CLARIANT

Compensation Report 2017

what is precious to you?

Index

Compensation Report

Clariant's compensation philosophy is aimed to support the ambition of Clariant to be an employer of choice and strives to attract, motivate and retain committed employees.

The purpose of this Compensation Report is to provide a comprehensive overview of Clariant's compensation concept and programs. In addition, it includes the compensation levels of the Board of Directors and the Executive Committee (EC); accordingly, some information given in Note 14, pages 80 to 81, of the Financial Statements of Clariant Ltd of the Financial Report of the Integrated Report 2017 is repeated here.

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

The Compensation Committee (CoC) during the 2017 reporting year comprised three non-executive members of the Board of Directors: Carlo G. Soave (Chairman), Rudolf Wehrli and Eveline Saupper. 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 the Executive Committee and submits these to the Board of Directors for approval. The Committee proposes to the Board of Directors – subject to the approval of the total compensation by the Annual General Meeting (AGM) – the individual compensation for board members, for the CEO and members of the Executive Committee. 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 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).

The responsibilities of the Compensation Committee are documented in the Articles of Association (art. 24 ss) of Clariant Ltd.

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 2017, the CoC met three times and held several bilateral discussions and telephone conferences.

2. Compensation concept

To support the attraction, motivation and retention of qualified and committed employees throughout the world, Clariant's compensation policy is based on the following main principles:

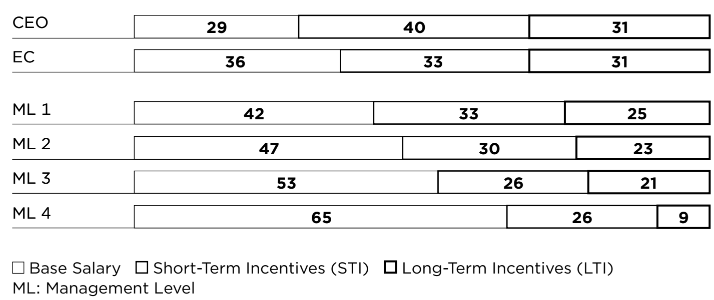
— Alignment with Business Strategy: Remuneration Components are designed to support the Clariant Business Strategy.
— Competitiveness: Clariant is conducting regular benchmarking studies to ensure compensation levels are adequate and in line with market practices.
— Compliance: Clariant's compensation practices always follow local regulations such as laws and collective union agreements.
— Internal Equity: In order to ensure consistently fair treatment of employees working for Clariant, compensation guidelines and work instructions are in place.
— Performance Based Pay: Clariant's Remuneration Elements aim to incentivize business and individual performance.
— Transparency: Remuneration Elements must be clear and transparent in order to be understood and appreciated.

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. Remuneration structure for management

The structure of total remuneration should be highly performance- and success-oriented to ensure that shareholder and management interests are aligned. As part of Clariant's compensation philosophy, performance based short-term and long-term incentives in relation to total compensation increase with increasing responsibility/management level (see exhibit Global Pay Mix → **FIGURE 001**). Clariant positions targets for long-term and short-term management incentives above market norm. While long term and short term incentives are based on Group Performance Indicators only (details are disclosed in chapter 4.), individual performance – measured through a consistent, global Performance Management system – is a determining factor in career development and annual salary reviews. Within the Global Performance Management System, each manager's or employee's performance is assessed and discussed on a yearly basis. Since 2012, the process includes a 360-degree feedback for all management levels. In addition to this, Clariant introduced a calibration process of individual performance ratings for all management levels in 2017. In conjunction with other factors, such as internal and external market conditions, this results in transparency and consistent salary decisions. In general, Clariant applies a four-eyes principle, which includes the involvement of the line manager and next level supervisor in addition to obtaining guidance from global or local Human Resources professionals to ensure compliance with compensation policies.

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



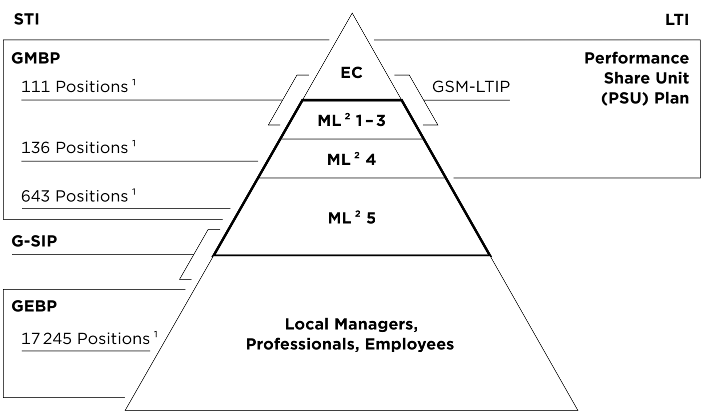
4. Overview of existing Incentive plans

Key principles for Clariant's Short-Term Incentives (STI) and Long-Term Incentives (LTI) are to reduce complexity, increase transparency, and ensure a coordinated and unified »One Clariant« approach across all employee groups and countries. Therefore, success, in terms of bonus payouts, will generally be measured only based on relevant financial Group Performance Indicators. Only if Clariant is successful, profits can be shared with employees.

The following variable compensation programs are currently in place for Clariant:

STI: Short-Term Incentive Plans (cash bonus)
a) Group Management Bonus Plan (GMBP) – started in 2010
b) Group Employee Bonus Plan (GEBP) – started in 2010/2011
c) Global Sales Incentive Plan (G-SIP) – started in 2011

002 **CLARIANT INCENTIVE SCHEME LANDSCAPE**

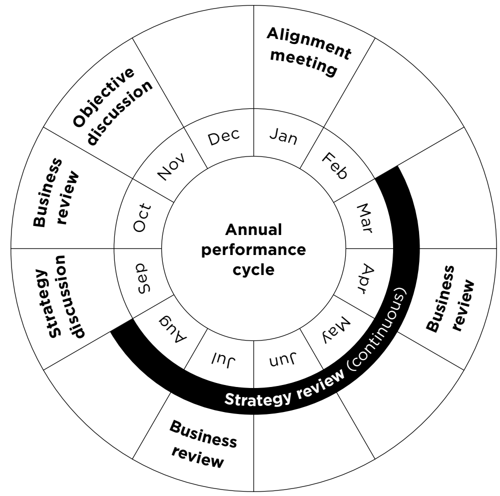


[1] Number of positions as at 31 December 2017
[2] ML: Management Level

LTI: Long-Term Incentive Plans (equity-linked incentives)
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.

003 **ANNUAL PERFORMANCE CYCLE**



4.1. Short-Term Incentive Plans (cash bonus)

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

The individual amount of bonus payments generated in a year is determined by the achieved result of the Clariant Group measured against 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) → **FIGURE 004, PAGE 6**.

As Clariant Performance Cycle agreements with each BU lead to challenging business-specific target settings, the maximum bonus payout is explicitly capped at 100 % (= target). The target settings for 2017 were defined in the fourth quarter of 2016. As outlined in our compensation concept, we aim for a more aggressive pay-mix than the norm in international markets; thus, this 100-percent approach ensures competitive positioning compared with other companies.

004 **GROUP MANAGEMENT BONUS PLAN (GMBP) 2017 – THREE PILLARS TO BALANCE THE BONUS PLAN**

Group Performance Indicators

Group Achievement How do we as a company perform against our targets?	**Business/Service Achievement** What are the business results/ contributions of my unit?			**TOP Priorities** 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
Operating Cash Flow (a.e.i.)	BU Cash Flow (a.e.i.)	BU Cash Flow (a.e.i.)		4) Productivity 5) Topline Innovation Sales 6) LTAR
	LC Growth %			

Target Set (weighting)

Group Achievement How do we as a company perform against our targets?	**Business/Service Achievement** What are the business results/ contributions of my unit?			**TOP Priorities** 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 % Operating Cash Flow (a.e.i.): 30 %				40 %
BUs:				
ROIC (a.e.i.): 5 % Operating Cash Flow (a.e.i.): 5 %	EBITDA (b.e.i.) ROS %: 15 % BU Cash Flow (a.e.i.): 30 % LC Growth: 15 %	EBITDA (b.e.i.) in CHF: 15 % BU Cash Flow (a.e.i.): 45 %		30 %
SUs:				
ROIC (a.e.i.): 5 % Operating Cash Flow (a.e.i.): 5 %			SU Costs: 60 %	30 %

Achievements & Payouts

Group Achievement How do we as a company perform against our targets?	**Business/Service Achievement** What are the business results/ contributions of my unit?			**TOP Priorities** Have we acted focused and aligned on our unit priorities?
All BUs and SUs	CC/Cat./NR	P&C	SUs	All BUs and SUs
89 %	**57 – 100 %**			**40 – 95 %**

The corresponding bonus payouts range between **33 – 96 % (EC = 73 %)**

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
EC = Executive Committee
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

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 granted to managers are closely aligned with the Group's overall results.

b) Cash bonus for non-management-levels: The **Group Employee Bonus Plan (GEBP)** represents an aligned and standardized bonus plan for all legal entities around the world. In general (where legally compliant and possible), all legal entities will apply the global Group Achievement or a combination of Group-results and local Top Priorities as the basis for bonus payouts. Some countries in Asia reward part of the GEBP for blue collar employees in the form of a local productivity scheme to improve Site/Plant performance. Since 2017, employees in the Clariant Shared Service Centers in Poland and Mumbai receive 50 % of their GEBP in the form of a »Global Business Services – Shared Service Center Bonus Plan« (GBS-SSC) to offer a competitive incentive focused on quality and productivity.

c) For the sales force: The **Global Sales Incentive Plan (G-SIP)** aims to incentivize premier sales performance and growth by focusing on the individual sales performance in the areas of sales, margin and trade receivables. Each objective is weighted and can be monitored using existing reporting systems. Thus, the direct impact of individual success on bonus payout can be easily tracked. The global roll-out started in 2011, and in 2017, approximately 1 100 employees were included worldwide. Employees can participate only in one global bonus plan (G-SIP or GMBP/GEBP).

4.2. Long-Term Incentive Plans (equity-linked incentives)

Clariant offers equity-based compensation for approximately 250 senior managers worldwide (EC and ML 1 – 4).

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

Clariant's Performance Share Unit Plan has 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. For PSUs granted in 2014, the performance criteria were checked in summer 2017. The comparison with the peer group revealed that Clariant missed the relevant Performance hurdle (the median of the peer group) and therefore the PSU for all participants were forfeited in September 2017.

PSU participation 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 2017, the Board of Directors had approved to grant PSUs again. The grant took place on 20 September 2017. The underlying share price was CHF 22.11.

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 2017

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 in Clariant shares and fosters the commitment of key managers (approximately 110 positions; EC and ML 1 – 3) to the long-term success of Clariant. Under this plan, key managers have to invest a fixed percentage (2017: 20 %) of their annual cash bonus (GMBP) in Clariant shares (= investment 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 have six years to fulfill the required investment thresholds.

The investment shares will 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 receive matching shares lapses. In case of retirement, disability or death, a cash amount will be paid instead, equal to the pro rata temporis portion (considering employment during the blocking period).

The senior managers who opt not to participate in this plan, or do not invest according to the plan regulations, will have their target cash bonus (GMBP) decreased by 50 % and forfeit the eligibility to participate in any Long-Term Incentive Programs (including the PSU Plan) for the following bonus year.

In cases where 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 withdraw the allocation of matching shares.

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 of 3 years (»Restricted Shares«). 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:

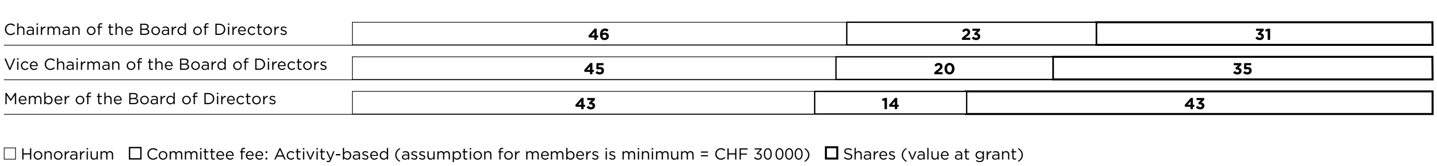
Chairman of the Board	CHF 200 000
Vice Chairman	CHF 150 000
Member of Board	CHF 100 000

5. Structure of compensation for members of the Board of Directors
The compensation structure for members of the Board of Directors follows the compensation concept outlined in the Articles of Association of Clariant Ltd from March 24, 2014.

According to art. 26, remuneration of members of the Board of Directors consists of the following components:
a) Annual basic fee (Honorarium)
b) Committee membership fees
c) Share-based remuneration

The following graph illustrates the relative structure of the three components for 2017:

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



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 2017**	Total 2016
Cash compensation					
Honorarium [1]	300 000	200 000	100 000	**1 200 000**	1 200 000
Committee fee [1]	According to individual activity (see table below)			**770 000**	730 000
Social contribution					
Relevant amount	According to individual situation [2]				
Shares					
Value (at grant) [3]	200 000	150 000	100 000	**1 050 000**	1 050 000

[1] The Honorarium and committee fees are paid in cash, in equal parts in March and September. Committee fees listed here are for the full mandate year.
[2] Actual details for 2017 see table page 9.
[3] 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.

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.

2017 ANNUAL COMPENSATION – EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) in CHF

	Rudolf Wehrli	Günter von Au	Peter Chen	Hariolf Kott-mann [1]	Eveline Saupper	Carlo G. Soave	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winter-stein		**Totals 2017**
Cash compensation												
Honorarium	300 000	200 000	100 000	0	100 000	100 000	100 000	100 000	100 000	100 000		**1 200 000**
Committee fee	150 000	130 000	60 000	0	70 000	150 000	140 000	0	30 000	30 000		**760 000**
Social contribution												
Relevant amount	39 164	28 610	18 004	0	18 705	32 344 [2]	23 616	13 795	15 899	0		**190 137**
Shares												
Fair market value (FMV)	200 000	150 000	100 000	0	100 000	100 000	100 000	100 000	100 000	100 000		**1 050 000**
Total 2017 (Fair market value 2017)	**689 164**	**508 610**	**278 004**	**0**	**288 705**	**382 344**	**363 616**	**213 795**	**245 899**	**230 000**		**3 200 137**

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 Kott-mann [1]	Eveline Saupper	Carlo G. Soave	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winter-stein	Former BoD Members [3]	**Totals 2016**
Cash compensation												
Honorarium	300 000	200 000	100 000	0	75 000	100 000	75 000	75 000	100 000	100 000	25 000	**1 150 000**
Committee fee	150 000	130 000	60 000	0	52 500	150 000	105 000	0	30 000	10 000	42 500	**730 000**
Social contribution												
Relevant amount	39 164	31 773	18 004	0	15 422	48 396 [2]	19 306	11 425	15 899	0	5 508	**204 897**
Shares												
Fair market value (FMV) [4]	200 006	150 000	100 013	0	75 010	100 013	75 010	75 010	100 013	100 013	25 003	**1 000 091**
Total 2016 (Fair market value 2016)	**689 170**	**511 773**	**278 017**	**0**	**217 932**	**398 409**	**274 316**	**161 435**	**245 912**	**210 013**	**98 011**	**3 084 988**

[1] After taking over the function as CEO, no further Board of Directors compensations are extended. Please refer to the Executive Committee table on page 11.
[2] Including additional compensation for project work.
[3] As former BoD members, the relevant data from Dominik Koechlin and Peter Isler are included (2016 only).
[4] Correction needed due to adjustments of final share price at grant.

The information about the actual share ownership of the Board of Directors is displayed on the next page.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares granted for 2017 [1]	Number of shares granted for 2016 [2]	Number of privately held shares at 31 Dec. 2017	Number of privately held shares at 31 Dec. 2016
Rudolf Wehrli	8000	10667 (correction of 11765)	77605	66438
Günter von Au	6000	8000 (correction of 8824)	52212	44212
Peter Chen	4000	5334 (correction of 5883)	29809	24475
Hariolf Kottmann	– [3]	– [3]	– [3]	– [3]
Eveline Saupper	4000	5334 (correction of 5883)	11334	6000
Carlo G. Soave	4000	5334 (correction of 5883)	32088	39575
Peter Steiner	4000	5334 (correction of 5883)	5334	0
Claudia Suessmuth Dyckerhoff	4000	5334 (correction of 5883)	6434	0
Susanne Wamsler	4000	5334 (correction of 5883)	969516 [4]	964182 [4]
Konstantin Winterstein	4000	5334 (correction of 5883)	6019849	6014515
Total	**42000**	**56005 (correction of 61770)**	**7204181**	**7159397**

1 Final number of shares for the mandate year will be defined in February 2018. Underlying assumption here is a share price of CHF 25.00.

2 Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 17.00.
Final allocation of shares with CHF 18.75, therefore the numbers of shares differ from the overview in the Integrated Report 2016.

3 See EC overview on page 12.

4 Thereof 240271 held by »The Honoré T. Wamsler Trust«.

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 80 to 81 of the Financial Report of the Integrated Report 2017.

6. Compensation of members of the Executive Committee

After adjustments of the compensation packages for EC members in 2016 based on results of benchmarking studies, the Compensation Committee did not propose any changes to the EC compensation for 2017. Thus, 2017 compensation packages remained unchanged.

The EC participates in the same compensation elements as Clariant's senior managers. Accordingly, they receive a fixed annual base salary, an annual cash bonus (GMBP) and-long term incentives (GSM-LTIP, PSU). The annual bonus is based on achieved results for the particular financial year and payout is capped at 100% target value. For details of the respective plans please refer to sections 4.1.a, 4.2.a & b.

REMUNERATION STRUCTURE OF THE CLARIANT EXECUTIVE COMMITTEE [1] in CHF

	CEO Compensation		EC Compensation	
	2017	2016	2017	2016
Total target	**4560000**	**4560000**	**2400000**	**2400000**
Performance Share Unit [2]	500000	500000	350000	350000
Matching Shares [3]	460000	460000	200000	200000
Target Cash Bonus, thereof Investment Share [4] (20% Invest)	2300000 (460000)	2300000 (460000)	1000000 (200000)	1000000 (200000)
Base salary	1300000	1300000	850000	850000

1 Without other benefits.

2 3 years vesting period with defined performance hurdle (Value at Grant).

3 1:1 Match of Investment Shares after 3 years vesting period (Value at Grant).

4 Investment (minimum 20%) from Actual Cash Bonus into 3 years blocked shares (Value at Grant).

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

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.

2017 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE, FMV) in CHF

	Hariolf Kottmann	Other EC members	**Totals 2017**
Base salary	1 300 000	2 550 000	3 850 000
Cash bonus [1]	1 339 520	1 747 200	3 086 720
Share-based bonus (FMV)	1 170 016	1 933 398	3 103 414
Other benefits [2]	1 250 358	1 628 534	2 878 892
Total	**5 059 894**	**7 859 132**	**12 919 026**

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 [3]	1 692 800	2 024 000	3 716 800
Share-based bonus (FMV)	1 297 996	1 982 376	3 280 372
Other benefits	1 561 507	1 207 007	2 768 514
Subtotal	**5 852 303**	**7 550 883**	**13 403 186**
Contractual payments to former EC members	-	2 340 579	2 340 579
Total	**5 852 303**	**9 891 462**	**15 743 765**

1 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 25.00 (not fixed yet, final share price will be fixed in April 2018 and therefore the numbers of shares can change); cash bonus payout = 72.8 %

2 »Other benefits« include pension contributions (56 %), cost related to the international assignment of Christian Kohlpaintner (18 %) and social security contributions/other benefits (26 %).

3 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; cash bonus payout = 92 %.

In 2016, Clariant had to make contractual payments to leaving members of the Executive Committee. In 2017, there were no such payments. In both years there were no loans or credits outstanding and/or granted.

The total compensation of the Executive Committee in 2017 sums up to CHF 12.9 million and is within the approved budget of CHF 16.6 million.

This compensation budget for 2017 was approved at the Annual General Meeting in 2016.

Information about the actual share ownership of the members of the Executive Committee is listed on the next page. No options were granted in 2017 or were held at 31 December 2017.

2017 NUMBERS OF SHARES GRANTED

	Hariolf Kottmann	Britta Fuenfstueck	Patrick Jany	Christian Kohlpaintner	**Total**
Number of investment shares[1]	13396	5824	5824	5824	**30868**
Number of matching shares[1]	13396	5824	5824	5824	**30868**
Number of performance share units	22615	15830	15830	15830	**70105**
Total number of shares	**49407**	**27478**	**27478**	**27478**	**131841**

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of shares granted for 2017[1]	Number of shares granted for 2016[2]	Number of shares within vesting period for 2017	Number of shares within vesting period for 2016	Number of privately held shares at 31 Dec. 2017	Number of privately held shares at 31 Dec. 2016
Hariolf Kottmann	49407	75028 (correction of 79482)	143171	152325	447421	449135
Britta Fuenfstueck	27478	35596 (correction of 37020)	44020	20784	7406	0
Patrick Jany	27478	40496 (correction of 42432)	80569	84237	378996	354196
Christian Kohlpaintner	27478	40496 (correction of 42432)	80569	84237	305135	280335
Total	**131841**	**191616 (correction of 201366)**	**348329**	**341583**	**1138958**	**1083666**

[1] Number of shares only estimated (underlying assumption CHF 25.00 per share and 72.8% bonus payout), will need correction in next year's Compensation Report.

[2] 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 18.67.

Report of the statutory auditor to the General Meeting on the Compensation Report 2017

We have audited the Compensation Report of Clariant Ltd. for the year ended 31 December 2017. 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 9 and 11 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 Compensation Report.

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

Opinion

In our opinion, the pages 9 and 11 of the Compensation Report of Clariant Ltd. for the year ended 31 December 2017 comply with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Rolf Johner	Ruth Sigel
Audit expert	Audit expert
Auditor in charge	

Basel, 12 February 2018

PricewaterhouseCoopers AG
St. Jakobs-Strasse 25, Postfach, CH-4002 Basel, Switzerland
Telephone: +41 58 792 51 00, Facsimile: +41 58 792 51 10, www.pwc.ch

CLARIANT INTERNATIONAL LTD
Rothausstrasse 61
4132 Muttenz
Switzerland