CLARIANT

GRI Report
2020

Introduction

The GRI Report 2020 is integral to Clariant's corporate reporting suite, providing comprehensive insights into Clariant's sustainable value creation. For each material topic in the »Focus« and »Advance« categories — as presented in the materiality matrix — Clariant outlines a management approach according to the GRI Standards, as well as the corresponding topic-specific GRI disclosures.[1]

Materiality Matrix
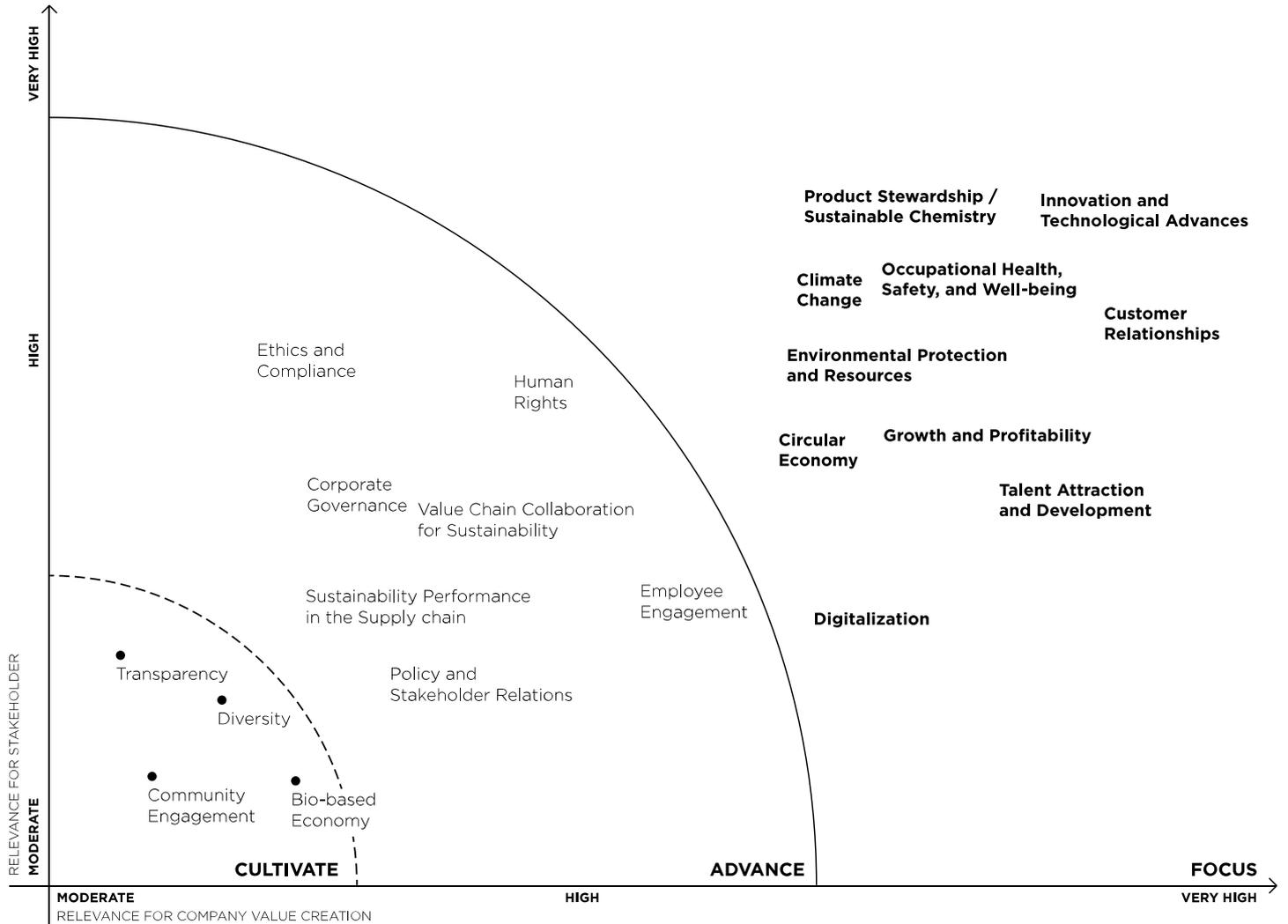
More in-depth information on Clariant's holistic approach to financial and non-financial value creation can be found in the following reports:

Integrated Report 2020

Financial Report 2020

Corporate Governance Report 2020

Compensation Report 2020

[1] For the material topic »Corporate Governance,« the information is not presented in a management approach, as it is reported in detail in the online Corporate Governance Report. Information about the material topic »Value Chain Collaboration for Sustainability« is covered by several other topics. Therefore, no separate management approach is presented in this report.

Index

GRI Report 2020

MATERIAL TOPICS – FOCUS

Circular Economy

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Increasing awareness of planetary resource limits has highlighted the circular economy as a necessary alternative to the current linear economic model. The circular economy is driven by sustainability ambitions and policy objectives linked to climate change, environmental protection, and resource efficiency, as well as resource scarcity. Policy examples include the European Union Circular Economy Action Plan and Plastics Strategy, the waste ban in China, as well as a multitude of other plastic sustainability initiatives around the globe. In addition, the circular economy promotes the opportunity to reinvent today's unsustainable take-make-dispose economy and its associated production and consumption patterns.

Contribution to value creation

Clariant is committed to supporting the transition toward a circular economy and is engaged in projects and activities that promote a more resource-efficient and sustainable society. Unnecessary material losses throughout the life cycle of products negatively impact business competitiveness and the environment. In contrast, ongoing circulation of materials and products benefits both business and the environment. A circular economy has the potential to support additional business opportunities and product or service developments, given emerging regulations and customer markets that are advancing on circular business models.

Boundary

Within Clariant's operations, opportunities for advancing the circular economy include energy, materials, and other resources that affect operational efficiency and costs. Company efforts in the field are closely linked to its environmental-protection and resource-efficiency objectives. The circular economy goes beyond Clariant's own operations, however, and includes analyzing the life cycle of products and business models to support a more circular society that uses less

while reusing and recycling more. Supporting a circular economy thus has a strong value-chain orientation, seeking to connect waste-material loops and linking directly to innovations driven by sustainability considerations.

Impact in the value chain
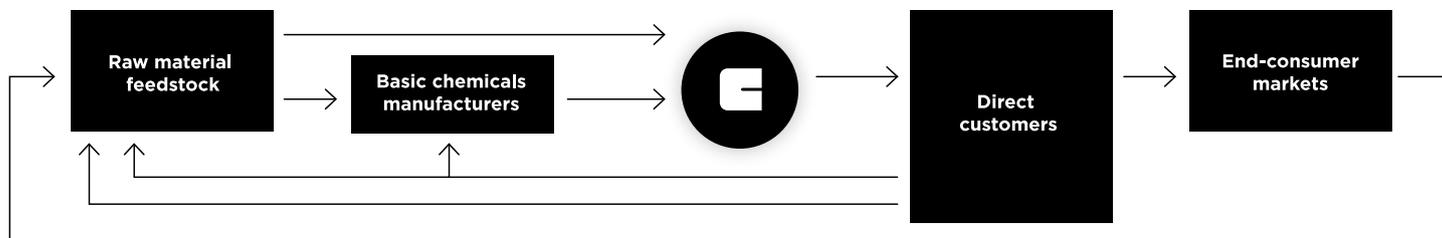
103-2 The management approach and its components

Responsibilities and resources

Opportunities offered by an increasingly circular economy are evaluated across several company functions. Among them are Sustainability Transformation, Group Technology and Innovation (GTI) as well as the different Business Units. The future Group Innovation and Sustainability will lead the efforts on the circular economy. Further, with EcoCircle and the associated Centers of Excellence, Clariant has started to establish dedicated sites for development of products for a circular plastics economy. Specialized teams and facilities allow Clariant to channel expertise and develop specialty products for specific circular topics.

Goals and targets

Clariant established targets regarding resource efficiency and sustainable production with its 2025 environmental targets, which are being reported under the topic »Environmental Protection and Resources.«

Further components

Clariant's contributions to a circular economy are manifold. They include continuously increasing eco-efficiency of production processes, choosing waste and renewable resources instead of virgin or fossil ones where suitable, process redesign, reducing water and energy use, closed-loop recycling at sites, industrial symbiosis, and value-chain clusters.

Promoting a circular economy is fueled by the development of new products and technologies. Clariant's wide range of innovative stabilizers and pigments supports obtaining higher-value plastics from recycling streams, while other products focus on increasing durability of materials.

In order to foster symbiosis and promote circularity along the whole value chain, Clariant is represented in the following organizations:

– Alliance to End Plastic Waste (founding member)

– Cefic's Circular Economy Working Group

– Circular Economy Initiative Deutschland (CEID)

– WBCSD Factor 10 and Circular Electronics Partnership

– WEF Low Carbon-Emitting Technology initiative, with Clariant supporting especially the work streams Biomass Utilization and Waste Processing

– Numerous local associations

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant reviews risks and opportunities associated with the circular economy as part of the corporate strategy management process. This structured approach further outlines, anchors, and advances the topic within Clariant's Business Units. In 2020, a tangible outcome of this review was the inclusion of circularity as one of the four key pillars of Clariant's sustainability focus areas.

GRI 301:2016 Materials

301-1 Materials used by weight or volume

✔ PwC CH

in m t	2016	2017	2018	2019[1]	**2020**
Total weight or volume of materials that are used to produce the organization's primary products and services during the reporting period	4.48	4.86	4.6	4.50	4.10
Total production	4.09	4.6	4.34	4.25	4.10

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

301-2 Recycled input materials used

Clariant tries to use recycled materials in production wherever possible. However, the percentage is low due to the nature of the production processes as recycled raw materials often cannot be used due to purity or safety standard requirements.

301-3 Reclaimed products and their packaging materials

When supplying customers, Clariant provides mostly reusable packaging, which can be returned to Clariant for cleaning and reuse. Other products are shipped as bulk goods in tank trucks and rail tank cars or silo trucks. To the extent possible, nonreusable packaging is recycled for material purposes or, especially in the case of hazardous materials, used to generate energy.

Climate Change

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

The discussion on how to halt and mitigate climate change is in full swing as its potential impacts, such as shifting weather and risk of flooding, are intensifying. If global warming cannot be contained to a safe level, society at large and thus Clariant's business and its markets can be seriously impaired.

An increasing number of business stakeholders are focusing on the issue: customers are demanding low-carbon alternatives, while financial players show a growing interest in climate-resilient companies. In addition, more corporations are opting for renewable energy sources for business operations.

As the environmental performance of companies continues to gain importance, Clariant aims to actively contribute to a carbon-neutral economy, helping the company to maintain or increase its customer base and to enhance its reputation.

Contribution to value creation

Clariant contributes to avoiding greenhouse gas emissions with its numerous sustainable products, ranging from catalysts to second-generation bioethanol solutions. Clariant also reduces its own carbon emissions through the optimization of its operations. Decreasing materials and energy consumption reduces cost and further increases the company's competitiveness.

Boundary

Climate change is relevant for Clariant's own operations, its customers, its global supply chains, as well as the entire life cycle of its products.

Impact in the value chain
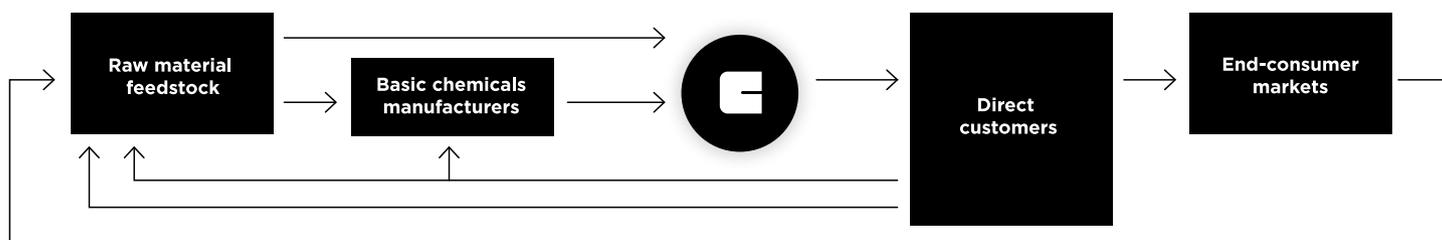
103-2 The management approach and its components

Responsibilities and resources

At Clariant, managing climate change is the responsibility of the new organization Group Innovation & Sustainability (GIS) and Group Operational Excellence (GOE). Within GIS, the topic is managed by the Sustainability Transformation teams, and within GOE, by the Corporate Environmental, Safety, and Health Affairs (ESHA) team. GIS and GOE are also working closely with other departments, such as Group Procurement Services, as well as different Business Units that develop low-carbon and climate-friendly solutions.

Goals and targets

To abate its climate impact, Clariant pursues ambitious environmental targets. These targets are an integral part of Clariant's planning and investment strategy. The current targets are to be achieved by 2025. Compared to a 2013 baseline, Clariant aims to reduce energy consumption and direct CO_2 emissions by 30% and emissions from greenhouse gases (Scope 1 and 2) by 35%, each per metric ton of production.

In order to maintain a high level of ambition for the continuing operations, Clariant updated its environmental targets. To underscore its stance toward climate change, Clariant developed science-based greenhouse gas emissions targets. The targets and implementation measures have been developed by teams spanning different functions and Business Units. The project pipeline for Scope 1 and 2 emission reduction focuses on efficiency projects, the purchase of green electricity, and utilizing alternative, low-carbon fuels. To reduce Scope 3 emissions, Clariant focuses on replacing conventional raw materials with low-carbon alternatives.

The new targets set out ambitious absolute emission reductions in the company's Scope 1, 2, and 3 emissions. Clariant commits to reduce absolute scope 1 and 2 GHG emissions by 40% and scope 3 GHG emissions from purchased goods and services by 14% until 2030, from a 2019 base year.

Read more: clariant.com/en/Sustainability/Sustainability-Targets

Further components

Beyond Clariant's goals to reduce emissions, the company is running multiple initiatives related to energy management, such as Yield, Energy, Environment (YEE) and eWATCH™. eWATCH™ is a holistic energy efficiency program that identifies savings potential through detailed analyses of energy consumption across operations and energy purchases from utilities. With this program, Clariant focuses on utilities guaranteeing efficient and low-carbon energy supply, as well as efficient energy use in the entire production process.

Finally, Clariant and its Business Areas contribute to the fight against climate change with their sustainable offering. Climate change-related criteria, such as raw material sourcing, material efficiency, energy consumption, and greenhouse gas emissions, are part of Clariant's Portfolio Value Program (PVP), which integrates sustainability into the product portfolio and the innovation pipeline. With its EcoTain® label, Clariant identifies best-in-class solutions that address sustainability challenges such as climate change.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant monitors its climate impact by collecting and analyzing data on energy consumption and greenhouse gas emissions across its Business Units. Thus, Clariant keeps track of the trajectory necessary to achieve its environmental targets.

The newly set science-based targets have a clear roadmap of projects, a designated investment for low-carbon projects, and are supported by Global Management Bonus Plans. Major investments will also be evaluated against an internal carbon price. These will ensure a continuous improvement of Clariant's carbon footprint, limiting global warming in line with the Paris Climate Agreement.

GRI 305:2016 Emissions

305-1: Scope 1: Direct energy GHG emissions
305-2: Scope 2: Indirect energy GHG emissions
305-4: GHG emission intensity

✔ PwC CH	2016	2017	2018	2019[1]	**2020**
Total emissions (in m tCO$_2$e)	**0.89**	**0.97**	**0.93**	**0.86**[2]	**0.83**
in kg/t production	218	211	215	202[2]	205
Gross direct (Scope 1) GHG emissions (in m tCO$_2$e)	0.41	0.44	0.43	0.38[2]	0.39
Direct emissions (Scope 1) in kg/t production	101	95	98	93	96
Gross location-based energy indirect (Scope 2) GHG emissions (in m tCO$_2$e)	0.48	0.53	0.51	0.46	0.41
Indirect emissions (Scope 2) in kg/t production	117	116	117	109	108

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

[2] Figure for 2019 restated due to improved data quality and completeness for energy consumption, which is directly linked to emissions data.

Direct greenhouse gas emissions result largely from the combustion processes operated by Clariant and are proportional to the amount of carbon in the fuels burned. Emissions of greenhouse gases, such as methane and nitrous oxide (N_2O), are measured locally and integrated into the consolidated calculation. Indirect greenhouse gas emissions result from external energy procurement, predominantly in the form of electricity and steam. Their emergence correlates with the type of production and the amount produced, and they are less influenced by Clariant than direct emissions.

To calculate Scope 1 emissions, stoichiometric emission factors of the primary fuels are applied. To calculate Scope 2 emissions, either specific emission factors from the local providers or country grid factors, which are published by the GHG Protocol, are used. For internal and ISO 50001 reporting, the eWATCH™ team calculates site-specific conversion factors in close interaction with site energy managers. These factors help benchmark the carbon intensity of different energy carriers and utilities and may pinpoint operational improvements. Taking into account the efficiency of individual utility plants leads to a continuous optimization toward the theoretical limit.

The amount of all greenhouse gases (expressed in CO_2 equivalents) decreased from 0.86 million t to 0.83 million t, mainly due to the change of ownership of a site in Muttenz, Switzerland, from Infraserv to Clariant, as well as a shift away from heating oil to natural gas and the purchase of green electricity at certain sites. Emissions per ton of production slightly increased from 202 to 205 kg.

305-3: Other indirect (Scope 3) GHG emissions

✔ PwC CH	2017[1]	2018[1]	2019[1]	2019 continuing business[1]	2020	2020 continuing business
Gross indirect (Scope 3) GHG emissions (in m tCO$_2$e)	**4.65**	**5.10**	**4.78**	**3.73**	**4.20**	**3.34**
Purchased goods and services	3.31	3.58	3.44	2.72	3.12	2.46
Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	0.30	0.27	0.29	0.14	0.27	0.13
Upstream transportation and distribution	0.13	0.17	0.17	0.12	0.12	0.11
Downstream transportation and distribution	0.12	0.12	0.14	0.13	0.12	0.12
End-of-life treatment of sold products	0.80	0.95	0.76	0.62	0.56	0.52

[1] The data has been restated in consideration of changes in estimates or discovery of errors in previous years' data as part of the 2030 sustainability target setting activities (with 2019 baseline)

To provide extensive reporting for the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP), as well as to develop a holistic climate strategy, Clariant reports on its Scope 3 emissions. Clariant focuses on the categories deemed most relevant for its business: purchased goods, fuel- and energy-related activities (not included in Scope 1 or 2), upstream and downstream transportation and distribution, and end-of-life treatment of sold products.

The categories and calculation methods are in line with 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 the GHG Protocol.

305-5: Reduction of GHG emissions

99 projects within Clariant's eWatch™ and YEE initiative delivered energy and CO$_2$-reduction benefits in 2020. Since 2013, a total of CHF 42.2 million was saved by implementing energy-efficiency measures. In 2019, Clariant managed to save CHF 4.9 million in energy cost through optimization and efficiency increases.

305-6: Emissions of ozone-depleting substances (ODS)

Clariant no longer uses ozone-depleting substances. Cooling agents, if relevant, are reported under greenhouse gases.

305-7: Nitrogen oxides (NO$_X$), sulfur oxides (SO$_X$), and other significant air emissions

✔ PwC CH

Significant air emissions in tons, for each of the following:	2016	2017	2018	2019[1]	2020
Total inorganic emissions	973	930	847	839	915
NO$_X$	512	634	618	613	540
SO$_X$	379	241	180	172	248
Hydrogen chloride HCl	58	40	33	33	45
Ammonia NH$_3$	24	14	16	21	82
Total organic emissions (VOCs)	156	208	439	543	413
Particle emissions (fine particles)					
in t	225	380	294	201	293
in g/t production	55	83	68	47	71

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

To calculate emissions, standard emission factors are applied that are based on stoichiometry and common waste gas treatment techniques. When available from suppliers, more specific local factors are used.

Customer Relationships

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Customer engagement lies at the core of Clariant's commercial strategy. Clariant is committed to creating added value for customers by delivering innovative, competitive, and sustainable solutions.

Contribution to value creation

Engaging with customers is essential to understand their needs and create continuous, profitable growth. After taking significant steps in recent years to turn Clariant from a product-driven into a customer-centric organization, Clariant aims to further strengthen the customer experience and increase interactions to uncover new business opportunities.

Boundary

All Business Units have installed a tailored marketing organization that focuses on strengthening relationships with customers.

Impact in the value chain
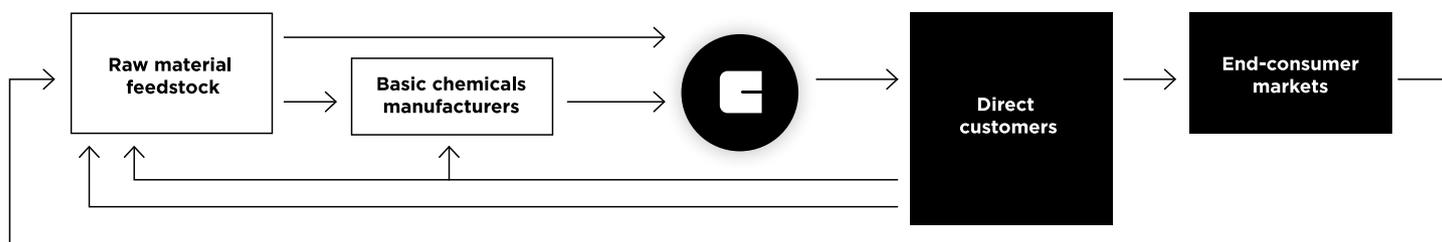
103-2 The management approach and its components

Responsibilities and resources

Clariant Commercial Excellence strengthens customer-centricity throughout the organization by continuously improving customer engagement and sales operations through ongoing dialogue with existing customers, new prospects, and other partners along the value chain. In January of 2021, Commercial Excellence became part of Corporate Planning & Strategy, creating an even stronger bond between driving strategy and executing strategy. Corporate Planning & Strategy reports to the Executive Committee.

Each Business Unit focuses on enhancing Clariant's customer-centricity through a tailored marketing organization. In every Business Unit, a global Head of Marketing leads a dedicated team of marketing professionals. To identify and capture profitable growth opportunities, marketing teams work closely with (technical) sales functions.

To strengthen exchange between marketing professionals, Clariant established a Marketing Advisory Board in 2018. It developed into a Commercial Advisory Board in 2019 and 2020 and included sales and pricing topics in addition to marketing since these topics are interconnected. It consists of the Business Units' Marketing Heads, the Head of Marketing Communication, the Head of Sustainability Strategy (Head of Sustainability Transformation as of mid-2020), and the 2 Heads of Commercial Excellence, who convene regularly to share best practices and drive further development of strategic commercial processes, tools, and capabilities, ensuring continuous improvement of the commercial organizations.

Further components

Within Corporate Planning & Strategy, the pricing, sales, and digital commercial teams support the Business Units in developing and implementing actionable commercial growth plans. They also accompany a growing number of initiatives on customer segmentation, cost-to-serve analysis, customer engagement, and value-based pricing and selling. In addition, the teams contribute to systematic capability building with a »Commercial Curriculum« for professionals in commercial and leadership functions.

After introducing a Marketing Essentials training in 2018, Clariant created a marketing training curriculum in collaboration with the renowned Kellogg School of Management at Northwestern University in the United States to foster commercial competencies across the organization in 2019. In 2020, Clariant continued the advanced marketing program with MarketEdge, in which participants focused on further deepening their marketing plans in an interactive workshop environment.

Clariant installed a new version of its Customer Relationship Management system in 2020 in order to improve and intensify customer relationships.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

In addition to the feedback received from customer interactions throughout the year, Clariant conducts a biennial survey to monitor customer satisfaction. This survey is a critical opportunity to learn about customers' perceptions of Clariant as a supplier and business partner, providing an invaluable outside-in perspective to improve touchpoints along the entire customer journey. The most recent customer satisfaction survey was conducted in 2020.

Indicators

Clariant tracks several indicators to monitor the success of its approach to marketing and customer engagement. One of the most important indicators is the additional margin generated from Commercial Excellence projects (in commercial margin), which gives a good indication of how well Clariant translates customer insights into profitable growth. Since 2014, this indicator has grown substantially from CHF 2 million to CHF 15.4 million in 2020, underscoring that Clariant is moving in the right direction toward true customer-centricity.

GRI 418:2016 Customer Privacy

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

In 2020, Clariant received no complaints from outside parties or regulatory bodies regarding data breaches of customer privacy or loss of customer data. Similarly, Clariant is not aware of any identified leaks, thefts, or losses of customer data.

Digitalization

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Digitalization is a megatrend that is reshaping the chemical industry. In response to the growing readiness of customers and suppliers to use digital tools, Clariant embarked on its transformation into a fully data-driven company to increase customer satisfaction, improve process performance, and lower costs. The company's digital transformation impacts all aspects of its business activities, from innovation to marketing and operations.

Contribution to value creation

Digitalization allows Clariant to anticipate and capitalize on trends in marketing and innovation. By using data science and digital formulation, including high-throughput experimentation, speed and quality of new product developments and related applications can be increased. This is particularly important for customers that are experiencing fast-changing demand due to the increase in online sales.

Clariant predicts that the buying behavior of younger buyers, who are accustomed to accessing information at any time, will be changing. As this could lead to more activity on internet platforms, Clariant is closely monitoring developments in this field. It uses platforms selectively (e.g., Alibaba's Chinese marketplace) and regularly reviews go-to-market approaches using platform channels.

Digitalization also enhances Clariant's solution-centric, go-to-market approach by offering additional digital insights and services to customers. In particular, the combination of chemical knowledge and data science enables Clariant to offer completely novel services. They can be provided to the market as stand-alone »software as a service« or as part of regular service packages. For sales analytics, Clariant utilizes data science-driven dashboards, which can improve sales forecasts or help the company gain better insights regarding the future payment behavior of customers.

Regarding production and supply chain management, predictive process and quality control are expected to increase yields, lower energy consumption, and avoid bottlenecks in production, leading to increased speed, higher quality, and reduced costs. Clariant built a data lake—a central data repository that provides access to data and information across the organization—to facilitate the automated application of data science tools and identify potential process improvements, particularly in production and supply chain operations.

In procurement, digitalization allows Clariant to better predict prices and plan material flows. Data-driven tools help exploit price advantages, improve demand predictions and risk management, and facilitate strategic buying. Automated e-auctions allow Clariant to easily compare a large number of offers from suppliers, making the selection process more competitive and potentially lowering raw material prices. Tracking supplier performance helps increase supply stability and enhances monitoring of sustainability factors in the supply chain. By improving multilayer inventory, predictive planning tools are expected to lower net working capital and increase the On-Time, In-Full (OTIF) rate. In addition, digital tools will be required to ensure transparency along the value chain about greenhouse gas emissions in order to comply with potential future regulation.

Boundary

Digitalization impacts all stages along the value chain, from the sourcing of raw materials to the delivery of finished products and the provision of services.

Impact in the value chain
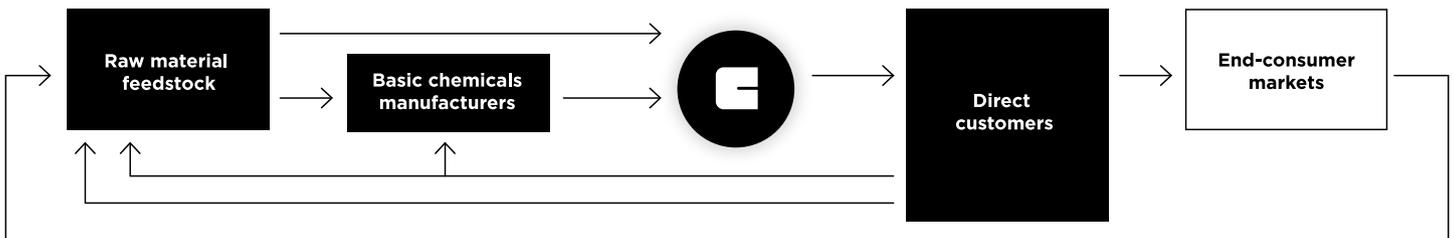
103-2 The management approach and its components

Responsibilities and resources

Digital4Clariant oversees and coordinates most of the novel digital activities at Clariant, namely the development of new digital business models, the transformation of existing business models, digitalizing operations, and enhancing data science. This cross-functional program is supported by top management and all of its workstreams and projects have steering committees, typically consisting of a member of the Executive Committee, the Head of the involved Business Unit, a member of the Business Unit's Management Committee, the Chief Information Officer, and the Head of Digital4Clariant.

In 2020, when some of the early workstreams had achieved their purpose, the program was adapted. Dedicated teams that were embedded in the organization took over the former workstreams and integrated the relevant topics into their routine tasks. Most notably, the digital@operations team and projects became governed by the newly instituted Operations Council. Similarly, the strategic topic of digital formulation development was taken over by the Innovation Committee, and the different functions working in this field were bundled under the umbrella of the Digital Formulation Factory.

As Clariant's biggest potential for growth and cost savings is in the field of data science, the dedicated Competence Center for Data Science, established in 2018, focuses on data intelligence and process simulations as part of Group Process Technology. It also institutionalizes the use of data science in formulation development via a Digital Formulation Factory.

Goals and targets

Goals and targets in the area of digitalization are set individually for each Business Unit and functional level.

Further components

Clariant's digital innovation approach is inspired by rapid innovation methods widely used in the technology sector. It incorporates elements of design thinking, agile project management, and SCRUM. To make sure that new solutions satisfy customer needs, Clariant starts its innovation sprints with customer interviews and continuously refines ideas based on customer feedback. As a principle, ideas are also rigorously sorted, embracing the spirit of fail fast, fail early, and fail cheaply.

To exploit digitalization's full potential, Clariant also adjusts its IT and support functions and further develops internal digital skills beyond classical IT capabilities. Enhanced support services, which include legal advice on data protection and intellectual property, employer branding to attract digital talents, and capacity-building of digital skills among existing staff, help the businesses navigate in the digital world. Clariant continues to strengthen its efforts for cybersecurity and information security, including privacy protection, by building up dedicated resources in IT and Group Compliance.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

The Operations Council manages the project pipeline for digital projects in the area of operations. The project steering committees meet regularly to assess the progress of each project and decide on its continuation using a set of digital key achievement and performance indicators. In addition, the Executive Committee and Board of Directors receive regular updates about the direction and progress of digitalization projects. Agile work organization in sprints continued to gain more importance throughout the company. In 2020, data science tools were developed in cross-business teams following agile principles.

Indicators

Performance indicators vary depending on the type and maturity of each workstream or project. They range from standard financial KPIs to indicators that reveal the product/market fit, such as the number of returning/paying visitors to a platform or the customer lifetime value to customer acquisition cost ratio. They are complemented by indicators that reflect sound customer-centric project management, such as the number of customer and industry expert interviews conducted, the number of pilot customers in the incubation phase, and the number of full-time equivalents assigned to a sprint.

Read more: Integrated Report, Digitalization

Environmental Protection and Resources

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant's commitment to environmental sustainability and ethical practice is reflected in the company's responsible approach to resources and the environment. Maintaining energy efficiency, optimizing operations, and reducing emissions through technology and behavioral changes help Clariant decrease its environmental impact.

Energy

To conserve resources and improve cost-efficiency, managing energy is paramount for Clariant. Clariant's energy management aims to minimize emissions and greenhouse effects from energy use and acknowledge the development and implications of climate change.

Read more: GRI Report, Management Approach Climate Change

Water

Water management is a key topic for the chemical industry as water is used in numerous production processes and as a product ingredient. Clariant uses water for a variety of purposes in the production of chemical products, resulting in the release of wastewater effluents.

Waste Management

As a highly regulated topic, waste management is critical for Clariant and the entire global chemical industry. Handling waste appropriately is not only a sustainability commitment for Clariant. Accumulating waste also results in higher costs. Optimizing production to reduce waste is beneficial for Clariant's profitability since increasing yield decreases the amount of waste generated.

Pollution Prevention

Clariant is fully committed to operating sustainably and decreasing pollution that results from its business activities. Its approach includes a clear goal of reducing air emissions and minimizing the discharge of harmful pollutants into water bodies. Decreasing pollution is not only a social mandate, but also part of global legislation with which Clariant fully complies.

Protection of Ecosystems

Ecosystems provide a variety of critical goods and services such as clean water, energy, recreational areas, and protection from flooding, all of which benefit society at large as well as companies like Clariant. Clariant takes care in monitoring and remedying impacts in order to maintain invaluable ecosystem services.

Contribution to value creation

Energy

By reducing energy consumption, Clariant increases its profitability, safeguards natural resources, and enhances its brand reputation. Thanks to sustainable product developments, Clariant's customers profit from solutions that enable them to significantly save energy in their production processes.

Water

Apart from protecting resources, efficient water management saves cost in wastewater treatment. Through collaborative and innovative initiatives, Clariant strives to develop efficient water use solutions that work in industrial settings across the globe or even enable water savings at end-consumer use.

Waste Management

Clariant's waste management approach adds value by reducing the risk of environmental harm as well as costs associated with waste treatment. Increasingly, in a circular economy approach, waste will need to be considered or tested for being used as a raw material. These efforts are in line with Clariant's commitment to sustainability and lend credibility to its operations around the world.

Pollution Prevention

Pollution prevention adds value to the company by minimizing the risk of harming human health and the environment, while also reducing potential liabilities and negative impacts on the company's brand image. At the same time, Clariant's product portfolio enables our customers to reduce pollution, for example, in the area of volatile organic compounds (VOCs).

Protection of Ecosystems

By protecting the surrounding ecosystems and fostering ecosystem services, Clariant guarantees the future availability of resources and helps conserve vital services for society at large.

Boundary

Clariant currently focuses on the impacts of its own operations, which can be controlled and monitored directly. Potential effects along the value chain are considered as well.

Energy

Clariant is continuously improving energy efficiency in its own operations, but also strives for high standards in its value chain by providing products that help customers reduce their energy consumption.

Water

Read more: GRI Report, Management Approach Disclosure 303-1 Interactions with water as a shared resource

Read more: GRI Report, Management Approach Disclosure 303-2 Management of water discharge-related impacts

Waste Management

Clariant makes every effort during the development and manufacture of products to ensure that as little waste as possible is generated. Clariant monitors closely which plant generated the waste, the amounts that accrued during which period, the properties of the waste components, whether the waste is classified as hazardous, and how it can be recycled or disposed of.

Pollution Prevention

Clariant strictly adheres to regulatory requirements regarding wastewater, air emissions, and waste management across all its operations.

Protection of Ecosystems

Since most of Clariant's sites are located in industrial areas, vulnerable ecosystems are usually not impacted. Where possible, the monitoring is extended along the value chain, for example, by evaluating products with Clariant's Portfolio Value Program (PVP). In addition, Clariant carefully addresses the impacts of sourcing raw materials, such as palm oil and bentonite.

Read more: Corporate Website: Portfolio Value Program (PVP)

Impact in the value chain
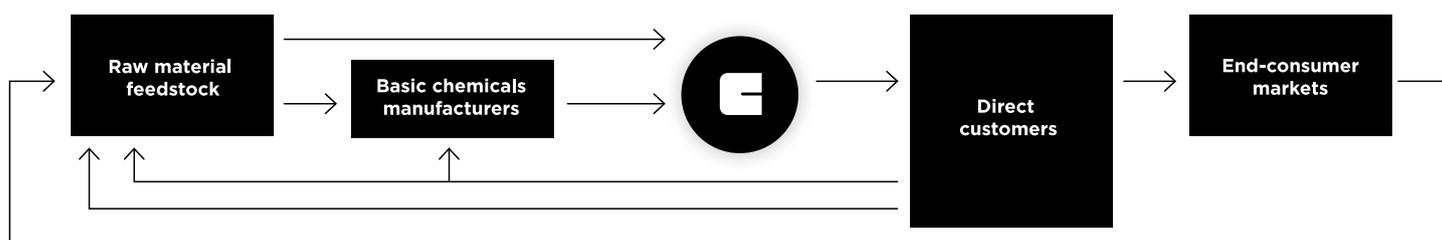
103-2 The management approach and its components

Responsibilities and resources

At Clariant, the Corporate Sustainability & Regulatory Affairs (CSRA) department supports businesses with strategic and operational activities, for example, by providing input on product screenings and customer requests. The corporate Environmental Safety and Health Affairs (ESHA) unit, whose head reports to the Executive Committee (EC), is encompassed in CSRA. For 2021, a reorganization will put ESHA in Group Operational Excellence, which will increase synergies and ensure continuous focus and attention from the EC on the topic. Specialized ESHA teams within the different Business Units and country organizations are responsible for managing environmental protection and resources. While they set and monitor the standards, the full operational responsibility lies with each site, which also nominates a responsible person for day-to-day operational ESHA topics.

The total amount of ESH investments in 2020 was about CHF 31.7 million, including CHF 12.7 million for environmental protection. The expenditures for ESH protection in operative facilities amounted to over CHF 133.8 million in 2020, of which CHF 74.0 million were spent on environmental protection.

Goals and targets

By 2025, Clariant aims to achieve significant improvements in six major parameters compared to the base year 2013. With respect to metric ton of production, Clariant aims to reduce

– energy consumption by 30%

– direct CO_2 emissions by 30%

– greenhouse gas emissions by 35%

– water consumption by 35%

– waste volume by 35%

– wastewater volume by 40%

In addition, new ambitious science based targets were submitted to the Science-Based Target initiative at the end of 2020 and have been announced in February 2021. The new targets set out significant absolute reductions in greenhouse gas emissions.

Read more: GRI Report, Management Approach Climate Change

Further components

Clariant abides by the principles of the Responsible Care® Global Charter, which was initiated by the members of the International Council of Chemical Associations (ICCA) to create a global vision and highlight the commitment of the industry to continuous improvement in the environmental, health, and safety performance of chemical producers worldwide. Furthermore, Clariant adheres to its Sustainability Policy, Code of Conduct, Internal ESHA Management System, ESHA Guidelines and Guides, internal audits, and bylaws of the Executive Committee. The ESHA guidelines contain several common principles for environmental protection, including prioritizing measures that avoid or minimize negative environmental impacts over pollution control (end-of-pipe) measures.

Energy

The main governing programs at Clariant to minimize energy consumption and increase energy efficiency are eWATCH™, Clariant Operational Excellence (COX), and the Yield, Energy, Environment (YEE) initiative.

The eWATCH™ program is a three-dimensional energy efficiency and management approach that combines an operating system, management system, and employee system to reduce operational costs at production sites. The Clariant Energy Intelligence Guide (CEIG), a component of the eWATCH™ Employee System, supports careful management of the company's energy demand. This guide combines information, advice, best practices, and successful optimization projects, as well as key figures and tools that support energy efficiency, enabling users to systematically improve the energy efficiency of equipment.

An important component of the Operational Excellence program is the Clariant Production System (CPS). The goal of CPS is to achieve optimal productivity and financial performance at the production sites of all Business Units by identifying, developing, and implementing good practices across all production sites. Implementing the CPS leads to improvements in safety, productivity, conversion costs, energy consumption, and product quality.

The Clariant Production System's Yield, Energy, Environment (YEE) initiative increases yields, improves energy efficiency, and reduces waste streams by analyzing specific production processes or production units to create a comprehensive picture of energy optimization.

Water

Read more: GRI Report, Management Approach Disclosure 303-1 Interactions with water as a shared resource

Read more: GRI Report, Management Approach Disclosure 303-2 Management of water discharge-related impacts

Waste Management

Clariant's waste management performance has improved continuously over recent years thanks to global programs and ongoing efforts at individual sites. Wherever possible, Clariant recycles or reuses materials in order to avoid landfilling hazardous waste, and thus decreases adverse consequences for the environment. On the site level, waste generation is minimized by comprehensive planning and high-quality standards. Each type of waste is recorded and precisely analyzed. Proper disposal must be proven and documented in internal records.

Pollution Prevention

Clariant implemented several measures to improve its performance regarding pollution prevention. Air emissions and wastewater quality of all sites are monitored closely at the corporate level. All Clariant production sites strictly comply with local regulatory requirements regarding air and water emissions limits. In addition, Clariant uses its own standards and guidelines to ensure its operations are running in an environmentally friendly manner all the time.

Protection of Ecosystems

To guarantee sustainable sourcing of palm oil-based oleo chemicals, Clariant pursues certification of its palm oil derivatives supply. Clariant is a member of the Roundtable on Sustainable Palm Oil (RSPO) and achieved mass-balance certification for all its sites in 2016. As a member of the »Sustainable Palm Oil and Traceability in Sabah« (SPOTS) initiative, Clariant also implements specific action plans regarding the sustainability of the palm oil supply chain. These include working on the transparency of supply chains and providing support services to independent smallholders to improve their income and quality of life. In 2020, Clariant started to revise its palm-sourcing policies and targets to further ensure protection of ecosystems at the cultivation level.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant relies on a dedicated, internal group to exchange knowledge between stakeholders in the Business Units and service units on projects undertaken to reduce environmental impacts. At the same time, Clariant instituted its Clariant Excellence program, which has clear targets for resource savings. Moreover, regular ideation workshops were coordinated by Corporate ESHA in collaboration with various Business Units to identify bottlenecks and generate new ideas to achieve the 2025 targets. The participants in these ideation workshops are the operations managers from the production sites, who are the main stakeholders in implementing the strategies at the site level. The collaboration between the newly established Sustainability Transformation Unit, ESHA, Operational Excellence, and experts from the Business Units also led to the development of a revised target set.

Indicators

Clariant annually collects ESHA key figures to monitor the progress towards Clariant's 2025 environmental targets. The ESHA key figures are also used as a basis to improve performance and efficiency. Clariant's Project Tracking Tool (CPTT) tracks the progress of projects related to environmental performance.

Energy

Since its inception in 2012, YEE led to savings of more than CHF 86 million. In 2020 alone, YEE allowed for cost savings of CHF 6.1 million.

Water

Clariant tracks several water-related indicators, such as the total volume withdrawn from different sources, the water consumption in relation to production, and the volume discharged to different water sources. Protection of Ecosystems parameters tracked include the number of chemical production sites that are located in biological reserves or in areas with a high biodiversity value.

Waste Management

Indicators monitored include the weight of hazardous and nonhazardous waste by disposal method as well as the number and volume of significant spills.

Pollution Prevention

Parameters tracked for air emissions include volatile organic compounds (VOCs), sulfur oxides (SOXs), nitrogen oxides (NOXs), and particulate matter. For assessing wastewater quality, biological and chemical oxygen demands (BOD and COD, respectively), as well as organic content (TOC), suspended solids (TSS), heavy metals, nitrogen compounds, and phosphorus are recorded.

GRI 302:2016 Energy

302-1 Energy consumption within the organization / 302-2 Energy consumption outside of the organization / 302-3 Energy intensity

✔ PwC CH	2016	2017	2018	2019[1]	**2020**
Total energy consumption within the organization (in m kWh)	2 950	3 245	3 209	3 204[2]	3 067
Relative energy consumption (in kWh/t production)	720	706	739	754[2]	758

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

[2] Due to increased data quality and completeness, the figure for 2019 has been restated.

✔ PwC CH	2017	2018	2019[1]	2020
Total fuel consumption within the organization (in m kWh)	**1777**	**1781**	**1795[2]**	**1653**
Oil	87	83	60	49
Natural gas	1231	1254	1248[2]	1154
Diesel	57	54	113[2]	95
Energy crops (bagasse/briquettes)	122	121	125	65
Coal + Waste	280	269	235[2]	289
Total electricity consumption (in m kWh)	**844**	**768**	**704**	**626**
Total steam consumption from outside the organization (in m kWh)	**626**	**660**	**685**	**685**

[1] See footnote under the previous table.

[2] See footnote under the previous table.

Clariant's plants primarily require energy in the form of steam, electricity, and heat. Electricity is mainly used for electric motor drives in mixers, pumps, and other process-engineering equipment. Measurement and control technology, as well as lighting, also require electricity. Clariant uses natural gas for heating dryers, firing furnaces, and generating electricity and steam in its own power plants. Clariant uses steam to heat reactors and separators, such as distillation columns. The resulting condensate is, whenever possible, used for heating purposes. Across the Group, Clariant records total energy consumption, regardless of whether it has been internally produced or externally procured. Small energy procurements, such as transport services during business trips, are not recorded as they are insignificant in Clariant's overall energy balance.

Direct energy consumption (i.e., the use of primary energy sources) occurs at Clariant's sites, mainly for process heat- and steam-generation purposes. The primary energy source used most often is natural gas; coal is only used in very few locations, and Clariant is currently seeking alternatives where possible. Indirect use of energy stems from the consumption of electricity and steam from external sources in lieu of Clariant's own energy generation. Electricity and steam procured from third parties are produced with a mix of different primary energy carriers. Clariant endeavors, however, to increase the share of energy obtained from renewable sources on an ongoing basis. This will be particularly important for the implementation of Clariant's new CO_2 reduction commitments, together with further decreasing energy consumption.

Read more: Climate Change

To estimate the relative energy consumption per ton of production, Clariant accounts for all the energy it consumes as described above. Energy consumption outside of the organization is accounted for through the CO_2 footprint of the raw materials Clariant purchases. Data are gathered as part of Scope 3 emissions.

Read more: GRI 305-3, Other indirect (Scope 3) GHG emissions

302-5 Reductions in energy requirements of products and services

Clariant evaluates the energy consumption of products through its Portfolio Value Program (PVP), which includes the innovation pipeline. While the PVP looks at energy consumption across the entire life cycle, a specific area of focus of Clariant's innovation effort lies in the energy consumption in the use phase and how Clariant can help customers to reduce their energy consumption.

Read more: Corporate Website: Portfolio Value Program (PVP)

GRI 303:2018 Water and Effluents

303-1 Interactions with water as a shared resource

One of the main auxiliary materials for the chemical industry is water. Foremost, it is used as a coolant and as process water in production. Of the 41 million m^3 of Clariant's total water quantity purchased in 2020, about 70% was used for cooling production plants, 20% for production processes, and 10% as a product component or for steam/ice generation, irrigation, or sanitary purposes.

Clariant's plants and office buildings are located almost exclusively in industrial parks or appropriate commercial districts, where the required infrastructure, including sufficient and stable water availability, already exists.

The water supplies, especially at large production sites, are primarily guaranteed with river water supplied via third parties. Before being discharged into the piping system at each site, the river water is cleaned using various filter systems. Remaining amounts are obtained from the respective local water grids, but not in volumes that would significantly impair the water system. For plants located next to rivers, Clariant implements strict environmental regulations so that its activities have no measurable impact on the surrounding flora and fauna. The wastewater produced by Clariant in the year under review had no measurable impact on biodiversity.

To ensure continuous operations in areas under water stress, reducing water consumption and increasing water reuse are essential. Clariant prioritizes actions that increase efficient water use, ensure proper water management, and address potential risks. Clariant systematically tracks water related impacts and engages with stakeholders where necessary to deal with specific water-related impacts.

Clariant strengthened its water-risk management in 2017 by establishing an annual water-risk assessment for sites operating under high water stress. By systematically mapping water risks with a comprehensive tool, the Aqueduct Water Risk Map developed by the World Resources Institute, a facility's overall water-risk score (a combination of quantity, quality, regulatory, and reputational risks) is calculated, and the facilities that rank as medium to high risk are shortlisted. Based on this initial assessment, Clariant refined the Aqueduct analysis by performing a more detailed internal risk assessment. Relevant sites reported on impacts and emerging risks according to certain classifications and categories, allowing Clariant to identify sites with water risks that could have a substantial impact on operations, revenue, or expenditure. This detailed risk assessment process revealed that only a fraction of Clariant sites are situated in water-risk areas. For these sites, Clariant performed in-depth site-level water-risk assessments in 2019 to develop water management goals that ensure risks can be managed responsibly. The revised environmental targets, which Clariant will publish in early 2021, place additional emphasis on advanced and sustainable water management in areas of high water risk.

In 2020, Clariant continued to engage in the EU-funded INSPIREWater project to explore innovative solutions for industrial water management together with eleven other partners from the chemical industry. In the Clariant's case study, water reuse and concentrate treatment towards ZLD for secondary effluent with high fouling potential was demonstrated. For this purpose, the project embraced the development of a pilot-scale wastewater treatment plant containing innovative technologies that were consequently operated under real conditions on the ICS production site in Tarragona. The project has shown that 85% of the effluent could be recovered and reused. The produced water quality was suitable for medium- and low-quality application. The LCA analysis has shown an environmental impact reduction by 60% for the concept tested. Knowledge obtained from this project can be transferred to other Clariant sites, particularly those located in areas with water scarcity. Furthermore, Clariant engaged in internal quality audits, which are a central element of the ESHA management system, supporting the external environmental management certification according to ISO 14001. The project was finalized in 2020.

The importance of water management differs according to local conditions. Targets regarding water consumption are therefore set based on local water stress, and different regions and countries monitor their own regulatory developments.

303-2 Management of water discharge-related impacts

303-3 Water withdrawal / 303-4 Water discharge / 303-5 Water consumption

✔ PwC CH	2017	2018	2019[1]	**2020**
Total volume of water withdrawn (in m m^3)	**49**	**49**	**44**	**41**
Surface water	7.6	8.0	7.5	6.3
Groundwater	9.1	8.9	5.7	5.2
Seawater	0.1	0.1	0.1	0.2
Produced water	0.1	0.1	0.1	0.1
Third-party water	32.1	31.9	30.9	29.0

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

Clariant is using fresh water with a total dissolved solids (TDS) concentration of less than 1000 mg/l for the majority of its operations. At only one Clariant site, seawater is withdrawn and treated before use because there is no access to fresh water.

Clariant is in the process of standardizing the water stress/water risk assessment disclosure in accordance with various sustainability reporting requirements. The respective disclosure is thus omitted until the process is complete.

✔ PwC CH	2016	2017	2018	2019[1]	**2020**
Relative water consumption (in m^3/t product)	11.7	10.6	11.3	10.4	10.1

[1] See footnote under the previous table.

✔ PwC CH	2017	2018	2019[1]	**2020**
Total water discharge to all areas (in m m^3)	**12.7**	**12.6**	**11.9**	**11.4**
Surface water	10	8.2	7.9	7.7
Groundwater	n.a.	n.a.	n.a.	n.a.
Seawater	0.6	0.5	0.5	0.4
Third-party water treatment	2	3.6	3.5	3.2

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

In 2020, Clariant recorded two incidents of noncompliance with discharge limits of priority substances of concern.

Clariant considers the entire volume of water withdrawn and used as its total water consumption. Cooling water returned to the source after being used in cooling cycles is not excluded from total consumption. For Clariant, priority substances of concern are heavy metals, organic pollutant parameters such as biochemical oxygen demand (BOD) and chemical oxygen demand (COD), nitrogen and phosphorus compounds, soluble salts, and suspended solids. Clariant is compliant with regulatory requirements and treats the priority substances of concern as identified in the wastewater discharge permit. The substances of concern are defined based on the type of industrial operation and cannot be generalized at the Group level.

GRI 304:2016 Biodiversity

304-1 Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas

Clariant does not operate chemical production sites in biological reserves or in areas with a high biodiversity value. The company's sites are exclusively located in industrial parks or areas designated as industrial zones by local municipalities. If there are protected areas near Clariant's sites, the company ensures local regulatory guidelines to prevent pollution in the protected areas are followed.

304-2 Significant impacts of activities, products, and services on biodiversity

If forests, which are generally unprotected areas, are located in the immediate vicinity of production sites, Clariant ensures the nature of the plant and activities carried out do not have an appreciable adverse effect on the surrounding flora and fauna. Clariant is also aware of the possible impact of certain raw materials and their cultivation on biodiversity, as in the case of palm oil. Clariant cooperates with customers to improve traceability of palm-based raw materials and is a member of RSPO, offering RSPO mass-balance-certified material.

304-3 Habitats protected or restored

In areas that were reclaimed by Clariant following bentonite extraction (such as Southern Bavaria), certain types of animals that are on the Red List of Threatened Species have repopulated. Clariant continues to take care of reclamation of mines in other regions. Volunteering for river/beach cleanup, as well as tree-planting activities, have been carried out by Clariant employees in various regions in the past years.

304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

GRI 306:2016 Effluents and Waste

306-1 Water discharge by quality and destination

✔ PwC CH	2016	2017	2018	2019[1]	**2020**
Total volume of planned and unplanned water discharges (in m m^3)	13.2	12.7	12.6	11.9	11.4
Relative wastewater discharge (in m^3/t production)	3.23	2.75	2.90	2.8	2.8

[1] Every three years, Clariant validates the production volume from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

The absolute quantity of water discharged decreased by 4.2% in 2020. Water discharged in relation to production remained stable at 2.8m^3 per ton of production. Clariant has reduced the chemical oxygen demand (COD) — the indicator of organic content in wastewater — in its wastewater discharged by ~37% from 2013 to 2020. Consequently, fees and production costs were reduced. Only small amounts of heavy metals remain in the wastewater discharged from Clariant's individual sites. The values are partly based on concentrations that are at or below detection limits. The wastewater discharged by Clariant is largely cleaned and does not affect the quality of the receiving water bodies.

306-2 Waste by type and disposal method

✔ PwC CH in thousand t	2016	2017	2018	2019[3]	**2020**
Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable:[1]	**54**	**56**	**55**	**61**	**63**
Recycling[2]	20	23	23	16	17
Landfill[2]	10	7	8	14	11
Treatment[2]	39	41	37	31	35
Total weight of nonhazardous waste, with a breakdown by the following disposal methods where applicable:[1]	**92**	**142**	**177**	**277[4]**	**259**
Recycling[2]	17	27	20	21	31
Landfill[2]	69	107	148	248[4]	221
Treatment[2]	7	9	10	8	7
Total waste (hazardous and nonhazardous)[1]	**147**	**198**	**232**	**337[4, 5]**	**328**

[1] Waste 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] Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2017. In interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of production.

[4] 2019 figure restated due to additional gypsum waste which was not reported previously.

[5] All figures are rounded, resulting in discrepancies between the total waste generated and the breakdown figures

306-3 Significant spills

✔ PwC CH	2018	2019	**2020**
Process safety event rate[1]	0.46	0.48	0.36

[1] Process Safety Event rate = Number of Process Safety Events * 100 / FTE.

✔ PwC CH	2018	2019	**2020**
Number of significant spills	4	2	17
Total volume of significant spills (m^3)[1]	6	1	78.7

[1] 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.

In 2020, Clariant recorded 17 spills that are considered significant under the definition of ICCA. The total volume of the spill amounted to 78.7 m^3. Due to the new definition of significant process safety events (PSEs) and spills based on the ICCA criteria, for Clariant 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.

Guaranteeing safety of people and environment is Clariant's highest priority. An effective safety management system that can identify, assess, and control risks in the production process and reduce or even entirely avoid these risks through appropriate measures is indispensable. For this reason, Clariant, in close cooperation with the European Process Safety Centre (EPSC), has actively supported the development of a simple and representative measurement system with the aim of establishing an industry-wide standard.

This system records and systematically assesses smaller substance and energy releases in order to avoid major incidents. These incidents, or Process Safety Events (PSEs), are categorized according to criteria stipulated by the European Chemical Industry Council (Conseil Européen des Fédérations de l'Industrie Chimique, Cefic) and the International Council of Chemical Associations (ICCA). They are a component of the ongoing improvement procedures for the process safety of the production systems.

In 2020, the process safety event rate in Clariant decreased from 0.48 to 0.36, according to ICCA criteria.

306-4 Transport of hazardous waste

Hazardous waste transport is performed by certified companies fully compliant with all requirements of transport and waste legislation. It is important to know from which plant the waste originates, the amounts that accrue during which period, the properties of the waste components, whether the waste is classified as hazardous, and how it can be recycled or disposed of.

GRI 307:2016 Environmental Compliance

307-1 Noncompliance with environmental laws and regulations

Clariant's operative business adheres strictly to the company's internal control guidelines for the area of »Environment, Safety, and Health« (ESH). This directive aims to ensure that there are no breaches of internal and external regulations. Clariant is continuously improving when operations are not aligned with internal or external guidelines. As a result of these efforts and stringent voluntary commitments, Clariant only experienced one case in 2020 in which it was accused of not having acted essentially in compliance with laws, regulations, and voluntary codes of practice in connection with nature and environmental protection. Thus, Clariant had to pay one substantial fine or non-monetary penalty for noncompliance with environmental laws and regulations.

Growth and Profitability

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant strives to provide innovative, differentiated, and customer-specific solutions while delivering a superior customer experience with fast and reliable fulfillment. The company's ability to achieve this aspiration is based on above-industry-average sales growth, profitability (

EBITDA margin), and capital returns (Return on Invested Capital, ROIC). Thus, Clariant established growth and performance as two of the five pillars of its Group strategy and set related financial goals.

**Read more:** Strengthening the Core with a High-Value Portfolio and Refocused Organization

Contribution to value creation

Clariant aspires to stand out through above-average value creation for all stakeholders—customers, employees, shareholders, suppliers, society, and the environment. By providing high-performing, innovative, and sustainable products and services, Clariant fulfills pressing customer needs safely, reliably, and efficiently. This ensures attractive jobs and fair salaries for employees, solid returns to shareholders, stable business relationships with suppliers, and a responsible management of natural resources.

Boundary

Clariant's business activities impact the entire value chain, from the extraction of natural resources to suppliers, industry partners, customers, and end consumers.

Impact in the value chain
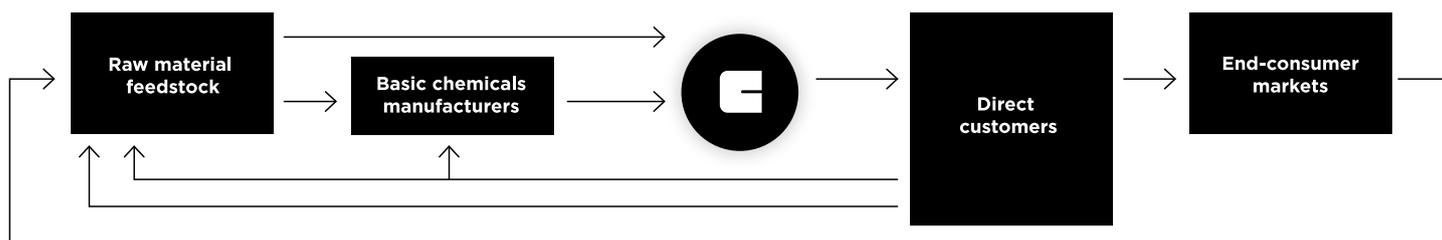
103-2 The management approach and its components

Responsibilities and resources

Although achieving growth and performance improvement is a shared responsibility of all management functions, the overall direction of the Group is defined by Clariant's Board of Directors. The Board reviews and further develops the company's strategy once a year during a two-day Board of Directors meeting. The Board has delegated the executive management of the Clariant Group to the Executive Committee, which consists of the CEO, the CFO, and two other members. The Executive Committee is mainly responsible for implementing and monitoring the Group strategy for the financial and operational management of the Group, and for continuously improving the efficiency of the Group's structure and organization.

Read more: Corporate Governance Report

Goals and targets

Strategic discussions with each Business Unit include growth and profitability targets at the segment level as well as for the whole Business Unit. From these discussions, Clariant derives growth and profitability objectives for its Business Areas. For Care Chemicals, Clariant expects an annual sales growth of 5–7% and aims to achieve an EBITDA margin of 19–21%. For Catalysis, the expected annual sales growth rate is 6–9%, and the EBITDA margin ambition is 26–30%. The respective targets for Natural Resources are set at 5–7% and 18–20%.

Read more: Strengthening the Core with a High-Value Portfolio and Refocused Organization

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant's Strategic Management Process (SMP) ensures that the Group strategy is executed within each Business Unit. As part of the SMP, each Business Unit reviews cross-Business Unit topics derived from market trends and the five pillars of the Group strategy. Each Business Unit selects specific topics for deep dives that are integrated as core elements into their Business Plan, including must-win battles that support the Business Area's growth and profitability targets.

In 2020, Clariant successfully completed the sale of its Masterbatches business and launched the divestment of the Pigments business, further supporting its transformation into a more focused specialty chemicals company. Clariant is adapting and refocusing its organization post divestments to allow its high-value specialty businesses to operate in an even more focused and agile manner. At the same time, it is maintaining a competitive cost structure by rightsizing service units and regional organizations.

Clariant delivered robust performance in 2020, successfully mitigating the negative impacts of the COVID-19 pandemic. In Care Chemicals, profitability improved due to growth in Consumer Care in tandem with stringent margin and cost management. The EBITDA margin in Catalysis declined as a result of the less favorable product mix, particularly in the first and fourth quarters, and the efficiency program provision. Natural Resources' profitability also weakened due to the softer demand environment, although it was close to the prior year on an underlying basis.

Indicators

Read more: Integrated Report, Financial Capital

Read more: Financial Report

GRI 201:2016 Economic Performance

201-1 Direct economic value generated and distributed

Read more: Financial Report

201-2 Financial implications and other risks and opportunities due to climate change

Clariant discloses details about the risks and opportunities posed by climate change through a number of sustainability reporting programs, such as CDP (Carbon Disclosure Project). The assessment includes a detailed description of the opportunities and risks per type of impact (transitional and physical parameters) as well as the methods used to manage the risks. In addition, Clariant is currently assessing how to integrate the recommendations of the »Task Force on Climate-related Financial Disclosures« (TCFD) at the Group level.

Main transition risks:

- Climate and energy policies leading to increased fuel/energy taxes and regulations (e.g., cap and trade schemes and environmental taxation).

- Stigmatization of a sector or company, which could lead to negative impacts on brand image, opposition from communities at the production sites, and unfavorable media coverage.

- Higher awareness for environmental impacts among customers and shifting preferences toward climate-friendly solutions.

Main physical risks:

- Change in precipitation extremes and droughts (e.g., water scarcity), induced changes in natural resources, tropical cyclones (hurricanes and typhoons), impact on infrastructures, and/or impacts on the supply chain.

Main opportunities:

- Innovation and R&D activities focused on low-carbon products and differentiation through a more sustainable product portfolio, spurred by the shift in consumer preferences for climate-friendly solutions.

- Increased demand for solutions related to megatrends such as low-carbon mobility, recycling, and urbanization.

201-3 Defined benefit plan obligations and other retirement plans

Pension and other employee benefit plans are monitored globally by Clariant for relevance, compliance, costs, and suitability as a valuable employee benefit. Clariant is aware of the significance of pension and other benefit plans as a lever for retaining staff. These plans are regularly evaluated against benefits in the respective countries in order to be in line with current practices. Before every adjustment, Clariant carefully examines the impact the changes have on the employees and, if necessary, directly consults with them.

Clariant offers retirement or pension plans as a benefit to protect employees after completing their active working life and to enable them to retire. Clariant aims to offer benefits that are competitive in the local markets; existence and type of retirement or pension plans differ widely from country to country based on local legislation, social security systems, and market practices.

Read more: Financial Report, Retirement benefit obligations

Innovation and Technological Advances

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

A strong focus on innovation and Research & Development is one of the five pillars of Clariant's strategy to become a globally leading company for specialty chemicals. By leveraging its sound technology platforms and know-how, Clariant tackles emerging macrotrends to stay ahead in dynamic markets, creates high-performing solutions for rapidly changing customer needs, and drives profitable growth in all its businesses.

Contribution to value creation

Innovation also supports Clariant's second strategic pillar—adding value through sustainability—by continuously improving the company's sustainability performance, and thereby creating long-term value for its stakeholders. Sustainability likewise promotes innovation by seeking sustainable solutions that meet increasing demand, thereby spurring growth and higher financial results.

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.

Boundary

Clariant's innovation activities focus on products and processes, impacting the entire value chain from suppliers to internal operations, customers, and end users.

Impact in the value chain
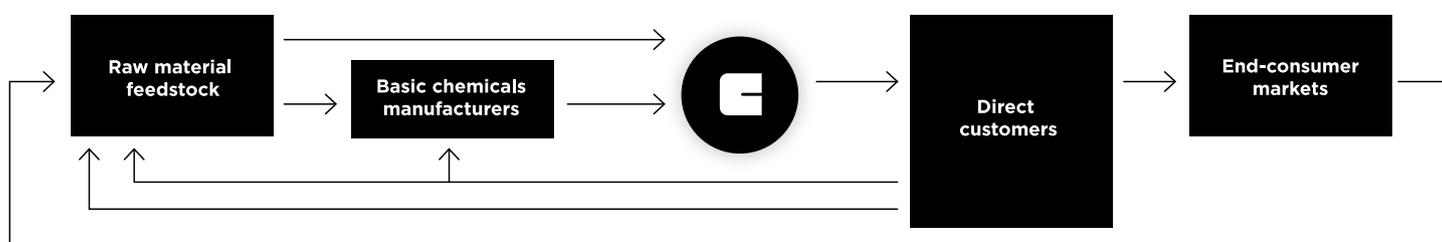
103-2 The management approach and its components

Responsibilities and resources

Clariant's Innovation Committee oversees all innovation activities. Under the lead of the Chief Technology Officer, the Innovation Committee comprises representatives from the Business Units (Heads of Innovation, Heads of Marketing & Innovation, and Innovation Champions), key functions from Group Technology & Innovation, the Head of the newly instituted Sustainability Transformation department, the Head of Digital4Clariant, the Head of the Technology & Innovation Office, and a representative from Corporate Planning & Strategy.

The charter of the Innovation Committee outlines its focus: to review the innovation strategy at the corporate level and within each Business Unit, define corporate growth fields and technology focus fields, and coordinate innovation activities across Business Units. Moreover, the committee oversees Clariant's corporate innovation portfolio to maximize the value of the projects in the innovation pipeline and increase the success rate of launched innovation projects. The Innovation Committee is ultimately responsible for ensuring best practice application in innovation, intellectual property management, and adherence to Clariant's technology and innovation governance. It is also tasked with fostering open innovation, which includes acquiring public funding and strengthening Clariant's position as an industry leader in R&D, innovation, and sustainability.

In 2020, Clariant announced the creation of Group Innovation & Sustainability (GIS), which will bundle innovation and sustainability competencies under one roof, effective January 2021. This new organization comprises the following units: Sustainability Transformation, Global Product Stewardship, Emerging Technologies, Biotechnology, and Global IP Management. It is complemented by a lean Program Management Office & Innovation Center Management function,

which will ensure standardized processes, tools, and reporting, as well as manage Clariant's Innovation Centers. The combination of these functions under the GIS umbrella will allow Clariant to enhance its transformation roadmap as it relates to innovation and sustainability.

Research & Development activities are structured along five Technology Platforms: Chemistry & Materials, Biotechnology, Catalysis, Process Technology, and Emerging Technologies, effective January 2021. The Technology Platforms collaborate closely with the Business Units to ensure that technology push and market pull go hand in hand.

In 2020, the former Business Incubator was dissolved since several strategic projects were stopped due to Clariant's portfolio changes and divestments. Business incubation nevertheless remains an important element of Clariant's innovation process. Incubation activities are driven by Clariant's Technology Platforms or by the Business Units.

Goals and targets

Clariant strives to realize a local currency growth rate of 2–3% through innovation, with a target of 1–2% sales growth from top-line innovation alone.

Further components

Read more: Integrated Report, Core Processes for Value Creation

Read more: Integrated Report, Innovation and Technological Advances

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

The innovation approach is regularly reviewed as part of the yearly Strategic Management Process.

Indicators

After achieving the growth target in 2019, Clariant's innovation sales met the expectations again in 2020, despite the exceptionally difficult economic environment linked to the COVID-19 pandemic. While overall sales of the continuing businesses decreased by -4.7%, innovation sales of the continuing businesses grew by more than 2%, proving the remarkable resilience of Clariant's innovation activities in such challenging times.

Occupational Health, Safety, and Well-being

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

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

Contribution to value creation

Occupational health, safety, and well-being add value to Clariant by minimizing the risk of harm to both people and the environment and reducing potential liabilities for the company. Additionally, Clariant acknowledges the physical and mental well-being of its employees as a prerequisite for engagement and performance.

Boundary

Occupational health, safety, and well-being is relevant for all Clariant businesses, including management-controlled joint ventures. The impacts of this topic occur within Clariant's own operations.

Impact in the value chain
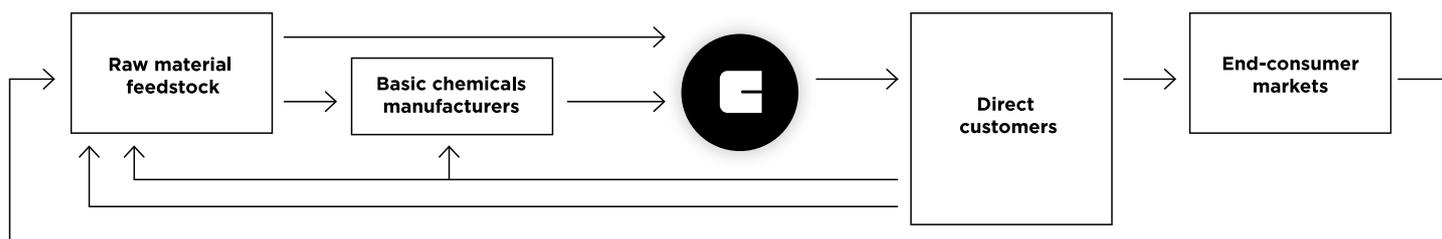
103-2 The management approach and its components

Responsibilities and resources

Clariant's Corporate Environmental Safety and Health Affairs (ESHA) department and ESHA experts in all regions, countries, service units, and Business Units are responsible for managing occupational health and safety. Managing the well-being of Clariant's employees is a shared responsibility of the well-being experts, the Corporate Human Resources Department, and the regional and local human resources departments.

Goals and targets

Clariant is focused on its goal of zero accidents and its desire to embed process safety into the daily life of all operations. Milestones are defined on Group, Business Unit, and regional levels, and progress toward zero accidents is linked to top management bonuses. A zero-accident goal also reflects the company's focus on the people dimension, one of Clariant's brand values.

Further components

Read more:

GRI 403-1, Occupational health and safety management system
GRI 403-2, Hazard identification, risk assessment, and incident investigation
GRI 403-3, Occupational health services
GRI 403-4, Worker participation, consultation, and communication on occupational health and safety
GRI 403-5, Worker training on occupational health and safety
GRI 403-6, Promotion of worker health
GRI 403-7, Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

To protect employees from work-related hazards, every workplace at Clariant is subject to a systematic assessment that includes workplace ergonomics, illumination, noise, indoor air quality, humidity, and temperature. Clear minimum requirements are defined for each factor, and measures to redesign the workplace are taken if these requirements are not met.

The health of employees is regularly examined by Clariant. Depending on the workplace, extensive health checks are carried out in order to detect signs of illness as early as possible. For some activities, special health certificates and vaccinations are required, and special attention is paid to ensure that these are obtained and given. Medical health professionals anonymously report issues noticed through personal health checks of employees, for example, from blood or urine monitoring, to either the local ESHA organization or the area responsible depending on local laws. The reported information is used to review the mandatory workplace risk assessments required by »Protection from Hazards to Health.« Clariant ensures medical confidentiality. Initial workplace risk assessments define whether or not personal health monitoring is a necessary measure.

Indicators

Clariant monitors several key performance indicators on a regular basis: Lost-Time Accident Rate (LTAR) and Restricted Work cases are tracked continuously and globally reported on a monthly basis. Recorded Injuries are reported quarterly, and Occupational Illnesses are tracked continuously and reported globally on an annual basis. Safety Deviations are continuously monitored at respective sites and quarterly on a global level.

Furthermore, Clariant monitors all Process Safety Events (PSEs). All reported PSEs are assessed quarterly and published in Corporate ESHA dashboards. When Clariant identifies a trend in Process Safety Events that must be corrected, the corresponding units are contacted and instructed to take corrective measures.

GRI 403:2016 Occupational health and safety management system

403-1 Occupational health and safety management system

To ensure operational health, safety, and well-being, Clariant has several policies and guidelines in place, including an Employment Standards Policy, which underscores Clariant's commitment to global workplace rights and acknowledges its social responsibility toward all employees. Clariant's Sustainability Policy also contains a section on the safety and security of employees and the environment. Several additional guidelines cover a large number of safety and security issues, such as fire and explosion precautions, the handling of hazardous substances, and the identification of risks associated with chemical production. In addition, Clariant adheres to the Precautionary Principle when dealing with risks where scientific understanding is incomplete.

Clariant implemented the shift from the current OSHAS 18001 certification to ISO 45001 in 2020. A gap analysis was conducted to identify improvement potentials for our occupational health and safety management system, followed by adaptations of guidelines and procedures. Since the beginning of 2020, internal auditing has been conducted according to ISO 45001, and the certificate confirming compliance with the standard has been received.

403-2 Hazard identification, risk assessment, and incident investigation

The internal Clariant guideline »Protection from Hazards to Health« serves to avoid work-related illnesses and regulates the identification of occupational health hazards for all workplaces. The guideline includes defined revision criteria and cycles. For the control measures, the STOP principle has to be applied, which defines the hierarchy of measures to be taken to avoid incidents. A comprehensive internal audit system ensures the quality and triggers continuous improvement.

To report work-related hazards or near-miss incidents, Clariant's employees can either approach their supervisors directly, submit a report using »Safety Counts!« cards, or utilize an online system at some sites. If employees identify a hazardous situation, they are permitted and encouraged to stop the activity and report to their superior. The application of this rule is part of the »AvoidingAccidents@Clariant« training.

After a work-related incident, Clariant conducts an investigation to identify corrective actions and 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 on the Group level by an assigned member of Corporate ESHA.

As part of Clariant's Audit Program, internal experts from Corporate ESHA and the Integrated Group System Management (IGSM) regularly visit sites to check workplace and process safety standards by assessing the facilities and establishing corrective measures to tackle the main risks. Process Hazard Analyses (PHAs) are conducted periodically by competent personnel at the sites. The PHAs are reviewed at least every five years and updated in the event of modifications. Whenever modifications are done in the facilities, management of change procedures are applied, ensuring that no new or additional risks are introduced without being assessed and controlled.

403-3 Occupational health services

The promotion of workplace health and well-being is a local responsibility that each Clariant region addresses with tailored programs. Exceptions are the company-wide family-friendly policy and standards that ensure a healthy and safe working environment for all employees. Further, Clariant's Employee Assistance Program offers free counseling by external specialists in the event of stress (whether work-related or not), burnout, personal crisis, drug addiction, or other challenging circumstances.

Certain locations implemented voluntary programs to support employees in quitting smoking. For drug addiction, Clariant established a procedure for treatment through medical plans and in-hospital care, if necessary. Flexible working arrangements can be made and apply to both work-related stress management and unrelated, extenuating circumstances. Clariant performs an assessment of health habits and special health issues of all employees and updates local programs based on these findings.

403-4 Worker participation, consultation, and communication on occupational health and safety

95.8% of staff per capita employed in production are represented by a safety committee. Considering the whole workforce (production, procurement, sales, and management), 85.9% of staff per capita are represented. At Clariant, safety issues are also addressed in committees that do not primarily deal with this topic.

A working group is established if there is a need for new internal standards or to update existing ones. The resulting draft is sent to the different stakeholders in Clariant's Business Units and regions to solicit feedback. Feedback and requests for revisions are duly considered before the standard is finalized and approved. The relevant information is subsequently published in the Group Management System (GMS) database and on SharePoint.

Clariant's »Safety Counts!« cards also play an important role in ensuring health and safety by providing employees with an opportunity to report critical safety situations and the circumstances that led to them. Employees can also submit their proposals to improve occupational health, safety, and well-being in suggestion boxes. Furthermore, they have access to an Integrity Line hosted by an external service provider, where they can raise their complaints anonymously and around the clock. The system guarantees that concerns are dealt with by representatives of Group Compliance.

403-5 Worker training on occupational health and safety

Since 2007, Clariant has run the AvoidingAccidents@Clariant program, underscoring its commitment to the occupational health, safety, and well-being of its employees. Under the umbrella of the program, Clariant rolled out multifaceted trainings and tools to achieve the zero-accidents objective. These include, for example, safe behavior trainings, safety leadership improvements, safety checks, safety days, and safety weeks.

In addition, Clariant has a Learning Management System (LMS) that is used to provide, steer, and monitor various programs such as occupational health and safety-related e-Learnings, webinars, and workshops. Furthermore, according to the »Protection from Hazards to Health« guideline, the area responsible is tasked with informing workers and contractors about any specific hazard and training them on specific standard operating procedures and work instructions.

Additionally, there are special trainings regarding work-related hazards, hazardous activities, or potential hazardous situations provided by the respective plant and the building management. These trainings are customized and depend on the jobs to be performed.

403-6 Promotion of worker health

Since balance between work and family life significantly contributes to the well-being of employees, Clariant also offers a wide range of flexible working arrangements, such as flextime, part-time work, or working from home. Further benefits designed to enhance the work-life balance of its employees include healthy meals in the cafeterias, the provision of fitness facilities and contributions to external fitness programs, childcare facilities and contributions to external childcare, support for employees who care for elderly family members, as well as access to nutrition counseling and health checks.

To further support Clariant's local activities and promote a shared culture of health and well-being, the company plans to initiate a global policy to provide a framework for new ways of working, including agile and mobile work.

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Read more: GRI Report, Management Approach Occupational Health, Safety, and Well-being

403-8 Workers covered by an occupational health and safety management system

✔ PwC CH	2017	2018	2019	**2020**
Percentage of employees covered by an occupational health and safety management system	100%	100%	100%	100%
Percentage of employees covered by an occupational health and safety management system that has been internally audited	100%	100%	100%	100%
Percentage of employees covered by an occupational health and safety management system that has been externally audited or certified	100%	100%	100%	100%

403-9 Work-related injuries

✔ PwC CH	2017	2018	2019	**2020**
Number of fatalities as a result of work-related injury	2[1]	0	0	0
Rate of fatalities as a result of work-related injury (per 200 000 hours)	0.00529	0	0	0
Number of high-consequence work-related injuries (excluding fatalities)	0	1[2]	0	2[3]
Rate of high-consequence work-related injuries (excluding fatalities) (per 200 000 hours)	0	0.005[2]	0	0.012
Number of recordable work-related injuries	302	248	232	157
Rate of recordable work-related injuries (per 200 000 hours)	1.57	1.31	1.21	0.95
Number of hours worked	38 134 000	37 796 000	38 556 000	33 262 000

[1] Fatalities disclosure includes employees and contractors.

[2] Restated due to one reclassified injury, which was not considered by the statutory insurer to be an incident but was determined to be a personal health issue.

[3] One high-consequence injury comes from the previous year

Additional indicators:

✔ PwC CH	2016	2017	2018	2019	**2020**
Occupational accidents with at least one day's work lost	**37**	**38**	**27[2]**	**28**	**26**
male	35	34	27[2]	27	26
female	2	4	0	1	0
Lost-time accident rate (LTAR)[1]	**0.19**	**0.2**	**0.14[2]**	**0.15**	**0.16**
male	0.18	0.18	0.14[2]	0.14	0.16
female	0.01	0.02	0	0.01	0
Lost-time accident rate (LTAR)[1] for contractors	0.46	0.21	0.24	0.22	0.14
Lost-time accidents by supervised (non-Clariant) workers (included in the overall number of occupational accidents)	**2**	**2**	**6**	**1**	**1**
male	2	1	6	1	1
female	0	1	0	0	0
Lost workdays (LWDs) caused by occupational accidents	**1955**	**1135**	**879[2]**	**661**	**1229[3]**
male	1865	1051	874[2]	648	1229[3]
female	90	84	5	13	0
Lost workday rate (LWDR)	9.8	5.95	4.68[2]	3.43	7.39

[1] Occupational accidents with at least one day's work lost relative to 200 000 hours of work.

[2] Restated due to one reclassified injury, which was not considered by the statutory insurer to be an incident but was determined to be a personal health issue.

[3] 353 lost workdays (LWDs) from 2019

✔ PwC CH	2019		2020	
	Male	Female	**Male**	**Female**
Occupational accidents with at least one day's work lost	**27**	**1**	**26**	**0**
Europe, the Middle East, and Africa	15	0	18	0
Greater China	0	0	1	0
India	1	0	0	0
Japan	0	0	0	0
Latin America	4	1	6	0
North America	7	0	1	0
Southeast Asia-Pacific	0	0	0	0

✔ PwC CH	2019		2020	
	Male	Female	Male	Female
Occupational accidents of contractors, with at least one day's work lost	**10**	**0**	**6**	**0**
Europe, the Middle East, and Africa	4	0	3	0
Greater China	0	0	0	0
India	3	0	1	0
Japan	0	0	0	0
Latin America	3	0	2	0
North America	0	0	0	0
Southeast Asia-Pacific	0	0	0	0

403-10 Work-related illness

✔ PwC CH	2017	2018	2019	**2020**
Number of cases of recordable work-related ill health	0	1	3	0

Product Stewardship / Sustainable Chemistry

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Protecting customers, consumers, and the environment by providing safer and more sustainable solutions is one of Clariant's top priorities.

Product stewardship is evolving from a primarily legal prerequisite for a chemicals company into a key enabler of regulatory intelligence for Clariant's businesses, in the best sense of gathering, analyzing, and assessing regulatory and emerging issues that are relevant to the marketing of Clariant's portfolio.

Sustainability leadership goes even further, requiring a company to proactively pursue more sustainable and innovative solutions. Clariant steers its portfolio toward products that consider all three dimensions of sustainability: people, planet, and performance. For Clariant, embedding sustainability aspects in product development and other business processes is a must. Driven by societal demand and policy attention, customers and markets are increasingly aware of and sensitive to the sustainability features of products. By proactively screening its products and innovation projects against strict and forward-looking sustainability criteria, Clariant aims to develop more sustainable and innovative solutions that support long-term value creation.

Contribution to value creation

By providing the information required to ensure the safe use and handling of its products, as well as to comply with national and international regulations, Product Stewardship adds value to Clariant's portfolio and prevents reputational or legal damages. In addition, Product Stewardship supports Clariant's business through active communication with customers on product safety for their applications, thereby playing an important role in supporting business and environmental and health protection.

Boundary

Product stewardship and sustainable chemistry applies to all product cycles from cradle to cradle as impacts can result from all phases of product development, operations, and downstream value chains.

Impact in the value chain
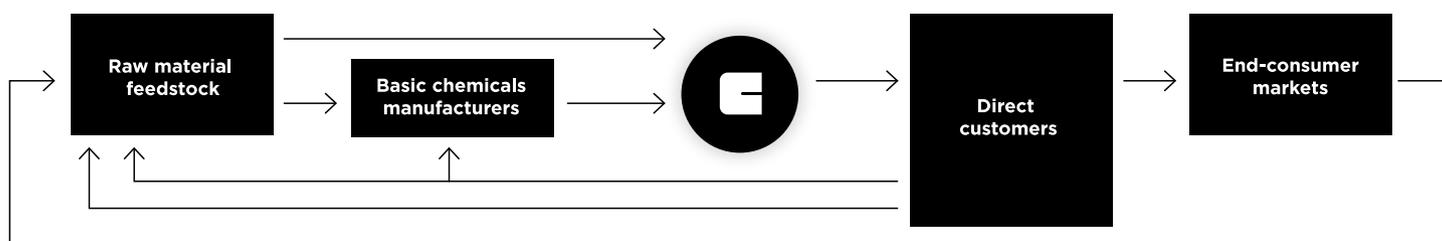
103-2 The management approach and its components

Responsibilities and resources

Clariant's approach to product stewardship is globally oriented and ensures that local and regional product stewardship teams play an integral role in the Global Product Stewardship organization and support business and external customer communication on all regulatory issues regarding the management of chemicals.

Goals and targets

Although Clariant does not publish its goals regarding product stewardship and sustainable chemistry, the company is committed to full regulatory compliance and continuous improvement and development of its product portfolio towards sustainability.

Further components

Clariant's product stewardship practices are embedded in the innovation process, guaranteeing that chemical safety is considered throughout the entire product life cycle. Regulatory compliance and communication to customers on the safe use and management of the products are thus ensured when placing products on the market.

Regulatory Compliance

Clariant monitors and assesses the impact of changes in chemical management regulations worldwide as well as emerging new chemicals management systems globally to be prepared for any shifts in the regulatory landscape. Proximity to regulatory bodies and participation in expert groups and associations support proactive management. Ensuring regulatory compliance also includes substance registration with relevant regional and national authorities and supply chain communication on product safety.

European Union Registration, Evaluation, Authorization, and Restriction of Chemicals (EU REACH) Targets

Clariant is fully committed to the REACH targets. After successfully registering all relevant chemicals in 2018, the company ensures that all product dossiers are kept up to date. Clariant maintains cooperation with regulatory bodies, such as the European Chemicals Agency (ECHA) and EU member states. Clariant is committed to the CEFIC / ECHA Cooperation Agreement on the Review/Improvement of REACH Registration Dossiers and is part of the »REACH Dossier Improvement Action Plan.«

Clariant goes beyond mere compliance: Its Global Toxicology & Ecotoxicology Group has initiated and codeveloped in a Cefic (European Chemical Industry Council) LRI (Long-Range Research Initiative) project the so-called AMBIT tool—an open IT-based system on a predictive toxicity model. AMBIT 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.

Policies and Guidelines

As a signatory to the Responsible Care® Declaration, Clariant supports the Responsible Care® Global Charter. Clariant embedded the Responsible Care® principles in its Sustainability Policy, underlining the company's strong commitment and leadership in sustainable chemistry, and promoted the program in several countries. Reflecting a holistic approach to fulfilling the Responsible Care® principles, Clariant's Global Product Stewardship Organization takes care of the health, safety, environmental, and other regulatory aspects of the company's portfolio throughout product life cycles, following clear guidelines and process descriptions.

Product Portfolio Sustainability Screening

Beyond product safety, a sustainability screening is mandatory for all major product developments at Clariant. Under the Portfolio Value Program (PVP), Clariant systematically assesses its product portfolio for strengths and weaknesses in terms of sustainability, comparing its performance against alternatives on the market and against defined sustainability risks and benefits. The product portfolio, which includes all existing products and the innovation pipeline, is screened for sustainability performance based on 36 criteria that consider the entire life cycle and all three dimensions of sustainability: people, planet, and performance. Clariant awards products that show an excellent sustainability profile based on the PVP criteria with its Eco-Tain® label. These products are nominated by Business Units and undergo the scrutiny of an internal EcoTain® panel, comprised of Sustainability Transformation, Product Stewardship, Innovation, regional experts, and Group Communications.

By participating in the development of a Product Portfolio Steering Framework of the World Business Council for Sustainable Development (WBCSD), Clariant supported the development of a set of sustainability indicators for evaluating product portfolios in the chemical industry. The initiative supported bringing best practice forward in evaluating product portfolios from a sustainability perspective and encourages companies to adopt methodologies for evaluating and steering their product portfolio toward increasing sustainability based on facts, market, and stakeholder expectations.

In 2020, Clariant also started to revise the Portfolio Value Program to ensure that the latest sustainability trends and developments are well reflected in the evaluation of the innovation and product portfolio. The update is expected to be completed in 2021.

Animal Testing

Clariant is committed to research on alternatives to animal testing. Clariant recently participated in a project led by the Leibniz Research Center for Working Environment and Human Factors (IfADo), which was awarded the »Animal Welfare Research Prize 2019« by the German Federal Ministry of Food and Agriculture because of its potential to reduce or replace animal testing in the long term. The research team developed a new test to assess how well an in vitro system reflects the processes in the human body, which could help to better predict drug-induced liver damage resulting from daily drug use. As a result of ongoing efforts to contribute to the development of in vitro systems as alternatives to animal testing in 2020, Clariant Global Toxicology, in collaboration with the Leibnitz Research Center, was again able to report on the development of a hiPSC-based alternative in vitro test system that uses genome-wide analysis to assess developmental neurotoxicity (DNT).

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

The overall evaluation of the management approach includes internal controls, Portfolio Value Program progress-tracking dashboards, benchmarking against peers using external references, such as the Dow Jones Sustainability Index, as well as participation in external networks, discussions, and report reviews.

Clariant is a member of the World Business Council on Sustainable Development (WBCSD). In this forum, Clariant develops and discusses best practices in the chemicals industry. For example, Clariant contributed to the development of a sustainable portfolio assessment methodology for the chemical industry.

In the development of the Portfolio Value Program, external stakeholders such as customers, suppliers, scientists, nongovernmental organizations, policymakers, and authorities were consulted. They commended the 36 criteria for being comprehensive and fit for purpose. In 2015, Clariant received an independent third-party assurance statement on the PVP/EcoTain® system from PricewaterhouseCoopers (PwC).

GRI 416:2016 Customer Health and Safety

416-1 Assessment of the health and safety impacts of product and service categories

✔ PwC CH	2018	2019	**2020**
Percentage of significant product and service categories for which health and safety impacts are assessed for improvement[1]	80%	80%	76%

[1] Assessments are performed as part of the Portfolio Value Program (PVP) screening mentioned under 103-3.

416-2 Incidents of noncompliance concerning the health and safety impacts of products and services

In 2020, 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.

GRI 417:2016 Marketing and Labeling

417-1 Requirements for product and service information and labeling

Clariant fosters permanent contact with customers, who are supported in the application and use of Clariant's products. Laboratories are available to solve any specific problems. The service offering also features comprehensive product information, particularly with respect to optimum and safe application, health risks, waste disposal, and handling of packaging.

Safety data sheets containing the relevant substance data, information on safe handling and storage of products, and measures in the event of incidents such as product spillages/release and fire are provided by Clariant to all parties involved in the handling of the substances. Clariant has a close relationship with its customers and provides all REACH-relevant information about the supply chain through an IT tool. With this, every Clariant customer is able to securely receive REACH-relevant information on the specific products they have purchased. Comprehensive customer support services ensure compliance with the high communication requirements set by REACH regarding the use of products in the customer chain.

417-2 Incidents of noncompliance concerning product and service information and labeling

In 2020, there were no fines, penalties, or warnings resulting from incidents of noncompliance with regulations or voluntary codes concerning information and labeling of products and services.

417-3 Incidents of noncompliance concerning marketing communications

In 2020, Clariant had no incidences of noncompliance with regulations or voluntary codes concerning marketing communications.

Talent Attraction and Development

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Empowered, motivated, and highly skilled employees who create value for the company and its stakeholders are essential to Clariant's long-term success. Clariant is thus striving to build its reputation as a preferred employer in order to attract, engage, develop, and retain the right people with the right skills.

Contribution to value creation

Efficient recruitment and onboarding processes help new employees quickly contribute to the implementation of the Business Units' strategies. Skills development is also imperative to remain agile and drive innovation in fast-evolving markets.

Boundary

Human resources management is central for all Business Areas and regions of Clariant.

Impact in the value chain

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┌──────────────┐      ┌──────────────┐        ●         ┌──────────────┐    ┌──────────────┐
│ Raw material │ ───→ │Basic chemicals│ ──→  (Clariant) │   Direct     │──→ │ End-consumer │
│  feedstock   │      │manufacturers │      ──→  ─────→ │  customers   │    │   markets    │
└──────────────┘      └──────────────┘                  └──────────────┘    └──────────────┘
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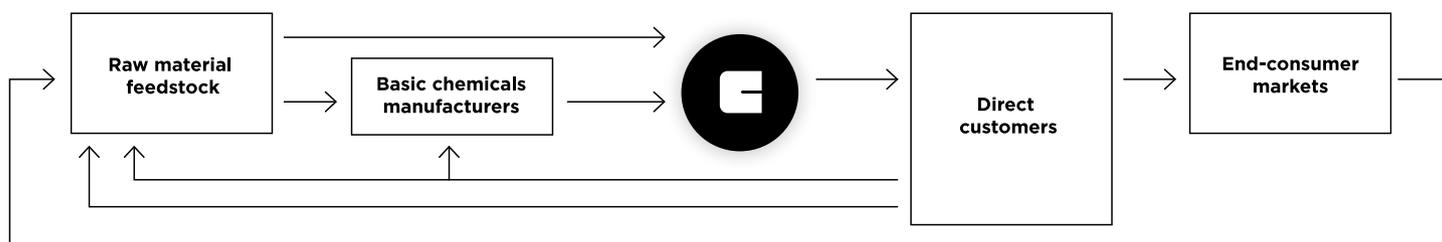
103-2 The management approach and its components

Responsibilities and resources

Engaging and developing talent is a shared responsibility of all management functions. Clariant's leaders are key in shaping a high-performance culture. They are supported by Group Human Resources, which has established strong processes for talent acquisition, onboarding, performance management, and talent management in all regions. The functional area »Senior Management & People Development« holds the main responsibility for attraction and development of talent. It comprises 39 people. Globally, Clariant's operational and strategic Human Resources departments comprise 230 employees dedicated to Talent Attraction and Development.

Goals and targets

The objective of talent management is to have a consistent and structured talent pipeline for each management level and to ensure the best fit between role requirements and individual capabilities.

Further components

For the management of Talent Attraction and Development, Clariant abides by its Global Talent Acquisition Policies (Recruitment Policy, Global Recruitment Agency Policy, Onboarding Policy, and Employee Referral Policy). The policies clarify and specify the roles and responsibilities of the hiring manager, recruiter, and other Human Resources personnel to ensure an efficient, effective, and professional talent acquisition process. More specifically, highly trained talent acquisition teams partner with the Business Units to identify and select the best external talent. Employer branding programs create awareness in the job market and attract potential candidates. Moreover, line managers are trained in the »License to Hire« program to ensure they make the right hiring decisions.

Maintaining a structured talent pipeline entails systematically identifying, developing, and retaining internal talent. This ensures successful short-, mid-, and long-term succession planning and availability of candidates. For years, Clariant has filled at least 80% of open positions at the management level with internal candidates. Dedicated talent managers review potential talents, manage talent review sessions, create individual development plans, and participate in internal placement decisions. They also organize so-called »talent engagement sessions« to give internal talent visibility and exposure to senior managers and to receive feedback on corporate culture topics.

Clariant's People Excellence strategy ensures that the different employee initiatives are closely linked to business needs and implemented effectively and efficiently. It specifies the people requirements needed for the successful execution of the corporate and the business strategy and breaks down business challenges into people-related measures that address existing shortcomings in a focused manner.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

The evaluation of the management approach regarding »Talent Attraction and Development« includes a structured analysis of the results and impact of diverse talent management initiatives. All trainings are carefully evaluated. The feedback collected after each training course is systematically reviewed, and required amendments are performed to ensure high-quality training courses. For Clariant's Leadership trainings, for example, pre- and debriefing calls with participants are conducted. Also, a feedback survey containing quantitative and qualitative questions is sent out directly after the training, followed by a survey after three months to evaluate the impact of the training on daily work.

In 2020, the average feedback score for Clariant Academy trainings was 5.0 (with a maximum possible score of 6.0). This very high rating was in part influenced by the reduced number of trainings that could be conducted in the reporting year. For selected programs of the Clariant Academy, feedback on the medium-term impact is collected from participants.

Other evaluations include competency assessments for key position holders, management appraisals for external or internal placement of key positions as well as yearly performance evaluations. All evaluations are documented, transparently shared, and followed up on with individual development planning.

GRI 404:2018 Training and Education

404-1 Average hours of training per year per employee

✔ PwC CH	2017	2018	2019	**2020**[1]
Number of training hours	**192 435**	**234 240**	**205 861**	**113 190**
Male	n.a.	167 734	140 548	75 372
Female	n.a.	66 506	65 277	37 818
Management Level 1-5	n.a.	26 679	19 318	8 897
Local managers, professionals, and employees	n.a.	207 561	186 543	104 293
Number of employees participating in training	9 720	15 791	13 891	12 630
Average hours of training that the organization's employees undertook during the reporting period	19.8	14.8	14.8	9.0

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

404-2 Programs for upgrading employee skills and transition assistance programs

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

The training offering is based on the 70:20:10 model from Lombardo and 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, the training participation covers the areas of functional skills, safety and sustainability, personal development, leadership, legal/compliance as well as IT skills and general management skills.

Within the Clariant Academy, global trainings targeted at business, leadership, and functional skills offer a standard curriculum for each level in the organization. Furthermore, the annual training catalog with a focus on leadership skills and personal development extends the training offering with recommendations on external classes. Clariant's support of its employees' education is described in global and regional learning policies, which include budget frameworks and study assistance guidelines.

Clariant is increasingly adding multiple new offerings to enhance digital learning. A digital academy portfolio is now available to employees and leaders. New virtual learning elements include microlearning videos, a virtual self-learning hub with recommended content sorted by business type or skill, and guided learning nuggets on topics such as time management or resilience.

In 2020, 191 employees benefited from four Clariant Academy programs. Due to the pandemic and travel restrictions, about 80% of in-person trainings had to be canceled. New virtual sessions were introduced, with time invested to design and implement. Overall, the training participation covers the areas of safety and sustainability (32%), legal and compliance (26%), functional skills (20%), IT skills (11%), personal development (8%), leadership (2%), as well as general management skills (1%). This includes training beyond Clariant Academy.

404-3 Percentage of employees receiving regular performance and career development reviews

✔ PwC CH	2017	2018	2019	**2020**
Total number of employees who receive regular performance and career development reviews	**10 300**	**10 350**	**10 063**	**7 335**
Management Level 1-5	900	819	776	658
Local managers, professionals, and employees	9 400	9 531	9 287	6 677
Male	n.a.	7 611	6 687	5 125
Female	n.a.	2 739	3 376	2 210
Percentage of total employees who receive regular performance and career development reviews	**51%**	**58%**	**58%**	**55%**
Male	n.a.	55%[1]	50%[1]	50%[1]
Female	n.a.	93%[1]	91%[1]	73%[1]

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

One of the aims of the annual »performance dialog« is to identify the ongoing development potential of all employees and to agree on appropriate development goals. Currently, the performance-management process comprises 55% of all employees.

MATERIAL TOPICS – ADVANCE

Employee Engagement

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant carefully manages Employee Engagement to be an employer of choice, attracting top talent and helping the company deliver lasting results. Employee Engagement and retention programs improve Clariant's internal and external reputation as an attractive employer, increasing the interest of potential external candidates and the motivation and commitment of Clariant's employees.

Contribution to value creation

By enhancing motivation and commitment, Employee Engagement and retention programs drive employee performance. As a result, they reduce employee turnover, mitigate early-leaver risks, and lower cost per hire, thereby supporting Clariant's overall cost-saving targets.

Boundary

Knowing that real performance excellence comes from challenged, empowered, and rewarded teams, Clariant continuously strives to keep people motivated and increase its Employee Engagement levels worldwide.

Impact in the value chain
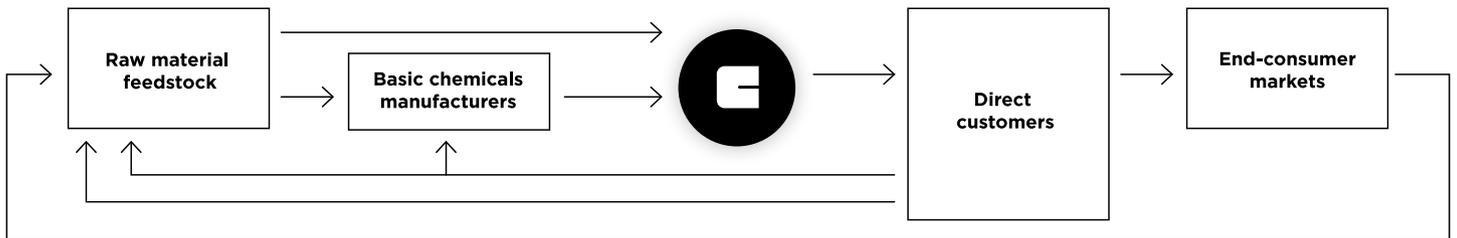
103-2 The management approach and its components

Responsibilities and resources

Employee Engagement is a responsibility of each leader in the organization. The strongest drivers of engagement are trust in the leadership team, a motivating work environment and atmosphere, a vision that employees can identify with, and a clear sense of purpose in what they are doing.

Goals and targets

The primary objective of Employee Engagement is to provide clear direction to people by explaining strategic decisions and the implications of everyone's responsibilities. It also enables employees to deliver on challenging objectives by providing the necessary infrastructure and implementing consistent processes.

Further components

Clariant's strategies for Employee Engagement include regular communication on the direction of the company, involvement of employees in strategy sessions, and inclusive leadership. Key parameters for employee engagement include authentic leadership, recognition programs, career opportunities, and personal development.

Clariant's Employee Policy includes key principles and minimum standards for working conditions and labor practices. These are crucial to ensure a fair, transparent, and discrimination-free work environment. The policy is globally applicable and must also be applied by employment agencies and contractors doing business with Clariant. The framework underscores Clariant's commitment to its six corporate values: Drive for Excellence, Disciplined Performance Management, Deliver to Promise, Courageous and Decisive Leadership, Lived Appreciation, and Corporate Responsibility.

Clariant has a comprehensive Recognition Program in place that acknowledges strong results with a diversity of rewards. The program includes monetary recognition awards for outstanding achievements and nonfinancial awards that encourage employees to recognize the efforts and contributions of their peers and supervisors in the form of vouchers or presents.

Through Clariant's referral program, employees who recruit new candidates from their professional networks that result in a successful hire receive a cash reward.

The Global Benefits Policy contains key elements to be covered within all local benefit programs, including benefits related to retirement, flexible work arrangements, death, travel, accident, health, and well-being. It also acknowledges country-specific circumstances. The policy was developed based on the input received through a global benefit survey conducted in 2018.

Read more: Integrated Report, Employee Engagement

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant offers diverse platforms to collect employees' feedback related to their engagement. Employee engagement surveys, team barometer evaluations, and functional feedback surveys are conducted on a regular basis.

To evaluate Employee Engagement across the organization, Clariant conducts biannual »Pulse Surveys« with a group randomly selected from the global workforce. Compared to former engagement surveys, this format covers more strategic and Clariant-specific topics, such as strategy, vision, and change, and asks for concrete reasons why people want to work for Clariant. The survey results are used for organizational development and help Clariant position itself as an employer of choice. The company plans to use »Pulse Surveys« to involve the different Business Units and service units more systematically to ensure that the specifics of each unit are sufficiently considered. In 2020, the second global »Pulse Survey« was conducted. In 2020, Clariant addressed the entire management-level population, consisting of 750 employees, of which 60% responded. Since this represents a different employee pool than in 2018, the survey results cannot be directly compared. The company will issue an employee survey with the broader Clariant population again in 2021.

The responses revealed that Clariant's overall strategy, goals, and sustainability strategy are well understood and supported by management. A clear majority of responding employees feel safe and energetic at work. They enjoy their work, are proud to work for Clariant, and would recommend the company as an employer to others.

Indicators

Apart from the survey, Clariant tracks employee turnover and compares it to industry benchmarks to detect and mitigate decreases in employee retention.

GRI 202:2016 Market Presence

202-1 Ratios of standard entry-level wage by gender compared to local minimum wage

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

202-2 Proportion of senior management hired from the local community

✔ PwC CH	2017	2018	2019	**2020**
Percentage of senior management at significant locations[1] of operation who are hired from the local community	75%	57%	60%	60%

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

At the end of 2020, 60% of all senior managers (Executive Committee and top four management levels) were citizens of or had an indefinite right to reside in the country where they were employed. Within the European Union, nationalities of all member states are considered »local.«

GRI 401:2016 Employment

401-1 New employee hires and employee turnover

✔ PwC CH	2017	2018	2019	2020
Total number of new employee hires	**1983**	**2142**	**1570[1]**	**918[2]**
Male	1412	1453	1080	647
Female	571	689	490	271
Under 30	969	985	744	393
30-50	922	1045	750	464
Over 50	92	112	76	61
Europe	622	751	561	304
Latin America	341	359	317	156
Middle East/Africa	130	93	61	31
North America	402	436	273	92
Asia-Pacific	488	503	358	335
Employees who left	**1991**	**2047**	**1817**	**1522**
Male	1448	1515	1322	1085
Female	543	532	495	437
Under 30	603	540	461	393
30-50	839	970	915	668
Over 50	495	537	441	461
Europe	658	588	544	505
Latin America	400	358	398	310
Middle East/Africa	90	142	78	39
North America	424	536	433	297
Asia-Pacific	419	423	364	371
Turnover rate (%)	11.0	11.1	10.3	10.3[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 discontinued Business Unit Masterbatches from H1 for better comparison. Including these statistics, Clariant's 2020 turnover rate is 11.2%.

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

No intentional differentiation is made in the company benefits provided by Clariant due to the type of employment contract. This does not exclude differences that depend on the individual case and local circumstances, such as local industry standards or cultural expectations. The deciding criterion in this case is the customary market standard.

401-3 Parental leave

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

Clariant promotes family-friendly job opportunities. All mothers are guaranteed a comparable position upon their return to work for up to one year following the birth or adoption of a child. For the two years following the birth or adoption, Clariant grants all parents a minimum of ten days of paid leave for family purposes in addition to their standard annual vacation. Considering that all permanent employees of Clariant are theoretically entitled to this provision, this would extend to all 10 191 males and 3 044 females for 2020. In 2020, 128 mothers and 317 fathers took advantage of this opportunity. In the same year, 471 employees returned to their workplaces, of which 153 were female and 318 were male.

GRI 402:2016 Labor/Management Relations

402-1 Minimum notice periods regarding operational changes

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

GRI 405:2016 Diversity and Equal Opportunity

405-1 Diversity of governance bodies and employees

✔ PwC CH	2019	**2020**
Percentage of individuals within the Board of Directors		
Male	75%	75%
Female	25%	25%
30-50	0%	8%
Over 50	100%	92%

✔ PwC CH	2019		**2020**	
	Male	Female	**Male**	**Female**
Number of employees by age group (FTEs)	**13 497**	**3 726**	**10 214**	**3 020**
Under 30	1 761	713	1 367	529
30-50	7 844	2 248	5 889	1 909
Over 50	3 891	766	2 959	582

✔ PwC CH	2019		**2020**	
Breakdown of employees by nationality	FTEs	Percent	**FTEs**	**Percent**
German	4 595	26.7%	4 023	30.4%
Indian	1 798	10.4%	1 517	11.5%
Chinese	1 181	6.9%	1 031	7.8%
Brazilian	1 179	6.8%	981	7.4%
Indonesian	724	4.2%	620	4.7%
Mexican	597	3.5%	521	3.9%
Spanish	427	2.5%	310	2.3%
Turkish	396	2.3%	283	2.1%
Polish	351	2.0%	283	2.1%
Japanese	279	1.6%	260	2.0%
Argentinian	219	1.3%	191	1.4%
Colombian	268	1.6%	183	1.4%
French	236	1.4%	167	1.3%
Ukrainian	153	0.9%	145	1.1%
South African	182	1.1%	142	1.1%
Swiss	139	0.8%	141	1.1%
Italian	515	3.0%	140	1.1%
Malaysian	191	1.1%	[1]	[1]

[1] Numbers below 1.0% threshold

✔ PwC CH		2019		**2020**
Breakdown of employees by nationality	FTEs	Percent	FTEs	**Percent**
Thai	181	1.0%	[1]	[1]
Others (incl. North America, for whom no nationality data is recorded)	3 612	21.0%	2 299	17.4%

[1] Numbers below 1.0% threshold

	2018	2019	**2020**
Total management functions	**819**	**812**	**691**
Male	688	674	575
Female	131	138	115
Senior management functions[1]	**248**	**234**	**196**
Male	219	209	177
Female	29	25	19
Junior management functions[2]	**571**	**578**	**495**
Male	469	465	398
Female	12	113	96

[1] Executive Committee and Management Levels 1-4

[2] Management Level 5

405-2 Ratio of basic salary and remuneration of women to men

With regard to Clariant's zero-tolerance approach to any form of discrimination, regional and local Human Resources departments work toward ensuring avoidance or elimination of any discriminatory practices in work-related activities, particularly regarding remuneration, training, vocational guidance, and social security. Globally, the average basic salary of female employees was 93.27% of the average male employee salary in 2020. New hires and exits were excluded from these calculations.

Ethics and Compliance

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant aspires to be perceived by its stakeholders as a world-class, high-performance company that acts with the highest standards of ethics and integrity. It believes that sustainable business success is closely linked to compliance with laws, regulations, ethical values and integrity standards. Clariant's stakeholders and society at large do not tolerate bribery, corruption, or anti-competitive behavior—adhering to this expectation is a mandate for a reputable and sustainable company.

Contribution to value creation

Applying the highest standards of ethics and integrity is fundamental to sustainable growth and essential for Clariant's long-term business success.

Boundary

Compliance and ethical behavior apply not only to Clariant's own operations, but also to its third parties acting for or on behalf of Clariant, who are undergoing a detailed due diligence process.

Impact in the value chain
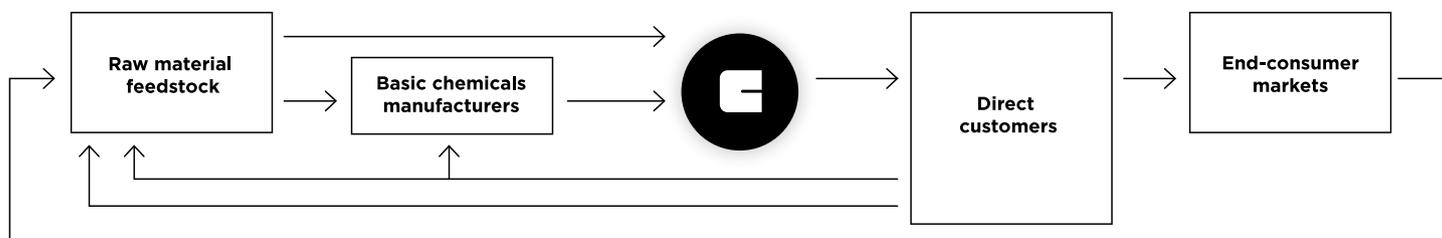
103-2 The management approach and its components

Responsibilities and resources

Clariant's Business Units are responsible for managing business ethics and compliance in their daily operations. Group Compliance and Group Legal Services provide support to the businesses in adhering to Clariant's ethical standards by providing trainings and advice as well as by gaining trust from stakeholders and ensuring an impeccable reputation in the marketplace. Since 2019 Clariant has a full-time Head of Compliance, full- or part-time Regional Compliance Officers in each region, Country Compliance Officers, and an Ethics and Integrity project manager dedicated specifically to Ethics and Compliance. They are supported by employees from Group Legal Services.

Clariant's Data Privacy Organization is responsible for creating awareness around data privacy and implementing the Data Privacy Program throughout the organization with Data Privacy Champions in each Business Unit and region.

Goals and targets

Clariant does not have goals and targets currently in place for Ethics and Compliance.

Further components

The Strategic Integrity Roadmap, with its five-pillar approach, provides guidance to achieve the highest standards for responsible business conduct by combining a leadership program, legal and compliance risk management, training and communication, standards and controls, as well as program measurement, auditing, and monitoring.

Code of Conduct and Policies

A central instrument to ensure ethical behavior is Clariant's Code of Conduct, which guides employees in reflecting on decisions and acting responsibly. In 2019, Clariant revised its Code of Conduct into a new Code of Ethics, which will be published on its website in 2021. All employees will be trained on the Code of Ethics.

Besides its globally applicable Anti-Bribery and Anti-Corruption Policy (ABC Policy) and Gift Policy, Clariant developed local policies regarding gifts, entertainment, and community engagement work. The company also regularly updates its comprehensive antitrust compliance program and guidelines.

Training and Communication

Clariant offers regular e-learning courses on anti-bribery and anti-corruption. Special target groups receive further face-to-face training courses. New employees are familiarized with the Code of Conduct and Anti-Bribery and Anti-Corruption Policy. Regular classroom trainings and e-learnings on antitrust matters are mandatory for employees working in procurement, marketing, sales and other relevant functions, as set out in Clariant's Antitrust Training Policy.

Data Privacy Program and Governance

In response to the General Data Protection Regulation (GDPR) of the European Union, Clariant implemented a Data Privacy Program in 2018. The program consisted of a policy framework that encompasses Data Privacy Policy, a general Directive on how to process personal data, SOPs on selected aspects of the Data Privacy Policy, and basic Data Privacy e-learning courses to familiarize all employees with the principles of the data privacy policy, as well as deep dives for target employees.

Clariant also established an internally certified Data Privacy Organization. Employees are trained on the main topics of the International Association of Privacy Professionals (iapp.org). The certified employees are responsible for creating awareness and building up the relevant knowledge throughout the company with a »train the trainer« approach.

Grievance Mechanism

Employees can confidentially report malpractices to the Ethics & Integrity organization. All violations against the Code of Conduct and any workplace-related compliance issues can be reported through the »Clariant Integrity Line,« which is also available for Clariant's business partners.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

The Ethics and Risk Management Committee (ERMC) was renamed this year into the Executive Committee Sub Committee Ethics & Risk (ECS E&R)— and reviews regular reporting on the delivery of the Strategic Compliance Roadmap as well as updates on individual measures, cases reported, and remediation taken. In addition, ERM was integrated in the committee and the replication on a regional level has been reviewed and assessed by the ECS E&R for four regions to further foster a culture of ethics and integrity across the organization. ESHA and Information Security are members of ECS E&R and provide yearly overviews of their programs. These insights help Clariant ingrain a culture of ethics & integrity throughout the organization and provide assurance on the program.

Clariant designed its five-pillar strategy based on a detailed three-year plan, including key performance indicators that have been tracked since 2018. These indicators are further evaluated to continuously improve the effectiveness of Clariant's approach. Both the Executive Committee and Audit Committee were involved in setting the indicators. The ECS Executive Committee receives quarterly updates on the progress and measures that are taken, and the Audit Committee receives biannual updates.

Clariant employs a due diligence process to examine distributors and agents. The process ensures that they are not involved in any form of bribery or compliance violation, they are reput-

able in good standing, and that they do not appear on a sanction list. It further verifies that they have an appropriate compliance framework in place and have access to a relevant training program provided by Clariant.

Clariant's investigation process applies to all reported concerns and breaches of the Code of Conduct. Corporate Functions (Group Compliance, Group Human Resources, Corporate Auditing, Environmental Safety and Health Affairs (ESHA), and other functions where appropriate) are responsible for the investigation, and the global ECS E&R and the Regional Ethics and Risk Management Committees are responsible for remediation.

Indicators

To evaluate effectiveness, Clariant internally tracks a total of 25 indicators in the categories »Leadership,« »Risk Management,« »Training,« »Communication,« »Standards and Controls,« and »Monitoring, Auditing, and Reporting.« Clariant also tracks the number and type of the process changes made in response to allegations.

In 2020, Clariant received 73 reports, including 9 questions and 64 reports through the »Clariant Integrity Line.« A case can relate to several issue types. Out of the 64 reports, 43 were related to business integrity, and 23 were related to treatment of employees. Among the other concerns highlighted, seven were related to Health & Safety or Environmental violations, and the remaining cases relate to Information Security, Cyber Risk, Data Privacy and others.

GRI 205:2016 Anti-corruption

205-1 Operations assessed for risks related to corruption

As part of Clariant's ongoing internal auditing, corruption risks are investigated during reviews of high-risk businesses in high-risk environments with high-risk customers. In addition, in 2020, Clariant drafted a holistic fraud program; implemented a system-based, multi-factor third-party risk management system; and mandated job rotation for employees in exposed functions whenever possible.

205-2 Communication and training on anti-corruption policies and procedures

✔ PwC CH	2017	2018	2019	**2020**
Percentage of Board members informed about anti-corruption policies	50%	50%	100%	50%
Percentage of employees informed about anti-corruption policies	60%	40%	90%	14%
Percentage of business partners informed about anti-corruption policies	50%	40%	60%	60%
Percentage of Board members who received anti-corruption training	45%	50%	100%	50%
Percentage of employees who received anti-corruption training	60%	30%	86%	14%
Percentage of employees who received compliance training	60%	45%	86%	14%

205-3 Confirmed incidents of corruption and actions taken

In 2020, there were nine allegations regarding bribery, corruption, and kickbacks brought forward. They led to disciplinary actions against seven employees. In four cases, the responsible employee was dismissed, and one case is still under investigation.

There were no legal proceedings against Clariant or its employees for alleged corruption. Clariant terminated relationships with six business partners (agent, distributor, or consultant).

GRI 206:2016 Anti-competitive Behavior

206-1 Legal actions for anti-competitive behavior and antitrust and monopolistic practices

In 2020, Clariant was fined EUR 155.8 million by the European Commission who had completed its investigation into the ethylene purchasing market. For further information, please refer to the Financial Review Full Year 2020. In 2020, there were no further reported legal actions for anti-competitive behavior or antitrust or monopolistic practices. Clariant reports significant legal actions in its Integrated Report.

GRI 419:2016 Socioeconomic compliance

419-1 Noncompliance with laws and regulations in the social and economic area

In 2020, Clariant was fined for not having an import license for potassium permanganate in China.

Human Rights

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant is firmly committed to protecting human rights during all phases of value creation within all Business Units as this is a prerequisite for sound business governance and license to operate.

### Contribution to value creation

Respecting human rights is key to sound business governance and to promoting socially responsible growth.

Boundary

Clariant's commitment to human rights applies not only to Clariant's own business operations, but also to its entire supply chain and contracted workers. It expects suppliers and business partners to maintain the same high human rights standards.

Impact in the value chain
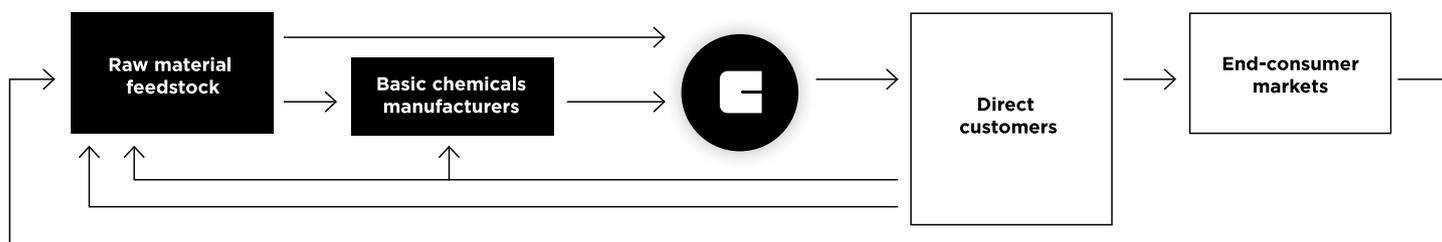
103-2 The management approach and its components

Responsibilities and resources

The newly established Sustainability Transformation unit, Human Resources, Legal, and Procurement departments have a shared responsibility for managing human rights.

Goals and targets

Clariant does not have goals and targets currently in place for human rights.

Further components

Clariant's commitment to respecting human rights is enshrined in its Human Rights Policy Statement, in which Clariant reaffirms its commitment to the United Nations Human Rights Declaration and the ILO Declaration on Fundamental Principles and Rights at Work. The policy statement applies to all direct operations and activities and articulates a clear expectation of suppliers and contractors to uphold the same standards.

In addition, requirements regarding key human rights principles are included in Clariant's Code of Conduct and its update to be published at the beginning of 2021, the Code of Ethics, the Code of Conduct for Suppliers, and the Employment Standards Guidelines, which protect workers' rights with regard to nondiscrimination, forced labor, child labor, fair working conditions, freedom of association, privacy, effective remedies, and workplace health and safety. The Code of Ethics is binding for Clariant's direct operations, including all joint ventures that are controlled by Clariant or in which it holds a majority interest. The Code of Conduct for Suppliers extends to Clariant's suppliers and their contractors. The rights of community members—particularly regarding environmental health and safety—are a key priority for Clariant. Thus, it protects them with a comprehensive set of binding environmental, health, and safety rules.

Clariant is a signatory to the UN Global Compact. It also strongly supports collaborative initiatives that promote sustainability and respect for human rights across the industry as a member of Together for Sustainability (TfS) and the Roundtable on Sustainable Palm Oil (RSPO).

In 2016, Clariant carried out a human rights due diligence assessment with the support of external human rights experts to evaluate the potential human rights impacts of its operations and activities as well as the effectiveness of the management and monitoring systems in place. The accompanying graph illustrates the key elements of the due diligence process.

Scoping
— Mapping of relevant business activities
— Scoping of key human rights issues to our business
— Identification of key geographies
— Identification of key internal stakeholders

Assessment of human rights impacts
— Stakeholder interviews
— Assessment of key risk areas based on screening of activity against geography
— Identification of specific impacts on rights holders and assessment of salient impacts
— Workshop to verify assessment results

Action
— Identify priority areas for action
— Map existing mitigation actions
— Develop action plans and identify responsibilities
— Support collaborative approaches

Monitoring
— Ongoing monitoring and review of results
— Monitoring of issues and mitigation through audits and checks
— Monitoring of reports received through Integrity Line and other channels
— Reporting on human rights and social sustainability

Through a series of interactive working sessions, several key functions and departments prioritized activities based on their scale and relevance to the business and their probability of having adverse effects on the human rights of workers, communities, and other groups. A human rights assessment was carried out for a number of priority activities, integrating both internal and external risk factors, such as complex subcontracting arrangements and vulnerabilities of specific groups, as well as aggregate human rights risk levels of countries and industries. The evaluation of environmental and social impacts, as well as labor rights in Clariant's own operations and along its supply chain, played an important role in determining the extent to which Clariant appropriately mitigates adverse human rights impacts.

The assessment found that Clariant has a comprehensive set of policies, guidelines, and processes in place to ensure the implementation of its human rights commitments. In addition, it found that specific mitigation actions had been conducted for some of the high-risk areas identified in the human rights impact assessment. The assessment further concluded that Clariant's potential human rights impacts primarily relate to contract labor and the supply chains for natural raw materials, particularly in geographies with weak national legal frameworks.

Building on this assessment, Clariant carried out a review of the legal requirements, conditions, and control measures related to contract labor in India. The review found that the country organization is well aware of the legal requirements and has implemented a clear and comprehensive process, supported by detailed evidence, checklists, and regular exchanges with authorities.

Addressing and closing the identified gaps in Clariant's mitigation framework is a priority in the coming years. Clariant is focused on securing the same requirements for contract labor that are applied by employment agencies and contractors. Regarding the supply chain, Clariant will continue to address supply chain risks based on the geographical origin of particular raw materials to gain a better understanding of potential human rights impacts, especially in high-risk countries.

Consequently, in 2020, Clariant reviewed its conflict minerals approach to ensure compliance with the new EU Conflict Minerals Legislation. In addition, Clariant has also started a comprehensive analysis of its activities to ensure environmental and social sustainability with regard to palm-based raw materials.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant relies on well-established management and monitoring systems that enable the company to detect and mitigate potential human rights risks. In the future, Clariant will further align and streamline its activities and have further internal training activities on human rights. The evaluation of the management approach includes benchmarking against Clariant's peers, using external benchmarks such as the Dow Jones Sustainability Index, and participating in external networks, discussions, and report reviews.

GRI 406:2016 Non-discrimination

406-1 Incidents of discrimination and corrective actions taken

✔ PwC CH	2016	2017	2018	2019	**2020**
Total number of incidents of discrimination during the reporting period	4	3	3	2	0

In 2020, Clariant was made aware of no cases.

GRI 407:2016 Freedom of Association and Collective Bargaining

407-1 Operations and suppliers with which the right to freedom of association and collective bargaining may be at risk

Clariant supports freedom of association. As part of this, it respects the right of employees to join unions and be represented by representatives of these unions internally and externally in accordance with the applicable national or local laws and practices. The same standard is applicable for suppliers. As laid down in the Code of Conduct for Suppliers, they must observe the right of their employees to strike and to be members of trade unions. Clariant knows of no cases in which freedom of association or the right to collective bargaining has been seriously jeopardized or breached.

Clariant is assessing its suppliers in relation to freedom of association, among other social, governance, and environmental topics, together with other companies via the Together for Sustainability (TfS) platform. For more information, please see ((Link)) disclosure 308-1. In 2016, Clariant also launched a human rights due diligence assessment that continued in 2020 with follow-up and mitigation activities.

GRI 408:2016 Child Labor / GRI 409: 2016 Forced or Compulsory Labor

408-1 Operations and suppliers at significant risk for incidents of child labor / 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor

Clariant is assessing its suppliers in relation to child and forced labor, among other social, governance, and environmental topics, together with other companies via the Together for Sustainability (TfS) platform.

Read more: GRI Report, 308-1 New suppliers that were screened using environmental criteria

In 2016, Clariant also launched a human rights due diligence assessment that continued in 2020 with follow up and mitigation activities.

Clariant condemns all forms of child labor and respects the rights of children. Consequently, Human Resources ensures by appropriate processes and practices that minimum age provisions of national labor laws and regulations are adhered to and that adequate and verifiable mechanisms for age verification at Clariant workplaces are used by local Human Resources. ILO convention numbers 138 and 182 are expressly acknowledged as the minimum standard. Clariant is not aware of cases of child labor in the company or with its suppliers. Similarly, Clariant rejects any form of forced labor or slavery and is not aware of any cases of forced labor or slavery in the company

GRI 412:2016 Human Rights Assessment

412-1 Operations that have been subject to human rights reviews or impact assessments

Clariant monitors and manages human rights impacts, both in its own operations and in its supply chains, and works to make sure that there is no contribution, knowing or unknowing, to any adverse human rights impacts. Clariant assessed all of its operations globally in a human-rights due-diligence review.

Furthermore, Clariant established the »Clariant Integrity Line« to enable Clariant employees and external stakeholders to bring any concerns they may have to our attention. The Integrity Line is an independent third party-operated channel through which all violations against the Code of Conduct can be reported, including discrimination or violations of human rights.

Read more: Corporate Website, Human Rights

412-2 Employee training on human rights policies or procedures

E-learning modules are mandatory for all employees. Participation in these training courses, which cover different topics or themes of the Code of Conduct, is registered, and defaulters receive a warning. The code is available in all relevant national languages.

412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

All investments with a total volume of more than CHF 1 million must be approved by the Investment Subcommittee of the Executive Committee (EC). The subcommittee makes its decision based on financial, strategic, and sustainability criteria, the latter of which also includes human rights aspects.

Policy and Stakeholder Relations

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant believes that participating in the public policy dialogue is an important element of corporate responsibility. Thus, in line with the company's strategy and business objectives, Clariant contributes to policy developments in relevant areas such as chemical management and substitution; climate change; energy; bioeconomy; circular economy, with a focus on plastics' circularity; industrial policy and competitiveness; trade; and innovation.

Contribution to value creation

An open, transparent, and trustworthy dialogue with all stakeholders is essential for Clariant. Building networks and relationships within the chemical industry, as well as with policymakers, industry coalitions, and other stakeholders such as nongovernmental organizations (NGOs), helps Clariant anticipate and mitigate risks driven by regulatory or stakeholder pressure, identify business opportunities, and create competitive advantages.

Boundary

The topic is not only relevant for Clariant's operations and value chains, but also impacts its public outreach—for example, via trade associations—to position the company and the chemical industry on strategic policy areas.

Impact in the value chain
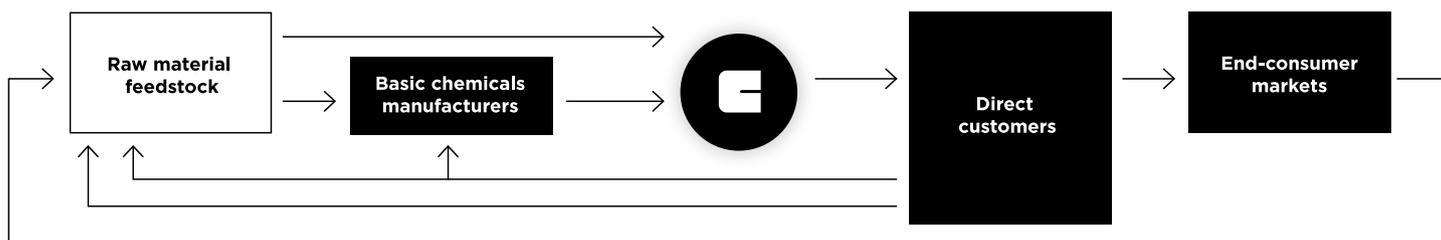
103-2 The management approach and its components

Responsibilities and resources

The overall responsibility for policy and stakeholder relations is assigned to the Government Affairs and Advocacy team, operating under Clariant's Sustainability Transformation. At the local

level and within certain sectors, the Business Units and regional organizations have a responsibility to maintain and engage in the policy dialogue as they are well positioned to understand and address the local and sector-specific challenges and stakeholder networks.

Goals and targets

Clariant does not see the need to establish specific goals and targets for policy and stakeholder relations.

Further components

Clariant follows several avenues to contribute to public policy development. It periodically publishes position papers and responds to public stakeholder consultations and surveys. Clariant also anticipates and goes beyond regulatory requirements to abide by its ambitious sustainability commitments, and promotes policy development and stakeholder relations accordingly.

The engagement of Clariant representatives in trade associations and other platforms supports strategic alignment across the industry, provides an opportunity for exchange on industry perspectives and best practices, and brings forward Clariant's views and interests.

Clariant has implemented clear policies for engaging in public policy development, addressing the increasing attention stakeholders and the public pay to such activities. Clariant's Anti-Bribery and Anti-Corruption Policy establishes detailed rules for employees' interactions with public officials and political advisors, as well as for charitable contributions and political donations, and forbids any donations to political parties and related organizations. Clariant openly discloses information about its fields of interest and the scope of public affairs activities, for example, in the »Transparency Register« of the European Union.

Other activities include active participation in associations, such as the European Chemical Industry Council (Cefic), national chemical associations, sectoral business associations, sustainability forums such as the World Business Council for Sustainability Development (WBCSD) or the World Economic Forum (WEF) and ad hoc collaborations with NGOs.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant's advocacy activities are strongly linked to the company's growth and sustainability strategy. In the context of its advocacy strategy, which is currently under review, Clariant aims to further strengthen these ties by paying closer attention to topics such as the bioeconomy, the transition to a more circular economy, climate change and energy transition, and sustainable chemistry.

Clariant supports the call for increased transparency regarding lobbying activities and political contributions. Through its reporting on the Carbon Disclosure Project (CDP) and the Dow Jones Sustainability Index (DJSI), Clariant discloses the issues it has discussed with policymakers and trade associations that are likely to take a position on sustainability topics such as climate change. Moreover, Clariant performs an annual review of its membership costs and publicly discloses its top membership contributions, as well as the overall budget allocated to policy memberships.

Clariant's continuous dialogue with policymakers, NGOs, and industry associations further supports evaluating the effectiveness of its public policy management approach.

GRI 415:2016 Public Policy

415-1 Political contributions

The Clariant Corporate Citizenship Management Policy and the Anti-Bribery and Anti-Corruption Policy explicitly exclude donations to political parties. Accordingly, Clariant did not render any donations to parties, politicians, or related organizations in 2020.

Sustainability Performance in the Supply Chain

Management Approach

103-1 Explanation of the material topic and its boundary

Reason for materiality

Clariant believes that true leadership in sustainability extends beyond the company's operations and considers sustainability impacts and opportunities across the entire value chain. Customers, employees, community members, the general public, and other stakeholders expect companies to understand their wider impact and foster sustainable change and growth.

Contribution to value creation

As part of Clariant's commitment to identifying and reducing potential risks, enhancing the sustainability performance across its end-to-end supply chains, Clariant proactively engages with suppliers to monitor and improve the sustainability performance of the materials and services it sources from them.

Boundary

In order to be a true sustainability leader, Clariant goes beyond its own operations and drives its sustainability strategy across its entire spend on materials and services. Clariant's sustainability strategy includes its comprehensive and complex global supply chains, including its suppliers.

Impact in the value chain
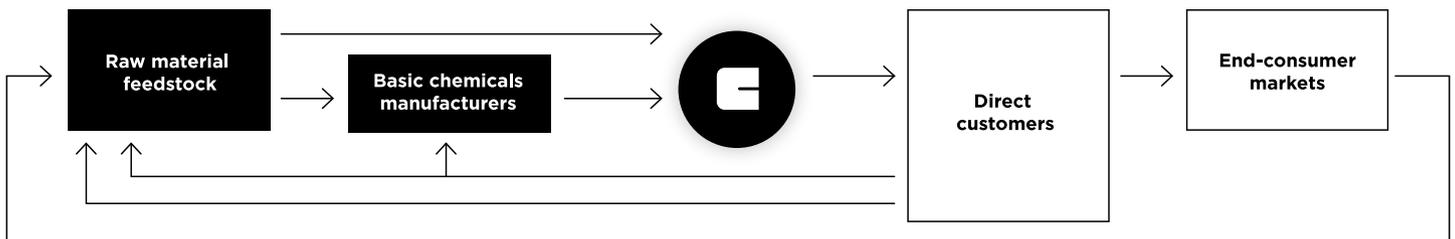
103-2 The management approach and its components

Responsibilities and resources

Clariant Procurement has developed and rolled out its sustainability strategy across all regions and spend categories, covering approximately CHF 3.3 billion of yearly spend. Sustainability in the supply chain is coordinated and steered by the Group Procurement Service's Sustainability team, which reports directly to the Head of Procurement.

Goals and targets

Clariant derives yearly supply chain sustainability targets from its Procurement Sustainability Roadmap. In 2020, four out of eight procurement key performance indicators related to sustainability.

They are:

– Increasing spend coverage with sustainability evaluation and decreasing spend with risk suppliers, based on supplier sustainability assessments. This target is to be reached in collaboration with the different Business Units.

– Number of new supplier sustainability assessment scorecards generated

– Number of new sustainability audit reports generated

– Number of suppliers that have improved their score in the sustainability assessments

In 2019, Clariant adopted an overall target on spend coverage and risk spend, which is characterized as spend on suppliers with a »Together for Sustainability« (TfS) assessment score of less than 45. At the core of Clariant's Supply Chain Sustainability is the aim to purposefully support strategic suppliers to comply with minimum scores defined by Clariant and to continuously improve their performance. In 2020, 62 percent of reassessed suppliers improved their sustainability performance by reaching better sustainability scores in the TfS assessment performed by EcoVadis.

Further components

Sustainability forms an integral part of Clariant's procurement practices, irrespective of material, geography, or risk potential. Suppliers, outsourcing partners, and service providers are selected and managed based on a comprehensive set of criteria. These benchmarks include not only economic and product-specific performance, but also nonfinancial and sustainability considerations, such as complaint management, creditworthiness, safety standards, working conditions, and respect for human rights.

Supplier Sustainability Management Trainings

Building and continuously updating skills in supplier sustainability management and ensuring sustainability are a critical part of the state-of-the-art procurement expertise, Clariant Procurement develops and deploys a Sustainability Capability-Building Program with yearly waves of training sessions and supporting materials, such as dedicated toolkits for buyers as well as suppliers. It also includes »Lunch & Learn« sessions on a variety of topics relevant for sustainable supply chain management.

Procurement Sustainability Roadmap

Clariant annually develops a Procurement Sustainability Roadmap based on insights, learnings, and feedback gathered in previous years. The roadmap defines focus areas, strategies, and indicators and is deployed across the entire organization and spend. The procurement sustainability program is discussed and aligned with Sustainability Transformation.

Supplier Code of Conduct

The policy cornerstone of Clariant's sustainable procurement approach, the Supplier Code of Conduct, is based on the UN Global Compact and Responsible Care® principles. It was rolled out in 2014 across the entire supply base of more than 22 000 suppliers through written communication and via face-to-face meetings with top suppliers in each region. It is also incorporated into the General Terms and Conditions of Purchase included in every purchase order issued by the procurement organizations.

Clariant expects its suppliers to abide by this Supplier Code of Conduct and make every effort to keep the environmental impact and negative social effects arising from business activities at a minimum. If the Code of Conduct is not embraced by business partners, Clariant retains the right to end business relationships.

Read more: Corporate Website, Sustainable Supply Chains

Supplier Sustainability Assessments and Audits

Since 2014, Clariant has been a member of the »Together for Sustainability (TfS)« initiative. The TfS supplier sustainability assessment covers both materials and services and is based on standard state-of-the-art methodologies and an approach jointly developed by the procurement leadership and organizations of large chemical companies. It is managed through leading external global service providers specialized in sustainability: EcoVadis for online assessments; and DSQ Group, ERM, Intertek, and SGS for on-site audits.

The approach developed and implemented by TfS leverages synergies among the participants and delivers an independent, standardized, and quantitative evaluation of suppliers' sustainability performance and risk profiles. The outsourcing to third-party service providers guarantees process robustness, independence, confidentiality, and conformity with antitrust and competition law. Clariant prioritizes the assessment and audit of suppliers according to country and business risks, global category priorities, and purchase volumes.

Read more: Integrated Report, Sustainability Performance in the Supply Chain

Responsible Mica Initiative

In 2019, Clariant became a full member of the Responsible Mica Initiative, which aims to eradicate child labor and unacceptable working conditions in the Indian mica supply chain. However, with the divestment of the Business Unit Masterbatches – the one involved in the Mica supply chain – completed in July 2020, Clariant will cease to be a member of and to report on the Responsible Mica Initiative.

103-3 Evaluation of the management approach and measurement

Evaluation and outcome

Clariant's yearly Procurement Sustainability Roadmap draws from insights and feedback gathered through external evaluations (such as the DJSI SAM Company Sustainability Benchmark Report and EcoVadis Scorecard), industry benchmarks with TfS and best-in-class companies within and outside the chemical industry, and conference participation. Thus, breadth and depth of the roadmap are continuously enhanced. The KPIs described under »Goals and Targets« above are tracked monthly in the management committee meeting.

In 2019, Clariant was honored by two organizations: EcoVadis granted the company the Sustainable Procurement Leadership Award for »Best Internal Stakeholder Engagement«; and risk methods, a company assessing supplier risks, awarded Clariant with the »TOP Sustainable Supply Chain Program.« The awards recognize excellence in sustainable procurement practices and distinguish Clariant as a best-in-class example, driving internal engagement to roll out a global sustainable procurement program.

»Together for Sustainability (TfS)«

Through the »Together for Sustainability (TfS)« initiative, Clariant has online access to a large number of assessment scorecards and audit reports generated by external service providers on behalf of all TfS members. In addition to an overall score, the assessment scorecards contain an individual score for the critical categories of environment, labor and human rights, ethics, and sustainable procurement. Furthermore, and most importantly, assessment scorecards and audit reports provide detailed feedback on specific improvement areas and guidance on where and how to address the identified gaps. This comprehensive approach and outcome give Clariant the basis to engage with its suppliers and agree on ad hoc corrective action plans in order to mitigate sustainability risks and improve sustainability performance in its supply chain.

This enables Clariant to monitor, measure, and improve supplier sustainability performance, identify improvement opportunities against principles laid out in the Supplier Code of Conduct, and embed sustainability as an integral part of supplier selection and management.

GRI 204:2016 Procurement Practices

204-1 Proportion of spending on local suppliers

✔ PwC CH	2016	2017	2018	2019	**2020**
Percentage of the procurement budget that is used for significant locations of operation and spent on suppliers local to that operation	85.7%	87.4%	88.3%	88.0%	87.6%[1]

[1] Continuing operations only

✔ PwC CH	2016	2017	2018	2019	**2020**
RM Procurement by region (in CHF m)	**2 221**	**2 674**	**2 948**	**2 642**	**2 027**
Of which with local suppliers (in CHF m)	1904	2 337	2 603	2 330	1777
Number of suppliers[1]	5 222	6 991	6 434	6 300	6 020
Asia-Pacific (in CHF m)	**510**	**627**	**672**	**597**	**426**
Of which with local suppliers (in CHF m)	479	591	641	564	405
Number of suppliers[1]	1754	2 800	2 527	2 422	2 296
Europe (in CHF m)	**1088**	**1237**	**1340**	**1232**	**1017**
Of which with local suppliers (in CHF m)	959	1122	1228	1117	909
Number of suppliers[1]	1174	1690	1514	1416	1374
Latin America (in CHF m)	**276**	**307**	**320**	**262**	**207**
Of which with local suppliers (in CHF m)	198	209	213	176	140
Number of suppliers[1]	802	1092	1085	1088	1065
Middle East & Africa (in CHF m)	**91**	**109**	**106**	**99**	**67**
Of which with local suppliers (in CHF m)	47	56	57	55	37
Number of suppliers[1]	247	407	378	395	358
North America (in CHF m)	**255**	**395**	**510**	**453**	**311**
Of which with local suppliers (in CHF m)	221	359	464	419	285
Number of suppliers[1]	445	1002	930	979	927

[1] Duplicate counts across regions were largely eliminated but cannot be ruled out entirely.

Clariant's procurement preferentially sources goods and services from within the region in which its respective operations and manufacturing plants are located, if qualitatively compatible, technically feasible, and economically viable. This approach supports the economic development of the regions in which Clariant operates. This is particularly relevant for and encouraged in key emerging markets such as Brazil, China, and India. Clariant defines local suppliers as suppliers that are based in the same country or region where the materials and/or services are used.

GRI 308:2016 Supplier Environmental Assessment

308-1 New suppliers that were screened using environmental criteria

✔ PwC CH	2016	2017	2018	2019	**2020**
Percentage of suppliers assessed via EcoVadis	63%	65%	74%	78%	84%

Clariant selects and manages its suppliers, outsourcing partners, and service providers based on a comprehensive set of criteria. In addition to economic and product-specific performance aspects, the selection of suppliers is also explicitly based on nonfinancial and sustainability considerations. Clariant's sustainability standards are incorporated into its procurement strategies and activities, policies, and general guidelines (such as the Code of Conduct for Suppliers).

In 2020, TfS members initiated 1 148 new supplier assessments and 3 527 suppliers were reassessed, of which 57 % improved their score. A further 640 existing assessments were shared with TfS. All of these form the TfS pool of 10 069 actively managed supplier assessments.

By mapping supplier TfS assessment scorecards against Clariant's supply base, Clariant reached a share of 84% (2019: 78%) of its yearly CHF 2 billion (2019: 2.6 billion) direct spend that is covered by TfS assessments.

308-2 Negative environmental impacts in the supply chain and actions taken

✔ PwC CH	2016	2017	2018	2019	**2020**
Number of suppliers assessed for environmental impacts	6 383	8 692	10 566	9 434	4 205
Number of suppliers identified as having actual and potential significant negative environmental impacts	785	666	955	784	472

These numbers are based on the mapping of the suppliers from the EcoVadis platform to Clariant's own spend database.

✔ PwC CH	2017	2018	2019	**2020**
Percentage of suppliers identified as having actual and potential significant negative environmental impacts and with whom improvements were agreed upon as a result of assessment	17%	20%	18%	14%

In 2017, Clariant began a program of Corrective Action Plans (CAPs) in order to reduce supplier sustainability risks. In 2020, 14% of the 472 suppliers identified as having actual and potential significant negative environmental impacts have been taken through the CAP program.

GRI 414:2016 Supplier Social Assessment

414-1 New suppliers that were screened using social criteria

For information regarding 414-1, please see disclosure 308-1: New suppliers that were screened using environmental criteria.

414-2 Negative social impacts in the supply chain and actions taken

✔ PwC CH	2016	2017	2018	2019	**2020**
Number of suppliers assessed for social impacts	6 383	8 692	10 566	9 434	4 205
Number of suppliers identified as having actual and potential significant negative social impacts	737	598	1205	1060	342

These numbers are based on the mapping of the suppliers from the EcoVadis platform to Clariant's own spend database.

✔ PwC CH	2017	2018	2019	**2020**
Percentage of suppliers identified as having actual and potential significant negative social impacts and with whom improvements were agreed upon as a result of assessment	19%	26%	16%	14%

In 2017, Clariant began a program of Corrective Action Plans (CAPs) in order to reduce supplier sustainability risks. In 2020, 14% of the 342 suppliers identified as having actual and potential significant negative social impacts have been taken through the CAP program.

For more information regarding 414-2, please see disclosure 308-2: Negative environmental impacts in the supply chain and actions taken.

GENERAL DISCLOSURES

Organizational Profile

102-1 Name of the organization

Clariant AG

102-2 Activities, brands, products, and services

In addition to the information described in the Financial Report and on the Corporate Website, Clariant also deals with goods that are subject to different trade control regimes, such as chemical weapons conventions or the dual-use goods regulation. All of the respective national and international trade control provisions, as well as embargo regulations, are monitored by a global trade control network within the Clariant organization. With the help of IT systems, along with organizational controls, all deliveries are reviewed to ensure trade compliance. Thus, for ex-

ample, controlled goods can only be delivered if the necessary permits are obtained from the relevant authorities in addition to end-user statements from the customer. Clariant ensures that all trade control requirements are fulfilled.

102-3 Location of headquarters

Rothausstrasse 61
4132 Muttenz
Switzerland

102-4 Location of operations

Read more: Financial Report, Important subsidiaries

Read more: Financial Report, Segment information

102-5 Ownership and legal form

Stock company listed at SIX Swiss Exchange

102-6 Markets served

Read more: Integrated Report, Multicapital Review, Financial Capital

Read more: Integrated Report, Value Creation in the Four Business Areas

102-7 Scale of the organization

Read more: Integrated Report, Summary on Performance, People, Planet

Read more: Financial Report, Important subsidiaries

Read more: Financial Report, Consolidated balance sheets

102-8 Information on employees and other workers

✔ PwC CH	2019		2020	
	permanent	temporary	**permanent**	**temporary**
Employees by employment contract and gender (in FTEs)	16 650	572	12 763	472
male	13 084	413	9 846	368
female	3 566	160	2 917	104

	2019		2020	
	full-time	part-time	**full-time**	**part-time**
Employees by employment type (in FTEs)	16 786	437	12 887	348
male	13 396	100	10 143	71
female	3 390	337	2 744	277

Clariant does not have knowledge of any substantial portion of its work being performed by workers who are not employees. Furthermore, there are no significant seasonal variations in Clariant's employment numbers.

102-9 Supply chain

Read more: Integrated Report, Multicapital Review, Sustainability performance in the supply chain

Read more: GRI Management Approach, Sustainability performance in the supply chain

102-10 Significant changes to the organization and its supply chain

Read more: Financial Report, Important subsidiaries

Read more: Financial Report, Discontinued operations and assets held for sale

Read more: Financial Report, Disposals

Read more: Financial Report, Changes in share capital and treasury shares and changes in noncontrolling interests

Read more: Financial Report, Events Subsequent to the Balance Sheet Date

102-11: Precautionary principle or approach

Clariant adopted the precautionary principle defined in 1992 at the United Nations Conference on Environment and Development in Rio de Janeiro. According to the precautionary principle, remedial actions may only be postponed if no serious or lasting damages to the environment are looming. More detail can be found on the following website: www.precautionaryprinciple.eu.

Clariant has expanded the environmental considerations of the precautionary principle with social aspects. Further, Clariant continuously invests in safe products and efficient as well as environmentally compatible processes. Clariant also deploys measures to completely live up to its responsibilities toward employees, customers, shareholders, and other stakeholders.

102-12 External initiatives

Clariant supports a large number of externally developed initiatives. For example:

Clariant expressly supports the United Nations Global Compact and the United Nations Universal Declaration of Human Rights (UDHR), also known as the United Nations Human Rights Charter. The charter comprises general human rights principles that serve as a joint ideal for all people and nations to ensure that each individual and all bodies of the company constantly strive to promote respect for corresponding rights and freedoms through education and training. National and international measures must thereby guarantee the formal as well as the actual recognition of, and compliance with, human rights. This applies to Clariant too.

Clariant has signed the »Responsible Care® Global Charter« developed by the International Council of Chemical Associations (ICCA), which monitors compliance with this charter. The charter is a self-commitment by the chemical industry worldwide to pursue continual improvements in the fields of environmental protection, product responsibility, work safety, transportation safety, and dialogue.

Clariant is committed to the Global Product Strategy (GPS), which was developed in 2006 by the International Council of Chemical Associations (ICCA) as part of its commitment to the United Nations Strategic Approach to International Chemicals Management (SAICM). This approach promotes the safe use of chemical products through the entire life cycle and enhances product stewardship throughout the value chain.

102-13 Membership in associations

Clariant is a member of numerous interest groups and trade associations at international (International Council of Chemical Associations [ICCA]), regional (Cefic), and national levels (business federations or national chemical industry associations, such as ABIQUIM in Brazil, CPCIF in China, Verband der Chemischen Industrie [VCI] in Germany, and the American Chemistry Council [ACC] in the USA).

Clariant is also active in sectoral associations at both a regional and national level, as in the bioeconomy sector (Leaders of Sustainable Biofuels, ePure, EuropaBio, Bio-Based Industries Consortium, BioDeutschland, etc.)

Clariant is proud to be a member and supporter of scientific and research organizations such as SUSCHEM, the European Technology Platform for Sustainable Chemistry, confirming its strong commitment to develop the next generation of sustainable chemistry solutions.

In 2020, Clariant's top three contributions to policy memberships are:

1. German Association of the Chemical Industry (Verband der Chemischen Industrie e. V. [VCI])

2. Chamber of Commerce Basel (Handelskammer beider Basel)

3. Scienceindustries, the Swiss business association for the chemical, pharmaceutical, and biotech industries.

Strategy

102-14 Statement from senior decision-maker

Read more: Integrated Report, Interview with Hariolf Kottman

Read more: Integrated Report, Letter to shareholders

102-15 Key impacts, risks, and opportunities

Read more: Financial Report, Enterprise Risk Management Identification, Assessment, and Management

Ethics and Integrity

102-16 Values, principles, standards, and norms of behavior

As a leading specialty chemicals company, Clariant not only ensures adherence to legal regulations, but also commits itself to important global initiatives. All of Clariant's actions comply with

the principles laid down in the Responsible Care® Global Charter, the Global Product Strategy, the United Nations Global Compact, and the company's internal Code of Conduct and Code of Conduct for Suppliers.

All employees receive the Code of Conduct when they are hired and must agree to it when signing their contract of employment. Relevant e-learning modules are mandatory for all employees. Participation in these training courses, which cover different topics or themes of the Code of Conduct, is registered, and employees not participating receive a warning. The Code is available in all relevant national languages.

Read more: Corporate Website, Codes of Conduct

Read more: Corporate Website, Sustainable Supply Chains

102-17 Mechanisms for advice and concerns about ethics

With regard to seeking advice, compliance officers at both regional and local levels as well as at Group Headquarters are available to provide support on issues concerning ethically correct and legally compliant conduct of employees or business processes. In addition, employees as well as suppliers and other stakeholders have the opportunity to raise concerns or questions—anonymously as well—about ethical business conduct on the »Clariant Integrity Line« (an online portal introduced in 2014). The responsible compliance officer of the corresponding country then answers or forwards the concerns or questions to the competent colleague in the Compliance or Human Resources department or ESHA.

Complaints pertaining to violations of the Clariant Code of Conduct can be equally made via line managers, through Group Compliance (i.e., reported to the local or regional HR Department or compliance office, or directly to the Group compliance officer), or via the »Clariant Integrity Line.«

Governance

102-18 Governance structure

Read more: Corporate Governance Report, Principles of Corporate Governance

102-20 Executive-level responsibility for economic, environmental, and social topics

Clariant's Executive Committee provides the guidelines and the corresponding control for sustainable management. The Head of Environmental Safety & Health Affairs, Head of Sustainability Strategy & Advocacy, as well as the Head of Product Stewardship report directly to a Member of the Executive Committee on sustainability matters and are in charge of implementing the sustainability strategy. The Executive Committee reports to the Board of Directors.

Read more: Corporate Governance Report, Information and control instruments vis-à-vis the Executive Committee

102-21 Consulting stakeholders on economic, environmental, and social topics

Clariant revised its materiality matrix in 2017 in a sophisticated, consultative process between stakeholders and Clariant on economic, environmental, and social topics, among others. Key stakeholders voiced their opinions regarding the topics on which Clariant should focus, and the results of the survey were analyzed and broken down into region- and function-specific perspectives. This allowed Business Unit and Regional Management Committees to follow up with their respective stakeholders.

Through the »Clariant Sustainability Dialogue,« Clariant can further engage with important stakeholders from customer industries, politics, NGOs, and the media in order to foster an open dialogue and future cooperation. Additionally, Clariant maintains a constant dialogue with NGOs, and sales representatives regularly meet with customers to discuss sustainability topics.

Read more: Integrated Report, Internal and External Stakeholder Engagement

Read more: Integrated Report, Materiality Assessment

102-38 Annual total compensation ratio

102-39 Percentage increase in annual total compensation ratio

Clariant's compensation philosophy is aimed at promoting and reinforcing the quality and commitment of employees. Clariant is generally committed to paying its employees fair and appropriate compensation in the form of wages and salaries, social components, and other perks. This compensation should meet minimum statutory standards and, in principle, exceeds them in each country in which Clariant is active.

The spread of salaries between Clariant employees varies from one country to another. This heavily depends on the relevant local managerial and employment structure and is frequently culturally influenced. For this reason, local salary structures cannot be used to address compensation issues. On a global level, the ratio between the median annual base salary and the highest base salary is 1:12. In terms of the total compensation, including variable salary components, the spread is 1:19. The ratio tends to be higher in growth regions than, for example, in Europe. Part-time employees have been excluded from the calculation above.

Salary adjustments are negotiated in accordance with a fixed and unambiguous system and implemented through mutual agreement between the line manager and the Human Resources department. As a basic principle, a consistent »salary philosophy« ensures that adjustments are made in the context of the local markets and the individual performance.

Read more: Compensation Report

Stakeholder Engagement

102-40 List of stakeholder groups

Read more: Integrated Report, Internal and External Stakeholder Engagement

102-41 Collective bargaining agreements

✔ PwC CH	2017	2018	2019	**2020**
Percentage of total employees covered by collective bargaining agreements	48%	47%	47%	53%

Clariant pays wages and salaries that are determined by relevant local competitive markets rather than by legally defined minimum wages. As of the end of December 2020, 53% of employees were covered by collective bargaining agreements with employee representatives. Managerial positions are generally not included in such agreements.

102-42 Identifying and selecting stakeholders

Read more: Integrated Report, Internal and External Stakeholder Engagement

102-43 Approach to stakeholder engagement

Read more: Integrated Report, Internal and External Stakeholder Engagement

102-44 Key topics and concerns raised

Read more: Integrated Report, Internal and External Stakeholder Engagement

Reporting Practice

102-45 Entities included in the consolidated financial statements

Read more: Financial Report, Important subsidiaries

102-46 Defining report content and topic boundaries

In order to define report content and topic Boundaries, Clariant applied all four Reporting Principles, namely Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.

Clariant continually evaluates the materiality of economic, environmental, and social topics. A comprehensive materiality assessment conducted in 2017 identified the issues that were most relevant to Clariant and its stakeholders, enabling the prioritization of initiatives. Clariant uses regular stakeholder interactions and market monitoring to make necessary adjustments to its materiality matrix. In 2020, after discussions with stakeholders and management indicated that the topics of Climate Change and Digitalization were increasing in importance, the materiality matrix was updated. Regarding climate change, Clariant foresees increasing pressure from regulators and a heightened focus among investors, and is thus allocating increased resources to the topic and ramping up efforts to reduce CO_2 emissions. On the topic of Digitalization, the 2020 lockdowns made virtual collaboration with stakeholders a necessity – a change that will most likely persist beyond the pandemic. Clariant is also leveraging digital opportunities to develop innovative business models, improve customer satisfaction, and operate more efficiently.

As part of the 2017 assessment, external and internal stakeholders were asked to share which topics they deemed most relevant to future value creation. Overall, 131 external stakeholders, 69 employees, and 36 managers gave feedback.

Clariant reports on topics that are considered to be of high and very high relevance in the Integrated Report and the GRI Report. The Boundaries are outlined in the respective topic's Management Approach in the GRI Report

Read more: Integrated Report, Materiality Assessment

102-47 List of material topics

Materiality Matrix
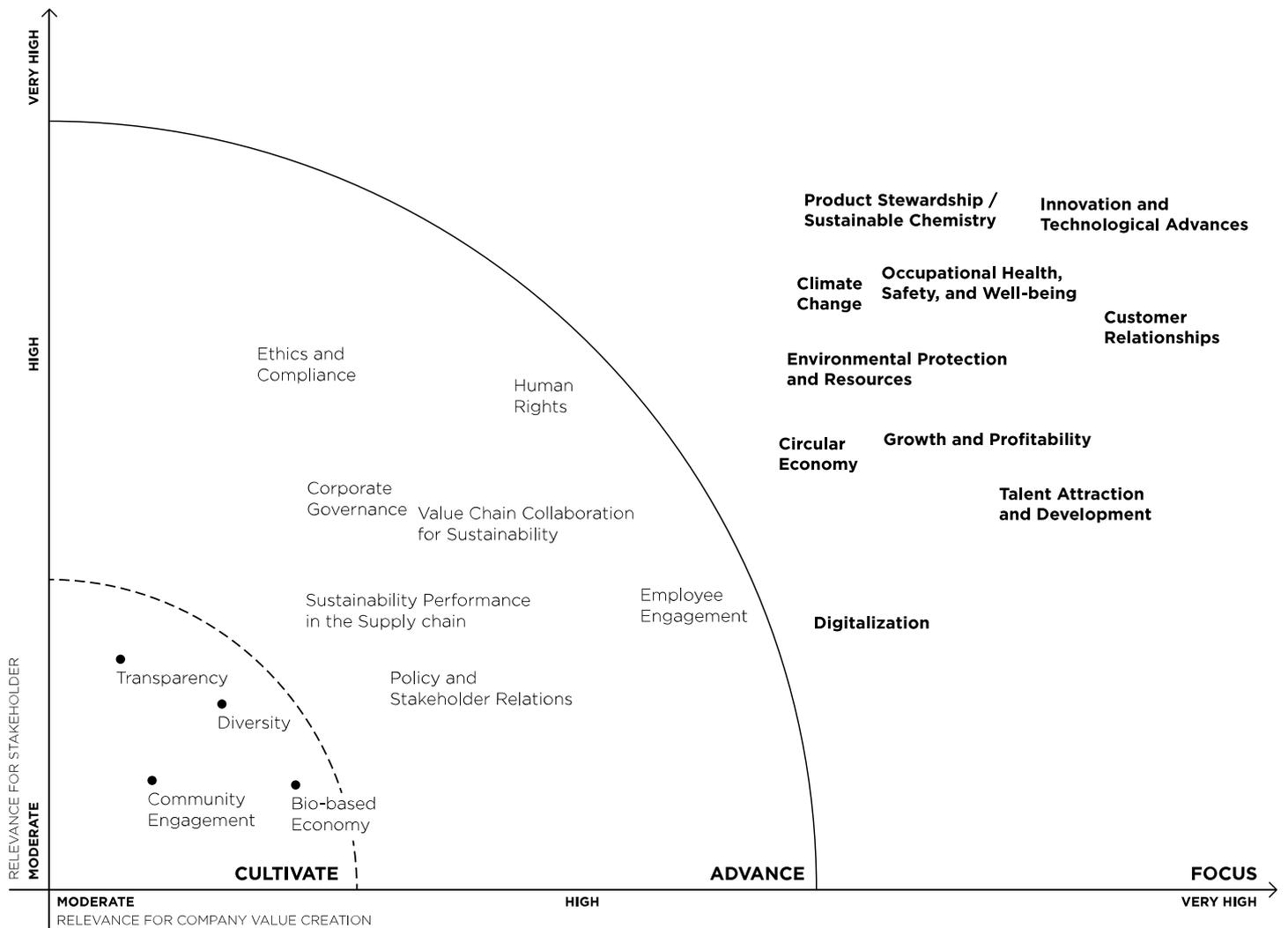
102-48 Restatements of information

Any restatement of previously reported data is explained in a footnote under the respective disclosure.

102-49 Changes in reporting

There are no significant changes from pervious reporting periods in the list of material topics and topic Boundaries.

102-50 Reporting period

2020

102-51 Date of most recent report

The last GRI Report was published in March 2020 on Clariant's website.

Read more: GRI Report 2019

102-52 Reporting cycle

Annual

102-53 Contact point for questions regarding the report

Questions about this report should be addressed to:

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Investor Relations
Andreas Schwarzwaelder, Tel. +41 61 469 62 92

102-54 Claims of reporting in accordance with the Standards

This report has been prepared in accordance with the GRI Standards: Core option.

102-55 GRI content index

Read more: GRI Report 2020: Content Index

102-56 External assurance

Read more: PwC Assurance Report

GRI Content Index

UNIVERSAL STANDARDS

GRI 101:2016 Foundation
GRI 102:2016 General Disclosures

Disclosure		Links	External Assurance	UNGC
	Organizational profile			
102-1	Name of the organization	GRI Report: **Name of the organization**		
102-2	Activities, brands, products, and services	GRI Report: **Activities, brands, products, and services** **Financial Report: Accounting policies** **Corporate Website: Product & Solution Highlights** **Corporate Website: EcoTain® Products** **Integrated Report**		
102-3	Location of headquarters	GRI Report: **Location of headquarters**		
102-4	Location of operations	GRI Report: **Location of operations** **Financial Report: Important subsidiaries** **Financial Report: Segment information**		
102-5	Ownership and legal form	GRI Report: **Ownership and legal form**		
102-6	Markets served	GRI Report: **Markets served** **Integrated Report: Financial Capital** **Integrated Report: Value Creation in the Four Business Areas**		
102-7	Scale of the organization	GRI Report: **Scale of the organization** **Integrated Report: Financial Capital** **Integrated Report: Human Capital** **Integrated Report: Manufactured Capital** **Financial Report: Important subsidiaries** **Financial Report: Consolidated balance sheets**	✔ PwC CH	
102-8	Information on employees and other workers	GRI Report: **Information on employees and other workers**	✔ PwC CH	UNGC
102-9	Supply chain	GRI Report: **Supply chain** **Integrated Report: Sustainability Performance in the Supply Chain** **Integrated Report: Raw material procurement**	✔ PwC CH	

Disclosure		Links	External Assurance	UNGC
102-10	Significant changes to the organization and its supply chain	GRI Report: **Significant changes to the organization and its supply chain** **Financial Report: Important subsidiaries** **Financial Report: Acquisitions** **Financial Report: Disposals** **Financial Report: Changes in share capital and treasury shares and changes in noncontrolling interests** **Financial Report: Events Subsequent to the Balance Sheet Date**		
102-11	Precautionary Principle or approach	GRI Report: **Precautionary Principle or approach**		
102-12	External initiatives	GRI Report: **External initiatives**		
102-13	Membership of associations	GRI Report: **Membership of associations**		
	Strategy			
102-14	Statement from senior decision-maker	GRI Report: **Statement from senior decision-maker** **Integrated Report: Interview with Hariolf Kottmann** **Integrated Report: Letter to shareholders**		
102-15	Key impacts, risks, and opportunities	GRI Report: **Key impacts, risks, and opportunities** **Financial Report: Enterprise Risk Management Identification, Assessment and Management** **Integrated Report: Overview of Enterprise Risk Management**		
	Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	GRI Report: **Values, principles, standards, and norms of behavior** **Corporate Website: Codes of Conduct** **Corporate Website: Sustainable Supply Chains**		UNGC
102-17	Mechanisms for advice and concerns about ethics	GRI Report: **Mechanisms for advice and concerns about ethics**		UNGC
	Governance			
102-18	Governance structure	GRI Report: **Governance structure** **Corporate Governance: Principles of Corporate Governance** **Corporate Website: Sustainability Governance**		
102-20	Executive-level responsibility for economic, environmental, and social topics	GRI Report: **Executive-level responsibility for economic, environmental, and social topics** **Corporate Governance Report: Information and control instruments vis-à-vis the Executive Committee**		
102-21	Consulting stakeholders on economic, environmental, and social topics	GRI Report: **Consulting stakeholders on economic, environmental, and social topics** **Integrated Report: Internal and External Stakeholder Engagement** **Integrated Report: Materiality Assessment**		
102-38	Annual total compensation ratio	GRI Report: **Annual total compensation ratio** **Compensation Report**	✔ PwC CH	
102-39	Percentage increase in annual total compensation ratio	GRI Report: **Percentage increase in annual total compensation ratio** **Compensation Report**	✔ PwC CH	
	Stakeholder Engagement			

Disclosure		Links	External Assurance	UNGC
102-40	List of stakeholder groups	GRI Report: **List of stakeholder groups** Integrated Report: **Materiality Assessment** Integrated Report: **Internal and External Stakeholder Engagement**		
102-41	Collective bargaining agreements	GRI Report: **Collective bargaining agreements**	✔ PwC CH	UNGC
102-42	Identifying and selecting stakeholders	GRI Report: **Identifying and selecting stakeholders** Integrated Report: **Materiality Assessment** Integrated Report: **Internal and External Stakeholder Engagement**		
102-43	Approach to stakeholder engagement	GRI Report: **Approach to stakeholder engagement** Integrated Report: **Materiality Assessment** Integrated Report: **Internal and External Stakeholder Engagement**		
102-44	Key topics and concerns raised	GRI Report: **Key topics and concerns raised** Integrated Report: **Materiality Assessment** Integrated Report: **Internal and External Stakeholder Engagement**		
	Reporting practice			
102-45	Entities included in the consolidated financial statements	**Entities included in the consolidated financial statements** **Financial Report: Important subsidiaries**		
102-46	Defining report content and topic Boundaries	GRI Report: **Defining report content and topic Boundaries** Integrated Report: **Materiality Assessment**		
102-47	List of material topics	GRI Report: **List of material topics** Integrated Report: **Materiality Assessment**		
102-48	Restatements of information	GRI Report: **Restatements of information**		
102-49	Changes in reporting	GRI Report: **Changes in reporting**		
102-50	Reporting period	GRI Report: **Reporting period**		
102-51	Date of most recent report	GRI Report: **Date of most recent report** **GRI Report 2019**		
102-52	Reporting cycle	GRI Report: **Reporting cycle**		
102-53	Contact point for questions regarding the report	GRI Report: **Contact point for questions regarding the report**		
102-54	Claims of reporting in accordance with the Standards	GRI Report: **Claims of reporting in accordance with the Standards**		
102-55	GRI content index	GRI Report: **GRI content index**		
102-56	External assurance	GRI Report: **External assurance** **PwC Assurance Report**		

TOPIC-SPECIFIC STANDARDS

GRI 200 Economic Standards

Disclosure		Links	External Assurance	UNGC
GRI 201: 2016	**Economic Performance**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Growth and Profitability** **Corporate Governance Report** **Integrated Report: Financial Capital** **Financial Report**		
201-1	Direct economic value generated and distributed	GRI Report: **Direct economic value generated and distributed** **Financial Report**		UNGC
201-2	Financial implications and other risks and opportunities due to climate change	GRI Report: **Financial implications and other risks and opportunities due to climate change**		
201-3	Defined benefit plan obligations and other retirement plans	GRI Report: **Defined benefit plan obligations and other retirement plans** **Financial Report: Retirement benefit obligations**		
GRI 202: 2016	**Market Presence**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Employee Engagement** **Integrated Report: Employee Engagement**		
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	GRI Report: **Ratios of standard entry-level wage by gender compared to local minimum wage**		UNGC
202-2	Proportion of senior management hired from the local community	GRI Report: **Proportion of senior management hired from the local community**	✔ PwC CH	UNGC
GRI 204: 2016	**Procurement Practices**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Sustainability Performance in the Supply Chain** **Integrated Report: Sustainability Performance in the Supply Chain** **Corporate Website: Sustainable Supply Chains**		
204-1	Proportion of spending on local suppliers	GRI Report: **Proportion of spending on local suppliers**	✔ PwC CH	
GRI 205: 2016	**Anti-corruption**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Ethics and Compliance** **Integrated Report: Ethics and Compliance**		
205-1	Operations assessed for risks related to corruption	GRI Report: **Operations assessed for risks related to corruption**		UNGC
205-2	Communication and training about anti-corruption policies and procedures	GRI Report: **Communication and training about anti-corruption policies and procedures**		UNGC

Disclosure		Links	External Assurance	UNGC
205-3	Confirmed incidents of corruption and actions taken	GRI Report: **Confirmed incidents of corruption and actions taken**		UNGC
GRI 206: 2016	**Anti-competitive Behavior**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Ethics and Compliance** **Integrated Report: Ethics and Compliance**		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Report: **Legal actions for anti-competitive behavior and antitrust and monopolistic practices**	✔ PwC CH	
	Innovation and Technological Advances			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Innovation and Technological Advances** **Integrated Report: Innovation and Technological Advances** **Integrated Report: Core Processes for Value Creation**		
	Digitalization			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Digitalization** **Integrated Report: Digitalization**		

GRI 300 Environmental Standards

Disclosure		Links	External Assurance	UNGC
GRI 301: 2016	**Materials**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Circular Economy** **Integrated Report: Circular Economy** **Integrated Report: Product Stewardship/ Sustainable Chemistry** **Integrated Report: Progress toward environmental targets 2025**		
301-1	Materials used by weight or volume	GRI Report: **Materials used by weight or volume**	✔ PwC CH	UNGC
301-2	Recycled input materials used	GRI Report: **Recycled input materials used**		UNGC
301-3	Reclaimed products and their packaging materials	GRI Report: **Reclaimed products and their packaging materials**		UNGC
GRI 302: 2016	**Energy**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Environmental Protection and Resources** **Integrated Report: Environmental Protection and Resources** **Integrated Report: Progress toward environmental targets 2025**		
302-1	Energy consumption within the organization	GRI Report: **Energy consumption within the organization**	✔ PwC CH	UNGC

Disclosure		Links	External Assurance	UNGC
302-2	Energy consumption outside of the organization	GRI Report: **Energy consumption outside of the organization** **GRI 305-3: Other indirect (Scope 3) GHG emissions**	✔ PwC CH	UNGC
302-3	Energy intensity	GRI Report: **Energy intensity**	✔ PwC CH	UNGC
302-5	Reductions in energy requirements of products and services	GRI Report: **Reductions in energy requirements of products and services** **Corporate Website: Portfolio Value Program**		UNGC
GRI 303: 2018	**Water**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Environmental Protection and Resources** **Integrated Report: Environmental Protection and Resources** **Integrated Report: Progress toward environmental targets 2025**		
303-1	Interactions with water as a shared resource	GRI Report: **Interactions with water as a shared resource**	✔ PwC CH	UNGC
303-2	Management of water discharge-related impacts	GRI Report: **Management of water discharge-related impacts**		UNGC
303-3	Water withdrawal	GRI Report: **Water withdrawal**	✔ PwC CH	UNGC
303-4	Water discharge	GRI Report: **Water discharge**	✔ PwC CH	UNGC
303-5	Water consumption	GRI Report: **Water consumption**	✔ PwC CH	UNGC
GRI 304: 2016	**Biodiversity**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Environmental Protection and Resources** **Integrated Report: Environmental Protection and Resources**		
304-1	Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	GRI Report: **GRI Report: Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas**		UNGC
304-2	Significant impacts of activities, products, and services on biodiversity	GRI Report: **Significant impacts of activities, products, and services on biodiversity**		UNGC
304-3	Habitats protected or restored	GRI Report: **Habitats protected or restored**		UNGC
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	GRI Report: **IUCN Red List species and national conservation list species with habitats in areas affected by operations**		UNGC
GRI 305: 2016	**Emissions**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Climate Change** **Integrated Report: Climate Change** **Integrated Report: Progress toward environmental targets 2025** **Integrated Report: Core Processes for Value Creation**		
305-1	Scope 1: Direct energy GHG emissions	GRI Report: **Scope 1: Direct energy GHG emissions**	✔ PwC CH	UNGC
305-2	Scope 2: Indirect energy GHG emissions	GRI Report: **Scope 2: Indirect energy GHG emissions**	✔ PwC CH	UNGC

Disclosure		Links	External Assurance	UNGC
305-3	Other indirect (Scope 3) GHG emissions	GRI Report: **Other indirect (Scope 3) GHG emissions**	✔ PwC CH	UNGC
305-4	GHG emission intensity	GRI Report: **GHG emission intensity**	✔ PwC CH	UNGC
305-5	Reduction of GHG emissions	GRI Report: **Reduction of GHG emissions**		UNGC
305-6	Emissions of ozone-depleting substances (ODS)	GRI Report: **Emissions of ozone-depleting substances (ODS)**		UNGC
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	GRI Report: **Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions**	✔ PwC CH	UNGC
GRI 306: 2016	**Effluents and Waste**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Environmental Protection and Resources** Integrated Report: **Environmental Protection and Resources** Integrated Report: **Progress toward environmental targets 2025**		
306-1	Water discharge by quality and destination	GRI Report: **Water discharge by quality and destination**	✔ PwC CH	UNGC
306-2	Waste by type and disposal method	GRI Report: **Waste by type and disposal method**	✔ PwC CH	UNGC
306-3	Significant spills	GRI Report: **Significant spills**	✔ PwC CH	UNGC
306-4	Transport of hazardous waste	GRI Report: **Transport of hazardous waste**		UNGC
GRI 307: 2016	**Environmental Compliance**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Environmental Protection and Resources** Integrated Report: **Environmental Protection and Resources**		
307-1	Non-compliance with environmental laws and regulations	GRI Report: **Noncompliance with environmental laws and regulations**		UNGC
GRI 308: 2016	**Supplier Environmental Assessment**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Sustainability Performance in the Supply Chain** Integrated Report: **Sustainability Performance in the Supply Chain** Corporate Website: **Sustainable Supply Chains**		
308-1	New suppliers that were screened using environmental criteria	GRI Report: **New suppliers that were screened using environmental criteria**	✔ PwC CH	UNGC
308-2	Negative environmental impacts in the supply chain and actions taken	GRI Report: **Negative environmental impacts in the supply chain and actions taken**	✔ PwC CH	UNGC

GRI 400 Social Standards

Disclosure		Links	External Assurance	UNGC
GRI 401: 2016	**Employment**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Employee Engagement** Integrated Report: **Employee Engagement**		
401-1	New employee hires and employee turnover	GRI Report: **New employee hires and employee turnover**	✔ PwC CH	UNGC
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	GRI Report: **Benefits provided to full-time employees that are not provided to temporary or part-time employees**		
401-3	Parental leave	GRI Report: **Parental leave**		UNGC
GRI 402: 2016	**Labor/ Management Relations**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Employee Engagement** Integrated Report: **Employee Engagement**		
402-1	Minimum notice periods regarding operational changes	GRI Report: **Minimum notice periods regarding operational changes**		UNGC
GRI 403: 2018	**Occupational health and safety management system**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Occupational Health, Safety, and Well-being** Integrated Report: **Occupational Health, Safety, and Well-being**		
403-1	Occupational health and safety management system	GRI Report: **Occupational health and safety management system**		
403-2	Hazard identification, risk assessment, and incident investigation	GRI Report: **Hazard identification, risk assessment, and incident investigation**		
403-3	Occupational health services	GRI Report: **Occupational health services**		
403-4	Worker participation, consultation, and communication on occupational health and safety	GRI Report: **Worker participation, consultation, and communication on occupational health and safety**		
403-5	Worker training on occupational health and safety	GRI Report: **Worker training on occupational health and safety**		
403-6	Promotion of worker health	GRI Report: **Promotion of worker health**		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	GRI Report: **Management Approach: Occupational Health, Safety, and Well-being**		
403-8	Workers covered by an occupational health and safety management system	GRI Report: **Workers covered by an occupational health and safety management system**	✔ PwC CH	
403-9	Work-related injuries	GRI Report: **Work-related injuries**	✔ PwC CH	
403-10	Work-related illnesses	GRI Report: **Work-related illnesses**	✔ PwC CH	
GRI 404: 2016	**Training and Education**			

Disclosure		Links	External Assurance	UNGC
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Talent Attraction and Development** Integrated Report: **Talent Attraction and Development**		
404-1	Average hours of training per year per employee	GRI Report: **Average hours of training per year per employee**	✔ PwC CH	UNGC
404-2	Programs for upgrading employee skills and transition assistance programs	GRI Report: **Programs for upgrading employee skills and transition assistance programs**		
404-3	Percentage of employees receiving regular performance and career development reviews	GRI Report: **Percentage of employees receiving regular performance and career development reviews**	✔ PwC CH	UNGC
GRI 405: 2016	**Diversity and Equal Opportunity**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Employee Engagement** Integrated Report: **Employee Engagement**		
405-1	Diversity of governance bodies and employees	GRI Report: **Diversity of governance bodies and employees**	✔ PwC CH	UNGC
405-2	Ratio of basic salary and remuneration of women to men	GRI Report: **Ratio of basic salary and remuneration of women to men**	✔ PwC CH	UNGC
GRI 406: 2016	**Nondiscrimination**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Human Rights** Integrated Report: **Human Rights**		
406-1	Incidents of discrimination and corrective actions taken	GRI Report: **Incidents of discrimination and corrective actions taken**	✔ PwC CH	UNGC
GRI 407: 2016	**Freedom of Association and Collective Bargaining**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Human Rights** Integrated Report: **Human Rights**		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	GRI Report: **Operations and suppliers with which the right to freedom of association and collective bargaining may be at risk**		UNGC
GRI 408: 2016	**Child Labor**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Human Rights** Integrated Report: **Human Rights**		
408-1	Operations and suppliers at significant risk for incidents of child labor	GRI Report: **Operations and suppliers at significant risk for incidents of child labor** GRI Report: **308-1 New suppliers that were screened using environmental criteria**		UNGC
GRI 409: 2016	**Forced or Compulsory Labor**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Human Rights** Integrated Report: **Human Rights**		

Disclosure		Links	External Assurance	UNGC
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	GRI Report: **Operations and suppliers at significant risk for incidents of forced or compulsory labor** GRI Report: **308-1 New suppliers that were screened using environmental criteria**		UNGC
GRI 412: 2016	**Human Rights Assessment**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Human Rights** Integrated Report: **Human Rights**		
412-1	Operations that have been subject to human rights reviews or impact assessments	GRI Report: **Operations that have been subject to human rights reviews or impact assessments** Corporate Website: Human Rights		UNGC
412-2	Employee training on human rights policies or procedures	GRI Report: **Employee training on human rights policies or procedures**		UNGC
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	GRI Report: **Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening**		UNGC
GRI 414: 2016	**Supplier Social Assessment**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Sustainability Performance in the Supply Chain** Integrated Report: **Sustainability Performance in the Supply Chain**		
414-1	New suppliers that were screened using social criteria	GRI Report: **New suppliers that were screened using social criteria**	✔ PwC CH	UNGC
414-2	Negative social impacts in the supply chain and actions taken	GRI Report: **Negative social impacts in the supply chain and actions taken**	✔ PwC CH	UNGC
GRI 415: 2016	**Public Policy**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Policy and Stakeholder Relations** Integrated Report: **Policy and Stakeholder Relations**		
415-1	Political contributions	GRI Report: **Political contributions**		UNGC
GRI 416: 2016	**Customer Health and Safety**			
GRI 103-1/2/3:2016	Management approach	GRI Report: **Management approach: Product Stewardship / Sustainable Chemistry** Integrated Report: **Product Stewardship / Sustainable Chemistry**		
416-1	Assessment of the health and safety impacts of product and service categories	GRI Report: **Assessment of the health and safety impacts of product and service categories** Integrated Report, Product Stewardship/Sustainable Chemistry	✔ PwC CH	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	GRI Report: **Incidents of noncompliance concerning the health and safety impacts of products and services**		
GRI 417: 2016	**Marketing and Labeling**			

Disclosure		Links	External Assurance	UNGC
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Product Stewardship / Sustainable Chemistry** Integrated Report: Product Stewardship / Sustainable Chemistry		
417-1	Requirements for product and service information and labeling	GRI Report: **Requirements for product and service information and labeling**		
417-2	Incidents of non-compliance concerning product and service information and labeling	GRI Report: **Incidents of non-compliance concerning product and service information and labeling**		
417-3	Incidents of non-compliance concerning marketing communications	GRI Report: **Incidents of noncompliance concerning marketing communications**		
GRI 418: 2016	**Customer Privacy**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Customer Relationships** GRI Report: **Management approach: Ethics and Compliance** Integrated Report: Customer Relationships Integrated Report: Core Processes for Value Creation		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Report: **Substantiated complaints concerning breaches of customer privacy and losses of customer data**		
GRI 419: 2016	**Socioeconomic Compliance**			
GRI 103-1/2/ 3:2016	Management approach	GRI Report: **Management approach: Ethics and Compliance** Integrated Report: Ethics and Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	GRI Report: **Non-compliance with laws and regulations in the social and economic area**		

Independent Assurance Report on the Clariant Sustainability Reporting 2020

To the Board of Directors of Clariant Ltd, Muttenz

We have been engaged to perform assurance procedures to provide limited assurance on the sustainability reporting of Clariant Ltd and its consolidated subsidiaries ("Clariant") for the year ended 31 December 2020.

SCOPE AND SUBJECT MATTER

Our limited assurance engagement focused on the 2020 sustainability indicators as published on Clariant's website[1] http://reports.clariant.com/2020/gri

a. The selected quantitative 2020 sustainability indicators as summarized in the GRI content index section and disclosed in the respective text boxes and marked with " ✔ PwC CH" and

b. The management and reporting processes to collect and aggregate the data as well as the control environment in relation to the data aggregation of these data.

CRITERIA

The reporting criteria used by Clariant are described in the internal reporting guidelines and define those procedures, by which the sustainability indicators are internally gathered, collated and aggregated. The internal guidelines are based on the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI).

INHERENT LIMITATIONS

The accuracy and completeness of sustainability indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our as-

surance report should therefore be read in connection with Clariant's internal guidelines, definitions and procedures on sustainability reporting. Further, the greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

CLARIANT RESPONSIBILITY

The Board of Directors of Clariant Ltd is responsible for both the subject matter and the criteria as well as for selection, preparation and presentation of the information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the sustainability indicators as published on Clariant's website[1] http://reports.clariant.com/2020/gri and marked with " ✔ PwC CH" based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements 3410, "Assurance Engagements on Greenhouse Gas Statements", issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the sustainability indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 involves assessing the suitability in the circumstances of Clariant's use of applicable criteria as the basis for the preparation of the sustainability indicators, assessing the risks of material misstatement of the sustainability indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the sustainability indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures selected depend on the assurance practitioner's judgement.

OUR INDEPENDENCE AND QUALITY CONTROLS

We are independent of Clariant in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

SUMMARY OF THE WORK PERFORMED

Our limited assurance procedures included, but were not limited to the following work:

– Reviewing the application of Clariant's internal guidelines

– Interviewing Clariant representatives at Group level responsible for the data collection and reporting

– Interviewing Clariant representatives in Germany, Japan and Brazil responsible for the data collection and reporting

– Performing tests on a sample basis of evidence supporting the sustainability indicators as outlined in the scope and subject matter section concerning completeness, accuracy, adequacy and consistency

– Inspecting the relevant documentation on a sample basis

– Reviewing and assessing the management reporting processes for sustainability reporting and consolidation and their related controls

We have not carried out any work on data other than outlined in the scope and subject matter section as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we performed, nothing has come to our attention that causes us to believe that

1. The 2020 sustainability indicators of Clariant as described in the scope and subject matter section and published on the website[1] http://reports.clariant.com/2020/gri and marked with " ✔ PwC CH" are not prepared and disclosed in all material respects in accordance with Clariant's internal guidelines and procedures; and

2. The management and reporting processes to collect and aggregate the data as well as the control environment in relation to the data aggregation are not functioning as designed.

PricewaterhouseCoopers AG

Paul de Jong   Raphael Rutishauser

12 March 2021

[1] The maintenance and integrity of Clariant's website is the responsibility of the Board of Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the key figures or reporting criteria when presented on Clariant's website.