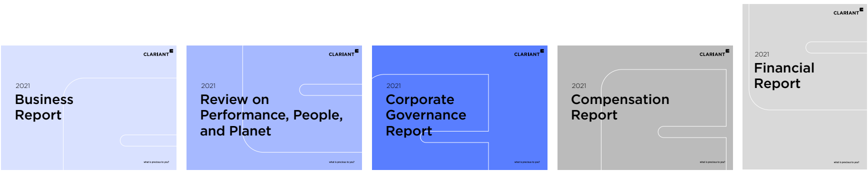
CLARIANT

2021

Compensation Report

what is precious to you?

Table of Contents



The Integrated Report consists of five reports that covers important aspects of our business. They can be read in conjunction with each other. Together, the reports provide a full picture of our ability to create long-term value.

Letter to Stakeholders

Dear Stakeholders,

The year 2021 has been another challenging year due to the COVID-19 global pandemic. In spite of this, Clariant was able to live up to its aspiration to be the globally leading company for specialty chemicals and to deliver a strong set of results in 2021, showing increased sales volumes and profitability. The Compensation Committee has worked to support this vision through the lens of compensation, and I am pleased to present the Compensation Report 2021, in which you will find information on the compensation outcomes and key decisions taken in 2021.

2021 PERFORMANCE

For the second consecutive year, the global business environment was impacted by the coronavirus pandemic. Nevertheless, thanks to the strong motivation and dedication of our employees, their customer focus, as well as the organization's efforts to deliver on efficiency programs, Clariant managed to perform successfully in this highly challenging market environment. The Compensation Report outlines how these results impacted the variable incentive payments made to the members of Executive Management under the various compensation plans.

COMPENSATION COMMITTEE ACTIVITIES

The Compensation Committee met four times and passed two decisions by circular resolution during 2021. It closely monitored market developments, company and employee needs, as well as the expectations of shareholders and other external stakeholders. Its activities focused on reviewing and defining changes to Clariant's Long-term Incentive Plan (CLIP). Apart from that, the Compensation Committee performed its regular activities throughout the year. These included, for instance, determining CLIP targets for the 2021 grant, signing off on the fair market value of Performance Share Units (PSUs) under the CLIP, reviewing the vesting conditions under the Performance Share Unit Plan 2018 grant, and preparing the Compensation Report and the say-on-pay votes at the Annual General Meeting.

CHANGES TO THE COMPENSATION SYSTEM IN THE REPORTING YEAR

Following an extensive review of the CEO and EC compensation structure, the Compensation Committee decided to reduce the overall remuneration for the CEO and EC members. In addition, the pay mix was adjusted to strengthen the focus on long-term value creation. These changes have been in effect since 1 January 2021. To further underline Clariant's commitment to sustainability, a Sustainability-related KPI was added to the Group Management Bonus Plan as a top priority, replacing the former Productivity KPI.

OUTLOOK ON CHANGES TO THE COMPENSATION SYSTEM

To further align the compensation design with the business strategy and the stakeholders' interest, the Compensation Committee agreed to review Clariant's Long-Term Incentive Plan (CLIP) in connection with the next grant in April 2022 and to introduce two ESG-related KPIs for the CLIP. These KPIs were chosen to recognize the company's commitment to Sustainability and Employee Engagement as part of Clariant's strategy and purpose. Further details on the CLIP changes are provided later in this report.

In 2022, the Compensation Committee will review the Short-Term Incentive Plans with potential changes to be introduced for the 2023 performance period.

BINDING/NONBINDING VOTES AT THE ANNUAL GENERAL MEETING 2021

The Compensation Committee proactively considers stakeholders' expectations in Clariant's compensation framework. Shareholders' support at the Annual General Meeting 2021 for Clariant's compensation framework remained strong. Clariant's shareholders approved all compensation-related motions, and the Compensation Report 2020 received a high approval rate in the consultative vote. These positive voting outcomes show that the company's active dialogue with investors is fruitful, and that shareholders endorse the company's compensation system. We would like to thank the investors for their continued trust and support.

Looking ahead, we will continue to assess and review our compensation programs to ensure that they are still fulfilling their purpose in the evolving context in which the company operates, and that they are aligned with the interests of our stakeholders. We will also continue to maintain an open dialogue with our stakeholders and their representatives. We would like to thank you for sharing your perspectives on executive compensation with us, and trust that you will find this report informative.

Sincerely,

Eveline Saupper
Chair Compensation Committee

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

The purpose of this Compensation Report is to provide a comprehensive overview of Clariant's compensation concept and programs. In addition, it includes the compensation levels of the Board of Directors and the Executive Committee (EC); accordingly, some information given in the Financial Report 2021 (NOTE 14) is repeated here.

1. MEMBERS AND RESPONSIBILITIES OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

During the 2021 reporting year, the Compensation Committee (CoC) comprised four non-executive members of the Board of Directors (BoD): Eveline Saupper (Chairwoman), Nader Ibrahim Alwehibi, Claudia Suessmuth Dyckerhoff, and Konstantin Winterstein. The Chairman of the Board is a regular guest in the CoC.

The Corporate Secretary acts as Secretary to the CoC. The Chief Human Resources Officer is a regular guest to share information and consult on relevant topics. The Chairwoman of the CoC may invite the Chief Executive Officer (CEO) to discussions on individual agenda items for consultation, taking into account potential conflicts of interest that would oblige the CEO to abstain.

If necessary, external remuneration advisors are asked to join the committee meetings.

The roles and responsibilities of the CoC are defined in paragraph 3.2.2 of the Bylaws of the Board of Directors of Clariant from 7 April 2021 (www.clariant.com/en/company/Corporate-Governance/Articles-of-Association) in combination with paragraphs 3 and 5 of the Compensation Committee Charter from 1 April 2019 (www.clariant.com/en/Company/Corporate-Governance/Committees):

The CoC reviews and proposes – subject to the approval of the total compensation by the General Meeting – the individual compensation for members of the BoD, the CEO, and members of the EC to the BoD for approval. It approves employment contracts, including agreements governing departures and termination of the CEO and members of the EC. The CoC takes note of appointments of heads of global business units, heads of business services units, and heads of regions, and regularly reviews and approves their compensation. Furthermore, upon proposal by the CEO, the CoC reviews and approves any early retirement agreements for the members of the EC, the heads of global business units, and heads of business services units.

The CoC reviews compensation market data and competitor benchmark data to ensure Clariant's competitiveness to attract and retain key people needed to ensure long-term success of the business. It reviews and approves general global compensation and benefits policies, including Short-Term and Long-Term Incentive Plans, and defines the overall Group targets on which they depend, as well as the attainment levels of these targets (upon proposal by the CEO/Chairman). Additionally, the CoC defines guidelines for determining the compensation of the members of the management committees of the business units and service units.

Finally, the CoC prepares the Compensation Report for the BoD and reviews any other mandatory public disclosure statements on compensation and benefits.

The CoC must meet at least twice a year; however, it is regular practice to hold three meetings:
February: Determination of bonus payments for members of the EC, determination of BoD and EC budgets for the upcoming (mandate) year; determination of the Short-Term Incentive (STI) and Long-Term Incentive (LTI) targets
June: Fundamental matters concerning the Group's Human Resources priorities
December: Preparation of the Compensation Report, planning of compensation changes in the following year; approval of the EC compensation for the following year

The CoC also meets as needed. In 2021, the CoC met four times and held several telephone conferences.

2. COMPENSATION CONCEPT

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

- Alignment with Business Strategy: Remuneration components are designed to support the execution of Clariant's Business Strategy.
- Competitiveness: Clariant conducts regular benchmarking studies to ensure compensation levels are in line with market practices.
- Compliance: Clariant's compensation practices always follow local regulations, such as laws and collective union agreements.
- Internal Fairness: The compensation policy and practices ensure consistency and a fair treatment of employees working for Clariant.
- Performance-based Pay: Clariant's remuneration components incentivize business and individual performance.
- Transparency: Remuneration components are made transparent to the individual and the organization.

In order to uphold these principles, the Compensation Committee analyzes and discusses market developments at regular intervals and considers the implications of these developments for Clariant. The Articles of Association (Art. 26 ss; www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association) of Clariant Ltd therefore reflect Clariant's commitment to market practice.

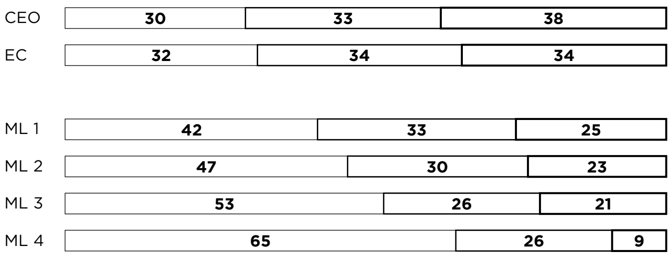
3. COVID-19 MITIGATION MEASURES

Clariant introduced several measures throughout the unprecedented times in 2020 to reduce costs where growth will be more limited due to COVID-19. Those measures, which included, for example, reducing overtime and the use of time accounts and vacation time, continued in 2021. However, employees benefited again from a merit increase in 2021 after it was suspended in 2020.

4. REMUNERATION STRUCTURE FOR MANAGEMENT

The total remuneration structure is highly performance- and success-oriented to ensure that shareholder and management interests are aligned. As part of Clariant's remuneration philosophy, performance-based Short-Term and Long-Term Incentives in relation to total compensation increase with increasing responsibility/ management level (see exhibit Global Pay Mix FIGURE 001). While Long-Term and Short-Term Incentives are based on Group Performance Indicators only (details are disclosed in CHAPTER 5), individual performance – measured through a consistent, global Performance Management System – is a determining factor in career development and the annual salary review process. Within the Global Performance Management System, each manager's or employee's performance is assessed and discussed on a yearly basis. Clariant has practiced a calibration process of individual performance ratings for all management levels since 2017. In 2021, Clariant held calibration sessions covering over 90 % of the population participating in the performance management process. In conjunction with other factors, such as internal and external market conditions, this results in transparent and consistent salary decisions. In general, Clariant applies a four-eyes principle, which includes involving the line manager and the next-level supervisor, in addition to obtaining guidance from global or local Human Resources professionals.

001 **GLOBAL PAY MIX (RELATIVE STRUCTURE)** IN % OF TOTAL COMPENSATION



☐ Base Salary ☐ Short-Term Incentives (STI) ☐ Long-Term Incentives (LTI)
ML: Management Level

The total compensation for the Chief Executive Officer (CEO) and the members of the Executive Committee (EC) was reviewed during the year 2020. The remuneration levels and structure were compared against a peer group of twelve companies within the chemical industry headquartered in Europe. The review led to the decision to reduce the overall remuneration level for the newly appointed CEO and the EC members as well as to amend the pay-mix structure, focusing on STI and LTI. The changes became effective 1 January 2021.

5. OVERVIEW OF EXISTING INCENTIVE PLANS

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

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

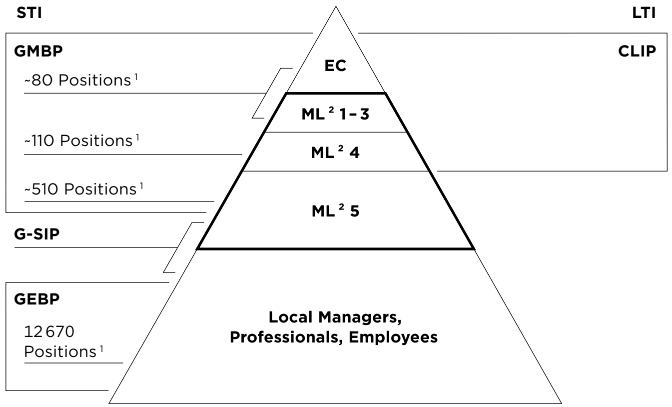
STI: Short-Term Incentive Plans (cash bonus)

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

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

a) Performance Share Unit (PSU) Plan – started in 2013, last grant in 2018
b) Group Senior Management – Long-Term Incentive Plan (GSM-LTIP or Matching Share Plan) – started in 2010, last grant in 2018 (for 2017)
c) Clariant Long-Term Incentive Plan (CLIP) – started in 2019
d) Restricted shares for the Board of Directors – started in 2012

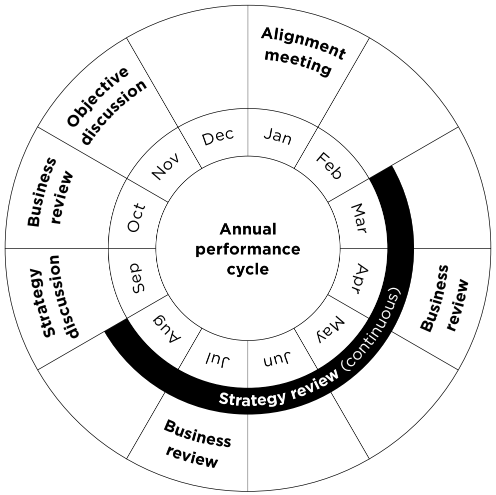
002 **CLARIANT INCENTIVE SCHEME LANDSCAPE**



[1] Number of positions as of 31 December 2021
[2] ML: Management Level

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

003 **ANNUAL PERFORMANCE CYCLE**



5.1. Short-Term Incentive Plans (cash bonus)

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

The individual amount of bonus payments generated in a year is determined by the achieved result of the Clariant Group measured against defined objectives. The achievement is calculated by means of three elements: financial result of the Group, financial results of the BUs or SUs, and defined top priorities (GPIs and strategic projects). → TABLE GROUP MANAGEMENT BONUS PLAN (GMBP) 2021

As Clariant Performance Cycle agreements with each BU lead to challenging business-specific target settings, the maximum bonus payout is explicitly capped at 100 % (= target). The target settings for 2021 were defined in the fourth quarter of 2020. As outlined in the remuneration structure (→ SEE PARAGRAPH 4), Clariant offers a good mix between fixed and variable compensation, thus ensuring overall competitive compensation positioning compared with other companies.

The annual evaluation of the achievement of objectives, as well as the allocation of funds for the GMBP, is conducted by the CoC in February, following the respective financial year, and approved by the Board of Directors. This system ensures that the bonus payments granted to employees are closely aligned with the Group's overall results. The exact actual targets are not being disclosed, as these are considered commercially sensitive.

GROUP MANAGEMENT BONUS PLAN (GMBP) 2021

	Corporate		Continuing Operations [1]		BFD		Services		Discontinued Operations [2]	
Performance indicators and weighting										
Group Achievement		**50%**		**10%**		**10%**		**10%**		**10%**
	ROIC	25%	ROIC	5%	ROIC	5%	ROIC	5%	ROIC	5%
	Operating Cash Flow	25%	Operating Cash Flow	5%	Operating Cash Flow	5%	Operating Cash Flow	5%	Operating Cash Flow	5%
Financial Achievement BU/Services		**30%**		**70%**		**70%**		**70%**		**70%**
	Cont. BU's average achievements		EBITDA	20%	BFD cost	40%	Service Unit costs	35%	EBITDA	10%
			BU Cash Flow	30%	EBITDA	15%	Cont. BU's average achievements	35%	BU Cash Flow	50%
	(EBITDA, BU CF, LC Growth)		LC Growth	20%	BU Cash Flow	15%	(EBITDA, BU CF, LC Growth)		LC Growth	10%
Top Priorities		**20%**		**20%**		**20%**		**20%**		**20%**
	Sustainability		Sustainability		Sustainability		Sustainability		Operational Excellence	
	CLNX Benefits		CLNX Benefits		CLNX Benefits					
	Innovation Sales & COMA%		Innovation Sales & COMA%		Innovation Sales & COMA%		Innovation Sales & COMA%		Quantum implementation target	
							Define roadmap to achieve 2022 SU cost target		Inventory target	
	LTAR/DART		LTAR/DART		LTAR/DART		LTAR/DART		LTAR/DART	
Achievements										
Group Achievement										**100%**
Financial Achievement BU/Services [3]										**66–100%**
Top Priorities										**75–100%**
Bonus payout										**51.7–100% (EC: 90.3%)**

[1] Continuing operations are BUs Industrial & Consumer Specialties, Catalysts, Additives, Functional Minerals, Oil & Mining Services.
[2] Discontinued operations is BU Pigments.
[3] Continuing operations

Legend: BU = Business Unit ; CLNX = Clariant Excellence; COMA = Contribution Margin; DART = Days Away from work, Job Restriction or Job Transfer; EBITDA = Earnings Before Interest, Taxes, Deprecation, and Amortization; LC = Local Currency; LTAR = Lost-time Accident Rate; Productivity = Personnel cost / sales; ROIC = Return on Invested Capital

GMBP – Key Changes 2021

Top Priorities: For GMBP 2021, Productivity was replaced by a Sustainability KPI (Key Performance Indicator) focusing on Scope 1, Scope 2, and Scope 3 reduction. The Inventory Target was eliminated from the KPIs, allowing for higher weightings of the remaining KPIs. For Discontinued Operations, the CLNX Benefits KPI was replaced by the results of an internal optimization project while keeping the Inventory target as a KPI.

The GMBP will remain largely unchanged, especially for Corporate and Continuing Businesses. Changes are made to the KPIs for BFD, eliminating the Cost KPI and increasing the weighting for EBITDA and Cash Flow to 35 % each. From the Sustainability KPI, Scope 1 and Scope 2 were removed, as these are now reflected in the Clariant Long-Term Incentive Plan (please see respective paragraph in this report). In addition, Top Priorities for Services will include a CLNX Benefits KPI instead of the cost roadmap. Finally, the LTAR is removed from the 2022 GMBP.

The GMBP will be reviewed in detail during 2022 to assess a further alignment of KPIs (and weighting) to Clariant's strategy and performance culture. These potential changes would not be implemented until the 2023 performance period.

b) Cash bonus for nonmanagement levels: **The Group Employee Bonus Plan (GEBP)** represents a globally aligned and standardized bonus plan for all legal entities around the world. In general (where legally compliant and possible), all legal entities will apply the global Group Achievement or a combination of Group Achievement and local Top Priorities as the bonus payout. The maximum bonus payout is capped at 100 % (= target). Some countries in Asia and Latin America reward part of the GEBP for blue-collar employees in the form of a local productivity scheme to improve site/plant performance. Since 2017, employees in the Clariant Shared Service Centers have received 50 % of their GEBP in the form of a »Global Business Services – Shared Service Center Bonus Plan (GBS-SSC)« to offer a competitive incentive focused on quality and productivity.

c) Cash bonus for the sales force: The **Global Sales Incentive Plan (G-SIP)** aims to incentivize premier sales performance and growth by focusing on the individual sales performance and underlying Key Performance Indicators in the areas of sales, margin, and trade receivables. Each objective is weighted and can be monitored using existing reporting systems. Thus, the direct impact of individual success on payout can be easily tracked. In 2011, the global rollout started, and in 2021, approximately 720 employees were included worldwide. Employees can participate only in one global bonus plan (G-SIP or GMBP/GEBP).

5.2. Long-Term Incentive Plans (equity-linked incentive)

Clariant offers equity-based compensation for approximately 200 senior managers worldwide (EC and ML 1 – 4).

a) The Performance Share Unit (PSU) Plan was introduced in 2013 and was last granted in 2018. Its key objective was a strong commitment to higher profitability for Clariant and therefore the achievement of strategic targets. The PSU Plan expired in 2021 and has been replaced by the CLIP (see below).

Clariant's PSU Plan has a three-year vesting period. The vesting is conditional upon achievement of the performance target (checked after three years). The relevant underlying Key Performance Indicator is EBITDA (before exceptional items) in percentage of sales, and the performance target is to be at or above the median of a defined peer group. If vesting and performance targets are achieved, one PSU will be converted to one Clariant share. For PSUs granted in 2018, the performance criteria were checked in summer 2021. The comparison with the peer group revealed that Clariant met the relevant performance hurdle (the median of the group); therefore, the PSUs for all participants vested in September 2021.

PSU participation was limited to the Executive Committee and selected senior managers of ML 1 – 4 (approximately 1.4 % of employees). Eligible participants received a fixed number of PSUs in accordance with an underlying share price defined over a ten-day trading period.

If an employee left Clariant before the vesting period (three years) expired, all rights to shares that had not yet been transferred at that point in time became invalid. In the event of retirement, disability, or death of the participant, the employee (or the estate and/or heirs of the participant in the event of death) received an immediate vesting on a pro-rata basis in accordance with published regulations. The vested PSUs remained subject to the performance condition and were allocated only at the end of the vesting period in the event that the performance condition was met.

In the event that a participant had substantially contributed to a financial loss, issues resulting in restatement of financial results, reputational damage, or substantial breach of legal or regulatory requirements, including internal policies, the Board of Directors could decide to cancel any outstanding PSUs.

b) Group Senior Management – Long-Term Incentive Plan (GSM-LTIP) = Matching Share Plan The Matching Share Plan was started in 2010 and granted for the last time in 2018 for the year 2017. It required a personal investment in Clariant shares and fostered the commitment of key managers (EC and ML 1 – 3) to the long-term success of Clariant. Under this plan, senior managers had to invest 20 % of their annual cash bonus (GMBP) in Clariant shares (= investment shares). Thus, this plan supported senior managers in meeting their requirement to permanently hold a minimum of 20 000 and up to 100 000 shares, depending on their management level. New participants had six years to fulfill the required investment thresholds.

The investment shares were blocked and held in a custody account for a period of three years. At the end of the blocking period, the participant was entitled to obtain for each investment share an additional share free of charge (= matching share). This matching was subject to the condition of continued employment with Clariant throughout the blocking period. In the event of termination of employment before the end of the blocking period, the right to receive Matching Shares lapsed. In the event of retirement, disability, or death, a cash amount was paid instead, equal to the pro rata temporis portion (considering employment during the blocking period). Matching shares under this plan were distributed for the last time in 2021.

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

c) Clariant Long-Term Incentive Plan (CLIP) In 2018, the Compensation Committee had decided to amend the Long-Term Incentive Plans for senior management starting in 2019 to better reflect Clariant's strategic targets and to ensure a competitive remuneration package to senior managers reflecting market best practices. Based on intensive benchmarking, the new plan was designed. This revised Long-Term Incentive Plan aims to provide a closer alignment of underlying Key Performance Indicators with the shareholder perspective and to represent an attractive and competitive incentive for Senior Management.

The CLIP was granted for the third time in April 2021. Participation in the CLIP is limited to the Executive Committee and senior managers of ML 1 – 4 (approximately 1.4 % of employees).

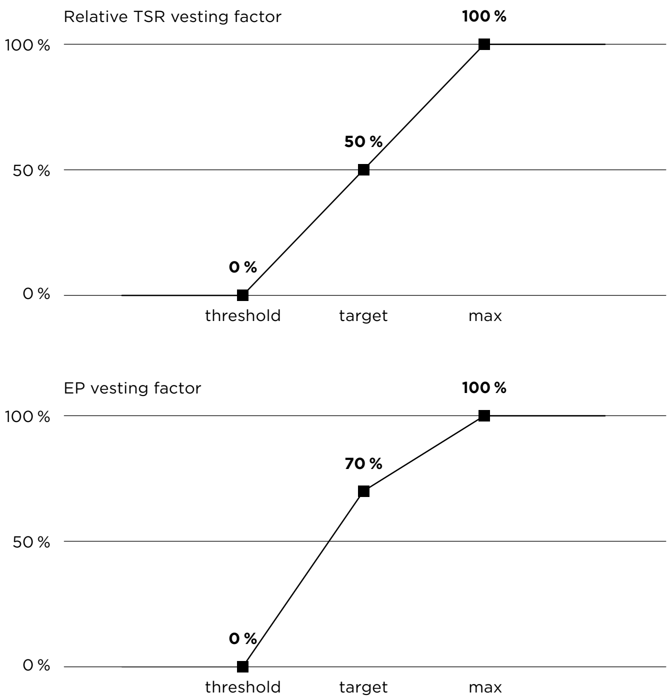
The CLIP represents an equity-based award in the form of Performance Share Units with a three-year vesting period. The CLIP grant per individual is defined as a fixed percentage of the annual base salary for management levels ML 1–4 and as a fixed amount for EC members.

→ FIGURE 001
→ TABLE REMUNERATION STRUCTURE OF THE CLARIANT EXECUTIVE COMMITTEE

Relative Total Shareholder Return (rTSR) and Economic Profit (EP) have been selected as underlying and equally weighted Key Performance Indicators (weighted at 50 % each). The number of PSUs is determined by dividing the individual grant value by the Fair Market Value of a PSU at the grant date. In accordance with the Accounting Standards Codification, the Monte Carlo valuation methodology is applied to determine the grant date Fair Market Value to measure the performance of the rTSR component. To calculate the Economic Profit component, the market value of Clariant shares at the grant date is adjusted by the present value of future dividends. The vesting is conditional upon achievement of defined performance targets. Vesting will only occur if at least a threshold performance level as defined by the Board of Directors has been achieved. Vesting can take place at any level between 0% and 100% of the granted PSU volume. The Key Performance Indicators are measured independently.

The CLIP 2019 grant will vest in April 2022. The threshold for the rTSR KPI was not met, resulting in a vesting factor of 0 % for this KPI. The vesting factor for the EP KPI was 72 %. This results in an overall vesting factor for the CLIP 2019 grant of 36 %.

004 **RELATIVE TSR/EP VESTING CURVE**



At vesting, each PSU is converted into one Clariant share. At vesting, the number of PSUs that vest for a participant is calculated by multiplying the number of the granted PSUs with the Overall Vesting Factor, rounded up to the next whole share.

Should an employee voluntarily leave Clariant before the vesting period (three years) expires, all rights to shares that have not yet been transferred at that point in time become invalid. In the event of retirement, the unvested PSUs will be pro-rated and remain subject to the performance condition. The PSUs will be allocated to the participants only at the end of the vesting period. In the event of disability or death of the participant, the employee (or the estate and/or heirs of the participant in the event of death) will receive an immediate vesting on a pro-rata basis. The vested PSUs will be released from the performance condition and will be settled in cash.

In the event that a participant has substantially contributed to a financial loss, issues resulting in restatement of financial results, reputational damage, or substantial breach of legal or regulatory requirements, including internal policies, the Board of Directors can decide to cancel any outstanding PSUs.

Participation in CLIP is tied to share ownership targets that have to be achieved within five years:

- CEO: 150 000 shares
- EC: 80 000 shares
- ML 1–4: up to 30 000 shares, depending on management level

In 2021, the Compensation Committee decided to introduce changes to the CLIP program for the grant in April 2022. These changes follow a process of analysis and consultation with external remuneration experts. Based on these insights, the changes are in alignment with practices in the Swiss market and among peer group companies.

While the relative Total Shareholder Return will remain as one of the KPIs, the Economic Profit will be replaced by EBITDA margin, thus strengthening the tie to the financial strategy. In addition to the two financial KPIs, two ESG-related KPIs will be introduced: A CO_2 reduction target to underline Clariant's commitment to Sustainability and a target on the improvement of the Employee Net Promoter Score (eNPS) to support the ambition to become a top employer in the chemical industry. With the addition of the two non-financial KPIs, the respective KPI weighting will be the following:

- Relative TSR: 33 %
- EBITDA margin: 33 %
- CO_2 reduction: 17 %
- eNPS: 17 %

The exact targets are not being disclosed as these are considered commercially sensitive. Vesting can take place between 0 % and 200 %. Thresholds for each KPI were determined to be achievable, the targets to be ambitious and the maximum to incentivize and reward highest performance levels. Finally, the determination of PSUs will be changed from a fair value approach to considering the average share price of the last 30 trading days prior to the grant date. Ultimately, the changes to the CLIP aim toward a closer alignment with Clariant's long-term strategy and a stronger performance culture.

d) Restricted shares for the Board of Directors The share plan, introduced in 2012, allocates shares of Clariant Ltd to members of the Board of Directors. Board members will receive a fixed portion of the annual fee allocated in the form of shares subject to a blocking period (»Restricted Shares«). The blocking period is three years from the date they are allocated. From the first business day after the blocking period, the member of the Board of Directors may freely dispose of and trade these shares without any further restrictions (legal restrictions will remain applicable). The allocation is made once a year, at the end of the mandate year, four weeks prior to the Annual General Meeting (AGM).

The value of a grant is determined by the role and responsibility.
→ PARAGRAPH 6

6. STRUCTURE OF COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS

The compensation structure for members of the Board of Directors follows the compensation concept outlined in the Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association) of Clariant Ltd from 1 April 2019.

According to Art. 26, remuneration of members of the Board of Directors consists of the following components:

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

The following graphs illustrate the relative structure and absolute value of the three components for 2021.

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

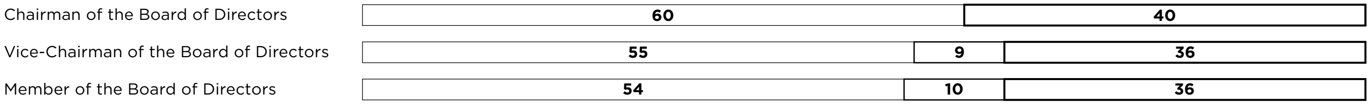
	Chairman of the Board	Vice-Chairman of the Board	Member of the Board of Directors	**Total 2021** [1]	Total 2020
Cash compensation					
Honorarium [1]	450 000	180 000	150 000	**1 980 000**	2 130 000
Committee fee [1]			According to individual activity (see table below)	**540 000**	430 000
Social contribution					
Relevant amount			According to individual situation [2]		
Shares					
Value (at grant) [3]	300 000	120 000	100 000	**1 320 000**	1 420 000

[1] The Honorarium and fees are paid in cash in equal parts in March and September.

[2] For actual details for 2021, see table Annual Compensation 2021 – Emoluments to Members of the Board of Directors.

[3] Shares will be granted at the end of the mandate year.

005 **RELATIVE STRUCTURE OF ACTUAL TOTAL COMPENSATION 2021 (BOARD OF DIRECTORS)** IN %



☐ Honorarium ☐ Committee fee: Activity-based (assumption for members is minimum = CHF 30 000) ☐ Shares (value at grant)

The Chairman of the Board is not entitled to receive committee fees when serving as a member of a committee.

All members of the Board of Directors are asked to build up defined minimum shareholding requirements within three years from becoming a member of the Board.

The shareholder requirements are:

— Chairman of the Board of Directors: 30 000 shares
— Vice-Chairman of the Board of Directors: 15 000 shares
— Members of the Board of Directors: 12 000 shares

COMMITTEE FEES IN CHF PER MANDATE YEAR

	Chair	Member
Nomination Committee	50 000	30 000
Audit Committee	80 000	40 000
Compensation Committee	50 000	30 000
Innovation and Sustainability Committee	50 000	30 000

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

2021 ANNUAL COMPENSATION – EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) IN CHF

	Günter von Au [1]	Abdullah Mohammed Alissa	Hariolf Kottmann [2]	Calum MacLean	Geoffery Merszei	Eveline Saupper	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winterstein	Nader Alwehibi	Thilo Mannhardt	**Totals 2021**
Cash compensation													
Honorarium	375 000	180 000	112 500	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	150 000	**2 017 500**
Additional compensation						24 224 [3]							**24 224**
Committee fee	7 500	30 000	[4]	30 000	40 000	90 000	110 000	30 000	52 500	62 500	22 500	37 500	**512 500**
Social contribution													
Relevant amount	25 185	20 391	31 151	38 382	13 601	27 171		19 605	20 668		17 053	168 463 [5]	**381 670**
Shares													
Fair market value (FMV)	250 000	120 000	75 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	**1 345 000**
Total 2021 (Fair market value 2021)	**657 685**	**350 391**	**218 651**	**318 382**	**303 601**	**391 395**	**360 000**	**299 605**	**323 168**	**312 500**	**289 553**	**455 963**	**4 280 894**

[1] Regular Board member until AGM April 2021. Chairman of the Board from AGM April 2021.
[2] Chairman of the Board until exit 7 April 2021
[3] Extra compensation for temporary additional role as independent Lead Director since 24 July 2019 until 7 April 2021
[4] No committee member for the period January-April 2021
[5] Incl. regular social security contributions and tax gross-up due to inexistent tax agreement between the countries

2020 ANNUAL COMPENSATION – EMOLUMENTS TO MEMBERS OF THE BOARD OF DIRECTORS (FAIR MARKET VALUE = FMV) IN CHF

	Hariolf Kottmann	Dr. Khaled Homza A. Nahas [1]	Abdullah Mohammed Alissa [2]	Günter von Au	Calum MacLean	Geoffery Merszei	Eveline Saupper	Carlo G. Soave [3]	Peter Steiner	Claudia Suessmuth Dyckerhoff	Susanne Wamsler	Konstantin Winterstein	Nader Alwehibi [4]	Thilo Mannhardt [4]	**Totals 2020**
Cash compensation															
Honorarium	450 000	90 000	172 500	150 000	150 000	150 000	150 000	75 000	150 000	150 000	150 000	150 000	75 000	75 000	**2 137 500**
Additional compensation							134 482 [5]								**134 482**
Committee fee		15 000	30 000	32 500 [6]	30 000	40 000	90 000	30 000	110 000	30 000	30 000	40 000			**477 500**
Social contribution															
Relevant amount	49 537	18 513	20 739	16 682	33 445	17 013	35 110	30 114 [7]		19 672	19 672		2 894	30 208 [8]	**293 599**
Shares															
Fair market value (FMV) [8]	300 017	60 000 [9]	115 017	100 006	100 006	100 006	100 006	50 000 [9]	100 006	100 006	100 006	100 006	50 009	50 009	**1 425 100**
Total 2020 (Fair market value 2020)	**799 554**	**183 513**	**338 256**	**299 188**	**313 451**	**307 019**	**509 598**	**185 114**	**360 006**	**299 678**	**299 678**	**290 006**	**127 903**	**155 217**	**4 468 181**

[1] Six months Deputy Chairman (exit end of June 2020)
[2] Three months BoD member and nine months BoD Deputy Chairman
[3] Six months BoD member (exit end of June 2020)
[4] Six months BoD member (new joiner in July 2020)
[5] Extra compensation for temporary additional role as independent Lead Director since 24 July 2019
[6] Different committee fees for first three months vs. last nine months
[7] Including additional compensation for project work
[8] Tax gross up due to inexistent tax agreement between countries
[9] Three months paid in cash

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

The information about the actual share ownership of the Board of Directors is displayed in the next table.

The compensation for members of the Board of Directors is subject to taxation and social security, depending on the individual's situation with Clariant paying the employer contributions as required. The members of the Board of Directors do not receive any lump-sum reimbursement of entertainment expenses above and beyond actual expenditure on business trips.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares granted for 2021 [1]	Number of shares granted for 2020 [2]	Number of privately held shares at 31 Dec. 2021	Number of privately held shares at 31 Dec. 2020
Günter von Au	15 790	5 118 (correction of 5 556)	73 981	68 863
Abdullah Mohammed Alissa	6 316	6 142 (correction of 6 667)	12 667	6 525
Nader Alwehibi	5 263	3 839 (correction of 4 167)	3 839	0
Calum MacLean	5 263	5 118 (correction of 5 556)	11 643	6 525
Thilo Mannhardt	5 263	3 839 (correction of 4 167)	3 839	0
Geoffery Merszei	5 263	5 118 (correction of 5 556)	11 643	6 525
Eveline Saupper	5 263	5 118 (correction of 5 556)	29 506	24 388
Peter Steiner	5 263	5 118 (correction of 5 556)	27 006	18 388
Claudia Suessmuth Dyckerhoff	5 263	5 118 (correction of 5 556)	24 606	19 488
Susanne Wamsler	5 263	5 118 (correction of 5 556)	1 190 298 [3]	1 185 180 [3]
Konstantin Winterstein	5 263	5 118 (correction of 5 556)	6 092 021	6 086 903
Hariolf Kottmann	0	15 354 (correction of 16 667)	not applicable	449 573 [4]
Total	**69 473**	**70 118 (correction of 76 116)**	**7 481 049**	**7 872 358**

[1] Final number of shares for the mandate year will be defined prior to grant in 2022. Underlying assumption here is a share price of CHF 19.00.

[2] Correction needed due to adjustments of final share price at grant: Underlying assumption was CHF 18.00.
Final allocation of shares with CHF 19.54; therefore, the numbers of shares differ from the overview in the Integrated Report 2020.

[3] Thereof 240 271 held by the »Honoré T. Wamsler Trust«

[4] Additionally 542 shares in vesting on 31 December 2020 resulting from previous years' participation in LTI plans as CEO

7. COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The Executive Committee (EC) participates in the same compensation elements as Clariant's senior managers. Accordingly, they receive a fixed annual base salary, an annual cash bonus (GMBP), and Long-Term Incentives (CLIP) as stated in Art. 27 of the Articles of Association. The annual bonus is based on achieved results for the particular financial year, and payout is capped at 100 % of the target value. For details of the respective plans, please refer to sections 5.1.a and 5.2.c of this Compensation Report. According to Clariant's Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), the annual bonus payout and any single share grant must each not exceed 200 % of base salary for the CEO and 150 % for EC members (Art. 32; www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association).

The Compensation Committee decides on the amendment or discontinuation of the annual bonus plan and Long-Term Incentive Plans for the EC (Art. 33–35).

The CEO and members of the EC participate in the pension plans of the Clariant Group in Switzerland, notably the Clariant pension fund with an insured income of up to CHF 200 000 per annum and the management pension fund with an insured income of up to an additional CHF 653 200 per annum. The maximum insured income under the pension plans therefore stands at CHF 853 200 per annum.

Clariant's pension plans comply with the legal framework of the Swiss Occupational Pension Scheme Act (BVG), and the maximum contribution will be dynamically aligned in accordance with Art. 79c BVG. For members of the EC and all other Clariant employees, the insured income is defined as the base salary plus 50 % of the target cash bonus. Equity-linked income components are not subject to pensionable income. Usual policies for death and disability are part of Clariant's pension plans. The total employer contribution is approximately 11 % of the insured income in the case of the Clariant pension fund and 22 % of the insured income in the case of the Clariant management pension fund.

These contributions cover both the contributions to the formation of retirement capital and the risk components. Under IFRS, the Clariant pension fund is a defined benefit plan. The management pension fund provides the members with retirement capital upon retirement. Pension payments are only accepted in exceptional cases.

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

	CEO Compensation			EC Compensation		
	2021		2020	**2021**		2020
		as % of base salary			as % of base salary	
Total annual target	**4 000 000**		**4 200 000**	**2 050 000**		**2 450 000**
Long-Term Incentives[2]	1 500 000	125	1 200 000	700 000	108	750 000
Short-Term Incentives[3]	1 300 000	108	1 800 000	700 000	108	800 000
Base salary	1 200 000	100	1 200 000	650 000	100	900 000

[1] Without other benefits
[2] Annual grant volume; Performance Share Units with 3-year vesting and defined performance hurdle; vesting capped at 100 % target achievement
[3] Target cash bonus (GMBP); annual payout capped at 100 % target achievement

The following personnel changes within the EC occurred in 2021:

— Conrad Keijzer was appointed CEO effective 1 January 2021.

No sign-on bonus or other extraordinary payment was made to the current CEO or current EC members. The split between the CEO pay and an average employee is not being published this year. This figure is best seen based on a development and not the observation of a single year. Due to the changes in CEO appointments in 2019 and 2020 as well as the change in CEO and EC remuneration levels and structures, the respective split will be shown in forthcoming years.

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

2021 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE = FMV) IN CHF

	Conrad Keijzer	Other EC members	**Totals 2021**
Base salary	1 200 000	1 950 000	3 150 000
Cash bonus	1 173 900	1 896 300	3 070 200
Share-based incentive (FMV) [1]	1 500 004	2 100 014	3 600 018
Other benefits [2]	471 154	981 956	1 453 110
Total	**4 345 058**	**6 928 271**	**11 273 329**

[1] Fair Market Value of a PSU under CLIP 2021 grant: CHF 13.64. The conversion from PSUs into shares is done after a 3-year vesting period, depending on the achievement factor.

[2] »Other benefits« include pension contributions for current EC members (43 %), social security contributions for current and former EC members (29 %), and other benefits for current and former EC members (28 %)

2020 ANNUAL COMPENSATION TO MEMBERS OF THE EXECUTIVE COMMITTEE (FAIR MARKET VALUE = FMV) IN CHF

	Hans Bohnen [1]	Other EC members	**Totals 2020**
Base salary	900 000	3 075 000 [2,3]	3 975 000
Cash bonus	604 800	1 259 174 [2]	1 863 974
Share-based incentive (FMV) [4]	750 012	1 500 024 [2]	2 250 036
Other benefits [5]	300 992	823 655 [2,3]	1 124 647
Total	**2 555 804**	**6 657 853**	**9 213 657**

[1] As Hariolf Kottmann acted as Executive Chairman in 2020, he was not entitled to the cash bonus and the share-based incentive and, hence, was not the highest paid EC member.

[2] Including Bernd Hoegemann and Stephan Lynen; Patrick Jany considered pro rata based on active role as EC member in 2020

[3] Including additional compensation for Hariolf Kottmann as Executive Chairman (total 2020: CHF 1 284 673)

[4] Fair Market Value of a PSU under CLIP 2020 grant: CHF 12.87. The conversion from PSUs into shares is done after a 3-year vesting period, depending on the achievement factor.

[5] »Other benefits« include pension contributions (48 %), social security contributions (41 %), and other benefits (11 %); including other benefits for former EC members.

In 2020 and 2021, no loans or credits were outstanding and/or granted to the CEO or EC members. According to Art. 30 of Clariant's Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), no loans may be granted to EC members.

The total compensation of the EC for 2021 amounts to CHF 11.3 million and is within the approved budget of CHF 16.0 million granted for the year 2021 at the Annual General Meeting in 2020.

According to Art. 28 of Clariant's Articles of Association (www.clariant.com/en/Company/Corporate-Governance/Articles-of-Association), an additional amount of 50 % of the respective total remuneration approved by the Annual General Meeting can be spent in the event that new EC members are appointed after the Annual General Meeting. This flexibility was not needed in 2021.

The actual share ownership of the members of the EC is shown below. No options were held at 31 December 2020/2021.

2021 NUMBER OF SHARES GRANTED

	Conrad Keijzer	Hans Bohnen	Bernd Hoegemann	Stephan Lynen	**Total**
Number of performance share units [1]	109 971	51 320	51 320	51 320	**263 931**

[1] Performance Share Units represent contingency rights that will be converted into shares, depending on the performance achievement after the 3-year vesting period.

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE COMMITTEE

	Number of PSUs granted in 2021	Number of PSUs granted in 2020	Number of unvested PSUs/RSUs at 31 Dec. 2021	Number of unvested PSUs/RSUs at 31 Dec. 2020	Number of privately held shares at 31 Dec. 2021	Number of privately held shares at 31 Dec. 2020
Conrad Keijzer [1]	109 971	0	109 971	0	0	0
Hans Bohnen	51 320	58 276	156 737	112 381	131 013	124 049
Bernd Hoegemann	51 320	58 276	125 058	79 299	65 056	59 495
Stephan Lynen	51 320	58 276	123 801	78 799	95 913	89 595
Total	**263 931**	**174 828**	**515 567**	**270 479**	**291 982**	**273 139**

[1] No grant in 2020; CEO as of 1 January 2021

Report of the Statutory Auditor

to the General Meeting of Clariant Ltd Muttenz

We have audited the Compensation Report of Clariant Ltd for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled 'audited' on pages 13 and 16 of the Compensation Report.

BOARD OF DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the tables labelled 'audited' on pages 13 and 16 of the Compensation Report of Clariant Ltd for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Rolf Johner Audit expert Auditor in charge	Michael Scheibli Audit expert

Basel, 18 May 2022

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Credits

Scanderbeg Sauer Photography: p. 3, 4