

# Compensation **REPORT**



Clariant's compensation philosophy is aimed at promoting and reinforcing the quality and commitment of employees.

## Compensation framework

The purpose of this Compensation Report is to provide a comprehensive overview of Clariant's compensation concept and programs. In addition, it includes the compensation levels of the Board of Directors and the Executive Committee; accordingly, some information given in Note 14, pages 236 to 237, of the Financial Statements of Clariant Ltd is repeated here.

### 1. Members and responsibilities of the Compensation Committee of the Board of Directors

The Compensation Committee (CoC) during the 2016 reporting year comprised three non-executive members of the Board of Directors: Carlo G. Soave (Chairman), Rudolf Wehrli and Peter Isler (until 21 April 2016). On 21 April 2016, Eveline Saupper was nominated as a new member of the Compensation Committee. The Secretary to the CoC is the Head of Corporate Human Resources. The Chairman of the CoC may invite the CEO to discussions on individual agenda items for consultation, taking into account potential conflicts of interest which would oblige him to abstain.

The CoC establishes principles for the compensation of members of the Board of Directors and submits these to the Board of Directors for approval. The Committee approves the employment contracts of the CEO and members of the Executive Committee (EC), subject to the approval of the total compensation by the Annual General Meeting (AGM). The Committee also takes note of employment contracts for the Heads of Global Functions, Global Business Units, and Region Heads, including their respective compensation.

All appointments and dismissals that are within the purview of the Board of Directors are submitted in advance to the CoC which, with regard to compensation aspects, makes a recommendation to the Board of Directors.

The CoC reviews global bonus, option, and share plans, and makes recommendations to the Board of Directors. Furthermore, the Committee reviews fringe benefit regulations, dismissal regulations, and contractual severance compensation with the CEO, members of the EC, Heads of Global Functions, Global Business Units and Region Heads (always in accordance with the Ordinance against Excessive Compensation in Stock Listed Corporations, OaEC).

As a rule the CoC holds at least three meetings per year:

- a) Winter:** Discussion regarding the executive bonus plan allocation, determination of bonus payments for members of the EC
- b) Summer:** Fundamental matters concerning the Group's HR priorities
- c) Autumn:** Preparation of the Compensation Report and planning of compensation changes in the following year.

The CoC also meets as needed. In 2016 the CoC met three times and held several bilateral discussions and telephone conferences.

## 2. Compensation concept

Clariant wants to be an attractive employer with the ability to attract and retain qualified employees and experts throughout the world. In particular, Clariant's compensation policy for management is based on the following main principles:

**a)** The level of total compensation should be competitive and in line with market conditions, and enable Clariant to recruit international, experienced managers and experts, as well as secure their long-standing commitment to the Group. Our understanding of competitiveness is defined in our Positioning Statement. We are aiming for a range between the median and upper quartile of total compensation in the relevant local markets. Through this ongoing benchmarking, we are able to define local compensation structures, e.g. annual pay bands, which will be applied as an important factor in all salary decisions. For the update and accuracy of market conditions, we participate in local compensation benchmarking in all major countries and align all activities through global contracts with the global compensation consultants Hay Group and Mercer. Mercer also has other assignments for Clariant, e.g. in the benefits area. In addition, we encourage local HR managers to participate in local compensation networks and club benchmarks within the chemical industry to ensure access to relevant market information.

### POSITIONING STATEMENT

<b>Benefits</b>	Benefits represent local market <b>practice</b> and are aligned with Clariant's global policies.
<b>Long-Term Incentives (LTI)</b> (only ML <sup>1</sup> 1-4)	Investment reflects long-term commitment and supports our strong dedication to <b>sustainable performance orientation</b> .
<b>Short-Term Incentives (STI)</b>	The annual cash bonus targets aim to be <b>more aggressive</b> than market norms.
<b>Base Salary (BS)</b>	In general, we aim to be at <b>median level</b> in our respective markets and use different sources of compensation surveys (country-oriented, conducted by external consultants, including relevant peer companies in the chemical industry).

<sup>1</sup> ML: Management Level

**b)** The structure of total remuneration should be highly performance- and success-oriented in order to ensure that shareholder and management interests are aligned. Clariant also defines in the global pay mix that with increasing responsibilities Short-Term and Long-Term Incentives will be increased. Success, in terms of bonus payouts, will generally be measured only in relevant financial Group Performance Indicators. Only if Clariant is successful, profits can be shared with our employees. Details are disclosed in chapter 3, beginning on page 141. Individual performance – measured through a consistent, global Performance Management system – is addressed in career development and annual salary reviews. Thus, each manager's or employee's performance is discussed on a yearly basis. In conjunction with other factors, such as internal and external market conditions, this results in transparency and consistent salary decisions. In general, we apply a four-eyes principle, which includes the involvement of the line manager and next level supervisor, for example, in addition to obtaining guidance from global or local HR processes.

### GLOBAL PAY MIX (RELATIVE STRUCTURE) in % of total compensation

CEO	29	40	31
EC	36	33	31
ML 1	42	33	25
ML 2	47	30	23
ML 3	53	26	21
ML 4	65	26	9

■ Base Salary ■ Short-Term Incentives (STI) ■ Long-Term Incentives (LTI)

**c)** Compensation components should be straightforward, transparent and focused, so as to guarantee all participants (shareholders, members of the Board of Directors, the CEO, members of the EC, and all global Management Levels) the highest degree of clarity and objectives orientation.

In order to uphold these principles, the CoC analyzes and discusses market developments at regular intervals and considers the implications of these developments for Clariant. The Articles of Association (art. 26 ss) of Clariant Ltd – which have been approved in the AGM 2014 – therefore reflect Clariant’s commitment to market practice.

**3. Overview of existing bonus plans**

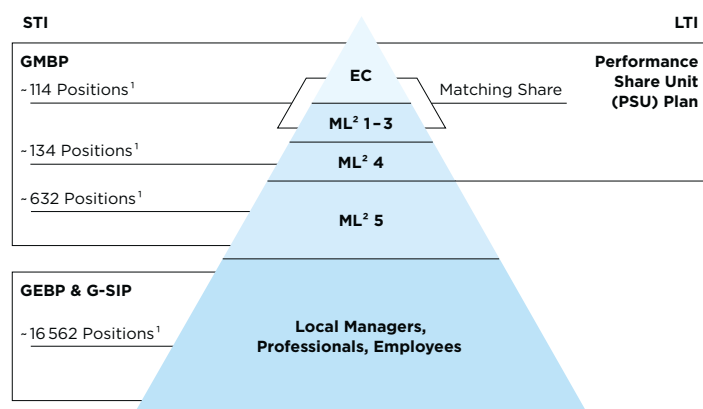
During the previous years, all relevant bonus plans for Short-Term Incentives (STI) and Long-Term Incentives (LTI) have been reviewed and redesigned to ensure the transition of Clariant, and to align with the new business model. The key principles have been to reduce complexity, increase transparency, and ensure a coordinated and unified »One Clariant« approach throughout all employee groups and countries.

The following variable programs are currently in place for Clariant:

**3.1. STI: Short-Term Incentive Plans (cash bonus)**

- a)** Group Management Bonus Plan (GMBP) – started in 2010
- b)** Group Employee Bonus Plan (GEBP) – started in 2010/2011
- c)** Global Sales Incentive Program (G-SIP) – started in 2011

**BONUS LANDSCAPE OF CLARIANT**



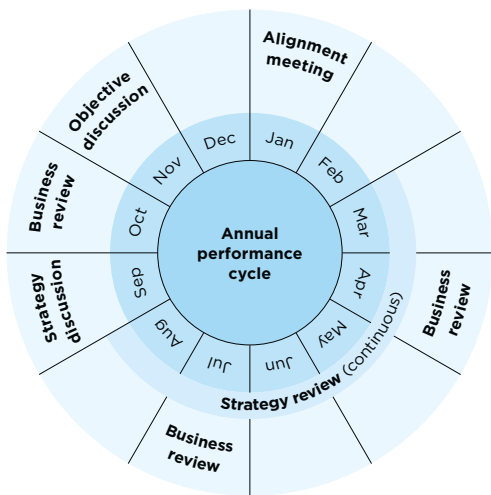
<sup>1</sup> Number of positions as at 31 December 2016  
<sup>2</sup> ML: Management Level

**3.2. LTI: Long-Term Incentive Plans (equity-linked bonus)**

- a)** Performance Share Unit (PSU) Plan – started in 2013
- b)** Group Senior Management – Long-Term Incentive Plan (GSM-LTIP or Matching Share Plan) – started in 2010
- c)** Restricted shares for the Board of Directors – started in 2012

The **Performance Cycle of Clariant** is based on a 12-month rotation, which starts in November each year with objective discussions focusing on the next business year. Group Performance Indicators (GPI), top priorities, and related projects are included. In January, alignment meetings take place with key leaders of the company in order to cascade GPI objectives and priorities for the new year.

**ANNUAL PERFORMANCE CYCLE**



**3.1. Short-Term Incentive Plans (cash bonus)**

**a)** The **Group Management Bonus Plan (GMBP)** is anchored in the overall Performance Cycle at Clariant. Through intensive discussions and systematic alignment meetings, this cycle ensures a challenging business-specific target agreement for each Business Unit and Service Unit (BU/SU).

The individual amount of bonus payments generated in a year is determined by the achieved result of the Clariant Group measured against clear objectives. The achievement is calculated by means of three elements: financial result of the Group; financial results of Business and Service Units; and defined top priorities (Group Performance Indicators and strategic projects).

As Clariant Performance Cycle agreements with each BU lead to challenging business-specific target settings, and in order to exclude any »windfall profiting« or »hidden buffers«, the maximum bonus payout is explicitly capped at 100 % (= target). These target settings were defined in the fourth quarter of 2015. As outlined in our compensation concept, we aim for a more aggressive pay-mix than is the norm in international markets; thus, this 100-percent approach ensures competitive positioning compared with other companies.

GROUP MANAGEMENT BONUS PLAN (GMBP) 2016 - THREE PILLARS TO BALANCE THE BONUS PLAN

Group Performance Indicators

Group Achievement	Business/Service Achievement			TOP Priorities
How do we as a company perform against our targets?	What are the business results/ contributions of my unit?			Have we acted focused and aligned on our unit priorities?
All BUs and SUs	CC/Cat./NR	P&C	SUs	All BUs and SUs
ROIC (a.e.i.)	EBITDA (b.e.i.) ROS %	EBITDA (b.e.i.) in CHF	Costs	1) Improve Gross Margin IAS, ROS for CC/Cat./NR/all SUs, in CHF for P&C 2) Sustainable Inventory Management 3) CLN-X benefits  4) Productivity 5) Topline Innovation Sales 6) LTAR
Operating Cash Flow (a.e.i.)	BU Cash Flow (a.e.i.)	BU Cash Flow (a.e.i.)		
	LC Growth %			

Target Set (weighting)

Group Achievement	Business/Service Achievement			TOP Priorities
How do we as a company perform against our targets?	What are the business results/ contributions of my unit?			Have we acted focused and aligned on our unit priorities?
All BUs and SUs	CC/Cat./NR	P&C	SUs	All BUs and SUs

EC:

ROIC (a.e.i.): 30 %		40 %
Operating Cash Flow (a.e.i.): 30 %		

BUs:

ROIC (a.e.i.): 5 %	EBITDA (b.e.i.) ROS %: 15 %	EBITDA (b.e.i.) in CHF: 15 %	30 %
Operating Cash Flow (a.e.i.): 5 %	BU Cash Flow (a.e.i.): 30 %	BU Cash Flow (a.e.i.): 45 %	
	LC Growth: 15 %		

SUs:

ROIC (a.e.i.): 5 %	SU Costs: 60 %	30 %
Operating Cash Flow (a.e.i.): 5 %		

Legend:

- a.e.i. = after exceptional items
- b.e.i. = before exceptional items
- BU = Business Unit
- Cat. = Catalysis
- CC = Care Chemicals
- CLN-X = Clariant Excellence
- EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization
- LC = Local currency
- LTAR = Lost Time Accident Rate
- NR = Natural Resources
- NWC = Net Working Capital
- P&C = Plastics & Coatings
- ROIC = Return On Invested Capital
- ROS % = Return On Sales in %
- SU = Service Unit

Achievements & Payouts

Group Achievement	Business/Service Achievement			TOP Priorities
How do we as a company perform against our targets?	What are the business results/ contributions of my unit?			Have we acted focused and aligned on our unit priorities?
All BUs and SUs	CC/Cat./NR	P&C	SUs	All BUs and SUs
<b>100 %</b>	<b>69 – 100 %</b>			<b>60 – 100 %</b>

The corresponding bonus payouts range between **51–100 % (EC = 92 %)**

As a principle, only collective/management team-related target achievements can serve as the basis for individual bonus payouts. An employee's individual performance will be honored in the annual review of total compensation and his/her career development. The prerequisite for this is an integrated People Performance Management, which plays a key role in building a High Performing Workforce and High Performance Culture – as defined in our People Excellence Strategy. In 2012, an adjusted People Performance Cycle was re-launched, including 360-degree feedback for all ML 1 – 5 grades.

The annual evaluation of the achievement of objectives and allocation of funds for the GMBP is conducted by the CoC in February, following the financial year in question, and approved by the Board of Directors. This system ensures that the bonus payments made to employees are closely aligned with the Group's overall results.

**b) Cash bonus for non-management-levels:** The **Group Employee Bonus Plan (GEBP)** ensures further alignment and standardization to all local bonus plans of the legal entities around the world. In general (where legally compliant and possible), all legal entities will apply the global Group Achievement or a combination of Group results and local Top Priorities as the bonus payout. In selected blue-collar areas (mainly in Asia) we run first Pilots to evaluate the impact of small local productivity schemes to manage Site/Plant performance better.

**c) For the sales force:** The **Global Sales Incentive Plan (G-SIP)** aims to establish dedicated and globally aligned local Sales Incentive Plans (SIPs) for all Sales Representatives, Sales Managers, and Key Account Managers with clearly allocated annual sales budgets and commercial responsibilities (ML 1 – 4 excluded). The G-SIP focus is on the individual sales performance and underlying Key Performance Indicators in the areas of sales, margin and trade receivables. As an example, a Sales Representative will receive tailor-made individual objectives for his allocated set of clients, which means a concrete sales target in local currencies, a »Commercial Margin« target as an important indicator to measure the margin, and over-dues and receivables as an indicator for trade receivables. Each objective is weighted and can be monitored using existing reporting systems. Thus, the direct impact of individual success on payout can be easily calculated. In 2011 the global roll-out started, and in 2016, approximately 1100 employees from every region were included. Employees can participate only in one global bonus plan (G-SIP or GMBP/GEBP).

### **3.2. Long-Term Incentive Plans (equity-linked bonus)**

Clariant uses equity-based income components for approximately 250 of its senior managers worldwide (EC and ML 1 – 4).

**a) The Performance Share Unit (PSU) Plan** was introduced in 2013 for all senior managers. Key objective is a strong commitment to a higher profitability for Clariant and therefore the achievement of our 2016 strategic targets.

The term of Clariant's Performance Share Unit Plan is a three-year vesting period. The vesting is conditional upon achievement of the performance target (check after three years). The relevant underlying Key Performance Indicator is EBITDA (before exceptional

items) in percentage of sales and the performance target is to be at or above the median of a defined peer group. If vesting and performance targets are achieved, one PSU will be converted to one Clariant share. The first PSUs were granted in 2013, and in Summer 2016, performance criteria were checked for the first time. The comparison with the peer group revealed that Clariant missed the relevant Performance hurdle (the median of the group) and therefore the PSU for all participants was forfeited (forfeiture took place in September 2016).

Membership is limited to the Executive Committee and selected senior managers of ML 1 – 4 (approximately 1.4 % of employees). Eligible participants will receive a fixed number of PSUs, in accordance with an underlying share price defined over a 10-day trading period. Eligibility and endowment will be reviewed each year that the scheme is in operation. For 2016, the Board of Directors had decided to grant PSUs again in September. The underlying share price was CHF 16.84. The grant was endorsed on 14 September 2016.

If an employee should voluntarily leave Clariant before the vesting period (three years) expires, all rights to shares which have not yet been transferred at that point in time become invalid. In case of retirement, disability or death of the participant, the employee (respectively the estate and/or heirs of the participant in case of death) will receive an immediate vesting on a pro-rata basis, in accordance with published regulations. The vested PSUs remain subject to the performance condition and will be allocated only at the end of the vesting period.

#### LIST OF RELEVANT PEERS 2016

Akzo	EMS	Mitsui
Albemarle	Evonik	Omnova
Altana	Ferro	Polyone
Ashland	H&R	PPG
Axiall	HB Fuller	RPM International
BASF	Honeywell	Schulman
Borealis	Huntsman	Sherwin Williams
Braskem	ICL	Shinetsu
Cabot	Jiangsu Yoke	Solvay
Celanese	Johnson Matthey	Symrise
Chemtura	Kemira	Teijin
Croda	Kraton	Toray Industries
DIC	Lanxess	Umicore
Dow	LG Chemicals	Valspar
DSM	Lonza	Wacker
DuPont	Lyondell Basell	West Lake Chem
Eastman	Mitsubishi	WR Grace

#### b) Group Senior Management – Long-Term Incentive Plan (GSM-LTIP) = Matching Share Plan

The Matching Share Plan requires a personal investment decision and fosters the commitment of key managers (approximately 114 positions; EC and ML 1 – 3) for the long-term success of Clariant. Under this plan, key managers have to invest part of their compensation in Clariant shares. Thus, this plan supports senior managers in meeting their requirement to permanently hold a minimum of 20 000 up to 100 000 shares depending on their management level. New participants will now have six years to catch up to the required investment thresholds.



Under the plan, eligible senior managers are entitled to receive a certain fixed percentage (investment quota of 20%) of their annual cash bonus for the respective bonus year in the form of investment shares. Title and ownership in the shares are transferred at allocation (grant in April 2016) of the investment shares. These investment shares will then be blocked and held in a custody account for a period of three years. At the end of the blocking period, the participant is entitled to obtain for each investment share an additional share free of charge (matching share). This matching is subject to the condition of continued employment with Clariant throughout the blocking period. In case of termination of employment before the end of the blocking period, the right to matching shares lapses and a cash amount will be paid instead, equal to the pro rata temporis portion (considering employment during the blocking period).

The senior managers who do not participate in this plan, or do not invest according to the plan regulations, will forfeit 50% of their annual cash bonus (with minimum level at 40% of target cash bonus) and the eligibility to participate in any Long-Term Incentive Programs (including the PSU Plan).

The decision to implement this plan was made to create a strong and sustainable link between the Clariant business cycle and the value development of the company. Senior managers therefore strengthen the entrepreneurial and value-creating spirit of the Clariant Group.

#### **c) Restricted shares for the Board of Directors**

This share plan introduced in 2012 allocates shares of Clariant Ltd to members of the Board of Directors. Board Members will receive a fixed portion of the annual fee allocated in the form of shares subject to a blocking period (»Restricted Shares«). The blocking period is three years from the date they are allocated. From the first business day after the blocking period, the Board member may freely dispose of and trade these shares without any further restrictions

(legal restrictions will remain applicable). The allocation is made once a year, at the end of the mandate year, four weeks prior to the Annual General Meeting (AGM).

The value of a grant is determined by the role and responsibility:

Chairman of the Board	CHF 200 000
Vice Chairman	CHF 150 000
Member of Board	CHF 100 000

#### **4. Structure of compensation for members of the Board of Directors**

The compensation structure for members of the Board of Directors follows the outlined compensation concept for the performance year 2016.

According to the aforementioned guidelines, remuneration of members of the Board of Directors is made up of the following components:

- a) Annual basic fee**
- b) Committee membership fees**
- c) Share-based remuneration**

Since the performance year 2012, the Board of Directors has decided to abandon option-based compensation for non-executive directors. It was replaced by the grant of restricted stock to enable the Board to participate in the long-term value creation of the company. In addition, a new compensation policy was implemented with effective date 1 April 2012, which focuses more on a stronger acknowledgment of responsibilities and activities inside the committees. The design principles as well as the overall remuneration of the Board of Directors have been kept unchanged since the performance year 2012.

The following graph illustrates the relative structure of the three components for 2016:

**RELATIVE STRUCTURE OF TOTAL COMPENSATION (BOARD OF DIRECTORS)** in % of total compensation

Chairman of the Board of Directors	46	23	31
Vice Chairman of the Board of Directors	45	20	35
Member of the Board of Directors <sup>1</sup>	43	14	43

■ Honorarium ■ Committee fee<sup>1</sup> ■ Shares (value at grant) <sup>1</sup>Activity-based (assumption for members is minimum = CHF 30 000)

**ANNUAL COMPENSATION OF THE BOARD OF DIRECTORS (STRUCTURAL OVERVIEW ONLY)** in CHF

	Chairman of the Board	Vice Chairman of the Board	Member of the Board of Directors	Total 2016	Total 2015
<b>Cash compensation</b>					
Honorarium <sup>1</sup>	300 000	200 000	100 000	1 200 000	1 100 000
Committee fee <sup>1</sup>	According to individual activity (see table below)			730 000	730 000
<b>Social contribution</b>					
Relevant amount	According to individual situation <sup>2</sup>				
<b>Shares</b>					
Value (at grant) <sup>3</sup>	200 000	150 000	100 000	1 050 000	950 000

<sup>1</sup> The Honorarium and fees are paid in cash, in equal parts in March and September.

<sup>2</sup> Actual details for 2016 see table page 148

<sup>3</sup> Shares will be granted at end of the mandate year

**COMMITTEE FEE**

	Chair	Member
Chairman's Committee	120 000	60 000
Audit Committee	80 000	40 000
Compensation Committee	60 000	30 000
Technology & Innovation Committee	60 000	30 000

In order to fulfill the reporting needs outlined in the Ordinance against Excessive Compensation (OaEC) the relevant Fair Market Value (FMV) figures as earned by the BoD members for the calendar year are disclosed in the following audited table.

**2016 ANNUAL COMPENSATION - EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) in CHF**

	Rudolf Wehrli	Günter von Au	Peter Chen	Hariolf Kottmann <sup>1</sup>	Eveline Saupper	Carlo G. Soave	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winterstein	Former BoD Members <sup>3</sup>	Totals 2016
<b>Cash compensation</b>												
Honorarium	300 000	200 000	100 000	0	75 000	100 000	75 000	75 000	100 000	100 000	25 000	<b>1 150 000</b>
Committee fee	150 000	130 000	60 000	0	52 500	150 000	105 000	0	30 000	10 000	42 500	<b>730 000</b>
<b>Social contribution</b>												
Relevant amount <sup>4</sup>	39 164	31 773	18 004	0	15 422	48 396 <sup>2</sup>	19 306	11 425	15 899	0	5 508	<b>204 896</b>
<b>Shares</b>												
Fair market value (FMV)	200 005	150 008	100 011	0	75 008	100 011	75 008	75 008	100 011	100 011	25 003	<b>1 000 084</b>
<b>Total 2016</b> (Fair market value 2016)	<b>689 169</b>	<b>511 781</b>	<b>278 015</b>	<b>0</b>	<b>217 930</b>	<b>398 407</b>	<b>274 314</b>	<b>161 433</b>	<b>245 910</b>	<b>210 011</b>	<b>98 011</b>	<b>3 084 980</b>

**2015 ANNUAL COMPENSATION - EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) in CHF**

	Rudolf Wehrli	Günter von Au	Peter Chen	Hariolf Kottmann <sup>1</sup>	Eveline Saupper	Carlo G. Soave	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winterstein	Former BoD Members <sup>3</sup>	Totals 2015
<b>Cash compensation</b>												
Honorarium	300 000	200 000	100 000	0	0	100 000	0	0	75 000	100 000	216 668	<b>1 091 668</b>
Committee fee	150 000	100 000	60 000	0	0	127 500	0	0	22 500	40 000	213 334	<b>713 334</b>
<b>Social contribution</b>												
Relevant amount	44 465	30 723	17 927	0	0	41 581 <sup>2</sup>	0	0	10 302	0	38 592	<b>183 590</b>
<b>Shares</b>												
Fair market value (FMV) <sup>5</sup>	200 006	150 008	100 011	0	0	100 011	0	0	75 008	100 011	150 017	<b>875 072</b>
<b>Total 2015</b> (Fair market value 2015) <sup>5</sup>	<b>694 471</b>	<b>480 731</b>	<b>277 938</b>	<b>0</b>	<b>0</b>	<b>369 092</b>	<b>0</b>	<b>0</b>	<b>182 810</b>	<b>240 011</b>	<b>618 611</b>	<b>2 863 664</b>

<sup>1</sup> After taking over the function as CEO, no further Board of Directors compensations are extended. Please refer to the Executive Committee table.

<sup>2</sup> Including additional compensation for project work

<sup>3</sup> As former BoD members, the relevant data from Dolf Stockhausen (2015 only), Dominik Koechlin, and Peter Isler are included.

<sup>4</sup> Includes estimation for future social contribution related to the year 2016

<sup>5</sup> Correction needed due to adjustments of final share price at grant

In both years there were no payments to former members of the Board of Directors after the mandate year nor were any loans or credits outstanding and/or granted.

Please find on the next page the information about the actual share and option ownership of the Board of Directors.

## SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares granted for 2016 <sup>1</sup>	Number of shares granted for 2015 <sup>2</sup>	Number of privately held shares at 31 Dec. 2016	Number of privately held shares at 31 Dec. 2015
Rudolf Wehrli	11 765	11 541 (correction of 11 765)	66 438	54 897
Günter von Au	8 824	8 656 (correction of 8 824)	44 212	35 556
Peter Chen	5 883	5 771 (correction of 5 883)	24 475	18 704
Hariolf Kottmann	- <sup>3</sup>	- <sup>3</sup>	- <sup>3</sup>	- <sup>3</sup>
Eveline Saupper	5 883	-	6 000	na
Carlo G. Soave	5 883	5 771 (correction of 5 883)	39 575	33 804
Peter Steiner	5 883	-	0	na
Claudia Suessmuth Dyckerhoff	5 883	-	0	na
Susanne Wamsler	5 883	5 771 (correction of 5 883)	964 182 <sup>4</sup>	955 171 <sup>4</sup>
Konstantin Winterstein	5 883	5 771 (correction of 5 883)	6 014 515	6 008 744
Former BoD members <sup>5</sup>	0	5 771 (correction of 5 883)	na	116 204
<b>Total</b>	<b>61 770</b>	<b>49 052 (correction of 50 004)</b>	<b>7 159 397</b>	<b>7 223 080</b>

<sup>1</sup> Number of shares for the mandate year will be defined in February 2017. Underlying assumption here is a share price of CHF 17.00.

<sup>2</sup> Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 17.00. Final allocation of shares with CHF 17.33, therefore the numbers of shares are different.

<sup>3</sup> See EC overview on page 152

<sup>4</sup> Thereof 240 271 held by »The Honoré T. Wamsler Trust«

<sup>5</sup> As former BoD members the relevant data from Dolf Stockhausen (2015 only), Dominik Koechlin and Peter Isler are included.

The compensation for members of the Board of Directors is subject to the Swiss taxation and social security laws, with Clariant paying the employer contributions as required. The members of the Board of Directors do not receive any lump-sum reimbursement of entertainment expenses above and beyond actual expenditure on business trips. For additional information for the Board of Directors, refer to Note 14 of the Notes to the Financial Report of Clariant Ltd, on pages 236 to 237.

In 2016 no more options have been held by members of the Board of Directors, therefore no separate table is displayed. At 31 December 2015 Carlo G. Soave and Dominik Koechlin have held each 24 096 options.

## 5. Compensation of members of the Executive Committee

The CoC regularly reviews the level and structure of the compensation packages for members of the EC. In 2015/2016 Clariant conducted selected market benchmarks regarding the chemical peers for the EC and the Board of Directors and maintained the survey activities for all global positions around the world. In the Individualized Chemical Benchmark analysis, it was focused on companies which are defined in the relevant peer group of the introduced Performance Share Unit (PSU) Plan (see page 145).

Key focus elements are:

- a) Comparison of management remuneration packages of European chemical companies with global scope
- b) Comparison of management remuneration of Swiss-based multinational companies

The bonus amounts of the total compensation packages are paid out in relation to the achieved results for a particular financial year. The actual bonus amounts may vary between zero and target values (= 100 %) in the financial year in question.

### Base salary and variable remuneration

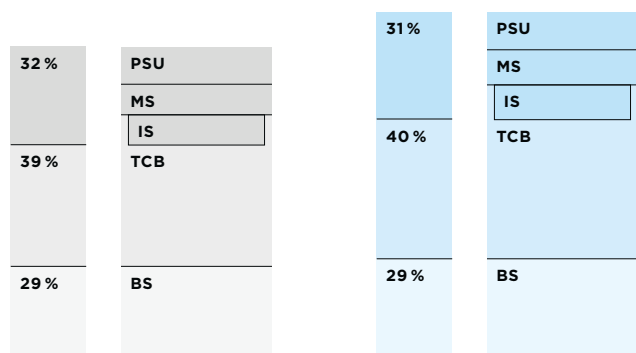
It is important to highlight that the Executive Committee participates in the same bonus programs as the senior managers.

Therefore, they participate in the GMBP, Performance Share Unit Plan and the GSM-LTIP.

As an outcome of the benchmarking exercise, the remuneration structure of the EC was adjusted in 2016 (after a fixation of terms in 2014 and 2015) to the following general structure for 2016 (see chart below).

### REMUNERATION STRUCTURE OF THE CLARIANT EXECUTIVE COMMITTEE

#### CEO Compensation<sup>1</sup>



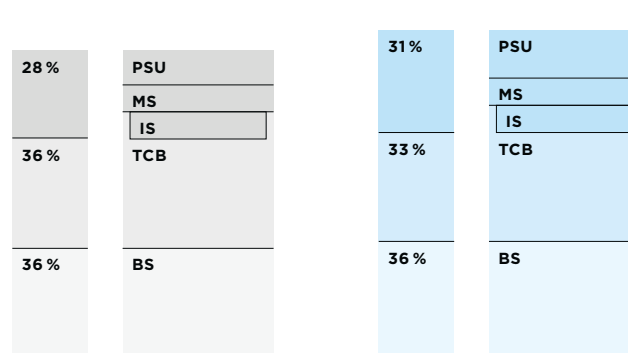
**2015** Total target CHF 4.1 m

PSU	CHF 500 000
MS	CHF 400 000
TCB, thereof IS (20% Invest)	CHF 2 000 000 (CHF 400 000)
BS	CHF 1 200 000

**2016** Total target CHF 4.56 m

PSU	CHF 500 000
MS	CHF 460 000
TCB, thereof IS (20% Invest)	CHF 2 300 000 (CHF 460 000)
BS	CHF 1 300 000

#### EC Compensation<sup>1</sup>



**2015** Total target CHF 2.25 m

PSU	CHF 250 000
MS	CHF 200 000
TCB, thereof IS (20% Invest)	CHF 1 000 000 (CHF 200 000)
BS	CHF 800 000

**2016** Total target CHF 2.4 m

PSU	CHF 350 000
MS	CHF 200 000
TCB, thereof IS (20% Invest)	CHF 1 000 000 (CHF 200 000)
BS	CHF 850 000

#### Legend:

BS = Base salary  
 TCB = Target Cash Bonus  
 IS = Investment Share  
 Investment (minimum 20%) from Actual Cash Bonus into 3 years blocked shares (Value at Grant)

MS = Matching Shares  
 1:1 Match of Investment Shares after 3 years vesting period (Value at Grant)  
 PSU = Performance Share Unit  
 3 years vesting period with defined performance hurdle (Value at Grant)

<sup>1</sup> without other benefits

### Other benefits

The members of the EC participate in the pension plans of the Clariant Group, notably the Clariant pension fund with an insured income of up to CHF 200 000 per annum, and the management pension fund with an insured income of up to a further CHF 646 000

per annum. The maximum insured income under the pension plans therefore stands at CHF 846 000 per annum. The CEO participates in Clariant's pension and insurance plans. Additional pension provisions are accrued over time in order to match contractually granted retirement plans.

Clariant's pension plans conform with the legal framework of the occupational pension scheme (BVG). In the future, the maximum contribution will be dynamically aligned with art. 79c BVG. For members of the EC and all other Clariant employees, the insured income is defined as the base salary plus 50% of target cash bonus. Equity-linked income components are not subject to pensionable income. The usual term insurance policies for death and disability form part of Clariant's pension plans. The total employer contribution is approximately 11% of the insured income in the case of the Clariant pension fund, and 22% of the insured income in the case of the Clariant management pension fund. These contributions cover both the contributions to the formation of retirement capital, and the risk components. Under IFRS, the Clariant pension fund is a de-

financed benefit plan. The management pension fund provides the members with retirement capital upon retirement. Pension payments are only accepted in exceptional cases.

The following personnel changes within the Executive Committee occurred: At the end of 2015 Mathias Lütgendorf left the Executive Committee. From April 2016 on, Britta Fuenfstueck joined the Executive Committee. In addition, Christian Kohlpaintner moved to China as an International Assignee.

In accordance with the reporting requirements outlined in the Ordinance against Excessive Compensation (OaEC), the relevant Fair Market Value (FMV) figures are shown in the following audited table.

#### 2016 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE, FMV) in CHF

	Hariolf Kottmann	Other EC members	Totals 2016
Base salary	1 300 000	2 337 500	3 637 500
Cash bonus <sup>1</sup>	1 692 800	2 024 000	3 716 800
Share-based bonus (FMV)	1 297 996	1 982 376	3 280 372
Other benefits <sup>2</sup>	1 561 507	1 207 007	2 768 514
<b>Subtotal</b>	<b>5 852 303</b>	<b>7 550 883</b>	<b>13 403 186</b>
Contractual payments to former EC members		2 340 579	2 340 579
<b>Total</b>	<b>5 852 303</b>	<b>9 891 462</b>	<b>15 743 765</b>

#### 2015 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE, FMV) in CHF

	Hariolf Kottmann	Other EC members	Totals 2015
Base salary	1 200 000	2 400 000	3 600 000
Cash bonus <sup>1</sup>	1 585 600	2 576 600	4 162 200
Share-based bonus (FMV)	1 209 158	1 358 480	2 567 638
Other benefits <sup>2</sup>	1 674 403	1 588 909	3 263 312
<b>Total</b>	<b>5 669 161</b>	<b>7 923 989</b>	<b>13 593 150</b>

<sup>1</sup> Mandatory to invest 20% of cash bonus into shares. Cash bonus displayed is already without the mandatory investments, which are included in the share-based bonus. Assumptions: share price at grant = CHF 17.00 (not fixed yet, final share price will be fixed in April 2017 and therefore the numbers of shares can change); cash bonus payout = 92.0%

<sup>2</sup> Other benefits include contributions to pension funds and accrued pension benefits using IAS 19 (67%) and social security (33%). It includes in addition costs related to the international assignment of Christian Kohlpaintner.

In 2016 there were only the contractual payments to leaving members of the Executive Committee made (in 2015 there were no payments). In both years there were no loans or credits outstanding and/or granted.

Including the compensation of Britta Fuenfstueck the total compensation of the Executive Committee sums up to CHF 15 743 765. The amount above CHF 15.0 million (CHF 743 765) is covered by the maximum additional budget for new Executive Committee members as described in article 28 of the Articles of Association.

Excluding Britta Fuenfstueck and including Mathias Lütgendorf the overall total compensation for 2016 of the Executive Committee was CHF 13 766 159 and therefore below the approved budget of CHF 15.0 million (92%). This budget approval was made for the year 2016 at the Annual General Meeting in 2015.

Please find on the next page the information about the actual share ownership of the members of the Executive Committee. No more options are held at 31 December 2015/2016.

#### EXPLANATION OF NUMBERS OF SHARES GRANTED

	Hariolf Kottmann	Britta Fuenfstueck	Patrick Jany	Christian Kohlpaintner	Total
Number of investment shares <sup>1</sup>	24 895	8 118	10 824	10 824	54 661
Number of matching shares <sup>1</sup>	24 895	8 118	10 824	10 824	54 661
Number of performance share units	29 692	20 784	20 784	20 784	92 044
<b>Total number of shares</b>	<b>79 482</b>	<b>37 020</b>	<b>42 432</b>	<b>42 432</b>	<b>201 366</b>

#### SHARES HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of shares granted for 2016 <sup>1</sup>	Number of shares granted for 2015 <sup>2</sup>	Number of shares within vesting period for 2016	Number of shares within vesting period for 2015	Number of privately held shares at 31 Dec. 2016	Number of privately held shares at 31 Dec. 2015
Hariolf Kottmann	79 482	72 871 (correction of 72 815)	152 325	202 731	449 135	473 893
Britta Fuenfstueck	37 020	-	20 784	0	0	na
Patrick Jany	42 432	36 436 (correction of 36 408)	84 237	107 526	354 196	304 973
Christian Kohlpaintner	42 432	36 436 (correction of 36 408)	84 237	107 526	280 335	231 112
Former EC members	0	13 090	0	107 526	na	61 830
<b>Total</b>	<b>201 366</b>	<b>158 833 (correction of 158 721)</b>	<b>341 583</b>	<b>525 309</b>	<b>1 083 666</b>	<b>1 071 808</b>

<sup>1</sup> Number of shares only estimated (underlying assumption CHF 17.00 per share and 92.0% bonus payout), will need correction in next year's Annual Report.

<sup>2</sup> Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 17.00 per share. Final allocation was done at CHF 16.98.

## Report of the statutory auditor to the General Meeting on the Compensation Report 2016

We have audited the Compensation Report of Clariant AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled »audited« on pages 148 and page 151 of the Compensation Report.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the pages 148 and 151 of the Compensation Report of Clariant AG for the year ended 31 December 2016 comply with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG



Rolf Johner  
Audit expert  
Auditor in charge



Ruth Sigel  
Audit expert

Basel, 14 February 2017

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