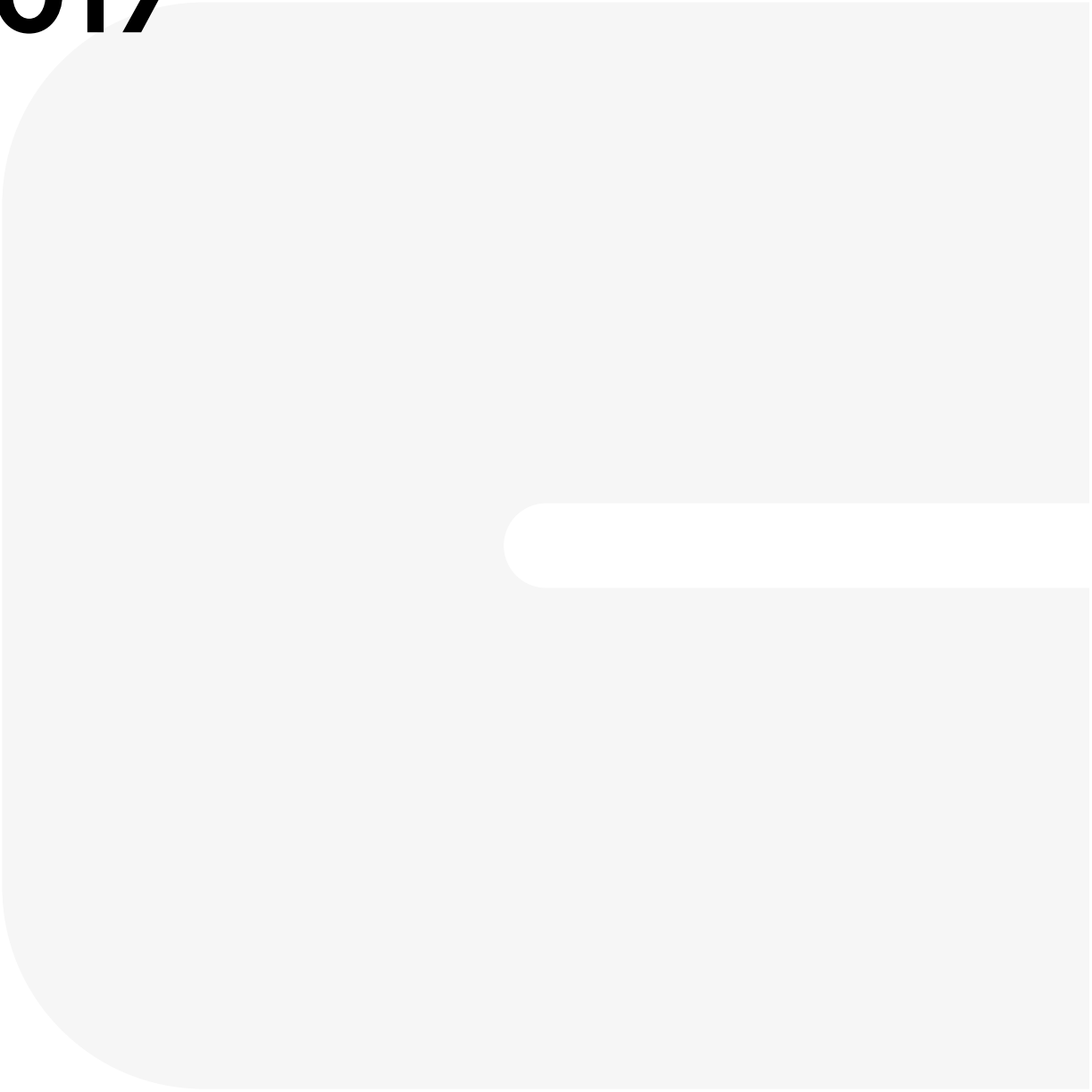


GRI Report **2017**



GRI Content Index

GRI 102 - GENERAL DISCLOSURES

Organizational profile



| Disclosure | Link | External Assurance | UNGC |
|------------|---|--------------------|------|
| 102-1 | Name of the organization Financial Report: Accounting policies | | |
| 102-2 | Activities, brands, products, and services Financial Report: Accounting policies Corporate Website: Product & Solution Highlights Corporate Website: EcoTain Products GRI specific additional information | | |
| 102-3 | Location of headquarters Financial Report: Accounting policies | | |
| 102-4 | Location of operations Financial Report: Important subsidiaries Financial Report: Segment information | | |
| 102-5 | Ownership and legal form Corporate Governance: Principles of Corporate Governance | | |
| 102-6 | Markets served Integrated Report: Financial Capital Integrated Report: Business Areas | | |
| 102-7 | Scale of the organization Integrated Report: At a Glance Financial Report: Important subsidiaries Financial Report: Consolidated balance sheets | ✓ PwC | |
| 102-8 | Information on employees and other workers GRI specific additional information | ✓ PwC | UNGC |
| 102-9 | Supply chain Integrated Report: Sustainability performance in the supply chain GRI specific additional information | ✓ PwC | |
| 102-10 | Significant changes to the organization and its supply chain Financial Report: Important subsidiaries Financial Report: Acquisitions Financial Report: Disposals Financial Report: Changes in share capital and treasury shares and changes in non-controlling interests Financial Report: Events Subsequent to the Balance Sheet Date | | |
| 102-11 | Precautionary Principle or approach GRI specific additional information | | |
| 102-12 | External initiatives GRI specific additional information | | |

| Disclosure | Link | External Assurance | UNGC |
|------------|---|--------------------|------|
| 102-13 | Membership of associations | | |
| | GRI specific additional information | | |

Strategy

| Disclosure | Link | External Assurance | UNGC |
|------------|--|--------------------|------|
| 102-14 | Statement from senior decision-maker | | |
| | Integrated Report: Interview R. Wehrli and H. Kottmann | | |
| 102-15 | Key impacts, risks, and opportunities | | |
| | Financial Report: Enterprise Risk Management Identification, Assessment and Management | | |

Ethics and integrity

| Disclosure | Link | External Assurance | UNGC |
|------------|--|--------------------|---|
| 102-16 | Values, principles, standards, and norms of behavior | |  |
| | Corporate Website: Codes of Conduct Corporate Website: Sustainable Supply Chains GRI specific additional information | | |
| 102-17 | Mechanisms for advice and concerns about ethics | |  |
| | GRI specific additional information | | |

Governance

| Disclosure | Link | External Assurance | UNGC |
|------------|--|--------------------|------|
| 102-18 | Governance structure | | |
| | Corporate Governance: Principles of Corporate Governance | | |
| 102-19 | Delegating authority | | |
| | Corporate Governance: Principles of Corporate Governance Corporate Governance: Internal Organizational Structure | | |
| 102-20 | Executive-level responsibility for economic, environmental, and social topics | | |
| | Corporate Governance: Internal Organizational Structure GRI specific additional information | | |
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | | |
| | Corporate Governance: Information and control instruments vis-à-vis the Executive Committee Integrated Report: Broad response, focused results GRI specific additional information | | |
| 102-22 | Composition of the highest governance body and its committees | | |
| | Corporate Governance: Internal Organizational Structure | | |
| 102-23 | Chair of the highest governance body | | |
| | Corporate Governance: Internal Organizational Structure | | |

| Disclosure | | Link | External Assurance | UNGC |
|-------------------|--|---|---------------------------|-------------|
| 102-24 | Nominating and selecting the highest governance body | Corporate Governance: Internal Organizational Structure | | |
| 102-25 | Conflicts of interest | Corporate Governance: Internal Organizational Structure | | |
| 102-26 | Role of highest governance body in setting purpose, values, and strategy | Corporate Governance: Internal Organizational Structure | | |
| 102-27 | Collective knowledge of highest governance body | Corporate Governance: Internal Organizational Structure | | |
| 102-28 | Evaluating the highest governance body's performance | Corporate Governance: Internal Organizational Structure | | |
| 102-29 | Identifying and managing economic, environmental, and social impacts | Corporate Governance: Internal Organizational Structure | | |
| 102-30 | Effectiveness of risk management processes | Corporate Governance: Enterprise Risk Management (ERM) | | |
| 102-31 | Review of economic, environmental, and social topics | Corporate Governance: Enterprise Risk Management (ERM) | | |
| 102-32 | Highest governance body's role in sustainability reporting | Corporate Governance: Internal Organizational Structure | | |
| 102-33 | Communicating critical concerns | Corporate Governance: Internal Organizational Structure | | |
| 102-34 | Nature and total number of critical concerns | Corporate Governance: Internal Organizational Structure | | |
| 102-35 | Remuneration policies | Compensation Report: Shareholdings of Members of the Board of Directors and the Executive Committee | | |
| 102-36 | Process for determining remuneration | Compensation Report: Members and Responsibilities of the Compensation Committee of the Board of Directors | | |
| 102-37 | Stakeholders' involvement in remuneration | Compensation Report: Members and Responsibilities of the Compensation Committee of the Board of Directors | | |
| 102-38 | Annual total compensation ratio | Integrated Report: Compensation GRI specific additional information | ✓ PwC | |
| 102-39 | Percentage increase in annual total compensation ratio | Integrated Report: Compensation GRI specific additional information | | |

Stakeholder engagement

| Disclosure | | Link | External Assurance | UNGC |
|------------|--|---|--------------------|---|
| 102-40 | List of stakeholder groups | Integrated Report: Materiality and Strategy | | |
| 102-41 | Collective bargaining agreements | GRI specific additional information | ✓ PwC |  |
| 102-42 | Identifying and selecting stakeholders | Integrated Report: Materiality and Strategy | | |
| 102-43 | Approach to stakeholder engagement | Integrated Report: Materiality and Strategy | | |
| 102-44 | Key topics and concerns raised | Integrated Report: Materiality and Strategy | | |

Reporting practice

| Disclosure | | Link | External Assurance | UNGC |
|------------|--|---|--------------------|------|
| 102-45 | Entities included in the consolidated financial statements | Financial Report: Important Subsidiaries Integrated Report: Production sites and innovation facilities | | |
| 102-46 | Defining report content and topic Boundaries | Integrated Report: Materiality and Strategy | | |
| 102-47 | List of material topics | Integrated Report: Materiality and Strategy | | |
| 102-48 | Restatements of information | GRI specific additional information | | |
| 102-49 | Changes in reporting | Integrated Report: Materiality and Strategy | | |
| 102-50 | Reporting period | GRI specific additional information | | |
| 102-51 | Date of most recent report | GRI specific additional information | | |
| 102-52 | Reporting cycle | GRI specific additional information | | |
| 102-53 | Contact point for questions regarding the report | GRI specific additional information | | |
| 102-54 | Claims of reporting in accordance with the Standards | GRI specific additional information | | |
| 102-56 | External assurance | Independent Assurance Report | | |

MOST MATERIAL TOPICS - FOCUS

Product Stewardship / Sustainable Chemistry

| Disclosure | | Link | External Assurance | UNGC |
|--|---|---|--------------------|------|
| 103-1/2/3 | Management Approach | GRI specific additional information | | |
| GRI 416: Customer Health and Safety | | | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | GRI specific additional information | | |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | GRI specific additional information | | |
| GRI 417: Marketing and Labeling | | | | |
| 417-1 | Requirements for product and service information and labeling | GRI specific additional information | | |
| 417-2 | Incidents of non-compliance concerning product and service information and labeling | GRI specific additional information | | |
| 417-3 | Incidents of non-compliance concerning marketing communications | GRI specific additional information | | |

Occupational Health, Safety, and Well-being

| Disclosure | | Link | External Assurance | UNGC |
|--|---|---|--------------------|------|
| 103-1/2/3 | Management Approach | GRI specific additional information | | |
| GRI 403: Occupational Health and Safety | | | | |
| 403-1 | Workers representation in formal joint management-worker health and safety committees | GRI specific additional information | ✓ PwC | |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | GRI specific additional information | ✓ PwC | |
| 403-3 | Workers with high incidence or high risk of diseases related to their occupation | GRI specific additional information | | |
| 403-4 | Health and safety topics covered in formal agreements with trade unions | GRI specific additional information | | |

Environmental Protection and Resources

| Disclosure | Link | External Assurance | UNGC |
|---|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 302: Energy | | | |
| 302-1 Energy consumption within the organization | GRI specific additional information | ✓ PwC | UNGC |
| 302-2 Energy consumption outside of the organization | GRI specific additional information | | UNGC |
| 302-3 Energy intensity | GRI specific additional information | ✓ PwC | UNGC |
| 302-4 Reduction of energy consumption | GRI specific additional information | ✓ PwC | UNGC |
| 302-5 Reductions in energy requirements of products and services | GRI specific additional information | | UNGC |
| GRI 303: Water | | | |
| 303-1 Water withdrawal by source | GRI specific additional information | ✓ PwC | UNGC |
| 303-2 Water sources significantly affected by withdrawal of water | GRI specific additional information | | UNGC |
| 303-3 Water recycled and reused | GRI specific additional information | ✓ PwC | UNGC |
| GRI 304: Biodiversity | | | |
| 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | GRI specific additional information | | UNGC |
| 304-2 Significant impacts of activities, products, and services on biodiversity | GRI specific additional information | | UNGC |
| 304-3 Habitats protected or restored | GRI specific additional information | | UNGC |
| 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations | GRI specific additional information | | UNGC |
| GRI 306: Effluents and Waste | | | |
| 306-1 Water discharge by quality and destination | GRI specific additional information | ✓ PwC | UNGC |
| 306-2 Waste by type and disposal method | GRI specific additional information | ✓ PwC | UNGC |
| 306-3 Significant spills | GRI specific additional information | ✓ PwC | UNGC |
| 306-4 Transport of hazardous waste | GRI specific additional information | | UNGC |
| 306-5 Water bodies affected by water discharges and/or runoff | GRI specific additional information | | UNGC |
| GRI 307: Environmental Compliance | | | |
| 307-1 Non-compliance with environmental laws and regulations | GRI specific additional information | | UNGC |

Talent Attraction and Development

| Disclosure | Link | External Assurance | UNGC |
|--|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 404: Training and Education | | | |
| 404-1 Average hours of training per year per employee | GRI specific additional information | ✓ PwC | UNGC |
| 404-2 Programs for upgrading employee skills and transition assistance programs | GRI specific additional information | | |
| 404-3 Percentage of employees receiving regular performance and career development reviews | GRI specific additional information | ✓ PwC | UNGC |

MATERIAL TOPICS - ADVANCE

Employee Engagement

| Disclosure | Link | External Assurance | UNGC |
|--|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 202: Market Presence | | | |
| 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | GRI specific additional information | | UNGC |
| 202-2 Proportion of senior management hired from the local community | GRI specific additional information | ✓ PwC | UNGC |
| GRI 401: Employment | | | |
| 401-1 New employee hires and employee turnover | GRI specific additional information | ✓ PwC | UNGC |
| 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | GRI specific additional information | | |
| 401-3 Parental leave | GRI specific additional information | ✓ PwC | UNGC |
| GRI 402: Labor/Management Relations | | | |
| 402-1 Minimum notice periods regarding operational changes | GRI specific additional information | | UNGC |
| GRI 405: Diversity and Equal Opportunity | | | |
| 405-1 Diversity of governance bodies and employees | GRI specific additional information | ✓ PwC | UNGC |
| 405-2 Ratio of basic salary and remuneration of women to men | GRI specific additional information | ✓ PwC | UNGC |

Human Rights

| Disclosure | Link | External Assurance | UNGC |
|--|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 406: Non-discrimination | | | |
| 406-1 Incidents of discrimination and corrective actions taken | GRI specific additional information | | UNGC |
| GRI 407: Freedom of Association and Collective Bargaining | | | |
| 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | GRI specific additional information | | UNGC |
| GRI 408: Child Labor | | | |
| 408-1 Operations and suppliers at significant risk for incidents of child labor | GRI specific additional information | | UNGC |
| GRI 409: Forced or Compulsory Labor | | | |
| 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | GRI specific additional information | | UNGC |
| GRI 412: Human Rights Assessment | | | |
| 412-1 Operations that have been subject to human rights reviews or impact assessments | Corporate Website: People GRI specific additional information | | UNGC |
| 412-2 Employee training on human rights policies or procedures | GRI specific additional information | | UNGC |
| 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | GRI specific additional information | | UNGC |

Ethics and Compliance

| Disclosure | Link | External Assurance | UNGC |
|---|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 205: Anti-corruption | | | |
| 205-1 Operations assessed for risks related to corruption | GRI specific additional information | | UNGC |
| 205-2 Communication and training about anti-corruption policies and procedures | GRI specific additional information | | UNGC |
| 205-3 Confirmed incidents of corruption and actions taken | GRI specific additional information | | UNGC |
| GRI 206: Anti-competitive Behavior | | | |
| 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | GRI specific additional information | ✓ PwC | |

Climate Change

| Disclosure | Link | External Assurance | UNGC |
|---|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 305: Emissions | | | |
| 305-1 Direct (Scope 1) GHG emissions | GRI specific additional information | ✓ PwC | UNGC |
| 305-2 Energy indirect (Scope 2) GHG emissions | GRI specific additional information | ✓ PwC | UNGC |
| 305-3 Other indirect (Scope 3) GHG emissions | GRI specific additional information | | UNGC |
| 305-4 GHG emissions intensity | GRI specific additional information | ✓ PwC | UNGC |
| 305-5 Reduction of GHG emissions | GRI specific additional information | | UNGC |
| 305-6 Emissions of ozone-depleting substances (ODS) | GRI specific additional information | | UNGC |
| 305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions | GRI specific additional information | ✓ PwC | UNGC |

Policy and Stakeholder Relations

| Disclosure | Link | External Assurance | UNGC |
|-------------------------------|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 415: Public Policy | | | |
| 415-1 Political contributions | GRI specific additional information | | UNGC |

Circular Economy

| Disclosure | Link | External Assurance | UNGC |
|--|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 301: Materials | | | |
| 301-1 Materials used by weight or volume | GRI specific additional information | ✓ PwC | UNGC |
| 301-2 Recycled input materials used | GRI specific additional information | | UNGC |
| 301-3 Reclaimed products and their packaging materials | GRI specific additional information | | UNGC |

Sustainability Performance in the Supply Chain

| Disclosure | Link | External Assurance | UNGC |
|--|---|--------------------|------|
| 103-1/2/3 Management Approach | GRI specific additional information | | |
| GRI 204: Procurement Practices | | | |
| 204-1 Proportion of spending on local suppliers | GRI specific additional information | ✓ PwC | |
| GRI 308: Supplier Environmental Assessment | | | |
| 308-1 New suppliers that were screened using environmental criteria | GRI specific additional information | ✓ PwC | UNGC |
| 308-2 Negative environmental impacts in the supply chain and actions taken | GRI specific additional information | ✓ PwC | UNGC |
| GRI 414: Supplier Social Assessment | | | |
| 414-1 New suppliers that were screened using social criteria | GRI specific additional information | ✓ PwC | UNGC |
| 414-2 Negative social impacts in the supply chain and actions taken | GRI specific additional information | ✓ PwC | UNGC |

GRI INDICATORS - OTHER

Other

| Disclosure | Link | External Assurance | UNGC |
|--|---|--------------------|------|
| GRI 201: Economic Performance | | | |
| 201-1 Direct economic value generated and distributed | Integrated Report: At a Glance | | UNGC |
| 201-2 Financial implications and other risks and opportunities due to climate change | GRI specific additional information | | |
| 201-3 Defined benefit plan obligations and other retirement plans | Financial Report: Retirement Benefit Obligations GRI specific additional information | | |
| 201-4 Financial assistance received from government | Omitted: Not applicable, the impact of this disclosure is not material | | |

| Disclosure | Link | External Assurance | UNGC |
|---|--|---|------|
| GRI 203: Indirect Economic Impacts | | | |
| 203-1 | Infrastructure investments and services supported | GRI specific additional information | |
| 203-2 | Significant indirect economic impacts | GRI specific additional information | |
| GRI 413: Local Communities | | | |
| 413-1 | Operations with local community engagement, impact assessment, and development programs | GRI specific additional information | UNGC |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | GRI specific additional information | UNGC |
| GRI 418: Customer Privacy | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | GRI specific additional information | |

| Disclosure | Link | External Assurance | UNGC |
|--|--|---|------|
| GRI 419: Socioeconomic Compliance | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | GRI specific additional information | |

Additional Information

GRI 102: GENERAL DISCLOSURES

102-2 Activities, brands, products, and services

Besides the information described in the Financial Report and Corporate Website, Clariant is also dealing with goods that are subject to different trade control regimes such as chemical weapons conventions or the dual-use goods regulation. All of the respective national and international trade control provisions, as well as embargo regulations, are monitored by a global trade control network within the Clariant organization. With help from IT systems together with organizational controls, all deliveries are reviewed in order to ensure trade compliance. Thus, for example, controlled goods can only be delivered if the necessary permits are obtained from the relevant authorities as well as end-user statements from the customer. Clariant makes sure that all trade control requirements are fulfilled.

102-8 Information on employees and other workers

✓ PwC

| | 2016 | | 2017 | |
|---|---------------|------------|---------------|------------|
| | permanent | temporary | permanent | temporary |
| Total number of employees by employment contract (permanent and temporary) by gender | 16 968 | 473 | 17 687 | 448 |
| Male | 13 391 | 338 | 13 986 | 344 |
| Female | 3 577 | 135 | 3 701 | 105 |

| | 2016 | | 2017 | |
|---|-----------|-----------|-----------|-----------|
| | full-time | part-time | full-time | part-time |
| Total number of employees by employment type (full-time and part-time) | | | | |
| Male | 13 668 | 61 | 14 265 | 65 |
| Female | 3 449 | 263 | 3 529 | 276 |

We do not have knowledge of any substantial portion of Clariant's work being performed by workers who are not employees.

There are no significant seasonal variations in employment numbers of Clariant.

102-11 Precautionary Principle or approach

With the final declaration of its 1992 conference on the environment and development in Rio de Janeiro, the United Nations has required member states to take the precautionary measures within their capabilities to protect the environment. This declaration is known as Principle 15 of the Rio Declaration. Accordingly, remedial actions may only be postponed if no serious or lasting damages to the environment are looming, or if the states would be financially overburdened into implementing these measures. This principle connects environmental protection with a cost-benefit analysis and attempts to achieve a balance between ecology and economy.

Clariant has not only transferred this principle to the company, but it has expanded the environmental considerations with social aspects – the whole foundation for sustainability. Clariant has been investing in safe products and both efficient and environmentally compatible processes for years. The company continuously initiates measures to completely live up to its responsibilities towards employees, customers, shareholders and other stakeholder groups. The ongoing pursuit of trends and pertinent developments ensures the timeliness and appropriateness of all these activities.

102-12 External initiatives

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

Clariant has signed the »Responsible Care® Global Charter« developed by the International Council of Chemical Associations (ICAA), which monitors compliance with this charter. The charter is a self-commitment by the chemical industry worldwide to pursue continual improvements in the fields of environmental protection, product responsibility, work safety, transportation safety, and dialog. Among others, Clariant Chemicals (India) Limited was recertified and can now use the logo for the next three years. As part of an event in Shanghai hosted by the Association of International Chemical Manufacturers (AICM), Clariant received a Responsible Care award for its outstanding efforts.

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

102-13 Membership of associations

Clariant is a member of numerous interest groups and trade associations at international (International Council of Chemical Associations – ICCA), regional (Cefic) and national levels (busi-

ness federations or national chemical industry associations such as ABIQUIM in Brazil, CPCIF in China, Verband der Chemischen Industrie (VCI) in Germany, or the American Chemistry Council in the USA.

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

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

Clariant's top five contributions to policy memberships:

- European Chemical Industry Council (Cefic)
- Federation of Swiss Business (Economie Suisse)
- German Association of the Chemical Industry (Verband der Chemischen Industrie e. V. - VCI)
- American Chemistry Council (ACC)
- Associations representing the bio-economy industry (ePure, Leaders of Sustainable Biofuels, EuropaBio, Bio-Based Industries Consortium, BioDeutschland)

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

As a leading specialty chemicals company, Clariant not only ensures adherence to legal regulations, but also commits itself to important global initiatives. All of Clariant's actions comply with the principles laid down in the Responsible Care® Global Charter, the Global Product Strategy, the UN Global Compact, and the company's internal [Code of Conduct](#) and [Code of Conduct for Suppliers](#).

All employees receive the Code of Conduct when they are hired and must agree to it when signing their contract of employment. So-called e-learnings are mandatory for all employees. Participation in these trainings, which cover different topics or themes of the Code of Conduct, is registered, and those who default are warned; a non-participant would be sanctioned. The Code is available in all relevant national languages.

102-17 Mechanisms for advice and concerns about ethics

With regard to seeking advice, the compliance officers at both regional and local levels as well as at Group Headquarters are available to provide support in connection with issues relating to the ethically correct and legally compliant conduct of employees. In addition, employees have the opportunity to raise questions - if necessary, anonymously - about ethical business conduct on the »Clariant Integrity Line,« which the responsible compliance officer of the corresponding country answers or forwards to the competent colleague in the Compliance or the HR Department.

Complaints pertaining to violations of the Clariant Code of Conduct can be made via line managers, through Group Compliance (i.e., reported to the local or regional HR department or compliance office or directly to the group compliance officer). An additional channel through which all violations against the Code of Conduct can be reported is the »Clariant Integrity Line,« an online portal which has been introduced in 2014.

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

Clariant's Executive Committee, superior to the Sustainability Council, provides the guidelines for sustainable management and the corresponding control whilst the relevant templates come from the respective departments. The members of the Board of Directors and especially the Executive Committee have extensive expertise in economic, ecological, and social issues. In order to be kept up-to-date about current trends and developments to the aforementioned issues, their members collect information regularly from the responsible corporate functions and business units or they participate in appropriate events. »Enterprise Risk Management« (ERM) is a tool initiated by the Executive Committee to identify, evaluate, and manage risks to the company's business operations or risks that will impact the achievement of the company's objectives (including environmental). A successful and sustainable business also depends on the recognition of possible risks and how they can be best avoided, mitigated, or limited.

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

Clariant steers sustainability activities on a strategic corporate level with a dedicated Sustainability Council. The council evaluates the global sustainability challenges and megatrends and sets long- and mid-term Group goals to initiate projects and activities in the field of sustainability. Chaired by the Chief Executive Officer and a direct link to the highest governance body, the council is composed of relevant heads of corporate functions/services and business units, such as Group Technology & Innovation, Corporate HR, Corporate Strategy & Planning, Corporate Legal, Group Procurement Services, Corporate Communications and Business Units ICS, Catalysts and Additives.

For more details on the process of communication to the highest governance body, please see section [Information and control instruments vis-à-vis the Executive Committee](#) of the Corporate Governance Report.

In 2017, the revision of the materiality matrix was the key event that served as consultation between stakeholders and Clariant. Key stakeholders could voice their opinion on which topics Clariant should focus and their prioritization (for more information please see section [Broad response, focused results](#) in the Integrated Report). The results of the survey were analyzed and broken down into to both region- and function-specific perspectives. This allows business unit and regional management committees to follow up with their respective stakeholders.

Throughout the year, Clariant engaged in ad hoc dialogs with stakeholders on many occasions. For instance, sustainable solutions for waterborne paint systems were on the agenda when more than 50 customers were invited to the Innovation Center in Frankfurt. This event focused on how Clariant addresses customer expectations through its range of EcoTain® products in Paints & Coatings business segment.

102-38 Annual total compensation ratio

102-39 Percentage increase in annual total compensation ratio

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

The spread of salaries between Clariant employees varies from one country to another. This depends heavily on the relevant local managerial and employment structure, and is frequently culturally influenced. For this reason, local salary structures cannot be used to address compensation issues. On a global level, the ratio between the average and the highest base salary is 1:9. In terms of the total compensation, including variable salary components, the spread is 1:18. The ratio tends to be higher in growth regions than, for example, in Europe. Part-time employees have been excluded from the calculation above. ✓ PwC

Salary adjustments are negotiated in accordance with a fixed and unambiguous system and implemented through mutual agreement between the line manager and the HR Department.

As a basic principle, a consistent »salary philosophy« ensures that adjustments are made in the context of the local markets and the individual performance.

102-41 Collective bargaining agreements

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Percentage of total employees covered by collective bargaining agreements | 50% | 48% |

Clariant pays wages and salaries that are determined by local relevant competitive markets rather than by legally defined minimum wages. As of the end of December 2017 48 % of the employees were covered by a collective bargaining agreement with employee representatives. Managerial positions are generally not included in such agreements.

102-48 Restatements of information

There were no essential changes or corrections in 2017 compared to prior Clariant Sustainability Reports.

102-50 Reporting period

102-52 Reporting cycle

The reporting period of the GRI Content Index comprises 1 January through 31 December 2017 and is therefore identical to the financial year of Clariant.

102-51 Date of most recent report

The last sustainability information published on Clariant in printed form was made available in March 2017 as part of the [2016 Sustainability Report](#).

102-53 Contact point for questions regarding the report

Questions about this report should be addressed to:

Corporate Sustainability & Regulatory Affairs

Anders Almtoft Tel.+41 61 469 69 16

Investor Relations

Anja Pomrehn Tel.+41 61 469 67 45

Inquiries via e-mail to sustainability@clariant.com.

102-54 Claims of reporting in accordance with the Standards

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

GRI 103: MANAGEMENT APPROACH

Product Stewardship / Sustainable Chemistry

Disclosure 103-1 Explanation of the material topic and its Boundary

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

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

As sustainability leadership requires moving beyond compliance and current standards, Clariant steers its product portfolio towards more sustainable and innovative solutions considering all three dimensions of sustainability: people, planet, and performance. For Clariant, embedding sustainability aspects in product development and other business processes is a must. Driven by societal demand and policy attention, customers and markets are increasingly aware of and sensitive to sustainability aspects. By proactively screening its products against strict and forward-looking sustainability criteria, Clariant aims to develop more sustainable and innovative solutions, which support long-term value creation.

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

Disclosure 103-2 The management approach and its components

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

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

Regulatory Compliance

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

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

Clariant is fully committed to the REACH targets: Clariant continuously prepares and submits required information for the successful registration of substances that are under the scope of the third phase of the EU REACH regulation. The registration application deadline is May 2018. Clariant has put in place clear targets and management processes to meet the upcoming May 2018 registration deadline. In 2017, information for 85 % of all relevant substances was submitted. Clariant is on track to register 100 % of applicable and relevant substances by May 2018.

Clariant goes beyond mere compliance: Its Global Toxicology & Ecotoxicology Group has initiated and co-developed in a Cefic (European Chemical Industry Council) LRI (Long-Range Research Initiative) project the so-called AMBIT tool – a new, open IT-based system on a predictive toxicity model. AMBIT helps predict the properties of one chemical using the known properties of similar chemicals. The European Chemicals Agency (ECHA) supports this tool by giving access to non-confidential registration data.

Policies and Guidelines

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

Clariant adheres to the Precautionary Principle and takes a proactive approach to ensure the health and safety of people and the environment, while designing more sustainable and innovative products.

Product Portfolio Sustainability Screening

Beyond product safety, screening for sustainability is a mandatory step for all major product development projects at Clariant. Under the Portfolio Value Program (PVP), Clariant systematically assesses its product portfolio for strengths and weaknesses in terms of sustainability by taking impacts across the entire life cycle into account. The product portfolio, which includes all existing products and the innovation pipeline, is screened for sustainability performance on 36 criteria that consider all three dimensions of sustainability: people, planet, and performance. Clariant awards products that show an excellent sustainability profile based on the PVP criteria with its EcoTain® label. These products are nominated by business units and undergo the scrutiny of the internal EcoTain® panel, comprised of Corporate Sustainability & Regulatory Affairs (which includes relevant product stewardship experts), Group Technology & Innovation, and Group Communications. In 2017, 18 products were awarded the EcoTain® label, bringing the total number of Clariant products branded with the sustainability excellence label to 169. ✓PwC

Clariant announced in its Sustainability Dialog held in Frankfurt in 2015 that 80 % of its product portfolio has been screened for sustainability performance since the inception of the program in 2012. This evaluation determined that 75 % of the screened product sales meet Clariant's sustainability definition, while 25 % are targeted for improvement opportunities. Roadmaps for these improvement opportunities include, among other objectives, the focus on reducing hazardous substances across the Clariant product portfolio.

In 2015, Clariant's Business Unit Masterbatches committed to gradually phase out the use of heavy metal-based pigments and offer its customers alternatives. Progress is continuous, with phase-out already achieved in Europe and North America in 2016 and in several sites in Latin America, Middle East, Africa and Asia-Pacific during 2017.

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

Disclosure 103-3 Evaluation of the management approach

Clariant developed the Portfolio Value Program (PVP) and EcoTain® label in close cooperation with external stakeholders. Customers, suppliers, scientists, non-governmental organizations, policymakers, and authorities were consulted in workshops and dialogs and provided valuable feedback. The stakeholders appreciated the focus on continuous improvement, transparency, and the inclusive consultation process. They also valued the PVP approach for being focused, balanced, and ambitious. They commended the 36 criteria for being comprehensive and fit for purpose.

In addition, Clariant received an independent third-party assurance statement on the PVP/ EcoTain® system from PricewaterhouseCoopers (PwC) in December 2015. In 2017, Clariant had the number of EcoTain® products verified by PwC.

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

Occupational Health, Safety, and Well-being

Disclosure 103-1 Explanation of the material topic and its Boundary

Occupational health, safety, and well-being add value to Clariant by minimizing the risk of harm to both people and the environment and reducing potential liabilities for the company. Processes regarding occupational safety are top priorities for Clariant to ensure seamless manufacturing operations, protect the health and safety of Clariant's employees, and meet legal and reputational requirements. Failing to meet requirements has a direct negative impact on staff morale, labor costs, and productivity, as well as on operational costs. Moreover, negative incidents of occupational health, safety, and well-being have a detrimental effect on the company's brand image.

As a global employer, Clariant is committed to promoting a healthy culture at the workplace, acknowledging the physical and mental well-being of its employees as a prerequisite for engagement and performance. The company aims to create an environment that encourages employees to actively self-manage their health and achieve an adequate work-life balance.

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

Disclosure 103-2 The management approach and its components

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

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

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

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

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

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

Workplace health promotion is a local responsibility that each Clariant region addresses with tailored programs. The offerings include stress-management trainings, access to fitness facilities or financial contributions to external fitness programs, healthy meals in cafeterias, and access to nutrition counseling and health checks. Since a balance between work and family life significantly contributes to the well-being of employees, Clariant also offers a wide range of flexible working arrangements, such as flextime, part-time, or working from home. To further support Clariant's local activities and promote a shared culture of health and well-being, the company plans to initiate a global policy to provide a framework for new ways of working, including agile and mobile work.

Disclosure 103-3 Evaluation of the management approach

To evaluate the effectiveness of the management approach, Clariant monitors several key performance indicators on a regular basis: Lost Time Accident Rate (LTAR) is tracked monthly, Recorded Injuries quarterly, and Occupational Illness annually. Safety Deviations are continuously monitored at respective sites and quarterly on a global level.

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

In order to better align regional and local activities, Clariant will shortly define a global approach that includes key performance indicators, priorities, and measures. It will also feature a policy framework for flexible working arrangements that will be closely aligned with local practices and business needs.

Environmental Protection and Resources

Disclosure 103-1 Explanation of the material topic and its Boundary

Environmental protection and resources encompasses pollution prevention, waste management, energy and water use, and ecosystem protection. Clariant currently focuses on the impacts of its own operations, which can be controlled and monitored directly. Potential effects along the supply chains are also considered.

Pollution Prevention

Clariant is fully committed to sustainability, which is reflected in its persistent efforts to protect the environment by conserving natural resources on one hand and ensuring pollution prevention on the other hand. Its pollution prevention approach includes a clear commitment to reducing air emissions and minimizing the discharge of harmful pollutants into water. It adds value to the company by minimizing the risk of harm to human health and the environment. In turn, this reduces potential liabilities and negative impacts on the company's brand image.

Waste and Energy Management

Clariant's waste and energy approach also adds value by reducing the risk of environmental harm associated with waste production, and by minimizing costs, emissions, and greenhouse effects associated with energy use. Together these efforts are in line with Clariant's commitment to sustainability and lend credibility to our operations around the world.

Water

Water management is a key topic for the chemical industry, as water is used in numerous production processes and as an ingredient for certain products. The majority of production sites are located in areas with sufficient and stable water availability. To ensure continuous operations also in areas under water stress, introducing measures that reduce water consumption and increase water reuse is essential. Clariant always prioritizes actions that increase water use efficiency, ensure proper water management, and address potential risks, particularly in areas under water stress.

Protection of Ecosystems

Ecosystems provide a variety of critical goods and services to companies like Clariant, such as clean water, energy, recreational areas, and protection from flooding. However, companies can negatively impact the ecosystems on which they depend, and must therefore take great care in monitoring and remedying these impacts in order to maintain ecosystem services.

Since most of Clariant's sites are located in industrial areas, ecosystems are usually not impacted. If impacts occur, Clariant monitors parameters such as air emissions and water quality in areas adjacent to production sites. Where possible, the monitoring is extended along the value chain.

This topic examines Clariant's use of renewable raw materials, specifically palm oil, and primarily impacts the Business Unit Industrial & Consumer Specialties and the mining activities of the Business Unit Functional Minerals.

Disclosure 103-2 The management approach and its components

The corporate Environmental Safety and Health Affairs (ESHA) unit and the specialized ESHA teams in the business units and country organizations are responsible for managing environmental protection and resources. While they set and monitor the standards, the full operational responsibility lies with each site, which also nominates a responsible person for day-to-day operational ESHA topics.

Corporate Sustainability & Regulatory Affairs also supports the businesses with strategic and operational activities, such as providing input to product screenings and customer requests.

By 2025, Clariant wants to achieve significant improvements on six major parameters compared to the base year 2013. With respect to produced goods (per ton), Clariant aims to reduce energy consumption and direct CO₂ emissions by 30 %, greenhouse gas emissions, water consumption, and waste volume by 35 %, and wastewater volume by 40 %.

Clariant has an environmental management system based on ISO 14001 in place. As required by ISO 14001, Clariant has defined a process landscape, established environmental guidelines, and guides that focus on emissions, waste, and wastewater, and conducts environmental impact and aspect assessments. Clariant also participates in the ISO 14001 audit process. One of the most important aspects of this is the continuous improvement process (CIP), which is supported by the Clariant Excellence program. Clariant follows ISO 50001 guidance for its energy management approach.

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

Pollution Prevention

Under its Portfolio Value Program (PVP), Clariant screens the product portfolio for sustainability performance using 36 criteria that evaluate the entire product life cycle. Clariant awards products that show an excellent sustainability profile with its EcoTain® label. In 2017, 18 products

were awarded the EcoTain® label as part of the PVP in 2017. In total, over 80 % of the product portfolio has been analyzed for its sustainability performance since the inception of the program in 2012. Overall, 169 products obtained the EcoTain® label by now.

Clariant implemented several measures to improve its performance with regard to pollution prevention. For example, a project in the Business Area Natural Resources was undertaken to reduce the emissions of sulfur oxides by installing desulfurization devices in many sites. Air emissions and wastewater quality of all sites is monitored closely. The parameters tracked for air emissions include volatile organic compounds (VOCs), sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulates. For assessing the wastewater quality, biological and chemical oxygen demands, as well as total organic content, suspended solids, heavy metals, nitrogen compounds, and phosphorus are measured.

Waste and Energy Management

Clariant's environmental performance has improved continuously over recent years thanks to ongoing efforts at individual sites and global programs to manage energy use and provide training. These include eWATCH, Clariant Excellence, and the Clariant Production System Yield, Energy, Environment (YEE) initiative. These initiatives also support the continuous local efforts to minimize waste generation.

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

An important component of the Operational Excellence program is the Clariant Production System (CPS). The CPS's goal is to achieve optimal productivity and financial performance in the production units of all business units by helping to identify, develop, and implement good practices across all production sites. Implementing the CPS leads to improvements in safety, productivity, conversion costs, energy consumption, and product quality.

The Clariant Production System Yield, Energy, Environment (YEE) initiative increases yields, improves energy efficiency, and reduces waste streams by analyzing specific production processes or production units to create a comprehensive picture of energy optimization. Since inception in 2012, YEE led to savings of more than CHF 40 million. In 2017, YEE allowed for costs savings of CHF 8.1 million.

Water

Clariant is one of eleven partners in the European INSPIREWATER project, which is exploring innovative solutions for industrial water management. The project includes developing a pilot wastewater treatment plant in the water-limited region of Tarragona, Spain, with the aim of achieving zero liquid discharge. Knowledge obtained from this project can be transferred to other Clariant sites, particularly those located in water-stressed areas. Furthermore, Clariant engaged with internal quality, audits, which are a central element of the ESHA management system, supporting the external environmental management certification according to ISO 14001.

Protection of Ecosystems

To guarantee sustainable sourcing of palm oil-based oleo chemicals, Clariant began certifying the key production sites that process palm oil-derived raw materials under the sustainability certification scheme of the Roundtable on Sustainable Palm Oil (RSPO). By 2016, it achieved its goal of certifying all sites that manufacture products with palm oil-based raw materials (i.e., Clariant's personal and home care products). In 2017, Clariant worked intensively to further broaden its RSPO mass balance-certified product portfolio for the personal and home care markets in Europe, Asia, North America, and Latin America. Efforts to further extend the portfolio will continue in 2018 to help Clariant's customers comply with increasing demand for certified palm ingredients in the end-consumer markets.

As a member of the "Sustainable Palm Oil and Traceability in Sabah" (SPOTS) initiative, Clariant also implements specific action plans regarding the sustainability of the palm oil supply chain. These include working on the transparency of the supply chains and providing support services to independent smallholders to increase their income and improve their quality of life.

Disclosure 103-3 Evaluation of the management approach

Clariant annually collects ESHA key figures to monitor ESHA performance and efficiency improvements. Clariant's Project Tracking Tool (CPTT) is used as a central tool for tracking the progress toward objectives, such as the 2025 targets.

For example, in 2017, Clariant strengthened its water risk management by establishing an annual water risk assessment for sites operating under high water stress by systematically mapping the water risks with a comprehensive tool, the Aqueduct Water Risk Map developed by the World Resources Institute. A facility's overall water risk score (a combination of the quantity, quality, regulatory, and reputational risks) is calculated and the facilities that rank as medium to high risk are shortlisted. Based on this initial assessment, Clariant refined the Aqueduct analysis by performing a more detailed internal risk assessment. Relevant sites reported on impacts and emerging risks according to certain classifications and categories, allowing Clariant to identify the sites with water risks that could have a substantial impact on operations, revenue, or expenditure.

Clariant established a Target 2025 group to exchange knowledge between stakeholders in the business units and service units on projects undertaken to reduce environmental KPIs. Alongside this, Clariant instituted its Clariant Excellence program, which has clear targets for resource savings. Moreover, ideation workshops were coordinated by Corporate ESHA in collaboration with various business units to identify bottlenecks and generate fresh ideas to achieve the 2025 targets. The participants in these ideation workshops were the operations managers from the production sites, who were the main stakeholders in implementing the strategies at the site level.

Talent Attraction and Development

Disclosure 103-1 Explanation of the material topic and its Boundary

Empowered, motivated, and highly skilled employees that create value for the company and its stakeholders are essential to Clariant's long-term success. Clariant is thus striving to build a reputation as a preferred employer to attract, engage, develop, and retain the right people with the right skills. Human resource practices such as recruiting, learning, and performance management are central for all business areas and regions along Clariant's entire value chain. The recruitment and onboarding processes need to be efficient so that new employees can quickly con-

tribute to the implementation of the business units' strategies. Skills development is also imperative to remain agile and drive innovation in fast-evolving markets that continuously demand new competencies. Lastly, employee engagement and performance management are critical to retain talent and motivate employees to implement Clariant's business strategy and contribute to a high-performing company.

Disclosure 103-2 The management approach and its components

Within Clariant, engaging and developing talent is a shared responsibility of all management functions. Clariant's leaders are key in shaping a high-performance culture. They are supported by Group Human Resources and Senior Management Development, which has established strong processes for talent acquisition, onboarding, performance management, and talent management in all regions. Globally, Clariant's operational and strategic human resources departments comprise 280 employees dedicated to talent attraction and development. Clariant's People Excellence strategy ensures that the different employee initiatives are closely linked to business needs and implemented effectively and efficiently.

For the management of Talent Attraction and Development, Clariant abides by its Global Talent Acquisition Policies (Recruitment Policy, Global Recruitment Agency Policy, Onboarding Policy, and Employee Referral Policy). The policies clarify and specify the roles and responsibilities of the hiring manager and recruitment and HR personnel to ensure an efficient, effective, and professional talent acquisition process. More specifically, highly trained talent acquisition teams partner with the business units to source and select the best talent. Employer branding programs create awareness in the market and positively influence potential candidates. Moreover, line managers are trained in the "License to Hire" program to ensure they make the right hiring decisions.

With regard to capability development, Clariant creates an inspiring learning environment and promotes a learning culture. It offers structured capability-building programs, which entail defining required competencies per job family, assessing these competencies, and creating individual development plans. Working sessions are made available to all line managers involved in the process to ensure that development plan discussions between managers and employees are effective, and that supervisors can guide and support the development of their team members. The Clariant Academy encompasses all global learning offerings designed to support Clariant's strategy and to promote common language and values across the organization. Learning programs within the Clariant Academy are differentiated by job family and management level. A nomination process for the Clariant Academy programs ensures that all relevant employees participate in the training programs designed for a specific target audience. Besides the Clariant Academy, trainings, social learning (e.g., learning communities, mentoring, and peer coaching), and on-the-job learning opportunities (e.g., job rotation and work shadowing) are offered. Dedicated regional learning managers help identify the right learning solution for each employee and foster peer and cross-level learning by facilitating workshops with management teams. Clariant's support of its employees' education is described in global and regional learning policies, which include budget frameworks for trainings and study assistance guidelines.

The objective of talent management is to have a consistent and structured pipeline of functionally and vertically deployable talent for each management level. This process entails systematically identifying, developing, and retaining talent and provides local, regional, and global talent pools to ensure successful short-, mid-, and long-term succession planning and availability of candidates. Clariant aspires to fill at least 80 % of open positions at management level with internal candidates. Dedicated regional and local talent managers lead talent potential reviews,

create individual development plans with Clariant's talents, and participate in internal placement decisions. They also organize so-called "talent engagement sessions" in order to give internal talent visibility and exposure to senior managers.

In 2017, all business units developed a clear strategy regarding People Excellence, which will be implemented in 2018. Moreover, several new training programs were rolled out across the organization, such as the "Pioneer Program" for Clariant's high-potential talent, the "Frontline Leadership Program" for manufacturing supervisors, the "Leading without Formal Authority" trainings for experts acting in the matrix organization, and the "License to Hire" program for all line managers conducting recruitment interviews. In addition, Clariant's people development specialists supported sales managers in defining and implementing development measures for the sales professionals. For a first group of R&D managers, competency assessments were accomplished. Furthermore, over 20 regional and global teams conducted a "Team Effectiveness" program to strengthen team collaboration.

Disclosure 103-3 Evaluation of the management approach

The feedback collected after each training is systematically reviewed and required amendments are performed in order to ensure high-quality trainings. In 2017, the average feedback score for Clariant Academy trainings was 3.5 (with 3 being fully satisfactory and 4 superior). Individual training feedback scores ranged from 3.3 to 4.2. For selected programs of the Clariant Academy, feedback on the mid-term impact is collected from participants. For instance, for the Competency Management Training, 70 % of participants agree or strongly agree that they have been able to apply the information learned to their day-to-day work and 50 % have been able to apply more than 75 % of the information learned.

Employee Engagement

Disclosure 103-1 Explanation of the material topic and its Boundary

Employee engagement and retention programs improve Clariant's internal and external reputation as an attractive employer, leading to higher job consideration by potential candidates. These programs reduce employee turnover, mitigate early-leaver risks, lower cost per hire, and hence support Clariant's overall cost-saving targets.

While employee engagement is a high priority throughout the organization, business and service units with comparatively lower engagement scores and a larger number of employees are a key focus.

Disclosure 103-2 The management approach and its components

Clariant deliberately manages employee engagement in order to achieve its ambition to be an employer of choice attracting top talent and helping Clariant to deliver permanently good business results. The words of the Executive Committee set the stage for this: "We invite you to contribute to our journey in becoming one of the best. We encourage and expect high performance and we strive for excellence in all that we do. We support and provide you with the flexibility and the experiences needed to succeed. We foster a diverse, dynamic environment and an open and respectful culture."

With the awareness that real performance excellence comes from challenged, empowered, rewarded, and excited teams, Clariant continuously strives to increase its engagement levels worldwide. Clariant's strategies for employee engagement include a focus on strong leadership,

performance management, onboarding experience, career opportunities, and personal development. Organizing and conducting the global employee engagement survey lies within the responsibility of the Corporate Human Resource (HR) Department. The management of each business unit then drives the implementation of the engagement follow-up activities according to their specific needs and objectives.

With an increase of 6 p.p. in the overall engagement score in the 2016 employee engagement survey, Clariant demonstrated that the efforts taken in the past few years are paying off. Business Units Oil & Mining Services and Functional Minerals reached an engagement score above the global chemistry benchmark and show improvements of around 12 p.p. Clariant's objective is to further improve employee engagement scores by 6 p.p. in the next survey, achieving the global chemistry benchmark for all business units.

Following the 2016 engagement survey, Clariant began implementing the structured follow-up process "Make Engagement Happen" in 2017, in which Clariant leaders on different levels took ownership for action planning and implementation. With the support of Human Resources, region and country heads coordinated the process and ensured consideration and alignment with regional and local improvement needs. The business and service units have nominated so-called action managers that plan, implement, communicate, and track employee engagement activities over time.

In 2017, Clariant also developed a new onboarding curriculum to fully leverage the potential of successful onboarding by combining the global process with functional training needs. Clariant also launched an employer branding social media campaign called "Real People of Clariant" to illustrate career and growth opportunities to potential candidates and portray the company as an employer of choice.

In addition, Clariant strengthened its employee referral program, fostered the utilization of special recognition awards, and expanded its compensation programs, including long-term incentives and non-monetary benefits.

Disclosure 103-3 Evaluation of the management approach

To evaluate the effectiveness of the management approach, after each survey, Clariant performs a comprehensive and detailed analysis of all fifteen engagement drivers such as senior leadership, brand, and safety. The employee engagement survey is conducted every second year in order to give enough time for follow-up activities. Furthermore, the employee turnover rate is tracked over time and compared to the industry benchmark.

In 2017, Clariant reviewed its materiality matrix, including the topic of employee engagement. Consequently, the current management approach has been reviewed and improvement opportunities, such as a more systematic involvement of business and service units, have been identified. This is particularly important as Clariant follows a decentralized management approach for the follow-up to the engagement survey to ensure that the specifics of each business and service unit are sufficiently considered. By doing so, Clariant improves its engagement over time through targeted action planning.

Human Rights

Disclosure 103-1 Explanation of the material topic and its Boundary

Respecting human rights is key to sound business governance and for promoting socially sustainable growth. Clariant is committed to supporting human rights, both in its own operations and in its supply chains. It expects suppliers and business partners to maintain the same high human rights standards, as it is a prerequisite for any company's license to operate.

Disclosure 103-2 The management approach and its components

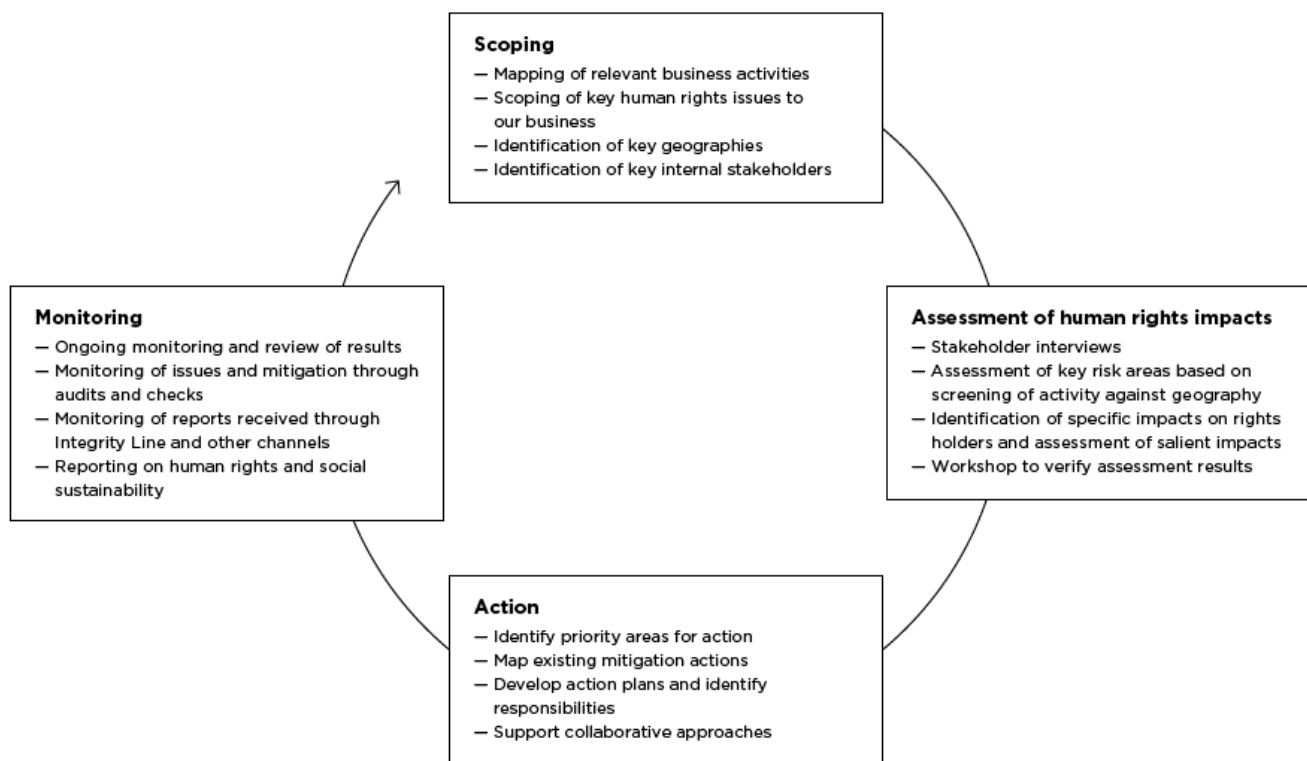
Under the lead of Corporate Sustainability and Regulatory Affairs (CSRA), the Human Resources, Legal, and Procurement departments have a shared responsibility for managing human rights.

Clariant's commitment to respecting human rights is enshrined in its [Human Rights Policy Statement](#), adopted in 2015, in which Clariant reaffirms its commitment to the United Nations Human Rights Declaration and the ILO Declaration on Fundamental Principles and Rights at Work. The policy statement applies to all direct operations and activities, and articulates a clear expectation of suppliers and contractors to uphold the same standards.

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

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

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



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

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

Building on this assessment, in 2017, Clariant carried out a review of the legal requirements, conditions, and control measures related to contract labor in India. The review found that the country organization is well aware of the legal requirements and has implemented a clear and comprehensive process, supported by detailed evidence, checklists, and regular exchanges with authorities.

In 2017, the Clariant Global Employment Standards Policy was fundamentally revised. The updated policy sets binding key principles and applies to all companies of the Clariant Group, which are fully financially consolidated by Clariant International AG (Switzerland), as well as to employee agencies and contractors that collaborate with Clariant or engage on behalf of Clariant.

Addressing and closing the identified gaps in Clariant's mitigation framework is a priority for Clariant in the coming years. Regarding the supply chain, Clariant will continue mapping the origin of particular raw materials to gain a better understanding of its potential human rights impacts, especially in high-risk countries.

Disclosure 103-3 Evaluation of the management approach

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

Ethics and Compliance

Disclosure 103-1 Explanation of the material topic and its Boundary

Clariant aspires to be perceived by its stakeholders as a world-class, high-performance company and a reliable partner that acts with the utmost integrity. Clariant believes that sustainable business success is closely linked to compliance with laws, regulations, and ethical standards. Clariant's stakeholders and society at large do not tolerate bribery and corruption from a reputable and sustainable company. Also, the cost of noncompliance has significantly increased. Massive fines and fees combined with the loss of reputation and business can bring a company close to bankruptcy. Applying the highest standards of diligence and compliance with all rules and regulations is thus essential for long-term business success, not only in Clariant's own operations, but also with respect to the third parties acting on behalf of Clariant.

Disclosure 103-2 The management approach and its components

Clariant's business units, Group Compliance, and Group Legal Services are responsible for managing business ethics and compliance. Clariant seeks to avoid reputational damage and financial costs associated with noncompliance. The Strategic Integrity Roadmap with its five-pillar approach provides guidance to achieve this objective by combining a leadership program, legal and compliance risk management, training and communication, standards and controls, as well as program measurement, auditing, and monitoring.

Another central instrument to ensure ethical behavior is Clariant's Code of Conduct, which contains ten compliance principles. They require all employees to refrain from conflicts of interest, active or passive bribery, insider trading, anti-trust violations, money laundering, account fraud, disclosure of confidential information, and abuse of business assets for private interests; to prevent environmental hazards; and to abstain from discrimination and harassment. Clariant does not tolerate any violation of the Code of Conduct. All employees are encouraged to confidentially report noncompliant behavior to the compliance organization. An important channel through which all violations against the Code of Conduct and any workplace-related compliance issue can be reported is the »Clariant Integrity Line.« In close collaboration with the Compliance Team, the global Human Resource Case Manager organization within Group Human Resources takes care of any substantiated concern.

Besides its Anti-Bribery and Corruption Policy and the Gift Policy, Clariant introduced local policies regarding gifts, entertainment, and community engagement work. This was introduced

for Japan in 2017 and will continue with Indonesia and Brazil in 2018. Clariant focuses on advancing the implementation of its policies and procedures related to bribery and corruption and ensuring adherence by third parties acting on behalf of or representing Clariant.

To make ethics and integrity more tangible, Clariant launched a number of internal communication measures, including an ethics journal that illustrates real cases from its businesses and discusses how they were resolved. Through the campaign »Excellence through Integrity, « the members of the Executive Committee and the regional heads stated what integrity means to them and further raised awareness for ethical behavior. Clariant also continued its mandatory compliance trainings to avoid violations of the Code of Conduct, both via e-learning and in-person courses. Certain target groups received specific trainings on competition and anti-trust law. Furthermore, a resource center was established, serving as a one-stop-shop for all questions around ethics and integrity.

In 2018, Clariant will fully roll out the Strategic Integrity Roadmap. Furthermore, it will offer basic e-learning courses on bribery and corruption, data privacy, and risk-based anti-trust law. Lastly, Clariant plans to launch leader-led compliance sessions, in which senior managers discuss ethical dilemmas with their teams.

Disclosure 103-3 Evaluation of the management approach

To evaluate the effectiveness of the management approach, Clariant designed a five-pillar strategy with a detailed three-year plan, including key performance indicators that are tracked as of 2018. Both the Executive Committee as well as the Audit Committee were involved in the final revisions and formally approved the strategy.

Furthermore, the screening of suppliers and contractual language obligations regularly gives an indication of Clariant's progress in the implementation of the Compliance Program.

Clariant has a due diligence process in place to vet distributors, agents, and lobbyists.

Clariant investigation and remediation process applies to all reported breaches of the Code of Conduct. Corporate Functions (Group Compliance, Group HR, Corporate Auditing, ESHA and other functions, where appropriate) are responsible for the investigation and Compliance Committees (Regional or Group level) are responsible for remediation. In 2017, Clariant received 80 reports of alleged breaches of the Code of Conduct in the following categories:

- Health & Safety, Environmental Violations: 2
- Business Integrity: 26
- Treatment of Employees: 31
- Reports with no content or no allegations (including "Ask a Question"): 21

Climate Change

Disclosure 103-1 Explanation of the material topic and its Boundary

Clariant manages climate change to identify and mitigate physical, regulatory, and reputational risks, achieve cost reductions through the optimization of operational efficiency, and remain competitive on energy and material costs. In addition, in light of the increasing demand for climate-friendly products, Clariant's climate strategy includes developing innovative products

that enhance the company's reputation and recognition and maintain or increase the customer base. Furthermore, as regulatory pressure to reduce greenhouse gases increases globally, Clariant must respond proactively to its investors' increasing focus on climate risk management.

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

Disclosure 103-2 The management approach and its components

Responsibility for managing climate change lies with the Corporate Sustainability & Regulatory Affairs (CSRA) function, whose head directly reports to the Executive Committee. CSRA works closely with other relevant corporate functions such as Group Technology & Innovation and Group Procurement Services, as well as Business Units that are developing low-carbon and climate-friendly solutions to respond to societal challenges and customer needs.

To reduce its climate impacts, Clariant is pursuing its 2025 environmental targets. Compared to 2013, the company is aiming to reduce energy consumption and direct CO₂ emissions by 30 % and emissions from greenhouse gases by 35 %. These reduction targets are an integral part of Clariant's planning and investment strategy.

Beyond Clariant's commitment to emission reductions, the company is running successful initiatives related to energy management, such as Clariant Production System's Yield, Energy, Environment (YEE) initiative and eWatch, the energy efficiency program that identifies savings potential through detailed analysis of energy consumption across operations.

Finally, Clariant actively contributes to the fight against climate change through its innovative and sustainable product offerings across all four business areas. Clariant's Portfolio Value Program (PVP), a key initiative to make sustainability integral to the product portfolio, also features climate change-related criteria. Clariant's EcoTain® label also takes current and future societal trends into account by identifying products that provide best-in-class solutions to address the challenges presented by sustainability themes such as climate change.

Disclosure 103-3 Evaluation of the management approach

To evaluate the effectiveness of its management approach, Clariant monitors the development of its climate impacts by collecting environmental key figures on energy consumption, carbon dioxide emissions, and direct and indirect greenhouse gas emissions across business units, thereby measuring the trajectory toward achieving the 2025 targets. Clariant is well on track to meet these ambitious objectives.

In light of the growing expectations of external stakeholders, Clariant wishes to further strengthen and develop a more holistic climate strategy to measure the impact of climate-specific risks, deploy additional mitigation measures, further reduce emissions in operations, explore cleaner energy alternatives, and foster collaboration opportunities in the value chain. In 2017, Clariant began renewing its climate change strategy in several key focus areas, including risk management and carbon pricing, operational efficiency, carbon-efficient energy supply, emissions in the value chain (Scope 3 emissions), innovative and low-carbon solutions, as well as communications and engagement strategies. Several activities will be completed in 2018 and lead to an enhanced management approach of the climate change topic.

Policy and Stakeholder Relations

Disclosure 103-1 Explanation of the material topic and its Boundary

An open, transparent, and trustworthy dialog with all stakeholders is essential for Clariant to understand how industry regulations and markets develop. Building networks and relationships within the chemical industry, as well as with policymakers and other stakeholders such as non-governmental organizations (NGOs), helps Clariant anticipate and mitigate risks driven by regulatory or stakeholder pressure, identify business opportunities, and create competitive advantages.

Clariant believes that participating in policy dialog is an important element of corporate responsibility. Thus, in line with the company's strategy and business objectives, Clariant contributes to policy development in relevant areas such as chemical management and substitution, climate change, energy, bio-economy, circular economy, competitiveness, trade, and innovation.

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

Disclosure 103-2 The management approach and its components

The overall responsibility for policy and stakeholder relations is assigned to Corporate Sustainability & Regulatory Affairs (CSRA). At the local level and within certain sectors, the business units and regional organizations have a responsibility to maintain and engage in the policy dialog, as they are better positioned to understand the local and sector-specific challenges and stakeholder networks.

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

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

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

Other activities include the continuous active participation in associations such as the European Chemical Industry Council (Cefic), national chemical associations, sectorial business associations, and ad hoc collaborations with other stakeholders such as the International Chemical Secretariat (ChemSec). Specific advocacy activities were implemented on regulatory dossiers, for example, in the context of the revision of the EU Renewable Energy Directive. Clariant actively supported an ambitious blending target for second-generation biofuels.

Disclosure 103-3 Evaluation of the management approach

Clariant's advocacy activities are strongly linked to the company's growth and sustainability strategy. In the context of its advocacy strategy, which is currently under review, Clariant aims to further strengthen these ties by paying closer attention to topics such as bio-economy, circular economy, and chemical substitution.

Clariant supports the call for increased transparency regarding lobby activities and political contributions. Through its reporting on the Carbon Disclosure Project (CDP) and the Dow Jones Sustainability Index (DJSI), Clariant discloses the issues it has discussed with policymakers and trade associations that are likely to take a position on sustainability topics such as climate change. Moreover, Clariant performs an annual review of its membership costs and, since 2017, publicly discloses the top five membership contributions. Clariant currently reviews this approach and plans to report key membership contributions per type of policy issue as of 2018.

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

Circular Economy

Disclosure 103-1 Explanation of the material topic and its Boundary

In a world of limited resources, the circular economy model is increasingly seen as an alternative to the current unsustainable and linear economic model of take-make-dispose. It is an opportunity to reinvent today's economy and its production and consumption patterns.

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

Within Clariant's own operations, circular economy opportunities include energy, materials, and other resources that affect operational efficiency and thus have a positive effect on costs. Company efforts in this field are also closely linked to its environmental-protection and resource-efficiency objectives. However, circular economy goes beyond Clariant's own operations and includes products and business models that support a more circular society by using less, reusing, or recycling. A circular economy thus also has a strong value chain orientation, seeking to connect waste-material loops.

Disclosure 103-2 The management approach and its components

The opportunities offered by an increasingly circular economy are being considered across several company functions, such as Corporate Sustainability and Regulatory Affairs (CSRA), Group Technology and Innovation and in particular its New Business Development function (NBD), as well as business units.

Clariant contributes to a more circular economy in many ways. This includes continuously increasing eco-efficiency of production processes, choosing waste and renewable resources instead of virgin or fossil resources, process design, reducing water and energy use, closed-loop re-

cycling on sites, industrial symbiosis, and value-chain clusters. This type of optimization is driven also by the environmental 2025 targets, which are being reported under the topic Environment Protection and Resources.

Importantly, the promotion of an increasingly circular economy is supported by the development of new products and technology. Best practice examples are numerous across Clariant's businesses. An example of new technology development that also ties into the promotion of a bio-based and circular economy is Clariant's sunliquid® technology. It uses agricultural residues to produce bioethanol, thereby reducing dependency on fossil fuels. In addition, Clariant's wide range of innovative detergents, stabilizers, pigments, and masterbatches supports obtaining higher-value plastics from recycling streams, while other products are focused on increasing durability of materials.

During 2017, New Business Development has focused on targeted value chain outreaches in order to create circular economy business opportunities. For example, Clariant has addressed customer concerns regarding the odor and color of recycled plastics to increase their usability in particular market applications. In addition, NBD has set up a dedicated work stream on plastic recycling in order to capture new business opportunities driven by circular economy policies and trends. The impact and opportunities of circular economy on Clariant business and operations and how to manage these are going to be assessed continuously during 2018.

Disclosure 103-3 Evaluation of the management approach

During the reporting period, Clariant performed a workshop with an initial review of potential circular economy opportunities for its business. Currently, Clariant is developing a structured management approach to further outline, anchor, and advance the topic in the future.

Sustainability Performance in the Supply Chain

Disclosure 103-1 Explanation of the material topic and its Boundary

Clariant believes that true leadership in sustainability extends beyond the company border, taking into account sustainability impacts and leveraging sustainability opportunities across the value chain and in broader society. Customers, employees, community members, and other stakeholders, including the public, expect companies to understand their wider impacts and drive sustainable change and growth. Clariant's sustainability strategy thus also includes its comprehensive and complex supply chains. In order to be a true sustainability leader, it is imperative for Clariant to go beyond its own operations and include the entire yearly spend on materials and services.

Disclosure 103-2 The management approach and its components

As part of Clariant's full commitment to identifying and continuously reducing potential risks and therefore enhancing the sustainability performance across its entire end-to-end supply chains, Clariant proactively engages with suppliers to monitor and improve sustainability performance of the sourced materials and services.

Clariant Procurement has rolled out the sustainability strategy across all regions and spend categories covering the entire CHF 4 billion yearly spend. Sustainability is an integral part of Clariant's procurement practices – irrespective of material, geography, or risk potential. Suppliers, outsourcing partners, and service providers are selected and managed based on a comprehen-

sive set of criteria. These benchmarks include not only economic and product-specific performance, but also non-financial and sustainability considerations, such as complaint management, creditworthiness, safety standards, working conditions, and respect for human rights.

Supplier Code of Conduct

The cornerstone of Clariant's sustainable procurement approach, the Supplier Code of Conduct, is based on UN Global Compact and Responsible Care® principles and was rolled out in 2014 across the entire supply base of more than 22,000 suppliers through written communication and via face-to-face meetings with top suppliers in each region. It is also incorporated in the General Terms and Conditions of Purchase incorporated in every purchase order issued by the procurement organizations. Clariant expects its suppliers to abide by this Supplier Code of Conduct and to make every effort to keep the environmental impact and negative social effects arising from business activities to a minimum. If the Code of Conduct is not embraced by business partners, Clariant retains the right to end its business relationship.

Procurement Sustainability Roadmap

Every year, Clariant develops a Procurement Sustainability Roadmap based on insights and feedback gathered in the previous years. The roadmap defines focus areas, strategies, and indicators and is deployed across the entire organization, consisting of 180 procurement officers. Roadmap development and delivery processes are coordinated and steered by the Group Procurement Service's Strategy Initiatives and Sustainability Team, which directly reports to the Chief Procurement Officer.

Targets and Trainings

Sustainability criteria play a central role in assessing Clariant's performance in supply chain management. Four out of eight key performance indicators relate to sustainability aspects. They include the number of new sustainability assessment scorecards and sustainability audit reports generated, the number of Corrective Action Plans completed on high- and medium-risk suppliers identified through assessment scorecards, and the number of sustainability projects implemented by suppliers. Each employee working in procurement has assigned targets that are tracked and evaluated at the monthly Procurement Management Committee meetings. To further build skills in supplier sustainability management and to make sure sustainability is a critical part of the state-of-the-art procurement expertise, Clariant conducts a Sustainability Capability-Building Program with yearly waves of training sessions.

Supplier Sustainability Assessments and Audits

By joining the »Together for Sustainability« initiative, Clariant has taken the sustainability monitoring and improvement of its suppliers to a new, higher level. The Tfs evaluation of suppliers – both with regard to materials and services – is based on a standard best-in-class methodology and approach jointly developed by the procurement leadership of six multinational chemical companies. It is managed through leading external global service providers specialized in sustainability, such as EcoVadis for assessments and DSQ Group, ERM, Intertek, and SGS for on-site audits. The approach developed and implemented by Tfs leverages synergies among the participants and delivers an independent, standardized, and quantitative evaluation of suppliers' sustainability performance and risk profiles. The outsourcing to third-party service providers guarantees process robustness, independence, confidentiality, and conformity with antitrust and competition law. Clariant prioritizes the assessment and audit of suppliers according to country and business risks, global category priorities, and purchase volumes.

Through Tfs, Clariant is able to generate assessment scorecards and audit reports providing a quantitative evaluation of the sustainability performance of its suppliers. In addition to an overall score, suppliers receive an individual score for the critical dimensions of environment, labor practices, fair business practices, and sustainable procurement. Further, scorecards and reports provide detailed feedback on specific improvement areas and guidance on where and how to ad-

dress the identified gaps. This comprehensive approach and outcome provides Clariant with the basis to engage with its suppliers and agree on ad hoc corrective action plans and, therefore, mitigate sustainability risks and improve sustainability performance in its supply chain.

Disclosure 103-3 Evaluation of the management approach

Clariant's yearly Procurement Sustainability Roadmap is based on insights and feedback gathered through evaluations such as the DJSI RobecoSAM Company Sustainability Benchmark Report and EcoVadis Scorecard Improvement Areas as well as industry benchmarking and conference participation. Thus, breadth and depth of the roadmap are continuously enhanced.

In addition to the Dow Jones Sustainability Index ranking, Clariant Supply Chain Management was nominated as one of the top ten best supply chain organizations in sustainability across 60 industries by RobecoSAM and received the highest EcoVadis score of the global chemical industry for the second time in a row. Furthermore, Clariant received the prestigious EIPM Award for sustainability leadership in supply chain in 2017.

In the future, Clariant plans to develop a monitoring system to better monitor and measure supplier performance and identify improvement opportunities against the principles laid out in the Code of Conduct.

GRI 200: ECONOMIC DISCLOSURES

201: Economic Performance

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

Clariant discloses details about the risks and opportunities posed by climate change through a number of sustainability programs such as the Carbon Disclosure Project. These include a detailed description of the risks and opportunities per type of impact (regulatory, reputational, and physical parameters) as well as the methods used to manage the risks.

Main risks driven by changes in regulation:

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

Main opportunities driven by changes in regulation:

- Innovation and R&D focus on low-carbon products and differentiation through a more sustainable product portfolio.
- Increased demand for solutions related to megatrends such as low-carbon mobility, recycling, food security, and urbanization.

Main risks driven by changes in physical climate parameters:

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

Main risks driven by reputational considerations:

- Shift in consumer preferences and increasing customer demand for climate-friendly products, changing customer behavior and higher awareness of products with less impact on climate and other environmental aspects.
- Stigmatization of a sector or of a company related to brand image, community opposition, and negative media coverage.

Main opportunities driven by reputational considerations:

- Responsible behavior qualifies for investors that focus on sustainable investments.
- Customer engagement, stakeholder dialog, community initiatives, and overall positioning of Clariant as a credible sustainability leader.

Disclosure 201-3 Defined benefit plan obligations and other retirement plans

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

No intentional differentiation is made in the company benefits provided by Clariant according to the type of employment contract, but this does not exclude differences depending on the individual case and local circumstances. The deciding criterion in this case is the customary market standard, which is being reviewed within the scope of continuing benchmark surveys. However, a systematic survey has yet to be undertaken.

202: Market Presence**Disclosure 202-1 Ratios of standard entry level wage by gender compared to local minimum wage**

Clariant pays wages and salaries that are determined by local relevant competitive market data rather than by legally defined minimum wages (however, minimum wage standards are always adhered to). Therefore, Clariant does not keep statistics of the salaries in relationship to minimum wages.

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

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Percentage of senior management at significant locations of operation that are hired from the local community | 25% | 75% |

Clariant's global employment standards guideline strives for a diverse workforce and aims to find the candidates best suited for an open position. Clariant is a non-discriminatory employer, hiring and promoting employees based solely on the qualifications and skills required for the work. The recruitment of employees is based solely on their qualifications for the open posi-

tion and their individual potential. At the end of 2017, about 75 % of the individuals hired at the top four management levels were citizens of the country or had an indefinite right to reside in the respective country in which the hiring part of the Group was located. This number tends to change from year to year as global mobility of employees is becoming more and more a competition factor for the company.

203: Indirect Economic Impacts

Disclosure 203-1 Infrastructure investments and services supported

Clariant is involved in numerous projects in the vicinity of the various production sites, in particular in emerging markets. Clariant does not focus company commitment on individual showcase projects, but is actively committed to the common good in each and every location in which the Group operates, acting with corporate responsibility in all its activities. Clariant supported numerous charity projects in 2017, especially in the vicinity of the various production sites.

Disclosure 203-2 Significant indirect economic impacts

Clariant's activities as an employer, as a consumer of local products and services, and as a payer of taxes and fees in the respective regions or countries support local economic development, especially in emerging economies. Clariant raises the living standards of the population, both directly and indirectly, by creating added value.

204: Procurement Practices

Disclosure 204-1 Proportion of spending on local suppliers

| ✓ PwC | 2016 | 2017 |
|---|--------|--------|
| Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation | 85.70% | 87.40% |

| ✓ PwC | 2015 | 2016 | 2017 |
|--|-------|-------|-------|
| RM Procurement according to regions (in CHF m) | 2 252 | 2 221 | 2674 |
| Of which with local suppliers | 1 931 | 1 904 | 2337 |
| Number of suppliers | 5 431 | 5 222 | 6991 |
| Asia/Pacific | 480 | 510 | 627 |
| Of which with local suppliers | 449 | 479 | 591 |
| Number of suppliers | 1 704 | 1 754 | 2800 |
| Europe | 1 097 | 1 088 | 1237 |
| Of which with local suppliers | 960 | 959 | 1 122 |
| Number of suppliers | 1 357 | 1 174 | 1 690 |
| Latin America | 337 | 276 | 307 |
| Of which with local suppliers | 249 | 198 | 209 |
| Number of suppliers | 784 | 802 | 1092 |

| ✓ PwC | 2015 | 2016 | 2017 |
|-------------------------------|------|------|-------|
| Middle East & Africa | 60 | 91 | 109 |
| Of which with local suppliers | 32 | 47 | 56 |
| Number of suppliers | 303 | 247 | 407 |
| North America | 278 | 255 | 395 |
| Of which with local suppliers | 241 | 221 | 359 |
| Number of suppliers | 414 | 445 | 1 002 |

Clariant's Procurement Department preferentially sources goods and services from within the region in which its respective operations and manufacturing plants are located, as far as qualitatively compatible, technically feasible, and economically viable. This way, Clariant's activities support the economic development of the regions in which it operates. This is particularly relevant for and encouraged in key emerging markets such as Brazil, China, and India.

205: Anti-corruption

Disclosure 205-1 Operations assessed for risks related to corruption

Corruption risks are investigated as part of the ongoing internal auditing of Clariant. If corruption is suspected, Compliance Department and possibly other service units will carry out an investigation, with the help of specialized third parties, if necessary. The regional and Group-wide compliance committees assess the findings of the investigation and order disciplinary or other measures against culpable employees, which may also lead to the termination of employment and/or the termination of contracts with business partners, or to such contracts not being extended or changed for precautionary reasons. To prevent corruption risks, we started to do business reviews of high risk business in high-risk environments with high-risk customers.

Disclosure 205-2 Communication and training about anti-corruption policies and procedures

In 2017, Clariant has continued the training throughout the entire organization in view of avoidance of possible violations against the Code of Conduct, both with e-learning as with classroom-based (face-to-face) courses. Training is group-specific, based on cases, and modern training tools are used (films, comics, etc.). It is mandatory for all employees of the target group, and non-participation is sanctioned.

E-learning

In 2017, Clariant did not conduct a specific anti-corruption e-learning module.

Face-to-face trainings

Special target groups received further face-to-face trainings in various topics, for example about competition and anti-trust law. In 2017, such a training was given to many colleagues in all regions. New joiners are also familiarized with our Code of Conduct and ABC Policy.

An important awareness campaign was launched to demonstrate the right attitude and tone from the top.

Integrity Line

In addition to the Group headquarters, the compliance officers at both regional and local levels are available for questions regarding ethically correct and legally compliant conduct of employees. A reporting and query portal for all employees, the so-called »Clariant Integrity Line« allows for submitting questions pertaining to ethically correct business conduct in the local language – also anonymous, if possible, by law – which the responsible compliance officer of the corresponding country answers or forwards to the region or group compliance officer.

A new format called “Ethical Journal” communicates about cases in the IL and how they were handled to foster trust with the employees and encourage speaking up

Disclosure 205-3 Confirmed incidents of corruption and actions taken

In 2017 there were eight allegations around bribery, corruption, and kickbacks brought forward. Three cases are still under investigation. In the three cases, disciplinary actions were taken but there were no dismissals.

There were no legal proceedings against Clariant or its employees for alleged corruption. In addition, Clariant issued a warning letter against one supplier and terminated five suppliers and one business partner (agent, distributor, or consultant).

206: Anti-competitive Behavior

Disclosure 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant | 0 | 1 |

Clariant supports fair and vigorous competition. In 2017, Clariant was subject to an ongoing competition law investigation by the European Commission into the ethylene purchasing market. The company is assisting the relevant authorities and cannot comment further on the details of an ongoing investigation. In 2017, there were no further reported legal actions for anti-competitive behavior or antitrust or monopolistic practices. Clariant would report significant legal actions in its Integrated Report.

GRI 300: ENVIRONMENTAL DISCLOSURES

301: Materials

Disclosure 301-1 Materials used by weight or volume

✓ PwC

| in m t | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|
| Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period | 4.12 | 3.97 | 4.48 | 4.86 |

✓ PwC

| in m t | 2014 | 2015 | 2016 | 2017 |
|------------------|------|------|------|------|
| Total production | 3.81 | 3.66 | 4.09 | 4.6 |

Economic handling of limited resources reduces the environmental footprint which in turn has significant influence on the success of companies. Besides the development of sustainable products, efficient and resource-saving production is very important in order to reach sustainability goals. In this regard, comprehensive and intensive raw material management renders a decisive contribution. Efficient optimization programs continuously improve water balance and energy efficiency, while lowering pollutant emissions and amounts of waste. Clariant promotes the use of renewable raw materials and supports the development of bio-economy through its products and innovation efforts in order to foster a sustainable value chain. In the past years, Clariant has continually improved process efficiency and production procedures.

These overall numbers mainly reflect the changes in product portfolio as requested by customers. They do not directly show efficiency improvements or deterioration.

Disclosure 301-2 Recycled input materials used

Clariant tries, wherever possible, to use recycled materials in production. However, the percentage is low due to the nature of the production process, as recycled raw materials cannot be used very often due to the requirements regarding purity or because safety standards must be met. Clariant uses almost only fresh raw materials from direct precursors for the reasons mentioned above. However, there is an internal cycle that is an integral part of the production process for auxiliaries, for product purification, and separation. The material in such recycle streams is used several times in order to deliver the desired energy and resource savings. A meaningful detection of the corresponding amounts is not possible as these cycles are an integral part of the overall process.

Disclosure 301-3 Reclaimed products and their packaging materials

Clariant provides mostly reusable packaging when supplying customers, who will either return them to Clariant after they have been emptied or use existing recycling systems. Often products will be shipped as bulk goods in tank trucks and rail tank cars or silo trucks. Moreover, cleanable and reusable packaging is used where possible and acceptable to the customer. To the extent possible, packaging is recycled for material purposes or, especially in the case of hazardous materials, used to generate energy. The packaging used by Clariant meets the legal requirements and ensures product quality.

302: Energy

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

| ✓ PwC | 2014 | 2015 | 2016 | 2017 |
|---|-------|-------|-------|-------|
| Total energy consumption within the organization, in joules or multiples (in m kWh) | 3 100 | 2 866 | 2 950 | 3 245 |
| Energy consumption relative in kWh/t production | 813 | 782 | 720 | 706 |
| Energy consumption intensity in MWh per t produced goods | 0.81 | 0.78 | 0.72 | 0.71 |

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

Direct energy consumption, i.e., the use of primary energy sources, takes place at Clariant's sites and mainly for process heat- and steam-generation purposes. The main primary energy source is natural gas; coal is only being used as an energy source in some locations in China and Indonesia. Indirect use is from the consumption of electricity and steam from external sources in lieu of Clariant's own energy generation. Clariant procures a mix of energy from various sources, with this mix varying greatly from country to country. Clariant endeavors, however, to increase the share of energy obtained from renewable sources on an ongoing basis.

Disclosure 302-4 Reduction of energy consumption

| ✓ PwC | 2015 | 2016 | 2017 |
|---|-------|-------|-------|
| Energy demand per production unit (kWh/t) | 782 | 720 | 706 |
| Absolute (m kWh) | 2 866 | 2 950 | 3 245 |

For more information please see the [management approach: Environmental Protection and Resources](#)

Disclosure 302-5 Reductions in energy requirements of products and services

Clariant evaluates the energy consumption of products through Portfolio Value Program, which includes the innovation pipeline. For more information, please see the "Idea to Market" section in the Integrated Report and the section on the [Portfolio Value Program](#) on Clariant's website.

303: Water

Disclosure 303-1 Water withdrawal by source

| ✓ PwC | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|
| Total volume of water withdrawn (in m ³) | 51 | 49 | 48 | 49 |

| ✓ PwC | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|
| Water consumption relative in m ³ /t product | 13.4 | 13.3 | 11.7 | 10.6 |

One of the main auxiliary materials for the chemical industry is water. Foremost, it is used as a coolant and as process water in production. Of the 49 million m³ of Clariant's total water quantity purchased in 2017, about 70 % has been used for the cooling of its production plants, 20 % for production processes, and 10 % as product component, for steam/ice generation, irrigation, or for sanitary purposes. The water requirements, especially at the large production sites, are primarily supplied by river water. Before it flows into the piping system at each site, the river water is cleaned using various filter systems according to its intended purpose. Remaining amounts are obtained from the respective local water grids, but not in volumes that would significantly impair the water system. ✓PwC

Disclosure 303-2 Water sources significantly affected by withdrawal of water

Clariant is a chemical company with a long-standing history, and some of its production sites are more than a hundred years old. New locations were chosen because of the required infrastructure in already existing industrial settlements. For these reasons, Clariant's properties for plants and office buildings are located today almost exclusively in industrial parks or appropriate commercial districts. Because of these targeted locations, animal and plant species included on the Red List of the IUCN (International Union for Conservation of Nature and Natural Resources) and on national protection lists are not visibly affected by Clariant's business activities.

Clariant does not operate any sites in biological reserves or in areas with a high biodiversity value. If forests, which are generally unprotected areas, are located in the immediate vicinity, Clariant ensures that the nature of the plant and the activity carried out there do not have an appreciable adverse effect on the flora and fauna there. In areas recultivated by Clariant following bentonite extraction (such as Southern Bavaria), certain types of animals that are on the Red List of Threatened Species have even repopulated.

With regard to plants located next to rivers, Clariant has laid down strict environmental regulations so that its activities have no registerable impact on the surrounding flora and fauna. The wastewater produced by Clariant in the year under review had no measurable impact on biodiversity. Clariant mostly operates plants in integrated industrial sites without sensitive adjacent areas.

Clariant is also aware of the possible impact of certain raw materials and their cultivation on biodiversity, as in the case of palm oil. Therefore, Clariant cooperates with customers to improve traceability of palm-based raw materials and is a member of RSPO, offering RSPO MB-certified material.

Disclosure 303-3 Water recycled and reused

At some Clariant locations, cooling water is guided into circulatory systems, where the temperature is again lowered after use in recooling plants. This environmentally compatible cooling method is used in plants where technically possible. In 2017, it saved 139 million m³ of industrial water, which would otherwise have been additionally procured.

304: Biodiversity

Disclosures 304-1, 304-2 and 304-4

For Information regarding 304-1 (Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas), 304-2 (Significant impacts of activities, products, and services on biodiversity) and 304-4 (IUCN Red List species and national conservation list species with habitats in areas affected by operations), please see [disclosure 303-2](#) Water sources significantly affected by withdrawal of water.

Disclosure 304-3 Habitats protected or restored

Clariant does not operate any sites in biological reserves or in areas with a high biodiversity value. If there are forests located in the immediate vicinity, Clariant ensures that the nature of the plant and the activity carried out there does not have an appreciable adverse effect on the flora and fauna.

Taking into account the possible biodiversity impact of the bentonite mining activities, independently of the habitat affected, Clariant restores the land to its original stage when mining is finished. Clariant has a program that recultivate the land. Together with a number of experts, the land will receive treatment to ensure optimal restoration.

305: Emissions

Disclosures 305-1 Direct (Scope 1) GHG emissions, 305-2 Energy indirect (Scope 2) GHG emissions, 305-4 GHG emissions intensity

| ✓ PwC | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|
| Gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent | 0.42 | 0.4 | 0.41 | 0.44 |
| Direct emission (Scope 1) in kg/t production | 110 | 109 | 101 | 95 |
| Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent | 0.54 | 0.45 | 0.48 | 0.53 |
| Indirect emission (Scope 2) in kg/t production | 141 | 123 | 117 | 116 |
| Total emission (in m t CO ₂) | 0.96 | 0.85 | 0.89 | 0.97 |
| in kg/ production | 252 | 232 | 218 | 211 |

The direct greenhouse gas emissions resulting to a large extent from carbon dioxide emissions (CO₂) of the combustion processes operated by Clariant are directly proportional to the amount of carbon in the fuels used. To be able to make a comparable global statement, Clariant uses mean emission factors. Emissions of other greenhouse gases like methane and nitrous oxide (N₂O) are also measured locally and integrated into the consolidated calculation of greenhouse gas emissions.

Indirect greenhouse gas emissions are predominantly generated by external energy procurement, usually in the form of electricity and steam – and thereby almost exclusively CO₂. Their emergence correlates very much with the amount produced and can be less influenced by Clariant than direct emissions. To calculate the emission amounts, country-specific or, in some cases, site-specific conversion factors are used, which are determined on the basis of the existing infrastructure in the country in question. The amount of all greenhouse gases (expressed in CO₂ equivalents) from indirect emissions decreased from 0.54 million t to 0.53 million t, or from 141 to 116 kg per manufactured ton of products, between 2014 and 2017 because of improved energy efficiency and the sale of energy-intensive businesses.

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

As part of its reporting for the Carbon Disclosure Project (CDP), Clariant has calculated Scope 3 emissions for purchased goods, waste generated in operations, employee commuting (all based on WBCSD “Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain”), fuel- and energy-related activities (not included in Scope 1 or 2), upstream transportation and distribution, business travel, and downstream transportation and distribution.

Disclosure 305-5 Reduction of GHG emissions

Clariant was once again able to record a significant reduction of its energy consumption in 2017. All forms of energy, such as electricity, heat, cold, steam, as well as natural gas and the other primary fuels are included here. Almost all of the savings were the result of the measures initiated by the energy management program eWATCH. eWATCH is a Group-wide systematic, efficient, and coordinated energy management program. The program permanently records the whole energy consumption, analyzes the savings potentials, and enables the continuing usage optimization of the machines. Plants are being planned and utilized in the production process in such a way that they can be optimized continuously to achieve the best efficiency level of each individual usage. The lessons learned here help in the performance-optimized design of plants and in the selection of efficient components. Not only is eWATCH very interesting from an ecological point of view but also from an economic point of view because the program allows the evaluation of the cost-benefit ratio between investments and energy savings.

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

Ozone depleting substances are no more used. Cooling agents if relevant are now reported under greenhouse gases.

Disclosure 305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions

| ✓ PwC | 2014 | 2015 | 2016 | 2017 |
|---|-------|------|------|------|
| Significant air emissions, in kilograms or multiples, for each of the following: (in t) | | | | |
| NO _x | 872 | 576 | 512 | 634 |
| SO _x | 344 | 310 | 379 | 241 |
| Volatile organic compounds (VOC) | 191 | 184 | 156 | 208 |
| Hydrogen chloride HCl (in t) | 39 | 57 | 58 | 40 |
| Ammonia NH ₃ (in t) | 22 | 24 | 24 | 14 |
| Total inorganic emissions (in t) | 1 277 | 967 | 973 | 930 |
| Total organic emissions (in t) | 191 | 184 | 156 | 208 |
| Particle emissions (fine particles) | | | | |
| in t | 262 | 242 | 225 | 380 |
| in g/t production | 69 | 66 | 55 | 83 |

Significant emissions of other inorganic pollutants such as SO₂ (-30%) and NO_x (-27%) have been reduced since 2014.

306: Effluents and Waste

Disclosure 306-1 Water discharge by quality and destination

| ✓ PwC | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|
| Total volume of planned and unplanned water discharges (in m ³) | 13.7 | 13.3 | 13.2 | 12.6 |
| Waster water discharge relative in m ³ /t production | 3.6 | 3.63 | 3.23 | 2.75 |

Clariant uses water for a variety of purposes in the production of chemical products, resulting in the release of wastewater effluents. At each site, production wastewater is first subject to multistage chemical-physical pre-cleaning before being routed to biological wastewater treatment plants, where it is micro-biologically cleaned. Water that is only used for cooling can be directly released into rivers because it is not contaminated. To prevent contamination of the intake water through undetected leaks in the cooling system, the cooling water and rainwater are constantly analyzed at the individual sites as an additional safety measure. If contamination is discovered, discharge into the rivers (or other receiving waters) is prevented by various containment systems present on-site.

The absolute and relative quantity of water used (in relation to production) has declined from 2014 to 2017. The amount of total wastewater in 2017 was 12.6 million m³ or 2.75 m³ per manufactured ton of production compared to 13.7 million m³ or 3.60 m³ per t in 2014.

Clariant has reduced the chemical oxygen demand (COD) - the measurement of the degree of wastewater burdened with organic substances - in all the wastewater treatment plants by ~25% from 2014 to 2017. Consequently, the fees and production costs were reduced.

Only small amounts of heavy metals remain in the wastewater at Clariant's individual sites. The values are partly based on the concentrations that are at or below the detection limit. The wastewater discharged by Clariant is largely cleaned and does not affect the quality of the receiving water. Thus, Clariant has achieved very high standards in wastewater treatment and water purification within a very short period.

For 2017, Clariant recorded three spills which is considered significant under the definition of ICCA, category 2.

Disclosures 306-2 Waste by type and disposal method, 306-4 Transport of hazardous waste, 306-5 Water bodies affected by water discharges and/or runoff

✓ PwC

| in thousand t | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|
| Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: ¹ | 55 | 59 | 54 | 56 |
| Recycling ² | 19 | 18 | 20 | 23 |
| Landfill ² | 8 | 6 | 10 | 7 |
| Treatment ² | 36 | 47 | 39 | 41 |
| Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: ¹ | 113 | 92 | 92 | 142 |
| Recycling ² | 26 | 18 | 17 | 27 |
| Landfill ² | 81 | 68 | 69 | 107 |
| Treatment ² | 12 | 8 | 7 | 9 |
| Total waste ¹ | 168 | 151 | 147 | 198 |

¹Waste from Clariant activities

²The listed treatment and disposal channels also contain waste from other producers but managed by Clariant

At Clariant, the prevention of waste takes priority over recycling or disposal. Therefore, every effort is made during the development and manufacturing of products to ensure that as little waste is generated as possible. Unavoidable production waste is recycled or disposed of properly. Each type of waste is recorded and precisely analyzed and described. Proper disposal must be proven and documented in internal records. It is important to know from which plant the waste originates, which amounts accrue during what period, what properties the waste components have, whether the waste can be classified as hazardous, and how it can be recycled or disposed.

Disclosure 306-3 Significant spills

| ✓ PwC | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------|------|------|------|------|------|------|
| Process safety event rate | 0.4 | 0.25 | 0.22 | 0.26 | 0.21 | 0.35 |

The safety of people and the environment is the highest priority for chemical companies. One indispensable factor is an effective safety management system that can also identify, assess, and control risks in the production process using appropriate measures, so as to reduce or even entirely avoid these risks. For this reason, Clariant, in close cooperation with the European Process Safety Centre (EPSC), has actively supported the development of a simple and representative measurement system, also with the aim of establishing an industry-wide standard.

This system records and systematically assesses smaller substance and energy releases in order to avoid major incidents. These incidents, or PSEs (process safety events), are categorized according to criteria stipulated by the European Chemical Association (Conseil Européen des Fédérations de l'Industrie Chimique, Cefic) and the International Council of Chemical Associations (ICCA). They are a component of the ongoing improvement procedures for the process safety of the production systems. In 2017, the process safety event rate at Clariant increased from 0.21 to 0.35. Due to the change in our PSE reporting criteria starting in 2018, many trainings and webinars have been carried out which have impacted the reporting culture, increasing the total number of reports in 2017. We expect that this trend will continue in the following years. This rate denotes the number of incidents per 200,000 working hours.

307: Environmental Compliance

Disclosure 307-1 Non-compliance with environmental laws and regulations

Clariant's operative business adheres strictly to the company's internal control guidelines for the area of »environment, safety, and health« (ESH). This directive should ensure that there are no breaches of internal and external regulations. As a result of these efforts and stringent voluntary commitments, Clariant was not aware of any cases in 2017 in which it has been accused of not having acted essentially in compliance with laws, regulations, and voluntary codes of practice in connection with nature and environmental protection. As such, Clariant did not have to pay any substantial fines or non-monetary penalties for non-compliance with environmental laws and regulations.

308: Supplier Environmental Assessment

Disclosure 308-1 New suppliers that were screened using environmental criteria

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| percentage of CLN suppliers assessed via EcoVadis | 63% | 65% |

Clariant selects and manages its suppliers, outsourcing partners, and service providers based on a comprehensive set of criteria. The selection of suppliers is not only based on economic and product-specific performance aspects, but the non-financial aspects and sustainability considerations are explicitly taken into account as well. Clariant's sustainability standards are incorpo-

rated into its procurement strategies and activities, policies, and general guidelines (such as the Code of Conduct for Suppliers). Therefore, sustainability at Clariant does not begin and end with its own manufacturing operations, but extends across its entire supply chain as well. Through its procurement organization, Clariant is actively engaged in ensuring that the most sustainable products and services are sourced from its supply base in order to continuously increase the sustainability profile and the performance level of its entire supply chain and product portfolio.

Clariant assesses suppliers through an extensive program based on sustainability factors such as working conditions, respect for human rights, complaint management, safety standards, and creditworthiness. Clariant's approach to managing sustainability in its supply chain goes well beyond the existence of supplier selection criteria and certified management systems and policies. In fact, it extends to their implementation and to the monitoring and improvement of the results obtained.

Clariant expects all of its material suppliers and service providers to commit to and comply with the same high legal, ethical, and moral standards it applies to its own processes and operations. These standards form the basis for the Code of Conduct for Suppliers. Clariant expects its suppliers to abide by this Code of Conduct and to make every effort to keep the environmental impact and negative social effects arising from business activities to a minimum. If these standards are not embraced by its business partners, Clariant retains the right to end its business relationship with these suppliers.

By joining the »Together for Sustainability« (TfS) initiative, Clariant has taken the sustainability monitoring and improvement of its suppliers to a new and much higher level. In fact, the TfS evaluation of suppliers – both with regard to materials and services – is based on a standard best-in-class methodology and approach jointly developed by the procurement leadership of six multinational chemical companies. It is managed through leading external global service providers specialized in sustainability, such as EcoVadis for assessments and DSQ Group, ERM, Intertek, and SGS for audits. The approach developed and implemented by TfS leverages synergies among the participants and delivers an independent, standardized, and quantitative evaluation of suppliers' sustainability performance and risk profiles. The outsourcing to third-party service providers guarantees process robustness, independence, confidentiality, and conformity with anti-trust and competition law. Clariant prioritizes the assessment and audit of suppliers according to country and business risks, global category priorities, and purchase volumes.

Through the TfS program, Clariant is able to generate assessment scorecards and audit reports providing a quantitative evaluation of the sustainability performance of its suppliers. In addition to an overall score, suppliers receive an individual score for the critical dimensions of Environment, Labor Practices, Fair Business Practices, and Sustainable Procurement. Further, scorecards and reports provide detailed feedback on specific improvement areas and guidance on where and how to address the identified gaps. This comprehensive approach and outcome provide Clariant with the basis to engage with its suppliers and agree on ad hoc corrective action plans and, therefore, mitigate sustainability risks and improve sustainability performance in its supply chain.

Through TfS, more than 8,600 (2016: 6,300) assessment scorecards – each representing an individual supplier – and more than 1,100 (2016: 700) audit reports have been generated, available to, and shared among all TfS Members on an online platform. This serves as a basis to drive improvements in sustainability performance across the respective supply chains. In 2017 alone, 441 new TfS audits were conducted through the TfS Audit Program, and 1,794 new supplier assessments were conducted. ✓PwC

By mapping the scorecards generated by all TfS Members and available on the EcoVadis platform against Clariant's supply base, we already cover more than 65 % (2016: 63 %) of our yearly CHF 2.7 billion (2016: 2.2 billion) direct spend with a sustainability evaluation of our suppliers.

This evaluation, based on a state-of-the-art methodology and global standards such as Global Compact, GRI, and ISO 26000, not only provides a quantitative rating of the overall ESG performance, but also a specific score for each of the relevant dimensions of environment, labor practices, fair business practices, and procurement. These results are significantly higher than the 20 % reported in 2014. Both the rapid growth in TfS membership from 8 to 20 members and acceleration in the number of scorecards generated and shared facilitate Clariant's transparency and mapping efforts. ✓PwC

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

| ✓ PwC | 2015 | 2016 | 2017 |
|--|-------|-------|-------|
| Number of suppliers assessed for environmental impacts | 4 442 | 6 383 | 8 692 |
| Number of suppliers identified as having significant actual and potential negative environmental impacts | | 785 | 666 |

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

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment | — | 17% |

With 17% of the 785 suppliers identified as having significant actual and potential negative environmental impacts 2016, Clariant began in 2017 a program of Corrective Action Plans (CAPs) to reduce the identified sustainability risks.

GRI 400: SOCIAL DISCLOSURES

401: Employment

Disclosure 401-1 New employee hires and employee turnover

| ✓ PwC | 2016 | 2017 |
|---|-------|-------|
| Total number and rate of new employee hires during the reporting period | | |
| male | 1 094 | 1 412 |
| female | 581 | 571 |
| under 30 | 883 | 969 |
| 30-50 | 731 | 922 |
| over 50 | 61 | 92 |
| Europe | 613 | 622 |
| Latin America | 349 | 341 |

| ✓ PwC | 2016 | 2017 |
|--------------------|-------|-------|
| Middle East/Africa | 70 | 130 |
| North America | 214 | 402 |
| Asia/Pacific | 429 | 488 |
| Employees who left | | |
| male | 1 269 | 1 448 |
| female | 629 | 543 |
| under 30 | 610 | 603 |
| 30-50 | 864 | 893 |
| over 50 | 424 | 495 |
| Europe | 647 | 658 |
| Latin America | 381 | 400 |
| Middle East/Africa | 101 | 90 |
| North America | 236 | 424 |
| Asia/Pacific | 533 | 419 |

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

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

No intentional differentiation is made in the company benefits provided by Clariant according to the type of employment contract, but this does not exclude differences depending on the individual case and local circumstances. The deciding criterion in this case is the customary market standard.

Disclosure 401-3 Parental leave

| | 2016 | 2017 |
|---|-------|--------|
| Total number of employees that were entitled to parental leave, by gender | | |
| male | 8 604 | 13 986 |
| female | 2 244 | 3 701 |
| Total number of employees that took parental leave, by gender | | |
| male | 352 | 482 |
| female | 184 | 162 |
| Total number of employees that returned to work in the reporting period after parental leave ended, by gender | | |

| | 2016 | 2017 |
|--------|------|------|
| male | 325 | 477 |
| female | 228 | 134 |

In 2012, Clariant initiated a program to promote more family-friendly job opportunities. As part of this program, all mothers are guaranteed a comparable position upon their return to work for up to one year following the birth or adoption of a child. For the two years following the birth or adoption, Clariant grants mothers ten days of paid leave for family purposes, in addition to their standard annual vacation. Correspondingly, this provision is available to fathers as well. Given all permanent employees of Clariant are theoretically entitled to this provision, this would extend to all 13,986 males and 3,701 females for 2017. 162 mothers and 482 fathers took advantage of this opportunity in 2017. In the same year, 611 employees returned to their workplaces, of which 134 were females and 477 were males.

402: Labor/Management Relations

Disclosure 402-1 Minimum notice periods regarding operational changes

Employees are promptly informed of all significant operational changes by the company. In addition to the regular and ad hoc information provided to all employees via the intranet as well as information letters from the CEO and management in all relevant languages, the company complies with all local statutory and operational requirements in regard to the provision of information to employee representatives and employees. Information is also disseminated about the reporting lines for the relevant hierarchical levels. Moreover, corporate information sessions such as town hall meetings are regularly held.

403: Occupational Health and Safety

Disclosure 403-1 Workers representation in formal joint management-worker health and safety committees

| ✓ PwC | 2016 | 2017 |
|--|------|------|
| Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees | 80% | 79% |

The management at the Clariant locations conducts regular safety and health trainings within the scope of AvoidingAccidents@Clariant and other local initiatives. Clariant operated about 125 production facilities worldwide in 2017, of which 90 had a committee dealing with safety issues. The remaining facilities either did not establish such a committee because of their small number of employees, or they deal with safety issues in other appropriate panels. This means that 84% of staff employed per capita in production are represented by a safety committee. Taking the workforce as a whole (production, procurement, sales, and management), 79% of staff per capita are also represented. At Clariant, safety issues are also addressed in committees that do not primarily deal with this topic.

Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

| ✓ PwC | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------|-------|-------|-------|-------|-------|
| Occupational accidents with at least one day's work lost | | | | | | |
| Number of accidents | 77 | 58 | 44 | 32 | 37 | 38 |
| Occupational accidents in relation to output | | | | | | |
| LTAR | 0.33 | 0.26 | 0.23 | 0.17 | 0.19 | 0.2 |
| Lost workdays caused by occupational accidents (in days) | | | | | | |
| Days | 1 431 | 1 152 | 1 213 | 1 161 | 1 955 | 1 135 |
| LWDR | 6.2 | 5.6 | 6.4 | 6.2 | 9.8 | 5.95 |
| Number of recognized occupational diseases and fatalities | | | | | | |
| Occupational diseases | 1 | 2 | 0 | 1 | 1 | 0 |
| Fatal accidents (incl. contractors) | 0 | 0 | 0 | 0 | 0 | 2 |

| ✓ PwC | 2016 | 2017 |
|--------------------------|--------------|--------------|
| Recorded Injuries | 1 189 | 1 255 |
| First Aid | | 992 |
| Medical Treatment | | 168 |
| Restricted Work | | 95 |

| ✓ PwC | 2016 | | 2017 | |
|--|-----------|----------|-----------|----------|
| | male | female | male | female |
| Accidents with downtime of at least one day's work lost | 35 | 2 | 34 | 4 |
| Europe | 18 | 1 | 17 | 1 |
| Greater China | 1 | 0 | 1 | 0 |
| India | 1 | 0 | 0 | 0 |
| Japan | 1 | 0 | 1 | 0 |
| Latin America | 7 | 1 | 10 | 1 |
| Middle East/Africa | 0 | 0 | 2 | 1 |
| North America | 7 | 0 | 3 | 1 |
| Southeast Asia/Pacific | 0 | 0 | 0 | 0 |

✓ PwC

| | 2016 | | 2017 | |
|---|-----------|----------|----------|----------|
| | male | female | male | female |
| Accidents of contractors – accidents with downtime of at least one day's work lost | 11 | 0 | 8 | 0 |
| Europe | 7 | 0 | 4 | 0 |
| Greater China | 0 | 0 | 0 | 0 |
| India | 1 | 0 | 3 | 0 |
| Japan | 0 | 0 | 0 | 0 |
| Latin America | 3 | 0 | 1 | 0 |
| Middle East/Africa | 0 | 0 | 0 | 0 |
| North America | 0 | 0 | 0 | 0 |
| Southeast Asia/Pacific | 0 | 0 | 0 | 0 |

✓ PwC

| | 2015 | 2016 | 2017 |
|---|------|------|------|
| Lost Time Accident Rate for contractors | 0.34 | 0.46 | 0.21 |

Avoiding occupational accidents is an essential component of Clariant's production activities. The program »AvoidingAccidents@Clariant« helps to systematically reduce the accident rates and consequences. Significantly decreasing accident rates are the results of this program. In 2017, Clariant saw a total of 38 work accidents with more than one workday lost (up from 37 a year before), involving 34 men and four women. However, every single accident could be avoided – therefore the target remains: zero accidents. Thanks to AvoidingAccidents@Clariant the accidental downtime could be maintained at a very low level in 2017. The so-called Lost Time Accident Rate (LTAR) of the group was at 0.20 after 0.19 in 2016 and 0.17 in 2015. LTAR refers to the number of accidents with lost work time of at least one working day per 200,000 operational working hours. Before AvoidingAccidents@Clariant was introduced, this rate was above one.

The lost workdays (LWDs) caused by occupational accidents decreased compared to the preceding year. In 2017, the lost workdays added up to 1,135 (including 221 LWDs carried over from 2016), compared to 1,955 and 1,161 respectively in the two previous years. The »Lost Workday Rate« (LWDR, loss of workdays caused by occupational accidents in relation to 200,000 hours of work) decreased to 5.95 after 9.8 in the period before.

Disclosure 403-3 Workers with high incidence or high risk of diseases related to their occupation, 403-4 Health and safety topics covered in formal agreements with trade unions

The health of employees is regularly examined by Clariant. Depending on the workplace, sometimes extensive health checks are carried out in order to detect signs of illness as early as possible. For some activities, special health certificates and vaccinations are required, and special attention is paid to ensure that these are obtained and given. Clariant exceeds the legal provisions by far with these programs, and therefore, Clariant does not consider itself to have a formal obligation towards third parties, namely the representatives of the employees' interests. However, in some regions, such as countries in North and South America, these programs are explicitly regulated with the corresponding unions.

The Clariant guideline »Prevention from Hazards to Health« serves to avoid work-related diseases. This directive covers all potential risks at Clariant, both in its chemicals business as well

as in other areas. At workplaces with high noise emissions of more than 85 dB (A), as well as with the handling of carcinogens, mutagens, or reprotoxic substances (CMR substances) and dust, there are strict rules and minimum requirements.

404: Training and Education

Disclosure 404-1 Average hours of training per year per employee

| ✓ PwC | 2016 | 2017 |
|---|---------|---------|
| Average hours of training that the organization's employees have undertaken during the reporting period | 18.05 | 19.8 |
| Number of employees participating in training | 11 000 | 9 720 |
| Number of training hours | 201 884 | 192 435 |

In 2017, 9,720 employees took part in Clariant training courses, attending a total of 192,435 hours of training (19.8 training hours per employee). Offerings of the Clariant Academy programs included the so-called leadership trainings and sales competencies with communication and presentation skills, while local offerings comprised trainings with emphasis mainly on language courses. Employees also attended courses in environment, safety, and health (ESH). Other trainings also cover topics such as technical courses and product-related trainings

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

The People Excellence program seeks to instill in Clariant's employees the corporate values and professional habits and thus establish a new attitude and mind-set throughout the Group – one that fosters openness and trust and creates a culture of innovation and entrepreneurship. Within the program, special emphasis is laid on training management-level employees to effectively communicate, impart, and exemplify these values. By establishing a culture of high performance that will further strengthen the Group's position in all its diverse areas of sustainable value creation, Clariant aims to prepare the company for the uncertainties of the globalized labor market just as much as for any other future challenge.

The training at the academy takes place within a modularly configured program, which accurately reflects the operating procedures. The training measures take place in the categories of basic training, equipment, and procedural training: It all starts with the basic training, which is completed mostly on a theoretical level. This is followed by the plant training where Clariant's employees are already schooled on the new equipment. The in-services conclude with the process training where the employees deal specifically with all processes, which could be of any significance for them in their daily jobs.

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

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period | 52% | 51% |
| ML 1-5 | 5% | 5% |
| People in downstream levels | 46% | 46% |

One of the aims of the »360-degree feedback process« and the annual »performance dialog« is to identify the ongoing development potential of employees and agree on appropriate development goals. The performance-management process comprised about 900 people in the highest five management levels (ML) by the end of 2017, which corresponds to approximately 5 % of the total work force, as well as about 9,400 people in the downstream levels (46 % of the employees). This corresponds to a percentage share of 51 % of all employees. Over the next few years, the process will be applied to the majority of employees of lower levels.

The internal talent-management process on a local, regional, and global level is an important means for the systematic development of the employees and for the needs-based design of new training programs. During talent reviews, strengths and development areas of key personnel are systematically identified and individual development plans drawn up. The continuous training of employees within the framework of the internal talent management process ensures well-functioning succession planning for important positions within the company.

405: Diversity and Equal Opportunity

Disclosure 405-1 Diversity of governance bodies and employees

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Percentage of individuals within the Board of Directors in each of the following diversity categories | | |
| male | 69% | 69% |
| female | 31% | 31% |
| 30-50 | 31% | 23% |
| over 50 | 69% | 77% |

| ✓ PwC | 2016 | | 2017 | |
|---|-------|--------|-------|--------|
| | male | female | male | female |
| Number of employees per employee category in each of the following diversity categories | | | | |
| under 30 | 1 796 | 712 | 1 864 | 699 |
| 30-50 | 8 232 | 2 284 | 8 547 | 2 341 |
| over 50 | 3 701 | 716 | 3 919 | 765 |



| | 2016 | | 2017 | |
|---|----------|---------|----------|---------|
| | FTE | Percent | FTE | Percent |
| Breakdown of employees per nationality | | | | |
| German | 4 628.18 | 26.5% | 4 593.32 | 25.3% |
| Indian | 1 370.00 | 7.9% | 1 857.00 | 10.2% |
| Chinese | 1 200.50 | 6.9% | 1 212.70 | 6.7% |
| Brazilian | 1 155.00 | 6.6% | 1 142.00 | 6.3% |
| Indonesian | 746.38 | 4.3% | 716.00 | 3.9% |
| Mexican | 588.00 | 3.4% | 583.00 | 3.2% |
| Italian | 548.20 | 3.1% | 539.86 | 3.0% |
| French | 535.12 | 3.1% | 523.61 | 2.9% |
| Turkish | 411.16 | 2.4% | 435.50 | 2.4% |
| Spanish | 400.89 | 2.3% | 408.99 | 2.3% |
| Polish | 297.75 | 1.7% | 313.10 | 1.7% |
| Japanese | 274.00 | 1.6% | 266.00 | 1.5% |
| Swiss | 217.15 | 1.2% | 223.55 | 1.2% |
| Colombian | 245.00 | 1.4% | 220.00 | 1.2% |
| Argentinian | 224.00 | 1.3% | 218.00 | 1.2% |
| Malaysian | 182.00 | 1.0% | 190.98 | 1.1% |
| Thai | 190.00 | 1.1% | 185.00 | 1.0% |
| South African | 186.00 | 1.1% | 182.49 | 1.0% |
| Venezuelan | 174.00 | 1.0% | 170.21 | 0.9% |
| Ukrainian | 150.00 | 0.9% | 150.00 | 0.8% |
| British | 126.66 | 0.7% | 121.21 | 0.7% |
| Taiwanese | 114.00 | 0.7% | 118.00 | 0.7% |
| Pakistani | 102.00 | 0.6% | 99.00 | 0.5% |
| Swedish | 93.58 | 0.5% | 94.38 | 0.5% |
| Singaporean | 80.00 | 0.5% | 89.70 | 0.5% |
| Chilean | 88.00 | 0.5% | 88.00 | 0.5% |
| Others (incl. North America for whom no nationality data is recorded) | 3 114.02 | 17.9% | 3 393.84 | 18.7% |

Clariant sees a competitive edge in the heterogeneity of its employees who come from over 100 countries. These employees have diverse cultural backgrounds and bring different skills and talents to the company – the basis for innovative and creative solutions. Consequently, Clariant does not tolerate any discrimination based on race, ethnicity, sex, religion, conviction, disability, age, or sexual identity of employees – either within the company or by business partners. These values are documented in the Clariant Code of Conduct and the Code of Conduct for Suppliers.

In alignment with its Group Policy Statement on Human Rights, Clariant has laid down its commitment to global workplace rights and social responsibility in a suitable workplace directive (Clariant Employment Standards Guideline).

Clariant does not have knowledge of any substantial portion of Clariant Group's work being performed by self-employed persons.

There are no significant seasonal variations in employment numbers of Clariant. The increase in total employees during 2017 predominantly stems from acquisitions.

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

| ✓ PwC | 2016 | 2017 |
|---|--------|--------|
| Ratio of the basic salary and remuneration of women to men for each employee category | 96:100 | 96:100 |

Clariant ensures by adequate and documented processes, mechanisms, and policies that all employees are treated equal irrespective of gender, race, nationality, culture, religion, age, political views, or disability. With regard to the zero-tolerance approach of Clariant against any form of discrimination, regional and country HR departments have to ensure avoidance or elimination of any discrimination in work-related activities, particularly regarding remuneration, training, vocational guidance, and social security. Globally, the average basic salary of female employees was 96 % of that of the average male employee in 2017.

406: Non-discrimination

Disclosure 406-1 Incidents of discrimination and corrective actions taken

| ✓ PwC | 2016 | 2017 |
|---|------|------|
| Total number of incidents of discrimination during the reporting period | 4 | 3 |

In the reporting period, Clariant was made aware of three cases, all of which have been reviewed. For one case, remediation actions have been implemented.

407: Freedom of Association and Collective Bargaining

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

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

Clariant is assessing its suppliers in relation to freedom of association, among other social, governance, and environmental topics, together with other companies via the Together for Sustainability (TfS) platform. For more information, please see [disclosure 308-1](#). In 2016, Clariant also launched a human rights due diligence assessment that continued into 2017. For more information, please see the [Management Approach for Human Rights](#).

408: Child Labor

Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor

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

Clariant is assessing its suppliers in relation to child and forced labor, among other social, governance, and environmental topics, together with other companies via the Together for Sustainability (TfS) platform. For more information, please see [disclosure 308-1](#). In 2016, Clariant also launched a human rights due diligence assessment that continued into 2017. For more information, please see the [Management Approach for Human Rights](#).

412: Human Rights Assessment

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

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

For details on Clariant's commitments, the process and findings, please see: the [Human Rights Management Approach](#) and our [Human Rights webpage](#).

Furthermore, we have established our »Clariant Integrity Line« to enable people to bring to our attention any concerns they may have. The Integrity Line is a channel through which all violations against the Code of Conduct can be reported, including discrimination or violations of human rights.

Disclosure 412-2 Employee training on human rights policies or procedures

Sustainable success can only be achieved if all employees behave in a lawful and ethical manner. Since 2007, the Clariant Code of Conduct has defined a set of rules and principles that are binding for all employees to protect the company's reputation and keep risks to shareholders to an absolute minimum. The code demands adherence to all applicable laws and other regulations. The code forbids involvement of employees that could lead to conflicts of interest; it regulates

how to deal with gifts and invitations as well as donations and sponsorships; it forbids bribery and corruption, money laundering, so-called insider trading, violations against anti-trust laws, violations against embargo and trade control regulations, disclosure of confidential information, embezzlement, the misappropriation of corporate assets, as well as violations of data privacy. Employees may not endanger the environment or discriminate against or harass colleagues through their behavior.

All employees receive the Code of Conduct when they are hired and must agree to it when signing their contract of employment. So-called e-learnings are mandatory for all employees. Participation in these trainings, which cover different topics or themes of the Code of Conduct, is registered, and defaulters will be sanctioned. The code is available in all relevant national languages.

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

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

413: Local Communities

Disclosure 413-1 Operations with local community engagement, impact assessment, and development programs

Clariant carries out Corporate Citizenship Activities (CCAs) with a regional and global approach. This makes it possible to consider the specific needs of the community and region Clariant is operating in and how to best deploy activities in light of specific business needs. All regional CCAs are executed according to well-developed and well-established objectives and strategies at the regional level. In 2014, Clariant started to implement an adaptation of the regional CCA approach into a Group-wide CCA governance and strategy framework. The implementation objective follows the principle of a central CCA governance and strategy with decentralized/regional execution of CCAs. It considers global, regional, and local outreaches.

Clariant does not focus company commitment on individual showcase projects, but is actively committed to the common good in each and every location in which the Group operates, acting with corporate responsibility in all its activities. Clariant supported numerous charity projects in 2017, especially in the vicinity of the various production sites.

Clariant established a globally binding policy for CAAs in 2014 to unify control of non-profit activities in order to centrally record all public interest expenditures. Clariant annually spends a single-digit-million amount for this type of expenditure, of which approximately half is used for sponsorships, and the remaining half is split nearly equally between charitable donations and local infrastructure. The CCA policy promotes Group-wide transparency with regard to donations (contributions, sponsorship, or other expenditures) to charitable causes. Simultaneously, compliance risks are systematically reviewed by an appropriate process step in the CCA approach.

In addition to Clariant's commitments that aim to advance the sciences, voluntary services are also an important part of Clariant's efforts to promote social cooperation. These activities are expanded with donations to charities with sustainable orientation, for example, in the areas of training, culture, or environment. Examples of local engagement include:

- In 2014, Clariant China launched a program to promote school education with the title HOPES (Healthy, Open-Minded, Positive, Explorative, and Sustainable). HOPES, which also has social objectives, focuses on cities where Clariant is located. The first partnership agreement was made with an elementary school in Zhenjiang. The HOPES program continued to be a success in 2017. In May, two guests were invited from the Basel Infrapark to give school children a lecture on Switzerland, while in June, a donation of 500 books was delivered to the school as part of a program to celebrate Children's Day with the students. Toward the end of the year, Clariant's diverse Asia HR team visited a primary school and gave a presentation on the different cultural elements in Asia.
- At the Suzano location in Brazil, since 2010, Clariant has supported the project "The Music Won" (A Música Venceu) for children's musical education. The project was developed in cooperation with the Bachiana Foundation, an initiative of the well-known Brazilian conductor, João Carlos Martins. As part of the project, more than 100 children and adolescents have been trained in classical instruments like the violin, cello, viola, and percussion instruments, as well as in singing. The project is not only of great significance for students in their education, instilling them with cultural values and contributing to their personal development; it also has a positive influence on their families, classmates, and the immediate neighborhood. On November 11, Clariant marked the eighth year of this sponsorship with an enchanted concert near the Suzano site.

Other local engagement activities from 2017 include:

- In Thailand, the South East Asia & Pacific Regional Council Committee decided to support children in need through the Thai Red Cross. This was followed up by a visit to a Red Cross Children's Home from senior leaders to understand how Clariant can support. On the same occasion, Clariant had the opportunity to donate daily necessities to the children.
- Kicking off the winter holiday season, Clariant employees in North America collected food to help end hunger in their local communities. In a friendly wager, production sites for the BU Catalysts in Louisville competed to collect food and succeeded in collecting a total of 5.5 tons of food. Other production sites in North America also collected food.
- Fostering student's interests in science, technology, engineering, and math is a high priority for Clariant. This was also on the agenda last November in Switzerland, where "SimplyNano 2[®]," a chemistry teaching kit, was distributed to a group of teachers. The purpose of this kit is to show children how experiments in STEM subjects (science, technology, engineering, and math) can be fun.

Disclosure 413-2 Operations with significant actual and potential negative impacts on local communities

Clariant's activities as an employer, as a consumer of local products and services, and as a payer of taxes and fees in the respective regions or countries support local economic development, especially in emerging economies. Clariant raises the living standards of the population, both directly and indirectly, by creating added value. The business principles of Clariant apply to all entities globally. Clariant is not aware of any significant negative effects on local communities as a result of its activities.

414: Supplier Social Assessment

Disclosure 414-1 New suppliers that were screened using social criteria

For information regarding 414-1, please see [disclosure 308-1](#) New suppliers that were screened using environmental criteria

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

| ✓ PwC | 2015 | 2016 | 2017 |
|---|-------|-------|-------|
| Number of suppliers assessed for social impacts | 4 442 | 6 383 | 8 692 |
| Number of suppliers identified as having significant actual and potential negative social impacts | | 737 | 598 |

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

| ✓ PwC | 2016 | 2017 |
|--|------|------|
| Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment | — | 19% |

With 19% of the 737 suppliers identified as having significant actual and potential negative environmental impacts 2016, Clariant began in 2017 a program of Corrective Action Plans (CAPs) to reduce the identified sustainability risks.

For more information regarding 414-2, please see [disclosure 308-1](#) New suppliers that were screened using environmental criteria

415: Public Policy

Disclosure 415-1 Political contributions

The Clariant Corporate Citizenship Management Policy and the Anti-Bribery and Corruption Policy explicitly exclude donations to political parties. Accordingly, Clariant did not render donations to parties, politicians, and related organizations in 2017.

416: Customer Health and Safety

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

As part of the product safety and product responsibility programs, Clariant is constantly looking for substitutes for and alternatives to hazardous substances. This not only entails participating in activities within the EU registration program REACH, but also in Clariant internal initiatives such as EcoTain®, which aims to define product design while taking into consideration the entire product life cycle.

Clariant records hazards and potential opportunities with respect to the environment, safety, and health on all company levels, in all relevant functions, and in all business areas with the »ESH Risk Portfolio« (environment, safety, and health). This tool provides management with an overview of important ESH hazard potentials and risks. The risk assessment allows for the prioritizing of risk reduction. The overview of required and possible corrective actions is the foundation for an optimized allocation of ESH resources.

Disclosure 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

A worldwide operating Corporate Sustainability & Regulatory Affairs (CSRA) organization with the functions ESHA (Environment, Safety, Health Affairs), Product Stewardship, and System Management ensures the high global internal standard in Clariant's production and with Clariant's products. In the year 2017, there have been no fines, penalties, or warnings resulting from incidents of non-compliance with regulations or voluntary codes concerning information and labeling of products and services. However, Clariant has been notified by a customer that regulatory authorities have initiated investigations against the customer in connection with a product delivered by Clariant that contained an undisclosed component.

417: Marketing and Labeling

Disclosure 417-1 Requirements for product and service information and labeling

Product safety takes top priority at Clariant. It also involves communication with direct customers and end users in the value chain, besides the optimization of product features related to safety and the environment. Clariant fosters permanent contact with customers, who are supported in the application and use of Clariant's products. Laboratories are available to solve any specific problems. The service offering also features comprehensive product information, in particular with respect to optimum and safe application, health risks, waste disposal, and handling of packaging.

Safety data sheets containing the relevant substance data, information on the safe handling and storage of products, and measures in the event of incidents such as product spillages/release and fire are provided by Clariant to all parties involved in the further handling of the substances. Clariant has a close relationship with its customers and provides all REACH-relevant information about the supply chain, even with the help of IT tools. Here, every Clariant customer is able to securely receive REACH-relevant information on the specific products that they have purchased. Comprehensive customer support ensures the extremely high communication requirements by REACH in regards to the use of products in the customer chain.

Disclosure 417-2 Incidents of non-compliance concerning product and service information and labeling

For information regarding 417-2, please see [disclosure 416-2](#) Incidents of non-compliance concerning the health and safety impacts of products and services

Disclosure 417-3 Incidents of non-compliance concerning marketing communications

In 2017 Clariant had no complaints or legal actions concerning compliance with legal provisions on unfair competition or marketing communications.

418: Customer Privacy**Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data**

In 2017, Clariant received no complaints regarding data breaches of customer privacy and loss of customer data from outside parties or regulatory bodies. Similarly, Clariant is not aware of any identified leaks, thefts, or losses of customer data.

419: Socioeconomic Compliance**Disclosure 419-1 Non-compliance with laws and regulations in the social and economic area**

Clariant was not aware of any cases in the year under review in which Clariant was accused of not having acted essentially in compliance with laws, regulations, and voluntary codes of practice. Consequently, no significant fines or non-monetary penalties for failure to comply with legal regulations are known either. In 2017, Clariant was subject to an ongoing competition law investigation by the European Commission into the ethylene purchasing market. The company is assisting the relevant authorities and cannot comment further on the details of an ongoing investigation.


INDEPENDENT ASSURANCE REPORT ON THE CLARIANT SUSTAINABILITY REPORTING 2017

To the Board of Directors of Clariant Ltd, Muttenz

We have been engaged to perform assurance procedures to provide limited assurance on the sustainability reporting of Clariant Ltd and its consolidated subsidiaries (Clariant) for the year ended 31 December 2017.

Scope and Subject matter

Our limited assurance engagement focused on the sustainability indicators published online on the website <http://reports.clariant.com/2017/gri-report/>:

- The selected quantitative 2017 sustainability indicators as summarized in the GRI content index section and disclosed the respective text boxes and marked with the label “ PwC”; and
- The management and reporting processes to collect and aggregate the data as well as the control environment in relation to the data aggregation of these data.

Criteria

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

Inherent limitations

The accuracy and completeness of sustainability indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Clariant's internal guidelines, definitions and procedures on sustainability reporting. Further, the greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Clariant responsibilities

The Board of Directors of Clariant 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 responsibilities

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the sustainability indicators are not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) 'Assurance engagements other than audits or reviews of historical financial information' and with ISAE 3410 'Assurance Engagements on Greenhouse Gas Statements'. These standards require that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability indicators marked with the label "✓PwC".

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. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Independence and quality controls

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality 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 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 Indonesia, India and Brazil responsible for the data collection and reporting by phone
- Performing tests on a sample basis of evidence supporting the sustainability indicators as outlined in the scope and subject matter section concerning completeness, accuracy, adequacy and consistency
- Inspecting the relevant documentation on a sample basis
- Reviewing and assessing the management reporting processes for sustainability reporting and consolidation and their related controls

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

Limited Assurance Conclusion

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

- The quantitative 2017 sustainability 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 the underlying GRI Standards; and
- 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.

Basel, 12 March 2018

PricewaterhouseCoopers AG

Dr. Marc Schmidli

Raphael Rutishauser