

# Into

Integrated Report  
2020

# the

# New

**Clariant's Integrated Report 2020 is based on the framework of the International Integrated Reporting Council (IIRC) and offers a detailed overview of the company's multi-dimensional approach to value creation, covering both tangible and intangible, and financial and nonfinancial aspects of the business.**

**Information related to Clariant's environmental, social, and governance (ESG) performance can be found throughout the Integrated Report, particularly in the discussion of the material topics in the Multicapital Review. Further information on the company's commitment to sustainable value creation can be found in the online GRI Report. Practical examples of how Clariant contributes to global sustainable development are also illustrated online.**

**In-depth information on financial results can be found in the online Financial Report, and details on governance and compensation are available in the online Corporate Governance Report and the Compensation Report.**



THE FOLLOWING REPORTS ARE AVAILABLE ONLINE AND AS PDFS FOR DOWNLOAD:

**Integrated Report**  
[reports.clariant.com](https://reports.clariant.com)

**Corporate Governance Report**  
[reports.clariant.com/  
2020/corporategovernance](https://reports.clariant.com/2020/corporategovernance)

**Compensation Report**  
[reports.clariant.com/  
2020/compensation](https://reports.clariant.com/2020/compensation)

**Financial Report**  
[reports.clariant.com/  
2020/financialreport](https://reports.clariant.com/2020/financialreport)

**GRI Report**  
[reports.clariant.com/  
2020/gri](https://reports.clariant.com/2020/gri)

# Summary

As part of Clariant's portfolio optimization, the Business Units Masterbatches and Pigments have been reclassified to discontinued operations since 30 June 2019. The sale of the Masterbatches business was completed on 1 July 2020. Therefore, discontinued operations include first half-year 2020 Masterbatches and full year 2020 Pigments data unless otherwise stated.

## Performance

### FINANCIAL CAPITAL in CHF m

	Continuing operations	Discontinued operations	Total 2020	2019
Sales	3860	1330	5190	6526
EBITDA	578	770	1348	619
EBITDA before exceptional items	619	141	760	943
EBITDA margin (%)	15.0	57.9	26.0	9.5
EBITDA margin before exceptional items (%)	16.0	10.6	14.6	14.4
EBIT	298	770	1068	289
EBIT before exceptional items	350	141	491	612
Net income	116	683	799	38
Basic earnings per share (in CHF)	0.28	2.02	2.30	0.03
Adjusted earnings per share (in CHF)	0.65			0.87 <sup>1</sup>
Operating cash flow			369	509
Return on invested capital (ROIC) (%)	7.0			3.0 <sup>1</sup>
Investment in property, plant, and equipment			288	273
Research & Development expenditures			190 <sup>2</sup>	207
Growth through innovation (%) <sup>3</sup>	>2.0	>0.5 <sup>2</sup>	>1.5 <sup>2</sup>	<3.0
Personnel expenditures <sup>4</sup>	1034	272	1306	1478
Raw material procurement	1479	548	2027	2642
Total assets	6250	683	6933	7979
Equity			2381	2677
Equity ratio (%)			34.3	33.6
Net debt			1040	1372
Gearing (%)			44	51

<sup>1</sup> Continuing operations

<sup>2</sup> Excluding Business Unit Masterbatches

<sup>3</sup> Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

<sup>4</sup> Including own employees and external staff

### MANUFACTURED CAPITAL

	Continuing operations	Discontinued operations	Total 2020	2019
Research & Development Centers			8	8
Technical Centers			>50	>50
Production sites	72	54 <sup>1</sup>	126 <sup>1</sup>	118
Countries with production facilities			39	38
Raw materials procured (in m t)	2.69	0.23	2.92	3.13
Production (in m t)	3.90	0.20 <sup>1</sup>	4.10 <sup>1</sup>	4.25 <sup>2</sup>

<sup>1</sup> First half-year 2020 data for Business Unit Masterbatches are estimated based on the last full reporting campaign in 2017.

<sup>2</sup> For 2019, the production volume is based on a reduced reporting scope, which includes sites that are responsible for 95% of total production.

### INTELLECTUAL CAPITAL

	Continuing operations	Discontinued operations <sup>1</sup>	Total 2020 <sup>1</sup>	2019
Patents (year-end)	>5100	>300	>5400	>6500
Active innovation projects	>320	>30	>350	>375
Of which Class 1 Projects with double-digit million sales potential or of strategic relevance			>55	>65
Scientific collaborations			>100	>125

<sup>1</sup> Excluding Business Unit Masterbatches

## People

HUMAN CAPITAL in FTE (Full-time equivalents)				
	Continuing operations	Discontin-ued operations	Total 2020	2019
Total staff	11 342	1 893 <sup>1</sup>	13 235 <sup>1</sup>	17 223
Employees	7 046	1 020 <sup>1</sup>	8 066 <sup>1</sup>	10 159
Male	4 619	796 <sup>1</sup>	5 415 (67%) <sup>1</sup>	6 894 (68%)
Female	2 427	224 <sup>1</sup>	2 651 (33%) <sup>1</sup>	3 265 (32%)
Workers	4 296	873 <sup>1</sup>	5 169 <sup>1</sup>	7 064
Male	3 945	854 <sup>1</sup>	4 799 (93%) <sup>1</sup>	6 603 (93%)
Female	350	19 <sup>1</sup>	369 (7%) <sup>1</sup>	461 (7%)
Total training hours	101 758 <sup>2</sup>	11 432 <sup>2</sup>	113 190 <sup>2</sup>	205 861
Training hours (Ø per participant)	10.3	4.2	9.0	14.8
Staff in Research & Development	> 920	> 30 <sup>1</sup>	> 950 <sup>1</sup>	> 1 050
Lost Time Accident Rate (LTAR) <sup>3</sup>	0.16	0.14	0.16	0.15

<sup>1</sup> Excluding Business Unit Masterbatches

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

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

## RELATIONSHIP CAPITAL

	Continuing operations	Discontin-ued operations	Total 2020	2019
Employee participation in engagement survey	410	37 <sup>1</sup>	447 <sup>1</sup>	n.a. <sup>2</sup>
Raw material suppliers <sup>3</sup>	3 795	3 991	6 486	6 805
Raw material supply spend covered by sustainability evaluations (%)	86	79 <sup>1</sup>	84 <sup>1</sup>	78
Survey responses obtained from customer contacts			1 735	n.a. <sup>2</sup>
Customers who want to continue doing business with Clariant (%)			88	n.a. <sup>2</sup>

<sup>1</sup> Excluding Business Unit Masterbatches

<sup>2</sup> Survey is conducted every two years.

<sup>3</sup> Duplicate counts possible. One supplier may supply to continuing and discontinued operations.

## Planet

### NATURAL CAPITAL <sup>1</sup>

	Continuing operations	Discontin-ued operations	Total 2020 <sup>2</sup>	2019 <sup>3</sup>
Total energy consumption (in m kWh)	2 512	555	3 071	3 204 <sup>4</sup>
Energy consumption (in kWh/t production)	597	2 820	758	754 <sup>4</sup>
Total greenhouse gas emissions (Scope 1 & 2, CO <sub>2</sub> equivalents) (in m t)	0.69	0.14	0.83	0.86 <sup>4</sup>
Total indirect greenhouse gas emissions (Scope 3, CO <sub>2</sub> equivalents) (in m t)	3.34	0.86	4.20	4.78 <sup>4</sup>
Greenhouse gas emissions (Scope 1 & 2, CO <sub>2</sub> equivalents) (in kg/t production)	178	721	205	202 <sup>4</sup>
Total water consumption (in m m <sup>3</sup> )	24.1	15.6	41.0	44.3
Total wastewater generation (in m m <sup>3</sup> )	6.5	3.3	11.4	11.9
Total quantity of waste (in thousand t)	304	24	328	337 <sup>4</sup>

<sup>1</sup> First half-year 2020 data for Business Unit Masterbatches are estimated based on the last full reporting campaign in 2017.

<sup>2</sup> The difference in the sum of continued and discontinued operations compared to the group total is due to the resource consumption of non-production sites.

<sup>3</sup> Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2017. In the interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of total production.

<sup>4</sup> 2019 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).

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# Successfully Tackle Strategic and Operational Challenges

*Dear Shareholders*

In 2020, Clariant successfully upheld its profitability despite an exceedingly challenging environment, especially in light of the COVID-19 global pandemic. Our top priorities were, of course, the safety of our employees and business partners and the continuity of our business. Regarding our operations, we have been able to minimize the negative impact – thanks to our very effective crisis management and the high commitment of our employees. Although the COVID-19 pandemic had significant adverse effects on several of Clariant's key end markets, the full-year 2020 results clearly validate our resilient operating model and the success of our strategic focus on the three core specialty Business Areas, Care Chemicals, Catalysis, and Natural Resources.

Our continuing operations sales decreased by 5 % in local currencies to 3.860 billion Swiss francs. Continuing operations EBITDA reached 578 million Swiss francs, and we almost defended margins despite a weaker top-line development at 15.0 %.

These figures also include one-off effects as they reflect the ongoing transformation of Clariant. In July, we completed the sale of our Masterbatches business to Avient (formerly PolyOne). In completing this transaction, we took another significant step towards becoming a pure-play specialty chemicals company. And we have resumed the process of selling our Pigments business, which we will conclude this year.

As a result, Clariant already started to rightsize regional organizations and Service Units in order to avoid remnant cost, thereby reducing complexity and increasing agility. The previously announced efficiency program is in full implementation.

At the same time, we will also further develop our Business Areas Care Chemicals, Catalysis, and Natural Resources – with a distinct focus on customer needs, innovation, and sustainability. Our focused initiatives in these areas are decisive for distinguishing Clariant from the competition and for Clariant's license to operate in the coming years.

From a market perspective, the upcoming year and beyond will be very challenging, and the COVID-19 pandemic will continue to impact the industry – including Clariant. Despite the current economic environment and uncertain outlook, the growth profile of Clariant, with its core high-value specialty portfolio, remains intact. Clariant will continue to focus on mitigating the impact of this pandemic and take the next step towards its mid-term targets by realizing the bulk of the efficiency program savings while continuing to rightsize as well as invest in growth, sustainability, and innovation.

To tackle the strategic and operational challenges, we have an excellent team in place, starting with the new Chief Executive Officer, Conrad Keijzer, who joined Clariant in January 2021. Our Group will benefit greatly from both his international experience and his track record in the specialty chemicals industry. Together with his Executive Committee members, Hans Bohnen, Bernd Hoegemann, and Stephan Lynen, and with the members of the management team and all employees, they will pursue an ambitious agenda for Clariant to meet the high expectations of the financial markets, our customers, employees, and shareholders.

So, overall, the year 2020, in which Clariant celebrated its 25th anniversary, was remarkable in many respects. To give all shareholders a due share in the success of the company, the Board of Directors proposes a distribution of CHF 0.70 per share for the financial years 2019 and 2020 combined, as we had only distributed an extraordinary dividend for 2019.



**Hariolf Kottmann**  
Chairman of the Board of Directors

I would like to thank everyone who was associated with us in 2020. I would like to thank our employees for their tireless efforts this year. And I thank you, dear shareholders, for the very last time, for the trust you have placed in your Clariant. After more than twelve years with the company, I have decided that I will no longer be a candidate for Member of the Board of Directors or for the office of Chairman at the 26th Annual General Meeting in April 2021. I hope you will support Günter von Au, who has been proposed as Chairman, in the same way you supported me.

Sincerely,

A handwritten signature in black ink that reads "Kottmann".

Hariolf Kottmann  
Chairman of the Board of Directors

# Driving Clariant to Its Full Potential and Focusing on Sustainability and Innovation

## **You joined Clariant on 1 January 2021. What is your impression so far?**

I have found talented and committed colleagues who have been successful in building the core capabilities that are needed to become a truly leading specialty chemicals company. Commercial excellence, excellence in innovation, and excellence in operations have been, and will continue to be, important priorities. Clariant's transformation of the company towards a multispecialty company has impressed me a lot. Clariant has been disciplined and successful in reshaping its portfolio from a diversified, in parts commodity-driven, businesses into a focused, specialty chemicals portfolio.

## **What can you say about the culture of the company?**

The company has a unique culture of teamwork that is based on strong values of integrity. This culture and these values resonate well with my own values. Therefore, it is a great privilege for me to be with Clariant.

## **How much has Clariant suffered from the COVID-19 pandemic?**

The first priority for the company has been the safety of our people and we have taken the right measures to mitigate the risks caused by COVID-19 early on. We had no outbreaks at our sites, even though we do have operations in some areas that have been heavily affected by the pandemic. Thanks to the commitment and discipline of our frontline colleagues in operations, Clariant has been able to keep its sites up and running and was able to keep supplying products to our customers.

## **Does your positive view on the company also apply to the financial results?**

Clariant has delivered a solid financial performance under challenging conditions. Our sales in 2020 decreased by 5 % in local currency, and we saw a recovery in the fourth quarter with a year-on-year revenue decline of 2 % in local currency. We are still facing challenges in the oil and aviation markets, but most of our businesses are recovering to their pre-COVID levels. Overall, we largely maintained our profitability due to effective margin and cost management. Our EBITDA margin ended at 15.0 % in 2020 compared to 15.7 % in 2019. Like for like, Clariant improved its operating cash flow, helped by better working capital management with a specific focus on inventory and receivables management.

## **What progress has been made with the execution of the strategy?**

Clariant continued to execute its strategy with the successful divestment of Masterbatches. Our shareholders shared in this success through the extraordinary distribution of 3.00 Swiss francs that was paid on 8 July 2020.

At the same time, Clariant continued to invest in growth, including our new Licocene® production plant in Frankfurt, Germany; our new catalyst plant in Zhejiang Province, China; our new bioethanol plant in Podari, Romania; and our new »One Clariant Campus« in Shanghai, China.

## **After the divestment of Healthcare Packaging and Masterbatches, Clariant has become significantly smaller. How do you deal with the situation?**

Divesting the Healthcare Packaging and Masterbatches business will allow us to focus on our three core Business Areas: Care Chemicals, Catalysis, and Natural Resources. It is now our exciting challenge to drive these businesses to their full potential in terms of growth and profitability. With the completed divestments and the upcoming sale of Pigments, we will become a smaller company, and this means in the short term we have to adapt our organization to avoid remnant cost. The program for this is currently being implemented and is progressing well.

## **You mentioned the challenging market environment.**

### **Do you see signs of hope as well? And where do you see this evidence?**

Clariant is well positioned for the recovery when life will return to normal after the COVID-19 pandemic. It is our ambition to emerge from this crisis as a stronger company. In Care Chemicals, we expect last year's growth – excluding the aviation business – to continue since our offerings meet an increasing demand from customers for more sustainable ingredients.





**Conrad Keijzer**  
Chief Executive Officer (CEO)  
since 1 January 2021

**Does that apply to other Business Areas as well?**

For the Business Area Catalysis, we are laying the foundation for accelerated growth in China with the new catalyst site I mentioned before. Also our sunliquid® technology to produce second-generation biofuels positions us well to capture the promising business growth opportunities in this sector. The fact that we have signed five license agreements, two of them in China, until February 2021, is a clear proof point for our approach. We support our customers in their decarbonization efforts and benefit from the fact that regulatory mandates for advanced biofuels have already been established in many countries.

**Does the outlook for Natural Resources remain challenging?**

In Natural Resources, specifically for our Oil and Mining Services, we anticipate continued headwinds for our Oil Services business, but we have seen a clear pickup in mining activity. Our Additives business has already shown a strong pickup in demand in the fourth quarter of 2020 and will continue to benefit from sustainable and innovative products like our »Vita«-labeled bio-additives solutions

or Exolit® OP flame retardants, to mention only two examples. Our innovative product portfolio of our Functional Minerals business is perfectly set to cater to the fast-growing demand for purification of renewable fuels around the globe.

**Does our current strategy still serve Clariant's ambitions?**

Clariant has developed five pillars that will drive the company to become a leading specialty chemicals company.

Research and innovation will remain important as it enables us to develop and offer differentiated products that deliver true value to our customers.

Sustainability becomes even more important, and Clariant rightfully has positioned sustainability as a key driver for innovation. It is our objective to develop differentiated products that make our customers more sustainable.

Clariant has been successfully repositioning itself towards a true specialty chemicals company.

We will focus on strengthening our existing core market positions, and here we would like to outgrow our markets. We will continue to focus on growth in Asia. Local capability building, especially in China, will remain a high priority.

And finally, our leading market positions should indeed deliver leading financial performance, both in terms of growth and profitability.

#### **Which role does sustainability play in this context?**

Clariant has been one of the early adopters of sustainability, with its commitment to contribute to the United Nations' Sustainable Development Goals (SDGs). It is important to see that sustainability is becoming a true global priority with the European Green Deal, China's commitment to climate neutrality by 2060, and the return of the USA to the Paris Climate Agreement.

Climate change has been widely recognized as one of the biggest challenges of our century – and Clariant is certainly part of the solution.

#### **Talking about society and politics – what is the impact on Clariant?**

Clariant has adopted a clear ESG framework. We have defined Environmental, Social, and Governance targets and criteria that will drive progress in all three areas. We have increased and expanded our ambitions with regard to climate change: We have increased our existing Scope 1 & 2 targets to a reduction of 40 % for absolute emissions by 2030, compared to the base year 2019. For Scope 3, we have introduced a new target, aiming at a reduction of emissions of 14 % by 2030, compared to the base year 2019.

We support the Responsible Care™ Charter, which is important for our industry, and commit to the United Nations Global Compact. Clariant evaluates the impact of its business activities in relation to the United Nations' SDGs. We do this by reviewing the positive and negative impacts of our products and services, operations, value chain, corporate citizenship activities, and collaborations. We are a member of various sustainability initiatives, such as the World Business Council for Sustainable Development (WBCSD) and »Together for Sustainability.« Clariant has also been part of several well-known sustainability indices, such as the MSCI World ESG Leaders Index. We were included as one of the top companies for the eighth consecutive year in the reputable Dow Jones Sustainability Index. This index benchmarks the sustainability performance of leading companies in environmental, social, and economic terms. In 2020, Clariant was also awarded the SAM Bronze Class award for the fifth consecutive year for its sustainability performance.

#### **What is your perspective on the »New Green Deal«, which aims to make Europe climate-neutral by 2050?**

The European Green Deal Investment Plan (EGDIP) is the investment pillar of the Green Deal. To achieve the goals set by the European Green Deal, 25 %, that is, 250 billion Euros, of the EU budget over the next seven years is dedicated to investments in environmental objectives. There will be winners and losers. I believe Clariant can and will be among the winners since we have been one of the early adopters of this trend for many years.

#### **What are your plans in detail?**

Our targets are currently being translated into specific business activities and projects. This will require more innovations but also new partnerships. One example here is our partnership with Plant Advanced Technologies (PAT). Together, we are able to address premium cosmetic markets looking for sustainable natural sourcing thanks to the »Premium Root Power« label. It is our ultimate goal to enable our customers to strengthen their sustainability profile and achieve their targets – and our solutions can be a big driver here.

#### **Conrad, thank you very much for your time, and we wish you lots of success in your new role.**

Thank you, Kai, we have work to do, and the COVID-19 pandemic is not over yet. But we have clear opportunities and are addressing them with focus and energy.

The interview was conducted by Kai Rolker, Head Group Communications, Clariant

# The Foundation of Success

**The »Foundation of Success« chapter provides an in-depth overview of Clariant's holistic approach to creating added value. It delves into each layer of Clariant's integrated business model, from the external business environment to the three internal value-creation processes, and details how each supports the Business Areas in achieving key outcomes for the company and its stakeholders.**

# Trends in the Specialty Chemicals Value Chain

**Clariant had to navigate a particularly dynamic business environment this year. COVID-19 changed the business landscape for all chemical industry players, while enduring trends, such as the increasing industry focus on sustainability, continued to shape the business agenda. Clariant’s agile response to these major factors has been key to ensuring long-term success and creating value for all stakeholders.**

## 1. Resilient response to COVID-19 challenges

Employee safety is paramount to Clariant, especially during the COVID-19 pandemic. Social distancing, work-from-home arrangements, which included measures such as splitting corporate functions into two teams, and travel bans governed by Clariant’s Global Emergency Management (GEM) organization kept infection cases low within the company. Clariant distributed face masks to all employees and contributed to community safety through channels such as its production of disinfectants in Gendorf, Germany.

While some specialty chemicals companies that are highly exposed to industries such as automotive or aviation have seen declines in topline and profitability during the pandemic, Clariant has been able to preserve its profitability due to its diverse portfolio, efficiency program, and stringent cash and cost management. This included ongoing, centrally run programs to optimize cash and reduce cost; capital expenditure cuts for non-strategic and

non-safety-related projects; working capital optimization, especially related to inventory and close credit control; as well as spend avoidance, travel reduction, and operational flexibilization.

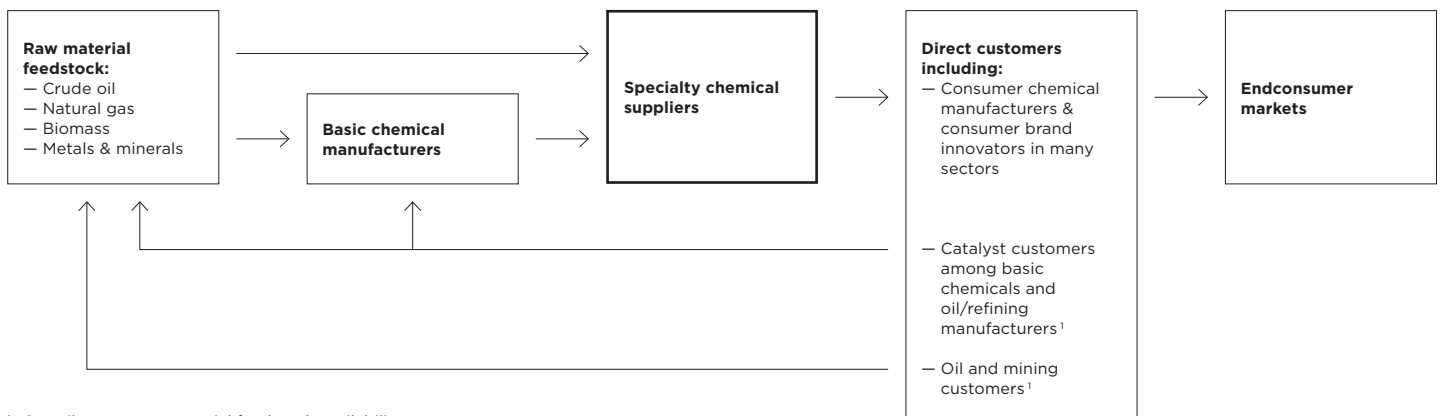
Clariant has also successfully upheld business continuity in the face of COVID-19. There were only minimal disruptions caused by temporary production site closures, and Clariant maintained close collaborations with customers and key suppliers. This resulted in only minor supply shortages for Clariant while the company continued to be a reliable supplier for its customers.

## 2. Positioned in an industry with great responsibility

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

The chemical industry converts raw materials into more than 70 000 different products that are used in all sectors of the economy. Within the chemical industry value chain, Clariant is a major global player among specialty chemicals producers who provide high-value and often custom-manufactured materials with specific performance and functionality to their customers.

001 THE ROLE OF SPECIALTY CHEMICALS FIRMS IN THE CHEMICAL INDUSTRY VALUE CHAIN



<sup>1</sup> Contribute to raw material feedstock availability

### 3. Raw material mix increasingly includes biomass

Raw materials the chemical industry typically uses include crude oil, natural gas, metals, and minerals. Increasingly, the industry also uses biomass as a renewable feedstock. Basic chemical companies convert these materials into products such as polymers, bulk petrochemicals, and intermediates in large quantities, often in single-product, continuous processing plants.

In many cases, new base chemical capacity came online, such as for ethylene and ethylene oxide, which are key raw materials for Clariant. This, combined with lower crude oil prices, led to lower prices. In addition, suppliers are increasingly offering more sustainable solutions such as lower-carbon footprint solvents, and Clariant is working with them to identify sustainable feedstock sources.

### 4. Greater agility through batch production

Specialty chemicals companies such as Clariant form an entrepreneurial, innovative, and customer-driven part of the chemical industry. Specialty chemicals are often manufactured by batch processes to achieve customers' specific chemical performance or function requirements. This requires regular changes in raw materials, operating conditions, and equipment.

### 5. Focusing on sustainability and performance

Like Clariant, many specialty chemicals companies are divesting the parts of their business most impacted by commoditization and increasing their focus on sustainability. Where possible, unsustainable products are replaced or phased out, and low-carbon and circular-economy-compatible solutions are gaining traction. Clariant has paid close attention to balancing the need for cost control, which includes cost reduction measures as part of managing pandemic-related challenges, with the necessity to engage in long-term, strategically focused innovation to develop products that meet customers' sustainability and performance needs.

### 6. Ongoing dialog is key to meet customer needs

Having open lines of communication with customers through personal meetings and seminars is critical for the collaboration to address emerging needs and trends in their business environment. During the pandemic, Clariant's digital capabilities and channels, including e-commerce, increased in application and importance. Clariant was therefore able to continue working closely with customers, innovators, and other partners to develop more sustainable products in response to increased awareness of climate change, plastic waste, sustainable chemistry, and overall circular economy needs.

Customers' increased interest in sustainable solutions is reflected in their corporate commitments to decreasing their environmental footprint in the future, which can include specific targets for using recycled plastics and reducing their carbon footprint. Customers looked to Clariant and other suppliers to support these commitments. Demand for innovative solutions for the materials needed for emerging sectors, such as electric vehicles or renewable energy, is aligned with meeting the customers' efficiency goals.

### 7. Robust end-consumer demand for sustainability solutions, hygiene, and electronic products

Clariant customers include brand owners that manufacture the products end-consumers use in their daily lives, such as cosmetics, electronic gadgets, and home construction materials. In a recessionary environment, demand for these luxury items typically decreases while essentials come into sharper focus. But during the pandemic, demand for hygiene products and electronics for working from home has been robust, a trend that may endure in the future. At the same time, despite the pandemic recession, end-consumers' interest in sustainable solutions is continuing to grow.

### 8. Operating an integrated business model to navigate dynamic markets

A rapidly shifting business environment implies both risks and opportunities. Companies can differentiate themselves by their agility in responding to change. In contrast, industries that are slow to evolve are prone to margin erosion and commoditization. Innovation, customer collaboration, and excellence in execution are central to Clariant's integrated business model, providing a strong foundation for navigating the dynamic and challenging business conditions Clariant currently faces. → PAGE 14

# Operating an Integrated Business Model

## 1. Creating long-term value for all stakeholders

Clariant's business model shows how the company creates long-term value for all stakeholders – customers, employees, shareholders, and the environment. It offers a detailed overview of the company's multidimensional approach to value creation, covering both tangible and intangible, financial and nonfinancial aspects of the business.

## 2. External environment

Clariant's integrated business model provides a strong foundation for the company to successfully navigate the current market dynamics in the specialty chemicals market, including the challenges posed by COVID-19. → PAGE 12

## 3. Stakeholder engagement

Continuous dialog with key stakeholders allows Clariant to stay attuned to their needs and gain insight into changing market requirements, future trends, and global developments. This helps Clariant understand the value stakeholders are seeking and respond quickly with corresponding solutions. → PAGE 20

## 4. Multicapital approach to value creation

Clariant's business model is designed to create innovative, sustainable solutions that benefit all stakeholders by drawing on six types of capital categorized under its brand values of Performance, People, and Planet:

### 4.1. Performance

- Financial capital is the pool of funds available to produce goods or provide services. This includes funds obtained through financing, such as debt, equity, or grants, and funds generated through sales or investments.
- Intellectual capital is the knowledge-based intangibles used and created by the company and its partners. This can include intellectual property, such as patents, trademarks, copyrights, software, rights, and licenses, as well as »organizational capital,« such as tacit knowledge, systems, procedures, and protocols.
- Manufactured capital includes physical objects owned by the company, such as buildings, equipment, and products. These can include objects that are used to produce goods

or provide services or materials that the company produces for internal use or sale to customers.

### 4.2. People

- Human capital is the company's employees, including their competencies, capabilities, experience, and drive to innovate. This form of capital includes the employees' alignment with corporate values and their ability to understand and implement the company's strategy.
- Relationship capital refers to key relationships, such as those with significant stakeholders and network partners. This capital can include shared values, trust, engagement, and related intangibles associated with its brand and reputation.

### 4.3. Planet

Natural capital includes the renewable and nonrenewable environmental resources and processes that support or affect the prosperity of the company. Examples include air, water, and land resources that are utilized or impacted by the company's activities.

## 5. Input

Clariant draws upon a variety of resources and relationships for its business activities. For each of the six types of capital, Clariant identified key performance indicators to monitor its performance.

- R&D spend or raw material spend represents some of the financial capital Clariant uses to create value.
- Active innovation projects or the number of its scientific collaborations is one example of the intellectual capital Clariant draws upon.
- The number of production facilities or raw materials procured shows how much manufactured capital Clariant uses to create value.
- New employees hired or the number of training hours provides a certain insight into how much human capital is available to Clariant.
- Client interviews or the percentage of raw material supply base by spend covered by sustainability evaluation offers perspective on the extent of Clariant's relationship capital.
- The amount of energy or water consumed shows how much natural capital Clariant uses to operate its business and manufacture its products.

001 BUSINESS MODEL

**Input** (Continuing operations) Resources and relationships that Clariant draws upon for its business activities.

**PERFORMANCE**

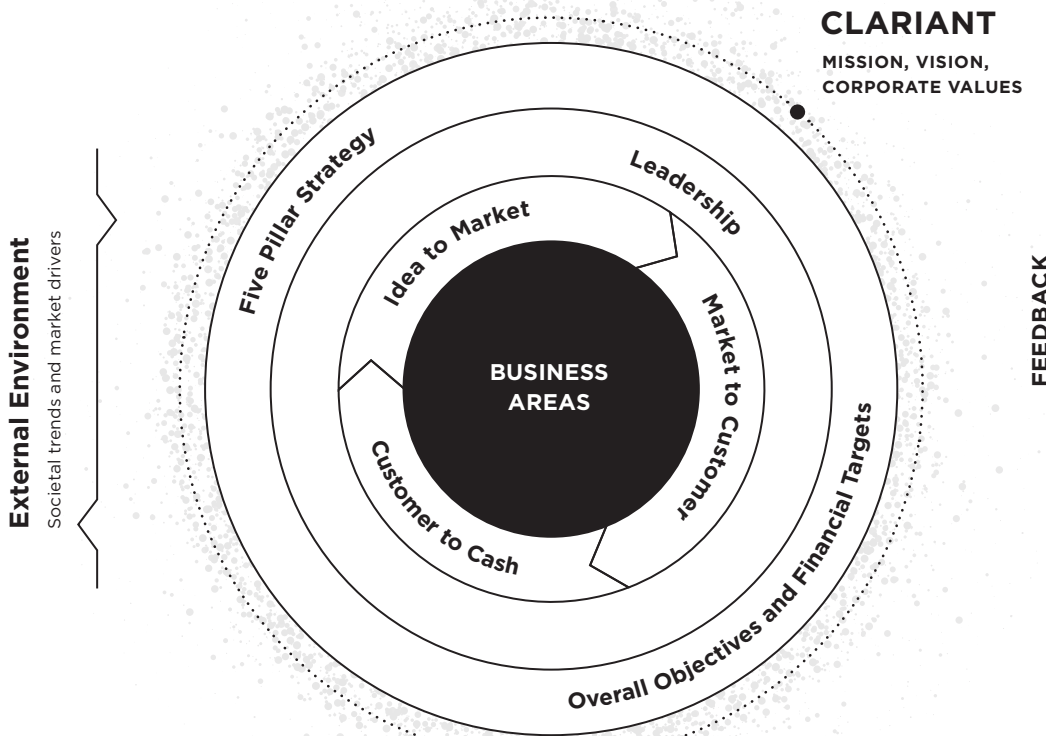
<b>190<sup>1</sup></b> R&D spend in CHF m	<b>1479</b> Raw material procurement in CHF m
<b>&gt;320</b> Active innovation projects	<b>&gt;100<sup>1</sup></b> Scientific collaborations
<b>72</b> Production facilities	<b>2.69</b> Raw material procured in m t

**PEOPLE**

<b>802</b> New employees hired	<b>101758</b> Training hours
<b>132<sup>2</sup></b> Client interviews	<b>86%</b> Raw material supply base by spend covered by sustainability evaluation

**PLANET**

<b>2512</b> Energy consumption in m kWh	<b>24.1</b> Water consumption in m m <sup>3</sup>
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**Stakeholders**

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

**IMPACT ON GLOBAL SUSTAINABLE DEVELOPMENT**

Clariant's contribution to global sustainable development is further illustrated in the chapter Contributing to Sustainable Development → PAGE 22 and with practical examples → reports. [clariant.com/2020/stories](http://clariant.com/2020/stories)



**Output** (Continuing operations) Results from Clariant's business activities.

**PERFORMANCE**

<b>3860</b> Sales in CHF m	<b>-5%</b> Growth in local currencies
<b>15.0%</b> EBITDA margin	<b>7.0%</b> Return on invested capital (ROIC)
<b>&gt;2.0%<sup>3</sup></b> Growth through innovation	<b>&gt;5100</b> Patents at year-end
<b>3.90</b> Production volume in m t	<b>24</b> Products awarded the EcoTain® label

**PEOPLE**

<b>11342</b> Staff in FTE at year-end	<b>0.16</b> Lost time accident rate (LTAR)
<b>42%<sup>2</sup></b> Net Promoter Score (NPS)	

**PLANET**

<b>0.69</b> Greenhouse gas emissions (scope 1 & 2) in m t	<b>6.5</b> Wastewater in m m <sup>3</sup>
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<sup>1</sup> Includes Business Unit Pigments

<sup>2</sup> Total Group

<sup>3</sup> Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

## 6. Five-pillar strategy for ambitious objectives and targets

Based on a clear vision, mission, and strong corporate values, Clariant fulfills its five-pillar strategy to achieve ambitious corporate objectives and financial targets. → **PAGE 27**

## 7. Leadership

Strong leadership and a commitment to continuous professional development, a collaborative workplace, and a culture of appreciation drive value creation at Clariant. → **PAGE 34**

## 8. Core processes for value creation

Three key value-creation processes lie at the core of Clariant's business model: Idea to Market, Market to Customer, and Customer to Cash. Underpinned by Clariant's Innovation Excellence, Commercial Excellence, and Operational Excellence initiatives, these processes turn customer needs into innovative and sustainable solutions that create value for all stakeholders.

- Idea to Market: This process involves scouting global trends, identifying business opportunities, exploring unmet customer needs, developing products, and commercializing and monitoring business performance. It is essential for developing a well-filled product and service pipeline that delivers marketable innovations. → **PAGE 38**
- Market to Customer: This process includes assessing market attractiveness, developing clear value propositions, and capturing the value created through the relationship-building and sales processes. To achieve a seamless customer experience, these steps are well connected and focused on customer needs. → **PAGE 41**
- Customer to Cash: This process balances supply and demand, optimizing sourcing for spend effectiveness, monitoring production efficiency, and delivering finished goods to customers on-time and in-full in order to achieve safe, reliable, and efficient operations that support profitable growth. → **PAGE 43**

## 9. Value creation in the Business Areas

By following the three value-creation processes – Idea to Market, Market to Customer, and Customer to Cash – Clariant's Business Areas ensure excellence in execution throughout all business activities and create customer-oriented products and solutions that enhance the company's growth and profitability.

→ **PAGE 47** → **PAGE 52** → **PAGE 57**

## 10. Monitoring output

Clariant identified key performance indicators to monitor its performance for each of the six types of capital.

- Sales growth and return on invested capital (ROIC) are, together with EBITDA margin and cash flow, among the key performance indicators Clariant tracks to monitor the growth of financial capital. → **PAGE 66**
- Patents at year-end illustrate how much intellectual capital Clariant created. → **PAGE 73**
- Production volume and products awarded the EcoTain® label show how much manufactured capital was produced during the reporting year. → **PAGE 78**
- The lost time accident rate (LTAR) and the number of staff at year-end provide insights into how Clariant performs in the field of human capital. → **PAGE 81**
- The outcomes of the biennial customer satisfaction survey illustrate the customers' perception of Clariant as a supplier and business partner. → **PAGE 87**
- The amount of greenhouse gases emitted and wastewater produced provides insights into Clariant's effects on natural capital. → **PAGE 92**

## 11. Reviewing value creation

By drawing on these various resources, Clariant creates tangible and intangible, financial and nonfinancial value for its stakeholders. Clariant monitors its multicapital value creation by tracking key performance indicators that are associated with its material topics, grouping them under each of the six types of capital. The material topics were identified through a comprehensive materiality assessment. → **PAGE 25**

- Financial capital  
Clariant aims for »Growth and Profitability« as reflected by two of the five pillars of the corporate strategy. → **PAGE 66**
- Intellectual capital  
Clariant measures its progress regarding the material topics of »Innovation and Technological Advances« as well as »Digitalization.« → **PAGE 73**
- Manufactured capital  
Clariant monitors its procurement and production as well as its progress regarding its material topic »Product Stewardship/Sustainable Chemistry.« → **PAGE 78**
- Human capital  
Clariant focuses on its performance regarding its material topics »Talent Attraction and Development,« »Employee Engagement,« and »Occupational Health, Safety, and Well-being.« → **PAGE 81**
- Relationship capital  
Clariant evaluates how it performs on the material topics of »Customer Relationships,« »Ethics and Compliance,« »Policy and Stakeholder Relations,« »Sustainability Performance in the Supply Chain,« and »Human Rights.« → **PAGE 87**
- Natural capital  
Clariant pays attention to its performance regarding its material topics »Environmental Protection and Resources,« »Climate Change,« and »Circular Economy.« → **PAGE 92**



## 12. Impact on global sustainable development

Clariant evaluates the impact of its business activities in relation to the United Nations Sustainable Development Goals (SDGs) by reviewing the positive and negative impacts of its products and services, operations, value chain, corporate citizenship activities, and collaborations. → **PAGE 22**

While Clariant contributes to all 17 SDGs in varying degrees, six priority SDGs were identified. Four of the relevant goals are paired (SDG 3 and SDG 12; SDG 7 and SDG 13), as their relevance to Clariant cannot be evaluated independent of the other:

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

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### 001 SIX TYPES OF CAPITAL



#### Financial capital

The pool of funds available to the company for use in the production of goods or the provision of services. This can include funds obtained through financing, such as debt, equity, or grants, and funds generated by the company, for example, through sales or investments.



#### Intellectual capital

Knowledge-based intangibles used and created by the company, often in collaboration with partners. This can include intellectual property, such as patents, trademarks, copyrights, software, rights, and licenses, and »organizational capital,« such as tacit knowledge, systems, procedures, and protocols.



#### Manufactured capital

Manufactured physical objects, such as buildings, equipment, and products. These can include objects that are available to the company for use in the production of goods or the provision of services, or that the company produces for sale to customers or for its own use.



#### Human capital

The company's staff and its composition, competencies, capabilities, experience, and motivation to innovate. This can include employees' alignment with corporate values and their ability to understand and implement the company's strategy.



#### Relationship capital

Key relationships, including those with significant groups of stakeholders and other networks. This can include shared values, the trust and willingness to engage, and related intangibles associated with the company's brand and reputation.



#### Natural capital

Renewable and non-renewable environmental resources and processes that support the past, current, or future prosperity of the company or are affected by it. Examples can include resources related to air, water, and land that are utilized or impacted by emissions.

# Building on Vision, Mission, and Values

**Clariant is defined by a guiding vision, well-defined mission, and a culture that encourages every employee to strive toward value creation for all stakeholders.**

## 1. Vision and mission focused on value creation

Clariant aspires to be the globally leading company for specialty chemicals and achieve above-average value creation for its stakeholders. To fulfill this vision, the company builds and maintains leading positions in all its businesses, while defining its corporate culture through functional excellence in innovation, commercialization, and operations. Clariant's vision is underpinned by its mission to create value by appreciating the needs of:

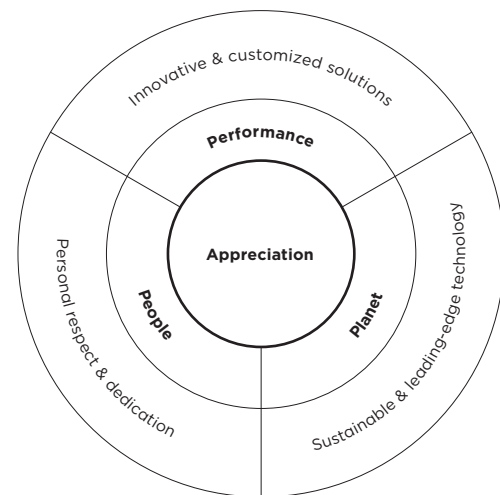
- customers, by providing competitive and innovative solutions;
- employees, by adhering to corporate values;
- shareholders, by achieving above-average returns; and
- the environment, by acting sustainably.

## 2. Achieving success through appreciation, culture, and reputation

Clariant believes strongly that its brand essence of appreciation is the key driver of its successful value creation. For Clariant, a culture of appreciation puts values at the center of everything the company does in each area where it has an influence: performance, people, and the planet. → **FIGURE 001**

- **Performance:** Clariant appreciates its customers by striving for exceptional performance and offering innovative, customized, high-quality solutions.
- **People:** Clariant expresses appreciation for its stakeholders and employees by committing to transparency and integrity and by fostering a culture of dialog and mutual respect.
- **Planet:** Clariant embodies appreciation for the planet by protecting the environment and safeguarding natural resources. By using sustainable, cutting-edge technologies, Clariant meets the most stringent standards and sets new industry benchmarks.

001 BRAND VALUES WITH A FOCUS ON PERFORMANCE, PEOPLE, AND PLANET



Supporting stakeholder priorities while balancing business performance with social and environmental commitments is essential to generate value and sustainable growth. Therefore, appreciation is embedded throughout the company's culture and corporate values, defining the expectations of employee behavior and building the company's reputation and brand. → **FIGURE 002**

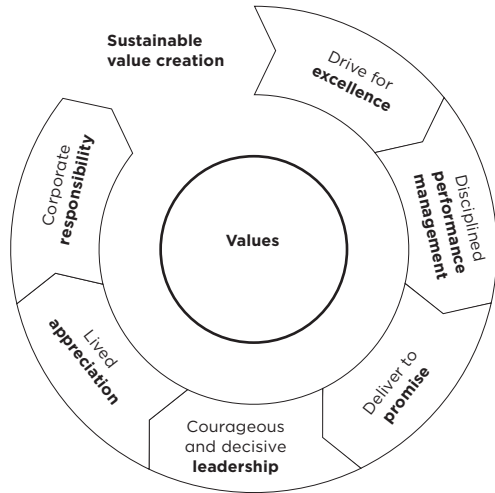
These values include:

- **Drive for Excellence:** Clariant applies the highest standards to profitably meet customer needs while aspiring to achieve even more.
- **Disciplined Performance Management:** People at Clariant seek challenging but achievable targets. They give and invite open feedback on measured progress.
- **Deliver to Promise:** Clariant cultivates motivated employees who fully leverage their capabilities while avoiding overpromising or underdelivering.
- **Courageous and Decisive Leadership:** Clariant selects the right people for the right jobs, and is committed to support risk-taking, accepting failure, and learning from results.
- **Lived Appreciation:** People at Clariant acknowledge strength, seek improvement, acknowledge outstanding contributions, and celebrate success.

— Corporate Responsibility: People at Clariant support the welfare of all stakeholders, protect the environment, and respect communities where they work. They live Clariant's Code of Conduct and uphold all safety procedures.

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002 CORPORATE VALUES FOR SUSTAINABLE VALUE CREATION



# Internal and External Stakeholder Engagement

**Clariant stays attuned to the needs of its key stakeholders through continuous dialog, gaining insight into future trends, changing market requirements, and global developments. This helps Clariant quickly develop solutions for its customers and achieve value for all its stakeholders.**

## **1. Appreciation is essential to Clariant's stakeholder engagement**

Customers, employees, and shareholders, as well as the environment, are Clariant's key stakeholders. By fostering a culture of dialog and mutual respect, dedicating itself to sustainable, innovative technologies, and continually upholding transparency and integrity, Clariant shows its appreciation to all of them. Appreciating stakeholders' needs and developing corresponding solutions that set new industry benchmarks while meeting stringent standards lie at the core of Clariant's holistic approach to value creation.

## **2. Stakeholder engagement leads to insight and value creation**

Clariant continually and creatively engages its stakeholders to understand their needs, stay attuned to their concerns, and gain valuable insights that can lead to sustainable value creation.

## **3. Examples of stakeholder engagement**

To understand customer needs and develop corresponding solutions, Clariant focuses on building strong customer relationships. In addition to daily interactions, Clariant engages with its customers through trade fairs, customer interviews, innovation workshops, and its biennial customer satisfaction survey, among other venues. → [PAGE 41](#) → [PAGE 87](#)

Clariant is committed to creating a collaborative working environment inspired by its core value of appreciation. Understanding that its people are its key competitive factor, the company engages with employees on all levels to capitalize on the full potential of its diverse workforce. → [PAGE 34](#) → [PAGE 81](#)

As a publicly listed company, Clariant strives to maintain a broad shareholder base and reliable long-term-oriented anchor shareholders. The company focuses on realizing above-average

returns and transparently communicating its financial and non-financial performance through its annual Integrated Report and regular investor updates, in addition to other channels. → [PAGE 66](#)

Clariant prioritizes protecting the environment by providing safer and more sustainable solutions, minimizing the impacts of its operations on the environment, and safeguarding natural resources. → [PAGE 78](#) → [PAGE 92](#)

As suppliers are critical to Clariant's value creation and overall sustainability performance, Clariant continuously evaluates spend effectiveness, reduces procurement risks, and engages with its suppliers through several channels, including performance assessment reviews, the Together for Sustainability initiative (TfS), and yearly procurement events. → [PAGE 90](#)

Participating in relevant public policy developments is a key feature of Clariant's corporate responsibility. Engagement in trade associations and other platforms helps Clariant articulate its positions in various policy areas and supports strategic alignment across the industry. → [PAGE 89](#)

Clariant recognizes the value of the United Nations Sustainable Development Goals as a common framework of action and language when communicating with stakeholders about its sustainability performance. → [PAGE 22](#)

## **4. Stakeholder views are an integral part of Clariant's materiality assessment**

Stakeholder perspectives are integral to Clariant's materiality assessment. Through a systematic process, their views are thoroughly reflected when identifying the economic, social, and environmental topics that offer the highest value-creation potential for the company and its stakeholders. By prioritizing the topics related to performance, people, and planet, Clariant can further develop its integrated management approach. → [PAGE 25](#)

001 EXAMPLES OF STAKEHOLDER ENGAGEMENT

Stakeholder Group	Examples of engagement formats	Key needs and concerns
<p><b>Customers</b></p> <p>→ PAGE 41 → PAGE 87</p>	<ul style="list-style-type: none"> <li>– Daily interactions</li> <li>– Marketing and Innovation Excellence Initiatives: Customer interviews, innovation workshops, joint ideation, iGarage</li> <li>– Best practice exchange sessions</li> <li>– Co-branding EcoTain*</li> <li>– Biennial customer satisfaction survey</li> <li>– Trade fairs and international conferences</li> </ul>	<ul style="list-style-type: none"> <li>– On-time, in-full: quality, reliability of supply, prices</li> <li>– Innovative solutions</li> <li>– Achieving sustainability goals</li> <li>– Circular economy</li> </ul>
<p><b>Employees</b></p> <p>→ PAGE 34 → PAGE 81</p>	<ul style="list-style-type: none"> <li>– Personal dialog</li> <li>– Intranet, newsletters, town halls</li> <li>– Biennial company-wide »Pulse Survey«</li> <li>– Annual Performance Dialogs/360-Degree Feedbacks</li> <li>– MySuccess platform</li> <li>– Special recognition awards</li> <li>– »Speak-up Campaign« and »Safety Moments«</li> <li>– Integrity Line</li> <li>– Evaluation of training and development programs</li> </ul>	<ul style="list-style-type: none"> <li>– Wages, salaries, and benefits</li> <li>– Competence building</li> <li>– Leadership skills</li> <li>– Occupational health, safety, and well-being</li> <li>– Integrity</li> <li>– Diversity</li> <li>– Digitalization</li> </ul>
<p><b>Shareholders</b></p> <p>→ PAGE 30 → PAGE 66</p>	<ul style="list-style-type: none"> <li>– Integrated Report</li> <li>– Annual General Meeting and regular investor updates</li> <li>– Investor relations iPad application</li> <li>– Presentations at analyst conferences and roadshows</li> </ul>	<ul style="list-style-type: none"> <li>– Value creation</li> <li>– Growth and capital returns</li> <li>– Contribution to environmental, social, and governance improvements</li> </ul>
<p><b>Environment</b></p> <p>→ PAGE 43 → PAGE 92</p>	<ul style="list-style-type: none"> <li>– Corporate culture that prioritizes environmental stewardship</li> <li>– Innovative and sustainable products and offerings addressing sustainability challenges</li> <li>– Environmental management tools and programs</li> <li>– Low-Carbon Emitting Technologies in the Chemical Industry initiative of the World Economic Forum</li> <li>– EcoCircle collaborations fostering transition to a circular plastics economy</li> <li>– Alliance to End Plastic Waste (AEPW)</li> </ul>	<ul style="list-style-type: none"> <li>– Minimizing impacts on the environment</li> <li>– Safeguarding natural resources</li> <li>– Reducing environmental footprint and handprint of customers</li> </ul>
<p><b>Suppliers</b></p> <p>→ PAGE 43 → PAGE 90</p>	<ul style="list-style-type: none"> <li>– Together for Sustainability (TfS) initiative</li> <li>– Supplier performance assessment reviews</li> <li>– Regularly communicating updated standard information package</li> <li>– Yearly procurement events</li> <li>– EcoTain* and other partnerships</li> <li>– Open Innovation initiative</li> </ul>	<ul style="list-style-type: none"> <li>– Prices, payment practice</li> <li>– Leadtime</li> <li>– Supplier Code of Conduct</li> <li>– Safety</li> <li>– Circular economy</li> <li>– Digitalization</li> </ul>
<p><b>Policy makers and Civil Society</b></p> <p>→ PAGE 89</p>	<ul style="list-style-type: none"> <li>– Engagement in trade associations, multistakeholder alliances, sectorial associations, and scientific and research associations</li> <li>– Community dialogs</li> <li>– Sustainability dialog</li> </ul>	<ul style="list-style-type: none"> <li>– Governance and compliance</li> <li>– Sustainable chemistry</li> <li>– Circular economy</li> <li>– Bio economy</li> <li>– Climate change and energy transition</li> </ul>

# Contributing to Sustainable Development

**Clariant is committed to advancing the Sustainable Development Goals (SDGs) adopted by the United Nations member states. Drafted in 2015, these 17 goals outline a clear path to a more sustainable future, while also offering key business opportunities for the company.**

## 1. Tapping into market potential

The business community recognizes that the SDGs offer powerful avenues to unleash innovation and growth. The Business & Sustainable Development Commission's »Better Business, Better World« report articulated this potential, estimating that USD 12 trillion of additional market value could be generated by 2030 if the SDGs are achieved.

The SDGs offer a global framework for our most pressing societal and environmental needs, expressing them in a common language and clear set of actions for all stakeholders. Clariant is committed to working toward this transformative agenda with its innovative and sustainable products and services, sound environmental management, and commitment to uphold human rights across its operations and supply chain.

## 2. Impact on the SDGs prioritized

Clariant evaluated its business activities in relation to the SDGs – including the 169 underlying targets and corresponding indicators – by evaluating the impacts, both positive and negative, of its products and services, operations, value chain, corporate citizenship activities, and collaborations. The analysis was performed, reviewed, and validated by various Service Units and all Business Units.

While Clariant contributes in some respect to every SDG, six priority SDGs were identified:

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

Four of the relevant goals are paired (SDG 3 and SDG 12; SDG 7 and SDG 13), as their relevance to Clariant cannot be evaluated independently of the other. In addition, certain Business Units also contribute to SDG 2 »Zero Hunger,« SDG 6 »Clean Water and Sanitation,« and SDG 15 »Life on Land.«

## 001 CLARIANT'S PRIORITY SUSTAINABLE DEVELOPMENT GOALS



## 3. Addressing »Good Health and Well-being« and »Responsible Consumption and Production«

Its strong product stewardship and innovation capabilities enable Clariant to continuously develop products and solutions that support the sound management of chemicals and waste, reduce resource consumption, improve production efficiency, and offer safer chemistry alternatives. The company's EcoTain® products and Portfolio Value Program are helping its markets and customers advance sustainability. Through these efforts, Clariant supports both SDG 12 »Responsible Consumption and Production« and SDG 3 »Good Health and Well-being.« → [PAGE 78](#) → [PAGE 85](#) → [CLARIANT.COM/EN/SUSTAINABILITY/DISCOVER-ECOTAIN](https://www.clariant.com/en/sustainability/discover-ecotain)

By offering a continuously expanding circular product portfolio and exploring promising options, partnerships, and areas for growth and innovation, Clariant contributes to a circular economy. With EcoCircle, a company-wide initiative to support the circular plastics economy, Clariant demonstrates its commitment to reduce, reuse, and recycle plastics along the entire value chain. With this initiative, Clariant supports SDG 12 »Responsible Consumption and Production« and links to SDG 17 »Partnerships.« → [PAGE 96](#)

## 4. Progressing on »Affordable and Clean Energy« and »Climate Action«

Clariant has set clear 2025 environmental targets for its operations that drive toward continuous improvements in energy consumption, waste generation, water consumption, and wastewater generation. After thorough analysis, Clariant decided to upgrade its climate ambition ahead of its 2025 target date. To this end, new ambitious

science-based targets were submitted to the Science Based Target initiative at the end of 2020 and announced in February 2021. The new targets set out significant absolute reductions in greenhouse gas emissions by 2030 by 40 % for own operations (Scope 1 & 2) and 14 % for supply chain activities (Scope 3). → PAGE 93 → PAGE 95  
 → [CLARIANT.COM/EN/SUSTAINABILITY/SUSTAINABILITY-TARGETS](https://clariant.com/en/sustainability/sustainability-targets)  
 Clariant’s EcoTain®-labeled sunliquid® technology is a great example. It converts agricultural residues into climate-friendly biofuels and biochemical intermediates. → PAGE 52

With these activities, Clariant directly supports SDG 7 »Affordable and Clean Energy« and SDG 13 »Climate Action,« and also contributes to SDG 12 »Responsible Consumption and Production.«

**5. Focusing on »Industry, Innovation, and Infrastructure«**

As a key sustainability enabler for other industry sectors, innovation is vital in the chemical industry. Examples of innovation include the company’s high-performing catalysts, its sunliquid® second-generation (2G) biofuel technology, and its various regional R&D hubs, which all address SDG 9 »Industry, Innovation, and Infrastructure.« The company also advances this SDG by investing in digitalization, not only in operations but also in all interactions with stakeholders. In fact, due to COVID-19, digital customer approaches have become the new norm. These efforts also contribute to SDG 12 »Responsible Consumption and Production.«  
 → PAGE 38 → PAGE 73 → PAGE 75

**6. Supporting »Partnerships for the Goals «**

Collaborations are key to develop and deliver products and services that meet market needs and to advance sustainable development. Clariant continuously seeks and engages in partnerships with customers, suppliers, universities, and other research institutes as well as peers who enhance its transformation road map in the areas of innovation and sustainability.

002 THE 17 SUSTAINABLE DEVELOPMENT GOALS



Source: United Nations Department of Public Information

**Examples of how Clariant drives change towards the SDGs are further illustrated online**

- Clariant’s contribution to SDG 3 is further illustrated in the story »Accepting Challenges, Shaping the New Normal,« which highlights some of the company’s actions and the special efforts of its employees to keep people and workplaces safe while running the businesses during the global COVID-19 pandemic. → [reports.clariant.com/2020/pandemic](https://reports.clariant.com/2020/pandemic)
- Clariant’s contributions to SDG 7, SDG 13, SDG 9, and SDG 17 are exemplified in the story »Moving Towards the Global Hydrogen Economy,« which sheds light on the potential of hydrogen to revolutionize the entire energy system. It explains why, how, and where hydrogen will be generated, transported, stored, and used and how Clariant will contribute to the hydrogen future. → [reports.clariant.com/2020/hydrogeneconomy](https://reports.clariant.com/2020/hydrogeneconomy)
- The story »The Challenge with Plastics and the Promise in Chemistry« shows how Clariant, together with its stakeholders along the plastics value chain, contributes to SDG 3, SDG 12, and SDG 17. It illustrates how smart chemistry and companies like Clariant can offer new ways to improve both the use of plastics and their recycling. → [reports.clariant.com/2020/circularplastics](https://reports.clariant.com/2020/circularplastics)

# The People Who Drive Change

The world is changing faster than ever. Clariant is part of that change. But not just our products and solutions help shape the future. It is our people across the globe who drive these innovations with their vision and commitment. Meet some of our changemakers online.

## Accepting Challenges Shaping the New Normal



Across the globe, the COVID-19 pandemic has changed the way we live, work, and do business. Six changemakers at Clariant explain how they and their teams rose to this unprecedented challenge with creativity, commitment, and kindness.  
→ [reports.clariant.com/2020/pandemic](https://reports.clariant.com/2020/pandemic)



## Moving Towards the Global Hydrogen Economy

Using hydrogen as a carbon-free energy carrier would help to significantly lower the carbon footprint of industries and change the way we use energy. But there are still considerable challenges ahead. Changemakers at Clariant are working hard to help make the vision a reality.

→ [reports.clariant.com/2020/hydrogeneconomy](https://reports.clariant.com/2020/hydrogeneconomy)



## The Challenge with Plastics The Promise in Chemistry

As the world strives to solve the challenge of closing the loop for plastics, changemakers at Clariant are improving the way we reduce, reuse, and recycle plastic waste. The most promising innovations range from improved or bio-based plastics to new methods for chemical recycling.

→ [reports.clariant.com/2020/circularplastics](https://reports.clariant.com/2020/circularplastics)





# Materiality Assessment

**Clariant conducts comprehensive materiality assessments on a regular basis to determine which material topics have the greatest impact on the company's ability to create long-term value. Prioritizing material topics related to performance, people, and planet aligns well with Clariant's strategic pillars.**

## 1. Ongoing assessment of material topics

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 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<sub>2</sub> 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 and help to accelerate the adoption of digital approaches to increase customer intimacy, launch new products faster, and explore innovative business models to improve customer satisfaction and operate more efficiently.

→ PAGE 95 → PAGE 75

The next comprehensive materiality assessment is planned for 2021.

## 2. Based on recognized standards and procedures

The comprehensive materiality assessment conducted in 2017 was based on two internationally recognized frameworks: the Integrated Reporting <IR> framework issued by the International Integrated Reporting Council (IIRC) and the sustainability reporting standards of the Global Reporting Initiative (GRI). It was facilitated by an external service provider that specialized in materiality assessments.

As a first step in the process, Clariant compiled an extensive list of economic, environmental, and social topics covered by these frameworks, as well as topics from other sources, including the Sustainability Accounting Standards Board (SASB), the UN Global Compact, and the UN Sustainable Development Goals. This comprehensive list was supplemented with topics that were previously identified by Clariant or its peers. The resulting list of over 400 topics was then consolidated to fewer than 50.

Second, each topic was evaluated by stakeholders who provided their perspective on the relevance for Clariant and by senior Clariant managers who assessed the importance in terms of Clariant's value creation. The managers' assessment included their view on the topics' potential influence on strategy development and achievement, market positioning and growth opportunities, risk and reputation management, and compliance. By considering these risks and opportunities, Clariant indirectly accounted for impacts on sustainable development.

## 3. Broad stakeholder inclusion

External and internal stakeholders were also asked in this 2017 assessment to share which topics they deemed most relevant to future value creation. Clariant ensured a balanced representation of interests in this process by applying carefully defined selection criteria. Worldwide surveys of management and stakeholders were conducted in English, German, Spanish, Portuguese, and Mandarin as needed.

Overall, 131 external stakeholders, 69 employees, and 36 managers provided feedback during this assessment. External stakeholders included customers, nongovernmental organization representatives, sustainability experts, scientists, and suppliers. Senior management evaluated and validated the outcomes in a follow-up workshop.

#### 4. Materiality Matrix

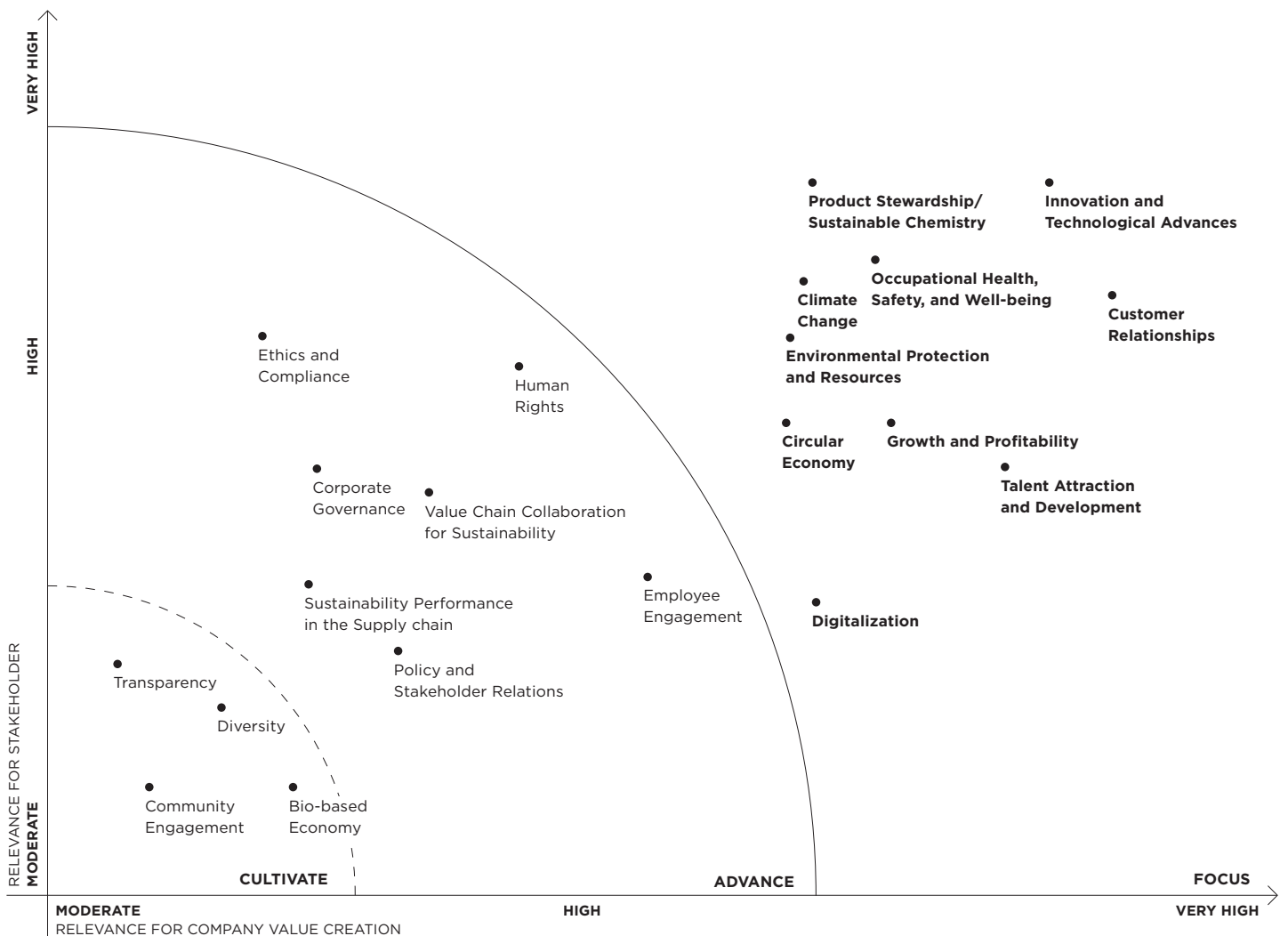
The Clariant Materiality Matrix summarizes the results of the materiality assessment. The relevance of topics to Clariant’s value creation is shown on the horizontal axis, while the relevance of the topics to stakeholders is depicted on the vertical axis. The topics fall into three categories: Cultivate, Advance, and Focus. Focus topics are essential to Clariant’s ability to create long-term value; Advance topics offer opportunities that will allow Clariant to better meet expectations; Cultivate topics support successful value creation in the future.

Current developments, activities, and achievements for each material topic are found throughout the Integrated Report, particularly in the Multicapital Review. → **PAGE 65**

For Focus and Advance topics, Clariant has formulated dedicated management approaches that are found in the GRI Report.

→ [REPORTS.CLARIANT.COM/2020/GRI](https://reports.clariant.com/2020/gri)

001 CLARIANT MATERIALITY MATRIX



# Strengthening the Core with a High-Value Portfolio and Refocused Organization

As one of the world’s leading specialty chemical companies, Clariant creates value with innovative and sustainable solutions for customers in many industries. In times of extraordinary change, Clariant’s strategic focus on developing differentiated, customer-specific products with the potential for attractive growth and above-average value has supported its continued success.

## 1. Holding to the course with its five-pillar strategy in a year of disruptive change

Managing the COVID-19 pandemic has been a key challenge for Clariant. This crisis came on top of significant global economic issues, including US-China trade disputes and Russia-Saudi Arabian oil price conflicts. The development of regulatory initiatives, particularly in Europe, was also highly relevant, although developing more slowly. → PAGE 12

This disruptive environment slightly delayed but did not prevent Clariant from making good progress on its key goal of increased focus on specialty chemicals. Clariant successfully completed the sale of its Masterbatches business in 2020 and launched the divestment process of Business Unit Pigments. With these moves, Clariant’s portfolio shifts to higher-value specialty chemicals, representing a significant step in fulfilling the strategic pillar Reposition the Portfolio, a central element of Clariant’s long-established five-pillar strategy. → FIGURE 001

## 2. Becoming nimble while enhancing innovation and sustainability

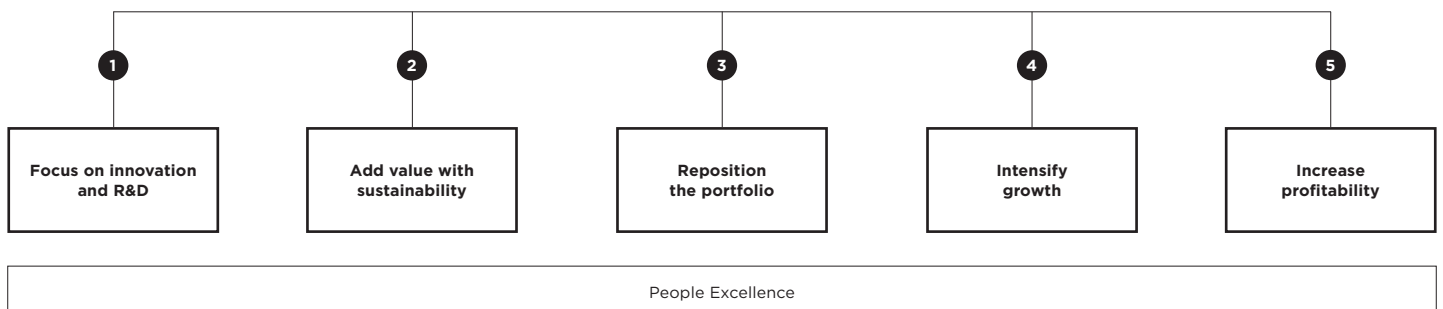
Clariant is adapting and refocusing its organization post divestments to allow its high-value specialty businesses to operate in an even more focused and agile manner. At the same time, it will maintain a competitive cost structure by rightsizing Service Units and regional organizations. These changes will help the company deliver above-market growth, higher profitability, and stronger cash generation, in line with its strategic pillars Intensify Growth and Increase Profitability. This reorganization will entail a reduction of approximately 1000 positions over a period of three years, including departures due to natural fluctuation, and help to avoid remnant cost. About one-third of these reductions are due to divestment transfers.

Clariant’s new organization will increase the company’s focus on innovation, sustainability, and operational excellence. While parts of some Service Units will be discontinued, others will be transferred to newly created units, including two transformational Service Units: Group Innovation & Sustainability (GIS) and Group Operational Excellence (GOE). → PAGE 30

## 3. Innovation and sustainability to be driven together

GIS will comprise Sustainability Transformation, Global Product Stewardship, Emerging Technologies, Biotechnology, and Global IP Management, and will be complemented by a new lean Program Management Office & Innovation Center Management function. This combination will allow GIS to drive Clariant’s transformation roadmap in terms of both innovation and sustainability, enhancing

001 THE FIVE-PILLAR STRATEGY

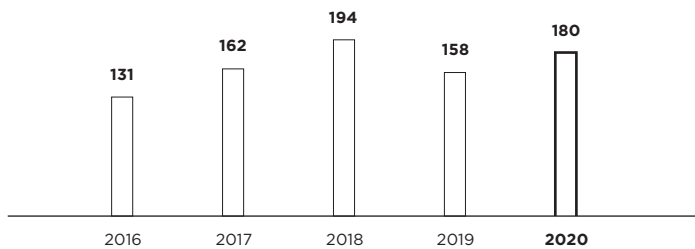


synergies between the first two pillars of corporate strategy. That Clariant can build on a strong foundation in this regard is illustrated by the company being listed in the 2020 Dow Jones Sustainability Index (DJSI) for the eighth consecutive year, thanks to its outstanding innovation score and strong performance across the board.

**4. Excellence programs evolve**

Clariant’s focus on functional excellence and continuous improvement will persist. The Clariant Excellence program that has delivered significant benefits over the last several years will no longer exist in its current composition. → **FIGURE 002** In the new organization Operational Excellence will move to the new GOE unit and further evolve from a Lean Six Sigma to a data-science-driven approach. Commercial Excellence will be integrated with Corporate Planning & Strategy.

002 NET BENEFIT BY CLARIANT EXCELLENCE in CHF m



**5. Regional structure becomes less complex**

Regional and country services will be regrouped into four (rather than seven) regions: APAC (Asia-Pacific), EMEA (Europe, Middle East, and Africa), LATAM (Latin America), and NORAM (North America). This new structure will make the company less complex, more efficient, and more focused.

**6. Execution of the five pillars creates, deploys, and impacts different capital types**

Clariant’s execution on each of its strategic pillars utilizes and impacts all types of capital relevant for the company. → **PAGE 14**  
→ **PAGE 65**

The different pillars are particularly closely linked to certain kinds of capital, especially with respect to outcomes achieved:

- Focus on Innovation and R&D creates intellectual capital.
- Add Value with Sustainability impacts natural capital while enhancing social impact.
- Reposition the Portfolio creates manufactured capital – that is, the products and solutions Clariant provides to its customers.
- Intensify Growth and Increase Profitability deploys and creates financial capital.
- Executing on all five pillars creates relationship capital, particularly with customers and suppliers.
- People Excellence – the foundational layer of Clariant’s five-pillar strategy creates and deploys human capital.

**7. Guiding objectives for value creation for all stakeholders**

Clariant’s objectives underpin its vision and mission and continue to guide corporate management in executing the corporate strategy in a fast-changing environment. These objectives, which are key to value creation for all stakeholders, also outline the company’s aspiration to:

- be known as a powerhouse for R&D and innovation;
- increase value by applying a forward-looking sustainability lens to operations and market offerings;
- serve markets with future perspectives and strong growth rates;
- focus on businesses with good competitive positions;
- be a publicly listed company with a broad shareholder base and reliable long-term anchor shareholders;
- cultivate a strong reputation for above-industry-average sales growth, profitability (EBITDA margin), and Return on invested capital (ROIC); and
- be a preferred employer.

**8. Flexibility in financial targets to respond to current high market volatility**

In the current highly volatile environment, year-on-year growth targets are difficult to specify in a meaningful way, as the external market is not expected to fully recover until the end of 2021 or even 2022. Instead, Clariant is working on a five-year rolling financial plan. This includes maintaining stringent cost and cash management measures in addition to resuming Clariant’s efficiency program to reduce cost base in excess of CHF 50 million in continuing operations. This has supported resilience in 2020 and underpins Clariant’s progress toward its mid-term targets.

MID-TERM TARGETS: EXPECTED SALES GROWTH AND EBITDA MARGIN

	Care Chemicals	Catalysis	Natural Resources
Sales growth expectations p.a.	5 – 7%	6 – 9%	5 – 7%
EBITDA margin ambition	19 – 21%	26 – 30%	18 – 20%

**9. The must-win battles of the Strategic Management Process**

Clariant’s Strategic Management Process (SMP) is conducted by the Business Units in collaboration with Corporate Planning & Strategy. The SMP ensures that Group-level as well as Business Unit-level strategy development is an iterative process that addresses the relevant megatrends observed by Clariant: Digitalization, Future of Oil, Future of Plastics, Future of Transportation, and Circular Economy. This strategic management process includes identifying must-win battles and their alignment with strategic investment activities.

Typically, the full strategic management process is conducted every three years, and must-win battles are reviewed as the battles are won, or new critical battles are identified. Despite the current COVID situation, Clariant has held to this timeline and has adapted the execution on the must-win battles to the volatile environment and the related need for efficiency and cost management. → **FIGURE 003**

003 EXAMPLES OF MUST-WIN BATTLES OF ONE OR SEVERAL BUSINESS UNITS

Corporate strategic pillars	High-level sample content of must-win battles 2019 – 2021
<p><b>Focus on innovation and R&amp;D</b></p>	<ul style="list-style-type: none"> <li>– Enhance focus and accelerate innovation execution and commercialization</li> <li>– Innovate through digitally enhanced business models and customer interfaces</li> </ul>
<p><b>Add value with sustainability</b></p>	<ul style="list-style-type: none"> <li>– Differentiate with EcoTain® products; sustainable operations and manufacturing with renewable raw materials</li> <li>– Accelerate solutions portfolio for a circular economy through product and/or formulation innovations</li> </ul>
<p><b>Reposition the portfolio</b></p>	<ul style="list-style-type: none"> <li>– Strengthen portfolio in existing and adjacent markets through cost-effective investments</li> <li>– Review portfolio mix by focusing on high-value-added products</li> </ul>
<p><b>Intensify growth</b></p>	<ul style="list-style-type: none"> <li>– Grow above markets and strengthen presence in Asia and North America</li> <li>– Become a leading solution provider and preferred partner for customers through geographical expansion, diversification of customer base, new business development, and value chain collaboration</li> </ul>
<p><b>Increase profitability</b></p>	<ul style="list-style-type: none"> <li>– Enhance customer orientation by creating customer value proposition</li> <li>– Increase collaboration with key accounts and local heroes</li> <li>– Optimize operating model effectiveness according to market needs</li> <li>– Optimize efficiency by cost improvement programs and operational excellence</li> </ul>



**Q&A**

**Bernd Hoegemann**  
**Chief Transformation Officer**  
**and Member of the Executive Committee**

**Can you explain the rationale behind the rightsizing of the company that was announced in 2020?**

The objective was to design a »fit for purpose« organization. Clariant becomes a smaller company, resulting in reduced demand for internal services. This means we had to adjust the service levels performed by our Regional and Country Services. Otherwise, remnant cost of up to CHF 80 million would occur if no cost reduction happened after completing the divestments. As a consequence, we regrouped our seven regional and country service organizations into four under the leadership of Group Finance or Group Human Resources Services. This new structure makes us less complex, more efficient, and more focused. Our Region APAC will be led out of Greater China with Greater China keeping a prominent role in our Innovation and Business Development activities.

**What are the advantages of this setup?**

The new organizational setup will increase our focus on innovation, sustainability, and operational excellence via our newly created Service Units »Group Innovation and Sustainability« and »Group Operational Excellence«.

By forming agile Service Units and regional and country services, we are responding to the changing needs of our core business and to the requirement to significantly adjust our cost structures after the divestment of the Business Units Masterbatches and Pigments. We will maintain all the capacities required for smooth business operations and market development, but consistently avoid inefficiencies and redundancies within the functions.

**What is the impact of the rightsizing measures on Clariant’s workforce?**

The divestment of Business Unit Masterbatches and Business Unit Pigments along with the rightsizing of the organization leads to a reduction or transfer of approximately 1000 positions over a period of three years until the end of 2022. It is important to explain here that about one-third of these positions have left or will leave the company with the divestment of the two Business Units. To reduce our workforce beyond the divestments was of course a difficult decision, as we will lose valued team members. But rest assured that we are handling the reduction of positions, as always, in a socially responsible manner.

# Overview on Corporate Governance

**Clariant is committed to international compliance standards, ensuring checks and balances between the Board and Management, as well as a sustainable approach to value creation.**

## 1. Principles of Corporate Governance

The Group commits to Swiss and international standards of corporate governance by following the respective statutory provisions and the rules issued by the SIX Swiss Exchange and by implementing the principles of the Swiss Code of Best Practices for Corporate Governance.

## 2. Organizational overview

Clariant is headquartered in Muttenz, Switzerland. The Group’s continuing operations comprise five Business Units (Additives, Catalysts, Functional Minerals, Industrial & Consumer Specialties, and Oil and Mining Services), which are reported in the three Business Areas Care Chemicals, Catalysis, and Natural Resources. The Business Units Masterbatches (sold effective 1 July 2020) and Pigments (held for sale) have been reclassified as discontinued operations.

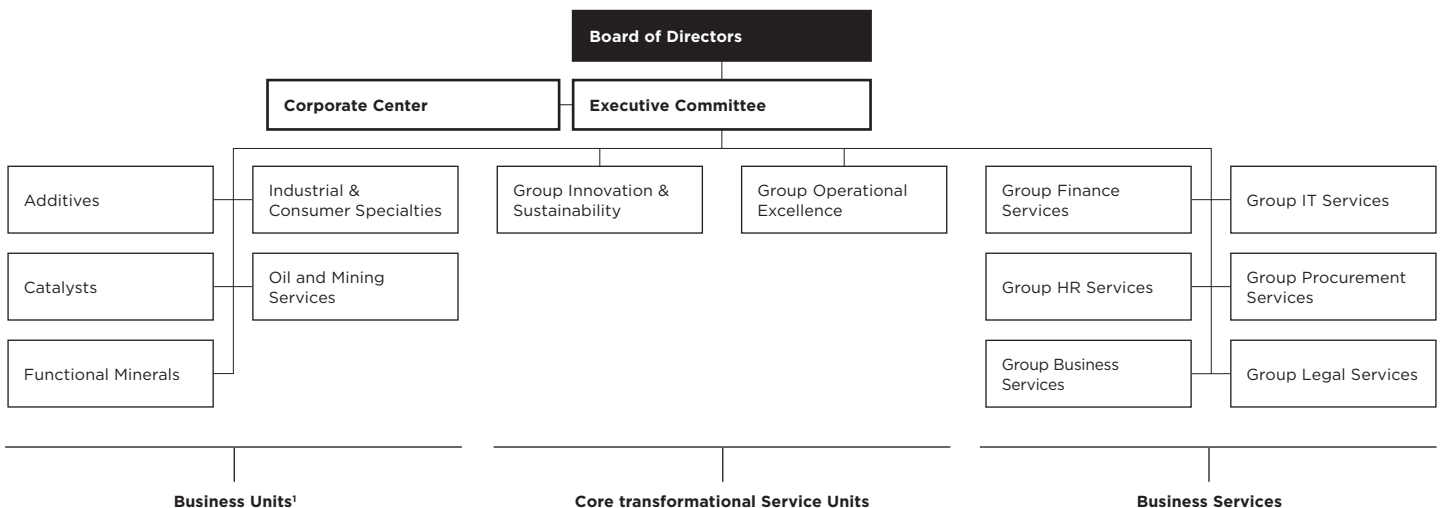
The organizational structure is further comprised of six Business Services, two core transformational Service Units (Group Innovation & Sustainability and Group Operational Excellence), and the Corporate Center, which centralizes key corporate functions. The responsibilities of the Executive Committee include the financial and operational management of the Group. → **FIGURE 001**

## 3. Board of Directors

The members of the Board of Directors of Clariant Ltd, the Chairman of the Board of Directors, as well as the members of the Compensation Committee are elected individually for a term of one year by the Annual General Meeting.

At the end of 2020, the Board of Directors of Clariant Ltd comprised twelve members: Hariolf Kottmann (Chairman and, from 24 July 2019 to 31 December 2020, Executive Chairman ad interim), Abdullah Mohammed Alissa (Vice-Chairman), Nader Ibrahim Alwehibi, Günter von Au, Calum MacLean, Thilo Mannhardt, Geoffery Merszei, Eveline Saupper (independent Lead Director from 24 July 2019 to 31 December 2020), Peter Steiner,

001 CLARIANT ORGANIZATIONAL STRUCTURE AS OF 1 JANUARY 2021



<sup>1</sup> In 2019, Clariant decided to dispose of the Business Units Masterbatches and Pigments. The two Business Units concerned have been reclassified as discontinued operations. In 2020, Clariant successfully completed the sale of its Masterbatches business and launched the divestment process of Business Unit Pigments.

## »The Board of Directors has reviewed the 2020 Integrated Report and proposes its approval to the Annual General Meeting.«

**Hariolf Kottmann**

Chairman of the Board of Directors

Claudia Suessmuth Dyckerhoff, Susanne Wamsler, and Konstantin Winterstein. All members of the Board of Directors, except for Hariolf Kottmann, who held the position of CEO until 15 October 2018 and who served as Executive Chairman ad interim from 24 July 2019 until 31 December 2020, are considered to be independent in accordance with best-practice standards.

Of the nine male and three female members of the Board of Directors, six have German citizenship, two Saudi Arabian, one British, one Swiss, one Canadian and Swiss, and one US citizenship. Concerning education, Board members hold PhDs or other degrees in the following fields: three in chemistry; one in industrial engineering and engineering management; two in production engineering or aeronautical and space engineering combined with business administration; two in business administration; three in economics, political economy, or law; and one in social protection policy and insurance. With regard to age, one member of the Board is 50 years or younger, two are 51 – 55 years, two are 56 – 60 years, four are 61 – 65 years, and three are 66 – 70 years of age. Concerning the first year of election to the Board, one Board member was first elected in 2008, two in 2011, one in 2015, three in 2016, three in 2018, and two in 2020.

#### 4. The Board of Directors' responsibilities and committees

The Board of Directors is the ultimate decision-making authority for Clariant Ltd in all matters except those decisions reserved by law or the Articles of Association for the shareholders. The Board also provides the strategic direction for the Group, reviewing and further developing the company's strategy once a year.

Further duties of the Board include ensuring a management and corporate culture that is appropriate for the company's objectives, as well as an internal control system and adequate risk and compliance management, particularly regarding financial, corporate governance and citizenship, personnel, and environmental protection matters.

Members of the Board of Directors constitute the following committees: the Nomination Committee, whose duties include drawing up principles for the selection of candidates for election and reelection to the Board of Directors, the CEO, and the

other members of the Executive Committee, and preparing the corresponding recommendations; the Compensation Committee, which reviews and proposes to the Board of Directors the compensation and benefits policies and programs, reviews the performance criteria relevant to compensation, and determines individual executive compensation and benefits of the members of the Board of Directors and the Executive Committee, subject to the approvals of the total compensations by the Annual General Meeting; and the Audit Committee, whose duties include reviewing the activities of the external auditors, their collaboration with the internal auditors, and their organizational adequacy. Furthermore, the Audit Committee reviews the company's internal control and risk management systems and reviews compliance with the law and internal regulations, particularly regarding the Code of Conduct.

#### 5. Management of the Group

The Board of Directors has delegated the executive management of the Clariant Group to the CEO and the other members of the Executive Committee. The members of the Executive Committee are appointed by the Board of Directors on the recommendation of the Nomination Committee.

At the end of 2020, in addition to Hariolf Kottmann, who acted as Executive Chairman ad interim until Conrad Keijzer became the new Chief Executive Officer on 1 January 2021, the Executive Committee consisted of Chief Financial Officer Stephan Lynen, Chief Operating Officer Hans Bohnen, and Chief Transformation Officer Bernd Hoegemann.

Not counting Hariolf Kottmann, whose background is already included in the summary of the composition of the Board of Directors, the other three male members of the Executive Committee have German citizenship. Concerning education, Executive Committee members hold PhDs or other degrees in the following fields: one in chemistry and business administration; and two in economics and finance or economics and psychology combined with business administration. With regard to age, two of the members are 50 years or younger, and one is 51 – 55 years. The first year of membership in the Executive Committee was 2019 for two members and 2020 for one member.



**Conrad Keijzer**  
Chief Executive Officer (CEO)  
since 1 January 2021



**Hariolf Kottmann**  
Chairman of the Board of Directors  
from 24 July 2019 to 31 December 2020  
Executive Chairman ad interim



**Hans Bohnen**  
Chief Operating Officer (COO)



**Stephan Lynen**  
Chief Financial Officer (CFO)



**Bernd Hoegemann**  
Chief Transformation Officer



The Executive Committee is primarily responsible for the implementation and monitoring of the Group strategy, the financial and operational management of the Group, and the efficiency of the Group's structure and organization.

## 6. Enterprise risk management

Within the framework of the Enterprise Risk Management Policy, risk assessments are prepared by Business Units, Service Units, Corporate Functions, and Regions to assess threats that will impact the achievement of Clariant's objectives. These objectives are a result of the overall strategy of the Group as set by the Board of Directors and implemented by the Executive Committee. The Executive Committee is responsible for monitoring the risk assessments for relevance and consistency.

The Executive Committee has formed an »Ethics and Risk Management« subcommittee, which maintains an up-to-date understanding of areas where Clariant is, or may be, exposed to risk issues and seeks to ensure that management is effectively addressing those issues. The Ethics and Risk Management Committee meets on a quarterly basis. A summary risk assessment is submitted annually to the Executive Committee, Audit Committee, and Board of Directors for review. In the case of new or changed risks, reporting is accelerated.

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

## 7. Significant shareholdings and shareholders' participation rights

As of 31 December 2020, the following shareholders held 3 % or more of voting rights in Clariant Ltd: SABIC International Holdings B.V., 32.22 %<sup>1</sup>; APG Asset Management N.V., 5.01 %; BlackRock Inc., 3.8 %, Blue Beteiligungsgesellschaft mbH and Maple Beteiligungsgesellschaft mbH, 3.49 %.

Subject to certain limitations on voting by nominees, each registered share entitles the holder to one vote at the shareholders' meetings. Shareholders have the right to receive dividends and such other rights as are granted by the Swiss Code of Obligations. However, only shareholders entered in the Clariant share register may exercise their voting rights.

Shareholders representing shares with a total par value of CHF 1 million have the right to submit written requests that an item be included on the agenda at least 45 days prior to the 27th Annual General Meeting on 1 April 2022.

<sup>1</sup> SABIC acquired 24.99% of the shares of Clariant Ltd on 17 September 2018 and increased its participation by 6.51% to 31.5% on 9 September 2020. The difference between this figure (i.e., 31.5%) and the above-mentioned 32.22% corresponds to the amount of treasury shares held by Clariant Ltd, which have to be aggregated to the shares held by SABIC solely for regulatory disclosure purposes due to the Governance Agreement entered into by SABIC and Clariant on 17 September 2018.

### Corporate Governance Report

This short overview summarizes some aspects of corporate governance that are particularly relevant for integrated value creation at Clariant. For more detailed information, see the separate Corporate Governance Report  
→ [reports.clariant.com/2020/corporategovernance](https://reports.clariant.com/2020/corporategovernance)

# Leadership in Extraordinary Times

**Clariant is committed to continuous professional development, a collaborative workplace, and a culture of appreciation. These aspirations, in combination with the empathy, change management competencies, and end-to-end thinking exhibited by leadership, proved more valuable than ever in the transformative times of 2020. In light of rapidly changing markets and advancing digitalization in the industry, Clariant's leaders and employees already needed to excel at flexibility and continuous learning. The onset of the COVID-19 pandemic in 2020, however, mandated a rapid acceleration of these skills.**

## 1. Enhancing digital leadership skills

The existing trend toward flexibility in employee location and the resulting need for remote leadership skills were accelerated by the pandemic. Clariant was able to capitalize on progress made in the past and quickly issued several initiatives. For example, to ensure uninterrupted talent management and development, the company upskilled its leadership in using virtual tools and developing trust and teamwork over distances. To guide its people through this transition, the company developed guidelines for both virtual leadership and remote working.

Clariant redesigned existing trainings and added 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 China, a virtual Learning Friday initiative was launched. → PAGE 77 → PAGE 85

## 2. Focus areas for People Excellence Strategy

Clariant's People Excellence Strategy promotes an organizational culture of learning and development to ensure high performance in times of fundamental change. The major focus area in 2020 was to assist Business Units in implementing newly defined organizational structures and ways of working. In particular, Business Unit Pigments received support in transforming into a global functional organization with new roles, process flows, and accountabilities. Clariant helped leaders guide their teams through this significant

change process with tools such as workshops on value development and application. For example, Business Unit Oil and Mining Services in North America underwent a 12-month journey to lead the organization through the change process of implementing a new organizational structure. → PAGE 84

## 3. Fostering leadership skills and continuous learning

For Clariant, continuous learning and professional development are crucial to maintain a high level of competitiveness and advance employees on their career path. The company helps employees cultivate interpersonal as well as technical skills at all levels and focuses on shaping new leaders to ensure continuity and build organizational knowledge. To do so, Clariant relies on a well-developed talent management program, which includes structured talent identification and review processes, diverse formal and informal talent development measures, and career management.

→ PAGE 84

Throughout and despite the rapid and significant challenges of 2020, Clariant maintained its strategic focus on strengthening priority skills among its leaders, such as empathy and change management competence. E-learning courses launched in 2020 for employees newly promoted to leadership functions included a focus on these abilities. The company also amended its training program for existing leadership accordingly.

## 4. Strengthening individual development opportunities

To strengthen individual competencies, the company rolled out its capability assessment and development program for positions in Human Resources and Finance. This program supports Clariant Human Resources' key strategic pillar of »Organizational Efficiency and Effectiveness,« providing clarity on requirements for various job levels and assessing development opportunities at organizational and individual levels. Clariant also set up career paths for key job families such as Innovation, Finance, Commercial, and Supply Chain Management, illustrating the route from a current position toward a key position in the organization. In 2020, Clariant filled 97% of senior management positions through internal promotions. The promotion rate for senior managers was 38%. → PAGE 83

## 5. Employer branding and talent retention

Given the global hunt for talent and the rapidly evolving skill requirements, positioning Clariant as a preferred employer while also retaining current employees is a clear priority for the company. Clariant aims to provide challenging positions, foster individual learning and development, and recognize the efforts of its existing employees through appreciation programs. Clariant upgraded its recruiting messaging, expanded its employee referral programs to additional countries, and made improvements to job advertisements and career pages. The company also made an effort to actively respond to reviews on employer review platforms. This not only demonstrated commitment to transparency, but also made users feel engaged and heard, thereby improving Clariant's branding as an employer. In 2020, the company achieved a very high talent retention rate of > 90 %.

## 6. Encouraging diversity in thought and action

Clariant values fairness and equal opportunities and hires and promotes people independent of their cultural background, gender, or age into key positions. Diversity in thinking enriches perspectives, challenges established patterns, and lays the path for continuous evolution. Beyond day-to-day interactions and exchanges, Clariant has begun implementing collaboration platforms where individuals from different departments propose solutions for presented issues. Through this format, the company encourages collaboration across functions and removes organizational boundaries.

The company evaluates and develops all employees through a structured Talent Management process that follows transparent and fair criteria. Broad learning measures and learning circles allow employees to show their capabilities to peers and senior management. The company's structured succession planning on a global level cultivates a diversity of profiles for leadership roles. To further support female talent, Clariant has set up coaching and mentoring programs designed to specifically guide women through their career stages. In a historically male-dominated industry, the company achieved 32 % female representation across its employee base and 17 % in management positions.

Clariant investigates the trends of the future of work and will adjust its working models and employee benefits programs step by step. The aim is to better address individual needs of employees, for example, by allowing for more flexibility in allocating working time and working place.

### 2020 recognitions

Switzerland »Best Recruiters«: 2nd place in the branch »Chemie« (5th in 2018/19)

Forbes: ranked among the »World's 750 Best Employers 2020« (Rank 684)

# Overview on the Compensation Policy

**Clariant’s compensation policy supports its ambition to be an employer of choice and strives to attract, motivate, and retain committed employees.**

## 1. Compensation concept

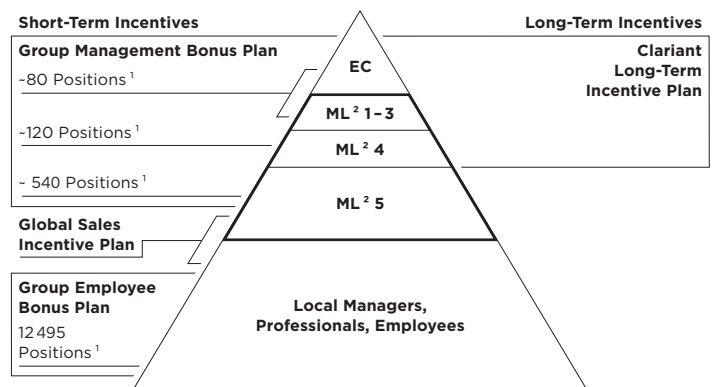
To attract, motivate, and retain qualified and committed employees throughout the organization, Clariant’s remuneration policy is based on the following main principles: remuneration components are designed to support the execution of Clariant’s business strategy; regular benchmarking studies are conducted to ensure compensation levels are in line with market practices; compensation practices always follow local regulations, such as laws and collective union agreements; compensation policy and practices ensure consistency and a fair treatment of employees working for Clariant; remuneration components incentivize business and individual performance; and remuneration components are made transparent to the individual and the organization.

The structure of total remuneration is highly performance- and success-oriented to ensure that shareholder and management interests are aligned. While Long-Term and Short-Term Incentives are based on Group Performance Indicators only, individual performance – measured through a consistent, global Performance Management system – is a determining factor in career development and annual salary review. Within the Global Performance Management System, each manager’s or employee’s performance is assessed and discussed on a yearly basis. Clariant has calibrated individual performance ratings for all management levels since 2017. In 2020, the company rolled out the Calibration Session process to levels below management and covered over 80 % of the participating population.

### Clariant considers six main remuneration principles

- Alignment with business strategy
- Competitiveness
- Compliance
- Internal fairness
- Performance-based pay
- Transparency

001 CLARIANT INCENTIVE SCHEME LANDSCAPE



¹ Number of positions as of 31 December 2020

² ML: Management Level

## 2. Linking compensation to sustainable value creation

Short-Term Incentive Plans (cash bonus) include the Group Management Bonus Plan, the Group Employee Bonus Plan, and the Global Sales Incentive Plan. Long-Term Incentive Plans offer equity-based compensation for approximately 200 senior managers worldwide (Executive Committee and Management Level 1 – 4). → **FIGURE 001**

### 2.1. Group Management Bonus Plan

The Group Management Bonus Plan (GMBP) is anchored in the overall Performance Cycle at Clariant, which ensures a challenging business-specific target agreement for each Business Unit and Service Unit.

The individual amount of bonus payments generated in a year is determined by the results achieved by the Clariant Group as measured against defined objectives. The achievement is calculated by means of three elements: financial results of the Group; financial results of the Business Unit or Service Unit; and defined top priorities (Group Performance Indicators and strategic projects). With regard to top priorities, changes in 2020 included Productivity to replace the quarterly inventory targets for the continuing operations and OTIF (On-Time and In-Full deliveries) for discontinued operations.

For GMBP 2021, a new Sustainability KPI will be introduced, replacing Productivity for all Continuing Business, Corporate and Service Units.

## 2.2. Group Employee Bonus Plan and Global Sales

### Incentive Plan

The Group Employee Bonus Plan (GEBP) is a globally aligned and standardized bonus plan for non-management levels for all legal entities around the world that, where legally compliant and possible, apply the global Group Achievement or a combination of Group Achievement and local Top Priorities as the basis for bonus payouts. For the sales force, the Global Sales Incentive Plan rewards premier sales performance and growth by focusing on individual performance in the areas of sales, margin, and trade receivables.

## 2.3. Long-Term Incentive Plans

The Compensation Committee decided to amend the Long-Term Incentive Plans for senior management starting in 2019 to better reflect Clariant's strategic targets and ensure a competitive remuneration package for senior managers that reflects market best practices. Based on intensive benchmarking, the new plan was designed to align underlying Key Performance Indicators more closely with the shareholder perspective and offer an attractive and competitive incentive for senior management. The Clariant Long-Term Incentive Plan (CLIP) was granted for the second time in April 2020. Participation in the CLIP is limited to the Executive Committee and senior managers of Management Level 1 – 4 (approximately 1.4 % of employees).

The CLIP represents an equity-based award in the form of Performance Share Units (PSU) with a three-year vesting period. At vesting, each PSU will be converted into one Clariant share. The number of PSUs that vest for a participant is calculated by multiplying the number of the granted PSUs with the Overall Vesting Factor. If a participant has substantially contributed to a financial loss, issues resulting in restatement of financial results, reputational damage, or substantial breach of legal or regulatory requirements, including internal policies, the Board of Directors can decide to cancel any outstanding PSUs.

## 3. Compensation of members of the Executive Committee

The Executive Committee participates in the same compensation elements as Clariant's senior managers, receiving a fixed annual base salary, an annual cash bonus, and Long-Term Incentives. The annual bonus is based on achieved results for the particular financial year according to the criteria mentioned above with respect to the Group Management Bonus Plan. For further information on the compensation of the Executive Committee and the Board of Directors, see the separate Compensation Report.

### Compensation Report

This short overview summarizes some aspects of compensation that are particularly relevant to integrated value creation at Clariant. For more detailed information, see the separate Compensation Report → [reports.clariant.com/2020/compensation](https://reports.clariant.com/2020/compensation)

# Core Processes for Value Creation

**Idea to Market, Market to Customer, and Customer to Cash are key value-creation processes at the core of Clariant's business model. Underpinned by Clariant's Innovation Excellence, Commercial Excellence, and Operational Excellence initiatives, these processes turn customer needs into innovative and sustainable solutions that create value for all stakeholders.**

## 1. Idea to Market

A strong focus on innovation and Research & Development is one of the five pillars of Clariant's corporate strategy. Based on extensive Research & Development resources and a strategic innovation approach, Clariant develops high-performing solutions that satisfy unmet customer needs and add value with sustainability. Clariant believes that continuously investing in innovation – even in times of economic uncertainty – is crucial for future success.

### 1.1. Market developments point to sustainable products and solutions

As end consumers' awareness of product ingredients and sustainability performance rises, particularly in the cosmetics and home care segments, sustainability considerations become more important for Clariant's direct customers and the entire value chain. The Green Deal of the European Union and similar regulatory developments in Asia and other regions also underline the need to strongly link the development of new products and services with Clariant's sustainability ambition.

Clariant is in an excellent position to benefit from this ongoing shift, as it reflects the company's strong focus on developing innovative, sustainable, and bio-based chemicals, as well as achieving ambitious greenhouse gas reduction targets. Many new products launched in 2020 show explicit sustainability benefits and are proof of Clariant's systematic approach to linking innovation and sustainability. → [PAGE 22](#) → [PAGE 46](#)

This strong ambition to lead through sustainability and innovation also gained external recognition. In 2020, Clariant was listed in the Dow Jones Sustainability Index (DJSI) with a best-in-class innovation score.

### 1.2. Stepping up efforts with a revised organizational structure

To support the necessary link between innovation and sustainability, Clariant further developed its innovation governance in 2020 by establishing the new Sustainability Transformation department. This new department is responsible for fully integrating sustainability in Clariant's products and processes, with a primary task of aligning Clariant's innovation management practices with its sustainability programs. The sustainability profile of innovation projects will be even more systematically evaluated, thereby supporting the company's ambitious targets.

As part of »Project Clariant 2021,« the company announced the creation of the new organization Group Innovation & Sustainability (GIS), which will bundle innovation and sustainability under one roof as of January 2021. GIS will allow Clariant to enhance its transformation road map in terms of innovation and sustainability while leveraging the potential of emerging technologies and biotechnology across the Business Units.

Clariant's Business Incubator was dissolved due to portfolio changes. Both the 3D printing and the electronic materials business have been sold in the course of the year. Business incubation will remain an important element of Clariant's innovation strategy, but it will be executed in a more focused way. Developing new business opportunities will be a crucial responsibility of Clariant's core Business Units. Only major transformational technologies with cross-business relevance will be developed within a central function.

### 1.3. Supporting the transition to a circular economy

One way to add value through sustainability is by enhancing circularity. The circular economy challenges the chemical sector to find new ways to reuse products at the end of their life cycle and close material loops, offering many new business opportunities. Clariant has been exploring possibilities to redirect waste streams for many years. In 2020, for example, Clariant started applying its strategic innovation process DIA (Discovery, Incubation, Acceleration) to systematically develop new business models using waste streams of bleaching earths for alternative applications. → [PAGE 73](#) → [PAGE 96](#)

→ [REPORTS.CLARIANT.COM/2020/CIRCULARPLASTICS](https://reports.clariant.com/2020/circularplastics)

#### 1.4. Shorter innovation cycles through digitalization

In addition to sustainability, digitalization significantly drives Clariant's innovation strategy. Digitalization of processes in Research & Development allows significant gains in efficiency. An important example is the Electronic Lab Notebook (ELN) – a cloud-based, digital knowledge repository that stores Clariant's scientific know-how by capturing all relevant information along the innovation chain. Clariant continued the rollout of the ELN in key countries in 2020. → PAGE 74

Clariant shortens its innovation cycles and reduces time to market by exploiting the great potential of automation, miniaturization, and parallelization. In 2020, Clariant further enhanced its capacities for High-Throughput Experimentation (HTE). HTE comprises a powerful ecosystem of capabilities that can be leveraged to synthesize a vast variety of new molecules, prepare and test large numbers of formulations in parallel, as well as develop and optimize processes, to mention only a few. This allows the discovery of high-value-adding solutions and their delivery to Clariant's customers at a much greater pace than before. The use of suitable digital enablers to store, analyze, and evaluate the large amount of data generated enables the benefits of HTE capabilities to be maximized. → PAGE 74

Clariant is also using digital tools to develop new digital business models and new ways of collaborating with customers. The need to adopt digital collaboration tools in the innovation process was further accentuated in 2020 due to the COVID-19 pandemic. → PAGE 75

#### 1.5. Strong technical support from four Technology Platforms

Clariant's innovation activities are based on a strong network of eight Research & Development Centers, more than 50 Technical Centers, and over 950 employees. Research activities have been structured along four Technology Platforms – Chemistry & Materials, Biotechnology, Catalysis, and Process Technology – which collaborate closely with the Business Units to provide them with crucial technology expertise and innovative solutions.

As part of the new organizational setup under Group Innovation & Sustainability, Clariant has reallocated some of its Research & Development activities within the existing four Technology Platforms as of January 2021 and added a new fifth Technology Platform, Emerging Technologies. This platform will focus on megatrends with high relevance for several Business Units and high transformational impact on Clariant's activities.

#### 1.6. Technology Platform Chemistry & Materials

In 2020, one of the focus areas of the Technology Platform Chemistry & Materials was new chemistries and formulations that provide a clear sustainability benefit. In close collaboration with Business Unit Industrial & Consumer Specialties, Clariant's chemical Research & Development developed and launched EcoTain® Velsan® Flex. Velsan® Flex is a naturally derived synergistic booster for preservative systems. It is not classified as a preservative and can reduce the preservative load of products by up to 50%. Its excellent water solubility and high Renewable Carbon Index (RCI) of 93% make this

preservation booster a unique natural solution in the market. Velsan® Flex carries Clariant's EcoTain® label, which recognizes its high RCI as well as further sustainability advantages for Personal Care formulators. The product received a bronze award at in-cosmetics™ in 2020. → PAGE 47

#### 1.7. Technology Platform Biotechnology

The Technology Platform Biotechnology continuously supports the Business Line Biofuels & Derivatives in further developing the EcoTain® awarded sunliquid® technology. In 2020, an innovation project was launched to further optimize the process by using cutting-edge molecular biotechnology, bioinformatics, and High-Throughput Screening. The additional investments were encouraged by the strong interest in sunliquid® and the success in licensing the technology to several industry players in Asia and Europe. → PAGE 52

#### 1.8. Technology Platform Catalysis

Converting greenhouse gases such as carbon dioxide into valuable chemicals, and thus using carbon dioxide as feedstock, is a key trend in the chemical industry. Therefore, the development of innovative Power-to-X technologies was one of the focus fields of the Technology Platform Catalysis in 2020. One example of Power-to-X is explored in the Carbon2Chem project, a publicly funded project in which Clariant is converting CO<sub>2</sub> off-gas from steel manufacturing into valuable base chemicals, such as methanol. Based on the very promising results achieved in the first phase of the Carbon2Chem project, the German Federal Ministry of Education and Research recently decided to prolong substantial funding until 2024 to further develop the technology and to prepare for large-scale technology rollout. Clariant also participated in several other publicly funded projects in this field, bringing a unique set of active materials that are needed to make the Power-to-X technologies work. Another successful project was the development and launch of the next-generation phthalate-free polypropylene catalysts with the launch of the PolyMax® 600 series. → PAGE 53 → [REPORTS.CLARIANT.COM/2020/HYDROGENECONOMY](https://reports.clariant.com/2020/hydrogeneconomy) → [REPORTS.CLARIANT.COM/2020/CIRCULARPLASTICS](https://reports.clariant.com/2020/circularplastics)

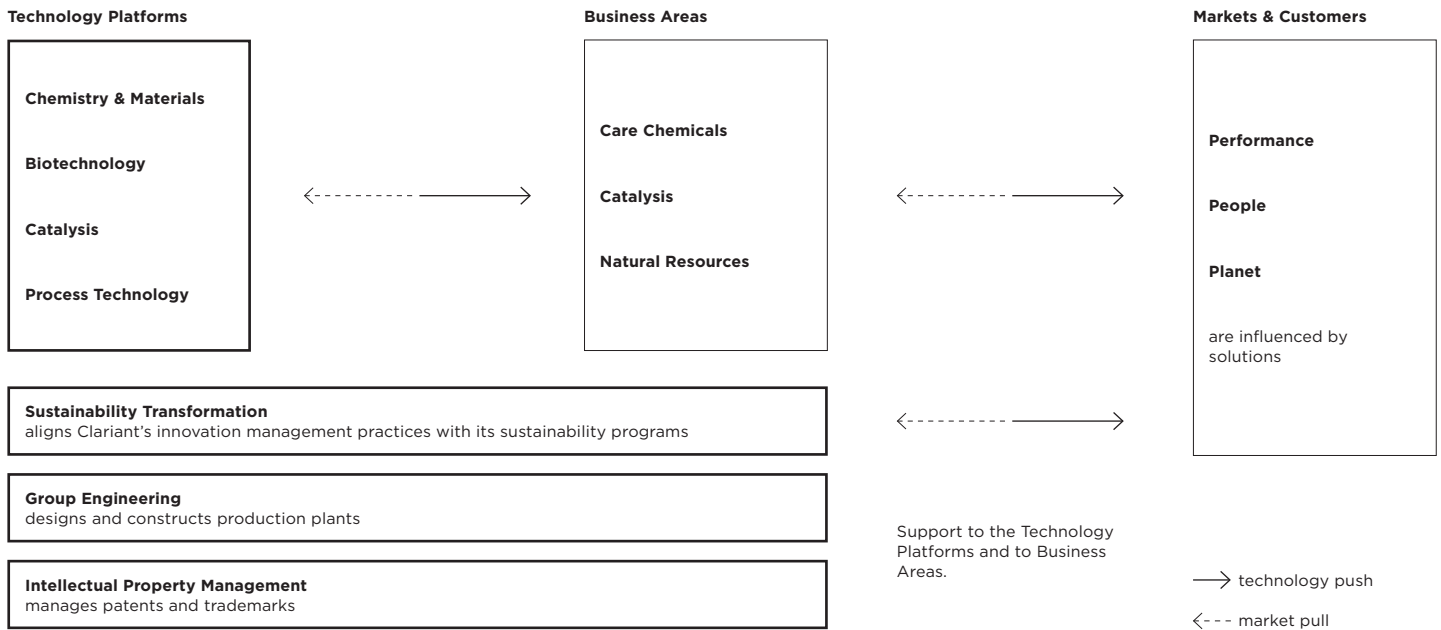
#### 1.9. Technology Platform Process Technology

One of the focus fields for the Technology Platform Process Technology is data science and artificial intelligence. In 2020, Clariant's Competence Center Data Science continued to support the Business Units in speeding up product development, improving production processes, and intensifying customer interaction.

#### EcoCircle

With its company-wide EcoCircle initiative, Clariant promotes the transition from a one-way plastics value chain to a circular plastics economy. EcoCircle extends the focus from individual products to the entire value chain. Besides developing new circular plastics solutions, Clariant is building a network of stakeholders that are tackling the circular economy challenge by introducing world-wide EcoCircle Centers of Excellence dedicated to collaborative research and joint development of products and solutions. Specialized teams and facilities will allow Clariant to channel expertise and develop specialty products for specific circular applications. In 2020, EcoCircle became part of the »Sustainability Transformation« unit.

001 CLARIANT INNOVATION CHAIN



Among others, it provided critical support for the development of Navigance®, Clariant’s Munich-based start-up that uses artificial intelligence to provide real-time recommendations about control parameters to help, for example, formaldehyde and methanol producers increase production volumes and efficiency. In 2020, the first Navigance® services were successfully sold.

**1.10. Group Engineering and Group Intellectual Property Management**

The established four Technology Platforms have been complemented by Group Engineering and Group Intellectual Property Management. Group Engineering is responsible for managing and executing major and complex capital investment projects. In 2020, successfully delivered projects included the capacity expansion for an ethylene oxide plant in Gendorf, Germany, and a plant for Licocene® waxes in Frankfurt, Germany. Important ongoing projects are the construction of a sunliquid® plant in Podari, Romania, to produce second-generation biofuels, and a new catalyst production facility for CATOFIN™ catalysts in Zhejiang Jiaxing, China, which will address the strong growth in the propane dehydrogenation market in this region. Group Engineering is currently also finalizing the work on the new One Clariant Campus, including the Regional Innovation Center in Shanghai, China. The first teams moved into the new premises at the end of 2020.

Group Intellectual Property (IP) Management secures Clariant’s innovation via patents and trademarks as an important value generator. In 2020, it rolled out the »Digital Patent File.« This technology allows Clariant’s patent management team to access all files, even while working remotely – a function that proved to be essential to successfully manage the COVID-19 pandemic. In addition, new digital tools were introduced that optimize the quality of scientific searches fueling innovation. Group Intellectual Property Management also played an important role in the divestment process of Business Unit Masterbatches by

successfully accomplishing the separation and divestment of the Business Unit’s intellectual property.

**1.11. Collaboration with partners, suppliers, and employees**

Clariant relies heavily on collaboration across functions and businesses, as well as with external partners, to drive its innovation strategy. The Open Innovation initiative, which identifies collaboration partners in the private sector, universities, and other research institutions to source creative ideas, is a very successful example. In 2020, Clariant launched a new Open Innovation challenge to explore new opportunities in the field of sugar-based surfactants. → PAGE 75

To complement its strong ties to different partner networks, Clariant seeks to collaborate more closely with the supplier industry to develop solutions that are more sustainable when considering the entire value chain. Clariant’s innovation team is thus closely working with Group Procurement Services to create opportunities for joint supplier innovation. In 2020, unfortunately, due to the pandemic, it was not possible to organize a dedicated supplier innovation event as Clariant did in the past. However, digital formats will allow these opportunities to be created moving forward.

**Cutting-edge innovation formats iEngine and iGarage**

**IENGINE**

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

**IGARAGE**

iGarages host a cross-functional team, supported by external experts and innovation coaches, that convenes off-site over two to six months to develop business options in collaboration with prospective customers and other stakeholders. By applying agile design thinking and lean start-up methodologies, their objective is to develop market-validated innovations through discovery and incubation that can be further scaled in the market by a Business Unit.



The innovation potential within Clariant's workforce is leveraged by innovation formats such as the iEngine (Innovation Engine) and the iGarage (Innovation Garage). In 2020, an iEngine was conducted by Group Technology & Innovation together with Business Unit Industrial & Consumer Specialties to develop a sustainable and easy-to-handle alternative to existing laundry detergents. An iGarage was conducted by Business Unit Functional Minerals on the issue of spent bleaching earths. → PAGE 48 → PAGE 74

## 2. Market to Customer

Clariant's success relies on its ability to understand customer needs and market trends along the entire value chain, develop solutions to address those needs, and capture the value created. To support this, the company invests in building strong customer relationships and constantly building and adapting its marketing and sales capabilities.

### 2.1. Demand for sustainable solutions on the rise

Customer demand for sustainable products further accelerated in 2020, driven not only by ever-rising end consumer interest but also by anticipated policy and regulatory changes, such as the European Green Deal. Clariant supports such regulation, as it has the potential to further fuel innovation of sustainable products – a core aspect of Clariant's corporate strategy – while preserving the competitiveness of Europe's industry. Clariant is continuously bringing forward new solutions that are more sustainable without compromising on performance or the company's commitment to fulfilling customer needs. Using 36 sustainability criteria to screen products across their entire life cycle as part of its Portfolio Value Program (PVP), Clariant awarded 24 new products the EcoTain® label in 2020 to recognize their outstanding sustainability profile. → PAGE 78

## Q&A

Martin Vollmer  
Chief Technology Officer



### The past year was strongly affected by the COVID-19 pandemic. What does this mean for Clariant's innovation programs?

Looking back, we can be proud of having managed the crisis without major interruption of our R&D operations, except in Mumbai, India, and Palo Alto, USA, where we had to mitigate certain lockdown phases. Clariant has always tried to persistently drive its innovation programs, even under difficult circumstances. We are convinced that our investments pay off in the future and that companies that are willing to take a long-term perspective regarding innovation will benefit from it. We will thus continue to focus on research and development and innovation in line with our strategic priorities.

### How did the decision to focus on three core specialty Business Areas impact Clariant's innovation activities in 2020?

Clariant aims to move further into specialized market segments that offer higher margins and enhanced innovation potential. However, our peers are adapting their product portfolios in a similar way. Therefore, increasing the speed of our innovation processes and reducing time to market are crucial to stay competitive and reap the fruits of our strategic decisions. Our focus on sustainability-driven innovation will be further enhanced in the remaining Business Areas.

### Sustainability is playing an important role in Clariant's innovation strategy. How will you further strengthen this link?

At the end of 2020, we started to roll out a new organization called Group Innovation & Sustainability (GIS), being effective January 2021, to fully leverage our innovation and sustainability expertise and thus assure Clariant's sustainability transformation. We embarked on setting up new sustainability targets and road maps, which can only be achieved if we continue to systematically integrate sustainability criteria into our innovation process and resulting activities.

### What challenges regarding innovation are you going to tackle in the coming years?

Even though the sustainability trend presents many great opportunities for Clariant, it also creates new challenges, for example, to provide sustainable product solutions that are also cost-competitive. Therefore, the involvement of our customers in early stages of product development is of utmost importance. In the past, we used innovation workshops and joint ideation sessions to bring experts around the table. The pandemic, however, accelerated the introduction of virtual and interactive formats to connect with customers and partners. This will guide the way into the future. In addition, partnerships and collaborations along the value chain will be key to success. Circularity will require us to build new innovation ecosystems, leading the path towards new business models.

Additionally, as more and more customers are setting sustainability targets relevant to their supply chains, Clariant is ramping up efforts to demonstrate how its sustainable products can support customers in achieving their targets.

## 2.2. Differentiation through innovation, service, and convenience

Amid ongoing commoditization, consolidation, and integration in the chemicals market, Clariant, as a specialty chemicals company, is striving for even more innovation and specialization to respond to its customers' quality expectations and evolving ecological standards.

As competition increases the price pressure, the company is working to maintain and strengthen its position in the market through the service it delivers, both remotely and in person. For example, Clariant conducted several projects to develop its service catalog – a series of offerings that can be adjusted to customers' demands. This helped to conceptualize and deliver the new »Ease of Doing Business« program, which is designed to strengthen customer relationships by making it easier and more convenient for them to work with Clariant.

## 2.3. Understanding market trends through Commercial Excellence

To stay ahead of the curve, Clariant focuses on true customer centricity. This commitment is manifested through its Commercial Excellence initiative, which facilitates dialog with current and prospective customers to improve commercial strategies, customer engagement, and sales and marketing operations. In 2020, the initiative delivered 20 Commercial Excellence programs to the Business Units and continued to train and educate employees. A major achievement in the reporting year was the company-wide implementation of a new Customer Relationship Management (CRM) system, which will be the backbone and front line of all commercial activities with customers and other stakeholders.

Despite constantly evolving markets, Clariant maintains its strong position by understanding and anticipating customer requirements and needs in order to continuously reinvent its portfolios, and by maintaining an innovative pipeline of products and services. To differentiate between short- and long-term trends, Clariant always consults different sources and looks at the same situation from different perspectives to avoid any bias. This triangulation enables the company to weigh data from at least three different sources before drawing conclusions in the project team.

## 2.4. Biennial customer satisfaction survey

To leverage customer feedback, Clariant conducts biennial customer satisfaction surveys, which provide insights into how Clariant's operational, commercial, and innovation performance is perceived. After several improvement initiatives were

implemented as a result of the 2018 survey, customers of all Business Units in all regions were again surveyed in 2020.

Both Clariant's Customer Satisfaction Index and Customer Loyalty Index were slightly improved compared to 2018. The company's Net Promoter Score (NPS) increased to 42 % (2018: 29%), reaching its highest value compared to previous years. The NPS gauges the loyalty of a company's customers on a scale from – 100 (no loyalty) to + 100 (high loyalty). An NPS of > 50 % is felt to be excellent.

→ PAGE 87

## 2.5. Digitalization to optimize the customer experience

Clariant is increasingly using digitalization to intensify customer interactions. In 2020, the company made considerable progress on its digital commercial roadmap. In exchange with Business Units, IT teams, and the Digital4Clariant teams, several priority projects were identified for implementation. One key example is the Lead Generation project, which facilitates the connection of new leads to the CRM system. This creates a better understanding of customer preferences and attention areas, while also reducing the amount of manual work.

On Clariant's quest to become a data-driven company, integrating commercial analytics and smart digital tools will be on the forefront of Commercial Excellence's agenda. The goal is to develop data-based key performance indicators that equip sales and marketing personnel with the right information and act as decision support systems. Clariant will also further invest in virtual selling. → PAGE 75

## 2.6. Sharpening the customer focus and tailoring the value proposition

Clariant's goal is to truly understand the customer journey. In 2020, the company further incorporated customer needs into the definition of customer segments to refine value propositions and further focus marketing and sales activities. By looking at the customer experience from different dimensions, the company recognizes the obvious and hidden needs of different roles at different points in time within the decision cycle. Clariant also made progress segmenting the company's broad market and product portfolio into logical blocks and profiles, taking into consideration differences across Business Lines and Units, and proximity to the end consumer. With the support of digital tools, the company will be able to follow the customer journey more closely and tailor the value proposition along these different dimensions. Clariant will continue to adjust customer profile development to ensure profiles stay relevant and are further differentiated.

## 2.7. Strong customer relationships through tailored solutions

To support its Business Units in offering the right solutions, Clariant takes several approaches. The Marketing Excellence program Find & Win allows Clariant's Business Units to systematically understand each touchpoint along the customer journey, develop tailored products and solutions, and maintain long-term relationships. In 2020, 111 structured interviews with customers and 75 with industry experts were conducted to gain insights as part of the program. Find & Win and Continuous

### Marketing Excellence Find & Win

Find & Win maps a market's value chain and customer needs by interviewing customers and industry experts, assessing market reports, and benchmarking competitor moves.

## »Listen to what customers say, understand what they aspire to, and act on what they do.«

Jan Romijn

Initiative Leader Marketing Excellence

Improvement continued to deliver projects that contributed to customer satisfaction and the bottom and top line for the company. Through these programs, Business Unit Functional Minerals, for instance, successfully increased coverage in the civil engineering market in China, and Business Unit Oil and Mining Services reassessed the refinery market business potential in the EMEA region. Increasingly, Clariant also focuses on more specialized programs that address specific commercial challenges with tailored solutions. Additional initiatives assess the total value delivery potential of a Business Unit and compare it with current ambitions and market developments.

### 2.8. Extending value-based pricing

Clariant uses cross-functional teams and combined expertise to develop solutions that maximize value for its customers and the company. Clariant's commercial organization transforms value created for customers into profitable growth by determining mutually beneficial price points. A helpful tool to demonstrate a product's value to customers is value calculators that can quantify and visualize the financial benefits of using Clariant's products as compared to the next best competing alternative. In 2020, Clariant worked to reinnovate its value-based pricing (VBP) strategy to extend it to a larger part of its portfolio and focus on customer-relevant differentiators. A new digital pricing tool that integrates both internal and external sources, such as weather influences and commodity stock prices, and accurately executes the value calculations for Clariant and its customers is anticipated to be finalized in 2021, with trainings and coordination to follow.

### 2.9. Structural changes for more efficiency

Clariant will discontinue its Excellence Service Units in their current composition in the context of Clariant's rightsizing program. Significant parts of these organizations will be transferred to the newly created Service Units. Commercial Excellence will move to Corporate Planning & Strategy.

### 3. Customer to Cash

Clariant has permanently optimized its operational chain, using digitalization to propel efficiency, agile approaches to respond to customer demands, and short-term changes to effectively respond to COVID-19. Continuous cost savings in procurement,

embedding sustainability in the value chain, and safe, functional operations also support Clariant's overall profitability.

#### 3.1. Digitalization helps predict maintenance

Clariant utilizes digitalization to optimize process efficiency in operations. Operational Excellence has clearly defined single process steps using Lean Management methods, increased data availability, and advanced controls, enabling Clariant to implement digitally steered processes. In maintenance, for example, Clariant is working to switch from preventive to predictive routines, which will reduce downtime and optimize repair costs. By mining historical data, the company can obtain adequate warning signals for when a machine needs to be replaced.

#### 3.2. Big data optimizes throughput, yield, and energy efficiency

Clariant pioneered a big data analytics approach to increase throughput, yield, and energy efficiency in 2019 by combining and modeling data from different sources such as SAP, the supply chain, and the quality system. This approach was rolled out company-wide in 2020 and targeted savings have already been achieved. In 2020, Business Unit Catalysts successfully launched the first digital solutions to increase throughput in production by combining process data with machine learning and advanced analytics. → PAGE 76

#### 3.3. Agility becomes more important

To live up to customer expectations, Clariant continuously increases its agility. By planning demand and supply and immediately reacting to production bottlenecks, Clariant achieves attractive lead times. Benefits for customers are the primary driver for improvements to the operational chain and are fine-tuned with feedback from users in the Business Units such as controllers, procurement officers, and production personnel. To spread agile approaches, team trainings in digital topics were conducted in 2020, and the black belt curriculum was adapted. Within Clariant's agile teams, the SCRUM methodology, including programming sprints, has also been fully adapted.

## »Clariant Production System focuses on lean processes, high asset utilization, high yield, and optimal energy efficiency, supporting Clariant's overall profitability.«

**Axel Schoenfeld**

Head of Clariant Excellence

### 3.4. COVID-19 challenges supply and delivery

The pandemic caused by COVID-19 required Clariant to thoroughly assess its demand planning and supply chain management.

Clariant had to verify the availability of raw materials, as even a multiple-supplier strategy could be affected by regional lockdowns. The company further had to anticipate issues with product delivery since personnel for unloading at customer sites could be limited due to lockdowns. Clariant utilized its global sourcing network to mitigate supply shortages and its ability to react on short notice to effectively respond to these developments.

### 3.5. End-to-end supply chains support proactive business steering

Clariant continues to build integrated end-to-end supply chains, translating customer requirements into demand planning. Enabled by digital solutions and technology such as machine learning, demand sensing, and advanced analytics, as well as an agile mindset, Clariant interlinks the commercial with the operational value chain. In 2020, Clariant's end-to-end supply chain management dashboard supported a higher On-Time, In-Full (OTIF) rate for customers and reduced inventories, thus increasing cost efficiency. Through the extension of business planning with monetized scenarios, proactive and forward-looking business steering is supported. Operational Excellence collaborates with the different Business Units to develop tailored solutions. For example, in Business Unit Functional Minerals, logistics costs are high due to the heavy weight of materials, so a regional approach guaranteeing short distances is applied. On the other hand, for Business Units such as Catalysts, lower product weight reduces logistics costs, allowing for global supply chain steering.

### 3.6. Achieving continuous cost savings in procurement

Clariant manages an extensive global supply chain. In 2020, more than 6 800 vendors delivered raw materials worth CHF 2.6 billion to Clariant. Thus, coordinated procurement is vital in overall cost savings. By increasing the maturity of the Clariant Production System and optimizing purchasing processes with the Procurement Excellence approach, cost efficiency was again increased. In 2020, savings of CHF 38 million were achieved, compensating for inflation effects and project costs. Procurement Excellence diagnosed various spend categories and elaborated road maps for future optimization.

### 3.7. Further embedding sustainability in operations

In 2020, Clariant made sustainability a key priority across its entire value chain. For its operations, this includes purchasing renewable energy, reducing the environmental footprint of production processes, and sustainable sourcing. Clariant continued to increase its renewable energy share in 2020, proving that it can be a cost-effective measure with positive environmental impacts. Advancing toward climate neutral production requires Clariant to rethink operations. Among other impacts, this influences the design of plant construction. For instance, reactors usually require plenty of energy for cooling and heating. If these processes are coordinated, a continuous and balanced flow minimizing energy consumption can be achieved. Customer demand for sustainable chemistry encourages Clariant to consider criteria such as carbon footprint and origin when sourcing raw materials. If necessary, solutions for alternative materials are sought in cooperation with the Business Units. → PAGE 90

#### Integrated Planning Landscape and Manufacturing Execution System

Clariant uses the Integrated Planning Landscape (IPL) to improve inventory performance and optimize organization, capabilities, and IT tools throughout operations. The Manufacturing Execution System (MES) is a powerful tool providing a real-time view of production status, thus triggering continuous improvement. Plant managers using the software benefit from detailed insight into production processes and digital process control.

#### Programs for sustainable production

Clariant drives sustainable production to reduce cost by increasing yield, saving energy, and reducing emissions. Both the production system Yield, Energy, Environment (YEE) and the eWATCH™ program support these efforts. YEE analyzes production processes and units to optimize energy consumption, while eWATCH™ creates energy savings opportunities by analyzing energy consumption across Clariant's entire operations. → PAGE 94

### 3.8. New organization to drive transformation road map

To synergistically strengthen innovation, sustainability transformation, and best-in-class operations performance, Clariant formed two new units: Group Innovation & Sustainability (GIS) and Group Operational Excellence (GOE). Operational Excellence will form part of GOE and drive the next steps in Functional Excellence, developing a Lean Six Sigma approach to a data science-driven, advanced-analytics approach to continuous improvement. Another focal point of GOE is the reduction of CAPEX consumption for every significant CAPEX project.

### 3.9. Operational safety as baseline

Clariant considers a safe operational chain an obligation as a responsible employer and necessary to minimize disruptions in production. This is reflected in Clariant's safety target of zero accidents, a key priority in operations. In 2020, Clariant started the »Digital Work Permit.« The app-like software coordinates a global feedback process with various stakeholders. Such feedback includes the confirmation of maintenance work at plants, which is necessary to start production processes, and ensures safe operation. In addition, further »Safety Moments« documents were developed and used. The lost time accident rate (LTAR) increased slightly to 0.16 days lost per 200 000 hours of work. To guarantee the health and safety of employees during the pandemic at all times, Clariant established additional security and safety concepts. → PAGE 85

# Value Creation in the Business Areas

**In the chapter »Value Creation in the Business Areas,« Clariant illustrates how each Business Area contributes to the company's overall success. By implementing the three value-creation processes – Idea to Market, Market to Customer, and Customer to Cash – Clariant's Business Areas secure opportunities for sustainable market success. They capture major societal trends and market developments, leading to the creation of customer-oriented products and solutions that enhance Clariant's growth and profitability.**

# How Care Chemicals Creates Value

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

## 1. Demand for sustainability and innovation continues

In 2020, customer demand for sustainable and innovative solutions increased once again. Thus, the Business Area Care Chemicals continued to focus on enhancing the sustainability performance of its product portfolio while emphasizing innovation, speed, and agility to stay ahead of competition.

As consumers become increasingly aware of negative impacts on the environment, demand has increased for Clariant's eco-friendly solutions that are based on natural ingredients or recycled materials and free of harmful substances. In particular, low-carbon, low-water, bio-based, and plastic-free products and solutions that enable natural formulations are in high demand. Clariant's microplastic-free encapsulation technology also helped customers comply with new microplastic regulations.

## 2. Changing consumer behavior due to COVID-19

COVID-19 had both positive and negative implications for the Business Area Care Chemicals. Thanks to its diversified product offering, the Business Area captured a variety of growth opportunities in different segments while maintaining its overall performance throughout the crisis. Although demand for high-end cosmetic ingredients declined, demand for sanitary and hygiene products rose rapidly. More time at home benefitted Clariant's Home Care business, as consumers cleaned and refurbished their homes. The demand for Clariant's solutions for the aviation sector was negatively impacted amid COVID-19 and the curtailed air traffic situation.

## 001 CARE CHEMICALS

### OVERVIEW

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

### APPLICATIONS

#### Business Unit Industrial & Consumer Specialties

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

### PRIORITY SDGs

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

## 3. Innovating at speed

Elevating customer experience, relationship management, supply chain processes, and sustainability through innovation is at the heart of Business Area Care Chemicals. Using digital means, the Business Area focuses on agility and speed when developing applications while ensuring high performance.

In 2020, Business Area Care Chemicals swiftly ramped up its innovation stream by developing new formulations for hygiene products and hand creams to meet the demand triggered by the pandemic. This enabled the Business Area to also propose new formulations for personal care and home care products to its customers.

## 4. Sustainability at the center of innovation activities

Sustainability is the starting point of all major innovations and product development in the Business Area Care Chemicals. By combining data-driven analytics with a compelling customer value proposition, Clariant develops sustainable solutions that address water and plastic use and incorporate renewable materials.

## »As speed and agility become key success factors, we help our customers rapidly respond to changing and unpredictable market behaviors while ensuring that our solutions have a positive impact on society and the environment.«

**Vincent Gass**

Head of Global Marketing, Business Unit Industrial & Consumer Specialties

In Personal Care, the increased demand for natural formulations is paramount. Clariant's introduction of the 93% renewable-based, multifunctional preservation booster Velsan® Flex proved that natural alternatives can reach superior performance levels and also have holistic impact on formulations, making it possible to reduce other less desirable ingredients. Velsan® Flex also carries Clariant's EcoTain® label and has won bronze in the category »Best Ingredient Functionals« of the in-cosmetics™ global awards 2020.

In addition, a Plant Milking technology developed through a partnership with Plant Advanced Technologies (PAT) enables the extraction of inaccessible and rare plant parts while protecting the plants. For the innovative production process and clinical results, Clariant received a BSB Innovation Award. The two plant-based active ingredients, Prenylium® and Rootness® Energize, were unveiled thanks to this technology. While Prenylium® is sourced from the Morus alba tree, Rootness® Energize is an extract of the roots of Luffa cylindrica. Both root-powered active ingredients are used for premium antiaging, protective, and revitalizing skincare.

Business Area Care Chemicals also focuses on reducing the carbon footprint of its product portfolio by replacing petrochemical-based raw materials with renewable substitutes that use agricultural waste or biotechnology. For example, in 2020, Clariant performed a cradle-to-gate life cycle assessment of its glucamides, which showed that they emit up to 90% less CO<sub>2</sub> than similar products. Considered the next generation of renewable-based surfactants, glucamides provide for highly efficient dishwashing and hand-washing liquids as well as mild solutions for skin and hair care. The cosurfactants, which offer a superior cleaning performance, are made of glucose and natural oils with a Renewable Carbon Index up to 96%.

### Effective and environmentally friendly preservation systems

The EcoTain®-labeled Velsan® Flex features a new, sustainable preservation booster that brings flexibility to formulators and reduces preservative load up to 50%. Thanks to its high water solubility and Renewable Carbon Index of 93%, the award-winning Velsan® Flex meets the rapidly evolving challenges of international personal care markets by combining great preservation-boosting power with broad formulation flexibility.

Likewise, in the Industrial lubricants business, innovation focused primarily on carbon emission reduction with higher lubricity and energy-efficient synthetic lubricants that provide a superior toxicological profile. New base fluids with specified electrical conductivities suitable for e-mobility, air conditioners, and refrigerators were also developed. Clariant's lubricants support the transition to clean energy with additives used for wind turbine oils, solar cell manufacturing, and lighter-weight transportation industry metals.

### 5. Improving chemical safety through new technologies and healthier solutions

Business Area Care Chemicals develops safe products and solutions that do not harm people or the environment. As part of its Lifecycle Innovation Approach, Clariant develops substitute products to eliminate Substances of Very High Concern (SVHC) and promote safe alternatives.

To support the growing interest in biocide-free paints with no volatile organic compounds (VOCs), Clariant developed Genagen COA, a non-VOC coalescing agent for decorative coatings. Clariant also launched the new solvent Genagen NBP with excellent toxicity labeling for agrochemical formulations, leading to improved pesticide performance. In addition, the EcoTain®-labeled polymeric dispersing agent Dispersogen® PSO 80, which is free from harmful moieties and used for industrial, high-gloss coatings, was launched.

### 6. Bringing a range of new sustainable solutions to market

In 2020, Clariant launched several eco-friendly, bio-based products. Clariant has also expanded capabilities in water-free and plastic-free platforms for Home Care laundry detergent that fulfills e-commerce demand and reduces environmental impact due to lighter transportation weight while enriching consumers' experience.

In addition, Clariant launched the EcoTain®-labeled TexCare® SRN 260 Life, a bio-based soil release polymer for liquid detergents and cleaners with an increased Renewable Carbon Index. In order to foster the development of bio-based solutions that can replace synthetically made products, Clariant seeks fruitful collaborations with customers.



## 7. Innovative approaches to simplify customers' decisions

Business Area Care Chemicals offers several online services to better serve its customers. To simplify purchasing decisions, Clariant, enhanced its formulation platforms with the new Ecolabel Guidance Tool. This platform offers fast and free online access to sustainability features of its formulation ingredients and an enhanced ingredient selection tool for emulsifiers and emollients. The tool identifies cosmetic ingredients that fulfill customers' needs for spreadability, texture, and skin feel of their emulsion formulations. To further support customers in quickly finding appropriate ingredients, Clariant also established a digital formulation factory.

To create formulations that align with global beauty trends, Clariant works with journalists, influencers, formulators, and marketers on its BeautyForward® trend guide for the Personal Care industry. In its fourth edition, Clariant identified five trends among target groups ranging from millennials to people aged 55 and up.

## 8. Adopting digitally enhanced customer relations

Due to COVID-19, Care Chemicals quickly developed the capabilities to shift from face-to-face to virtual customer interactions. Product portfolio reviews and planned product launches were conducted via digital webinars after mailing product samples in advance. Care Chemicals also hosted a virtual Paints and Coatings customer day. Furthermore, the Business Unit acquired digital marketing competencies to better assess online market opportunities and accelerate product development and market access.

### BeautyForward® Edition 4:

#### Converting five beauty trends into concrete formulations

##### FANTASY FORMULATIONS

As virtual interactions become the new normal, Business Area Care Chemicals offers playful exfoliators like jellies, putties, and sugar cubes, designed to engage all senses. In addition, bright colors and metallic glitters make formulations more »Instagrammable.«

##### EMBRACING AGING

Aging needs to be celebrated as regeneration, renewal, and radiance. Clariant's new products are specifically dedicated to address the effects that menopause has on skin and hair in order to embrace aging and combat its stigma.

##### ACTIVE BEAUTY

Healthy living is becoming a status symbol and exercising is becoming more social. To respond to these developments, Business Area Care Chemicals offers athletic-inspired formulations for hair and skin that are convenient, travel-friendly, and long-lasting, even during intense workouts.

##### CARBON CONSCIOUS

Consumers are increasingly aware of sustainability and question the environmental impact of formulations. Business Area Care Chemicals offers a variety of plant-based ingredients based almost entirely on renewable carbon sources.

##### SKINIFICATION OF HAIR

There is growing awareness that the hair and scalp are affected by the same aggressors as skin and require similar treatment. Clariant's solutions encourage cell regeneration and help relieve irritation to create a healthy environment for hair growth.

With the improved Client Relationship Management (CRM) system, Care Chemicals planned resources, generated conversion, and built customer loyalty more effectively. Sales effectiveness programs were deployed alongside the new CRM platform to reinvigorate Clariant's need-based segmentation. Moreover, new pricing tools identified price disparities, end-to-end cost optimization forecasts, and value-based pricing opportunities.

## 9. Fostering resilience and traceability in the supply chain

Clariant was recognized as one of the most reliable suppliers by its key customers, even during the peak of COVID-19 lockdowns. There were no product shortages or supply disruptions, most notably in the personal care businesses, which faced unprecedented volume surge. This is a direct result of continuous efforts to master the supply chain, highlighted by the fact that Clariant's suppliers also maintained timely delivery.

Business Area Care Chemicals continued to promote traceability in its supply chain and began to comprehensively screen raw materials for sustainable, low-carbon, and green alternatives. In 2020, the five-year Sustainable Palm Oil and Traceability in Sabah (SPOTS) initiative with L'Oréal was concluded. This project enabled independent smallholders to achieve certified sustainable palm oil production by applying the Roundtable on Sustainable Palm Oil (RSPO) standard, while also increasing their income and quality of life. As a member of the RSPO since 2011, Clariant has reached mass-balance certification for all of its sites and plans to offer RSPO Mass Balance certification for all its products.

## 10. Better decisions thanks to digital operations

Business Area Care Chemicals increasingly uses comprehensive data analytics to enhance performance transparency in all areas of operations. Advanced data analysis also supports rapid response to fast-changing demand patterns. In 2020, Care Chemicals launched a digital program that enables lean manufacturing throughout its manufacturing plants.

## 11. Increasing capacities to meet market demand

In 2020, Clariant began enlarging capacity at its sites in Mount Holly, United States, and Tarragona, Spain, to meet the growing demand for sulphate-free and mild surfactants. At its ethylene oxide production plant in Gendorf, Germany, the company commissioned a new distillation column to improve product quality and increase capacity to serve production for personal and home care, crop solutions, and industrial applications. → PAGE 40

### SPOTS achievements

The Sustainable Palm Oil and Traceability in Sabah (SPOTS) initiative supports smallholders, improves supply chain traceability, promotes certification, improves living conditions, adopts sustainable practices, and increases productivity. Thanks to the initiative, 500 small Malaysian palm oil producers increased productivity by 20% by 2020.

## 12. Making sites safer and more sustainable

Safety is a top priority in Business Area Care Chemicals. In 2020, new performance indicators were introduced to proactively steer safety performance and a digital safety toolbox was launched to analyze incidents and raise safety awareness.

Business Area Care Chemicals continued to enhance the sustainability of its production sites. In 2020, data-driven programs were launched to reduce energy consumption, in addition to local measures at various sites. For example, the Clearlake site in the United States now sources 35 % of its electrical energy consumption from solar energy, leading to annual savings of 5kt of CO<sub>2</sub> emissions. In Tarragona, Spain, a new solar panel of 20 000 m<sup>2</sup> with an installed two-megawatt capacity now covers 25 % of the site's electricity demand, creating additional savings of 1.25 kt of CO<sub>2</sub> emissions.

## Midterm Targets

**5-7%**

Growth potential per year

**19-21%**

EBITDA target margin

## Performance

### INPUT

 **3.1%**

R&D spend of sales

 **693**

Raw material procured in CHF m

 **> 70**

Active innovation projects

 **15**

Production sites

 **2479**

Number of raw materials procured

### OUTPUT

 **1411**

Sales in CHF m

 **-5%**

Growth in local currencies

 **18.9%**

EBITDA margin

 **19.4%**

EBITDA margin before exceptional items

 **0.92**

Production volume in m t

## People

### INPUT

 **23761**

Training hours

 **1536**

Raw material suppliers

### OUTPUT

 **2460**

Staff in FTE at year-end

## Planet

### INPUT

 **784.2**

Energy consumption in m kWh







### OUTPUT

 **55.0**

Waste in thousand t

 **210**

Greenhouse gas emissions in kg/t production

-  Financial capital
-  Intellectual capital
-  Manufactured capital
-  Human capital
-  Relationship capital
-  Natural capital

# How Catalysis Creates Value

**Global efforts to enhance energy efficiency in chemical production and replace fossil fuels with low-emission solutions remain promising opportunities for Business Area Catalysis. The Business Area, comprising Business Unit Catalysts and Business Line Biofuels & Derivatives, focuses on innovation, proximity to customers, and digital approaches to offer high-performing catalytic and biofuel solutions.**

## 1. Offering solutions to mitigate global warming

Climate change is one of the major global challenges of this century. To achieve the targets set out in the Paris Agreement, greenhouse gas emissions have to be cut drastically. Regulations emerging around the world reflect this ambition, increasing the demand for sustainable, renewable options to replace fossil fuels. In the European Union, the Renewable Energy Directive (RED II) defines a target of 3.5 % by 2030 for the use of advanced biofuels. This will result in an annual demand of around five to ten million tons of advanced biofuels by 2030, requiring a significant extension of current production capacities. In China, a nationwide mandate to achieve a 10 % renewable ethanol content in transportation fuels will be established with several provinces having a binding mandate already in place. To successfully replace fossil fuels, alternative energy carriers with a comparably high energy density are paramount. Business Unit Catalysts offers unique active materials

to reduce customers' carbon footprint and solutions to efficiently store energy. Business Line Biofuels & Derivatives profits from the increased demand in advanced biofuels, a promising low-emission solution and the main product of the Business Line.

## 2. Thinking outside the box because of COVID-19

Negotiations for supply contracts are a delicate affair involving trust and personal connections. As COVID-19 prohibited travel, in-person meetings became impossible. Thanks to meticulous preparations, state-of-the-art videoconferencing, as well as connections and trust established over the years, Business Unit Catalysts managed to seal important contracts nonetheless. Virtual interactions also played an important role for Business Line Biofuels & Derivatives: Negotiations and initial signing of the fourth license agreement for its sunliquid® technology with Eta Bio, a company owned by the Pavlovi family, took place online.

## 3. Meeting stringent emissions regulations

Concerns about climate change and human health have led to stringent emissions regulations, which chemical producers in many countries need to meet. In Zibo, Shandong province, China, for example, Clariant partnered with Jiangsu Jinneng, a specialist in volatile organic compound (VOC) abatement technology. At the phthalic anhydride plant of Shandong Qilu Plasticizers Co. Ltd.,

### 001 CATALYSIS

#### OVERVIEW

Business Area Catalysis comprises Business Unit Catalysts and Business Line Biofuels & Derivatives. Products of Business Unit Catalysts are used for chemical production, fuel processing, as well

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

#### APPLICATIONS

##### Business Unit Catalysts

- Ammonia
- Custom catalysts
- Ethylene derivatives
- Fischer-Tropsch
- Fuel cell
- Fuel upgrading
- Gas processing
- Hydrogen
- Hydrogenation
- Methanol
- Off-gas treatment for chemical plants and stationary engines
- Oxidation

##### Business Line Biofuels & Derivatives

- Biocatalysis
- Cellulosic ethanol
- Cellulosic sugars
- Low-carbon advanced biofuels
- Residue-derived biochemical intermediates
- Polypropylene
- On-purpose propylene, methanol-to-propylene (MTP)
- Refinery stream purification
- Olefin purification
- Styrene
- Zeolite powders

#### PRIORITY SDGs

- SDG 7 Affordable and Clean Energy
- SDG 13 Climate Action

- SDG 9 Industry, Innovation, and Infrastructure
- SDG 12 Responsible Consumption and Production

Clariant's EnviCat® VOC catalyst is used to purify production off-gases, thereby removing up to 99 % or more of VOCs and carbon monoxide.

#### 4. Decarbonizing hydrogen production

Clariant and Technip Energies, a global leader in the energy industry, combined their expertise to develop a sustainable solution for hydrogen production with recuperative steam methane reforming. Both partners have a strong culture of innovation, which gives them a leading edge over competing technologies in the field of sustainability. Technip Energies' patented Enhanced, Annular, Reforming Tube for Hydrogen (EARTH®) and syngas technology uses a unique geometric reformer layout combined with a highly active, stable, and mechanically robust catalyst. Provided by Clariant, the tailor-made catalyst promotes efficient and optimized heat transfer and ensures a low pressure drop, increasing the energy efficiency of the hydrogen production process. EARTH® can increase reforming capacity by up to 20 % while reducing fuel consumption by up to 30 % and the hydrogen CO<sub>2</sub> footprint by up to 10 %. → [REPORTS.CLARIANT.COM/2020/HYDROGENECONOMY](https://reports.clariant.com/2020/hydrogeneconomy)

#### 5. Speeding up catalyst innovation

In 2020, Clariant doubled the capacity of its high-throughput catalyst Research & Development center in Palo Alto, California. The high-throughput methodology allows the company to reduce the time required for catalyst discovery and development by around three to four years. The quicker time-to-market is facilitated by state-of-the-art robotics, hardware, software, and automated procedures. Chemical and engineering experts in hardware design, fabrication, assembly, software, and data science all contribute to the work in the laboratory, which was first established in 2009. The research center now allows more projects and experiments to be executed within the same time frame, as parameters may be altered swiftly between different runs. The investment further supports customers with custom catalyst services, swiftly turning their requirements into commercial solutions.

#### 6. Creating data-based process models

Business Unit Catalysts closely collaborates with Navigance®, a Clariant subsidiary. Navigance® combines chemical process and catalyst expertise with data modeling know-how to build customer-specific process models. With the help of machine learning and advanced data analysis, process data is used to maximize plant availability and optimize efficiency. Navigance® provides a software as a service that offers extensive data visualization capabilities and supports customers in their digitalization efforts.

##### Hydrogen production in containers

Business Unit Catalysts partnered with Ineratec, a specialist in the production of sustainable fuels and chemicals. Enabled by Clariant's catalysts, Ineratec combines hydrogen generated from renewable energy sources with carbon dioxide to produce CO<sub>2</sub>-neutral synthetic hydrocarbons and fuels. Ineratec developed modular chemical reactors in easily transportable container units, ensuring a fast and easy setup.

#### 7. Launching a phthalate-free solution for polypropylene production

In 2020, Business Unit Catalysts launched the PolyMax® 600 series, a phthalate-free catalyst primarily used for polypropylene production. Due to growing concern over toxic effects and stricter regulations, producers are looking for phthalate-free solutions. PolyMax® 600 series catalysts are safe for food contact and boost plant productivity by up to 10 %. In addition, polypropylene produced with PolyMax® 600 series shows improved mechanical performance characteristics such as enhanced impact resistance.

#### 8. Interacting with customers during COVID-19

To maintain a dialog with customers and prospects during the global pandemic, Business Unit Catalysts hosted a significant number of webinars to offer information about product innovations and address customers' most pressing questions. Customers appreciated the opportunity to increase their knowledge, and webinars will remain a part of digital marketing efforts of Business Unit Catalysts in the future. To keep customers and prospects engaged, Business Line Biofuels & Derivatives offered virtual 360° tours of the precommercial plant in Straubing for one-on-one discussions. Since spring 2020, drone videos taken every month at the sunliquid® plant construction site in Podari, Romania, have been used to keep clients and prospects informed. The Business Line also took part in over a dozen virtual conferences and webinars to keep prospects and customers up to date with the latest developments regarding sunliquid®.

#### 9. Expanding the catalytic business in China

China remains one of the fastest growing markets. Business Unit Catalysts is building a new production site for CATOFIN™ catalysts in Jiaying, Zhejiang province. The investment supports future growth and strengthens Clariant's support of China's petrochemicals industry. The plant is the most digitized Clariant facility to date, using sophisticated automation systems throughout the production process.

#### 10. Upscaling sunliquid® in China...

In 2020, Business Line Biofuels & Derivatives forged a strategic partnership with Chemtex Global Corporation for second-generation (2G) biofuel projects in China. The partners provide a comprehensive package of 2G ethanol technology licenses with engineering and construction services. As a first result of this collaboration, together with Anhui Guozhen Group, a full-scale

##### Continued success of CATOFIN™

CATOFIN™ is a reliable and efficient dehydrogenation catalyst used in the production of olefins such as propylene or isobutylene. The catalyst is used in combination with Clariant's Heat Generating Material, further increasing selectivity and yield of production units. By the end of 2020, CATOFIN™ plants around the world produced more than 10 million metric tons of olefins.

»China continues to be a growth market with attractive prospects. The new CATOFIN™ plant will be of great benefit to our company's positioning and customer proximity in the entire region, marking another cornerstone of Clariant's Fringe to Core strategy execution.«

Hans Bohnen, Chief Operating Officer

»China represents one of the key growth markets for Clariant. The strategic partnership with Chemtex is another milestone reached in our continued pursuit of the corporate goal of Adding Value with Sustainability.«

**Christian Librera**

Vice President and Head of Business Line Biofuels & Derivatives

commercial cellulosic ethanol production plant in Fuyang, China, will be realized. The plant will produce 50 000 tons of cellulosic ethanol per year, with an option to double this output in a second phase. Locally sourced wheat straw and corn stover will be used as feedstock, and the cellulosic ethanol produced will enter the regional fuels market, helping to fulfill the national blending mandate for transportation fuels.

**11. ...and in Europe**

In 2020, Eta Bio, a company owned by the Pavlovi family, which runs a leading business in the agricultural sector in Bulgaria, acquired a sunliquid® license. The new plant will be built and operated at a greenfield site in the northeast of Bulgaria, utilizing available land and existing infrastructure. The annual production will reach 50 000 tons of cellulosic ethanol, processing around 250 000 tons of wheat straw.

**12. Streamlining supply chain management**

Business Unit Catalysts finished implementing Clariant’s end-to-end supply chain management dashboard in 2020. The dashboard

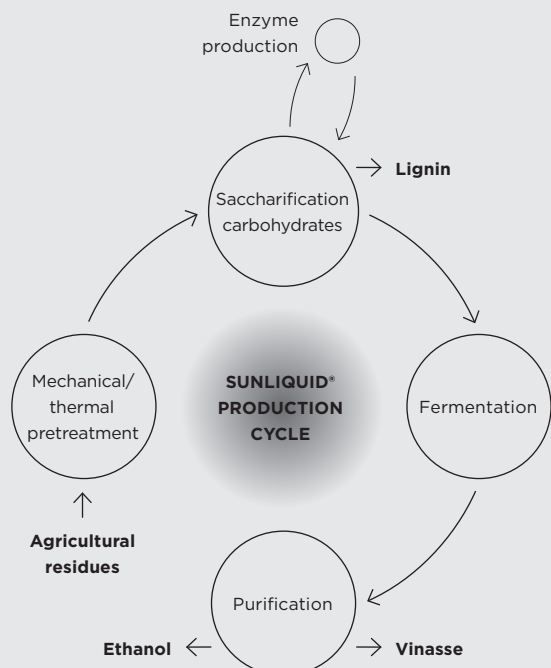
offers quick diagnostics, enables root cause analysis, and provides an overview of suppliers, along with price developments, response and delivery times, as well as supplier sustainability risks.

**13. Setting up the sunliquid® supply chain**

Over the past three years, Business Line Biofuels & Derivatives successfully set up its supply chain in Romania. A feedstock team established long-term contracts with almost 300 farmers, ensuring stable and reliable straw supply for the operational phase of the plant. With the partnerships established so far, Clariant already secured most of the raw material required for the plant in Podari. All feedstock is certified according to the International Sustainability & Carbon Certification (ISCC) system, which indicates that feedstock is from renewable sources. Since 2019, Business Line Biofuels & Derivatives has used a digital application to support the operation of the straw supply chain. The specially designed software allows Clariant to monitor the harvest in real time and provides the Business Line with an overview of total stocks of straw bales produced and collected, as well as transportation means used. The monitoring enables process control and efficient logistics.

**sunliquid®: Converting agricultural residues to biofuel and biochemical intermediates**

sunliquid® is the technology cornerstone of Business Line Biofuels & Derivatives. With sunliquid®, agricultural residues are converted into biofuels and biochemical intermediates. First, agricultural residues such as wheat straw, corn stover, or sugarcane bagasse are treated with steam and exposed to a sudden drop in pressure, causing the straw to break down. The straw remnants enter a series of reactors, where they are liquified through specific enzymes that are produced on-site. The enzymes break down the straw into simple sugars that are fermented, generating an ethanol-water mixture. Finally, the ethanol is purified and used as biofuel or a precursor for biochemicals. The sunliquid® process is energy self-sufficient as the insoluble part of the straw, lignin, is used for energy generation.



#### 14. Assembling the sunliquid® plant in Romania

Construction of the sunliquid® plant in Podari, Romania, progressed significantly in 2020 in full compliance with COVID-19 precautions. Several milestones have been reached on the construction site, including the installation of most of the large equipment. This puts Clariant on track to complete the construction by the end of 2021, after which start-up and production will commence. Once operational, the plant will produce 50 000 tons of cellulosic ethanol per year, processing around 250 000 tons of straw.

#### 15. Ensuring safe operations

For Business Unit Catalysts, ensuring occupational health, safety, and well-being of employees is a continuous priority. The Business Unit aims to keep the lost time accident rate (LTAR) below 0.27. In 2020, COVID-19 dominated occupational health and safety measures at Business Unit Catalysts, and all precautions to minimize spread of the virus and fulfill local regulations were taken. Furthermore, safety awareness trainings at multiple sites were conducted and the reporting rate of recorded injuries improved. Business Line Biofuels & Derivatives also took decisive measures to reduce risks related to COVID-19 and comply with regulations established by authorities. At the construction site in Podari, Romania, a comprehensive COVID-19 safety concept was established. To strengthen safety awareness and culture overall, »Safety Checks« were conducted throughout the year to analyze unsafe behavior and evaluate work conditions or equipment.

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#### Generating process energy from residues

Together with GETEC, a German energy services company, Clariant received the energy efficiency award in the category »Concepts for Increasing Energy Efficiency« by the German Energy Agency (dena). The award was granted for the joint project in Podari, Romania, where residue lignin is used to generate steam and electricity for the entire sunliquid® process.

## Midterm Targets

**6 – 9 %**

Growth potential per year

**26 – 30 %**

EBITDA target margin

## Performance

### INPUT

 **6.7 %**

R&D spend of sales

 **299**

Raw material procured in CHF m

 **> 90**

Active innovation projects

 **15**

Production sites (50:50 or minority joint ventures not included)

 **1104**

Number of raw materials procured

### OUTPUT

 **879**

Sales in CHF m

 **1 %**

Growth in local currencies

 **19.1 %**

EBITDA margin

 **20.3 %**

EBITDA margin before exceptional items

 **0.06**

Production volume in m t

## People

### INPUT

 **21993**

Training hours

 **523**

Raw material suppliers

### OUTPUT

 **2072**

Staff in FTE at year-end

## Planet

### INPUT

 **562.2**

Energy consumption in m kWh







### OUTPUT

 **22.0**

Waste in thousand t

 **2805**

Greenhouse gas emissions in kg/t production

-  Financial capital
-  Intellectual capital
-  Manufactured capital
-  Human capital
-  Relationship capital
-  Natural capital



# How Natural Resources Creates Value

**Business Area Natural Resources is comprised of the Business Units Oil and Mining Services, Functional Minerals, and Additives. It offers high-performing products and customer-tailored solutions for mineral, foundry, oil, and gas extraction businesses, as well as for food, plastics, coatings, adhesives, and inks applications. The Business Area captures emerging trends around the globe and works across various industries ranging from consumer goods to mining.**

## 1. COVID-19 pandemic impacts and intensified trade disputes

As the Business Area Natural Resources is engaged in multiple industries, COVID-19 had twofold effects. The automotive sector and oil and refinery markets in general were heavily hit by the pandemic with declining crude oil prices and product disruptions and were further impaired by trade disputes. Although Clariant was able to support customers with its global production network and cost effectiveness, solutions dedicated to fuel, kerosene, automotive plastic and coating parts, or civil engineering were negatively impacted. Additionally, the durable consumer goods appliances and apparel industry suffered, resulting in decreased demand for associated additives. Although the mining sector

proved to be more resilient, it was challenging to drive new opportunities due to the inability to perform plant trials.

In contrast, Clariant’s products that supply the packaging, agriculture, and medical industries or feature healthier oils performed well due to increased awareness of food security and health. Products addressing device protection through enhanced disinfectants were also in higher demand. Furthermore, rising interest in biofuels had a positive effect on Clariant’s purification solutions.

## 2. Well positioned to meet growing demand for sustainable solutions

With customers’ growing commitment to address climate change, Clariant focused on solutions that bring added value through enhanced sustainability benefits, reducing their dependency on fossil resources to achieve a lower carbon footprint. While the Business Unit Functional Minerals and Additives helped customers comply with stricter plastic, coating, and adhesive regulations, Business Unit Oil and Mining Services enabled them to fulfill new regulations on sulphur oxide in the marine fuel market and address increasing sustainability expectations of various oil

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### 001 NATURAL RESOURCES

#### OVERVIEW

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

mining, and refinery industries. Additives serves markets for plastics, coatings, inks, and consumer applications ranging across electrical and electronics, packaging, transportation, consumer goods, building and construction, textile, as well as agriculture industries.

#### APPLICATIONS

##### Business Unit Functional Minerals

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

##### Business Unit Oil and Mining Services

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

##### Business Unit Additives

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

#### PRIORITY SDGs

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

and mining stakeholders. With ongoing electrification and the rise of 5G networks, the potential for Clariant's portfolio of sustainable and safe solutions for the electrical and electronics sector has further increased.

### 3. Innovating for sustainability

Innovation activities of the Business Area Natural Resources focused on rejuvenating the product portfolio by improving efficiency and effectiveness as well as exploring renewable materials and sustainable solutions.

Business Unit Functional Minerals concentrated on improving bleaching earth products based on bentonite clay to further enhance the purification of edible oils, and reducing 3-monochloropropanediol (3-MCPD) to improve food safety and remove impurities from waste oil to enable reuse as feedstock for biofuel. In the foundry business, Low Emissions (LE+) products were further optimized and eco-friendly technologies were improved to help customers drastically reduce emissions, comply with environmental regulations and standards, and increase the quality of their products. Additionally, new products were developed with higher thermal stability within the casting process so that additive consumption and waste sand production could be reduced.

Business Unit Oil and Mining Services continued to improve its low dose hydrate inhibitor and asphaltene inhibitor products for deepwater operations to enable better oil and gas production. These solutions typically target downhole production tubing and subsea flow lines, leading to improved cost performance of customer applications by 20 – 30 %.

In 2019, the High-Throughput Experimentation (HTE) laboratory in Houston, Texas, was inaugurated, further adopting machine learning algorithms to customize solutions for the oil and gas industry. The laboratory has an emphasis on low-dose hydrate inhibitors, asphaltene inhibitors, pour point depressants, and corrosion inhibitors, bringing solutions to market at unprecedented speed. In 2020, Clariant worked with the Barcelona Supercomputing Center (BSC) to discover and develop optimized low-dose hydrate inhibitor products for deepwater production using »in silico« high-performance computing molecular design techniques. The partnership enables insights to be derived for new chemical formulations that prevent gas hydrate formation and ensure pipeline flow in deepwater oil and gas exploration.

In 2020, Clariant opened a state-of-the-art crude and fuel oil lab in the UK. The laboratory is specialized in additives for crude and fuel oil applications and replicates field conditions to develop

#### Reducing sulphur oxide emissions in the marine industry

In 2020, the International Maritime Organization (IMO) introduced regulations to reduce sulphur oxide emissions from ships and ocean tankers. Clariant launched multiple marine fuel products to help customers comply with these new regulations and switch to Very Low-Sulphur Fuel Oils (VLSFO). These fuel oils have challenges with cold flow and incompatibilities. Clariant's pour point depressants and compatibility enhancers for fuel oils help overcome these problems.

products fit for purpose in transport and storage applications. With the new laboratory's innovative capabilities, Clariant has specifically developed wax control products and fuel stabilizer solutions to help customers reduce sulphur oxide emissions in marine fuels as required by the »IMO 2020« new regulations.

Business Unit Additives introduced safe and hazard label-free AddWorks® IBC 760, which boosts the performance of silyl-modified polymer (SMP) sealants used in construction, consumer, and industrial sectors. In addition, new solutions that support sustainable and bio-based applications of wood and plastic coatings were developed. One example is the EcoTain®-labeled Ceridust® 1060 Vita, which is based on renewable rice bran wax – a non-food-competing by-product from the production of edible rice bran oil.

### 4. Collaborating with partners and customers

In 2020, Business Unit Additives engaged in multiple collaborations, such as with Lavergne, a producer of sustainable engineering resin from recycled and ocean-bound plastics, and Floreon, an award-winning biomaterials technology company, to explore new technologies for better recycling and biopolymer solutions. Combined technical capabilities and market access support the development of circular alternatives to fossil-based plastics.

→ [REPORTS.CLARIANT.COM/2020/CIRCULARPLASTICS](https://reports.clariant.com/2020/circularplastics)

Another successful collaboration with the energy company Equinor resulted in the development of the high-performing oxygen remover solution. This helped the Norwegian Johan Sverdrup offshore platform production team win the prestigious »Hero Award« issued by Equinor for cost and sustainability achievements.

#### Lavergne and Clariant develop new high-performance life for plastic waste

Together with Lavergne, Clariant developed halogen-free flame retardant polyester compounds. They are made from ocean-bound plastics to support demand from electrical and electronics brand owners for flame retardant post-consumer recycle grades for equipment parts. Targeted to electric and electronic applications used in laptops, the flame retardant compounds deliver mechanical, electrical, and safety properties fully in line with manufacturers' requirements. This commercial development ties up with the increasing demand for post-consumer recyclates since the use of recyclates is not only part of sustainability claims by brand owners and OEM's (Original Equipment Manufacturers) who support plastic waste reduction but is also rewarded in ecolabel schemes like the American EPEAT and German Blue Angel.

#### Floreon and Clariant to expand high-performance biopolymer applications

Clariant and Floreon-Transforming Packaging Limited started a new collaboration to further extend the performance properties and market potential of biopolymers while preserving their environmental benefits. By integrating the benefits of Clariant's additives with Floreon's proprietary material solutions, the collaboration aims to open up additional possibilities for plastic manufacturers and brand owners to consider biopolymers as a viable, low-carbon footprint alternative to fossil-based plastics for both single-use and durable applications across multiple industries.

→ [reports.clariant.com/2020/circularplastics](https://reports.clariant.com/2020/circularplastics)

To recognize Clariant's efforts in the areas of sustainability and innovation, Henkel Adhesive Technologies awarded Clariant its Sustainability Award 2020 for the partnership in providing higher value, better performance, and a lower environmental footprint to its customers. In addition, Clariant's EcoTain®-awarded multi-purpose additive Licocare® RBW Vita, derived from crude rice bran wax, won »Best Product« at the ICIS Innovation Awards 2020.

### 5. Expanding innovation capabilities in local markets

To strengthen Clariant's position in the plastics and coatings business in China, the One Clariant Campus in Shanghai – an integrated regional headquarters and innovation facility – will be opened in 2021. The combination of technological knowledge and local support will promote effective green manufacturing and sustainable additive solutions for China's growing plastic, coating, and adhesive industry.

### 6. Advancing digitalization

Especially during the pandemic, technological advancements and digital applications became essential for process improvements and customer engagement. Together with customers, account management was redefined with the introduction of the CHEMVISION™ software for use in oil. It combines data from Clariant and the customer to enable transparency and risk prediction to protect customer assets. Together with the VERITRAX™ system, which digitizes the end-to-end chemical service operations for the oilfield, Clariant has enabled the digital oilfield and boosted data-driven decision-making. CHEMVISION™, a platform solution, was piloted in 2020 and will be expanded globally in 2021.

### 7. Launching products to support the transition to a circular economy

In 2020, Business Area Natural Resources launched various products that provide ecological benefits and improved safety profiles while being produced in an environmentally friendly way.

In the Business Unit Functional Minerals, newly launched products support refineries in waste oil purification to create feedstock for biofuel production. Moreover, Clariant's clay desiccants provide superior sustainability performance and biodegradability compared to silica gel desiccants.

As reducing waste in tailing ponds and maximizing recovery of valuable minerals became critical, Business Unit Oil and Mining Services launched a suite of new tailing flotation products for the treatment of slimes. This includes solutions from the Flotigam™ and Flotisor™ range, which help recover iron from the slimes.

Business Unit Additives continued to develop solutions for industrially compostable plastics and coatings. In 2020, Clariant was granted the »OK compost INDUSTRIAL™ « and »OK biodegradable SOIL™ « certifications by TÜV Austria Cert GmbH, an acknowledged and independent test and certification body, for a range of bio-based additives that are used for sustainable compostable products and agricultural applications with no adverse effects on the environment.

### 8. Enabling safer solutions

In 2020, two HOSTAFLOT™ products were advanced. These xanthate replacement technologies provide mining operators with a safer and more sustainable alternative to xanthate collectors, allowing mining operators to discontinue the use of xanthates. These alternatives, which Clariant developed through collaboration, offer a high copper flotation performance, thus enabling safer handling and disposal, reducing capital expenditure, and providing a longer shelf life than xanthates.

Business Unit Additives worked with electrical vehicle companies and 5G network infrastructure providers to drive further adoption of sustainable, halogen-free flame retardant solutions. To ensure fire safety and meet all specific regulatory requirements, the halogen-free flame retardants marketed under the EcoTain®-labeled Exolit® OP and the Exolit® EP lines have all the correct characteristics to help Clariant's customers to develop solutions for electric car batteries as well as for high-speed, high-frequency PCBs used in the 5G mobile communication standard.

### 9. Strengthening customer interactions and marketing capabilities

Over the course of the pandemic, Business Area Natural Resources conducted webinars, videoconferences, and virtual technical assistance to enhance customer experience. For example, Business Unit Functional Minerals conducted five webinars worldwide on edible oil and renewable fuels purification as well as foundry on-demand webinars broadcast via WeChat for the Chinese market. In addition, the business segment Cargo & Device Protection prepared a virtual booth for the Chinese market. Subsequent site visits strictly followed official health protocols.

To improve marketing and sales capabilities, Business Unit Oil and Mining Services formed a key account management team responsible for maximizing value for customers through better coordination of Research & Development, supply chain management, and local sales representatives. A new business development team was also built to deliver accelerated growth. Moreover, Clariant started to work on a new service to commission chemical programs for new mines.

In addition, the company's brand was also strengthened through webinar-based marketing and social media campaigns. Business Units Functional Minerals and Oil and Mining Services renewed their website and the appearance of their partners' websites. For example, landing pages for oil purification, paper, and feed additives were created, as well as new product pages for multiple segments.

### 10. Keeping customers supplied through the pandemic

Despite some supply and transportation shortages during the pandemic, Business Area Natural Resources was able to uphold its customer commitments in full. The seamless flow of communication to customers and suppliers and an extended planning horizon enabled the balancing of supply and demand. Contingency plans were also developed at the relevant sites. Where supplies fell short, Clariant identified alternative sources across its global network to fulfill customer needs, albeit with longer lead times.

**»It is our moral duty to deliver the full power of our technology, resources, and creativity to further increase the efficiency, safety, and cleanliness of oil and mining ores production.«**

**Rusmir Niksic**

Head of Business Unit Oil and Mining Services

Business Unit Functional Minerals did its utmost to manage rapidly changing day-to-day operations and mitigate any possible negative impact. The sales force swiftly adjusted the demand outlook; production sites around the world adapted their production plans; and supply chains carefully adjusted to the new supply and demand reality.

### **11. Improving operational efficiency**

Enhanced data analytics and online dashboards allowed Business Area Natural Resources to improve process planning and respond to market fluctuations, taking into account demand volatility and lead time to determine the optimal stock and service level.

To take advantage of synergies and further leverage its global reach, Business Unit Oil and Mining Services shifted from a regionally led supply chain to a strong global functional operations and supply chain organization with a global network of suppliers. This enabled more flexibility in the planning and production processes.

### **12. Expanding the global reach**

To increase the supply of high-quality activated bleaching earths to the edible oil and biofuel market and extend its portfolio of advanced purification products for customers across Europe, the Middle East, and Africa, Clariant invested in additional production capability in Yuncos, Spain. The optimized supply routes and the proximity to customers also enabled emission reductions through shorter transportation distances.

In order to meet the rapidly growing demand in Asia for high quality polymer applications in industries such as automotive, electronic goods, and garments, Clariant will open in 2021 a new world-class production facility of high-performance stabilization solutions in Cangzhou, China, in a joint venture with Beijing Tiangang Auxiliary Co., Ltd.

Clariant's Licocene® plant in Frankfurt, Germany, was expanded to meet the growing demand for sustainable hot melt adhesives used in hygiene and packaging applications and as backing materials in carpets. The metallocene technology-based propylene-ethylene copolymers also meet the requirements of plastic, coating, and ink

applications. In addition, the newly established lab facility and pilot plant will accelerate the development of new tailor-made solutions that support Clariant's customers' innovation projects. → **PAGE 40**

### **13. Health and safety at the core of operations**

Implementing stringent safety measures and heightening awareness through safety campaigns, trainings, checks, and accident avoidance projects helped Clariant prevent accidents. The annual on-site mining audits were conducted to ensure that all safety procedures were followed. COVID-19 safety initiatives were also implemented early and employees were instructed accordingly.

In addition, standardized risk identification processes helped develop appropriate strategies and measurements. In the Business Unit Functional Minerals, safety measures were also proposed bottom-up from self-organized project groups. As a result, a series of preventive health measures were implemented, from remote working to increasing the frequency and intensity of cleaning to adjusting business practices to ensure the recommended social distancing guidelines.

Business Unit Oil and Mining Services started behavior-based Environmental, Safety, and Health trainings across its global operations by incorporating behavior-based safety concepts to ingrain a different way of looking at safety.

For its efforts in health and safety, Business Unit Additives received the Phoenix Award for the continuous improvements of safety levels at the Gersthofen, Germany, site.

### **14. Improving the environmental footprint in operations**

In 2020, Business Area Natural Resources focused on optimizing waste generation, water usage, and energy savings. A key manufacturing site in the Business Unit Oil and Mining switched to sourcing renewable energy and looked into equipping its fleet with more electric vehicles and charging stations. Moreover, optimized delivery schedules and routes for sea freight and road transportation resulted in reduced carbon emissions and better support for customers in managing the warehouse inbound flows and planning activity.

To better detect and minimize dust emissions, Business Unit Functional Minerals installed new measurement systems. Moreover, it further promoted the sun-drying of bentonite to reduce energy and logistics costs while keeping higher proportions of the active product than in any other heating process. In Latin America, this methodology was applied for more than 80 % of the clay used. In addition, Clariant continued to explore possibilities to upcycle gypsum – a by-product of bentonite processing – to reduce waste and the related disposal costs.

### **15. Sourcing sustainable materials**

Business Area Natural Resources continued to search for sustainable raw materials with an improved carbon footprint or toxicity profile. The new Exolit® OP and Licocene® Terra ranges are based on certified renewable ethylene and propylene from biomass feedstock such as non-food-competing residue oils, helping to reduce consumption of fossil resources. To produce and certify products based on a mass-balance approach, the Business Unit Additives received the REDcert<sup>2</sup> certification at its production plants in Knapsack and Frankfurt, Germany. REDcert<sup>2</sup> is one of the leading certification schemes for sustainable biomass, biofuels, and bioliquids in Germany and Europe.

## Midterm Targets

**5-7%**

Growth potential per year

**18-20%**

EBITDA target margin

## Performance

### INPUT

 **2.2%**

R&D spend of sales

 **487**

Raw material procured in CHF m

 **> 150**

Active innovation projects

 **42**

Production sites


 **3 635**

Number of raw materials procured

### OUTPUT

 **1 570**

Sales in CHF m

 **-8%**

Growth in local currencies

 **13.9%**

EBITDA margin

 **15.5%**

EBITDA margin before exceptional items

 **2.87**

Production volume in m t

## People

### INPUT

 **25 337**

Training hours

 **1 736**

Raw material suppliers

### OUTPUT

 **3 773**

Staff in FTE at year-end

## Planet

### INPUT

 **1 166.0**

Energy consumption in m kWh







### OUTPUT

 **226.0**

Waste in thousand t

 **115**

Greenhouse gas emissions in kg/t production

-  Financial capital
-  Intellectual capital
-  Manufactured capital
-  Human capital
-  Relationship capital
-  Natural capital

# Discontinued Operations

**Business Unit Pigments is included under discontinued operations as Clariant is currently in the process of divesting this unit. The business provides superior-quality organic pigments, pigment preparations, and dyes to provide color in a wide variety of product applications. Its products enable customers to differentiate themselves with market-leading and innovative offerings that support the circular economy through enhanced recyclability.**

## 1. Planned divestment of Pigments business in 2021

While Clariant completed the divestment of its Business Unit Masterbatches in July 2020, the sale of Business Unit Pigments is expected to reach completion by 2021.

## 2. Responding to the pandemic

During the pandemic, Business Unit Pigments proved to be a reliable supplier for its customers by leveraging its global footprint and shifting production among sites. Although the pandemic caused a significant drop in demand for pigments, particularly in the automotive industry, demand from the printing, packaging, and home care industries remained stable.

## 3. Benefitting from the demand for sustainable and recyclable products

The Business Unit maintains close relationships with its customers to understand their needs. As a result, BU Pigments developed services and colorants to support its customers' commitments to the circular economy. An example is the setup of a range of pigments and dyes suitable for the coloration of biopolymers. Particular focus was put on supporting companies that are signatories to the New Plastics Economy Global Commitment.

### New Plastics Economy Global Commitment

The New Plastics Economy Global Commitment led by the Ellen McArthur Foundation in collaboration with the UN Environment Programme (UNEP) unites businesses, governments, and other organizations with a common vision to address plastic pollution at its source. Signatories include companies that represent 20% of all packaging produced globally.

Heightened awareness and regulations regarding microplastics represent another current megatrend. It affects, among others, manufacturers of fertilizers and plant protection products. In 2020, Pigments began developing a range of Agrocroc® colorants, which will address the Annex XV restriction proposal by ECHA for intentionally added microplastics in the EU, including for agricultural uses. The colorants will be based on dispersants free of tristyrylphenol, which will either exhibit biodegradability or fulfill the proposed solubility and melting point criteria.

In addition to improving the circularity of its products, Business Unit Pigments reviewed the use of renewable raw materials and the creation of environmentally friendly products in its range.

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## 001 DISCONTINUED OPERATIONS

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### OVERVIEW

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

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### APPLICATIONS

#### Business Unit Pigments

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

## 4. Advancing the recyclability of colored plastic

One of the challenges of recycling colored plastics is ensuring that the colorants used will not release harmful substances during further recycling loops. In 2020, Clariant started a project to develop a range of pigments that can safely withstand several loops of mechanical recycling.

Another challenge is achieving consistent colors in recycled polymers. Business Unit Pigments developed a process to help masterbatch producers and packaging designers to quickly and easily match the required colors using postconsumer recycled plastics.

Black plastics colored with traditional colorants are particularly difficult to recycle as they absorb Near-Infrared (NIR) light, which is used by detectors to sort polymers. In 2020, Pigments launched three NIR-detectable black colorants that make sorting black plastic for recycling possible. Solutions are now available for the polymers PET and PS, polyolefins, PA, and other engineering polymers.

#### **5. Safer and more efficient recycling of electronic equipment through halogen-free coatings**

During the recycling process for precious metals, halogenated flame retardants in electronic materials form toxic substances, posing an environmental risk. While halogens from pigments are not contributing to this risk, standard pre-recycling analytical tests cannot differentiate between halogens from pigments and flame retardants. Therefore, eliminating halogens from pigments is essential to avoid a significantly more complex and expensive recycling process. This is particularly difficult for green, violet, and orange pigments, colors that are therefore rarely seen in electronics, such as cellular phones. In 2020, Business Unit Pigments launched Hostatint™ A 100-ST, a range of liquid pigment concentrates that are based on pigments with halogen-free molecular structures. Electronic devices can now be coated with highly transparent and metallic colors, including green, violet, and orange, without impacting their recyclability.

#### **6. Strengthening commercial competencies**

In 2020, Business Unit Pigments strengthened its marketing and sales capabilities, leading to enhanced understanding of market trends, customer needs, and routes to market. The Business Unit held a range of technical and commercial webinars for customers and developed a web store where customers can easily place orders and access documents online, covering topics such as the safe handling of products.

To reduce its vulnerability to the volatility of raw material costs, the business invested considerable effort into passing such changes through to the customer by reworking pricing. This will maximize value for both customers and Business Unit Pigments.

#### **7. Increasing organizational agility and efficiency**

In 2020, Business Unit Pigments transformed from a regional to a global organization to be more agile in responding to customer needs and leveraging the global scale of the business. As part of this transformation, the organization itself was reviewed and efficiencies identified. The go-to-market approach was adapted, which included modernizing the interface to the market through the creation of a web portal allowing distributors to place orders directly with the IT systems. In addition, an enhanced demand planning process improved inventory availability. To guide management and employees through the transition, the Business Unit implemented a change management program with external support to assist with the swift implementation of the new global operating model. All these measures helped the business to react quickly and effectively manage the impact of COVID-19 to ensure continuous supply to customers.

As part of the »Seamless End-to-End Automation« initiative launched in 2019, Business Unit Pigments continued to optimize its production processes by minimizing resource usage and maximizing productivity, output, quality, and product availability. This led to reductions in energy consumption, waste generation, and emissions. Business Unit Pigments also addressed its product packaging by increasingly using paper instead of plastic. Substituting biodegradable plastic and dramatically lowering the amount of required packaging are ongoing innovation projects. The Business Unit also improved the efficiency of its end-to-end supply chain to achieve optimized transparency, reliability, and predictability, and improve inventory levels and lead times.

#### **8. Improved environmental performance and new targets**

All sites operate along ISO 9001/14001 standards. The new management of change process allows the organization to immediately detect and respond to changes in law and regulations.

By 2020, Business Unit Pigments almost met, achieved, or exceeded all of its 2025 environmental targets for energy consumption, water consumption, generated waste, effluents, and absolute carbon emissions and global warming potential per ton of product. Building on these successes, the Business Unit set new targets for energy consumption, CO<sub>2</sub> generation, water intake, water discharge, and specific hazardous waste generation per ton of production for 2030. Main drivers for further progress will be numerous energy and emission reduction projects, such as the conversion of the power plant on-site from coal-fired to natural gas-fired at Hoechst, Germany, and initiatives at several sites to implement closed loop systems and reuse water. A new target for volatile organic compound (VOC) reduction per ton of production was also added. In 2020, the production site in Cuddalore, India, reduced VOC emissions by more than 25 % within one year through technical improvements such as better sealing systems for the drying aggregates and reactors and more efficient cooling.

#### **9. Ensuring employee safety**

Business Unit Pigments' excellent track record in protecting employee safety is emphasized by its achievement of its goal of zero accidents. In 2020, protective measures to avoid the spread of COVID-19 among employees were at the center of attention. The organization achieved relatively low infection rates and kept its sites open as permissible by local regulations. Despite all challenges, Business Unit Pigments implemented measures needed to adhere to the ISO 45001 standard.



# Multicapital Review

**Based on Clariant's brand values of Performance, People, and Planet, the »Multicapital Review« describes Clariant's progress in 2020 on the topics considered material to the company's long-term business success. This review explains and discusses key performance indicators related to economic, social, and environmental topics.**

# Performance

**Clariant's first brand value, Performance, encompasses financial, intellectual, and manufactured capital value creation. By reporting progress on Innovation and Technological Advances, Digitalization, Product Stewardship/Sustainable Chemistry, procurement, and production – not just on the material topic of Growth and Profitability – Clariant demonstrates its holistic understanding of value creation.**

## 1. Financial capital

In 2020, Clariant delivered robust performance and successfully mitigated the negative impact of the COVID-19 pandemic.

### 1.1. Business performance summary for 2020

Clariant reported continuing operations sales of CHF 3.860 billion in 2020 compared to CHF 4.399 billion in 2019. This corresponds to a decrease of 5 % in local currency and 12 % in Swiss francs due to depreciating currencies versus the Swiss franc. Pricing had a positive impact on the Group. However, the modest sales increase in Business Area Catalysis could not offset the lower volumes in Care Chemicals and Natural Resources.

For the full year, Asia remained resilient, growing sales by 4 %, with notable growth in India while China increased sales by 6 % in local currencies. Latin America also increased revenues by 7 % in local currency. Sales in Europe declined by 8 %, followed by the Middle East & Africa, where sales were down 13 %. The 14 % slowdown in North America was attributable to lower demand in the Aviation business and Oil Services.

Continuing operations EBITDA reached CHF 578 million due to the weaker sales in COVID-19 exposed segments, but also due to the particularly difficult environment in Aviation and Oil. This development, amplified by weakening currencies, contributed to the absolute EBITDA contraction, resulting in an EBITDA margin decline to 15.0 % from 15.7 % (reported 10.5 %) in the previous year when excluding the one-off CHF 231 million provision, which was booked in the second quarter of 2019.

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 the fourth quarter, and the efficiency program provision. Natural Resources profitability weakened as a result of the challenging environment but was close to the prior year on an underlying basis.

In 2020, operating cash flow for the Group declined to CHF 369 million from CHF 509 million in the previous year due to the payment of a fine of CHF 166 million issued by the European Commission and due to the absolute contraction from adverse currencies and demand decline. Excluding the payment of this fine, the operating cash flow for the Group rose to CHF 535 million based on a high cash conversion driven by the execution of the performance measures.

#### CONTINUING OPERATIONS KEY FIGURES in CHF m

	2020	2019	Change in %
Sales	3860	4399	-12
Gross profit on sales	1173	1375	-15
EBITDA	578	461 <sup>1</sup>	25
EBITDA before exceptional items	619	740	-16
EBITDA margin (%)	15.0	10.5 <sup>1</sup>	-
EBITDA margin before exceptional items (%)	16.0	16.8	-
EBIT	298	165 <sup>1</sup>	81
EBIT before exceptional items	350	444	-21
EBIT margin (%)	7.7	3.9 <sup>1</sup>	-
EBIT margin before exceptional items (%)	9.1	10.1	-
Income before taxes	212	71	199
Net result	116	-34	-
Basic earnings per share (CHF/share)	0.28	-0.17	-
Adjusted earnings per share	0.65	0.87	-25
Return on invested capital (ROIC) (%)	7.0	3.0	-

<sup>1</sup> Including a CHF 231 million provision for a competition law investigation by the European Commission;  
Excluding provision:  
EBITDA after exceptional items at CHF 692 million, EBITDA margin 15.7 %, EBIT at CHF 396 million, EBIT margin 9.0 %

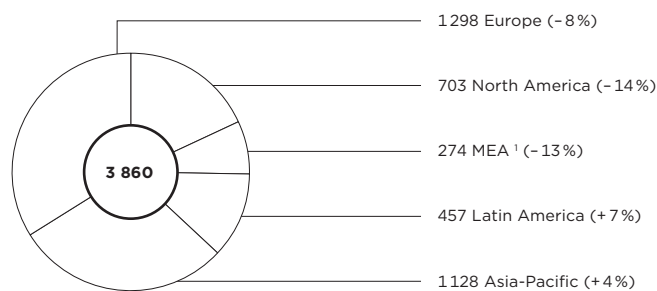
#### GRI Online Report

Management Approach Growth and Profitability  
→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

### 1.1.1. Clariant's 2020 robust results due to its focused specialty chemicals portfolio and execution of performance programs

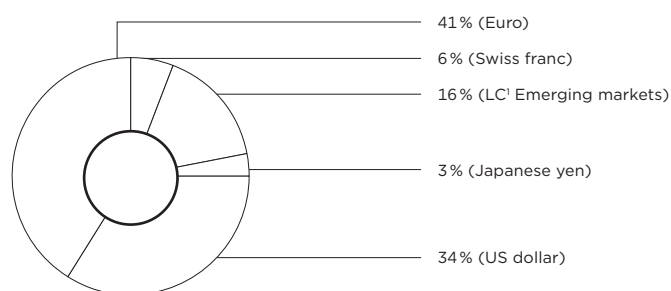
In 2020, continuing operations sales decreased by 5 % in local currency and by 12 % in Swiss francs to CHF 3.860 billion (2019: CHF 4.399 billion). The sales development was underpinned by 7 % lower volumes and by 2 % higher prices.

001 SALES BY REGION in CHF m



<sup>1</sup> Middle East & Africa

002 GLOBAL COST DISTRIBUTION



SALES BY BUSINESS AREA in CHF m

	2020	2019	Change in %	Change in LC <sup>1</sup> in %
Care Chemicals	1,411	1,600	-12	-5
Catalysis	879	925	-5	1
Natural Resources	1,570	1,874	-16	-8
<b>Total Continuing Operations</b>	<b>3,860</b>	<b>4,399</b>	<b>-12</b>	<b>-5</b>

<sup>1</sup> LC = Local currency

Catalysis reported slight sales growth of 1% in local currency, reflecting a sequential improvement throughout 2020 after a slow start in the first quarter. Resilient Petrochemicals sales and a significantly increased contribution from emission-control catalysts in India contributed positively. Excluding the feeble Aviation business in the first and fourth quarter, Care Chemicals sales reflected a positive development (reported -5%). The 8% sales decrease in Natural Resources is attributable in particular to lower volumes in oil and in the industrial applications amid softer demand during the COVID-19 pandemic.

### 1.1.2. Resilient EBITDA development throughout 2020

In an unprecedentedly weak environment marked by COVID-19, oil oversupply, and adverse currency volatility, the full year 2020 results exhibited a notable robustness. The 15.0% EBITDA margin in full year 2020 was slightly above the nine-month 2020 average of 14.8%, as anticipated. These results therefore clearly

reflect the superiority of Clariant's specialty portfolio as well as the effectiveness of Clariant's business continuity programs and performance measures.

Full year 2020 continuing operations EBITDA increased 25% to reach CHF 578 million. Excluding the one-off CHF 231 million provision booked in the second quarter of 2019 for the European Commission competition law investigation the EBITDA decreased 16%.

The lower EBITDA primarily reflects volume declines in the three Business Areas, amplified by weakening currencies, with a 5% EBITDA contraction in Care Chemicals, followed by a 21% decrease in Catalysis and 29% in Natural Resources.

EBITDA<sup>1</sup> BY BUSINESS AREA in CHF m

	2020	2019	Change in %
Care Chemicals	267	282	-5
Catalysis	168	212	-21
Natural Resources	218	305	-29
<b>Business Areas Total</b>	<b>653</b>	<b>799</b>	<b>-18</b>
Corporate	-75	-338	-
<b>Total Continuing Operations</b>	<b>578</b>	<b>461</b>	<b>25</b>

<sup>1</sup> After exceptional items

Correspondingly, the absolute EBITDA contraction resulted in an EBITDA margin decline to 15.0% from 15.7% (reported 10.5%) in the previous year when excluding the one-off CHF 231 million provision.

In Care Chemicals, profitability improved to 18.9% in 2020 from 17.6% in 2019 due to growth in Consumer Care and stringent margin and cost management. The EBITDA margin in Catalysis declined to 19.1% as a result of the less favorable product mix, particularly in the first and the fourth quarter, and the efficiency program provision. Natural Resources profitability weakened to 13.9% as a result of the challenging environment but was close to prior year on an underlying basis.

EBITDA<sup>1</sup> MARGIN BY BUSINESS AREA in %

	2020	2019
Care Chemicals	18.9	17.6
Catalysis	19.1	22.9
Natural Resources	13.9	16.3
<b>Total Continuing Operations</b>	<b>15.0</b>	<b>10.5</b>

<sup>1</sup> After exceptional items

Clariant's exceptional items for continuing operations in 2020 amounted to CHF 41 million (2019: CHF 279 million). Restructuring, impairment, and transaction-related costs (CHF 119 million) include restructuring expenses pertaining to its continuing operations in the amount of CHF 49 million, and transaction-related costs in the amount of CHF 59 million. Exceptional items include a gain from the disposal of activities not qualifying as discontinued operations of CHF 12 million (2019: CHF 2 million) as well as the partial reversal of the CHF 231 million provision booked for the European Commission competition law investigation in the amount of CHF 55 million.

In 2020, the continuing operations operating income (EBIT) increased to CHF 298 million (2019: CHF 165 million, CHF 396 million, excluding the CHF 231 million provision).

The net result for the total Group increased to CHF 799 million from CHF 38 million in 2019. The gain on the disposal of the Masterbatches business of CHF 723 million as well as the partial reversal of CHF 55 million of the EU fine provision had a positive impact. The net result was negatively affected by the volume-driven weaker absolute profit, negative currency effects as well as the expenses for the efficiency and rightsizing programs. The expenses of these performance improvement programs in 2020 are approximately CHF 141 million, which is broken down as CHF 49 million (efficiency) in the continuing operations and CHF 92 million (incl. CHF 68 million for rightsizing and CHF 24 million for efficiency) in the discontinued operations.

### 1.1.3. Business Areas

#### 1.1.3.1. Care Chemicals

##### CARE CHEMICALS KEY FIGURES in CHF m

	2020	2019
Sales	1411	1600
EBITDA <sup>1</sup>	267	282
Margin <sup>1</sup> (%)	18.9	17.6
EBIT <sup>1</sup>	199	211
Margin <sup>1</sup> (%)	14.1	13.2
Full-time equivalents (FTE)	2460	2615

<sup>1</sup> After exceptional items

For the full year 2020, sales in the Care Chemicals Business Area reflected a positive development, excluding the Aviation business effect amid COVID-19, yet reported a 5% decrease in local currency and declined by 12% in Swiss francs due to depreciating currencies versus the Swiss franc. Consumer Care sales increased in a high single-digit range, attributable to double-digit sales expansion in Crop Solutions and a solid progression in Personal Care as well as Home Care. Industrial Applications sales developed less favorably, primarily due to a severe drop in the Aviation business in the first and fourth quarter given the curtailed air traffic situation.

Sales in Latin America and the Middle East & Africa reflected strong progress in local currency, while sales in Asia also grew slightly. The developments in North America and Europe were negatively impacted by the particularly weak Aviation business.

The EBITDA margin for the full year 2020 increased to 18.9% from 17.6%. The weaker top-line development was countered by rigorous margin and cost measures while a more attractive product mix with proportionally more sales in Consumer Care also elevated the margin.

For developments and achievements in 2020 concerning Care Chemicals, see the chapter on »How Care Chemicals Creates Value.« → PAGE 47

#### 1.1.3.2. Catalysis

##### CATALYSIS KEY FIGURES in CHF m

	2020	2019
Sales	879	925
EBITDA <sup>1</sup>	168	212
Margin <sup>1</sup> (%)	19.1	22.9
EBIT <sup>1</sup>	95	140
Margin <sup>1</sup> (%)	10.8	15.1
Full-time equivalents (FTE)	2072	2114

<sup>1</sup> After exceptional items

For the full year 2020, sales in the Catalysis Business Area progressed by 1% in local currency, whereas depreciating currencies led to a 5% decline in Swiss francs. Most areas were negatively influenced by the generally weak demand environment in the chemical industry, though sales in Petrochemicals were resilient. In the second half of 2020, the sales contribution from emission-control catalysts in India for use with motorized scooters increased significantly due to the COVID-19 pandemic.

The sales development benefited from increased demand in Asia, India in particular and China as well. Catalysis saw solid growth in Europe and Latin America, which compensated for declines in North America and the Middle East & Africa.

The EBITDA margin for the full year 2020 decreased to 19.1% from 22.9% as a result of the product mix effects in the first and the fourth quarter of 2020, as well as the efficiency program provision.

For developments and achievements in 2020 concerning Catalysis, see the chapter on »How Catalysis Creates Value.« → PAGE 52

#### 1.1.3.3. Natural Resources

##### NATURAL RESOURCES KEY FIGURES in CHF m

	2020	2019
Sales	1570	1874
EBITDA <sup>1</sup>	218	305
Margin <sup>1</sup> (%)	13.9	16.3
EBIT <sup>1</sup>	122	208
Margin <sup>1</sup> (%)	7.8	11.1
Full-time equivalents (FTE)	3773	3947

<sup>1</sup> After exceptional items

For the full year 2020, sales in the Business Area Natural Resources decreased by 8% in local currency as a result of the challenging environment attributable to the oversupply in the oil market and the COVID-19 pandemic, and by 16% in Swiss francs due to depreciating currencies versus the Swiss franc.

The Oil and Mining Services business reported a low double-digit sales decline in local currency. Mining Solutions reflected positive expansion; however, the development in Oil Services and Refinery weakened more significantly. Sales in Functional Minerals decreased slightly in local currency as lower demand in the automotive sector negatively impacted Foundry. Sales in Additives decreased at a mid-single-digit rate in local currency

as the business faced lower demand in automotive, coatings, and fiber markets amid the COVID-19 pandemic.

In 2020, the EBITDA margin declined to 13.9 % from 16.3 % as a result of lower volumes attributable to the weaker demand environment resulting from the COVID-19 pandemic and also the efficiency program provision, which was booked in the second quarter of 2020. When excluding exceptional items, the underlying margin was in the range of the previous year's level due to the strong cost reduction in 2020.

For developments and achievements in 2020 concerning Natural Resources, see the chapter on »How Natural Resources Creates Value.« → PAGE 57

#### 1.1.3.4. Discontinued Operations

##### DISCONTINUED OPERATIONS KEY FIGURES in CHF m

	2020	2019
Sales	1 330	2 127
EBITDA <sup>1</sup>	770	158
Margin <sup>1</sup> (%)	57.9	7.4
Full-time equivalents (FTE)	1 893	5 282

<sup>1</sup> After exceptional items

As part of Clariant's portfolio optimization, the Business Units Pigments and Masterbatches and the Business Line Healthcare Packaging, which operated as a part of the Business Unit Masterbatches, have been reclassified to discontinued operations since 30 June 2019.

On 31 October 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners. The sale of Clariant's Masterbatches business to Avient (formerly PolyOne) was completed on 1 July 2020.

In the full year 2020, sales in discontinued operations decreased by 32 % in local currency and by 37 % in Swiss francs. On a like-for-like basis, excluding Healthcare Packaging sales from the full year 2019 as well as the Masterbatches sales from the second half of 2019, sales in local currency decreased only slightly by 3 % as a result of the difficult economic environment amid the COVID-19 pandemic. For the full year 2020, the EBITDA margin was positively impacted by the gain of CHF 765 million (before taxes) on the disposal of the Masterbatches business in the third quarter of 2020.

## 1.2. Balance sheet, liability structure, liquidity, and cash flow

### 1.2.1. Continued solid balance sheet

As of 31 December 2020, total assets decreased to CHF 6.933 billion from CHF 7.979 billion at the end of 2019 mainly due to the disposal of the Business Unit Masterbatches and the subsequent distribution from equity in the amount of CHF 989 million.

Assets held for sale and liabilities directly associated with assets held for sale amounted to CHF 797 million and CHF 263 million, respectively, as of 31 December 2020. This mainly pertains to the Business Unit Pigments, which continues to be classified as

discontinued operations. Additionally, one shareholding valued at equity was reclassified as »assets held for sale«.

Net debt decreased to CHF 1.040 billion at the end of December 2020, compared to CHF 1.372 billion at the end of 2019. This figure includes current and non-current financial debts, lease liabilities, cash and cash equivalents, short-term deposits and financial instruments with positive fair values reported under other current assets, including the part reported under liabilities directly associated with »assets held for sale.«

### 1.2.2. Long-term structured maturity profile secures solid liquidity structure

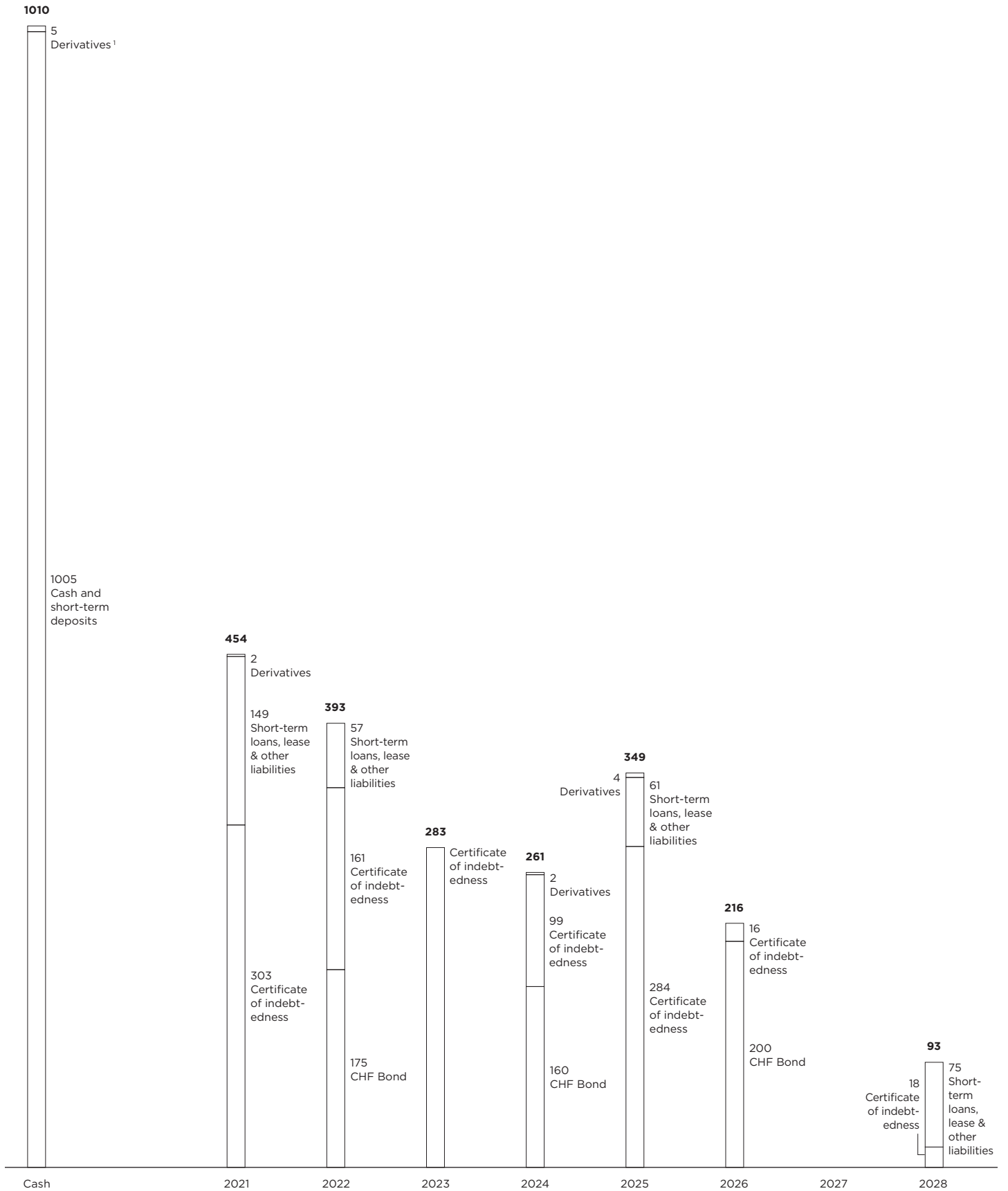
In the year 2020, Clariant's financing structure persisted at a very sound level. The Group maintains a broadly diversified maturity structure of financial liabilities with a long-term focus reaching until 2028. This funding has been secured on favorable terms.

Non-current financial debts decreased to CHF 1.424 billion at the end of December 2020 from CHF 1.485 billion at the end of December 2019 and current financial debts decreased to CHF 398 million at the end of December 2020 from CHF 587 million at the end of December 2019. The decrease in non-current financial debts and in current financial debts are mainly due to the combined effect of several transactions and reclassifications. There were the repayments of the EUR 150 million certificates of indebtedness maturing on 17 April 2020 and of the EUR 212 million certificates of indebtedness maturing on 26 October 2020. New certificates of indebtedness totaling CHF 272 million were launched in May 2020. Certificates of indebtedness in the amount of EUR 55 million and USD 277 million will mature in 2021 and were therefore reclassified from non-current to current financial debts.

003 DEBT MATURITY PROFILE PER 31 DECEMBER 2020 in CHF m

Liquidity

Financial debt maturities



<sup>1</sup> Financial derivatives with positive fair values reported under other current assets

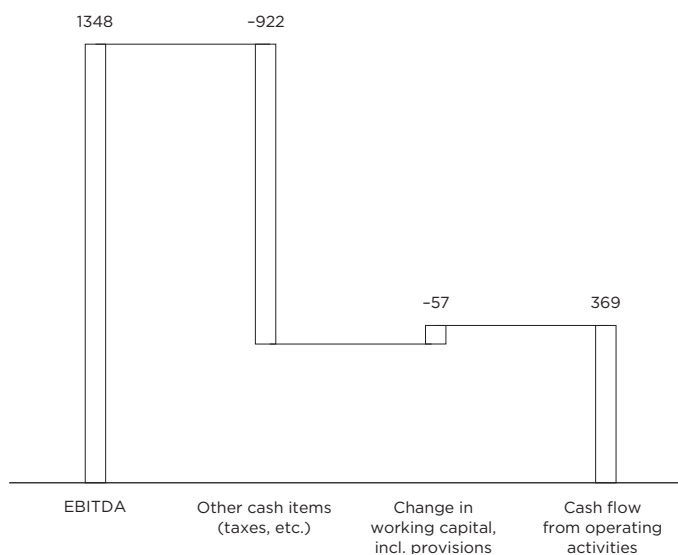
### 1.2.3. Operating cash flow impacted by payment of European Commission fine

Cash flow from operating activities before changes in net working capital and provisions for 2020 increased to CHF 541 million, compared to CHF 534 million for 2019.

Net working capital, including provisions increased by CHF 57 million in 2020, compared to a decrease of CHF 96 million in 2019. Changes in provisions were marked by the payment of the fine to the European Commission in the amount of CHF 166 million in the fourth quarter of 2020.

Cash flow from operating activities decreased to CHF 369 million compared to CHF 509 million in the previous year. Excluding the CHF 166 million payment of the European Commission fine, the operating cash flow for the Group rose to CHF 535 million in 2020 based on a high cash conversion driven by the execution of the performance measures.

004 TOTAL GROUP CASH FLOW 2020 in CHF m



Cash flow from investing activities increased to CHF 1.083 billion (2020: CHF -254 million). Capital expenditures increased to CHF 288 million (2019: CHF 273 million). Free cash flow, which equates to operating cash flow after capital expenditures and investments in intangible assets, decreased to CHF 70 million (2019: CHF 220 million). Net cash flow after investing and financing activities was positive at CHF 99 million (2019: CHF -195 million).

EXTRACT OF CASH FLOW STATEMENT (Total Group) in CHF m

	31.12.2020	31.12.2019
<b>Net income</b>	799	38
Reversal of non-cash items	-277	483
Cash flow before changes in net working capital and provisions	541	534
<b>Operating cash flow</b>	369	509
Cash flow from investing activities	1083	-254
Cash flow from financing activities	-1326	-440
<b>Net change in cash and cash equivalents</b>	99	-195
<b>Cash and cash equivalents at the beginning of the period</b>	638	833
<b>Cash and cash equivalents at the end of the period</b>	737	638

### 1.3. Outlook

#### 1.3.1. Focus on specialty portfolio and performance improvement to achieve above-market growth, higher profitability, and stronger cash generation in the mid-term

Clariant anticipates that the COVID-19 pandemic will still negatively impact sales, especially in Natural Resources, in the first quarter of 2021 versus the pre-COVID-19 comparable base in the first quarter of 2020. Despite rising feedstock prices, Clariant aims to defend its margin levels in the first quarter of 2021 versus the prior year and will continue to focus on the safety of its employees, support to its communities, business continuity to its customers, and stringent execution of its performance programs. This will be the fundament for taking the next step in 2021 to achieve above-market growth, higher profitability, and stronger cash generation in the mid-term.

Clariant is executing the five-pillar strategy by focusing on innovation, adding value with sustainability, repositioning the portfolio, intensifying growth – particularly in Asia and China – and improving performance. The Group is strengthening its Environmental, Social, and Governance ambitions in order to lead through sustainability and innovation. This becomes particularly evident in the increased ambition of CO<sub>2</sub> reduction from base year 2019 until 2030 by 40% for Scope 1 and 2. In addition, Clariant is introducing the CO<sub>2</sub> reduction by 14% for Scope 3 as a new target. In addition to these targets, Clariant is launching solutions to improve the CO<sub>2</sub> footprint of its customers (handprint), such as the sunliquid® investment. Clariant is committed to reducing climate change and contributing to the United Nations Sustainable Development Goals.

### 1.4. Stock market 2020

#### 1.4.1. Share price development 2020

In 2020, Clariant's share price development was largely impacted by general market trends, political events, and implications caused by the COVID-19 pandemic as well as corporate announcements. At the beginning of the year, Clariant's share price gradually retreated from its monthly high of CHF 22.40 on 22 January to CHF 21.75 on 31 January following news about the outbreak of the fast-spreading novel COVID-19 virus in China.

On 12 February, the share price remained largely unchanged at CHF 22.55 after Clariant announced that Mr. Stephan Lynen will be appointed CFO as of 1 April. A day later, on 13 February, Clariant released the full year 2019 results and confirmed the midterm guidance. The results exceeded market expectations due to higher profitability in the Catalysis and Natural Resources Business Areas. Consequently, Clariant's share price reacted positively and rose to CHF 23.50 on reporting day and shortly thereafter reached its highest level in 2020 of CHF 23.80 on 17 February. On 20 February, Clariant's Board of Directors proposed Mr. Nader Ibrahim Alwehibi and Mr. Thilo Mannhardt for election to the Board of Directors at its Annual General Meeting. The share price remained largely unchanged that day at CHF 23.40. Beginning in mid-February, news about the spread of the COVID-19 virus outside China dampened the general market sentiment given the uncertainty regarding

possible repercussions on the economy. As a result, Clariant's share price fell to CHF 20.30 on 28 February in line with the trend in the chemical sector.

In March, the COVID-19 epidemic developed into a full global pandemic and economies around the world went into lockdown mode. Consequently, the share price fell to CHF 15.60 on 18 March the day Clariant's Board of Directors announced the postponement of Clariant's Annual General Meeting in accordance with the federal regulations for public meetings in Switzerland. In view of the worsening pandemic situation, Clariant's share price declined continuously until 23 March to CHF 14.40, its lowest level in 2020.

In April, declining COVID-19 infection numbers in tandem with the financial aid programs from governments and central banks helped to stabilize the economy, and global stock markets started to recover. The Clariant share price reacted positively and increased during this period to reach CHF 18.85 on 29 April. The same day, Clariant announced its Annual General meeting will take place on 29 June 2020. The first quarter 2020 results, published on 30 April, missed market expectations due to lower sales in Care Chemicals and Catalysis, resulting in a share price decrease to CHF 17.90 on reporting day.

On 14 May, after Clariant's Board of Directors confirmed the extraordinary distribution of CHF 3.00 upon completion of the Masterbatches divestment while proposing to withhold the distribution of the regular dividend, the share price dropped to CHF 16.45. In June, the Clariant share price fluctuated between CHF 17.80 and CHF 19.30, reflecting the expectations of economic recovery as countries gradually reopened from the lockdowns. On 29 June, Clariant's virtual Annual General Meeting took place, in which all proposed agenda items and resolutions were approved. Clariant's share price reacted positively and climbed to CHF 18.60 on the day.

On 1 July, the announcement of the completion of the sale of Clariant's Masterbatches business led to an increase in the share price to CHF 20.00. As expected, on 6 July, the ex-dividend day for the extraordinary payment of CHF 3.00, the share price declined to CHF 17.65. Following the European Commission's decision on 14 July to impose a fine of EUR 155.8 million as a result of its

investigation into the ethylene purchasing market, Clariant's share price remained largely unchanged, as a provision covering this issue had already been made in 2019. On July 30, the results for the first half of 2020 exceeded market expectations in Care Chemicals and Catalysis and led the peer group. The Clariant share price closed lower at CHF 17.70 on reporting day due to the weaker market sentiment in light of the COVID-19 pandemic situation. A broad market recovery in conjunction with recurring M&A speculations temporarily lifted the Clariant share price to CHF 19.15 on 18 August.

In September, the resurgence of the COVID-19 virus in large parts of Europe and the U.S. negatively impacted the general market sentiment. Consequently, Clariant's share price dropped to CHF 18.05 on 25 September. The renewed implementation of lockdown measures as a reaction to the resurgence of COVID-19 infection numbers put pressure on the general market sentiment towards the end of October. On 29 October, the third quarter results came in above market expectations in Care Chemicals and Natural Resources; nevertheless, Clariant's share price dropped to CHF 15.70 on reporting day but recovered again shortly thereafter.

In November, the stock markets advanced across the board, reflecting expectations for a broad market recovery following news on the progress in the development of potential COVID-19 vaccines. Clariant's share price reacted positively and rose to CHF 18.00 on 16 November. On 25 November, Clariant announced its plans to rightsize regional organizations and Service Units in order to avoid remnant cost following the closing of its divestiture program. Clariant's share price declined to CHF 18.10, tracking the global stock market.

On 9 December, Clariant appointed Conrad Keijzer as Chief Executive Officer, effective as of 1 January 2021. The share price reacted positively and ended the day at CHF 18.30. On 28 December, Clariant announced that SABIC submitted agenda items for Clariant's 26th Annual General Meeting to be held on 7 April 2021. The Clariant shares ended the year at CHF 18.80, down on the year similar to many in its peer group.

Clariant has also been part of several well-known sustainability indexes such as the MSCI World ESG Leaders Index. Clariant's inclusion for the eighth consecutive year in the reputable Dow

005 CLARIANT SHARE PRICE DEVELOPMENT 3 JANUARY - 30 DECEMBER 2020 in CHF





Jones Sustainability Index, which benchmarks the sustainability performance of leading companies in environmental, social, and economic terms is a proof point of Clariant’s best in class sustainability achievements in these fields. In 2020, Clariant was awarded the SAM Bronze Class award for the fifth consecutive year for its sustainability performance. The repeated listings in further recognized sustainability indices, such as the SXI Switzerland Sustainability 25 Index, FTSE4Good Index Series, and Euronext Vigeo Europe 120 Index reflect Clariant’s distinguished achievements and commitment to value creation in sustainability and innovation.

**1.4.2. Distribution**

The Board of Directors recommends a regular distribution of CHF 0.70 per share to the Annual General Meeting based on the Group’s solid combined performance in 2019 and 2020. This proposal should not be interpreted as a recurring distribution as the proposed amount takes into consideration the Group’s performance of the past two fiscal years, the withholding of the ordinary dividend in 2020 as well as all shareholder commitments. The distribution is proposed to be made from a share capital decrease by way of a par value reduction.

**2. Intellectual capital**

In 2020, Clariant considerably strengthened its innovation capabilities and drove its digital transformation with cutting-edge innovation formats such as the Innovation Engine (iEngine) and the Innovation Garage (iGarage), as well as the cross-functional digital program Digital4Clariant. With strategic innovation governance and processes, Clariant leveraged its digital R&D footprint to create innovative business models and gain efficiency. Internal and external collaboration helped deliver high-quality innovation outcomes that combined sustainability and digitalization. Clariant also announced the creation of the new organization Group Innovation & Sustainability (GIS), which will further enhance its transformation roadmap in the areas of innovation and sustainability.

**2.1. Innovation and Technological Advances**

In 2020, Clariant strengthened the links between innovation and two of the main trends defining the chemicals industry: sustainability and digitalization. It adjusted its innovation governance, expanded its digital R&D footprint, and continued building on internal and external collaboration formats to deliver high-quality innovation outcomes.

INNOVATION AND TECHNOLOGICAL ADVANCES					
	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
Growth through innovation (%) <sup>1</sup>	>2.0	>0.5 <sup>2</sup>	>1.5 <sup>2</sup>	<3.0	-
Research & Development expenditures (CHF m)			190 <sup>2</sup>	207	-8.2
Research & Development expenditures as share of sales (%)			4.1 <sup>2</sup>	3.2	-
Patents (year-end)	>5100	>300 <sup>2</sup>	>5400 <sup>2</sup>	>6500	-
Trademarks (year-end)	>6000	>1400 <sup>2</sup>	>7400 <sup>2</sup>	>9000	-
Active innovation projects	>320	>30 <sup>2</sup>	>350 <sup>2</sup>	>375	-
Of which Class 1 projects with double-digit million sales potential or of strategic relevance			>55 <sup>2</sup>	>65	-
Scientific collaborations			>100 <sup>2</sup>	>125	-

<sup>1</sup> Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

<sup>2</sup> Excluding Business Unit Masterbatches

**2.1.1. Development of key performance indicators in 2020**

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 operations contracted by – 5 %, innovation sales of the continuing operations showed a growth of over 2 %, proving the remarkable resilience of Clariant’s innovation activities in such challenging times. This is a result of Clariant’s continuous commitment and effort to understand the challenges that customers are facing and apply its expertise to deliver better and more sustainable solutions.

**Innovation Project Classes**

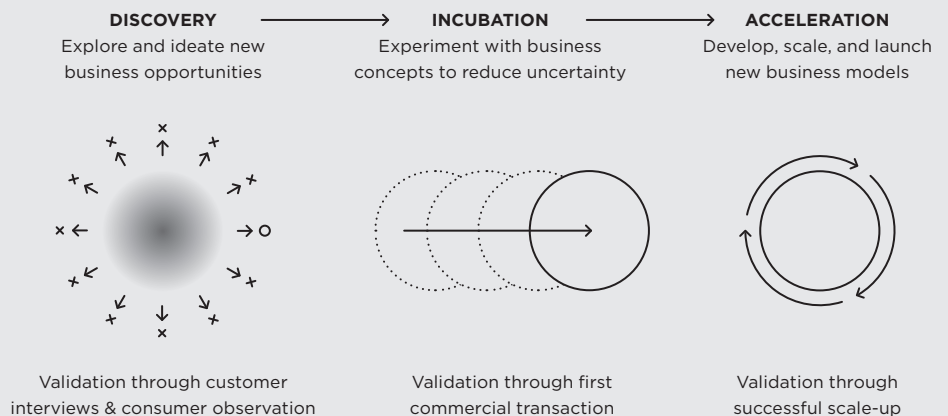
Class 1 projects have an estimated annual market value of CHF 10 million or more and are managed by Innovation Black Belts. Class 2 and Class 3 projects are led by Innovation Green Belts or trained Class 3 project leaders.

**GRI Online Report**

Management Approach Innovation and Technological Advances  
 → [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

**New strategic innovation process: Discovery, Incubation, Acceleration (DIA)**

Clariant’s newly established strategic innovation process goes beyond the current Idea-to-Market process and consists of three phases: Discovery, Incubation, and Acceleration. The DIA process aims to increase speed and establish new business in uncertain environments. Specialized teams with different mindsets, agile project management, and lean start-up methodologies allow fast learning to either confirm assumptions or change the business idea. Once an idea proves viable, Clariant can draw on its production network and market access to commercialize the product with short lead times.



Research & Development spending in 2020 was CHF 190 million (excluding Business Unit Masterbatches), compared to CHF 207 million in 2019. As a share of sales, R&D spending was 4.1%. Due to the divestment of Business Unit Masterbatches, which had a relatively low R&D spend, this indicator increased compared to 2019. The overall number of active projects in the innovation pipeline remained above 350 in 2020. Both iEngine and iGarage innovation formats helped fuel the innovation pipeline through fast-paced, highly efficient ideation processes and agile design thinking methodologies that support the development of market-validated innovations.

State-of-the-art equipment and infrastructure in eight R&D Centers and over 50 Technical Centers formed the basis for successful innovation. In 2020, Clariant increased the number of employees who were trained as innovation belts from 325 in 2019 to 365 – a key factor in ensuring a well-filled project pipeline and maintaining a high number of Class 1 projects.

In 2020, Clariant's patent portfolio counts 5 400 patents at year-end, and the trademark portfolio includes 7 400 trademarks. The number of patents and the number of trademarks decreased in comparison to 2019 due to the divestment of Business Unit Masterbatches and portfolio optimization measures.

### 2.1.2. Driving sustainability with cutting-edge innovation formats

In 2020, Clariant further developed its innovation governance to strengthen the link between innovation and sustainability, and continued to leverage its collaborative innovation formats to support the development of creative and sustainable solutions.

→ PAGE 38

With its latest iEngine event, Clariant aimed to develop a sustainable and easy-to-handle alternative to standard washing detergents, all of which have several disadvantages, including dispensing issues, costly logistics, or plastic packaging. Business Unit Industrial & Consumer Specialties worked to find nontoxic, sustainable solutions that addressed all these problems. The iEngine was held in close collaboration with Group Technology & Innovation and external partners and was finalized in 2020.

→ PAGE 48

An iGarage was conducted with Business Unit Functional Minerals on the subject of spent bleaching earths. Spent bleaching earth is a by-product of the purification process of oil media: impurities and contaminants are typically removed from oil media using bleaching earth. Spent bleaching earth is what remains after this process:

bleaching earth saturated with impurities and the oil. In some cases, a second life can be assigned; however, a significant amount of spent bleaching earth is landfilled or incinerated. In some regions, disposal costs are increasing and put additional cost burden on Clariant's customers. The goal is to assign spent bleaching earth a sustainable purpose that will profitably accommodate a circular economy and create additional value. → PAGE 58

To find new ways to increase the sustainability of bleaching earths, Clariant used the Discovery-Incubation-Acceleration (DIA) process in this iGarage. In the Discovery phase, a cross-functional team evaluated high-potential business models, including identifying secondary industries in which spent bleaching earths could be used. After the Management Committee of Business Unit Functional Minerals selected one of the business models, the team further developed the model in the Incubation phase, conducting technical pilots with an interested customer. In the Acceleration phase, which is planned to start in 2021, Clariant will identify viable regions to roll out the business model and prepare a go-to-market strategy.

### 2.1.3. Further accelerating efficiency and speed with High-Throughput Experimentation (HTE)

Digitalization is a key driver of Clariant's innovation activities, providing the tools to increase quality and speed. This is especially true for the development and implementation of transformational platform technologies such as High-Throughput Experimentation (HTE), where lab automation allows Clariant to generate very large sets of product performance data and new formulation leads. In 2019, the company launched a new HTE facility in Houston, Texas, USA. This facility provides key support to Business Unit Oil & Mining Services, such as in the development of pour point depressants (PPDs). Clariant also significantly invested in a high-throughput center for catalyst research in Palo Alto, California, USA. The enlarged state-of-the-art facility will accommodate additional technical experts and cutting-edge equipment, substantially accelerating Clariant's catalyst discovery and development. Another HTE facility will be inaugurated on the One Clariant Campus in Shanghai, China, in 2021.

### 2.1.4. Broaden the use of the Electronic Lab Notebook (ELN) with a global rollout

In 2020, Clariant further drove the introduction of the Electronic Lab Notebook with a rollout in Brazil, USA, South Africa, Australia, India, and China. In addition, it integrated an analytical information system into the ELN and introduced data visualization and correlation functionalities to support predictive analytics in the future.

#### High-Throughput Experimentation (HTE)

HTE employs automation and robotics, miniaturization, and parallelization to plan and execute experiments at significantly increased speed and optimized resource consumption. Combined with digital tools, intelligent design, and cutting-edge data analytics, it enables Clariant to find correlations that are undetectable using traditional methods.

#### Electronic Lab Notebook (ELN)

The Electronic Lab Notebook (ELN) – a cloud-based, digital knowledge repository – stores Clariant's scientific know-how by capturing all relevant information along the innovation chain. It consists of three core elements: a chemical inventory management system to backtrack and manage reagents used in laboratories; a study notebook with templates to enter R&D data; and analysis and visualization tools to analyze and correlate experimental data.

**2.1.5. Open Innovation initiative**

The Open Innovation initiative supports Clariant’s Business Units in identifying collaboration partners around the world, ranging from large corporations to start-ups, universities, and other research institutions. An important element of Open Innovation is the crowdsourcing of technology solutions through Open Innovation challenges.

In 2020, a new challenge was launched under the lead of Group Technology & Innovation and Business Unit Industrial & Consumer Specialties, inviting partners from Clariant’s innovation ecosystem to explore new opportunities for Clariant’s surfactant technology. Participants can choose to work on one of three topics: discover new materials derived from N-methyl glucamine; develop an innovative formulation containing at least one of Clariant’s existing surfactants; or develop a new business model based on one of the provided glucamides. Finalists will receive access to Clariant’s in-house expertise and customer network and will be considered for partnerships or funding. The top eight finalists will get the opportunity to pitch their idea to an expert jury in June 2021.

→ [CLARIANTSURFACTANTCHALLENGE.INNOGET.COM/INDEX.HTML](https://clariantsurfactantchallenge.innoget.com/index.html)

**2.1.6. Broad external innovation network**

Continuously seeking collaboration with external parties to promote innovation, Clariant engaged in more than 100 scientific partnerships in 2020. This vast network encompasses some of the brightest minds in trending fields, including data science, where Clariant is working with world-class data scientists from the University of Geneva.

**2.1.7. Collaboration with the University of Eindhoven**

Clariant also entered a strategic partnership with the Technical University of Eindhoven. The cooperation with the university’s Institute for Complex Molecular Systems (ICMS) not only allows Clariant to use the institute’s infrastructure but also to access their network of specialists. To benefit most from this setup, Clariant applied the iEngine format and involved experts from many different fields, such as material scientists, biologists, physicists, and chemists. This collaboration is a great example of how the iEngine format can be extended to crowdsource expertise from external partners. → [TUE.NL/ICMS](https://tue.nl/icms)

**2.1.8. Participating in public-private partnerships for circularity**

Clariant also participates in public-private partnerships that aim to improve the sustainability and circularity of the chemical industry. For example, it is a member of A.SPIRE, a European association committed to developing enabling technologies and best practices to support a resource-efficient process industry. A.SPIRE represents more than 150 practitioners from various process industries and researchers from over a dozen European countries.

→ [SPIRE2030.EU/INTRO](https://spire2030.eu/intro)

**2.1.9. Working with the World Economic Forum to support the transition toward a climate-neutral industry**

As part of the World Economic Forum’s »Low Carbon Emitting Technologies« (LCET) initiative, Clariant contributes to innovation that supports the transition to a low-carbon or even climate-neutral chemical industry. Clariant is involved in the »Biomass Utilization« cluster, which addresses the use of biomass as feedstock for chemicals, and in the »Waste Processing« cluster, which works on plastics recycling. Members of the cluster collaborate on contracting techno-economic studies and life cycle analyses, as well as defining interdisciplinary Research & Development programs to drive the transformation of the industry.

→ [WEFORUM.ORG/PROJECTS/COLLABORATIVE-INNOVATION-FOR-LOW-CARBON-EMITTING-TECHNOLOGIES-IN-THE-CHEMICAL-INDUSTRY](https://weforum.org/projects/collaborative-innovation-for-low-carbon-emitting-technologies-in-the-chemical-industry)

**2.2. Digitalization**

Digitalization is profoundly reshaping the chemical industry. Clariant leverages new technological possibilities and collaboration opportunities to create innovative business models, improve customer satisfaction, and gain efficiency in operations. Clariant’s cross-functional digital program, Digital4Clariant, drives Clariant’s digital transformation. → [PAGE 27](#)

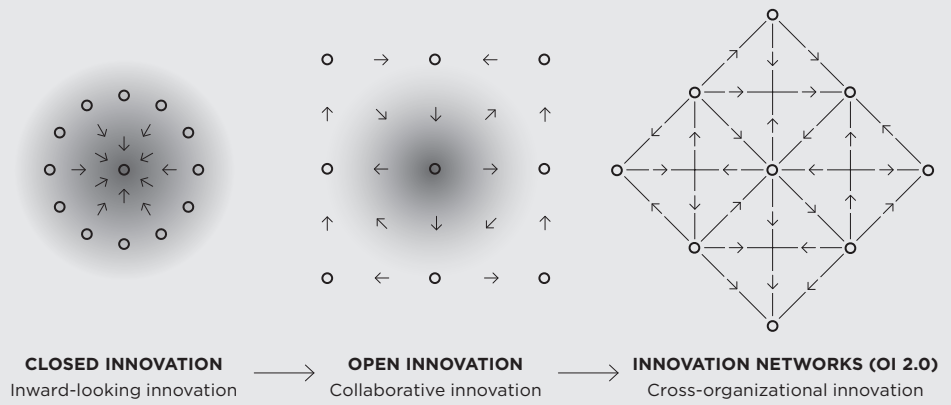
**2.2.1. Transformation to a data-driven company**

Clariant is progressing toward its goal to be a data-driven company,

**GRI Online Report**  
**Management Approach Digitalization**  
 → [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

**Overcoming internal and external boundaries with innovation networks<sup>1</sup>**

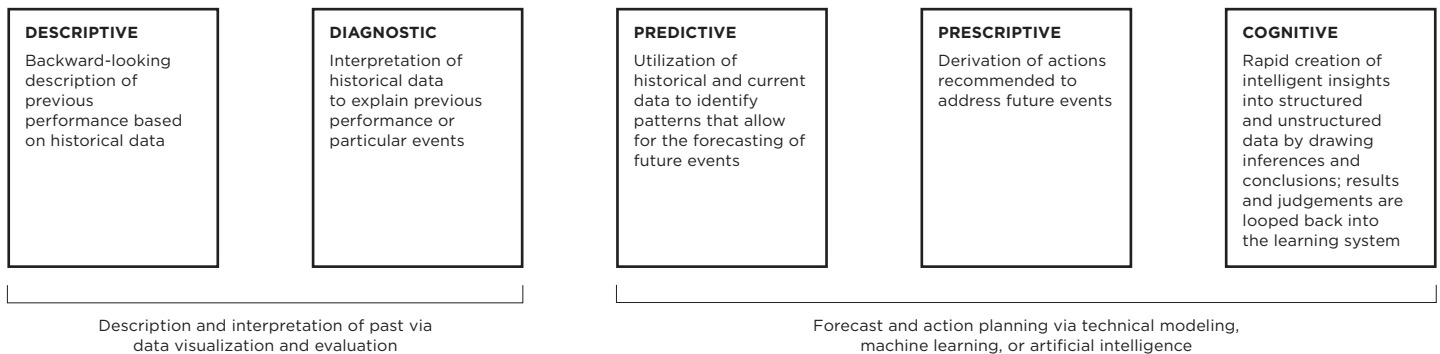
With the advancement of communication technologies (e.g., cloud computing, internet of things, big data, social media), Open Innovation entered a new paradigm known as OI 2.0. This enriched the innovation ecosystems and fostered co-creative collaboration between all actors in a quadruple helix system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



<sup>1</sup> EU Open Innovation Strategy and Policy Group (OISPG), 2013: Open Innovation 2.0: A New Paradigm  
 ● Internal boundary for innovation  
 ○ Idea/innovation/inspiration  
 → Flow of information  
 — Connection e.g., digital data

## 001 ANALYTIC DISCIPLINES IN DATA SCIENCE

Increasing value of analytical insights for business development



using data as the basis for as many decisions as possible. Data science plays a vital role in putting this ambition into practice. While the use of descriptive and diagnostic analytics is already widespread throughout the company, in 2020, Clariant also embarked on using it for predictive, prescriptive, and cognitive analytics.

### 2.2.2. Further establishing the technical foundations

The company established a Competence Center for Data Science in 2018 and laid the technical foundation for the company-wide use of data science in 2019 by implementing data science software and a data lake – a central data repository that facilitates access to data and information across the organization. In 2020, Clariant further developed the existing technical foundations, set up automated data collection, cleaning, and organizing, and invested in the data science capabilities of its workforce, thereby supporting the development of the five building blocks of a data science-driven company.

### 2.2.3. Piloting the creation of »single sources of truth«

In 2020, Clariant successfully implemented the data science-based project TRUST+ at the Catalysts/CATOFIN™ site in Louisville. TRUST+ refers to the »single source of truth« pillar of a data-driven company. A cross-functional team with experts from Business Units Industrial & Consumer Specialties and Catalysts, Digital4Clariant, Group IT, Group Technology & Innovation (GTI), and Clariant Excellence (CLNX) installed a cloud-based data lake where information from different data sources was collected, integrated, and made ready for use in a single, trusted data repository. Additional tools were set up to analyze and visualize the data.

#### Trendminer: Self-service analytics for the shop floor

Analyzing distributed control system data to steer production was a cumbersome task in the past. Trendminer, a self-service analytics tool for the shop floor, allows employees to thoroughly analyze time series data faster and more precisely. Over the last three years, the tool has contributed considerably to batch time optimization, yield improvements, and energy reductions, and has already resulted in significant cost reductions during its introductory phase. As a positive side effect, the widespread use of this tool has spurred collaborative learning and process optimization across production plants. The application of the tool is also another step toward predictive performance analytics at Clariant.

The project improved the production process by using data-based insights, significantly increasing production capacity. The project now builds the basis for similar projects in other Business Units.

### 2.2.4. Digital@Operations

Since the start of Digital@Operations as a Digital4Clariant program workstream, Clariant has successfully implemented several use cases. For example, it introduced a smart factory concept at its Singaporean site, which delivered convincing results in manufacturing and supply chain management, started using robots to digitize transactional processes, and introduced chatbots to improve customer service. Clariant decided to turn the initial workstream into a dedicated Digital@Operations team responsible for assessing the potential of digital solutions for efficiency improvements and cost reductions. The team also executes projects, many of which are based on data science and advanced analytics.

The first projects have shown that progressing from Operational Excellence to Digital@Operations requires a dedication to cross-functional collaboration. The Digital@Operations team and projects are now governed by the newly instituted Operations Council. The council consists of the Chief Operating Officer, the heads of Operations of all Business Units, the head of Digital4Clariant, the head of Group IT, the head of Process Technology, the head of Group Technology & Innovation, the head of Clariant Excellence, and a member of the Clariant Excellence team. Clariant will work on improving its digital governance and collaboration over the coming years. In 2021, agile principles will be further embedded at Clariant production plants to better leverage the potential of digital tools. To increase diagnostic capabilities, Clariant rolled out new analytics tools in 2020, such as Trendminer, that can be used not just by data experts, but by larger groups of employees.

### 2.2.5. New digital business models

The combination of chemical knowledge and data science enables Clariant to offer completely novel products and services.

One example is Navigance®, Clariant's start-up that uses artificial intelligence to optimize chemical processes by providing real-time recommendations for optimal control parameters. This cloud-based service helps formaldehyde and methanol producers increase

»Better decisions based on data science and advanced analytics lead to higher business value. Clariant sees a big opportunity in becoming a data-science-driven company. For this, we must increase Clariant’s data literacy and nurture a data-driven culture.«

Sibylle Mutschler  
Head of Digital4Clariant

production volumes and efficiency. In 2020, Clariant successfully sold the first Navigance® product, a software-as-a-service solution that is also key to the go-to-market approach of Business Unit Catalysts.

CHEMVISION™ is a second example of a digitally enhanced service, which was developed for Business Unit Oil and Mining Services. Traditionally, the process of developing the right chemical treatment for each oil well is time-consuming and requires extensive manual work from Clariant’s account managers, including the preparation of monthly reports. CHEMVISION™ allows for the automatic collection, aggregation, and analysis of laboratory data, customer data, financial data, production data, and chemical treatment effectiveness data. Key performance indicators are displayed in an interactive dashboard, facilitating a more transparent discussion about the performance of the chemical treatment between the customer and Clariant’s account manager.

2.2.6. The Digital Formulation Factory

Since formulation is a core competency and differentiator for Clariant, digital formulation is a significant opportunity to serve customers with high-quality and high-speed formulation development. Following positive experiences with past projects, such as InstaColr of the former Business Unit Masterbatches, Clariant established a dedicated team to create new digital formulators in the future. In 2020, the operating model for this functional team was developed and a project pipeline has been created and approved.

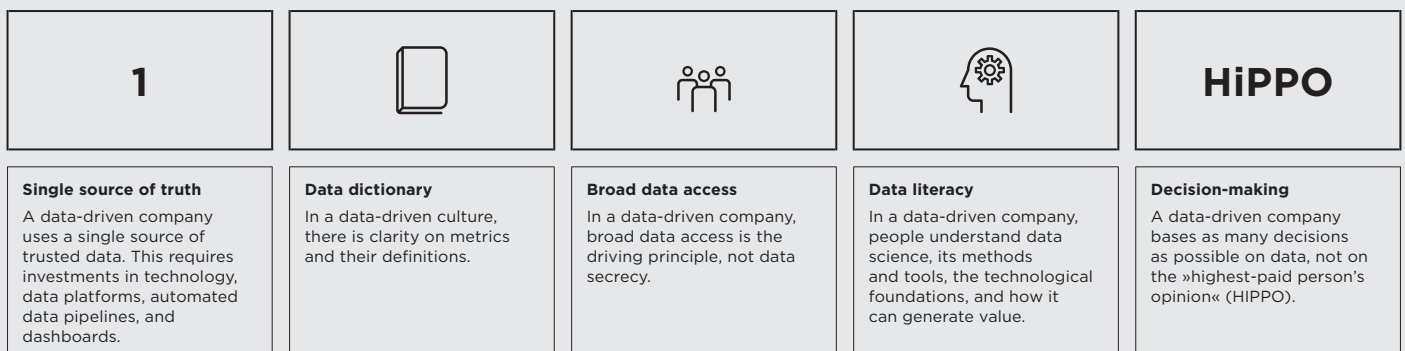
2.2.7. Digital upskilling through extended learning journeys

To support its transformation into a data-driven company, employees need to know about the key concepts of data science and learn how to base business decisions on data, models, and algorithms. Data-driven behavior can transform a company’s culture by triggering behavioral changes in work practices and leadership routines. Thus, Clariant further invested in the digital upskilling of its employees in 2020. While standard digital trainings on topics such as SCRUM, design thinking, or digital office tools have already been part of the Clariant Learning Academy, the company put more emphasis on developing holistic data science learning journeys in 2020. Clariant recognizes that data science upskilling is less about isolated training events and focuses more on allowing participants to apply new knowledge and try out desired behavior in practice. In 2020, for example, 19 Clariant employees from Europe joined a four-month virtual learning journey in data

Digital Work Permit

Digital capabilities are also used to increase operational safety at Clariant. The global initiative »Digital Work Permit« aims to standardize and digitalize the permit-to-work process at Clariant to help eliminate errors in the issuance of work permits for third-party service providers and thus improve safety in hazardous maintenance work at Clariant. The digital tool ensures that Clariant complies with its internal guidelines while speeding up the evaluation of work permits and reducing human error.

The five building blocks of a data-driven company



Source: <https://techcrunch.com/2017/06/23/five-building-blocks-of-a-data-driven-culture/>

science, which consisted of tailor-made elements and standard modules from established training providers. A global rollout of the program is planned for 2021.

Clariant believes that upskilling is a shared responsibility and thus collaborated with other companies such as Linde, Infineon, Munich Re, and the Bavarian State Ministry of Digital Affairs to jointly educate employees in digital transformation skills.

**3. Manufactured capital**

Protecting human health and the environment with safe and sustainable solutions is one of Clariant’s top priorities. A thorough safety and risk assessment for each product or solution that aligns with emerging regulations is core to the company’s stewardship approach. As part of the Portfolio Value Program, Clariant continued in 2020 to screen products against sustainability criteria across their entire life cycle to further identify and promote its EcoTain® products. In addition, Clariant further advanced the procurement of renewable raw materials.

**3.1. Product Stewardship/Sustainable Chemistry**

Clariant never compromises on human health or environmental safety. A thorough safety and risk assessment for each product or solution is core to the company’s stewardship approach and the starting point for its sustainable chemistry commitment. Handling chemicals responsibly and safely, in alignment with emerging regulations, is key for Clariant’s portfolio risk and opportunity management process and is a matter of course for Clariant. It enables the company to serve markets with innovative and sustainable products that meet regulatory requirements, while also responding to market trends.

PRODUCT STEWARDSHIP/SUSTAINABLE CHEMISTRY					
	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
EcoTain® awarded products	24	0	24	27	-11.1
Cumulative number of EcoTain® products	194	34	228	204 <sup>1</sup>	11.8
Product portfolio screened for sustainability performance (sales %)	76			76 <sup>2</sup>	0.0
Screened products meeting internal sustainability definition (%)	67			68 <sup>2</sup>	-
Screened products not meeting internal sustainability definition (%)	10			8 <sup>2</sup>	-

<sup>1</sup> Restated due to EcoTain® withdrawals  
<sup>2</sup> Number refers to continuing businesses only.

**3.1.1. Toward a product portfolio with enhanced safety and sustainability performance**

Sustainable chemistry encompasses the design, manufacturing, and use of efficient, effective, and safe chemical products and processes that are more environmentally benign. The Portfolio Value Program (PVP) is the overarching sustainability framework through which

Clariant’s product and innovation project portfolio is developed. As part of the PVP, Clariant screens innovative products before commercialization and revises existing product screenings to ensure broad screening coverage. The program assesses products and solutions against sustainability criteria across their entire life cycle to identify EcoTain® candidates.

In 2020, the number of EcoTain® products increased across all markets to a total of 228, reflecting Clariant’s efforts to combine innovation with sustainability. In addition, 76 % of the continuing operations’ portfolio was screened for sustainability performance, of which 67 % meet Clariant’s internal sustainability definition.

In 2020, Clariant started to revise the PVP to better respond to market developments, sustainability trends, and stakeholder needs. New criteria related to circular economy, as well as to safe and sustainable chemistry, have been developed, and an updated criteria set will be launched in 2021.

In the previous year, Clariant linked the sustainability performance of its products with its financial performance more effectively to support decision-making that enhances both sustainability and financial performance. Data shows, on average, sustainability excellence of EcoTain® products goes hand in hand with superior financial performance.

**3.1.2. Identifying sustainability improvement opportunities**

Clariant maintains road maps to drive innovation and uncover sustainability improvement opportunities in the product portfolio. Currently, these focus on reducing the use of certain hazardous substances in Clariant’s product portfolio and promoting alternatives that go beyond relevant regulations. This approach is particularly important in regions where regulatory action is lagging.

**3.1.3. Increasing the number of products with a sustainability designator**

The launch of Clariant’s sustainability designators in 2019, which enable customers to identify products with key sustainability advantages, has already shown positive results. Eighteen products carry the designator »Vita,« which indicates that the product contains natural ingredients, while 14 are labeled »Terra« to designate that product components are based on renewable resources. There is also one »Circle« product, highlighting the contribution to circularity in the plastics sector.

→ [CLARIANT.COM/EN/SUSTAINABILITY/PRODUCT-STEWARDSHIP/OUR-PRODUCTS-WITH-SUSTAINABILITY-DESIGNATORS](https://www.clariant.com/en/sustainability/product-stewardship/our-products-with-sustainability-designators)

**The EcoTain® label**

Clariant evaluates the sustainability performance of its product portfolio through the Portfolio Value Program (PVP), which enables the company to award certain products with the EcoTain® label. Identified by a corporate panel of experts, products awarded the EcoTain® label must have best-in-class sustainability performance on at least one of 36 criteria, offer benefits in several product life cycle phases, and not have any significant adverse environmental or social impacts. In the course of 2020, 24 products were awarded the distinguishing label.

**GRI Online Report**

Management Approach Product Stewardship/Sustainable Chemistry  
 → [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

### 3.1.4. Developing new chemicals for enhanced safety

Clariant supports its customers in meeting stricter regulations and ensuring sound protection of the environment and human health. For example, Business Unit Catalysts developed the next-generation PolyMax® 600 Series polypropylene catalysts. The EcoTain® product Safebrake® Life, a hydraulic liquid that transfers braking force from the pedal to the wheel, is an additional example. This product is crucial for road safety and is also the only hazard labelfree alternative in the market.

### 3.1.5. Responding to new global regulations on the rise

Clariant monitors regulatory developments to ensure the company complies with all current and emerging regulations. Chemical regulations similar to EU REACH have been introduced around the world to ensure the safe use of chemicals. In Turkey, Clariant started the preregistrations of chemical substances in 2020, which will be extended by a registration that lasts through 2023. Clariant ensured compliance with the new Australian Industrial Chemicals Introduction Scheme (AICIS), which oversees the import and manufacturing of industrial chemicals in Australia. In China, new regulations on chemical substance registrations were released that focus on environmental management and the identification of persistent, bioaccumulative, and toxic substances (PBTs). In India, the Chemicals Management and Safety Rules are expected to come into force in 2021.

### 3.2. Production volume

In 2020, the reported production volume decreased by 3.5 % to 4.1 million tons. Business Area Natural Resources continues to provide the largest share, with 2.87 million tons of produced goods, representing a decrease of 0.1 million tons. The production volume of Business Area Care Chemicals decreased by 0.04 million tons to 0.92 million tons. Business Area Catalysis produced 0.06 million tons in 2020, analogous to 2019. The remaining about 0.2 million tons were produced by the discontinued operations. Overall, more than 35 % of the production volume is manufactured in plants with a certified ISO 50001 energy management system.

### 3.3. Raw material procurement

Due to growing demand for sustainable products from customers and consumers, an evolving regulatory environment, and increasing interest in the circular economy, renewable raw materials are gaining importance. Clariant supports this shift by promoting innovation in biofuels, bio-based chemicals, and feedstock, strengthening its role as a sustainability leader in the chemical industry.

Clariant spent about CHF 3.7 billion on goods and services in 2020. Roughly CHF 2 billion were disbursed for raw materials from approximately 6 500 suppliers. Across all Business Areas, more than 18 000 different raw materials were procured, although 94 % of the purchase volume was made up of approximately 200 raw materials. In 2020, 20 % of purchased raw materials stemmed directly or indirectly from crude oil; about 19 % were derived from natural raw materials such as bentonite; and 7 % were made of renewable raw materials. The remaining materials were either base or specialty chemicals or nonchemicals.

In addition to promoting renewable raw materials, Clariant prefers to procure goods and services from local suppliers to support the economic development of its respective regions. However, to opt for local raw materials, impeccable quality as well as technical and economic feasibility must be guaranteed.

#### RAW MATERIAL PROCUREMENT <sup>1</sup>

	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
<b>Raw materials procured (in m t)</b>	2.69	0.23	2.92	3.13	-6.7
<b>Asia-Pacific (in CHF m)</b>	233	193	426	597	-28.6
Of which with local suppliers (in CHF m) <sup>2</sup>	221	184	405	564	-28.2
Number of local suppliers <sup>3</sup>	1 011	1 543	2 296	2 422	-5.2
<b>Europe (in CHF m)</b>	784	233	1 017	1 232	-17.5
Of which with local suppliers (in CHF m) <sup>2</sup>	742	167	909	1 117	-18.6
Number of local suppliers <sup>3</sup>	777	811	1 374	1 416	-3.0
<b>Latin America (in CHF m)</b>	164	43	207	262	-21.0
Of which with local suppliers (in CHF m) <sup>2</sup>	123	17	140	176	-20.5
Number of local suppliers <sup>3</sup>	660	612	1 065	1 088	-2.1
<b>Middle East &amp; Africa (in CHF m)</b>	40	27	67	99	-32.3
Of which with local suppliers (in CHF m) <sup>2</sup>	25	12	37	55	-32.7
Number of local suppliers <sup>3</sup>	108	268	358	395	-9.4
<b>North America (in CHF m)</b>	258	53	311	453	-31.3
Of which with local suppliers (in CHF m) <sup>2</sup>	239	46	285	419	-32.0
Number of local suppliers <sup>3</sup>	509	462	927	979	-5.3
<b>Grand Total (in CHF m)</b>	1 479	548	2 027	2 642	-23.3
Of which with local suppliers (in CHF m) <sup>2</sup>	1 350	427	1 777	2 330	-23.7
Number of local suppliers <sup>3</sup>	3 065	3 696	6 020	6 300	-4.4

<sup>1</sup> Duplicate counts possible. One supplier may supply to continuing and discontinued operations.

<sup>2</sup> Raw material spending of Clariant production sites in this region

<sup>3</sup> Regional suppliers that supplied Clariant (production) sites

### 3.4. Production sites and innovation facilities

#### PRODUCTION SITES AND INNOVATION FACILITIES

	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
Research & Development Centers			8	8	0.0
Technical Centers			> 50	> 50	-
Production sites	72	54	126	118	6.8
Countries with production facilities			39	38	2.6
Production (in m t) <sup>1</sup>	3.90	0.20	4.10	4.25	-3.5
Investment in property, plant, and equipment (in CHF m)			288	273	5.5

<sup>1</sup> For 2019, the production volume is based on a reduced reporting scope, which includes sites that are responsible for 95 % of total production.

#### 3.4.1. Developments in the production site network

By the end of 2020, Clariant operated 126 production sites in 39 countries around the world.

— Care Chemicals: At its ethylene oxide production plant in Gendorf, Germany, Business Unit Industrial & Consumer Specialties commissioned a new distillation column to improve product quality and increase capacity to serve production for personal and home care, crop solutions, and industrial

- applications. To meet the growing demand for sulphate-free and mild surfactants, Clariant began enlarging capacity at its sites in Mount Holly, United States, and Tarragona, Spain.
- Catalysis: Business Unit Catalysts is building a new production site for CATOFIN™ catalysts in Jiaxing, Zhejiang province, China. The plant will support the petrochemicals industry and is the most digitized Clariant facility to date. Business Line Biofuels & Derivatives sold license agreements to build full-scale commercial sunliquid® plants in Fuyang, China, and in the northeast of Bulgaria.
  - Natural Resources: Business Unit Functional Minerals invested in additional production capability at Yuncos, Spain, for activated bleaching earths to serve customers across Europe, the Middle East, and Africa. To enhance crude and fuel oil applications in transport and storage applications, Business Unit Oil and Mining Services opened a state-of-the-art crude and fuel oil lab in the UK. Business Unit Additives expanded the capacity of its Licocene® production in Frankfurt, Germany. In addition, a newly established lab facility and pilot plant will accelerate the development of new tailor-made customer solutions. In 2021, Clariant will open a new production facility of high-performance stabilization solutions in Cangzhou, China, in a joint venture with Beijing Tiangang Auxiliary Co., Ltd.
  - Discontinued operations: Business Unit Pigments opened a facility for high-end blue pigments for the automotive industry in Cuddalore, India.

#### **3.4.2. Research & Development and Technical Centers**

Clariant's strong innovation infrastructure consists of eight Research & Development Centers and more than fifty Technical Centers. The centers are distributed around the world, with locations in Europe, North and Latin America, China, and India.

In 2020, the company launched a new High-Throughput Experimentation (HTE) facility in Houston, Texas, USA, and significantly invested in a high-throughput center for catalyst research in Palo Alto, California, USA. Another HTE facility will be inaugurated on the One Clariant Campus in Shanghai, China, in 2021. → **PAGE 74**



# People

**Clariant's People brand value embodies the value creation that originates in human and relationship capital. This encompasses achievements related to the material topics of Talent Attraction and Development; Employee Engagement; Occupational Health, Safety, and Well-being; Customer Relationships; Ethics and Compliance; Policy and Stakeholder Relations; Sustainability Performance in the Supply Chain; and Human Rights.**

## 1. Human capital

Clariant's people are at the core of the company's long-term success. To attract and develop top talents, Clariant follows a structured approach, from recruitment and onboarding to learning and performance management. In addition, Clariant ensures employees' safety and supports employee engagement to foster a culture of learning and appreciation. In 2020, Clariant worked on multiple projects to realize the full potential of its workforce and stayed focused on its long-term goal of zero accidents. During the COVID-19 pandemic, Clariant took all necessary efforts to minimize adverse health effects.

With completion of the divestments of Business Line Healthcare Packaging and Business Unit Masterbatches, and Pigments' divestment expected by 2021, Clariant's size will be reduced by one-third. To ensure the smaller, less complex company functions appropriately, Clariant will reduce its workforce by approximately 1 000 positions by the end of 2022. About one-third of those positions are leaving Clariant with the divested businesses. The reduction of additional positions will include natural fluctuation and early retirement wherever possible. Where redundancies cannot be avoided, the process will be handled with the utmost care and social responsibility, and in accordance with relevant local legislation. Consultations with the respective local employee representatives are already in progress.

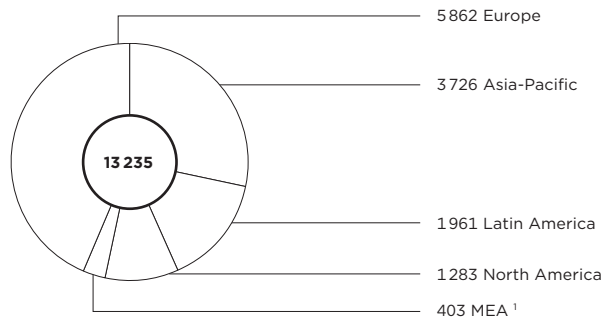
HUMAN CAPITAL					
	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
Total staff (in FTE)	11 342	1 893 <sup>1</sup>	13 235 <sup>1</sup>	17 223	-23.2
Employees (in FTE)	7 046	1 020 <sup>1</sup>	8 066 <sup>1</sup>	10 159	-20.6
Male	4 619	796 <sup>1</sup>	5 415 (67%) <sup>1</sup>	6 894 (68%)	-21.5
Female	2 427	224 <sup>1</sup>	2 651 (33%) <sup>1</sup>	3 265 (32%)	-18.8
Workers (in FTE)	4 296	873 <sup>1</sup>	5 169 <sup>1</sup>	7 064	-26.8
Male	3 945	854 <sup>1</sup>	4 799 (93%) <sup>1</sup>	6 603 (93%)	-27.3
Female	350	19 <sup>1</sup>	369 (7%) <sup>1</sup>	461 (7%)	-20.0
Turnover rate (%)			10.3 <sup>2</sup>	10.3	-
Staff in Research & Development (in FTE)	> 920	> 30 <sup>1</sup>	> 950 <sup>1</sup>	> 1 050	-
Personnel expenditures (in CHF m) <sup>3</sup>	1 034	272	1 306	1 478	-11.6

<sup>1</sup> Excluding Business Unit Masterbatches

<sup>2</sup> Excluding Business Unit Masterbatches. If the Business Unit was included, the turnover rate would amount to 11.2%.

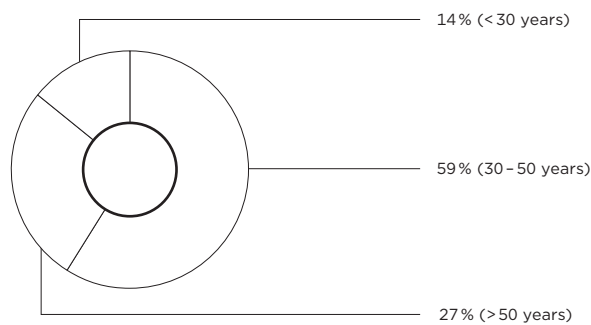
<sup>3</sup> Including own employees and external staff

001 FTE BY REGION



<sup>1</sup> Middle East & Africa

002 AGE DIVERSITY



Compared to 2019, the relative distribution of the workforce between regions remained almost unchanged, with minor decreases in North America (-1.9 percentage points) and Middle East & Africa (-1.5 percentage points) and minor increases in Europe (1.7 percentage points). Changes in Asia-Pacific and Latin America were less than 1%. → **FIGURE 001**

The age and gender structure of Clariant employees also remained constant. In 2020, 14 % of employees were younger than 30 years, 59 % were 30 – 50 years old, and 27 % were older than 50 years. → **FIGURE 002** The total Clariant workforce consisted of 77 % men and 23 % women. The number of full-time equivalents declined by 23 % to 13 235 in 2020.

1.1. Talent Attraction and Development

Talent attraction and development is a central factor in Clariant’s future business success. To support this priority, the company follows a structured approach, from recruitment and onboarding to learning, talent, and performance management. In 2020, Clariant worked on a broad range of projects along the entire employee journey to realize the full potential of its workforce.

TALENT ATTRACTION AND DEVELOPMENT

	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
Number of people hired	802 <sup>1</sup>	116	918 <sup>1</sup>	1 570	-41.5
Male	562	85	647	1 080	-40.1
Female	240	31	271	490	-44.7
Number of people who left the company	1 272	250	1 522	1 817	-16.2
Male	898	187	1 085	1 322	-17.9
Female	374	63	437	495	-11.7
Number of employees in the local, regional, and global talent pools	1 009	87	1 096	1 191	-8.0
Global management positions (ML 1 – 5) filled with internal candidates (%)	90	94	91	87	-
Total training hours	101 758 <sup>2</sup>	11 432 <sup>2</sup>	113 190 <sup>2</sup>	205 861	-45.0
Number of training participants	9 919	2 711	12 630	13 891	-9.1
Training hours (Ø per participant)	10.3	4.2	9.0	14.8	-39.2
Number of employees with standardized performance management process	6 610	2 720	7 335	10 063	-27.1

<sup>1</sup> Including 104 FTEs hired related to the acquisition of Clay Industrial Minerals Co Ltd

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

1.1.1. Recruiting and training statistics 2020

Clariant strives to attract people who fit with its values and meet the defined role requirements. In 2020, Clariant hired 918 new employees (271 women and 647 men). With 36.5 % of new hires, Asia-Pacific accounted for the largest share of new employees, followed by Europe, which accounted for 33.1 % of new hires.

Clariant’s performance management process ensures that strategic business objectives are translated into the employee’s day-to-day activities. In 2020, 7 335 employees followed a standardized performance management process.

Overall, 12 630 employees participated in a training recorded in the central learning management system, for a total of 113 190 training hours. This represents a reduction of around 45 % compared to 2019 and could be attributed to the effects of the pandemic. Clariant usually conducts trainings in the first quarter of the year, a time in 2020 when many countries worldwide went into lockdowns. Travel to external locations was not possible and the company had to postpone and cancel numerous trainings. In addition, virtual events, which took place instead, can usually be completed in less time. The average number of training hours per employee was hence significantly reduced to 9.0 hours per employee.

More than 1100 talents were discussed in 50 talent reviews across the organization, and concrete development steps and career measures were defined to be implemented in 2021. The reward for Clariant’s systematic talent management activities is a very high talent retention rate of 94 % in 2020, the same as in 2019. Clariant promoted internal candidates into 97 % of senior management positions and filled 91 % of group management positions with the internal population.

1.1.2. Swiftly adapting recruiting and development processes

In 2020, the upheaval caused by the COVID-19 pandemic called for agility and pragmatism. Clariant immediately intensified the

uptake of digital tools to ensure that business-critical positions were continually filled, and invested the time needed to develop trust with candidates in these uncertain times. Clariant's digital interviewing platform, which was introduced in 2018, facilitates the application process for candidates from around the world. Techniques like videoconferencing and asynchronous video interviews offer flexibility for both applicants and hiring managers, saving time and costs. The platform proved essential during the pandemic.

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

### 1.1.3. Attracting and assessing more candidates

The digital interviewing platform also allows Clariant to improve the quality of hires by assessing more potential candidates than traditional interviewing would allow. Talents can be assessed on a more level field by ensuring every candidate is evaluated with the exact same selection criteria. Traditionally, talent attraction relies on predefined profiles targeting limited talent pools, which can lead to the exclusion of high-potential candidates who are not effectively evaluated. Moving forward, Clariant will redefine and prioritize critical desired skills and create a flexible employee value proposition that corresponds to a wider audience.

### 1.1.4. Recruiting for the digital transformation

Acquiring the expertise that can support Clariant into its digital future remained a focus in 2020. The company pursues this through strategic partnerships with renowned universities and institutions such as the Impact Hub in Basel, and at virtual lectures, tech talks, and working circles. Clariant is increasingly seeking the so-called »hybrid« skillset – a combination of digital know-how and traditional job skills that is challenging to find on

the market. Programs such as the »Digital Enablement Learning Journey« – which aims to upskill existing employees in topics such as advanced analytics and data science – will enable Clariant to decrease its reliance on outside expertise.

### 1.1.5. Recruiting in the Chinese job market

WeChat, the targeted digital campaign rolled out via Clariant's Chinese social network, was advanced in 2020 by further broadcasting Clariant's brand identity and enhancing the integration of the network with local job boards to attract external talents. Through this initiative, Clariant received 7 907 views and 76 applications in 2020.

### 1.1.6. Key position placement and succession planning

Clariant maintains a strong talent pipeline and a robust succession planning system. Its approach to ensuring effective placement into leadership positions and fostering individual and organizational effectiveness is both active and predictive. In 2020, the organization held 58 talent reviews and mapped 202 Senior Management roles (ML 1–4) with potential successors. In addition, seven global job family talent pools were analyzed to identify implications of succession gaps and mitigation measures per region, and seven job family career paths were designed. Such career paths illustrate the steps needed to progress from a current to a key position within the organization for both managers and talents. Clariant's dynamic placement process was evident in a 38 % promotion rate for senior managers in 2020 and an average tenure in a role before promotion of only three years in the general talent population.

### 1.1.7. Assessing and developing leadership skills

Clariant's assessment center and capability development program provide aspiring leaders with clarity on requirements for various job levels and offer an assessment to identify development opportunities at organizational and individual levels. In 2020, the focus was on employees from the Human Resources and Finance departments, with over 100 individuals proposed for evaluation.

#### Leadership trainings at Clariant

##### PIONEER PROGRAM

The Pioneer Program was established in 2017 to enhance organizational understanding as well as leadership and communication skills of aspiring leaders by exposing them to short-term assignments outside their area of responsibility.

##### MENTORING PROGRAM

In the Mentoring Program, younger professionals get the opportunity to team up with experienced leaders to strengthen leadership skills and encourage knowledge transfer across functions and age groups. Since the inception of the program, more than 124 mentees participated in the program.

##### LICENSE TO HIRE

This training provides a toolkit for efficient recruiting and supports line managers in making the right hiring decisions. The program is offered to all hiring managers.

##### FRONTLINE LEADERSHIP TRAINING

This training is designed for production managers and shift leaders. It covers basic leadership instruments that enable managers to effectively lead and motivate teams and manage change. The interactive training is facilitated by a dedicated Learning Manager and repeatedly receives outstanding reviews from participants.

##### AUTHENTIC LEADERSHIP TRAINING

This intensive course focuses on communication skills necessary to be a successful and inspiring leader. The participants either attend the Executive Performance Training, which is designed for cross-functional groups of six people, or the Inspirational Leadership Creative Communication Program, which is open to larger groups.

##### TEAM EFFECTIVENESS PROGRAM

This program helps leaders apply measures that enhance trust within their team, improve the quality of decision-making, and strengthen the execution of commitments. The program was specifically designed to help leaders build high-performing teams.

##### INNOVATION TALENT MANAGEMENT REVIEW (ITMR) INITIATIVE

This initiative identifies talents, develops key innovation skills, and assigns innovation professionals to suitable Business Units. Clariant also defined career paths for its innovation professionals and developed a learning curriculum focused on innovation-specific topics. So far, 50 roles were mapped and more than 60 proposals for learning measures, such as trainings and on-the-job learnings, were collected. In 2020, 86 % of all innovation talents participated in development measures, including coaching, mentoring, and social learning.

Since the program relies on face-to-face exercises, schedules had to be adjusted according to local COVID-19 restrictions. Despite these challenges, 101 employees were able to participate, a higher number compared to 2019.

### 1.1.8. Developing a holistic and adaptable approach to change

The pandemic has reinforced the value of holistic change frameworks that can adapt to a variety of developments. In 2020, Clariant started the initiative Change Management@Clariant to support the company's readiness to embrace change, especially large organizational transformation projects, while maintaining agility and smooth operations. The initiative, including the upskilling of key personnel, initial application of the framework to pilot projects, and the organization-wide rollout of the general framework, is expected to be concluded by the end of 2021.

### 1.1.9. Maximizing effectiveness of talent development programs

Clariant offers a wide range of formal and informal programs for high-potential employees. The company continued to provide various well-established leadership trainings including, for example, the »License to Hire« program, which is offered to all hiring managers, and the »Authentic Leadership Training.«

Since its inception in 2018, 154 talents have been reviewed as part of the Innovation Talent Management Review (ITMR) initiative. The third ITMR round was completed in 2020. Additional informal learning and development initiatives include learning communities, peer coaching sessions, and a coaching program led by an externally certified consultant that focuses on behavioral change.

To ensure benefits of all programs and initiatives are maximized, the company will target several aspects in the coming years. These include: early identification of talents and increased visibility of development opportunities; connectedness of leaders and development of synergies across Business Units and Service Units; support and tools enabling talents to be the protagonists of their own career development; and change readiness.

## 1.2. Employee Engagement

Clariant's people are at the core of the company's sustainable value creation. They are an invaluable competitive factor in developing, improving, protecting, and delivering Clariant's products and services. Therefore, Clariant is committed to providing a company culture of learning, engagement, and appreciation for employees on all levels.

#### GRI Online Report

Management Approach Employee Engagement  
→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

#### Global Benefits Policy

This policy sets binding guidelines for benefits regarding flexible working, healthcare, travel, well-being, retirement, accidents, and death, while leaving some flexibility to adjust programs according to country-specific circumstances.

### 1.2.1. Increasing flexibility during COVID-19

Keeping employees engaged and motivated in times of change and upheaval caused by the COVID-19 pandemic was one of Clariant's major objectives in 2020. As a response, the company offered all employees flexible working conditions. To help employees work from home effectively and stay connected to their team remotely, Clariant issued a supplemental »Pulse Survey« in May, focusing specifically on the impacts employees were experiencing due to the pandemic. The survey received an extraordinary level of participation and engagement and showed very high levels of satisfaction with Clariant's communication and crisis management, employee engagement efforts, and ability to effectively collaborate during the lockdowns. The company also implemented short, bite-sized learning offerings targeting self-directed learning, called learning nuggets, as well as virtual engagement sessions on topics such as resilience, change agility, and leading remote teams.

Clariant will issue a global flexible working policy in 2021, which will provide guidance and adaptability in finding the right work-life balance for employees and line managers, both currently and post pandemic.

### 1.2.2. Employee Survey

In November 2020, Clariant conducted its second biannual »Pulse Survey.« Designed according to best practices recommended by the Dow Jones Sustainability Index, the survey is invaluable in understanding the drivers and current levels of employee engagement. The survey 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 conduct 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 the management. Surveyed employees feel safe and energetic at work, and a clear majority enjoy their work, are proud to work for Clariant, and would recommend the company as an employer to others. While fewer participants than in previous years reported a good work-life balance in 2020, the survey confirmed and even exceeded the high scores of Clariant's previous pulse survey on the company's management of circumstances resulting from the pandemic.

### 1.2.3. Promoting Clariant's global Employment Policy

Clariant ensures that it stays open to new ways of working, offers a global workplace based on common values, and creates a sense of purpose for all employees across regions and age groups. Clariant's global Employment Policy, adopted in 2018, describes what fair working conditions mean in daily practice, underlining the importance of employee collaboration. It clearly commits to equal development and promotion of all people across every organizational level and age group.

The policy is featured in the »People« section of Clariant's corporate website. Underpinning the importance of the topic for the company, Clariant's Head of Group HR Services acts as the main

contact person for all incoming requests on that site. In 2020, the policy's positive, inspiring language was reflected in career pages, job descriptions, LinkedIn subpages, external employer review websites, and responses to external questionnaires. → [CLARIANT.COM/EN/SUSTAINABILITY/PERFORMANCE-PEOPLE-PLANET/PEOPLE](https://www.clariant.com/en/sustainability/performance-people-planet/people)

#### 1.2.4. A culture of recognition and appreciation

The company's global Benefits Policy, adopted in 2018, provides a consistent framework for benefits programs across the organization.

Clariant also maintains a formalized Recognition Framework with monetary and non-monetary recognition programs. While recognition is awarded for achievements, the company's commitment to appreciation also acknowledges people and their behavior. An Appreciation@Clariant survey, conducted in 2020, to which 250 employees across regions, Business and Service Units responded, showed that Clariant lives up to its strong culture of appreciation. 73% of participants indicated that they express appreciation to their colleagues multiple times during the week, or even daily. In fact, 90% indicated that they consider timely appreciation as key to positive relationships. To further enhance the non-monetary recognition landscape, Clariant introduced new functionalities to the MySuccess platform in 2020. Employees can now nominate colleagues for an Appreciation Award through the platform and award Badges for a variety of reasons. These kind gestures have proven to be capable of fostering motivation, a sense of accomplishment, and altruistic working relationships among employees.

#### 1.2.5. Elevating Clariant's company brand and culture

Clariant's people are an invaluable asset in promoting the company as an attractive workplace. True brand ambassadorship among employees can only be achieved through a company culture of well-being, inclusion, learning, and engagement. »Learning Friday,« a new initiative providing learning and bonding opportunities to employees, was introduced in China in 2020. The virtual learning program received positive feedback from both participants and the management team. Another particularly successful engagement program in 2020 was »E3,« Clariant India's engagement initiative. It included team challenges, learning sessions, happiness and wellness initiatives, and even a lockdown support initiative, allowing employees to bond even while working from home. Lastly, to encourage employees to recruit new candidates from their professional networks, Clariant grants cash rewards for successful hires that arise through its referral program. In 2020, the company expanded the program to additional countries.

### 1.3. Occupational Health, Safety, and Well-being

In 2020, the global pandemic caused by COVID-19 dominated corporate discussions of health, safety, and well-being. Clariant took

all necessary efforts to keep its employees safe and thanks to its decisive action, the company managed to minimize adverse health effects and prevent internal outbreaks. Clariant also kept track of its long-term goal of zero accidents, substantiating its commitment to protect and promote the health, safety, and well-being of all employees.

#### 1.3.1. Responding to COVID-19

For Clariant, the key priority throughout the global health crisis caused by the novel coronavirus was protecting the health of all employees. The company enforced strong hygiene protocols, provided Personal Protective Equipment (PPE) where necessary, and sourced surgical masks to ensure safe working conditions. Surgical masks were also provided to employees for private use and Clariant implemented a varied strategy for remote working. The company also conducted a pulse survey to connect with employees, following up with a second survey six months later. The survey revealed the majority of employees felt well-informed, agreed with Clariant's approach to crisis management, and was able to effectively collaborate with colleagues. To quickly adjust to a changing environment, including continually updated scientific advice and legal regulations, Clariant developed over 30 different response scenarios to address potential developments in the pandemic's spread. The scenarios were approved by the Group Emergency Management (GEM) and communicated to regions, countries, and sites.

Since the pandemic started, Clariant has been offering comprehensive support to its employees around the globe, covering topics such as how to work from home, how to stay healthy, and how to stay in contact with the team. Clariant relied on an approach commonly developed by the Human Resources, Corporate Sustainability and Regulatory Affairs, and Corporate Communications departments. Driven by facts and enhanced with uplifting announcements and executive messages to employees and external stakeholders, Clariant fostered the same level of knowledge among all involved. To sustain the corporate culture and bonding, Clariant introduced virtual coffee breaks, set up a new social intranet, promoted virtual running groups, and raised awareness for social platforms such as Yammer. Any questions and concerns regarding the virus were collected and responded to in a digital COVID hub, which employees could reference as needed. Apart from internal measures, Clariant also granted external support: To alleviate availability issues in the midst of the virus outbreak, Clariant delivered approximately

#### Recognition Framework

This framework includes monetary and non-monetary recognition programs such as the Special Recognition Award, the Appreciation Award, and Day-to-Day Recognition. Those programs aim at highlighting and rewarding outstanding achievements while encouraging employees to recognize and appreciate the contributions of their colleagues.

#### GRI Online Report

Management Approach Occupational Health, Safety, and Well-being  
→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

#### Learning Friday

A virtual learning program, delivered during Friday lunch time, focuses on management competencies. The program offers new ways of learning that help employees adapt to working from home, foster a learning culture, and enhance engagement during challenging times.

80 tons of disinfectant free of charge to Swiss medical institutions. The company managed to retain the sustainability focus embedded in its DNA even in these times of turmoil: It sourced the main ingredient for the disinfectant, ethanol, from CropEnergies, the largest European producer of renewable ethanol.

**1.3.2. Tracking health and safety**

Clariant utilizes dashboards for occupational health and safety reporting. All sites are required to report immediately after a lost time accident or restricted work case occurs, which prevents the affected employee from working for at least one day. For those cases, investigation reports are mandatory.

OCCUPATIONAL HEALTH, SAFETY, AND WELL-BEING					
	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
Lost time accidents <sup>1</sup>			26	28	-7.1
Lost time accident rate (LTAR) <sup>2</sup>	0.16	0.14	0.16	0.15	6.7
Number of recognized occupational illnesses	0	0	0	3	-100.0
Lost workdays (LWD) caused by occupational accidents	858	371	1229	661	85.9
Lost workday rate (LWDR) <sup>3</sup>	7.46	7.23	7.39	3.43	115.5
Process safety event rate <sup>4</sup>	0.44	0.18	0.36	0.48	-25.0
Number of work-related fatal accidents	0	0	0	0	0

<sup>1</sup> Number of occupational accidents with at least one day's work lost  
<sup>2</sup> LTAR: accidents with at least 1 day lost/200 000 work hours  
<sup>3</sup> LWDR: loss of work days caused by occupational accidents in relation to 200 000 hours of work  
<sup>4</sup> Process safety event rate: ratio of the number of process safety events in relation to 200 000 work hours

In 2020, the overall health and safety performance at Clariant's sites further improved. The number of lost time accidents decreased by 7.1 % from 2019 to 2020, with one case concerning a supervised (non-Clariant) worker. In addition, six lost time accidents occurred involving contractors, which is a strong decrease compared to the ten accidents in 2019. 81 % of all recorded injuries required first aid; 16 % needed medical treatment; and 3 % of recorded injuries were restricted work cases. The most frequent injury types in 2020 were sprains, bruises, and contusions (23 %), bone fractures (23 %), and open wounds (15 %). Chemical burns and burn injuries each accounted for 8 %. Internal injuries, poisonings, and limb losses each accounted for 4 %. The remaining 11 % were unspecified injuries. Neither any work-related fatal accidents nor recognized occupational illnesses were recorded in 2020.

The lost time accident rate (LTAR) slightly increased to 0.16 accidents per 200 000 hours of work, as compared to 0.15 in 2019. The total number of lost workdays increased significantly from 661 in 2019 to 1 229 in 2020, representing an increase of over 85 %. This indicates that job-related injuries were more severe in 2020 than in 2019. Accordingly, the lost workday rate (LWDR) increased to 7.39 workdays lost per 200 000 hours of work. On the other hand, the number of reported Process Safety Events decreased to 60 in 2020, compared to 92 cases in 2019. The Process Safety Event rate decreased from 0.48 in 2019 to 0.39 in 2020.

**1.3.3. Cohesive occupational health and safety management programs**

Occupational health, safety, and well-being at Clariant means much more than wearing necessary safety gear. It is a commitment to tackle safety in a comprehensive way and ensure that every

**Safety Moments**

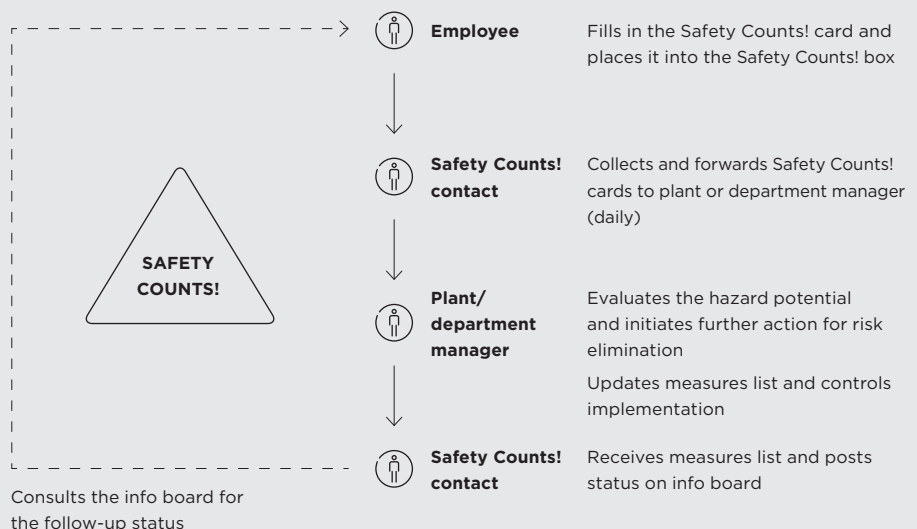
Clariant launched the Safety Moments initiative in 2017 to strengthen its safety-oriented leadership culture. Safety Moments are brief reminders of important occupational health and safety-related issues and are shared at the beginning of meetings, among other distribution channels. Managers can rely on customized handouts with relevant information for each employee group, distributed via an internal platform. More than 250 Safety Moments are already available and in 2020, several Safety Moments related to COVID-19 were developed and shared.

**Safety Counts! Cards**

Clariant's Safety Counts! cards also play an important role in ensuring health and safety, helping employees document critical safety situations and the circumstances that led to them. Improvement measures taken are shared locally, enabling the production teams to build best practices and promote a preventive mindset throughout the company.

**AvoidingAccidents@Clariant**

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



employee returns home after work as healthy as they arrived. The most effective way to prevent occupational accidents and achieve the goal of zero accidents is by implementing a set of cohesive management programs and leadership measures, among which are AvoidingAccidents@Clariant, Safety Moments, and Safety Counts Cards.

**1.3.4. Fostering employee well-being**

Promoting workplace health and well-being is a local responsibility that is addressed with tailored programs in the different regions. Clariant offers free psychological counseling and stress management trainings in many countries. Employee assistance programs analyze and evaluate mental strain, educate employees on mental health risks, and ensure the development of relief strategies for affected employees. In 2020, health and well-being was included in the Corporate Human Resources strategy. Due to the crisis caused by COVID-19, Clariant introduced virtual resilience and change agility programs in its new digital Clariant Academy. Furthermore, Clariant’s Corporate Human Resources started the development of a new home-office policy.

**1.3.5. Ensuring decent workplaces**

To protect employees from work-related hazards, every workplace is subject to a systematic, multistep assessment. This includes workplace ergonomics, illumination, noise, indoor air quality, as well as humidity and temperature. If defined minimum requirements are not met, Clariant takes measures to redesign the workplace.

**1.3.6. Promoting work-life balance**

Clariant’s employees are offered a range of benefits designed to enhance work-life balance. These include the provision of fitness facilities and contributions to external fitness programs, flexible working hours, home-office arrangements, childcare facilities and contributions to external childcare, as well as support for employees taking care of elderly family members.

**2. Relationship capital**

Understanding customer needs is critically important to develop tailor-made value propositions. In 2020, Clariant focused on building strong relationships with customers and suppliers and engaged in dialogs with policymakers and other stakeholders. Clariant implemented measures to foster digitally enhanced customer relations, applied sustainability criteria to select and manage suppliers, and screened raw materials for green alternatives. Committed to high ethical standards, Clariant also further progressed in becoming a value-based organization by ensuring the implementation of its human rights commitments.

**2.1. Customer Relationships**

Engaging and understanding customers are key to developing the products and services the markets seek and to ensuring profitable

growth. In 2020, Clariant continued to focus on strengthening the customer experience and developing tailor-made value propositions.

CUSTOMER RELATIONSHIPS			
	Total 2020	2019	Change in %
Customer interviews as part of marketing and strategy initiatives	132	404	-67.3
Interviews with industry experts as part of marketing and strategy initiatives	75	144	-47.9
Survey responses obtained from customer contacts	1 735	n.a. <sup>1</sup>	-
Customers who want to continue doing business with Clariant (%)	88	n.a. <sup>1</sup>	-
Customers who plan to intensify the business relationship (%)	82	n.a. <sup>1</sup>	-
Net Promoter Score (NPS) (%)	42	n.a. <sup>1</sup>	-
Number of Commercial Excellence projects	20	33	-39.4
Margin from Commercial Excellence (CHF m)	26.0	24.7	5.3

<sup>1</sup> Surveys are conducted every two years.

**2.1.1. Engaging with customers and market experts**

The significant number of customer interactions throughout the year reflects Clariant’s focus on customer experience. In 2020, Clariant conducted 132 customer interviews (2019: 404) and 75 industry-expert interviews (2019: 144) as part of marketing and strategy projects, yielding valuable feedback on how to further improve its offerings and the entire customer journey. The decline in conducted customer interviews mainly reflects the absence of follow-up interviews to the customer satisfaction survey, which is conducted biennially.

**2.1.2. Insights from the 2020 customer satisfaction survey**

The biennial comprehensive customer satisfaction survey was the most important source of customer feedback in 2020. It allowed Clariant to assess the success of programs implemented in response to the last survey conducted in 2018, which included a program for strategic key account management. The company had also addressed other areas for improvement, including complaint management and logistics. Customers of all Business Units in all regions were surveyed, with a total number of 1 735 responding. The reduced number of respondents compared to 2018 was mainly due the COVID-19 pandemic and an overall shorter survey period.

The overall results show that the high level of customer satisfaction slightly increased, with the Customer Satisfaction Index at 79 points (2018: 77). In total, 84 % of participants stated that Clariant is a reliable business partner and solutions Provider (2018: 78 %), and 78 % highlighted Clariant’s excellent customer-oriented approach (2018: 73 %). As in 2018, respondents ranked »Technical Service« and »Products and Packaging« as the two most important buying criteria. In »Products and Packaging,« Clariant increased its competitive edge with a larger share of respondents rating Clariant’s products higher than those of the competitors. The competitive performance of »Technical Service« and »Product and Packaging« increased compared to 2018. »Carbon Footprint« was introduced as its own assessment criterion in the 2020 survey. It was ranked as the seventh highest buying criterion. 95 % of respondents stated that sustainability was important for their operations and/or markets.

Customer loyalty was also found to be very high in 2020. The Customer Loyalty Index reached 85 points (2018: 81), and the Net Promoter Score (NPS) even increased from 29 % to 42 %. In the chemical industry, an NPS of 30 % is considered the benchmark. 88 % of respondents indicated they will continue doing business with Clariant in the future (2018: 86 %), and 82 % stated they are likely to intensify business with Clariant (2018: 79 %). The results revealed that complaint management is still an area with room for improvement, while ratings for logistics improved. Since survey results differ considerably between regions and Business Units, future improvement efforts will target business-specific and regional challenges in order to further increase customer satisfaction and loyalty.

**2.1.3. Making progress toward true customer-centricity**

Ongoing dialog with customers enables Clariant to address their needs along the entire value chain. Clariant’s Commercial Excellence inspires Business Units to move toward true customer centricity by listening and considering diverse customer perspectives, and supports them with advanced marketing and sales trainings and digital tools to elevate the customer experience. In 2020, a new »Ease of Doing Business« program was designed to strengthen customer relationships by differentiating Clariant as a business partner and increasing convenience. The company also made progress in segmenting customers into profiles in order to provide them with a tailored value proposition, and advancing digital tools to support commercial decision-making. → PAGE 41

**2.1.4. Translating customer insights into profitable growth**

In 2020, Clariant carried out 20 Commercial Excellence projects (2019: 33) to improve the ability to find, keep, and grow business opportunities with customers. The margin from these Commercial Excellence efforts was CHF 15.4 million in 2020.

Clariant’s Marketing Excellence initiatives capture growth opportunities. In 2020, Clariant carried out 20 Marketing Excellence projects (2019: 15) to identify subsegments of customers and gain in-depth knowledge of the customer decision journey.

**2.1.5. Advancing commercial competences**

To continuously strengthen internal marketing and sales capabilities across the organization, Clariant focuses on dedicated trainings from inside and outside experts. In 2020, Commercial

Excellence conducted several training programs, such as trainings for the new CRM system and an advanced marketing program. Several employees completed the marketing training curriculum, which was developed in 2019 in collaboration with the renowned Kellogg School of Management at Northwestern University in the United States.

**2.2. Ethics and Compliance**

Clariant’s Strategic Integrity Roadmap lays the foundation for an ethical mindset and responsible behavior in the workforce. It is structured around the five pillars: leadership engagement, communication and training, risk assessment, standards and controls, and monitoring. By continuing to implement the measures outlined in this roadmap, Clariant made further progress in 2020 in its evolution from a principles-based organization to a value-based organization.

**ETHICS AND COMPLIANCE**

	Total 2020	2019	Change in %
Questions and allegations issued via the anonymous Integrity Line	73	116	- 37.1
Fully or partially substantiated	17	8	112.5
Closed during the year	38	31	22.6
Percentage of Board members who received training on anticorruption (in %)	50	100	-
Percentage of relevant employees who received training on anticorruption (%) <sup>1</sup>	14	85	-

<sup>1</sup> In 2020, anticorruption training was delivered to newcomers only.

**2.2.1. Monitoring compliance through accessible grievance mechanisms**

Clariant tracks its ethics and compliance performance and its progress toward the objectives of the roadmap through a comprehensive set of indicators. Clariant’s Integrity Line, which can be used to anonymously report workplace-related issues and Code of Conduct violations, is a key measuring instrument. The line is hosted via an easy-to-use online portal that allows the company to evaluate potential misconduct and take preventative measures. In 2020, 64 cases and nine questions were received via the anonymous Integrity Line, of which 17 were fully or partially substantiated and pursued. The 2020 numbers thus reflect a decrease of 37 % compared to the previous year, largely due to the divestment completed in June 2020 and employees working from home across the globe due to the pandemic. Clariant will increase its focus on ways to speak up in 2021 as part of the Code of Ethics launch campaign.

**2.2.2. Launching Clariant’s revised Code of Ethics**

Clariant’s Code of Conduct outlines the company’s ethical commitments and supports employees in reflecting on responsible actions and decisions. Over the last two years, the company has worked on revising the Code, first published in 2007, beginning with an extensive review of existing policies. As a result, Clariant

**Our Guiding Principles**

- We Treat Each Other with Respect
- We Comply with Highest Ethical Standards and the Law
- We Put Safety First and are Committed to Protecting the Environment
- We are Committed to Fighting Corruption
- We Care About our Community and Behave as a Good Corporate Citizen
- We Handle Information with Care
- We Communicate Responsibility
- We take Care of Our Resources

**GRI Online Report**

Management Approach Ethics and Compliance  
→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)



developed more specific guidance on topics such as fraud, conflict of interest, and gifts and entertainment, and included further topics and commitments. The resulting new Clariant Code of Ethics is value-based and designed around Clariant's eight guiding principles. Due to the COVID-19 pandemic, the company had to delay its rollout, which will now take place in 2021 with campaigns highlighting Clariant's eight guiding principles and interactive activities to reach all employees, despite circumstances imposed by the COVID-19 pandemic.

### 2.2.3. Fostering ethics and compliance through trainings

To ensure awareness of the Code of Conduct, Clariant conducts mandatory e-learning and in-person compliance trainings for all employees. In 2020, 50 % of Board members and 14 % of employees received training on anti-corruption. Due to the delayed 2020 rollout of Clariant's revised Code of Ethics, which was caused by the pandemic, leader-led Compliance Sessions had to be canceled. Only the compliance e-learnings, required of every new employee, were conducted during the reporting year. In Latin America, Clariant tested and accelerated a new training format, the »Ethics Dialogues.« During these calls, employees can ask questions about various Code of Conduct topics, which are answered directly by different leaders. Questions can also be submitted anonymously after the call. About 1 000 employees participated across the region.

### 2.2.4. Enhancing the Data Privacy Program

Clariant's »Think Privacy« data privacy program was started in 2018 in response to the General Data Protection Regulation (GDPR) of the European Union. The program consists of a Data Privacy Policy; a general Directive on how to process personal data; standardized operating procedures (SOPs) on the subject of Data Breach and execution of privacy rights; a basic Data Privacy e-learning course to familiarize all employees with the principles of the data privacy policy; and dedicated deep-dive sessions for the more exposed functions like Human Resources, Marketing, and Sales. In 2020, Clariant continued to advance the six strategic pillars of the program: ensure compliance with regulation, documentation of systems where personal data is processed, foster a risk-based approach, create awareness, train relevant employees, and monitor program execution. To further fulfill GDPR requirements for the management of personal data, Clariant advanced the integration of the Information Lifecycle Management (ILM) concept into the company's SAP system.

### 2.2.5. Responding to regulatory changes

The company monitors regulatory changes rigorously. For example, in 2020, when the Schrems II court decision invalidated the EU-US privacy shield and subsequently the Swiss-US privacy shield, Clariant immediately set up a project to swiftly address the required changes.

### 2.2.6. Greater transparency regarding human rights

Stakeholder-led regulatory proposals such as the Responsible Business Initiative in Switzerland are increasingly demanding greater transparency, particularly regarding the protection of human rights. In the coming years, Clariant will enhance existing activities that address this need. The new Code of Ethics reflects

the company's enhanced commitment and focus on human rights both in its own operations and its supply chain.

## 2.3. Policy and Stakeholder Relations

Maintaining an open and trustworthy dialog with all stakeholders and participating in relevant public policy developments are both important aspects of Clariant's corporate responsibility. Active engagement in platforms such as trade associations enables mutual learning and strategic alignment. It also amplifies Clariant's views and positions on relevant public policy debates, particularly as they relate to sustainability.

### 2.3.1. Memberships and engagements

Clariant is a member of numerous interest groups and trade associations. At the international and regional level, these include the International Council of Chemical Associations (ICCA) and the European Chemical Industry Council (Cefic). At the national levels, Clariant is part of national business federations and chemical industry associations, such as the Associação Brasileira da Indústria Química (ABIQUIM) in Brazil, the China Petroleum Chemical Industry Federation (CPCIF) in China, the Verband der Chemischen Industrie (VCI) in Germany, and the American Chemistry Council (ACC) in the United States.

Clariant is also active in sectorial associations, such as in the bioeconomy field, and supports scientific and research associations, including SusChem, the European Technology Platform for Sustainable Chemistry.

As a responsible corporate actor that values transparency, Clariant publicly discloses its contributions to trade and business associations. → [CLARIANT.COM/EN/COMPANY/](https://www.clariant.com/en/company/corporate-governance/public-policy-dialog)

[CORPORATE-GOVERNANCE/PUBLIC-POLICY-DIALOG](https://www.clariant.com/en/company/corporate-governance/public-policy-dialog)

The top three contributions Clariant made in 2020 were all for Europe-based associations. Together, they represented more than 50 % of Clariant's total membership costs. These were:

1. Verband der Chemischen Industrie e.V. – VCI, the German national association of chemical producers;
2. Scienceindustries, the Swiss business association for the chemical, pharmaceutical, and biotech industries; and
3. Handelskammer beider Basel, the Basel Chamber of Commerce.

### 2.3.2. Policy areas of interest

Clariant works on a number of policy areas. In 2020, the company focused particularly on chemicals legislation, the circular economy, waste policies, sustainable mobility, the bioeconomy, energy and climate change, and innovation policy frameworks and R&D funding. Clariant is actively contributing to the public dialog in support of the transition to a less toxic, low-carbon, and more circular economy. Clariant believes that legal frameworks and policy incentives are needed to support the transition.

#### GRI Online Report

Management Approach Policy and Stakeholder Relations  
→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

**2.4. Sustainability Performance in the Supply Chain**

Clariant’s sustainability leadership extends beyond the company’s operations to include the supply chain. Clariant spends more than CHF 2 billion, the largest share of its total expenditure, on more than 18 000 different raw materials from almost 6 500 suppliers. Thus, suppliers strongly influence the company’s overall sustainability performance. Clariant uses comprehensive criteria to select and manage suppliers, including sustainability considerations such as environmental and safety standards, social and governance aspects, complaint management, working conditions, and respect for human rights.

**2.4.1. Conducting sustainable supply chain assessments**

To evaluate and increase the sustainability of its supply chain, Clariant relies on assessments and audits conducted by Together for Sustainability (TfS), which uses the internationally recognized EcoVadis platform. 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. The number of new audits amounted to 258 in 2020, adding up to more than 2 000 audits conducted since 2012. Clariant correlates the supplier assessments against its own supplier base to determine the share of total spend covered by TfS assessments. Coverage reached 84% in 2020, surpassing the company’s goal of a direct spend coverage of 80% by 2020.

**SUSTAINABLE VALUE CHAIN**

	Con- tinuing	Discon- tinued	Total 2020	2019	Change in %
Raw material suppliers <sup>1</sup>	3 795	3 991	6 486	6 805	- 4.7
Number of new Sustainability Assessments shared <sup>2</sup>			1 148	1 043	10.1
Number of new Sustainability Audits shared <sup>3</sup>			258	309	-16.5
Raw material supply spend covered by sustainability evaluations (%)	86	79 <sup>4</sup>	84 <sup>4</sup>	78	-

<sup>1</sup> Duplicate counts possible. One supplier may supply to continuing and discontinued operations.

<sup>2</sup> Together for Sustainability (TfS) supplier assessments

<sup>3</sup> Together for Sustainability (TfS) supplier audits

<sup>4</sup> Excluding Business Unit Masterbatches

**2.4.2. Taking corrective measures**

To further decrease sustainability risks in its supply chain, Clariant develops Corrective Action Plans (CAPs) based on TfS assessments, which outline how affected suppliers can improve their sustainability performance. In 2020, Clariant developed a Supplier Sustainability Consequence Management Framework to assist buyers in evaluating, monitoring, and responding to TfS sustainability assessments of their suppliers. The framework provides systematic steps the buyers may take to engage with their suppliers and communicate Clariant’s expectations. They are accompanied by letters that are available in six languages.

**2.4.3. Supporting suppliers to increase sustainability**

In 2020, Clariant invited suppliers to participate in trainings and webinars facilitated by TfS. The events emphasized the importance of sustainable procurement and helped suppliers understand requirements and opportunities of the EcoVadis methodology and TfS. The trainings took place in the Asia-Pacific region and Latin America and were held in various languages.

**2.4.4. Going beyond direct suppliers**

Transparency and visibility of Clariant’s multi-tiered supply chain remains a challenge. To strengthen its sustainable procurement program, Clariant aims to extend its approach beyond its own suppliers to include tier 2 suppliers. In 2020, Clariant joined a pilot program on sub-tier supplier assessments with other TfS member companies. Based on their strategic relevance, a selection of traders Clariant purchases materials from will ask their tier 1 – that is, Clariant’s tier 2 – suppliers to disclose information via EcoVadis. Clariant will then receive aggregated information on the sustainability performance of its tier 2 suppliers.

**2.4.5. Strengthening capabilities for a sustainable supply chain**

Clariant organizes internal trainings to enhance its capability to evaluate sustainability performance in the supply chain every year. The trainings mainly target employees in Global Procurement Services (GPS) and Business Units to promote sustainable procurement initiatives throughout the company. Other opportunities for raising awareness include Lunch & Learn sessions, workshops, and exchange meetings.

**2.4.6. Clearly defined requirements in Supplier Code of Conduct**

Clariant’s Supplier Code of Conduct outlines strategy, scope, and expectations regarding the sustainability performance of suppliers. As part of the General Terms and Conditions of Purchase, the code is incorporated into every purchase order. Suppliers and their subsidiaries are required to agree and fully comply with the Code.

→ [CLARIANT.COM/EN/COMPANY/CORPORATE-GOVERNANCE/CODE-OF-ETHICS](https://reports.clariant.com/en/company/corporate-governance/code-of-ethics)

**2.5. Human Rights**

Protecting human rights during all phases of value creation is a prerequisite for sound business governance and a license-to-operate. Clariant is committed to upholding high standards across all Business Units, not only within its own operations, but also with regard to the entire supply chain and contracted workers.

**2.5.1. Cultivating the appropriate policies**

Over the years, Clariant has built a comprehensive framework of policies, guidelines, and processes to ensure the implementation of its human rights commitments. The framework is regularly updated in response to current developments. Areas that were

**GRI Online Report**

Management Approach Sustainability Performance in the Supply Chain → [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

**GRI Online Report**

Management Approach Human Rights → [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

identified as high-risk during the 2016 human rights due diligence review have been investigated thoroughly.

### **2.5.2. Global Employment Policy**

The guidelines ensuring human rights protection within Clariant's own operations are defined in Clariant's global employment policy. Created in 2018, the policy addresses fair working conditions, discrimination, freedom of association, occupational health and safety, as well as child and forced labor. It has been translated into local languages and is part of the onboarding curriculum for all new employees.

### **2.5.3. Protecting human rights in the supply chain**

Among other social, governance, and environmental topics, Clariant regularly assesses its suppliers in relation to child and forced labor. This occurs via the Together for Sustainability (TfS) platform and in cooperation with other companies.

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.

### **2.5.4. Responsible Mica Initiative**

Business Unit Masterbatches, which Clariant divested in mid-2020, was an active member of the Responsible Mica Initiative, a cross-industry association that collaborates with local governments, NGOs, and other stakeholders along the mica value chain. As no other Clariant business is a member of the Mica Initiative, the company will no longer report in this regard.

### **2.5.5. Upcoming priorities**

Regulatory developments, such as the potential supply chain law in Germany or the consequences of the Responsible Business Initiative in Switzerland, will enhance supply chain sustainability industry-wide. Moving forward, ensuring human rights compliance in high-risk supply chains, such as for palm-based raw materials and other renewable-based materials, will remain a challenge and a priority.

# Planet

**The brand value Planet encompasses Clariant's value creation that results from responsible use of natural capital. Progress on the company's environmental targets and on the material topics of Environmental Protection and Resources, Climate Change, and Circular Economy highlight this commitment.**

## 1. Natural capital

To tackle climate change and enable the transition to a circular economy, Clariant continuously improves operational efficiency and expands its circular product portfolio. In 2020, Clariant explored promising options, partnerships, and areas for growth and innovation. In addition, it implemented various measures throughout the company to promote environmental protection and resources, including activities for responsible energy and water consumption, the responsible use of raw materials, and the prevention of pollution and other ecosystem impacts.

### 1.1. Progress toward environmental targets 2025

Clariant has goals to achieve significant environmental impact reductions in six crucial areas by 2025, as compared to 2013. In relation to produced goods (per ton), Clariant aims to reduce energy consumption and direct CO<sub>2</sub> emissions by 30 %; greenhouse gas emissions, water consumption, and waste volume by 35 %; and wastewater volume by 40 %.

In 2020, energy consumption per ton of produced goods increased by 0.5 %, from 754 kWh to 758 kWh. Direct CO<sub>2</sub> emissions (Scope 1) slightly increased from 93 to 96 kg (3.2 %), and greenhouse gas emissions (Scope 1 & 2) increased from 202 to 205 kg (1.5 %), both per ton of production. The slight increase per ton is mainly due to the lower production volume.

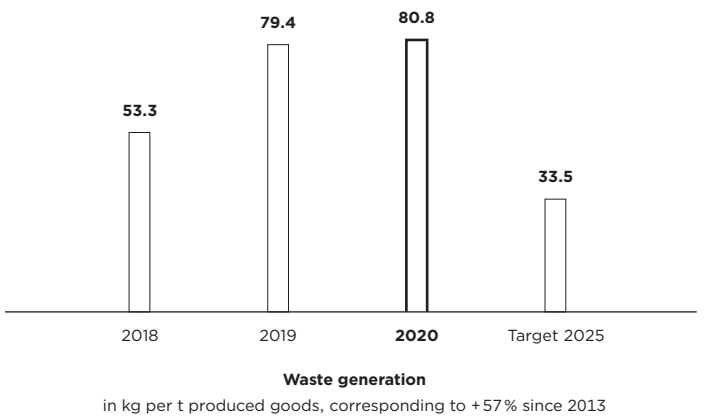
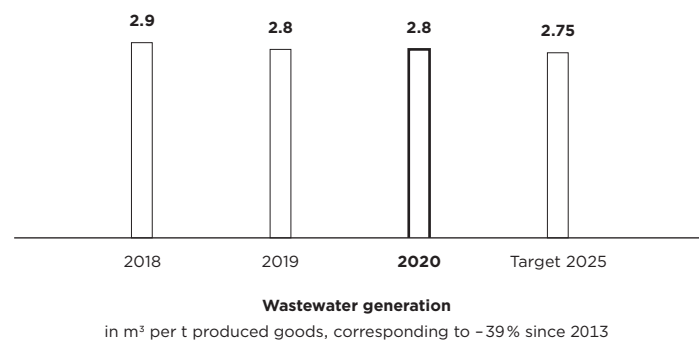
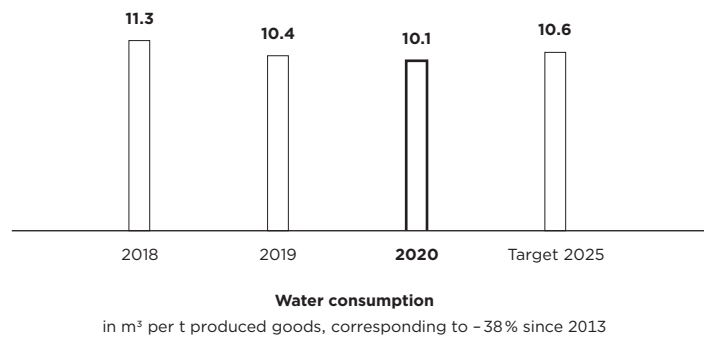
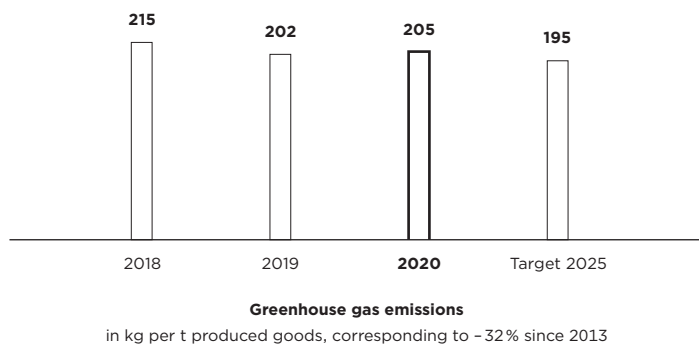
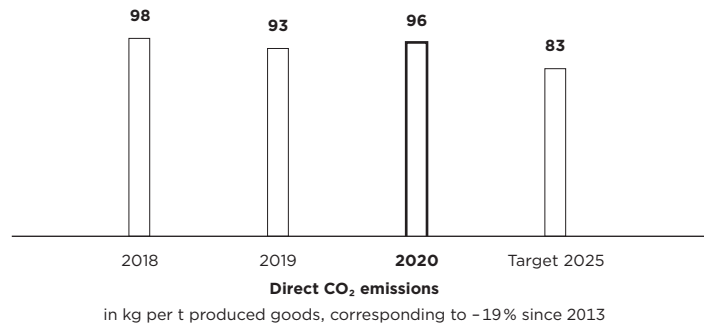
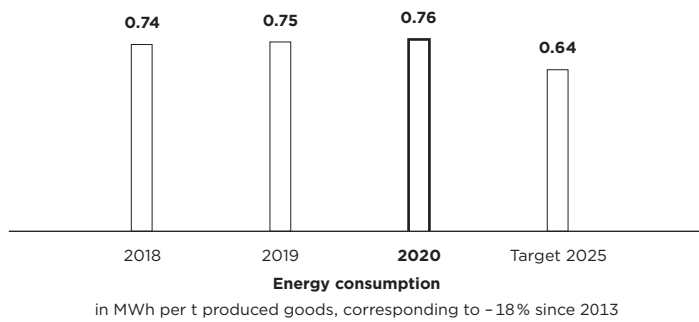
Water consumption per ton of produced goods decreased by 3.0 %, from 10.4 m<sup>3</sup> to 10.1 m<sup>3</sup>. This reduction was mainly due to water efficiency improvements at many sites. Wastewater generation per ton of production remained constant at 2.8 m<sup>3</sup>.

Waste generation increased by 1.8 % in 2021, rising from 79.4 to 80.8 kg per ton of production. This increase was mainly due to an increase in accumulated gypsum, a by-product of bentonite processing.

Due to its business portfolio changes and the fact that some of the 2025 environmental targets set in 2013 have already almost been achieved, Clariant defined a new set of ambitious targets. The targets to be achieved by 2030 include climate targets that meet the Science Based Targets initiative (SBTi) criteria and set out significant absolute reductions in greenhouse gas emissions by 40 % for own operations (Scope 1 & 2) and 14 % for supply chain activities (Scope 3, purchased goods and services). These new targets were announced in February 2021 and will put Clariant on the path to becoming a climate-neutral company.

→ [CLARIANT.COM/EN/SUSTAINABILITY/SUSTAINABILITY-TARGETS](https://www.clariant.com/en/sustainability/sustainability-targets)

001 PROGRESS TOWARDS 2025 TARGETS



1.2. Environmental Protection and Resources

At Clariant, environmental protection and resources includes responsible energy and water consumption as well as the prevention of pollution and other ecosystem impacts. To minimize negative effects on the environment and safeguard natural resources, Clariant relies on top management attention and a corporate culture that prioritizes environmental stewardship. In 2020, Clariant recognized an enhanced interest by investors, customers, and other stakeholders in sustainability topics such as plastic recycling and water efficiency improvement, confirming Clariant’s commitment to implement various measures throughout the company and engage in sustainable product development.

ENVIRONMENTAL PROTECTION AND RESOURCES <sup>1</sup>

	Con- tinuing	Discon- tinued	Total 2020 <sup>2</sup>	2019 <sup>3</sup>	Change in %
Total energy consumption (in m kWh)	2512	555	3071	3204 <sup>4</sup>	-4.2
Energy consumption (in kWh/t production)	597	2820	758	754 <sup>4</sup>	0.5
Total water consumption (in m m <sup>3</sup> )	24.1	15.6	41.0	44.3	-7.4
Total wastewater generation (in m m <sup>3</sup> )	6.5	3.3	11.4	11.9	-4.2
Total quantity of waste (in thousand t)	304	24	328	337 <sup>4</sup>	-2.7

<sup>1</sup> First half-year 2020 data for Business Unit Masterbatches are estimated based on the last full reporting campaign in 2017.

<sup>2</sup> The difference in the sum of continued and discontinued operations compared to the group total is due to the resource consumption of non-production sites.

<sup>3</sup> Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2017. In the interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of total production.

<sup>4</sup> 2019 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).

GRI Online Report

Management Approach Environmental Protection and Resources  
→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

## »In our facility in Knapsack, we now purchase 100 % renewable electricity, showing how industrial manufacturers can take a holistic approach to reduce their carbon footprint and dependency on fossil resources.«

**Stephan Neunerdt**

Head of Production & Technology Flame Retardants, Business Unit Additives

### 1.2.1. Energy savings

Clariant continually aims to reduce energy consumption and minimize associated greenhouse gas emissions. In 2020, energy consumption per ton of produced goods increased slightly by 0.5 %. Clariant will further invest in and develop programs such as eWATCH™, Clariant Operational Excellence, and the Clariant Production System Yield, Energy, Environment (YEE) initiative. Within YEE, Clariant analyzes production processes and units to identify opportunities to increase yields, improve energy efficiency, and reduce waste streams. Since its inception in 2012, Clariant achieved savings of more than CHF 86 million due to YEE. In 2020, savings amounted to over CHF 6 million. Clariant also values external standards for energy conservation: It globally passed the recertification of the energy management system according to ISO 50001 and prepared for the updated standard in various sites. In 2020, more than 35 % of Clariant's production volume was produced at sites certified with ISO 50001.

### 1.2.2. eWATCH™ to increase energy efficiency

Clariant has run its energy efficiency program eWATCH™ since 2013. eWATCH™ is a comprehensive energy efficiency program that analyzes energy consumption across operations and identifies cost-saving opportunities. Since 2013, a total of CHF 42.2 million was saved by implementing energy efficiency measures and energy-purchasing optimizations. In 2020 alone, Clariant managed to save CHF 4.9 million. In 2020, Clariant rolled out eWATCH™ to all sites in China to institutionalize its high energy-conservation standards in that country.

### 1.2.3. eWATCH™ goes digital

With its global initiative »eWATCH™ goes digital,« Clariant aims to profit from the latest measurement and monitoring technologies to ensure full visibility and high granularity of energy generation and consumption. The data generated will be visualized and analyzed to reduce energy and utilities usage by up to 10 % on average, in addition to lowering costs and greenhouse gas emissions.

Initial results were achieved, for example, in the Gersthofen, Germany, site, where overall energy consumption was reduced by 15 %. The site in Gendorf, Germany, has already achieved energy savings to compensate for the investment in measurement devices.

### 1.2.4. Water consumption

For the chemical industry, water is an essential resource used in various production processes and as raw material. Clariant counts the entire volume of water withdrawn and used toward its total water consumption. Cooling water is included in total consumption, even though most of the cooling water is being returned to the source after use in cooling cycles. Clariant uses about 70 % of purchased water for cooling production plants, 20 % for production processes, and 10 % as a product component or for sanitary purposes. In 2020, water consumption per ton of produced goods decreased by 3 %. This reduction was due to water efficiency improvement measures, less water-intensive production processes, and a decrease in production volume at sites with high water consumption.

### 1.2.5. Wastewater treatment

With its comprehensive wastewater management, Clariant ensures local regulatory requirements regarding discharge limits are being followed at all production sites. Wastewater quality is assessed by measuring heavy metals concentration, nitrogen and phosphorus compounds, as well as biological and chemical oxygen demands. Before being transferred to wastewater treatment plants, wastewater is often pretreated at Clariant's sites. The pretreatment usually consists of a multistage chemical and physical treatment. This approach, combined with constant monitoring, ensures that discharged wastewater does not impair receiving water bodies and ecosystems. In 2020, wastewater generation per ton of produced goods remained stable relative to 2019.

### 1.2.6. Water risk management

In 2017, Clariant undertook a Group-wide water risk assessment employing a global tool of the World Resources Institute (WRI) as a first step. This was further refined with a regional water risk assessment, applying specific know-how of the site's geography and water use. Such a detailed risk assessment process revealed that only a fraction of Clariant's 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. Clariant continuously updates its water risk assessment.

### 1.2.7. Waste

At Clariant, waste management and prevention are key priorities. In addition to reducing costs, this approach also minimizes resource consumption. Unavoidable waste generated in product development and manufacturing is recycled or disposed of properly in adherence to local regulations. To enable proper classification and handling, waste data is collected in detail. In 2020, generation of waste per ton of production increased by 1.8 %, mainly due to an increase in accumulated gypsum, a by-product of bentonite processing.

### 1.2.8. Air pollution

Clariant monitors and contains air emissions from its production sites rigorously and adheres to respective local regulations in all the countries it operates in. At the Group level, air pollutants tracked include volatile organic compounds (VOCs), sulfur oxides (SOx), and nitrogen oxides (NOx).

### 1.2.9. Palm oil certification

To protect rainforests and prevent ecological degradation caused by the clearing of land for palm oil plantations, Clariant pursues certification of its palm oil derivatives supply. As a member of the Roundtable on Sustainable Palm Oil (RSPO), Clariant achieved mass-balance certification for its most relevant sites in 2016 and, at the end of 2020, offered more than 200 products with the Mass Balance certificate. Clariant also started to revise its sustainable palm sourcing approach in 2020 and decided to set new targets.

### 1.2.10. Minimizing impacts of mining activities

At bentonite mining locations, Clariant exceeds social and community expectations regarding the conservation of surrounding ecosystems. Clariant's geologists develop plans to minimize environmental impacts associated with drilling, including careful removal of topsoil and overburden to preserve it for land restoration. During mining, Clariant also ensures the resident fauna can easily move to adjacent areas. The bentonite is sun-dried before transportation in order to reduce the weight, and thus emissions, from transportation logistics. When closing mines, Clariant collaborates with local experts to restore the land for forestry or agriculture. With these efforts, Clariant ensures healthy relationships with local communities and the protection of ecosystems.

### 1.3. Climate Change

Climate change is one of society's most pressing challenges, and legislators around the world are implementing measures to mitigate its adverse impacts. By 2030, the European Union aims to achieve an emissions reduction of at least 55 % compared to 1990 levels, and China plans to achieve carbon neutrality by 2060. With this globally visible, increasing emphasis on sustainability, climate change is creating business opportunities, in addition to possibilities for improving operations.

### GREENHOUSE GAS EMISSIONS <sup>1</sup>

	Con- tinuing	Discon- tinued	Total 2020 <sup>2</sup>	2019 <sup>3</sup>	Change in %
Total greenhouse gas emissions (Scope 1 & 2, CO <sub>2</sub> equivalents) (in m t)	0.69	0.14	0.83	0.86 <sup>4</sup>	- 3.5
Total indirect greenhouse gas emissions (Scope 3, CO <sub>2</sub> equivalents) (in m t)	3.34	0.86	4.20	4.78 <sup>4</sup>	- 12.1
Greenhouse gas emissions (Scope 1 & 2, CO <sub>2</sub> equivalents) (in kg/t production)	178	721	205	202 <sup>4</sup>	1.5

<sup>1</sup> First half-year 2020 data for Business Unit Masterbatches are estimated based on the last full reporting campaign in 2017.

<sup>2</sup> The difference in the sum of continued and discontinued operations compared to the group total is due to the resource consumption of non-production sites.

<sup>3</sup> Every three years, Clariant validates environmental data from all production sites. The last full reporting campaign was in 2017. In the interim years, including 2019, the reduced reporting scope comprises the larger sites responsible for 95% of total production.

<sup>4</sup> The 2019 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).

### 1.3.1. Clariant's emissions year on year

In 2020, direct CO<sub>2</sub> emissions (Scope 1) per ton of production increased by 3.2 %, and greenhouse gas emissions (Scope 1 & 2) increased by 1.5 %. The slight increase per ton is mainly due to the lower production volume. The decrease in Scope 3 emissions between 2019 and 2020 by 12.1 % was primarily driven by a decrease in CO<sub>2</sub> in purchased goods and services, and end-of-life treatment of sold products. A detailed breakdown of Clariant's greenhouse gas emissions is available in the GRI Report.

→ [REPORTS.CLARIANT.COM/2020/GRI](https://reports.clariant.com/2020/gri)

### 1.3.2. Business opportunities in times of global warming

For a chemical innovator such as Clariant, climate change triggers business opportunities to develop products for customers increasingly demanding low-carbon solutions. Clariant's low-carbon glucamides offer such an example. With GlucoTain® and GlucoPure®, Clariant provides sugar-based surfactants that combine the mildness and performance of existing solutions with improved emission profiles. → [CLARIANT.COM/EN/COMPANY/DISCOVERVALUE/GLUCO-TAIN](https://clariant.com/en/company/discovervalue/gluco-tain) → [CLARIANT.COM/EN/COMPANY/DISCOVERVALUE/GLUCOPURE](https://clariant.com/en/company/discovervalue/gluco-pure) A study conducted by Clariant revealed that its glucamides based on renewable raw materials released almost 80 % less carbon than conventional alternatives.

### 1.3.3. Review of the climate strategy

In 2020, Clariant developed a roadmap to reduce emissions, including carbon emissions targets, as a top priority in the Group Management Bonus Plan (GMBP). Clariant also started preparations for an internal carbon pricing scheme for major investments and developed science-based targets. The new climate targets mark a significant step forward in Clariant's sustainability transformation journey and will set the company on the path to becoming climate-neutral. The project pipeline for Scope 1 and 2 emissions reduction focuses on efficiency projects, green electricity, and alternative, low-carbon fuels. To reduce Scope 3 emissions, Clariant will focus on shifting raw material sourcing toward low-carbon alternatives. The proposed targets, which define ambitious absolute emissions reductions, were submitted to the Science Based Targets initiative (SBTi) for validation.

→ [CLARIANT.COM/EN/SUSTAINABILITY/SUSTAINABILITY-TARGETS](https://clariant.com/en/sustainability/sustainability-targets)

#### GRI Online Report

Management Approach Climate Change

→ [reports.clariant.com/2020/gri](https://reports.clariant.com/2020/gri)

»Clariant has a long-term commitment to sustainability. With initiatives like EcoCircle, we address the plastic challenge not only by putting forward our own solutions, but also by aligning with our partners to create synergies for a circular plastics economy.«

**Andy Walti**

Head of Region China & APAC

### 1.3.4. Renewable energy on the rise

Various sites have already increased their share of renewable electricity purchases, and Clariant made further progress substituting fossil fuels with renewable energy sources in 2020. The company installed solar panels with a total capacity of 1.3 MWp on the Shanghai OCC building and the Zhenjiang site, both in China, and certificates for green electricity were purchased for the sites in Oberhausen, Germany; Aberdeen, United Kingdom; and Novara, Italy. In Poland, Mexico, and Brazil, Clariant sourced green electricity, and at the Clear Lake plant in Texas, USA, Clariant signed a purchase power agreement (PPA) with a solar power plant operator to deliver renewable energy by the end of 2021. In Tarragona, Spain, solar panels will be installed and start to deliver green electricity in the second half of 2021, covering around 25 % of the yearly demand. The Knapsack site in Germany and all sites in Sweden and Belgium already source 100 % renewable electricity.

### 1.3.5. Monitoring Scope 3 emissions

Clariant collects and reports information on emissions occurring along its value chain. Scope 3 emissions evaluated include the carbon footprint of purchased raw materials, fuel and energy-related activities, transportation, distribution of supplied and sold products, as well as the end-of-life treatment of sold products. This monitoring allows Clariant to generate transparency and identify hotspots in the value chain as well as reduction opportunities, and ultimately feeds innovation and influences raw material suppliers.

### 1.3.6. Emissions reduction along the value chain

In 2020, Clariant thoroughly analyzed the carbon footprint of the raw materials it purchases – the main contributor to the company’s Scope 3 emissions – to identify emissions reduction opportunities. Clariant also started to engage with suppliers to reduce emissions. Together with other TFS members, Clariant formed a workstream

focused on reducing value chain emissions. Finally, Clariant increased its ambition to launch solutions that improve the CO<sub>2</sub> handprint, e.g. the sunliquid® investment, and engaged with various customers to reduce emissions and develop low-carbon products. Clariant remains committed to doing its part to reduce emissions in line with the Paris Agreement, not only for its own operations, but also in its value chain.

### 1.3.7. Certification continues

Clariant proceeded to certify sites according to the new ISO 50001 standard in 2020. The standard was applied to global corporate energy management and certified by an external auditor. According to the audit execution plan, site certifications are ongoing, primarily in Germany and Spain. → PAGE 94

## 1.4. Circular Economy

A circular economy features renewable, durable, and repairable products that are employed for as long as possible and fully recovered or recycled at the end of their sustainable life. Clariant contributes to a circular economy by offering a continuously expanding circular product portfolio and exploring promising options, partnerships, and areas for growth and innovation.

### 1.4.1. A strategy to embrace circularity

Circularity and innovation are both central to Clariant’s strategy and focus. The company is also firmly committed to preventing the spread of plastic waste in oceans, rivers, and other natural systems. To achieve this, Clariant supports the transition to a circular plastics economy by offering solutions for mechanical recycling, dissolution and depolymerization processes, and chemical recycling. Clariant is convinced that moving toward a more sustainable plastics sector

#### Collaboration with Floreon

Business Unit Additives collaborated with the biomaterials company Floreon which develops and markets engineered polylactic acid (PLA) compounds from approximately 80 % renewable, plant-based raw materials. These polymers are mechanically tougher than traditional PLA, can deliver significant energy savings in processing, and are industrially compostable. Clariant’s additives improve performance and processing characteristics of the biopolymers, offering brand owners the possibility to reduce their usage of fossil-based virgin polymers.

#### Factor 10 initiative

Factor 10 was founded by the World Business Council on Sustainable Development (WBCSD) in 2018. Factor 10 is a circular economy initiative that connects companies in order to rethink current methods for sourcing, using, and disposing of the materials that make up global trade, with an aim to create scalable solutions for businesses.



is critical to the industry's success and that innovative chemistry is paramount in achieving this. Clariant supports policymakers' targets and customers' sustainability ambitions by collaborating with industry partners across the value chain to swiftly implement and establish innovative, circular solutions in line with the waste hierarchy principles.

#### 1.4.2. Challenges ahead

Before a fully circular plastics value chain can be achieved, several challenges must be overcome. For example, reliable collection systems around the globe must be developed, and the quality of recyclates will have to be enhanced. Different stakeholder needs must also be aligned, including consumer behavior and expectations. Finally, product and process innovation must continually adapt existing production processes and chemical compositions to circularity needs.

#### 1.4.3. EcoCircle initiative to support plastic circularity

In 2019, Clariant extended its focus on the challenge of circular plastic from its own products to the entire value chain with the launch of EcoCircle, a company-wide initiative to support the circular plastics economy. The initiative provides solutions along the three guiding principles reduction, reuse, and recycling of plastic. In 2020, EcoCircle became part of the newly established »Sustainability Transformation« organizational unit within Clariant. Through several presentations, customer workshops, and publications such as the Global Goals Yearbook, the initiative has been established as a best-practice example in the industry. Clariant's commitment to plastic recycling along its value chain and advocacy for EcoCircle also resulted in outside recognition: The company earned the 2020 China GoldenBee CSR award. The award was presented by China Sustainability Tribune and GoldenBee, a pioneer network of CSR and sustainable development in China.

#### 1.4.4. Syngas production from waste

In 2020, Clariant worked diligently to propagate the circular economy through its products. In line with activities of Business Unit Catalysts to develop solutions upgrading syngas derived from waste, Clariant's process technology department innovated a method for the production of syngas with plasma gasification using different waste types, including biomass, plastics, and industrial waste. Replacing virgin materials, the syngas can be used as circular feedstock and can be transformed into methanol, ethylene, and Fischer-Tropsch waxes.

#### 1.4.5. Advancing lightweight recycled materials in electrical vehicles

Clariant participates in REVOLUTION, a project funded under Horizon 2020, the European Union's largest research and innovation program to date. The project started at the beginning of 2021 and focuses on extending the e-vehicles range by adopting lightweight material solutions and on overcoming challenges

that hinder the use of recycled materials in the automotive industry. Contributing to REVOLUTION enables Clariant to collaborate with players along the full automotive value chain and develop new solutions for the fast growing e-vehicle segment.

#### 1.4.6. Working toward circular electronics

Clariant continues to contribute to one of the WBCSD Circular Economy workgroups, the Circular Electronics Partnership. The goal of the workgroup is to develop a roadmap on how to achieve circularity. Factors considered are circular design, demand for circular products, their distribution and use, takeback and collection, as well as reverse supply chains, recycling, and sourcing. Clariant is contributing in particular to the aspect of circular design and the avoidance of hazardous materials and chemicals.

#### 1.4.7. Externally certified products

Due to their remarkable circular characteristics, some of Clariant's products were also granted external certifications. For its bio-based processing and dispersing additives Licocare® RBW Vita, Licolub® FA 1, and Licowax® C, Clariant received the »OK compost INDUSTRIAL™« certificate from TÜV Austria. EcoTain®-labeled Licocare® RBW 102 Vita also received the label »OK biodegradable SOIL™.«

#### 1.4.8. Reducing plastic waste

Together with 29 other multinationals embedded in the plastics value chain, Clariant founded the Alliance to End Plastic Waste (AEPW) in 2019. Its mission is to clear plastic waste from the environment by cleaning up water bodies; building infrastructure to collect, manage, and recycle waste; promoting new technologies; and engaging with nongovernmental organizations, businesses, and communities alike in this mission. In 2020, the Alliance reached out to communities and cities to study the feasibility of supporting large-scale investments to convert plastic waste into petrochemical feedstock. Clariant supports the Alliance's goals with innovation projects, such as processing fuels and oils from chemical recycling, and by actively participating in the working structure of the alliance.

# Independent Assurance Report on Clariant's Non-Financial 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 non-financial performance 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 non-financial performance indicators published in the Integrated Report 2020 of Clariant:

- a) The «Innovation and Technological Advances» indicators on page 73, the «Product Stewardship/Sustainable Chemistry» indicators on page 78, the «Raw Material Procurement» indicators on page 79, the «Production Sites and Innovation Facilities» on page 79, the «Human Capital» indicators on page 81, the «Talent Attraction and Development» indicators on page 82, the «Occupational Health, Safety, and Well-Being» indicators on page 86, the «Customer Relationships» indicators on page 87, the «Ethics and Compliance» indicators on page 88, the «Sustainable Value Chain» indicators on page 90, the «Environmental Protection and Resources» indicators on page 93 and the «Greenhouse Gas Emissions» indicators on page 95; 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 non-financial performance 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 non-financial performance indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Clariant's internal guidelines, definitions and procedures on non-financial performance 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 non-financial performance indicators 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 non-financial performance 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 non-financial performance indicators, assessing the risks of material misstatement of the non-financial performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the non-financial performance indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures selected depend on the assurance practitioner's judgement.

### **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 non-financial performance indicators as outlined in the scope and subject matter section concerning completeness, accuracy, adequacy and consistency
- Inspecting the relevant documentation on a sample basis
- Reviewing and assessing the management reporting processes for non-financial performance reporting and consolidation and their related controls

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

### **Limited assurance conclusion**

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

- a) The 2020 non-financial performance indicators of Clariant as described in the scope and subject matter section are not prepared and disclosed in all material respects in accordance with Clariant's internal guidelines and procedures; 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 are not functioning as designed.

PricewaterhouseCoopers AG

Paul de Jong

Raphael Rutishauser

12 March 2021

# Five-Year Group Overview

## 2016 – 2020

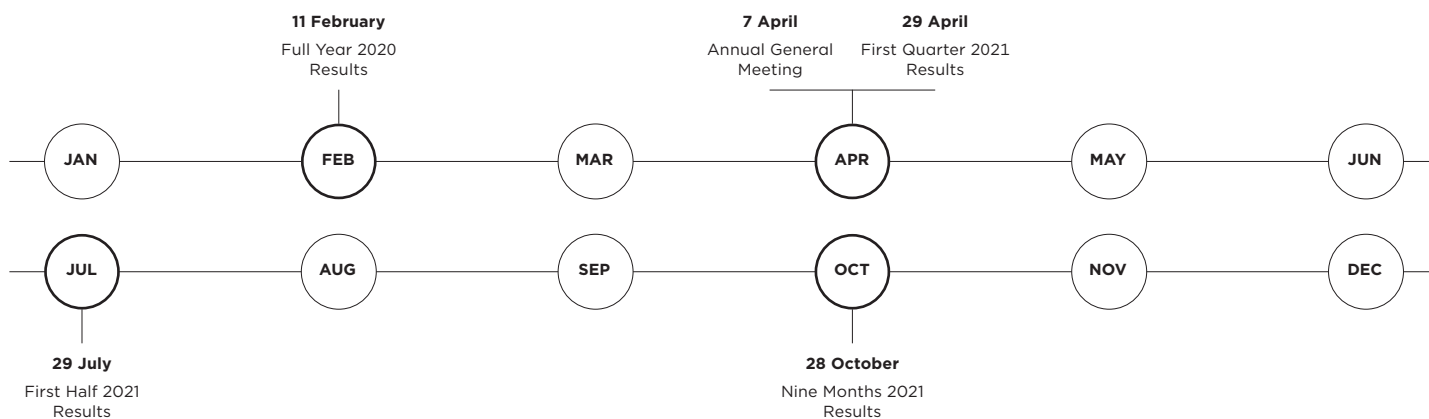
<b>CONTINUING OPERATIONS</b> in CHF m					
	<b>2020</b>	2019	2018	2017 <sup>3</sup>	2016 <sup>3</sup>
<b>Sales</b>	3860	4399	4404	6377	5847
Change relative to preceding year					
in Swiss francs (%)	-12	0	-	9	1
in local currencies (%)	-5	3	-	9	2
<b>EBITDA</b>	578	461	607	813	785
<b>EBITDA before exceptional items</b>	619	740	739	974	887
<b>EBITDA margin (%)</b>	15.0	10.5	13.8	n.a.	n.a.
<b>EBITDA margin before exceptional items (%)</b>	16.0	16.8	16.8	15.3	15.2
<b>Operating income</b>	298	165	348	496	512
<b>Operating income before exceptional items</b>	350	444	480	673	622
<b>Net income</b>	116	-34	213	302	263
<b>Basic earnings per share (in CHF)</b>	0.28	-0.17	0.59	0.84	0.78
<b>Distribution per share (in CHF)</b>	0.70	0.55	0.55	0.50	0.45
<b>Operating cash flow</b>	369 <sup>1</sup>	509 <sup>1</sup>	530 <sup>1</sup>	428	646
<b>Return on invested capital (ROIC) (%)</b>	7.0	3.0	-	-	-
<b>Return on invested capital (ROIC) before exceptional items (%)</b>	8.0	9.0	9.0	10.2	10.2
<b>Investment in property, plant, and equipment</b>	288 <sup>1</sup>	273 <sup>1</sup>	237 <sup>1</sup>	248	297
<b>Research &amp; Development expenditures</b>	190 <sup>1 2</sup>	207 <sup>1</sup>	209 <sup>1</sup>	211	206
<b>Depreciation and amortization</b>	269 <sup>1</sup>	330 <sup>1</sup>	325 <sup>1</sup>	301	265
<b>Net working capital</b>	550	713	1145	1281	1087
in % of sales	14.3	16.2	17.3	20.1	18.6
<b>Total assets</b>	6933 <sup>1</sup>	7979 <sup>1</sup>	7981 <sup>1</sup>	8229	8365
<b>Equity (including non-controlling interests)</b>	2381 <sup>1</sup>	2677 <sup>1</sup>	2970 <sup>1</sup>	2939	2546
<b>Equity ratio (%)</b>	34.3	33.6	37.2	35.7	30.4
<b>Net debt</b>	1040 <sup>1</sup>	1372 <sup>1</sup>	1374 <sup>1</sup>	1539	1540
<b>Gearing (%)</b>	44 <sup>1</sup>	51 <sup>1</sup>	46 <sup>1</sup>	52	60
<b>Employees (in FTE)</b>	13235 <sup>1</sup>	17223 <sup>1</sup>	17901 <sup>1</sup>	18135	17442

<sup>1</sup> Including discontinued operations

<sup>2</sup> Excluding Business Unit Masterbatches

<sup>3</sup> Total Group

# Financial Calendar 2021



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