the Supervisory Board, Chairman of the Nomination and Remuneration Committee
	Zeal Network SE			DE	Chairman of the Supervisory Board
Claudia Suessmuth Dyckerhoff	Roche Holding AG			CH	Member of the Board of Directors
	Ramsay Health Care Limited (Sydney)			AUS	Member of the Board of Directors
	Prudential plc			UK and HK	Member of the Board of Directors
		QuEST Global Services Pte. Ltd.		SG	Member of the Board of Directors
		Edugreen Education & Services Ltd. (until August 2023)		IN	Member of the Board of Directors
		Huma Therapeutics Limited (until October 2023)		UK	Member of the Board of Directors
		IMA [International Market Assessment]		CN	Member of the Forum Advisory Board
			University of St. Gallen	CH	Member of the Advisory Council
			St. Galler Stiftung für Internationale Studien (SSIS)	CH	Member of the Foundation Board
			Buurtzorg Neighborhood Care Asia Ltd.	HK	Member of the Board of Directors
			Empower underprivileged children Schweiz	CH	Chairwoman of the Foundation Board
			Kinderhilfe Kambodscha e.V.	DE	Member of the Foundation Board
Susanne Wamsler	no other mandates				
Konstantin Winterstein	Ringmetall SE			DE	Member of the Board of Directors, Co-CEO
		GFT Holding GmbH		DE	Member of the Board of Directors

Executive Steering Committee Compensation and Share Ownership 2023

In 2022, several personnel changes occurred to the Executive Steering Committee (previously the Executive Committee):

	Conrad Keijzer	Hans Bohnen	Bernd Högemann	Stephan Lynen	Bill Collins	Angela Cackovich	Jens Cuntze	Christian Vang
Function	Chief Executive Officer	Chief Operational Officer	Chief Trans-formational Officer	Chief Financial Officer	Chief Financial Officer	Business President Adsorbents & Additives	Business President Catalysts	Business President Care Chemicals
EC member until		30 June 2022	30 June 2022	30 June 2022				
Contract expired		30 June 2023	30 June 2023	30 April 2023 [1]				
ESC member from	1 January 2021				1 July 2022	1 July 2022	1 July 2022	1 July 2022

[1] Through a mutual agreement, the contract ended on 30 April 2023 instead of the orgingal end date 30 June 2023.

The contracts of the three EC members whose terms ended in 2022 expired in 2023, following the contractually agreed twelve-month notice period. This means that they received base salary and benefits in 2023 for the period until the end of their contracts. No severance payments were or will be paid out to them. The handling of STI and LTI entitlements followed the defined procedures under the respective plan rules and contractual obligations, and therefore they received neither an STI payment nor an LTI grant for 2023.

In parallel to the personnel changes, in 2022, the overall compensation levels, as well as the compensation mix, were adjusted for the newly appointed ESC members. Based on the scope, size, and complexity of the role, each role was benchmarked against market data based on the Mercer Executive Compensation Guide Switzerland and additionally validated against the Mercer Executive Compensation Guide Western Europe. So that competitive compensation packages could be provided, and the right candidates could be attracted for each role, the targeted pay position was defined at around the 75th percentile. Effective August 2023, the annual base salary of one ESC member was increased by 5%, considering the previous benchmark.

Two ESC members started their international assignments during 2023, as part of their regional leadership roles. This includes Jens Cuntze, Business President Catalysts and APAC, who relocated to China, and Christian Vang, Business President Care Chemicals and Americas, who relocated to the United States. The 2023 compensation table reflects the customary benefits provided by the Clariant International Long-Term Assignments Policy. They do not receive any benefits outside the policy.

2023 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE STEERING COMMITTEE, GROSS IN CHF

	Highest-paid ESC member (Conrad Keijzer, CEO)	Other ESC members	EC members whose term ended in 2022	**Totals 2023**
Base salary	1 200 000	2 242 500	866 667	4 309 167
Cash bonus	2 112 500	2 284 691	0	4 397 191
Share-based incentive (FMV) [1]	1 500 010	2 007 019	0	3 507 029
Restricted share units (FMV)	0	0	0	0
Other benefits [2]	345 726	1 409 932	433 622	2 189 280
TOTAL	**5 158 236**	**7 944 142**	**1 300 288**	**14 402 667**

[1] The allocation of PSUs based on an 30-day average share price prior to grant on 12 April 2023: CHF 14.83. The conversion from PSU into shares is done after a three-year vesting period, depending on the achievement factor.

[2] »Other benefits« include pension contributions, social security contributions, benefits related to international assignments, and other benefits. The increase compared to 2022 relates mainly to benefits under the international assignments of two BU Presidents, which began in 2023.

2022 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE STEERING COMMITTEE, GROSS IN CHF

	Highest-paid ESC member (Conrad Keijzer, CEO)	Other ESC members [1]	EC members whose term ended in 2022	**Totals 2022**
Base salary	1 200 000	1 115 000	1 950 000	4 265 000
Cash bonus	1 224 600	864 280	1 648 500 [5]	3 737 380
Share-based incentive (FMV) [2]	1 500 000	– [3]	574 000 [6]	2 074 000
Restricted share units (FMV) [4]	–	262 000	–	262 000
Other benefits [7]	388 458	661 549	848 895	1 898 902
TOTAL	**4 313 058**	**2 902 829**	**5 021 395**	**12 237 282**

[1] Amounts reflect the compensation for the time served as ESC member.
[2] The allocation of PSUs based on an 30-day average share price prior to grant on 8 April 2022: CHF 15.95. The conversion from PSU into shares is done after a three-year vesting period, depending on the achievement factor.
[3] No grant in 2022 for B. Collins or A. Cackovich since they did not join until after the grant date. J. Cuntze and C. Vang did not become ESC members until after the grant date
[4] B. Collins received 14 862 restricted share units subject to a vesting period of three years as compensation for lost entitlements with his previous employer.
[5] The amount includes a pro-rated bonus payout for a departed EC member.
[6] The amount reflects pro-rated entitlements due to the departure of EC members.
[7] »Other benefits« include pension contributions, social security contributions, cash payments to selected ESC members for lost entitlements with previous employers, and other benefits.

In 2022 and 2023, no compensation was paid or granted to former ESC members, or to the related parties of ESC members or former ESC members. In 2022 and 2023, no loans or credits were outstanding and/or granted to the CEO, other ESC/EC members, former EC members, or their related parties, as stipulated in the Articles of Association.

The table below outlines the CEO's individual goals in 2023 for each of the strategic pillars. It also describes key achievements and the respective performance rating per strategic pillar. For each goal, further KPIs and targets were defined. As these are considered commercially sensitive, they are not included in the table.

CEO GOALS

Strategic Pillars	Goals	Weight	Key achievements [1]
Customer Focus	Increase Customer Advocacy Implement new go-to-market approaches with differentiated approaches and offerings Optimize Sales Incentive Plan Increase sales capabilities	30 %	Customer focus embedded as core design and operating principle Customer Net Promoter Score increased from 42 to 45 Sales Incentive Plan tailored to business requirements New segmented go-to-market approach defined and implemention started
Innovation & Sustainability	Introduce products with sustainability value propositions while improving the sustainability of our operations	20 %	Many "non-sustainable" products phased out Further products identified to phase out after transitional period Several projects continued and implemented to improve sustainability footprint
People & Culture	Continue to drive DEI strategy through capability building, recruitment, talent development and equal pay actions Continue the transformation journey of the company through new leadership capabilities and sponsoring engagement action planning and team effectiveness programs	20 %	Successful delivery under the DEI Strategy: – Increased female representation in management and non-front-line positions – Implemented an Equal Pay and Living Wage action plan – Increased Inclusion Index Sponsoring of trainings on change management, learning and development, and programs to increase employee engagement
Financial Results	Develop an M&A pipeline and execute value creating transactions Establish transparent, commercially oriented and performance-driven business review cycles	15 %	Successful disposals of Quads and North America Land Oil Business Agreement signed to acquire Lucas Meyer Cosmetics Established a rigorous and regular performance review process for business units and functions Relentless focus on cost and efficiency, driving the organization in supporting the 2025 financial commitments
Compliance and Safety	Strengthen internal controls and governance driving a cultural shift in the company Reinforce company wide safety programs through the right tone at the top of the organization, behavioral based trainings and consistent metrics and KPIs Reinforce a "safety first" culture in the organization	15 %	Launch of additional compliance trainings and driving the completion rate of such trainings to 95% Strengthened "tone at the top" by regular communication to employees regarding compliance topics Implemented the practice of safety and compliance moments at the beginning of meetings Established and executed a safety action plan and sponsored behavior based safety trainings
Performance against goals		**70 %**	
Behaviors		**30 %**	
Overall performance		**100 %**	

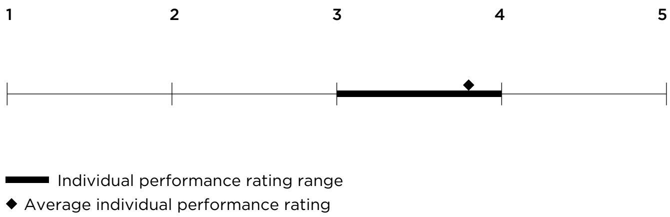
[1] This table excludes several commecially sensitive achievement metrics

At the end of the year, the Board, advised by the Nomination Committee, assessed the performance of the CEO against the defined goals and his behaviors. The respective rating, on a scale from 1 to 5, determines the individual performance multiplier which is applied to the STI payout. The individual performance multiplier ranges from 50 % for a rating of 1 to 150 % for a rating of 5.

The other members of the ESC were assessed against goals related to the same strategic pillars, but their individual goals related to their areas of responsibility.

Including the CEO, the average performance rating for the members of the ESC for 2023 was 3.8, corresponding to an average individual performance multiplier of 120 %.

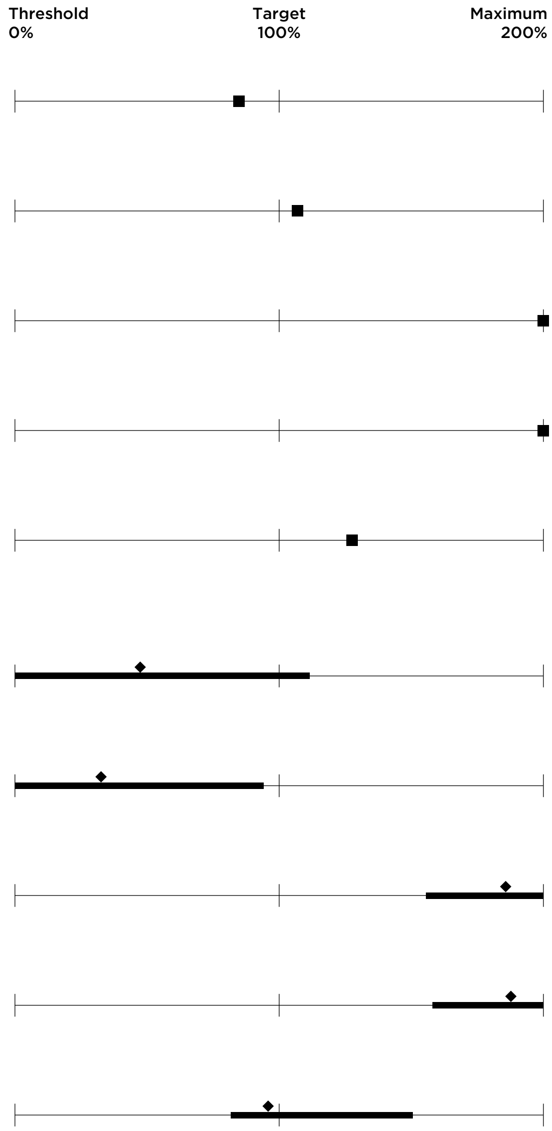
049 **ESC INDIVIDUAL PERFORMANCE RATINGS**



The chart below shows additional details for the Group and BU KPIs used in the short-term incentive plan for the CEO and the CFO, and the BU Presidents, respectively. For each KPI, the chart includes the target performance, achieved performance, and the resulting payout percentage before adjustment for the individual performance factor. The column »Adjusted result» reflects the result after the adjustments approved by the Board for the purposes of the short-term incentive plan. For details, please see the section »Short-term incentive Plan» under »Comments on the 2023 Compensation» below.

050 **2023 STI PERFORMANCE SUMMARY**

	KPI	Weight	Target	Adjusted result
GROUP	EBITDA margin	35 %	15.7 %	15.4 %
	Free Cash Flow	35 %	CHF 205m	CHF 221m
	Scope 3 Emissions¹	15 %	2 611 kt	2 146 kt
	DART²	15 %	0.39	0.21
	Overall			130 %
BUSINESS UNITS	EBITDA absolute	25 %	CHF 198m-532m	CHF 126m-468m
	BU Cash Flow	25 %	CHF 164m-566m	CHF 140m-462m
	Scope 3 Emissions¹	15 %	205-1 712 kt	173-1 561 kt
	DART²	15 %	0.40-0.61	0.40-0.61
	Overall³			



BU achievement range ◆ Average BU achievement

¹ Output in metric kilotons. Adjusted result excludes site-specific emissions not considered in target setting.
² Per 200 000 working hours
³ Includes results from KPIs measured on Group level (weight 20 %). Separate targets were set for Catalysts and BFD; the Business President's bonus payout is based on 70 % Catalyst achievement and 30 % BFD achievement. BFD not shown in chart.

Comments on the 2023 Compensation

Total compensation

The total compensation amount of CHF 14.4 million received by the members of the ESC and the three EC members whose contract ended in 2023 is below the limits of the total compensation amount of CHF 16.0 million for 2023 as approved by the stakeholders at the 2022 AGM.

The total amount includes CHF 1.3 million for the three EC members whose contract ended in 2023. This amount comprises base salary and benefits only, as they were not eligible for the 2023 STI and LTI plans according to the plan regulations.

The total compensation of CHF 14.4 million in 2023 reflects an increase of CHF 2.2 million compared to the total compensation of CHF 12.2 million for 2022.

The increase is driven by higher payouts under the new short-term incentive plan and a full grant for the new ESC members compared to the pro-rated grant for the three EC members whose contract ended in 2023 as reflected in the 2022 total compensation. In addition, the amount of benefits has increased from 2022 to 2023, mainly as a result of the costs associated with the international assignment of two Business Presidents.

Short-term incentive Plan

The following section gives additional details about each of the KPIs used in the short-term incentive plan.

- **EBITDA Margin:** Despite showing a resilient performance in 2023, Clariant, like the Chemical industry as a whole, was impacted by weaker demand, destocking and increasing energy cost. As such, with a reported EBITDA margin of 13.9 % the target of 15.7 % was not met. According to Article 22 of the Articles of Association, the Board has the authority to determine the target achievement under the short-term incentive plan. For 2023, the Board decided to adjust the achievement for the EBITDA margin to 89%.
- **Free Cash Flow:** The company's transformation that began in 2022, was consequently executed in 2023. This included timely execution of the delayering, resulting e.g., in cost savings in global functions of CHF 47 million, as well as rigorous monitoring of cost and expenditures. A second significant effect was improvements in Net Working Capital that offset a lower EBITDA absolute. Due to these effects, the target achievement for the Free Cash Flow KPI is 111 %, after adjustments made by the Board.
- **BU EBITDA:** Driven by weaker demand and destocking, BU Adsorbents & Additives did not meet the threshold for the BU EBITDA KPI. Care Chemicals was also strongly impacted by the general market environment as well as currency movements, resulting in an achievement below target. BU Catalysts showed a performance above target, delivering strong sales growth of 9 % on a Swiss Franc basis, both driven by volume and pricing. On average, the achievement under the BU EBITDA KPI was 48 %, after adjustments made by the Board for the achievement of one BU.
- **BU Cash Flow:** The average target achievement for the BU Cash Flow KPI across the three business units is 33 %. This is driven by performance of two BUs not reaching the respective threshold, while the performance in one BU was close to target. The average includes an adjustment made by the Board for one BU.
- **DART:** 2023 was a record low for Clariant in terms of accidents, measured via the DART rate (Days Away from Work, Restricted of Transferred). Supported by the enforcement of a safety-first culture, the consequent introduction of safety moments in meetings and a number of other safety programs sponsored and driven by the ELT (refer to CEO goals and achievements above), the reported DART cases were reduced significantly compared to 2022. With the reported cases, Clariant ranks top quartile in the Chemical industry, which is also reflected in the achievements for the DART KPI, ranging from 163 % to 200 %.
- **Scope 3 emissions:** Targets for Scope 3 are strictly tied to the targets under the Scientific Based Target Initiative (SBTi) demanding a 14 % reduction in Scope 3 emissions by 2030 compared to 2019. With the sustainability agenda being core of Clariant's activities (refer to CEO goals and achievements above), Scope 3 emissions were not only significantly reduced in 2023 in terms of absolute value (from 2 581 kT CO_2-eq in 2022 to 2 146 kT CO_2-eq in 2023) but also in terms of average Scope 3 emission per kilogram produced. All three BUs contributed to this successful development with achievements ranging from 159 % to 200 %.
- **Individual performance multipliers:** The Board thoroughly assessed the performance and behaviors of the CEO and the other ESC members. Based on the strong delivery against the respective goals, payouts under the GBP are adjusted by a multiplier of 125 % for the CEO and on average 119 % for the other ESC members.

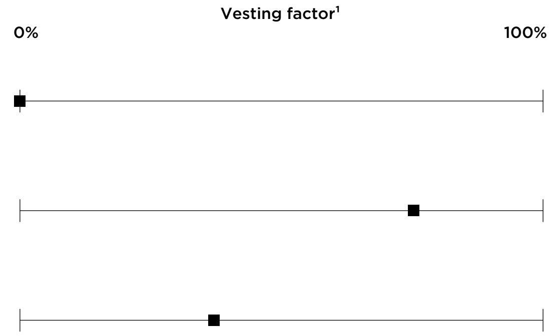
This results in an overall achievement of 130% for Group and on average across the three BUs of 96% (ranging from 74% to 133%). The difference in the achievement for the Group and the achievements for the BUs is to a large extent driven by the difference in KPIs measured on a Group level and KPIs measured on BU Level. This difference can be well seen in e.g., the Free Cash Flow achievement vs. the BU Cash Flow achievement, where the group achievement is impacted by positive development in capital spending whereas capital spending is not considered in the determination of BU Cash Flow. As mentioned above, for the 2024 short-term incentive plan, KPIs will be more closely aligned between Group and Business Units by exchanging BU EBITDA absolute with BU EBITDA Margin and BU Cash Flow with BU Cash Flow Clariant (including Capex).

Vesting of Previous Plans

The 2021 CLIP grant will vest in April 2024, based on performance during the calendar years 2021-2023. The chart below outlines the target performance, achieved performance, and the resulting vesting factor.

051 **CLIP 2021 VESTING**

CLIP 2021		Weight	Target	Adjusted result
	rTSR vs index	50 %	0 %	-15 %
	Economic Profit	50 %	CHF 59m	CHF 83m
	Overall			38 %



[1] Under the CLIP 2021, maximum target achievement was defined at 100 %

The CLIP 2021 included relative Total Shareholder Return (rTSR) measured against the performance of the MSCI World Chemicals Index and the absolute increase of the Economic Profit (EP). Both KPIs were equally weighted at 50 %. The overall vesting factor could range between 0 % and 100 %.

The target for the rTSR KPI was set at performance equal to the index. Reflecting Clariant's share price development in the performance period against the performance of the index, the threshold set for this grant was not achieved, resulting in a vesting factor of 0 % for the rTSR KPI.

For the EP KPI, the target was set as an absolute increase of CHF 59 million compared to the EP as of 31 December 2020. Based on the vesting curve defined for this grant, an achievement at target corresponded to a vesting factor of 70 %. The absolute EP increase was CHF 83 million, corresponding to a vesting factor of 77 %, after adjustments by the Board in line with the adjustments to the STI.

As a result, the overall vesting factor for the CLIP 2021 was determined at 38 %. Consequently, the number of performance share units that will be converted into Clariant shares and their value are significantly lower than the initial grant value. The table below illustrates the difference between value at grant and value at vesting. Based on the closing share price of 31 January 2024, the value of shares to be vested would correspond to less than one-third of the initially granted amount.

VALUE AT VESTING CLIP 2021

	Keijzer	Other ESC members [2]	EC members whose term ended in 2022
Target LTI at time of grant (CHF)	**1 500 000**	**424 747**	**2 100 000**
Number of PSUs granted	109 971	31 140	75 788 [3]
Overall vesting factor	38 %	38 %	38 %
Number of PSUs vested	**41 789**	**11 834**	**28 800**
Share Price (CHF) [1]	11.11	11.11	11.11
Vesting value (CHF)	**464 276**	**131 476**	**319 968**

[1] Share price as of 31 January 2024; final vesting will be subject to share price on the vesting date (12 April 2024)
[2] C. Vang and J. Cuntze received the CLIP grant for their positions prior to becoming ESC members; since A. Cackovich and B. Collins only joined Clariant in 2022, they did not receive a CLIP 2021 grant
[3] Amount reflects the pro-rated amount due to the departure during the vesting period

The share ownership of the members of the ESC is shown below. No options were held by the ESC members or their related parties on 31 December 2022 or on 31 December 2023.

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE STEERING COMMITTEE

Name	Role	Number of PSUs/RSUs granted in 2023 [1]	Number of PSUs granted in 2022	Number of unvested PSUs/RSUs as of 31 Dec. 2023	Number of unvested PSUs/RSUs as of 31 Dec. 2022	Number of shares held as of 31 Dec. 2023	Number of shares held as of 31 Dec. 2022
Conrad Keijzer	CEO	101 147	94 044	305 162	204 015	0	0
Bill Collins [2, 3]	CFO	36 413	14 862	51 275	14 862	0	–
Angela Cackovich [2]	BU President	33 379	–	33 379	–	0	–
Jens Cuntze [4]	BU President	30 344	10 054	51 939	33 827	61 567	55 940
Christian Vang [4]	BU President	35 199	17 021	71 819	57 392	75 355	65 799
Total		**236 482**	**135 981**	**513 574**	**310 096**	**136 922**	**121 739**

[1] Performance Share Units represent contingency rights that will be converted into shares, depending on the performance achievement after the three-year vesting period. Unvested PSUs do not count toward the share ownership requirements.

[2] No CLIP grant in 2022; only became members of the ESC as of 1 July 2022 after the CLIP grant 2022

[3] B. Collins received 14 862 restrcited share units subject to a vesting period of three years as compensation for lost entitlements with his previous employer.

[4] Grants from 2022 and earlier relate to positions prior to becoming ESC members on 1 July 2022. This table in the Compensation Report 2022, prepared under previous disclosure requirements, did not include these grants.

The following table shows the additional external mandates that the members of the ESC hold in other organizations.

EXECUTIVE STEERING COMMITTEE – MEMBERSHIP IN OTHER BOARDS

Name	Other activities
Conrad Keijzer	Member of the Board and the Executive Committee and Chairman of the Nomination Committee of the European Chemical Industry Council (Cefic); Member of the Board of Directors at the American Chemistry Council (ACC)
Bill Collins	None
Angela Cackovich	Member of the Advisory Board of Lehmann & Voss & Co. KG, Germany
Jens Cuntze	Member of the Advisory Board of AICM China (Association of International Chemical Manufacturers China)
Christian Vang	None

Report of the Statutory Auditor

KPMG

Report of the statutory auditor

To the General Meeting of Clariant AG, Muttenz

Report on the Audit of the Remuneration Report

Opinion
We have audited the Remuneration Report of Clariant AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the following tables:

section **Board of Directors Compensation and Share Ownership 2023**
- 2023 Annual Compensation to Members of the Board of Directors, Gross in CHF
- Shares held by the Members of the Board of Directors

section **Executive Steering Committee Compensation and Share Ownership 2023**
- 2023 Annual Compensation to Members of the Executive Steering Committee, Gross in CHF
- Shares held by the Members of the Executive Steering Committee

of the Remuneration Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the accompanying Remuneration Report complies with Swiss law and the Company’s articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Remuneration Report” section of our report. We are independent of the Company 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.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but excludes the audited information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables listed in the “Opinion” in Remuneration Report, the consolidated financial statements, the stand-alone financial statements, and our auditor’s reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report, 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.

Board of Directors' Responsibilities for the Remuneration Report
The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Remuneration Report
Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is 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 SA-CH 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 based on this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Martin Rohrbach
Licensed Audit Expert
Auditor in Charge

Cyrill Kaufmann
Licensed Audit Expert

Basel, 28 February 2024

Enclosure:
- Remuneration Report

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

CLARIANT

Financial Report

Between balance and return

In the Financial Report, we feature the IFRS Financial Statements of the Clariant Group, a Five-Year Overview, the Financial Statements of Clariant Ltd., the Reports of the Statutory Auditor and the Alternative Performance Measures.

Balance | Return

CLARIANT

Consolidated Balance Sheets

Assets

CONSOLIDATED BALANCE SHEETS

at 31 December 2023 and 2022	Notes [1]	**31.12.2023 in CHF m**	in %	31.12.2022 in CHF m	in %
Assets					
Non-current assets					
Property, plant, and equipment	5	1 439		1 549	
Right-of-use assets	7	171		240	
Intangible assets	6	911		997	
Investments in associates and joint ventures	8	236		327	
Financial assets	9	199		225	
Net defined benefit assets	20	44		61	
Deferred tax assets	10	129		120	
Total non-current assets		**3 129**	**58.5**	**3 519**	**56.9**
Current assets					
Inventories	11	624		796	
Trade receivables	12	567		725	
Other current assets	13	355		326	
Income tax receivables		78		54	
Short-term deposits	14	105		324	
Cash and cash equivalents	15	488		394	
Total current assets		**2 217**	**41.5**	**2 619**	**42.3**
Assets held for sale	25	**1**	**0.0**	**50**	**0.8**
Total assets		**5 347**	**100.0**	**6 188**	**100.0**

[1] The notes form an integral part of the consolidated financial statements.

Consolidated Balance Sheets

Equity and Liabilities

CONSOLIDATED BALANCE SHEETS

at 31 December 2023 and 2022	Notes [1]	**31.12.2023 in CHF m**	in %	31.12.2022 in CHF m	in %
Equity and liabilities					
Equity					
Share capital	17	724		863	
Treasury shares (par value)	17	–7		–8	
Other reserves		–1 385		–1 165	
Retained earnings		2 686		2 651	
Total capital and reserves attributable to Clariant Ltd shareholders		**2 018**		**2 341**	
Non-controlling interests		162		172	
Total equity		**2 180**	**40.8**	**2 513**	**40.6**
Liabilities					
Non-current liabilities					
Financial debts	18	765		870	
Deferred tax liabilities	10	25		27	
Net defined benefit liability	20	473		488	
Lease liabilities	7	136		195	
Other liabilities	22	26		55	
Provisions	21	153		178	
Total non-current liabilities		**1 578**	**29.5**	**1 813**	**29.3**
Current liabilities					
Trade payables and other liabilities	22	740		1 009	
Financial debts	23	333		355	
Income tax liabilities		160		233	
Lease liabilities	7	115		44	
Provisions	21	241		215	
Total current liabilities		**1 589**	**29.7**	**1 856**	**30.0**
Liabilities directly associated with assets held for sale	25	**–**	**–**	**6**	**0.1**
Total liabilities		**3 167**	**59.2**	**3 675**	**59.4**
Total equity and liabilities		**5 347**	**100.0**	**6 188**	**100.0**

[1] The notes form an integral part of the consolidated financial statements.

Consolidated Income Statements

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2023 and 2022	Notes [1]	**2023 in CHF m**	in %	2022 in CHF m	in %
Sales	24	4 377	100.0	5 198	100.0
Costs of goods sold		–3 268		–4 173	
Gross profit		**1 109**	**25.3**	**1 025**	**19.7**
Selling, general, and administrative costs		–709		–834	
Research and development costs		–160		–160	
Income from associates and joint ventures	8	42		41	
Operating income		**282**	**6.4**	**72**	**1.4**
Finance income	28	44		18	
Finance costs	28	–108		–84	
Income before taxes		**218**	**5.0**	**6**	**0.1**
Taxes	10	–5		–107	
Net result from continuing operations		**213**	**4.9**	**–101**	**–1.9**
Attributable to:					
Shareholders of Clariant Ltd		168		–133	
Non-controlling interests		45		32	
Net result from discontinued operations	25	**–34**		**217**	
Attributable to:					
Shareholders of Clariant Ltd		–34		217	
Non-controlling interests		–		–	
Net income		**179**		**116**	
Attributable to:					
Shareholders of Clariant Ltd		134		84	
Non-controlling interests		45		32	
Basic earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	29	0.51		–0.40	
Discontinued operations	29	–0.10		0.66	
Total		**0.41**		**0.26**	
Diluted earnings per share attributable to the shareholders of Clariant Ltd (CHF/share)					
Continuing operations	29	0.51		–0.40	
Discontinued operations	29	–0.10		0.66	
Total		**0.41**		**0.26**	

[1] The notes form an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2023 and 2022	Notes [1]	**2023 in CHF m**	2022 in CHF m
Net income		**179**	**116**
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Actuarial gain/loss on net defined benefit liability	20	–80	486
Return on retirement benefit plan assets, excluding amount included in interest expense	20	25	–355
Limitation on recognition of net pension assets	20	18	–58
Fair value adjustment on financial assets	9	–55	–4
Deferred tax effect to these items	10	7	–22
Items that may be reclassified subsequently to the income statement			
Net investment hedge	30	6	20
Cash flow hedge		1	–4
Currency translation differences		–242	–133
Share in other comprehensive income of associates and joint ventures	8	–11	9
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities		–2	76
Other comprehensive income for the period, net of tax		**–333**	**15**
Total comprehensive income for the period		**–154**	**131**
Attributable to:			
Shareholders of Clariant Ltd		–182	115
Non-controlling interests		28	16
Total comprehensive income for the period		**–154**	**131**
Total comprehensive income attributable to shareholders of Clariant Ltd arising from:			
Continuing operations		–148	–178
Discontinued operations		–34	293
Total comprehensive income attributable to shareholders of Clariant Ltd		**–182**	**115**

[1] The notes form an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Other reserves						
in CHF m	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 1 January 2023	**863**	**–8**	**259**	**–3**	**–1 421**	**–1 165**	**2 651**	**2 341**	**172**	**2 513**
Net income						–	134	134	45	179
Cash flow hedge				1		1		1		1
Net investment hedge					6	6		6		6
Remeasurements						–	–37	–37		–37
Fair value adjustment on financial assets (see note 9)						–	–55	–55		–55
Deferred tax on remeasurements and fair value adjustment (see note 10)						–	7	7		7
Currency translation differences					–225	–225		–225	–17	–242
Share in other comprehensive income of associates and joint ventures (see note 8)						–	–11	–11		–11
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					–2	–2		–2		–2
Total comprehensive income for the period	**–**	**–**	**–**	**1**	**–221**	**–220**	**38**	**–182**	**28**	**–154**
Reduction in share capital	–139	1				–		–138		–138
Dividends to non-controlling interests						–		–	–38	–38
Employee share scheme:										
Effect of employee services						–	–1	–1		–1
Treasury share transactions						–	–2	–2		–2
Balance 31 December 2023	**724**	**–7**	**259**	**–2**	**–1 642**	**–1 385**	**2 686**	**2 018**	**162**	**2 180**

Consolidated Statements of Changes in Equity

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

			Other reserves							
in CHF m	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 1 January 2022	**996**	**–8**	**259**	**1**	**–1 400**	**–1 140**	**2 510**	**2 358**	**186**	**2 544**
Net income						–	84	84	32	116
Cash flow hedge				–4		–4		–4		–4
Net investment hedge					20	20		20		20
Remeasurements						–	73	73		73
Fair value adjustment on financial assets (see note 9)						–	–4	–4		–4
Deferred tax on remeasurements and fair value adjustment (see note 10)						–	–22	–22		–22
Currency translation differences					–117	–117		–117	–16	–133
Share in other comprehensive income of associates and joint ventures (see note 8)						–	9	9		9
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities					76	76		76		76
Total comprehensive income for the period	**–**	**–**	**–**	**–4**	**–21**	**–25**	**140**	**115**	**16**	**131**
Reduction in share capital	–133	1				–		–132		–132
Dividends to non-controlling interests						–		–	–21	–21
Effect of disposal						–		–	–9	–9
Employee share scheme:										
Effect of employee services						–	2	2		2
Treasury share transactions		–1				–	–1	–2		–2
Balance 31 December 2022	**863**	**–8**	**259**	**–3**	**–1 421**	**–1 165**	**2 651**	**2 341**	**172**	**2 513**

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 2023 and 2022	Notes [1]	**2023 in CHF m**	2022 in CHF m
Net income		**179**	**116**
Reversal of non-cash income and expenses	16	356	641
Dividends received from associates and joint ventures	8	44	40
Payments for restructuring		–45	–32
Cash flow before changes in net working capital and provisions		**534**	**765**
Changes in net working capital and provisions	16	–2	–143
Cash generated from operating activities		**532**	**622**
Income taxes paid		–111	–120
Net cash generated from operating activities		**421**	**502**
Cash flows from investing activities:			
Investments in property, plant, and equipment	5	–205	–209
Investments in intangible assets	6	–2	–3
Investments in financial assets, associates, and joint ventures	8, 9	–27	–1
Investments in business combinations	27	–	–64
Changes in current financial assets and short-term deposits		155	–302
Interest received [2]		41	14
Proceeds from the disposal of property, plant, and equipment and intangible assets		7	9
Proceeds from the disposal of associates, joint ventures, and financial assets	8	4	131
Proceeds from the disposal of activities not qualifying as discontinued operations	26	113	–
Proceeds from the disposal of discontinued operations	25	–	579
Net cash generated from investing activities		**86**	**154**
Cash flows from financing activities:			
Purchase of treasury shares		–8	–8
Distribution to the shareholders of Clariant Ltd	17	–138	–132
Dividends paid to non-controlling interests		–38	–21
Proceeds from financial debts		196	204
Repayments of financial debts		–308	–602
Repayments of lease liabilities	7	–51	–53
Interest paid		–38	–43
Interest paid for leases	7	–9	–11
Net cash used in financing activities		**–394**	**–666**
Currency translation effect on cash and cash equivalents		–19	–11
Net change in cash and cash equivalents		**94**	**–21**
Cash and cash equivalents at the beginning of the period	15	**394**	**415**
Cash and cash equivalents at the end of the period	15	**488**	**394**

[1] The notes form an integral part of the consolidated financial statements.
[2] In 2023, interest received was reclassified from financing activities to investing activities. Prior year figures have been restated accordingly.

Notes to the Consolidated Financial Statements

1. Material 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 28 February 2024. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 9 April 2024.

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) Accounting Standards as issued by the International Accounting Standards Board (IASB), the IFRIC interpretations applicable to companies reporting under IFRS, and with the material accounting policies set out below. The consolidated financial statements have been prepared under the historical cost convention, except for items that are required to be accounted for at fair value.

The preparation of financial statements requires the use of certain accounting estimates. It also requires Management to exercise its judgment in applying the Group's accounting policies.

These estimates and judgments affect the reported amounts of assets, liabilities, and the disclosure of contingent amounts 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 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 – Standards, interpretations, and amendments effective in 2023

The Group has applied the following amendments to IFRS issued by the IASB for the period commencing 1 January 2023:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 8 – Definition of Accounting Estimates;
- International Tax Reform – Pillar Two Model Rules – amendments to IAS;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.

The adoption of the amendments did not have any significant impact on the amounts recognized in the reporting period or prior periods and are not expected to significantly affect future periods.

1.04 – Standards, interpretations, and amendments not yet effective

Certain new and amended accounting standards and interpretations that have been published are not mandatory for the reporting period ended on 31 December 2023 and have not been adopted early by the Group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

1.05 – 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:** 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 generally apply the same accounting principles as the Group.

1.06 – 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 non-controlling interests are separately disclosed in the income statement and in the balance sheet.

1.07 – 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 goods or services. Revenue from sales of goods is recognized in the income statement when control has been transferred to the buyer based on the terms of the sales contract, which is at the point in time of shipment to or receipt of the products by the customer, at a fixed or determinable price, and when collectability is reasonably assured. 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 revenue 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.

1.08 – Recognition of revenue 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.

1.09 – 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.

For economic environments whose functional currencies have experienced a cumulative inflation rate of more than 100 % over the past three years, the principles of IAS 29, Financial reporting in Hyperinflationary Economies, have to be applied. The hyperinflationary economies in which Clariant operates are Argentina and Türkiye. Both countries were hyperinflationary for the periods presented. The impacts of applying Hyperinflation accounting are recorded in »Financial costs«.

Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on 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 holds an interest in a subsidiary that includes translation differences on a foreign operation, while retaining control of 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.

1.10 – Property, plant, and equipment

Property, plant, and equipment, except for those 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 or value-in-use calculations.

1.11 – 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 based on an index at the commencement day 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 upon 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 5000 and lease contracts with a duration of up to twelve months are recognized on a straight-line basis over the lease term in the income statement.

1.12 – Intangible assets

Goodwill is recognized at the acquisition date of a business combination and is the excess of the consideration transferred over the underlying fair value of the net identified assets acquired. Goodwill is not amortized but tested annually for impairment.

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 amortized 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

Mining rights are amortized over their useful lives using the units of production method.

REACH costs were capitalized until the end of 2020 and amortized over a period of 12 years. Since 2021, REACH costs are expensed as incurred.

1.13 – Impairment of assets

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Goodwill is tested for impairment annually. The recoverable amount is the higher of fair value less costs of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in the income statement.

1.14 – Non-current assets and disposal groups held for sale

Non-current 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. Assets classified as held for sale are not depreciated or amortized.

1.15 – 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 value is used for the costs of goods sold in the income statement. Adjustments are made for inventories with a lower net realizable value. Unsalable inventories are fully written off. These adjustments 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, removed from the balance sheet.

1.16 – Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. 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.

The Group applies the simplified approach to measure 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.

1.17 – 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 current financial debt.

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.

1.18 – Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value through profit or 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. The full fair value of a hedging derivative is classified as a non-current 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.

— **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.

1.19 – 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 determining income tax payments (reimbursements) for the reporting period in accordance with the prevailing local income tax rates.

1.20 – Deferred income tax

Deferred income tax is calculated using the comprehensive liability method. 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 at least yearly.

1.21 – Employee benefits

Group companies operate various post-employment schemes, including both defined-benefit and defined-contribution pension plans, post-employment healthcare 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 net defined benefit liability 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 net defined benefit 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 healthcare 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.

1.22 – Provisions

Provisions are recognized when Clariant has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

All non-current provisions are discounted to reflect the time value of money, when material. Discount rates reflect current market assessments of the time value of money and the risk specific to the provisions in the respective countries.

1.23 – Research and development

Considering the uncertainties inherent in the development of new key products, Clariant does not capitalize the associated development costs, as the criteria set up by IAS 38, Intangible Assets, for capitalization are not met. 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.

1.24 – 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 Steering Committee.

Under the new operating model, Clariant has three business units (BUs), which also represent the reportable segments, in accordance with IFRS 8, Operating Segments:
- Care Chemicals
- Catalysts
- Adsorbents & Additives

The Business Unit **Care Chemicals** consists of the following businesses: Personal & Home Care, Crop Solutions, Industrial Applications, Base Chemicals, Oil Services, and Mining Solutions. The Business Unit has a clear focus on highly attractive, high-margin, and low-cyclicality segments with a large share of the business being consumer-facing in Consumer Care and Industrial Applications.

The Business Unit **Catalysts** includes the following businesses: Propylene, Specialties, Syngas & Fuels, Ethylene, and Biofuels & Derivatives. The Business Unit 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. This Business Unit experiences a cyclicality in line with the investment cycle of the petrochemical industry.

The Business Unit **Adsorbents & Additives** comprises the following businesses: Purification, Foundry & Specialties, and Cargo & Device Protection in the regions EMEA, APAC, and Americas on the Adsorbents side, as well as Coatings & Adhesives, Plastics, and E-Mobility & Electronics in Additives. The Business Unit creates value through enhanced sustainability benefits, for example, by enabling material circularity and by reducing customers' dependency on fossil resources to reduce CO_2 emissions.

Discontinued operations comprised the Business Unit Pigments, which was reclassified to discontinued operations on 30 June 2019 and sold on 3 January 2022.

Corporate: Income and expenses relating to Corporate include the costs of the corporate headquarter and some of the corporate coordination functions in major countries. In addition, Corporate includes certain items of income and expense that are not directly attributable to specific business units, like central R&D costs.

The Group's business units 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.

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. Usually no allocation of Corporate items is made to the segments. Interest income, interest expense, and taxes are not allocated to segments.

The Executive Steering Committee assesses the performance of the operating segments based on income statement parameters like third-party sales, EBITDA, operating result, and cash flow. The return on the capital invested in each segment is measured by the Return on Net Assets (RONA).

1.25 – 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.

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.

1.26 – Treasury shares

Treasury shares are deducted from equity at their par value of CHF 2.18 per share (2022: CHF 2.60 per share). Differences between this amount and the amount paid for acquiring, or received for disposing of, treasury shares are recorded in retained earnings.

1.27 – Financial debt

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 or 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.

Except for derivatives, there are no current financial liabilities valued at fair value through profit or loss.

1.28 – Financial assets

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. The fair value valuation is based on multiples of projected earnings and discounted cash flows.

There are currently no financial assets at fair value though profit or loss, except for derivatives.

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 or 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.

1.29 – Business combinations

The Group applies the acquisition method to account for business combinations in accordance with IFRS 3, Business Combinations, and recognizes any non-controlling interests in the acquiree at fair value (full goodwill method).

Acquisition-related costs are expensed as incurred.

2. Enterprise Risk Management Identification, Assessment, and Management

Within the framework of the Enterprise Risk Management Policy, risk assessments are prepared by business units and global 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 Steering Committee. The Executive Steering Committee is responsible for monitoring the risk assessments for relevance and consistency. The Executive Steering 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 Steering 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 Steering 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 and Health Affairs (ESHA), to identify key sites for their property risk survey program, and Global Function Procurement, to ensure reliable and compliant supply of raw materials.

Examples of identified risks included in the risk register:

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) Regulations on Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) and similar regulations in other countries.

The Global Function 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 business objectives. The aim is to maintain high-quality and safe production facilities. ESHA is responsible for the management of the associated risks.

Cyber and information security

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. Clariant is responding to the increased cyber risk with a reinforced information security department, state-of-the-art software, and frequent awareness campaigns.

Examples of emerging risks included in the risk register:

Energy price increases and shortages

The Clariant Group requires energy from various sources for use in production facilities with strong reliance on oil, natural gas, and electricity. Costs for natural gas and energy in general constitute a relevant proportion of the production and raw material costs. Clariant may not be able to pass on increasing energy costs to its customers in time or at all. In addition, shortages or the unavailability of certain types of energy could interrupt the production processes, thereby materially and adversely impacting the Group's ability to conduct its business and to produce its products. Clariant is closely monitoring the situation to secure supply, mitigate price increases, and strictly manage margins.

Geopolitical and macroeconomic development

The achievement of corporate targets depends on global economic and political developments, which are continuously monitored in all markets. Economic uncertainty has increased, and the growth of the global economy could be lower than expected due to geopolitical tensions and/or global recession. If conditions in the global economy or the key markets in which the Group operates deteriorate, the Group may experience an adverse impact. Clariant will respond by developing different multi scenarios for all businesses including performance programs.

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, funding risk, and 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, non-derivative 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 Steering 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 and non-derivative financial instruments, as well as written principles for the investment of 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 are allowed to use 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 30.
- **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 2023, if the euro had strengthened/weakened by 6 % (2022: 8 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 1 million lower/higher (2022: CHF 15 million lower/higher), mainly as a result of foreign exchange gains/losses on the translation of the euro-denominated financing, cash and cash equivalents, and intragroup financing. Equity would have been CHF 49 million higher/lower (2022: CHF 85 million higher/lower), 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 2023, if the US dollar had strengthened/weakened by 8 % (2022: 10 %) against the Swiss franc with all other variables held constant, pre-tax profit for the year would have been CHF 8 million higher/lower (2022: CHF 2 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 57 million higher/lower (2022: CHF 76 million higher/lower), 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 2023 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 2023, the group had a net exposure on assets side, as a result of higher cash than financial debt issued at variable 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 or 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 2023 and end of 2022). At 31 December 2023, if the CHF interest rates on net current financial debt, including certificates of indebtedness with variable interest rates after 12 months, had been 100 basis point higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 1.82 million higher/lower (2022: CHF 1.21 million higher/lower for a CHF interest rate shift of 100 basis point).

  At 31 December 2023, if the USD interest rates on net current financial debt issued, including certificates of indebtedness with variable interest rates after 12 months, had been 100 basis point higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.08 million lower/higher (2022: CHF 0.16 million lower/higher for a USD interest rate shift of 100 basis point). At 31 December 2023, if the euro interest rates on net current financial debt issued, including certificates of indebtedness with variable interest rates after 12 months, had been 100 basis point higher/lower with all other variables held constant, pre-tax profit for the year would have been CHF 0.18 million higher/lower (2022: CHF 1.70 million higher/lower for a euro interest rate shift of 100 basis point).

3.1.2 – Credit risks

- **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 2023, the Group had a diversified portfolio with more than 10 500 active credit accounts (2022: more than 15 000), with no significant concentration either due to size of customers or due to country risk. 50 % (2022: 55 %) of the accounts receivable are distributed among 272 (2022: 275) 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

	31.12.2023	31.12.2022
Not due yet	88%	91%
Total overdue	12%	9%
– less than 30 days	8%	6%
– more than 30 days	4%	3%

NET TRADE RECEIVABLES PER GROUP INTERNAL RISK CATEGORY

	31.12.2023	31.12.2022
A – low credit risk	23%	24%
B – low to medium credit risk	34%	34%
C – medium to above-average risk	28%	29%
D – high credit risk	15%	12%
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 »BBB-« 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 euro cash pooling structure with a leading European bank, over which most European subsidiaries execute their cash transactions denominated in euro. A US dollar 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-« (2022: A-) and the US bank being rated »A+« (2022: A+) by the most important rating agencies, Clariant does not consider this to pose any particular counterparty risk.

At the balance sheet date, 86 % (2022: 80 %) of the total cash and cash equivalents and short-term deposits were held with five banks (2022: five banks), each with a position between CHF 15 million and CHF 194 million (2022: between CHF 42 million and CHF 202 million). All of these banks are rated »A-« (2022: »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 the USD cash pools):

Counterparty	Rating	**31.12.2023**
Bank 1	A-	28%
Bank 2	A+	8%
Bank 3	A+	3%

Counterparty	Rating	31.12.2022
Bank 1	A-	25%
Bank 2	A+	10%
Bank 3	AA+	6%

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 2023, the Group held money market funds of CHF 264 million (2022: CHF 354 million), of which CHF 105 million have an initial tenor of more than 90 days (2022: CHF 324 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 2023

in CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	317	161	582	–
Interest on borrowings	22	17	26	–
Lease liabilities	115	28	60	48
Trade payables and other liabilities	740	18	8	–
Derivative financial instruments	16	22	–	–

AT 31 DECEMBER 2022

in CHF m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	355	266	563	17
Interest on borrowings	19	15	24	–
Lease liabilities	46	32	67	99
Trade payables and other liabilities	1 009	4	10	41
Derivative financial instruments	–	8	17	–

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 2023: CHF 593 million vs. 31 December 2022: CHF 718 million), out of uncommitted open cash pool limits and bank credit lines (31 December 2023: CHF 106 million vs. 31 December 2022: CHF 114 million), as well as out of additional uncommitted net working capital facilities and the issuance of capital market instruments.

On 6 March 2023, Clariant Ltd replaced a previous revolving credit facility (RCF) with a new KPI-linked RCF agreement of CHF 450 million (2022: CHF 445 million). The new agreement is structured as a five-year multicurrency revolving credit facility with two one-year extension options, split in two tiers taken by seven and five banks for each. The RCF is structured as a »back-stop« 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.

Four KPIs are defined for the RCF: GHG (Greenhouse Gas) Emissions – Scope 1 and 2; GHG Emissions – Scope 3; Water Intake; Gender Diversity. The new KPI-linked RCF demonstrates Clariant's commitment to support sustainable growth and to embed the strategy and ambitions in its financing.

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.

Carrying amounts and fair values of financial instruments by category:

FINANCIAL INSTRUMENTS BY ASSETS CLASS

At 31 December 2023 in CHF m	Financial instruments mandatorily at fair value through profit or loss	Financial instruments at fair value through OCI	Fair value – hedging instruments	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amount	Fair value
Trade receivables	–	–	–	567	–	567	567
Short-term deposits	–	–	–	105	–	105	105
Cash and cash equivalents	–	–	–	488	–	488	488
Non-current financial assets	–	199	–	–	–	199	199
Other current assets (excl. derivatives)	–	–	–	354	–	354	354
Derivative financial instruments	–	–	1	–	–	1	1
Total financial assets	**–**	**199**	**1**	**1 514**	**–**	**1 714**	**1 714**
Trade payables and other liabilities	–	–	–	–	740	740	740
Non-current other liabilities	–	–	–	–	26	26	26
Straight bonds	–	–	–	–	685	685	685
Other debt	–	–	–	–	375	375	375
Current lease liabilities	–	–	–	–	115	115	115
Non-current lease liabilities	–	–	–	–	136	136	136
Derivative financial instruments	–	–	38	–	–	38	38
Total financial liabilities excl. trade payables and other liabilities	**–**	**–**	**38**	**–**	**1 311**	**1 349**	**1 349**
Total financial liabilities	**–**	**–**	**38**	**–**	**2 077**	**2 115**	**2 115**

At 31 December 2022 in CHF m	Financial instruments mandatorily at fair value through profit or loss	Financial instruments at fair value through OCI	Fair value – hedging instruments	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying amount	Fair value
Trade receivables	–	–	–	725	–	725	725
Short-term deposits	–	–	–	324	–	324	324
Cash and cash equivalents	–	–	–	394	–	394	394
Non-current financial assets	–	186	–	39	–	225	225
Other current assets (excl. derivatives)	–	–	–	324	–	324	324
Derivative financial instruments	–	–	2	–	–	2	2
Total financial assets	**–**	**186**	**2**	**1 806**	**–**	**1 994**	**1 994**
Trade payables and other liabilities	–	–	–	–	1 009	1 009	1 009
Straight bonds	–	–	–	–	535	535	529
Other debt	–	–	–	–	665	665	665
Current lease liabilities	–	–	–	–	44	44	44
Non-current lease liabilities	–	–	–	–	195	195	195
Liabilities associated with assets held for sale	–	–	–	–	6	6	6
Derivative financial instruments	–	–	25	–	–	25	25
Total financial liabilities excl. trade payables and other liabilities	**–**	**–**	**25**	**–**	**1 445**	**1 470**	**1 464**
Total financial liabilities	**–**	**–**	**25**	**–**	**2 454**	**2 479**	**2 473**

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 2023, the 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 30). There were no transfers between the levels in 2023 and 2022.

3.3 – Hedge accounting

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 and movements in the hedging reserve in shareholders' equity are disclosed in → note 30.

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 non-current 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 2023 and 2022 respectively:

in CHF m	**2023**	2022
Total equity	2 180	2 513
Total financial liabilities excl. trade payables and other liabilities	1 349	1 464
Less cash and cash equivalents and short-term deposits	–593	–718
Less assets held for sale (net of liabilities related to assets held for sale)	–1	–44
Cash needed for operating purposes	88	104
Invested capital	**3 023**	**3 319**

At the end of 2023, Clariant considers the invested capital to be adequate.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances prevailing when these are made.

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

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of all cash-generating units have been determined based on value-in-use calculations, which requires management to apply assumptions (see → note 6).

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 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).

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 defined 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 healthcare costs, average life expectancy, and discount rates. Substantial changes in the assumed development of any of these variables may significantly change the Group's net defined benefit liability and asset (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 non-occurrence 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.

5. Property, plant, and equipment

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2023**
Cost						
At 1 January	**270**	**999**	**2 211**	**280**	**178**	**3 938**
Additions	1	15	28	10	151	205
Business combination adjustment (see note 27)	–	–15	–	–	–	–15
Disposals	–1	–13	–20	–13	–	–47
Reclassifications	–	36	59	8	–103	–
Exchange rate differences	–17	–77	–163	–21	–20	–298
At 31 December	**253**	**945**	**2 115**	**264**	**206**	**3 783**
Accumulated depreciation and impairment						
At 1 January	**–71**	**–517**	**–1 591**	**–210**	**–**	**–2 389**
Disposals	–	10	19	12	–	41
Depreciation	–	–35	–113	–17	–	–165
Impairment	–2	–	–1	–1	–	–4
Exchange rate differences	4	37	117	15	–	173
At 31 December	**–69**	**–505**	**–1 569**	**–201**	**–**	**–2 344**
Net book value	**184**	**440**	**546**	**63**	**206**	**1 439**

The value of property, plant, and equipment acquired by way of a business acquisition in the previous year has been adjusted during the measurement period in 2023, which resulted in a decrease of CHF 15 million. See also → note 27.

Impairments recognized in the income statement in 2023 relating to the announced closure of the bioethanol plant in Podari, Romania, and the downsizing of related activities in Germany amounted to CHF 2 million. In 2022, impairments of CHF 220 million were recognized on the plant in Romania.

An impairment of CHF 13 million was recognized in 2022 pertaining to the North America Land Oil business.

The assets pertaining to the North America Land Oil business as well as the ones pertaining to the Quats business had been reclassified to held for sale in 2022 and were sold in 2023. See also → note 26.

Finally, as a consequence of the war on Ukraine, local assets were subject to impairment in the course of 2022 (CHF 3 million).

Exchange rate differences mainly arise from the changes in the euro/Swiss franc, Chinese renminbi/Swiss franc, and US dollar/Swiss franc exchange rates. All these currencies significantly devalued against the Swiss franc in 2023.

As at 31 December 2023, commitments for the purchase of property, plant, and equipment concerned various projects mainly in Germany, China, and US and totaled CHF 78 million (2022: CHF 54 million).

Additions in 2023 include CHF 45 million (2022: CHF 48 million) of investments in a first and second production line for halogen-free flame retardants in Daya Bay, China.

in CHF m	Land	Buildings	Machinery and equipment	Furniture, vehicles, computer hardware	Assets under construction	**Total 2022**
Cost						
At 1 January	**265**	**943**	**2 082**	**291**	**400**	**3 981**
Additions	1	9	52	13	134	209
Acquired in business combinations (see note 27)	8	43	11	1	–	63
Reclassified to/from held for sale (see note 25)	–3	–38	–57	–11	–4	–113
Disposals	–2	–9	–55	–21	–1	–88
Reclassifications	12	77	232	17	–337	1
Exchange rate differences	–11	–26	–54	–10	–14	–115
At 31 December	**270**	**999**	**2 211**	**280**	**178**	**3 938**
Accumulated depreciation and impairment						
At 1 January	**–75**	**–468**	**–1 421**	**–227**	**–**	**–2 191**
Reclassified to/from held for sale (see note 25)	–	29	45	10	–	84
Disposals	–	7	48	20	–	75
Depreciation	–	–36	–130	–18	–	–184
Impairment	–	–65	–170	–1	–	–236
Exchange rate differences	4	16	37	6	–	63
At 31 December	**–71**	**–517**	**–1 591**	**–210**	**–**	**–2 389**
Net book value	**199**	**482**	**620**	**70**	**178**	**1 549**

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.

At the end of 2023, investment properties are almost entirely located in Germany and Switzerland. The key financial data of the Group's investment properties is as follows:

in CHF m	**31.12.2023**	31.12.2022
Investment properties		
Cost	288	303
Accumulated depreciation	-177	-183
Net book value	**111**	**120**
Estimated fair value of investment	179	185
	2023	2022
Depreciation	-3	-2
Income [1]	9	9
Expected lease income		
Minimum p.a. in the next 5 years	6-8	6-8
For periods after 5 years until contract expiry	145	158

[1] recorded in SG&A in the segment »Corporate«

6. Intangible assets

in CHF m	**Goodwill**	**Technology**	**Customer relationships**	**Trade names**	**Other**	**Total 2023**
Cost						
At 1 January	**1 020**	**197**	**277**	**86**	**287**	**1 867**
Additions	–	–	–	–	2	2
Business combination adjustment (see note 27)	16	–	–	–	–	16
Disposals	–147	–	–22	–	–18	–187
Exchange rate differences	–74	–4	–8	–	–16	–102
At 31 December	**815**	**193**	**247**	**86**	**255**	**1 596**
Accumulated amortization and impairment						
At 1 January	**–150**	**–177**	**–245**	**–80**	**–218**	**–870**
Disposals	147	–	22	–	18	187
Amortization	–	–4	–6	–	–10	–20
Impairment	–	–1	–	–	–2	–3
Exchange rate differences	2	3	5	–1	12	21
At 31 December	**–1**	**–179**	**–224**	**–81**	**–200**	**–685**
Net book value	**814**	**14**	**23**	**5**	**55**	**911**

in CHF m	Goodwill	Technology	Customer relationships	Trade names	Other	**Total 2022**
Cost						
At 1 January	**1 052**	**228**	**371**	**91**	**303**	**2 045**
Additions	–	–	–	–	3	3
Acquired in business combinations (see note 27)	1	–	–	–	1	2
Disposals	–	–	–	–	–3	–3
Reclassified to held for sale	–	–27	–96	–5	–10	–138
Exchange rate differences	–33	–4	2	–	–7	–42
At 31 December	**1 020**	**197**	**277**	**86**	**287**	**1 867**
Accumulated amortization and impairment						
At 1 January	**–5**	**–189**	**–268**	**–86**	**–217**	**–765**
Disposals	–	–	–	–	2	2
Amortization	–	–7	–13	1	–19	–38
Impairment	–152	–11	–61	–	–	–224
Reclassified to held for sale	–	27	96	5	10	138
Exchange rate differences	7	3	1	–	6	17
At 31 December	**–150**	**–177**	**–245**	**–80**	**–218**	**–870**
Net book value	**870**	**20**	**32**	**6**	**69**	**997**

The preliminary goodwill related to the acquisition of the US-based attapulgite business assets acquired from BASF in 2022 was adjusted during the measurement period in 2023 and amounted to a final goodwill of CHF 17 million (see → note 27).

In 2022, impairment losses were recognized in the amount of CHF 224 million, mainly related to the North America Land Oil business which was disposed of to Dorf Ketal in 2023.

Impairment test for goodwill. Goodwill is allocated to the Group's cash-generating units (CGUs). Clariant has identified the following CGUs: CGU Care Chemicals (reportable segment Care Chemicals; includes the former CGU Industrial & Consumer Specialties and Oil & Mining Services from 2022), CGU Catalysts (part of reportable segment Catalysts), CGU Biofuels & Derivatives (part of reportable segment Catalysts), CGU Adsorbents (part of reportable segment Adsorbents & Additives; includes the former CGU Functional Minerals from 2022), and the CGU Additives (part of reportable segment Adsorbents & Additives).

Goodwill is allocated to the following CGUs:

in CHF m	**31.12.2023**	31.12.2022
Care Chemicals	116	125
Catalysts	560	612
Adsorbents	138	133
Total	**814**	**870**

The recoverable amount for all CGUs is determined based on their value-in-use. The value-in-use calculations use cash flow projections based on the updated strategic plans up to 2025 as approved by the Executive Steering Committee and presented to the Board of Directors, and forecast for the period 2026-2028. 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 pre-tax discount rates used are based on the Group's weighted-average cost of capital. The assumed pre-tax discount rate was 12.75% for all cash-generating units (2022: 12.66%).

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 growth and 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.

The estimated recoverable amount of the CGU Catalysts exceeds its carrying amount, including goodwill, by CHF 263 million. The recoverable amount would be equal to the carrying amount if the assumed average annual sales growth rate during the planning period were reduced by 1.9%, or alternatively, if the operating margin were reduced by 2.6% of sales.

7. Leases

in CHF m	31.12.2023	31.12.2022
Right-of-use assets – net book value		
Leasehold land	25	27
Buildings	102	120
Machinery and equipment	18	81
Furniture, vehicles, computer hardware	26	18
Total	**171**	**246**
Reclassified to held for sale (see note 25)	–	–6
Total as reported in the balance sheet	**171**	**240**
Lease liabilities		
Non-current lease liabilities	136	199
Current lease liabilities	115	46
Total	**251**	**245**
Reclassified to held for sale (see note 25)	–	–6
Total as reported in the balance sheet	**251**	**239**

Additions to the right-of-use assets during 2023 were CHF 43 million (2022: CHF 19 million).

Impairments of right-of-use assets amounting to CHF 82 million have been recognized during the current year, mainly relating to the announced closure of the bioethanol plant in Podari, Romania.

Consolidated income statements include the following amounts relating to leases:

in CHF m	2023	2022
Depreciation expense		
Leasehold land	–3	–3
Buildings	–23	–28
Machinery and equipment	–13	–11
Furniture, vehicles, computer hardware	–11	–12
Total depreciation	**–50**	**–54**
Interest expense, included in finance costs	–9	–10
Expense relating to short-term leases	–6	–9
Expense relating to leases of low-value assets	–2	–3
Total	**–67**	**–77**

The total cash outflow for leases in 2023 was CHF 70 million (2022: CHF 64 million).

There are CHF 4 million of commitments for leases not commenced at year-end 2023 (2022: CHF 4 million).

Potential future cash outflows arising from extension options in the amount of CHF 49 million were not reflected in the measurement of lease liabilities on 31 December 2023 (2022: CHF 67 million).

8. Investments in associates and joint ventures

in CHF m	2023	2022
At 1 January	**327**	**350**
Additions	27	116
Disposals	–	–140
Share in profit	42	41
Remeasurement to fair value	–11	–
Share in other comprehensive income of associates and joint ventures	–11	9
Dividends received	–44	–40
Reclassified to financial assets (see note 9)	–80	–
Exchange rate differences	–14	–9
At 31 December	**236**	**327**
Thereof joint ventures	38	17

The key financial data of the Group's principal associates is as follows:

INVESTMENTS IN ASSOCIATES

	Infraserv GmbH & Co. Höchst KG		Infraserv GmbH & Co. Gendorf KG		Infraserv GmbH & Co. Knapsack KG		Heubach Group		Others	
	Germany		Germany		Germany		Luxembourg			
in CHF m	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Summarized financial information										
Interest held %	33 %	33 %	50 %	50 %	21 %	21 %	20 %	20 %	–	–
Revenue	1 167	1 602	288	362	248	276	–	1 179	65	73
Total comprehensive income	35	113	36	41	1	16	–	–127	15	11
Net income	65	91	37	33	1	16	–	–127	15	11
Other comprehensive income	–30	22	–1	8	–	–	–	–	–	–
Current assets	257	310	100	96	70	69	–	655	46	41
Non-current assets	936	965	173	184	112	117	–	783	8	8
Current liabilities	–207	–225	–68	–71	–67	–40	–	–279	–17	–14
Non-current liabilities	–698	–719	–77	–73	–45	–63	–	–702	–4	–4
Net assets	**288**	**331**	**128**	**136**	**70**	**83**	**–**	**457**	**33**	**31**
Reconciliation of book value										
Book value at the beginning of the period	**110**	**94**	**68**	**66**	**17**	**17**	**91**	**–**	**24**	**53**
Additions	–	–	–	–	–	–	–	116	1	–
Disposals	–	–	–	–	–	–	–	–	–	–33
Share in profit for the period	20	33	18	16	–	3	–	–25	3	6
Remeasurement to fair value	–	–	–	–	–	–	–11	–	–	–
Share in other comprehensive income	–8	5	–	4	–	–	–	–	–	–
Dividends received	–20	–16	–18	–15	–2	–2	–	–	–4	–3
Reclassified to financial assets (see note 9)	–	–	–	–	–	–	–80	–	–	–
Foreign exchange rate differences	–6	–6	–4	–3	–	–1	–	–	–1	1
Book value at the end of the period	**96**	**110**	**64**	**68**	**15**	**17**	**–**	**91**	**23**	**24**
Clariant's share in the book values at the end of the period	**96**	**110**	**64**	**68**	**15**	**17**	**–**	**91**	**23**	**24**

On 3 January 2022, Clariant completed the sale of its Pigments business to a consortium of Heubach and SK Capital. On the same day, Clariant rolled over CHF 116 million to retain a 20 % stake in the new holding company, alongside Heubach and SK Capital. The share of Clariant in the net result from 2022 of CHF 25 million reduced its book value to CHF 91 million at the end of 2022.

As a consequence of changes in the governance structure in the Heubach Group in the beginning of 2023, Clariant no longer has significant influence. The participation has therefore been reclassified in 2023 from »Investments in Associates« to »Financial assets«. Prior to the reclassification, the participation had been devaluated to its fair value, resulting in a loss of CHF 11 million.

The shareholdings in associates summarized under »Others« concern mainly companies specializing in selling Clariant products. The disposals reported in 2022 are part of the sale of the Pigments business.

On 31 December 2023, accumulated unrecognized losses amounted to CHF 5 million (2022: CHF 4 million).

INVESTMENTS IN JOINT VENTURES

	Global Amines group	
in CHF m	**2023**	2022
Summarized financial information		
Interest held %	50 %	50 %
Revenue	278	307
Total comprehensive income	4	9
Net income	2	16
Other comprehensive income	2	–7
Current assets	126	123
Non-current assets	143	79
Current liabilities	–106	–113
Non-current liabilities	–42	–10
Net assets	**121**	**79**
Reconciliation of book value		
Book value at the beginning of the period	**17**	**13**
Additions	26	–
Share in profit for the period	1	8
Share in other comprehensive income	–3	–
Dividends received	–	–4
Foreign exchange rate differences	–3	–
Book value at the end of the period	**38**	**17**
Group's share in net assets at the end of the period	**61**	**40**
Accumulated impairment	–23	–23
Clariant's share in the book values at the end of the period	**38**	**17**

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 Care Chemicals.

In 2023, Clariant participated in a joint capital increase into the Global Amines group, which increased Clariant's share in the book value by CHF 26 million.

Scientific Design Company Inc., headquartered in the United States, is a producer of ethylene and oxide catalysts and has around 140 employees. On 14 April 2022, Clariant sold its 50% participation in this joint venture to the joint venture partner SABIC for a net consideration of CHF 129 million, realizing a gain of CHF 22 million.

9. Financial assets

in CHF m	**2023**	**2022**
At 1 January	**225**	**198**
Additions	–	39
Reclassified from investments in associates and joint ventures (see note 8)	80	–
Write-off	–38	–
Fair value adjustment	–55	–4
Repayments and disposals	–1	–
Exchange rate differences	–12	–8
At 31 December	**199**	**225**

Financial assets include loans to third parties, associates, 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.

On 1 December 2022, the final purchase price for the Pigments business was agreed upon between Clariant and SK Capital / Heubach. Clariant received a vendor loan note in the amount of CHF 55 million, falling due on 3 January 2029 at the latest. Following the increased credit risk, the vendor loan (discounted value of CHF 38 million) was fully written off in 2023.

Additionally, as a consequence of changes in the governance structure in the Heubach Group in the beginning of 2023, Clariant has no longer significant influence. The 20% stake held in the participation was therefore reclassified from »Investments in Associates« to »Financial assets«.

The change in participation values was mainly driven by the fair value estimation performed in 2023 and resulted in a decrease of CHF 55 million, which was recognized in other comprehensive income. The decrease comes from the fair value adjustment to the Heubach participation, partially offset by the increase in the fair value of other participations.

Participations amounted to CHF 199 million in 2023 (2022: CHF 186 million).

The key unobservable inputs used in the fair value estimation of the most material participation, which constitutes 87.8 % of these shareholdings, are as follows: terminal growth rate of 1.5 %, sales growth rate of 1.5 %, long-term pre-tax operating margin of 14.8 %, and weighted-average cost of capital of 9.0 %. The sensitivity analysis shows that if the terminal growth rate had been higher/lower by 0.5 percentage points with all other variables held constant, the fair value would have been CHF 12 million higher/CHF 10 million lower. If the sales growth rate had been higher/lower by 1 percentage point with all other variables held constant, the fair value would have been CHF 4 million higher/lower. If the long-term pre-tax operating margin had been higher/lower by 1 percentage point 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 percentage points with all other variables held constant, the fair value would have been CHF 13 million lower/CHF 15 million higher.

10. Taxes

in CHF m	**2023**	2022
Current income taxes	–14	–88
Deferred income taxes	11	–14
Total taxes	**–3**	**–102**
Thereof reported under discontinued operations	–2	–5
Total continuing operations	**–5**	**–107**

The main elements contributing to the difference between the Group's overall expected tax expense/rate and the effective tax expense/rate are:

	2023		2022	
	in CHF m	in %	in CHF m	in %
Income before taxes from continuing operations	218		6	
Income before taxes from discontinued operations	–36		212	
Income before taxes total	**182**		**218**	
Expected tax expense/rate [1]	**–49**	**26.9**	**–69**	**31.7**
Effect of taxes on items not tax-deductible	–12	6.6	–57	26.1
Effect of utilization and changes in recognition of tax losses and tax credits	4	–2.2	–24	11.0
Effect of tax losses and tax credits of current year not recognized	–44	24.2	–43	19.7
Effect of adjustments to taxes recognized in prior periods	79	–43.4	5	–2.3
Effect of tax-exempt income	19	–10.4	73	–33.5
Effect of other items	–	–	13	–6.0
Effective tax expense/rate	**–3**	**1.6**	**–102**	**46.8**
Thereof reported under discontinued operations	–2	–5.6	–5	–2.4
Effective tax expense/rate continuing operations	**–5**	**2.3**	**–107**	**1 783.3**

[1] Calculated based on the income before tax of each subsidiary (weighted average).

The tax expense from continuing operations decreased to CHF 5 million, compared to CHF 107 million in the prior year. The effective tax rate for the period was positively impacted by the release of tax liabilities for prior periods. These effects were partially offset by the impacts from non-recognized deferred tax assets on operational losses.

OECD Pillar Two model rules. In December 2021, the OECD issued model rules for a new global minimum tax (Pillar Two). Clariant is within the scope of these Pillar Two model rules and closely monitors the progress of the legislative process in each jurisdiction the Group operates in and is assessing the exposure to the Pillar Two legislation for when it comes into effect. The Company has applied the exception to not recognize or disclose information about deferred tax assets and liabilities related to Pillar Two income taxes in accordance with IAS 12.

Of the major countries in which Clariant operates, only the enactment of Pillar Two rules in Switzerland is expected to have an impact to our income tax provision as from 2024. Switzerland implemented the Pillar Two legislation regarding the Qualified Domestic Minimum Top-Up Tax in December 2023. The decision to implement the Income Inclusion and Undertaxed Payment Rule has been postponed.

Clariant estimates that the impact of the changes to tax legislation in the countries that have (substantively) enacted Pillar Two in 2023 would not be material to its consolidated financial position, income statement and cash flows.

The movement of the net deferred income tax balance is as follows:

in CHF m	PPE, RoU assets and intangible assets	Net defined benefit liability / assets	Tax losses and tax credits	Other liabilities and provisions	**Total**	Thereof offset within the same jurisdiction	**Total**
Deferred tax assets at 1 January 2022	155	87	25	114	381	–218	163
Deferred tax liabilities at 1 January 2022	–206	–3	–	–39	–248	218	–30
Net deferred tax balance at 1 January 2022	**–51**	**84**	**25**	**75**	**133**		**133**
Charged/credited to income	23	–5	–30	–2	–14		
Charged/credited to other comprehensive income	–	–23	–	1	–22		
Exchange rate differences	–9	1	5	–1	–4		
Net deferred tax balance at 31 December 2022	**–37**	**57**	**–**	**73**	**93**		**93**
Deferred tax assets at 31 December 2022	119	57	–	107	283	–163	120
Deferred tax liabilities at 31 December 2022	–156	–	–	–34	–190	163	–27
Net deferred tax balance at 1 January 2023	**–37**	**57**	**–**	**73**	**93**		**93**
Charged/credited to income statement	–43	–5	39	20	11		
Charged/credited to other comprehensive income	–	9	–	–2	7		
Exchange rate differences	–	–4	4	–7	–7		
Net deferred tax balance at 31 December 2023	**–80**	**57**	**43**	**84**	**104**		**104**
Deferred tax assets at 31 December 2023	64	57	43	114	278	–149	129
Deferred tax liabilities at 31 December 2023	–144	–	–	–30	–174	149	–25

Of the deferred tax assets capitalized on tax losses, CHF 15 million pertains to tax losses of a Canadian subsidiary, CHF 16 million to tax losses of a German subsidiary, and CHF 7 million to tax losses of Indian subsidiaries.

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 1693 million at the end of 2023 (2022: CHF 2022 million).

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 the US (with a tax rate of 25 %), in Romania (with a tax rate of 16 %), and in the Switzerland (with a tax rate of 15 %).

Tax losses on which no deferred tax assets were recognized are as follows:

in CHF m	**31.12.2023**	31.12.2022
Expiry by:		
2023	–	1
2024	1	2
2025	31	34
2026	6	27
2027	13	-
after 2027 (2022: after 2026)	815	462
Total	**866**	**526**

Temporary differences on which no deferred tax was recognized amount to CHF 595 million in 2023 (2022: CHF 658 million).

11. Inventories

in CHF m	**31.12.2023**	31.12.2022
Raw material, consumables, work in progress	282	363
Finished products	342	452
Total	**624**	**815**
Reclassified to held for sale (see note 25)	–	–19
Total as reported in the balance sheet	**624**	**796**

in CHF m	**2023**	2022
Movements in write-downs of inventories		
At 1 January	**–33**	**–34**
Additions	–38	–20
Reversals	16	12
Effect of disposals	–	7
Exchange rate differences	5	2
At 31 December	**–50**	**–33**

The inventory of the bioethanol plant in Podari, Romania, was written off by CHF 11 million to its net realizable value.

In 2022, a write-off of CHF 2 million was recorded on the inventories of the Ukraine entity.

As of 31 December 2023 and 2022, 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 1 825 million (2022: CHF 2 328 million).

12. Trade receivables

in CHF m	31.12.2023	31.12.2022
Gross accounts receivable – trade	558	709
Gross accounts receivable – related parties	19	26
Less: provision for doubtful accounts receivable	–10	–10
Total trade receivables – net	**567**	**725**

The following summarizes the movement in the provision for doubtful accounts receivable:

in CHF m	2023	2022
At 1 January	**–10**	**–9**
Charged to the income statement	–8	–10
Amounts used	2	2
Unused amounts reversed	4	6
Exchange rate differences	2	1
At 31 December	**–10**	**–10**

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

The maximum credit risk on trade receivables is equal to their carrying amount.

Collaterals are only required in rare cases (less than CHF 1 million in 2023 and 2022).

The loss allowance for trade receivables as of 31 December 2023 and 2022 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 2023						
Expected loss rate (in %)	1.08	10.73	14.29	15.92		
Gross accounts receivables	550	4	2	21	–	577
Loss allowance	**7**	**–**	**–**	**3**	**–**	**10**

in CHF m	Current	30–60 days overdue	61–90 days overdue	More than 90 days overdue	Individually impaired	Total
31 December 2022						
Expected loss rate (in %)	1.13	5.88	6.53	6.76		
Gross accounts receivables	704	7	4	20	–	735
Loss allowance	**9**	**–**	**–**	**1**	**–**	**10**

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

in CHF m	31.12.2023	31.12.2022
EUR	214	287
USD	172	233
CNY	36	36
BRL	44	41
JPY	13	20
INR	29	42
Other	59	66
Total trade receivables – net	**567**	**725**

As of 31 December 2023, trade receivables include an amount of CHF 63 million (2022: CHF 60 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	31.12.2023	31.12.2022
Other receivables	221	246
Current financial assets	98	40
Prepaid expenses and accrued income	36	40
Total	**355**	**326**

Other receivables include, among others, staff loans, deposits, advances, VAT, and sales tax receivables.

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. Additionally derivative financial instruments with a positive value are reported as financial assets.

The book value of current financial assets equals their fair value.

Other receivables and current financial assets are also subject to the impairment requirements of IFRS 9. The identified impairment loss for other receivables was immaterial in 2023 and 2022.

Other receivables are denominated in the following currencies:

in CHF m	31.12.2023	31.12.2022
CHF	13	15
EUR	31	41
USD	15	4
INR	19	31
BRL	44	29
CNY	7	18
JPY	2	3
Other	90	105
Total	**221**	**246**

Current financial assets are denominated in the following currencies:

in CHF m	31.12.2023	31.12.2022
CHF	65	22
USD	16	2
CNY	17	15
Other	–	1
Total	**98**	**40**

The maximum exposure to credit risk of other current assets at the reporting date is equal to their carrying amount.

Cash and cash equivalents are denominated in the following currencies:

in CHF m	31.12.2023	31.12.2022
EUR	106	84
USD	86	89
CHF	174	81
GBP	10	9
CNY	13	38
JPY	8	13
INR	44	32
BRL	11	11
Other	36	37
Total	**488**	**394**

14. Short-term deposits

Short-term deposits are denominated in the following currencies:

in CHF m	31.12.2023	31.12.2022
EUR	39	191
CHF	57	125
INR	9	8
Total	**105**	**324**

15. Cash and cash equivalents

in CHF m	31.12.2023	31.12.2022
Cash at bank and on hand	329	364
Short-term bank deposits	159	30
Total	**488**	**394**

During the year, short-term bank deposits were held predominantly in Swiss francs, in euro, and in US dollars.

The effective average annual interest rate on short-term bank deposits in Swiss francs was 1.74 % (2022: -0.12 %); these deposits have an average maturity of 62 days (2022: 19 days).

The effective average annual interest rate on short-term bank deposits in euro was 3.18 % (2022: 1.30 %); these deposits have an average maturity of 67 days (2022: 60 days).

The effective average annual interest rate on short-term bank deposits in US dollar was 2.30 % (2022: 3.03 %); these deposits have an average maturity of 11 days (2022: 27 days).

At 31 December 2023, there were short-term bank deposits denominated in Swiss francs and in euro outstanding. At the end of 2022, there were no material short-term bank deposits denominated in currencies other than in euro.

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 2023 and 2022	Notes	**2023 in CHF m**	2022 in CHF m
Net income		**179**	**116**
Depreciation of property, plant, and equipment and right-of-use assets	5, 7	216	238
Impairment		89	462
Remeasurement to fair value	9	11	–
Amortization of intangible assets	6	20	38
Impairment of working capital		28	27
Income from associates and joint ventures	8	–42	–41
Tax expense	10	3	102
Net financial income and costs	28	25	46
Gain from disposals not qualifying as discontinued operations	26	–60	–22
Loss/gain on disposals of discontinued operations	25	38	–219
Other non-cash items		28	10
Total non-cash income and expenses		**356**	**641**
Changes in net working capital and provisions			
Changes in inventories		66	–179
Changes in trade receivables		94	–40
Changes in trade payables		–200	77
Changes in other current assets and liabilities		–35	–49
Changes in provisions (excluding payments for restructuring)		73	48
Total changes in net working capital and provisions		**–2**	**–143**

17. Changes in share capital, treasury shares, and non-controlling interests

Registered shares, each with a par value of CHF 2.18 (2022: CHF 2.60)	**Number of shares 2023**	**Par value 2023 in CHF m**	Number of shares 2022	Par value 2022 in CHF m
Share capital at 1 January	**331 939 199**	**863**	**331 939 199**	**996**
Nominal value reduction		–139		–133
Share capital at 31 December	**331 939 199**	**724**	**331 939 199**	**863**
Treasury shares	–3 090 705	–7	–2 922 398	–8
Outstanding share capital at 31 December	**328 848 494**	**717**	**329 016 801**	**855**

	2023	2022
Treasury shares (number of shares)		
Holdings at 1 January	**2 922 398**	**2 822 712**
Shares purchased at market value	573 900	238 862
Shares purchased on exercise of put options	–	200 000
Shares transferred to employees	–405 593	–339 176
Holdings at 31 December	**3 090 705**	**2 922 398**

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 that 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 4 April 2023, the Annual General Meeting of Clariant Ltd approved a distribution through capital reduction by way of a par value reduction from CHF 2.60 to CHF 2.18 per registered share. The payout reduced the share capital by CHF 139 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 2023, the following shareholders held more than 3% of the voting rights in Clariant Ltd:

Shareholders	Voting rights
SABIC International Holdings B.V., Sittard, The Netherlands, controlled by Saudi Arabian Oil Company, Saudi Aramco, P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia	31.50%
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 [1]	3.49%
Standard Latitude Master Fund Ltd, Cayman Islands, controlled by David Winter, New York, USA and David Millstone, Aspen, USA	3.05%

[1] 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 2023 financial year 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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html

On 31 December 2022, 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 Saudi Arabian Oil Company, Saudi Aramco, P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia: 31.50%; BlackRock Inc., New York, United States: 3.80%; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting (Germany), and Maple Beteiligungsgesellschaft mbH, 82057 Icking (Germany): 3.49%.

On 31 December 2023, Clariant Ltd itself held 3 090 705 shares in treasury, corresponding to 0.93% of the share capital.

Non-controlling interests

As at 31 December 2023, non-controlling interests reported are primarily made up of those of the four following companies, representing more than 90% of the minority shares reported:

for the year ended 31 December 2023 in CHF m	Süd-Chemie India Ltd (SCIL)	Clariant IGL Specialty Chemicals	Clariant Huajin Catalysts (Panjin) Ltd	Clariant Catalysts (Japan) K.K.
Summarized financial information				
Non-controlling interest held %	50%	49%	40%	39%
Held by	Private shareholders in India	India-based IGL group	Northern Huajin Chemical Industry Group Co. Ltd	Nissan Chemicals Industries Ltd
Revenue	**240**	**125**	**49**	**140**
At 31 December				
Current assets	121	36	35	47
Non-current assets	74	81	14	18
Current liabilities	–26	–30	–8	–40
Non-current liabilities	–2	–10	–2	–2
Net assets	**167**	**77**	**39**	**23**

18. Non-current financial debts

in CHF m	Interest rate in %	Term	**Notional amount**	**Net amount 31.12.2023**	Net amount 31.12.2022
Certificates of indebtedness	mixed	2015-2023	EUR 150 m	–	148
Certificate of indebtedness	6 m EURIBOR +1.1	2016-2023	EUR 13 m	–	13
Certificate of indebtedness	1.137	2016-2023	EUR 27 m	–	26
Certificate of indebtedness	1.501	2016-2023	EUR 73 m	–	72
Straight bond	2.125	2014-2024	CHF 160 m	160	160
Certificate of indebtedness	1.194	2018-2024	EUR 92 m	85	91
Certificate of indebtedness	1.548	2018-2025	EUR 102 m	95	101
Certificate of indebtedness	6 m EURIBOR +0.95	2018-2025	EUR 54 m	50	53
Certificate of indebtedness	2.010	2016-2026	EUR 15 m	13	14
Straight bond	1.125	2019-2026	CHF 200 m	200	200
Straight bond (green bond)	2.717	2022-2027	CHF 175 m	175	175
Certificate of indebtedness	2.087	2018-2028	EUR 17 m	16	17
Straight bond	2.750	2023-2028	CHF 150 m	150	–
Total straight bonds and certificates of indebtedness				**944**	**1 070**
Liabilities to financial institutions and derivatives				**66**	**59**
Subtotal				**1 010**	**1 129**
Less: current portion (see note 23)				**–245**	**–259**
Total non-current financial debts				**765**	**870**
Breakdown by maturity					
			2024	–	274
			2025	183	189
			2026	241	215
			2027	175	–
			after 2027 (2022: after 2026)	166	192
Total				**765**	**870**
Breakdown by currency			CHF	547	559
			EUR	174	276
			Others	44	35
Total				**765**	**870**

On 22 September 2023, Clariant issued a fixed-rate bond with a nominal value of CHF 150 million and coupon rate of 2.75%. The bond will mature on 22 September 2028.

In 2023, two certificates of indebtedness in the amount of EUR 150 million issued in 2015 and three certificates issued in 2016 in the amount of EUR 113 million were repaid at maturity.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid, and on that same date, a new green bond with a nominal value of CHF 175 million and maturity in 2027 was issued.

Covenants. For the covenants, please refer to → note 3.1.3 Liquidity risk.

Exposure of the Group's borrowings to interest rate changes

- **Bonds:** The interest rates of all bonds are fixed.
- **Certificates of indebtedness:** Most of the existing certificates of indebtedness have a fixed coupon.
- **Liabilities to banks and other financial institutions:** These mostly consist of bank loans mainly with fixed interest rates.

Collateral. In 2023 and 2022, no assets were pledged as collateral.

19. Reconciliation of net debt

in CHF m	01.01.2023	Effects of disposals	Movements in cash flow	Exchange rate differences	Other non-cash movements	31.12.2023
Cash and cash equivalents	394	–	113	–19	–	488
Short-term deposits	324	–	–219	–	–	105
Financial instruments with positive fair values	2	–	–1	–	–	1
Total cash and liquid investments	**720**	**–**	**–107**	**–19**	**–**	**594**
Non-current financial debt	–870	–	–150	10	245	–765
Current financial debt	–355	–	262	5	–245	–333
Lease liabilities	–245	6	60	18	–90	–251
Borrowings and other financial liabilities	**–1 470**	**6**	**172**	**33**	**–90**	**–1 349**
Net debt	**–750**	**6**	**65**	**14**	**–90**	**–755**

in CHF m	01.01.2022	Movements in cash flow	Exchange rate differences	Other non-cash movements	31.12.2022	Reclassified to held for sale (see note 25)	Total as reported in balance sheet
Cash and cash equivalents	415	–10	–11	–	394	–	394
Short-term deposits	12	313	–1	–	324	–	324
Financial instruments with positive fair values	1	1	–	–	2	–	2
Total cash and liquid investments	**428**	**304**	**–12**	**–**	**720**	**–**	**720**
Non-current financial debt	–958	–175	4	259	–870	–	–870
Current financial debt	–709	573	40	–259	–355	–	–355
Lease liabilities	–282	64	10	–37	–245	6	–239
Borrowings and other financial liabilities	**–1 949**	**462**	**54**	**–37**	**–1 470**	**6**	**–1 464**
Net debt	**–1 521**	**766**	**42**	**–37**	**–750**	**6**	**–744**

20. Post-employment benefits

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 non-current employee benefit obligations. In these cases, the related liability is included in the balance sheet as part of the non-current 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 95.1% 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 primarily 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 defined 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 employer may have to provide additional contributions when the pension plan's statutory funding ratio falls below a certain level. 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 220 000, 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 Leadership Team 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 S3 series amount tables (base table), CMI Model (2022) (future improvements)
- USA: Pri 2012 mortality table with projection scale, MP-2021

Changes in the present value of defined benefit obligations:

in CHF m	Pension plans (funded and unfunded)		Post-employment medical benefits (unfunded)	
	2023	2022	**2023**	2022
At 1 January	**1 723**	**2 395**	**36**	**45**
Current service cost	17	23	–	–
Past service cost/gain including curtailments	9	16	–	–
Gain/loss on settlements	–1	–1	–	–
Interest costs on obligation	56	24	1	1
Contributions to plan by employees	7	8	–	–
Benefits paid out to personnel in reporting period	–143	–122	–3	–3
Remeasurements:				
Actuarial gain/loss arising from changes in demographic assumptions	–7	–2	–	–
Actuarial gain/loss arising from changes in financial assumptions	81	–554	1	–9
Actuarial gain/loss due to experience adjustments	5	77	–	2
Effect of disposals	–	–92	–	–
Changes in the scope of consolidation	–	–2	–	–
Exchange rate differences	–62	–47	–3	–
At 31 December	**1 685**	**1 723**	**32**	**36**

Changes in the fair value of plan assets:

in CHF m	2023	2022
At 1 January	1 549	2 053
Interest income on plan assets	43	18
Contributions to plan by employees	7	8
Contributions to plan by employer	18	17
Benefits paid out to personnel in reporting period	–118	–99
Remeasurements:		
Return on plan assets (excluding amount included in interest expense)	25	–355
Reduction in assets due to business disposals	–	–60
Exchange rate differences	–31	–33
At 31 December	**1 493**	**1 549**

As at 31 December 2023 and 2022, 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	
	31.12.2023	31.12.2022	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Present value of funded obligations	–1 250	–1 278	–	–	–1 250	–1 278
Fair value of plan assets	1 493	1 549	–	–	1 493	1 549
Overfunding/Deficit	**243**	**271**	**–**	**–**	**243**	**271**
Present value of unfunded obligations	–435	–445	–32	–36	–467	–481
Limitation on recognition of net asset [1]	–205	–217	–	–	–205	–217
Net liabilities, total	**–397**	**–391**	**–32**	**–36**	**–429**	**–427**
Thereof recognized in:						
Net defined benefit liability	–441	–452	–32	–36	–473	–488
Net defined benefit assets	44	61	–	–	44	61

[1] The limitation on the recognition of net asset mostly pertains to Swiss pension plan.

The amounts recognized in the income statement and in other comprehensive income are as follows:

	Defined-benefit pension plans		Post-employment medical benefits		Total	
in CHF m	**2023**	2022	**2023**	2022	**2023**	2022
Current service cost	–17	–23	–	–	–17	–23
Net interest cost	–15	–6	–1	–1	–16	–7
Past service cost/gain including curtailments	–9	–16	–	–	–9	–16
Gain/loss on settlements	1	1	–	–	1	1
Components of defined benefit expense reported in the income statement	**–40**	**–44**	**–1**	**–1**	**–41**	**–45**
Actuarial gain/loss arising from changes in demographic assumptions	7	2	–	–	7	2
Actuarial gain/loss arising from changes in financial assumptions	–81	554	–1	9	–82	563
Actuarial gain/loss due to experience adjustments	–5	–77	–	–2	–5	–79
Return on plan assets (excluding amount included in net interest expense)	25	–355	–	–	25	–355
Limitation on recognition of net asset	18	–58	–	–	18	–58
Components of defined benefit gain reported in other comprehensive income	**–36**	**66**	**–1**	**7**	**–37**	**73**
Total defined benefit expense/gain	**–76**	**22**	**–2**	**6**	**–78**	**28**

The fair value of the plan assets is split into the major asset categories as follows:

in CHF m	**31.12.2023**	31.12.2022
Equities	294	306
thereof based on quoted market prices	291	304
Bonds	477	493
thereof based on quoted market prices	473	344
Cash	72	63
thereof based on quoted market prices	72	63
Property	235	241
thereof based on quoted market prices	150	156
Alternative investments	415	446
thereof based on quoted market prices	95	111
Total fair value of plan assets	**1 493**	**1 549**

The principal actuarial assumptions at the balance sheet date:

						2023 in %					2022 in %
		Group	**Most important countries**				**Group**	**Most important countries**			
		Weighted average	Switzer-land	United Kingdom	United States	Germany	Weighted average	Switzer-land	United Kingdom	United States	Germany
Discount rate		2.9	1.4	4.7	5.0	3.6	3.4	2.0	5.0	5.1	3.9
Future salary increases		2.0	2.0	–	3.5	2.5	2.0	2.0	–	3.2	2.5
Long-term increase in healthcare costs		6.8	–	–	7.9	–	6.1	–	–	7.1	–
Current average life expectancy for a 65-year-old male	in years	19	23	20	21	21	19	23	20	21	21
Current average life expectancy for a 65-year-old female	in years	21	25	23	23	24	21	25	24	23	24

A one-percentage-point change in healthcare cost trend rates would have the following effects on the obligation for post-employment medical benefits:

in CHF m	**One percentage point increase**		**One percentage point decrease**	
	2023	2022	**2023**	2022
Effect on the aggregate of the service cost and interest cost	–	–	–	–
Effect on the defined benefit obligation	2	3	–2	–2

A 25-basis-point change in the discount rate would have the following effects on the obligation for pension plans:

in CHF m	**25-basis point increase**		**25-basis point decrease**	
	2023	2022	**2023**	2022
Effect on the defined benefit obligation	–43	–48	45	49

If life expectancy would increase by one year, the defined-benefit obligation would increase by CHF 78 million (2022: CHF 83 million).

Defined-contribution post-employment plans. In 2023, CHF 16 million was charged to the income statement as contributions to defined-contribution plans (2022: CHF 18 million).

In Germany, approximately 3 200 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 that 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 2023, the pension fund's obligations are fully funded. Also, for 2024, it is anticipated that the pension plan liabilities will be covered by the respective assets.

In the event that the multi-employer plan faces a situation where 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. If the benefits are reduced, this must be compensated for by the employer according to German legislation. If the pension plan is unwound, the remaining funds will 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 withdraws from the pension fund, all rights and obligations of the employer against the pension plan will 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 11 million in 2023 (CHF 13 million in 2022) and is expected to be CHF 11 million in 2024.

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.

	Pension plans		Post-employment medical benefits	
in CHF m	**2023**	2022	**2023**	2022
Clariant Group regular and supplemental contributions (employer's contributions):				
Actual contributions in 2022	–	17	–	–
Actual contributions in 2023 (2022: estimated)	18	15	–	–
Estimated contributions in 2024	15	15	–	–
Estimated contributions in 2025	13	15	–	–
Estimated contributions in 2026	13	16	–	–
Estimated contributions in 2027	14	16	–	–
Estimated contributions in 2028	14		–	
Payments to beneficiaries:				
Actual payments in 2022	–	–122	–	–3
Actual payments in 2023 (2022: estimated)	–143	–111	–3	–4
Estimated payments in 2024	–127	–110	–3	–4
Estimated payments in 2025	–109	–106	–3	–4
Estimated payments in 2026	–107	–105	–3	–3
Estimated payments in 2027	–107	–106	–3	–3
Estimated payments in 2028	–110		–3	
Allocation of defined benefit obligation to plan members:				
Active members	333	368	6	7
Deferred members	166	168	2	2
Retired members	1 186	1 187	24	27
Total funded and unfunded obligations at 31 December	**1 685**	**1 723**	**32**	**36**
Weighted-average duration of the defined benefit obligation at the end of the reporting period (in years):				
At 31 December	11.2	11.5	7.5	9.6

21. Movements in provisions

in CHF m	Environmental provisions	Personnel provisions	Restructuring provisions	Other provisions	**Total provisions 2023**	Total provisions 2022
At 1 January	**121**	**107**	**82**	**83**	**393**	**375**
Additions	14	125	77	32	248	235
Business combination adjustment (see note 27)	–	–	–	1	1	19
Amounts used	–10	–108	–45	–24	–187	–172
Unused amounts reversed	–8	–7	–16	–5	–36	–48
Changes due to the passage of time and changes in discount rates	–	–	–	1	1	–3
Exchange rate differences	–7	–9	–5	–5	–26	–13
At 31 December	**110**	**108**	**93**	**83**	**394**	**393**
Of which						
– Current portion	21	94	78	48	241	215
– Non-current portion	89	14	15	35	153	178
Total provisions	**110**	**108**	**93**	**83**	**394**	**393**
Expected outflow of resources						
Within 1 year	21	94	78	48	241	215
Between 1 and 3 years	31	9	13	13	66	83
Between 3 and 5 years	18	1	2	8	29	31
Over 5 years	40	4	–	14	58	64
Total provisions	**110**	**108**	**93**	**83**	**394**	**393**

Environmental provisions. It is difficult to estimate the future action required by Clariant, as well as the associated costs, to correct the environmental effects of prior disposals or releases of chemical substances by Clariant or other parties pursuant to environmental laws and regulations.

The material components of the environmental provisions consist of the costs to 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 when there is an obligation to remedy environmental damage, as well as for containment work when 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 when 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 and based on the target achievement.

Restructuring provisions. 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.

Clariant has announced the decision to close the bioethanol plant in Podari, Romania, and downsize the related activities of the business line Biofuels & Derivatives in Germany, for which restructuring expenses of CHF 35 million are charged in 2023.

To further increase efficiency and improve overall competitiveness of the businesses, measures were initiated during 2023 in the global functions and business units to foster transformational changes. Restructuring provisions of CHF 41 million were booked in 2023 for these efficiency initiatives (2022: CHF 12 million).

In 2022, Clariant made changes to its leadership and organizational structure as part of the Company's ongoing initiatives to implement its purpose-led strategy and cultural transformation. The implementation of this new operating model resulted in total restructuring charges of CHF 49 million in 2022.

In addition in Discontinued Operations, an income from the change in restructuring provisions in the amount of CHF 10 million in 2022 was recorded for the rightsizing program.

Other provisions. Other provisions include provisions for obligations relating to tax (other than income tax), legal cases, and other items in various countries for which the amount can be reliably estimated.

22. Trade payables and other liabilities

in CHF m	**31.12.2023**	31.12.2022
Trade payables	391	560
Contract liabilities	92	166
Payables to related parties	24	39
Accruals	122	136
Other liabilities	137	163
Total trade payables and other liabilities	**766**	**1 064**
Thereof non-current liabilities	–26	–55
Total current trade payables and other liabilities	**740**	**1 009**

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	**31.12.2023**	31.12.2022
Banks and other financial institutions	88	96
Current portion of financial debts (see note 18)	245	259
Total current financial debts	**333**	**355**
Breakdown by maturity:		
Up to three months after the balance sheet date	157	81
Three to six months after the balance sheet date	16	234
Six to twelve months after the balance sheet date	160	40
Total current financial debts	**333**	**355**

A bond issued in 2014 with a nominal value of CHF 160 million and a certificate of indebtedness issued in 2018 with a nominal value of EUR 92 million will mature in 2024 and were therefore reclassified to current financial debts.

On 17 April 2023, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million reached their maturity and were repaid. On 26 April 2023, the certificate of indebtedness issued in 2016 in the amount of EUR 73 million reached maturity and was repaid. On 7 August 2023, two certificates of indebtedness issued in 2016 in total amount of EUR 40 million reached maturity and were repaid.

On 3 January 2022, a bridge loan in the amount of EUR 250 million was repaid.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid.

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

Clariant has three business units (reportable segments) under the new operating model, which has been effective since 1 January 2023: Care Chemicals (includes the former BU Industrial and Consumer Specialties and BU Oil and Mining Services), Catalysts (includes the former BU Catalysts), Adsorbents & Additives (includes the former BU Functional Minerals and BU Additives). Prior year information has been restated accordingly.

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.

SEGMENTS

in CHF m	Care Chemicals		Catalysts		Adsorbents & Additives		Corporate		Total Group	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Segment sales	2 325	2 945	1 000	989	1 060	1 277	–	–	4 385	5 211
Sales to other segments	–5	–8	–	–	–3	–5	–	–	–8	–13
Total sales from continuing operations	**2 320**	**2 937**	**1 000**	**989**	**1 057**	**1 272**	**–**	**–**	**4 377**	**5 198**
Operating expenses	–1 942	–2 710	–1 051	–1 208	–1 002	–1 049	–100	–159	–4 095	–5 126
Thereof:									–	–
Income from associates and joint ventures	25	29	–	–	12	24	5	–12	42	41
Gain/loss from disposals not qualifying as discontinued operations	60	–	–	–	–	–	–	22	60	22
Restructuring, impairment, and transaction-related costs	–10	–242	–141	–230	–18	–5	–14	–90	–183	–567
Operating income	**378**	**227**	**–51**	**–219**	**55**	**223**	**–100**	**–159**	**282**	**72**
Net financial expenses and taxes									–69	–173
Net result from continuing operations									**213**	**–101**
Result from discontinued operations									–34	217
Net income									**179**	**116**
Segment assets	1 439	1 627	1 329	1 591	1 018	1 129			3 786	4 347
Segment liabilities	–227	–304	–168	–280	–86	–144			–481	–728
Net operating assets	**1 212**	**1 323**	**1 161**	**1 311**	**932**	**985**	**–**	**–**	**3 305**	**3 619**
Segment assets reported as assets held for sale	–	37	–	–	–	12			–	49
Corporate assets reported as assets held for sale							1	1	1	1
Assets held for sale	**–**	**37**	**–**	**–**	**–**	**12**	**1**	**1**	**1**	**50**
Segment liabilities reported as assets held for sale	–	–	–	–	–	–6	–	–	–	–6
Liabilities directly associated with assets held for sale	**–**	**–**	**–**	**–**	**–**	**–6**	**–**	**–**	**–**	**–6**
Corporate assets without cash							966	1 071	966	1 071
Corporate liabilities without financial liabilities							–1 337	–1 477	–1 337	–1 477
Net debt (see note 19)							–755	–744	–755	–744
Total net assets	**1 212**	**1 360**	**1 161**	**1 311**	**932**	**991**	**–1 125**	**–1 149**	**2 180**	**2 513**
Thereof:										
Investments in PPE and intangibles for the period	84	57	40	63	77	85	6	7	207	212
Investments in associates and joint ventures at the end of the period	118	99	–	–	78	90	40	138	236	327
Reconciliation of key figures										
Operating income	378	227	–51	–219	55	223	–100	–159	282	72
Add: depreciation of PPE	57	66	56	69	42	37	10	12	165	184
Add: impairment	3	237	81	225	5	–	–	–	89	462
Add: depreciation of RoU assets	16	18	11	11	11	10	13	15	51	54
Add: amortization of intangible assets	8	25	6	7	5	6	1	–	20	38
EBITDA [1]	**462**	**573**	**103**	**93**	**118**	**276**	**–76**	**–132**	**607**	**810**
Add: restructuring, impairment, and transaction-related costs	10	242	141	230	18	5	14	90	183	567
Less: impairment	–3	–237	–81	–225	–5	–	–	–	–89	–462
Less: gain/loss from disposals not qualifying as discontinued operations	–60	–	–	–	–	–	–	–22	–60	–22
Adjusted EBITDA	**409**	**578**	**163**	**98**	**131**	**281**	**–62**	**–64**	**641**	**893**
Operating income	378	227	–51	–219	55	223	–100	–159	282	72
Add: restructuring, impairment, and transaction-related costs	10	242	141	230	18	5	14	90	183	567
Less: gain/loss from disposals not qualifying as discontinued operations	–60	–	–	–	–	–	–	–22	–60	–22
Adjusted operating income	**328**	**469**	**90**	**11**	**73**	**228**	**–86**	**–91**	**405**	**617**

[1] EBITDA is earnings before interest, tax, depreciation, and amortization.

RECONCILIATION OF SEGMENT ASSETS TO TOTAL ASSETS

in CHF m	31.12.2023	31.12.2022
Segment assets	3 786	4 347
Segment assets reported as assets held for sale	–	49
Corporate assets reported as assets held for sale	1	1
Corporate assets without cash	966	1 071
Cash and cash equivalents	488	394
Short-term deposits	105	324
Financial instruments with positive fair values	1	2
Total Assets	**5 347**	**6 188**

GEOGRAPHICAL INFORMATION

in CHF m	Sales [1]		Non-current assets [2]	
	2023	2022	**31.12.2023**	**31.12.2022**
EMEA	1 803	2 122	1 503	1 780
of which Germany	467	636	970	1 074
of which Switzerland	31	37	364	450
of which MEA	426	364	27	29
North America	745	931	649	719
of which USA	709	870	649	719
Latin America	536	631	157	157
of which Brazil	267	308	83	84
Asia-Pacific	1 293	1 514	647	682
of which China	484	572	312	312
of which India	295	310	193	208
Total	**4 377**	**5 198**	**2 956**	**3 338**

[1] Allocated by region of third-party sale's destination, continuing operations
[2] Non-current assets, excluding deferred tax assets and net defined benefit assets

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 of products or services is not possible.

Revenue from services recognized in 2023 amounted to CHF 42 million (2022: CHF 50 million) and mostly were incurred in Business Unit Care Chemicals.

Discontinued operations include the Business Unit Pigments, which was sold on 3 January 2022.

For a description of the business units see → note 1.24.

25. Discontinued operations and assets held for sale

Assets held for sale amounted to CHF 1 million as of 31 December 2023 and mainly related to a building in Italy expected to be sold in 2024 (2022: CHF 50 million pertaining to the Quats business and to the North American Land Oil business).

Discontinued operations in the consolidated income statement included the Business Unit Pigments.

On 3 January 2022, Clariant sold the Business Unit Pigments to a consortium composed of the US-based SK Capital Partners and the German Heubach Group. The total consideration of the sale, net of cash transferred, net of the 20 % rolled over into the newly created group, and net of the vendor loan, amounted to CHF 579 million. The after-tax gain amounted to CHF 210 million. See table below.

in CHF m	2022
Total cash proceeds received as of 31 December 2022	614
Less cash and cash equivalents transferred	–35
Proceeds from the disposal of discontinued operations	**579**
Outstanding amounts	38
Equity investment	116
Total consideration for the sale	**733**
Net assets sold, including disposal-related expenses	–449
Gain on the disposal from discontinued operations	**284**
Effect of the reclassification of foreign exchange differences on previously held net investments in foreign entities	–75
Gain on the disposal from discontinued operations before taxes	**209**
Taxes (curent and deferred)	1
Gain on the disposal from discontinued operations after taxes	**210**

DISCONTINUED OPERATIONS

in CHF m	Plastics & Coatings (discontinued) [1]		Corporate		Total discontinued operations	
	2023	2022	**2023**	2022	**2023**	2022
Operating expenses	–	–10	3	–6	3	–16
Restructuring	–	–	–	10	–	10
Operating result	**–**	**–10**	**3**	**4**	**3**	**–6**
Financial result	–	–	–1	–1	–1	–1
Result from discontinued operations before taxes	**–**	**–10**	**2**	**3**	**2**	**–7**
Taxes	–	–	2	4	2	4
Result from discontinued operations after taxes	**–**	**–10**	**4**	**7**	**4**	**–3**
Loss/gain on the disposal of discontinued operations	–38	219	–	–	–38	219
Taxes (current and deferred)	–	1	–	–	–	1
Net result from discontinued operations	**–38**	**210**	**4**	**7**	**–34**	**217**
Currency translation differences of discontinued operations					–	76
Other comprehensive income/loss from discontinued operations	**–**	**–**	**–**	**–**	**–**	**76**
Cash flow from disposals:						
Gross proceeds	–	768	–	–	–	768
Less cash and cash equivalents transferred	–	–35	–	–	–	–35
Less equity investment	–	–116	–	–	–	–116
Less outstanding amounts	–	–38	–	–	–	–38
Net proceeds from disposal	**–**	**579**	**–**	**–**	**–**	**579**

[1] Including the result of the gain on the disposal of the Business Unit Pigments

The result from discontinued operations in 2023 is mainly from the write-off of the vendor loan that was part of the »Gain on the disposal of discontinued operations« in 2022.

26. Disposals

Activities not qualifying as discontinued operations

In June 2023, Clariant completed the divestment of its Quats business to Global Amines Company, Singapore, a 50/50 joint venture owned by Clariant and Wilmar. Clariant received a net consideration of CHF 94 million, resulting in a gain of CHF 61 million. Clariant fully recognized the gain, applying an accounting policy choice. At the end of 2022, the assets and liabilities of that business of CHF 33 million had been reported as held for sale.

In March 2023, Clariant sold its North American Land Oil business to Dorf Ketal. The total consideration for the sale amounted to CHF 19 million, resulting in a disposal loss of CHF 1 million. The assets and liabilities of that business had been reported as held for sale at the end of 2022 for an amount of CHF 20 million. In 2022, the assets and liabilities had been valued at their fair value less cost to sell, and an impairment of CHF 233 million was recognized in the 2022 income statement.

In April 2022, Clariant completed the divestment of its 50% stake in the joint venture that owns Scientific Design Company. The total consideration for the sale amounted to CHF 129 million, and the gain realized on the transaction amounted to CHF 22 million.

27. Acquisitions

US attapulgite business assets

On 31 October 2022, Clariant acquired from BASF its US-based attapulgite business assets by way of an asset deal for a consideration of USD 60 million. This acquisition pertains to the Business Unit Adsorbents & Additives.

The fair values of the identified assets and liabilities acquired have been adjusted during the measurement period, which increased the final goodwill to CHF 17 million:

in CHF m	**2022 (preliminary)**	**Adjustments**	**2023 (final)**
Total consideration for purchase	**60**	**–**	**60**
Recognized amounts of identifiable assets and liabilities:			
Property, plant, and equipment	63	–15	48
Intangible assets	1	–	1
Inventories	14	–	14
Provisions	–19	–1	–20
Fair value of net assets acquired	**59**	**–16**	**43**
Goodwill	**1**	**16**	**17**

For this transaction, acquisition-related costs of less than CHF 4 million, comprising M&A, legal costs, and consulting, were recognized in »Selling, general, and administrative costs« in 2022.

Bentonite mining activities

In 2022, an additional payment of CHF 4 million was made related to the acquisition of Bentonite mining activities in China acquired in 2020.

28. Finance income and costs

FINANCE INCOME

in CHF m	**2023**	2022
Interest income	18	9
thereof interest on loans, receivables, and deposits	18	9
Other financial income	26	9
Total finance income	**44**	**18**

FINANCE COSTS

in CHF m	**2023**	2022
Interest expense	–56	–55
thereof effect of discounting of non-current provisions	–1	–2
thereof net interest component of pension provisions	–16	–7
thereof interest on lease liabilities	–9	–11
Other financial expenses	–13	–9
Total finance costs before currency result	**–69**	**–64**
Currency result, net	–27	–5
Monetary loss from hyperinflation accounting	–13	–16
Total finance costs	**–109**	**–85**
thereof reported under discontinued operations	1	1
Total continuing operations	**–108**	**–84**

Other financial expenses include bank charges and miscellaneous financial expenses.

In 2023 and 2022, 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 non-current provisions, the interest component of pension provisions, and the interest on lease liabilities, pertains to financial debts measured at amortized costs.

Interest costs capitalized on qualifying assets for 2023 were CHF 1 million (2022: CHF 2 million).

29. 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).

	2023	2022
Net income/loss attributable to shareholders of Clariant Ltd, undiluted and diluted (in CHF m)		
Continuing operations	168	–133
Discontinued operations	–34	217
Total	**134**	**84**
Weighted-average number of shares outstanding		
As per 1 January	**329 164 586**	**329 336 789**
Effect of transactions with treasury shares on weighted-average number of shares outstanding	–204 326	–172 203
Weighted-average number of shares outstanding at 31 December	**328 960 260**	**329 164 586**
Adjustment for granted Clariant shares	1 635 231	1 606 420
Weighted-average diluted number of shares outstanding at 31 December	**330 595 491**	**330 771 006**
Basic earnings/loss per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.51	–0.40
Discontinued operations	–0.10	0.66
Basic earnings per share attributable to shareholders of Clariant Ltd (CHF/share)	**0.41**	**0.26**
Diluted earnings/loss per share attributable to shareholders of Clariant Ltd (CHF/share)		
Continuing operations	0.51	–0.40
Discontinued operations	–0.10	0.66
Diluted earnings per share attributable to shareholders of Clariant Ltd (CHF/share)	**0.41**	**0.26**

The dilution effect is triggered by the effect of Clariant shares that have been granted as part of the share-based payment plan but 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.

30. Derivative financial instruments

The contract or underlying principal amounts and the respective fair value of derivative financial instruments by type are shown in the following table. 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.

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 non-current financial assets in case it is positive and in non-current financial debts in case it is negative.

DERIVATIVE FINANCIAL INSTRUMENTS

in CHF m	Contract or underlying principal amount		Positive fair values		Negative fair values	
	31.12.2023	31.12.2022	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022
Interest rate-related instruments						
Cross-Currency Swaps	141	150	–	–	–32	–25
Currency-related instruments						
Forward foreign exchange rate contracts	467	66	1	2	–6	–
Total derivative financial instruments	**608**	**216**	**1**	**2**	**–38**	**–25**

DERIVATIVE FINANCIAL INSTRUMENTS BY MATURITY

in CHF m	**31.12.2023**	31.12.2022
Breakdown by maturity:		
Up to one month after the balance sheet date	1	24
More than one and up to three months after the balance sheet date	512	42
More than three and up to twelve months after the balance sheet date	–	–
More than one and up to five years after the balance sheet date	95	150
Total derivative financial instruments	**608**	**216**

DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY

in CHF m	**31.12.2023**	31.12.2022
USD	–	58
EUR	607	150
JPY	–	6
Others	1	2
Total derivative financial instruments	**608**	**216**

FINANCIAL INSTRUMENTS EFFECTIVE FOR HEDGE-ACCOUNTING PURPOSES

in CHF m	**31.12.2023**	31.12.2022
Fair value of cash flow hedges:		
Contracts with negative fair values	–32	–25
Cross-Currency Swaps	**–10**	**–8**
Notional amount (EUR)	50	50
Maturity date	25.03.2024	25.03.2024
Hedge ratio	1:1	1:1
Change in fair value since 1 January	–3	–3
Change in fair value of hedged item	3	3
Cross-Currency Swaps	**–22**	**–17**
Notional amount (EUR)	103	103
Maturity date	25.09.2025	25.09.2025
Hedge ratio	1:1	1:1
Change in fair value since 1 January	–5	–8
Change in fair value of hedged item	5	8
Notional amount of hedges of net investments in foreign entities:		
Net investment in foreign entities	79	236
Borrowings denominated in foreign currencies	–79	–236
EUR amount	–79	–236
Hedge ratio	1:1	1:1

Since 2015, Clariant issued various certificates of indebtedness totaling EUR 1 158 million, USD 277 million, and CHF 63 million. During 2023, EUR 263 million was paid back (2022: EUR 115 million). At 31 December 2023, certificates of indebtedness totaling EUR 280 million are recorded.

At 31 December 2023, EUR 85 million was designated as a hedge of a net investment in some of Clariant's European subsidiaries (2022: EUR 240 million).

The foreign exchange rate gain resulting from the hedge of net investments amounted to CHF 6 million for 2023 (2022: CHF 20 million) and is recorded in the cumulative translation difference in shareholders' equity.

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, as well as on differences in critical terms between the interest rate/cross-currency swaps and loans.

The cross-currency Basis Spread on 31 December 2023 was CHF 50 768 (2022: CHF -180 943).

There was no ineffectiveness during 2023 and 2022 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.

31. Employee participation plans

The Clariant Long-Term Incentive Plan (CLIP) was introduced in 2019. The CLIP consists of equity-based awards in the form of Performance Share Units with a three-year vesting period and a performance period covering three financial years. Each year after the introduction, a grant took place in April. For the 2021 grant, the performance against targets and the resulting overall vesting factor will be determined in early 2024, with vesting taking place in April 2024.

Clariant has also made grants under the Special Management Grant plan to a small number of senior leaders. The vesting periods and the performance conditions in each case are adapted to the specific situation and needs of the business.

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 2023, CHF 5 million was charged to the income statement for equity-settled share-based payments (2022: CHF 8 million).

As of 31 December 2023, the total carrying value of liabilities arising from equity-settled share-based payments, entirely recognized in equity, is CHF 18 million (2022: CHF 21 million).

SHARES FOR MEMBERS OF MANAGEMENT AND THE EXECUTIVE STEERING COMMITTEE

Base year	Granted	Vesting in	Fair value at grant date	**Number 31.12.2023**	Number 31.12.2022
2018	2018	2021	23.58	–	542
2020	2020	2023	12.87	–	823 423
2021	2021	2024	19.2	3 891	3 891
2021	2021	2024	18.84	20 317	20 317
2021	2021	2024	18.34	1 000	1 000
2021	2021	2024	13.64	797 214	904 728
2022	2022	2025	16.07	3 500	3 500
2022	2022	2025	17.63	14 862	14 862
2022	2022	2025	17.79	51 220	51 220
2022	2022	2025	14.02	632 881	723 170
2023	2023	2026	15.22	2 034	–
2023	2023	2026	14.39	2 032	–
2023	2023	2026	12.84	30 124	–
2023	2023	2026	15.26	14 337	–
2023	2023	2026	12.99	867 710	–
Total				**2 441 122**	**2 546 653**

	Weighted-average exercise price	**Shares 2023**	Weighted-average exercise price	Shares 2022
Shares outstanding at 1 January	13.66	2 546 653	14.03	2 994 313
Granted		936 419		878 944
Exercised / distributed		–355 462		–265 178
Cancelled / forfeited		–686 488		–1 061 426
Outstanding at 31 December	**12.63**	**2 441 122**	**13.66**	**2 546 653**
Fair value of shares outstanding in CHF		30 822 898		34 794 843

The fair value of shares granted during 2023 is CHF 12 million (2022: CHF 13 million), calculated based on the market value of the shares at the grant date.

No options were granted in 2023 or 2022.

32. Personnel expenses

in CHF m	**2023**	2022
Wages and salaries	–700	–766
Social welfare costs	–145	–156
Shares granted	–5	–8
Pension costs – defined-contribution plans	–16	–18
Pension costs – defined-benefit plans	–25	–38
Total personnel expenses	**–891**	**–986**

33. 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 Steering Committee. The information required by the Swiss Code of Obligation against Excessive Compensation in Stock Exchange-Listed Companies regarding the emoluments for the members of the Board of Directors and the Executive Steering 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 2023 of these services is less than CHF 1 million (2022: less than CHF 1 million). The number of full-time employees corresponding to these is approximately one (2022: approximately two).

The fourth group of related parties is all companies pertaining to the SABIC group, which is a 31.5% shareholder of Clariant (see → note 17), and its major shareholder, the Saudi Aramco group. The most important business done with these companies is the sale and purchase of chemical products.

TRANSACTIONS WITH RELATED PARTIES

in CHF m	**2023**	2022
Income from the sale of goods to related parties	82	101
thereof to joint ventures	21	26
thereof to associates	14	48
thereof to Saudi Aramco group	47	27
Income from the rendering of services to related parties	30	67
thereof to joint ventures	28	31
thereof to associates	2	36
Income from divestment to related parties	94	–
thereof to joint ventures	94	–
Expenses from the purchase of goods from related parties	–50	–91
thereof from joint ventures	–35	–50
thereof from associates	–14	–36
thereof from Saudi Aramco group	–1	–5
Expenses from services rendered by related parties	–140	–201
thereof by joint ventures	–16	–30
thereof by associates	–124	–171
Purchase of property, plant, and equipment from related parties	–5	–5
thereof from associates	–5	–5
Expense from lease contracts with related parties	–7	–6
thereof with joint ventures	–1	–
thereof with associates	–6	–6

PAYABLES AND RECEIVABLES WITH RELATED PARTIES

in CHF m	**31.12.2023**	31.12.2022
Receivables from related parties	19	26
thereof from joint ventures	8	6
thereof from associates	8	18
thereof from Saudi Aramco group	3	2
Payables to related parties	24	39
thereof to joint ventures	5	8
thereof to associates	19	30
Loans to related parties	16	38
thereof to joint ventures	16	–
thereof to associates	–	38
Loans from related parties	1	1
thereof from associates	1	1

TRANSACTIONS WITH KEY MANAGEMENT

in CHF m	**2023**	2022
Salaries and other short-term benefits	11	11
Post-employment benefits	2	2
Share-based payments	5	4
Total	**18**	**17**

There are no outstanding loans by the Group to any members of the Board of Directors or Executive Steering Committee.

34. Commitments and contingencies

Guarantees. No guarantees on behalf of third parties were issued in 2023 and 2022.

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 seven years and other materials in 2023. This implies a total purchase commitment of about CHF 550 million (2022: CHF 720 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 Group'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.

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and polyfluoroalkyl substances (PFASs). 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 is scheduled for September 2024. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

Shell brought a claim for damages with the court of Amsterdam against four companies, including Clariant, in relation to infringement of competition law on the ethylene purchasing market which was sanctioned by the European Commission in July 2020. Clariant firmly rejects the allegation and will defend its position in the proceedings. Another claim against the same companies was brought by a claim vehicle »Stichting Ethylene Claims« before the court of Amsterdam, seeking declaratory judgment of liability of the defendants for the same anticompetitive conduct. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

35. Exchange rates of principal currencies

The rates used to translate the consolidated balance sheets (closing rate) are:

	31.12.2023	31.12.2022
1 USD	0.84	0.92
1 EUR	0.93	0.99
1 BRL	0.17	0.18
1 CNY	0.12	0.13
100 INR	1.01	1.12
100 JPY	0.59	0.70

The sales-weighted average exchange rates used to translate the consolidated income statements and consolidated statements of cash flows are:

	2023	2022
1 USD	0.90	0.96
1 EUR	0.97	1.01
1 BRL	0.18	0.19
1 CNY	0.13	0.14
100 INR	1.09	1.22
100 JPY	0.64	0.72

36. Important subsidiaries

Country	Company name	Currency	Share/ paid-in capital (in thousands)	Participation in % [1]	Holding/ Finance/ Service	Sales	Production	Research
Argentina	Clariant (Argentina) S.A., Buenos Aires	ARS	2 902 631	100.0		•	•	
Australia	Clariant (Australia) Pty Ltd, Notting Hill	AUD	1 902	100.0		•	•	
Brazil	Clariant Brasil Ltda, São Paulo	BRL	276 953	100.0		•	•	•
	Companhia Brasileira de Bentonita Ltda, Vitoria da Conquista	BRL	17 470	100.0		•	•	
	Beraca Ingredientes Naturais S.A., Ananindeua	BRL	18 158	100.0		•	•	
Canada	Clariant (Canada) Inc., Toronto	CAD	10 415	100.0		•	•	
Chile	Clariant (Chile) Ltda., Maipú-Santiago de Chile	CLP	15	100.0		•	•	
China	Clariant (China) Ltd., Hong Kong	HKD	414 788	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., Huizhou	CNY	596 476	100.0			•	
	Clariant China Holding Limited, Hong Kong	HKD	67 251	100.0	•			
	Clariant Huajin Catalysts (Panjin) Ltd., Panjin	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 Chemicals Technology (Shanghai) Ltd., Shanghai	CNY	170 286	100.0		•		•
	Clariant Specialty Chemicals (Jiaxing) Co., Ltd., Jiaxing	CNY	213 552	100.0				
Colombia	Clariant (Colombia) S.A., Cota (Cundinamarca)	COP	2 265	100.0	•	•	•	
France	Clariant Production (France), Choisy le Roi	EUR	6 273	100.0		•	•	•
	Clariant Services (France), Choisy le Roi	EUR	21 200	100.0	•			
Germany	Clariant Vierte Chemie GmbH, Sulzbach a.T.	EUR	30	100.0	•			
	Clariant Produkte (Deutschland) GmbH, Frankfurt a.M.	EUR	9 348	100.0	•	•	•	•
	Clariant Plastics & Coatings (Deutschland) GmbH, Frankfurt a.M.	EUR	149	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	•			
Greece	Süd-Chemie Hellas MEPE, Adamantas	EUR	548	100.0		•		
India	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		•	•	
Indonesia	PT. Clariant Indonesia, Tangerang	IDR	267 577	100.0		•	•	
	PT. Clariant Kujang Süd-Chemie Catalysts, Cikampek	USD	3 447	77.0		•	•	
	PT. Clariant Specialties Indonesia, Tangerang Banten	IDR	4 803	100.0		•		
	PT. Clariant Adsorbents Indonesia, Sukabumi	IDR	12 375	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			•	
Japan	Clariant (Japan) K.K., Tokyo	JPY	450	100.0	•	•	•	
	Clariant Catalysts (Japan) K.K., Tokyo	JPY	544	61.4		•	•	
Korea	Clariant (Korea) Ltd., Pohang, Pohang-Si	KRW	4 361	100.0		•	•	
Luxemburg	Clariant Finance (Luxembourg) S.A., Luxemburg	EUR	82 030	100.0	•			
Malaysia	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		•	•	
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		•	•	

[1] The participation in % reflects the captital and voting rights in %.

Country	Company name	Currency	Share/ paid-in capital (in thousands)	Participation in % [1]	Holding/ Finance/ Service	Sales	Production	Research
Poland	Clariant Poland Sp. z o.o., Łódź	PLN	3 000	100.0		•	•	
	Clariant Services (Poland) Sp. z o.o., Łódź	PLN	10 000	100.0	•			
Qatar	Clariant Qatar W.L.L., Mesaieed	QAR	30 000	65.0		•	•	
Romania	Clariant Products Ro S.r.l., Bucharest	RON	7 500	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		•		
South Africa	Clariant Sasol Catalysts Ltd., Gauteng	ZAR	1 417	80.0		•	•	
	Clariant Southern Africa (Pty) Ltd. Gauteng	ZAR	6	100.0		•	•	
Spain	Clariant Ibérica Producción S.A., Sant Joan Despi	EUR	6 023	100.0		•	•	
Sweden	Clariant Production Sweden AB, Mölndal	SEK	500	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				
	Clariant Produkte (Schweiz) AG, Muttenz	CHF	5 000	100.0				
	Clariant Additives (Switzerland) AG, Muttenz	CHF	5 000	100.0		•	•	
Taiwan	Clariant Specialty Chemicals (Taiwan) Co., Ltd., Taipei	TWD	36 000	100.0		•		
Thailand	Clariant (Thailand) Ltd., Bangkok	THB	250 000	100.0		•		
Türkiye	Clariant (Türkiye) A.S., Ataşehir	TRY	17 538	100.0		•	•	
UAE	Clariant (Gulf) FZE, Jebel Ali	AED	1 000	100.0		•		
USA	Clariant Corporation, Charlotte	USD	749 500	100.0		•	•	•

[1] The participation in % reflects the captital and voting rights in %.

37. Events subsequent to the balance sheet date

There were no major events subsequent to the balance sheet date.

Report of the Statutory Auditor

KPMG

Clariant Ltd, Muttenz

Statutory Auditor's Report

to the General Meeting on the

Consolidated Financial Statements 2023

KPMG AG
Basel, 28 February 2024

EXPERTsuisse Certified Company

Statutory Auditor's Report

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 sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated balance sheets of the Group as at 31 December 2023, its consolidated income statements, its consolidated statements of comprehensive income, its consolidated statements of changes in equity and its consolidated statements of cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key Audit Matters

TIMING OF REVENUE RECOGNITION

RECOVERABILITY OF GOODWILL (CATALYSTS)

Key audit matters are those matters that, in our professional judgment, 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.

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TIMING OF REVENUE RECOGNITION

Key Audit Matter

The Group's revenue for the financial year 2023 amounted to CHF 4,377 million and was mainly related to the sale of specialty chemicals.

Revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service. Due to the Group's business model, over time revenues are currently not material.

Revenue is a key performance indicator and therefore an internal and external stakeholders' focus. Consequently, there might be pressure to achieve forecasted results.

Particular attention is required to ensure revenue is recognized in the correct accounting period. Thus, we identified timing of revenue recognition before the balance sheet date as a key audit matter.

Our response

Our audit procedures included, amongst others, the following:

- We obtained an understanding of the overall process over revenue recognition and tested key internal controls over the timing of revenue recognition. Due to the high reliance of revenue recognition on IT, we evaluated the integrity of the general IT control environment;
- we used audit technology to identify sales at risk of being recognized in the incorrect accounting period around year-end, and to corroborate management's assessment. We traced samples of sales to related underlying documents;
- we recalculated the estimated shipping terms, which are the basis of the revenue accrual;
- we selected credit notes and sales reversals recorded after the balance sheet date and traced these selected items to supporting documents.

We also considered whether disclosures over revenue recognition in the consolidated financial statements are appropriate.

For further information on TIMING OF REVENUE RECOGNITION refer to the following:

Note 1: Material accounting policies

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RECOVERABILITY OF GOODWILL (CATALYSTS)

Key Audit Matter

Intangible assets in the consolidated financial statements of the Group include goodwill in the amount of CHF 814 million of which the goodwill allocated to the CGU Catalysts amounts to CHF 560 million or 68.8% of total goodwill. Goodwill accounts for 15.2% of total assets and thus has a material impact on the company's net assets. Goodwill must be tested for impairment annually and whenever there is an indication that goodwill may be impaired.

There is a risk of non-recoverability of the Group's significant goodwill balance, particularly relating to the Catalysts business unit. The ongoing worldwide economic recession as well as the increasing cost due to inflation and scarcity of supply impacts cash flows projections. This resulted in weaker demand in certain markets and increased pressure on the prices and margins. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment test, the appropriateness of the assumptions, and the methodology used by management to prepare its cash flow forecasts. We involved our own valuation specialists to support our procedures.

For the Catalysts cash generating unit (CGU), we also performed the following audit procedures:

— We assessed the reasonableness of the plans and forecasts by back-testing historical forecasts to actual results;

— we compared business plan data against the latest Board approved plans and management approved forecasts;

— we challenged the robustness of the key assumptions used to determine the recoverable amount, including the identification of the CGUs, the forecasted cash flows, the long-term growth rate and the discount rate based on our understanding of the commercial prospects of the related assets, and by comparing them with publicly available data;

— we conducted sensitivity analysis, taking into account the historical forecasting accuracy;

— we compared the sum of the projected discounted cash flows to the market capitalisation of the Group; and

— we recalculated the difference between the carrying amount and the recoverable amount to assess the headroom.

We also considered the appropriateness of disclosures in relation to impairment sensitivities in the consolidated financial statements.

For further information on RECOVERABILITY OF GOODWILL (CATALYSTS) refer to the following:

— Note 1: Material accounting policies

— Note 6: Intangible Assets

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Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' Responsibilities 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 Accounting Standards 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, ISA and SA-CH 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.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that 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.

KPMG AG

Martin Rohrbach Licensed Audit Expert Auditor in Charge	Cyrill Kaufmann Licensed Audit Expert

Basel, 28 February 2024

Review of Trends

FIVE-YEAR GROUP OVERVIEW 2019–2023

		2023 [1]	2022 [1]	2021 [1]	2020 [1]	2019 [1]
Sales	CHF m	**4 377**	**5 198**	**4 372**	**3 860**	**4 399**
Change relative to preceding year						
in Swiss francs	%	–15.8	18.9	13.3	–12.3	–
in local currency	%	–6	24	15	–5	3
Adjusted operating income	CHF m	**405**	**617**	**493**	**354**	**444**
Change relative to preceding year	%	–34	25	39	–20	–7
as a % of sales		9.3	11.9	11.3	9.2	10.1
Operating income	CHF m	**282**	**72**	**440**	**317**	**165**
Change relative to preceding year	%	292	–84	39	92	–53
as a % of sales		6.4	1.4	10.1	8.2	3.8
EBITDA	CHF m	**607**	**810**	**708**	**597**	**461**
Change relative to preceding year	%	–25	14	19	30	–24
as a % of sales		13.9	15.6	16.2	15.5	10.5
Adjusted EBITDA	CHF m	**641**	**893**	**760**	**623**	**740**
Change relative to preceding year	%	–28	18	22	–16	–
as a % of sales		14.6	17.2	17.4	16.1	16.8
Net income [2]	CHF m	**179**	**116**	**373**	**825**	**38**
Change relative to preceding year	%	54	–69	–55	n.m.	–89
as a % of sales		4.1	2.4	8.5	21.4	0.9
Investment in property, plant, and equipment	CHF m	**205**	**209**	**362**	**288**	**273**
Change relative to preceding year	%	–2	–42	26	5	15
as a % of sales		5	4	8	7	6
Personnel costs [2]	CHF m	**891**	**986**	**1 066**	**1 264**	**1 431**
Change relative to preceding year	%	–10	–8	–16	–12	–2
as a % of sales		20	19	24	33	33
Employees at year-end	number	10 481	11 148	13 374	13 235	17 223
Change relative to preceding year	%	–6	–17	1	–23	–4

[1] Continuing operations
[2] Including discontinued operations

Balance Sheets of Clariant Ltd

BALANCE SHEETS OF CLARIANT LTD

at 31 December 2023 and 2022	Notes	**31.12.2023 in CHF m**	in %	31.12.2022 in CHF m	in %
Assets					
Current assets					
Cash and cash equivalents		296		137	
Short-term deposits		96		314	
Other receivables					
• from third parties		2		–	
• from Group companies		48		23	
Accrued income and prepaid expenses		3		3	
Total current assets		**445**	**13.2**	**477**	**12.2**
Non-current assets					
Loans to Group companies		1 582		1 898	
Other financial assets		–		39	
Shareholdings in Group companies	4	1 353		1 390	
Investments in associates and joint ventures	5	–		91	
Intangible assets		1		2	
Total non-current assets		**2 936**	**86.8**	**3 420**	**87.8**
Total assets		**3 381**	**100.0**	**3 897**	**100.0**

Balance Sheets of Clariant Ltd

BALANCE SHEETS OF CLARIANT LTD

at 31 December 2023 and 2022	Notes	**31.12.2023 in CHF m**	in %	31.12.2022 in CHF m	in %
Liabilities and Equity					
Liabilities					
Current liabilities					
Other liabilities					
• to third parties		7		8	
• to Group companies		12		14	
Other interest-bearing liabilities					
• to third parties	6	264		278	
• to Group companies	6	79		89	
Provisions		64		155	
Accrued expenses		9		3	
Total current liabilities		**435**	**12.9**	**547**	**14.0**
Non-current liabilities					
Interest-bearing liabilities					
• to third parties	7	759		875	
Total non-current liabilities		**759**	**22.4**	**875**	**22.5**
Total liabilities		**1 194**		**1 422**	
Equity					
Share capital	8, 11	**724**		**863**	
Legal capital reserve					
• Reserves from capital contribution (other)	9, 11	1 304		1 304	
• Reserves from retained earnings	9, 11	–1 264		–1 264	
Legal retained earnings	11	224		224	
Voluntary retained earnings	11	1 400		1 288	
Total reserves	9, 11	**1 664**		**1 552**	
Treasury shares	10, 11	–50		–52	
Loss / profit for the financial year		–151		112	
Total equity		**2 187**	**64.7**	**2 475**	**63.5**
Total equity and liabilities		**3 381**	**100.0**	**3 897**	**100.0**

Income Statements of Clariant Ltd

INCOME STATEMENTS OF CLARIANT LTD

for the years ended 31 December 2023 and 2022	Notes	**2023 in CHF m**	2022 in CHF m
Dividend income from Group companies		186	181
Interest income from Group companies		65	38
Financial income		9	6
Reversal of impairment on shareholdings and other income related to Group companies		103	–
Income from disposals of shareholdings and other income	5	12	247
Total income		**375**	**472**
Financial expenses		–33	–27
Administrative expenses		–43	–69
Impairment of shareholdings and other expenses related to Group companies	4	–206	–182
Result from associates and joint ventures	5	–	–25
Exchange rate differences, net		–111	–51
Other expenses	12	–131	–5
Taxes		–2	–1
Total expenses		**–526**	**–360**
Loss / profit for the financial year		**–151**	**112**

Notes to the Financial Statements of Clariant Ltd

1. Basis of preparation

The statutory financial statements of Clariant Ltd, domiciled in Muttenz, have been prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

2. Significant accounting policies

Income 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 the 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. Unrecognized exchange gains are deferred.

Cash and cash equivalents. 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.

Short-term deposits. 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.

Shareholdings. Shareholdings are initially recognized at cost. Shareholdings are reviewed on a yearly basis and in case of an impairment, adjusted to their recoverable amount.

Interest-bearing liabilities. Interest-bearing liabilities are recognized at nominal value. Premiums are accrued and amortized on a straight-line basis over the maturity period.

3. Other information

The Board of Directors approved the stand-alone financial statements of Clariant Ltd for issue on 28 February 2024. They will be subject to approval by the Annual General Meeting of Shareholders scheduled for 9 April 2024.

Full-time equivalents. Clariant Ltd has no employees, except the members of the Board of Directors of the Clariant Group.

Hidden reserves. Hidden reserves of CHF 278 million were released in the year 2023 (2022: CHF nil).

4. Shareholdings in Group companies

Following the review of the shareholdings in Group companies, an impairment of CHF 166 million (2022: CHF 182 million) was recorded in »Impairment of shareholdings and other expenses related to Group Companies.«

The following table shows the shareholdings directly held by Clariant Ltd.

Country	Company name		Capital interest (%)	Voting rights (%)	Capital interest (%)	Voting rights (%)
			2023	2023	2022	2022
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%
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%
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 Produccion S.A.	El Prat de Llobregat	100.00%	100.00%	100.00%	100.00%
Sweden	Clariant Production Sweden AB	Mölndal	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%
Thailand	Clariant (Thailand) Ltd.	Bangkok	100.00%	100.00%	100.00%	100.00%
Türkiye	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 Important Subsidiaries of this report.

5. Investments in associates and joint venture

As a consequence of changes in the governance structure in the Heubach Group in the beginning of 2023, Clariant no longer has significant influence. The participation has therefore been reclassified in 2023 from »Investments in Associates« to »Other financial assets«.

On 3 January 2022, Clariant completed the sale of its Pigments business to a consortium of Heubach and SK Capital. On the same day, Clariant rolled over CHF 116 million to retain a 20 % stake in the new holding company, alongside Heubach and SK Capital. Taking into account the share of Clariant Ltd in the net result of 2022 of Heubach (CHF 25 million), the book value of this investment as of the end of December 2022 amounted to CHF 91 million.

On 1 December 2022, the final purchase price for the Pigments business was agreed upon between Clariant and SK Capital/Heubach. Clariant received a vendor loan note in the amount of CHF 55 million, falling due on 3 January 2029 at the latest. Following the increased credit risk, the vendor loan (discounted value of CHF 38 million) was fully written off in 2023.

6. Other current interest-bearing liabilities

A bond issued in 2014 with a nominal value of CHF 160 million and a certificate of indebtedness issued in 2018 with a nominal value of EUR 92 million will mature in 2024 and were therefore reclassified to current financial debts.

On 17 April 2023, the certificates of indebtedness issued in 2015 in the amount of EUR 150 million reached their maturity and were repaid. On 26 April 2023, the certificate of indebtedness issued in 2016 in the amount of EUR 73 million reached maturity and was repaid. On 7 August 2023, two certificates of indebtedness issued in 2016 in total amount of EUR 40 million reached maturity and were repaid.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid.

On 6 March 2023, Clariant Ltd replaced a previous revolving credit facility (RCF) with a new KPI-linked RCF agreement of CHF 450 million (2022: CHF 445 million). The new agreement is structured as a five-year multicurrency revolving credit facility with two one-year extension options, split in two tiers taken by seven and five banks for each. The RCF is structured as a »back-stop« 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.

Four KPIs are defined for the RCF: GHG (Greenhouse Gas) Emissions – Scope 1 and 2; GHG Emissions – Scope 3; Water Intake; Gender Diversity. The new KPI-linked RCF demonstrates Clariant's commitment to support sustainable growth and to embed the strategy and ambitions in its financing.

The other current interest-bearing liabilities to Group companies comprise the cash pool accounts and current accounts between Group companies.

7. Non-current interest-bearing liabilities

On 22 September 2023, Clariant issued a fixed-rate bond with a nominal value of CHF 150 million and coupon rate of 2.75%. The bond will mature on 22 September 2028.

In 2023, two certificates of indebtedness in the amount of EUR 150 million issued in 2015 and three certificates issued in 2016 in the amount of EUR 113 million were repaid at maturity.

Certificates of indebtedness issued in 2020 totaling EUR 115 million were repaid in 2022. On 28 April 2022, before its maturity, one certificate was partially repaid (EUR 13 million); the remaining part (EUR 15 million) was repaid at maturity on 23 May 2022. On that same date, another certificate of indebtedness with a nominal value of EUR 87 million reached maturity and was repaid.

On 26 September 2022, a bond issued in 2012 in the amount of CHF 175 million reached maturity and was repaid, and on that same date, a new green bond with a nominal value of CHF 175 million and maturity in 2027 was issued.

in CHF m	Interest rate in %	Term	**Amount 31.12.2023**	Amount 31.12.2022
Non-current interest-bearing liabilities to third parties				
Certificates of indebtedness	mixed	2015-2023	–	155
Certificate of indebtedness	6m EURIBOR +1.1	2016-2023	–	14
Certificate of indebtedness	1.137	2016-2023	–	29
Certificate of indebtedness	1.501	2016-2023	–	81
Straight bond	2.125	2014-2024	160	160
Certificate of indebtedness	1.194	2018-2024	104	104
Certificate of indebtedness	1.548	2018-2025	116	116
Certificate of indebtedness	6m EURIBOR + 0.95	2018-2025	60	60
Certificate of indebtedness	2.010	2016-2026	16	16
Straight bond	1.125	2019-2026	200	200
Straight bond (green bond)	2.717	2022-2027	175	175
Certificate of indebtedness	2.087	2018-2028	19	19
Straight bond	2.750	2023-2028	150	–
Total straight bonds and certificates of indebtedness			**1 000**	**1 129**
Other non-current interest-bearing liabilities to financial institutions			23	25
Other current interest-bearing liabilities to Group companies			79	88
Total interest-bearing liabilities			**1 102**	**1 242**
Less: Other current interest-bearing liabilities to third parties			–264	–278
Less: Other current interest-bearing liabilities to Group companies			–79	–88
Total non-current interest-bearing liabilities			**759**	**875**
Breakdown by maturity				
one to five years			759	856
more than five years			–	19
Total non-current interest-bearing liabilities			**759**	**875**

8. Share capital

Capital issued	31.12.2023	31.12.2022
Number of registered shares, each with a par value of CHF 2.18 (2022: CHF 2.60)	331 939 199	331 939 199
In CHF m	724	863
Conditional capital	**31.12.2023**	31.12.2022
Number of registered shares, each with a par value of CHF 2.18 (2022: CHF 2.60)	3 811 886	3 811 886
In CHF m	8	10

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

Each registered share has a par value of CHF 2.18 (2022: CHF 2.60)

The average price of shares bought in 2023 was CHF 14.09. In 2022, the average price of shares bought was CHF 17.22.

In 2023 or 2022 no shares were sold.

The profit or loss from the sale of own shares or from the transfer to employees and the Board of Directors is recorded in the income statement as »finance income« or »financial expenses«.

	2023	2022
Holdings at 1 January	**2 922 398**	**2 822 712**
Shares purchased at fair market value	573 900	238 862
Shares purchased on exercise of put options	–	200 000
Shares transferred to employees and Board of Directors	–405 593	–339 176
Holdings at 31 December	**3 090 705**	**2 922 398**

11. Reconciliation of equity

in CHF m	Share capital	Legal capital reserve		Legal retained earnings	Voluntary retained earnings	Treasury shares	Loss / Profit	**Total**
		from capital contribution (other) [1]	from retained earnings [2]					
Balance 31 December 2022	**863**	**1 304**	**–1 264**	**224**	**1 288**	**–52**	**112**	**2 475**
Reduction of nominal value	–139					1		–138
Reclassification of profit carryforward to voluntary retained earnings					112		–112	–
Changes in treasury shares						1		1
Loss for the financial year							–151	–151
Balance 31 December 2023	**724**	**1 304**	**–1 264**	**224**	**1 400**	**–50**	**–151**	**2 187**

[1] In 2012, the Swiss Federal Tax Administration confirmed qualifying capital contribution reserves of approximately CHF 1.7 billion (as at 31 December 2023 due to distributions still amounting to approximately CHF 40 million). For further information, see also note 9.

[2] This amount corresponds to capital contribution reserves formerly offset with losses. For further information, see also note 9.

12. Other expenses

Other expenses consist mainly of the devaluation of the shareholding in Heubach by CHF 91 million and the write-off of the vendor loan from Heubach of the discounted value of CHF 38 million, which was recorded following the increased credit risk.

13. Contingent liabilities

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 (PFASs). 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 is scheduled for September 2024. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

Shell brought a claim for damages with the court of Amsterdam against four companies, including Clariant, in relation to infringement of competition law on the ethylene purchasing market which was sanctioned by the European Commission in July 2020. Clariant firmly rejects the allegation and will defend its position in the proceedings. Another claim against the same companies was brought by a claim vehicle »Stichting Ethylene Claims« before the court of Amsterdam, seeking declaratory judgment of liability of the defendants for the same anticompetitive conduct. As of this point in time, Clariant cannot assess if these litigation matters will have a material impact on Clariant's financial results.

in CHF m	**Outstanding liabilities 31.12.2023**	Outstanding liabilities 31.12.2022
Outstanding liabilities as guarantees in favor of Group companies	374	440

14. Equity instruments for members of the Board of Directors and the Executive Steering Committee

No options were granted to members of the Board of Directors or Executive Steering Committee for the years 2023 and 2022, nor did any members hold any options in those years.

For detailed information regarding emoluments of the Board of Directors and the Executive Steering Committee, please refer to the Compensation Report.

	Number of shares granted	**Value of shares granted in CHF**	Number of shares granted	Value of shares granted in CHF
	for 2023	**for 2023**	for 2022	for 2022
Board of Directors	85 058 [1]	1 320 102 [1]	55 857	1 000 092
Executive Steering Committee	236 482 [2]	3 507 029	135 981	2 168 897

1 In the Compensation Report 2022, this table indicated the number shares to be granted for the relevant year, based on an assumed grant date and grant price in the following year. The current table discloses the grants in the relevant year.

2 Performance Share Units represent contingency rights that will be converted into shares, depending on the performance achievement after the three-year vesting period. Unvested PSUs do not count toward the share ownership requirements.

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 that 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 2023, 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 Saudi Arabian Oil Company, Saudi Aramco, P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia	31.50%
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 [1]	3.49%
Standard Latitude Master Fund Ltd, Cayman Islands, controlled by David Winter, New York, USA and David Millstone, Aspen, USA	3.05%

[1] 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 2023 financial year 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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html

On 31 December 2022, 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 Saudi Arabian Oil Company, Saudi Aramco, P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia: 31.50%; BlackRock Inc., New York, United States: 3.80%; Blue Beteiligungsgesellschaft mbH, Am Holzmaierfeld, 82064 Strasslach-Dingharting (Germany), and Maple Beteiligungsgesellschaft mbH, 82057 Icking (Germany): 3.49%.

At 31 December 2023, Clariant AG itself held 3 090 705 shares in treasury, corresponding to 0.93% of the share capital.

17. Events subsequent to the balance sheet date

There were no major events subsequent to the balance sheet date.

Appropriation of Results

The Board of Directors proposes that the 2023 accumulated deficit of Clariant Ltd in the amount of CHF 151 million be allocated to voluntary retained earnings and appropriated as follows:

Accumulated deficit	in CHF m
Carried forward from previous year	–
Loss for the year 2023	–151
Total accumulated deficit	**–151**
Appropriation	
Voluntary retained earnings as at 31 December 2023	1 400
Transfer to voluntary retained earnings	–151
Voluntary retained earnings as at 1 January 2024	1 249
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 0.42 per registered share, as a result of a reduction of the par value from CHF 2.18 to CHF 1.76 per registered share.

The proposed payout would reduce the share capital by CHF 139 million. The proposed payout of the par value reduction of CHF 0.42 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 one-month period pursuant to Article 653k of the Swiss Code of Obligations and the subsequent registration of the share capital reduction in the Commercial Register.

Report of the Statutory Auditor

KPMG

Clariant Ltd, Muttenz

Statutory Auditor's Report

to the General Meeting on the

Financial Statements 2023

KPMG AG
Basel, 28 February 2024

EXPERTsuisse Certified Company

KPMG

Statutory Auditor's Report

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 (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

Key Audit Matters

VALUATION OF SHAREHOLDINGS IN AND LOANS TO GROUP COMPANIES

Key audit matters are those matters that, in our professional judgment, 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.

KPMG

VALUATION OF PARTICIPATIONS AND GROUP COMPANY LOANS

Key Audit Matter

The Company holds shareholdings in and loans to group companies that represent 87% of the total assets of its financial statements.

Participations and group company loans are valued at a maximum of the acquisition costs less necessary value adjustments, taking into account the general principle of individual valuation. Participations and group company loans are subject to annual impairment trigger testing.

Accordingly, management performs regular impairment assessments to determine the value of the shareholdings in and loans to group companies. The shareholdings and loans outstanding were considered significant due to their materiality in the context of the financial statements as a whole.

Our response

Our audit procedures included the following:

We inquired with management the adequate implementation of accounting policies and controls regarding the valuation of investments in and loans to group companies and tested the design and implementation of key controls around their valuation to determine whether appropriate controls are in place.

We challenged the assessment of impairment indicators performed by the Company. We tested the valuation by critically assessing the methodology applied and the reasonableness of key assumptions and judgements included. We involved our own valuation specialists to support our procedures.

We assessed the impairment testing result by calculating an independent recoverable amount to compare with managements conclusion whether an impairment is needed. For impairments recognized, we verified and recalculated the amount needed and traced it to the accounting records.

In addition, we validated the appropriateness and completeness of the related disclosures in the stand-alone financial statements.

For further information on Valuation of Participations and Group Company Loans refer to the following:

Note 2: Significant accounting policies

Note 4: Shareholdings in group companies

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and the review on performance, people and planet of the Company and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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.

KPMG AG

Martin Rohrbach
Licensed Audit Expert
Auditor in Charge

Cyrill Kaufmann
Licensed Audit Expert

Basel, 28 February 2024

KPMG AG, Grosspeteranlage 5, CH-4052 Basel

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.

Alternative Performance Measures (unaudited)

The following financial measurements are supplementary financial indicators. They should be considered in addition to, not as a substitute for, operating income, net income, operating cash flow, and other measures of financial performance and liquidity reported in accordance with International Financial Reporting Standards (IFRS).

EBITDA

— Earnings Before Interest, Taxes, Depreciation, and Amortization is calculated as operating income plus depreciation of PPE, impairment, and amortization of intangible assets, and can be reconciled from the Consolidated Financial Statements as follows:

EBITDA (CONTINUING)

in CHF m	**2023**	2022
Operating result	282	72
+ Depreciation of PPE	165	184
+ Impairment	89	462
+ Depreciation of Right-of-use assets	51	54
+ Amortization of intangible assets	20	38
EBITDA	**607**	**810**

EBITDA before exceptional items

— is calculated as EBITDA plus expenses for restructuring, impairment, transaction-related, and other exceptional items, less impairment and gain on disposals.

EBITDA BEFORE EXCEPTIONAL ITEMS (CONTINUING)

in CHF m	**2023**	2022
EBITDA	607	810
+ Restructuring, impairment, transaction-related, and other exceptional items [1, 2]	183	567
– Impairment (reported under restructuring, impairment, transaction-related, and other exceptional items)	–89	–462
– Gain from the disposal of activities not qualifying as discontinued operations [2]	–60	–22
EBITDA before exceptional items	**641**	**893**

Operating income before exceptional items

— is calculated as operating income plus restructuring, impairment, transaction-related, and other exceptional items and gain on disposals.

OPERATING INCOME BEFORE EXCEPTIONAL ITEMS (CONTINUING)

in CHF m	**2023**	2022
Operating result	282	72
+ Restructuring, impairment, transaction-related, and other exceptional items [1,2]	183	567
– Gain from the disposal of activities not qualifying as discontinued operations [3]	–60	–22
Operating income before exceptional items	**405**	**617**

[1] Restructuring, impairment, transaction-related, and other exceptional items for 2023: CHF 183 million (2022: CHF 567 million), of which: Cost of goods sold: CHF 91 million (2022: CHF 468 million); Selling, general, and administrative costs: CHF 70 million (2022: CHF 89 million); Research and development costs: CHF 22 million (2022: CHF 10 million income)

[2] Other exceptional items refer to material incidental costs or income resulting from an event outside the normal course of business

[3] Gain from the disposal of activities not qualifying as discontinued operations reported under Selling, general, and administrative costs

Return on invested capital

— is calculated by dividing Net Operating Profit Less Adjusted Taxes (NOPLAT) after exceptional items by the average net capital employed. NOPLAT is calculated by adjusting the reported operating result by the expected tax rate. Net capital employed also considers assumed operating cash and reported lease liabilities.

RETURN ON INVESTED CAPITAL (CONTINUING)

in CHF m	**31.12.2023**	31.12.2022
Operating result	282	72
– Adjusted by the expected tax rate (26 %)	–73	–19
Net operating profit less adjusted taxes	**209**	**53**
Total equity	2 180	2 513
– Cash, cash equivalents, and short-term deposits	–593	–718
– Assets held for sale	–1	–50
+ Current and non-current financial debts	1 098	1 225
+ Current and non-current lease liabilities	251	239
+ Liabilities directly associated with assets held for sale	–	6
+ Operating cash (2 % of sales)	88	104
Net invested capital	**3 023**	**3 319**
Average net invested capital	**3 171**	**3 446**
Return on invested capital	**6.6 %**	**1.5 %**

Net debt

— is the sum of current and non-current financial debt less cash and cash equivalents, short-term deposits, and financial derivatives with positive fair values.

NET DEBT

in CHF m	**31.12.2023**	31.12.2022
Non-current financial debt	765	870
+ Lease liabilities	251	239
+ Current financial debt	333	355
– Cash and cash equivalents	–488	–394
– Short-term deposits	–105	–324
– Financial instruments with positive fair values	–1	–2
+ Net debt reported as held for sale	–	6
Net debt	**755**	**750**

Financial Calendar 2024

JAN

29 February
Fourth Quarter / Full Year 2023 Reporting

FEB

14 March
Integrated Report 2023

MAR

9 April
AGM 2024

30 April
First Quarter 2024 Reporting

APR

MAY

JUN

30 July
Second Quarter / Half Year 2024 Reporting

JUL

AUG

SEP

29 October
Third Quarter / Nine Month 2024 Reporting

OCT

NOV

DEC

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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.

Approved by the Board of Directors on 28 February 2024