

2022

Business Report





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The Integrated Report consists of five reports that cover 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.

The Business Report is integral to Clariant’s Reporting Hub 2022, which provides comprehensive information about Clariant’s long-term value creation. The report explains Clariant’s integrated business model, purpose-led strategy, and culture, demonstrating the company’s integrated thinking. For the three business areas and for the Group overall, the report reviews the financial year, including the leadership’s perspective on Clariant’s short- and long-term profitability.

As one of the world's leading specialty chemicals companies, Clariant contributes to value creation with innovative and sustainable solutions for customers from many industries. The company portfolio is designed to meet very specific needs with as much precision as possible.

At the same time, Clariant's research and development is focused on addressing the key trends of our time. These include energy efficiency, renewable raw materials, emission-free mobility, and the conservation of finite resources. The corporate strategy is guided by the overarching purpose of »Greater chemistry – between people and planet« and reflects the importance of connecting customer focus, innovation, sustainability, and people. For the 2022 financial year, Clariant reports in three business areas: Care Chemicals, Natural Resources, and Catalysis.



Clariant Key Figures (continuing operations)

11 148

Total staff (FTEs)

0.24

LTAR

70

Production sites

3

Core business areas

5 198

Sales (CHF m)

810

EBITDA (CHF m)

15.6 %

EBITDA margin

24 %

Sales growth
in local currency

0.64

Scope 1 & 2
GHG emissions
in m t CO₂e¹

2.58

Scope 3 GHG emissions for
purchased goods and services
(cat. 1) in m t CO₂e

¹This includes 0.02 m t of biogenic CO₂ emissions



Letter to Stakeholders

Dear Stakeholders,

The year 2022 was a challenging one for the world and for the chemical industry. Clariant's leadership and staff had to deal with extraordinary challenges and a fast-changing environment. Only a few days after Russia's attack on Ukraine, Clariant suspended all business with Russia. This horrible war has caused tremendous suffering and added soaring energy prices and global uncertainty to a long list of problems, such as unreliable supply chains, high prices for raw materials, shortage of labor, inflationary pressures, and high logistics costs. Even under these challenging circumstances, Clariant displayed resilience and followed a profitable growth path. While other chemical sectors saw weakening demand, the company's specialty portfolio remained attractive to customers worldwide. Clariant continued to focus on sustainability, especially in the context of energy security and greenhouse gas emission reduction.

On the basis of all these facts, the Board of Directors proposes a distribution of CHF 0.42 per share for the 2022 financial year to give all shareholders a due share in Clariant's success.

2022 also brought about important changes within Clariant. The company established a new operating model in line with its purpose-led strategy, which resulted in a simplified leadership structure. Clariant flattened hierarchies and reduced complexity while also fostering transparency, diversity, and governance. The new Executive Steering Committee (ESC) is authorized by the Board of Directors to steer the company. It has overall strategic and financial responsibility, including for our profit and loss statement. The ESC consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and the three Business Presidents. Each Business President has the responsibility for a business unit and for the region that is central to the future success of that business unit.

A larger team meets when it comes to important strategic decisions: The Executive Leadership Team (ELT) consists of the ESC along with the Chief Human Resources Officer, the Chief Technology & Sustainability Officer, the Chief Corporate



Günter von Au
Chairman of the Board of Directors

Development Officer, and the General Counsel. By bringing all key functions together, Clariant ensures fast decision-making while incorporating all internal stakeholders' needs. The ELT supports the ESC by promoting dialogue among its members, exchange of information and enabling awareness of the Group's environment. The potential alternatives are then brought to the Board of Directors, where, after a common discussion, a final decision is made.



The updated Management Bylaws provide the basis for this new setup. They set out the form, manner as well as general principles of how Clariant should be run. The Management Bylaws are one of the key elements of our larger Group Charter House, which comprises all governance elements. On the foundation of our Code of Ethics, and in accordance with our purpose, the new operating model, our values and leadership principles, the Group Charter House provides a solid frame for the governance and risk management at Clariant. At the same time, it reflects on our aspiration to drive simplicity, agility, and accountability in our company.

In 2022, Clariant also introduced new values as cornerstones of company culture and corporate success. They are accompanied by new diversity, equity, and inclusion objectives and a detailed roadmap to achieving them. This journey will require everyone at Clariant to continuously review how the company can create a more equitable and inclusive workplace that engages a workforce reflective of the world's diversity.

With its new operating model, Clariant is well set up for organic growth. The company will keep the businesses close to their most important regions and customers. The aim is to achieve above-average growth in all three business areas, with a focus on China as the world's largest and fastest-growing specialty chemicals market. We intend to support our cultural transformation and to pursue our diversified investment strategy. Our organic growth will be supported with a series of smaller, high-value bolt-on acquisitions. Clariant remains committed to achieving its 2025 financial and 2030 non-financial targets and to advancing in environmental, social, and governance dimensions. This includes the implementation of science-based targets to fight climate change and to contribute to the UN Sustainable Development Goals (SDGs).

»Even under challenging circumstances, Clariant displayed resilience and followed a profitable growth path.«

Günter von Au
Chairman of the Board of Directors

The Board of Directors and the Clariant Management are fully committed to these targets and to creating value for all our stakeholders. We appreciate that so many customers, employees, investors, shareholders, suppliers, and other stakeholders engage in open discussions with us. Their feedback is valuable for everyone on the Board, as these highly relevant perspectives and insights always improve our decision-making. My colleagues on the Board of Directors and I thank everyone who contributed to the success of Clariant in 2022.

Sincerely,

Günter von Au
Chairman of the Board of Directors

Interview with the CEO

We are now well into the year 2023, but the world is still dealing with the aftermath of 2022. How do you assess the geopolitical situation?

The past years have seen many events with far-reaching geopolitical effects. The war on Ukraine has been going on for over a year now, and I am still shaken by the suffering it causes. In its wake, Europe has seen tremendous energy price increases, which have eased, but not fully normalized to this day, and have contributed to global inflation of 8.8%. Moreover, the impact of COVID-19 is still visible in some countries. This includes China, where GDP growth was only 3.0% compared to global GDP growth of 3.4%. There will be a rebound in China, but it is too early to assess when we will see it and how big it will be. In the US, GDP growth was also relatively weak at 2.0%. But let me just say that, while the war and the pandemic are tragic, it was impressive to see how the Clariant community has responded with resilience and solidarity.

These developments also affected the chemical industry. Is the sector in good shape?

Many chemical corporations were hit hard last year. The industry suffered from shortages in the supply of Russian oil and natural gas as well as skyrocketing energy costs, high prices for raw materials, and ongoing supply chain challenges. Especially Europe was hit by the energy crisis. The output of the chemical industry in Europe was lower than the year before. At the moment, the gas storage facilities are above historic levels, thanks to a mild winter, consumer savings, and industry contributions. But still, we expect the challenges in Europe to continue. In the US, chemical producers could rely on cheaper domestic gas, allowing the country to outperform most other regions. China's chemical production grew despite repeated lockdowns. Across the industry, we saw lower demand and declining margins in the last quarter of 2022. We are pleased that we were able to deliver strong results despite the turbulent environment.



Conrad Keijzer
Chief Executive Officer (CEO)



With fossil energy supply becoming more expensive and unstable, do you think that chemical corporations will now accelerate the shift to climate-neutral energy and products?

In the short term, the emphasis has unfortunately shifted to energy security rather than energy transition. However, the geopolitical crisis will accelerate the medium-term shift to climate-neutral energy and products. Becoming climate-neutral reduces operational risks, will make sense financially, and will be the license to operate in the not-too-distant future. Beyond that, it is the right thing to do. Of course, it requires enhanced effort, for example, with respect to energy efficiency, green electricity, and the use of biomass as feedstock. This decarbonization challenge offers opportunities for innovation-driven companies – such as Clariant.

What kind of opportunities?

We can help our customers reduce their carbon footprint by delivering low-carbon products or by helping them decrease their emissions. For example, in the field of innovative hydrogen technologies, we teamed up with Technip Energies to develop the breakthrough EARTH® technology for steam methane reforming. Producing hydrogen from natural gas is the most common way and demands the reduction of its CO₂ footprint. EARTH® combines a new technology and a new catalyst that reduces makeup fuel consumption by up to 50% and CO₂ emissions by up to 10%. Further, we provide solutions that foster circularity and enable a bio-based economy. These include adsorbent clays that purify biodiesel, bio-based surfactants, and additives derived from crude rice bran wax. These bio-based additives function as highly effective lubricants and dispersion aids for, for example, thermoplastics such as polyamides and bring us one step closer to more sustainable plastics.

In addition to being innovative: What does the chemicals industry need to better fight climate change?

The chemical sector is uniquely placed to actively fight climate change. It is obvious that nobody can manage the challenges that are ahead of us alone. To be successful, we need collaboration along the value chain, as well as a global framework with clear commitment from policymakers and functioning coordination across all jurisdictions. That is an enormous task. We must be united in approaching this – industry, politics, investors, and civil society alike. One example is our membership in the »Together for Sustainability« initiative, an association of chemical companies with total sales of more than EUR 600 billion. Our common goal is to build up sustainable chemical supply chains, align on regulatory requirements, and respond to the needs and expectations of society. Clariant was one of the first companies in the specialty chemicals industry to announce Scope 3 upstream targets, and we are working on numerous projects with clients to improve theirs.

»We are pleased that we were able to deliver strong results despite the turbulent environment.«

Conrad Keijzer
Chief Executive Officer (CEO)

Let's talk about Clariant's results in the past year.

How did the company perform in 2022?

We reported sales growth of 24% in local currency, with strong double-digit growth in all business areas. This is an impressive achievement because it demonstrates our ability to pass on rising costs to our customers but also to outgrow our markets with sales volumes growing by 7%. The fact that we also improved our continuing operations EBITDA by 14% to CHF 810 million is a significant success, considering the challenging environment. The EBITDA margin declined slightly to 15.6% due to restructuring costs and the negative impact from sunliquid®. Our net operating cash flow also improved significantly to CHF 502 million, an increase of CHF 139 million versus 2021. This was the result of strong underlying earnings and net working capital management. Our portfolio has proven to be resilient as it addresses key growth trends like bio-based products, decarbonization, and circularity. Additionally, as a specialty chemicals company, we have less energy-intensive production than large-scale commodity chemical companies, meaning we were less affected by the energy crisis.

How did the individual business areas perform in 2022?

Care Chemicals grew sales by 28% in local currency in full year 2022 with double-digit sales growth in all key businesses. The full integration of the bolt-on acquisition Beraca, in Brazil, contributed approximately 1% of this sales growth. The sales growth in Consumer Care and Industrial Applications rose more than 20% on the back of strong market demand, especially during the first nine months of the year. In the fourth quarter, volumes declined due to customer destocking and significantly lower demand. The Aviation business contributed positively to the Industrial Applications development due to supportive weather and increased air traffic activities. Our EBITDA margin increased to 22.3% from 20.7% due to higher volumes and active price



management, which compensated for raw material cost headwinds. In Catalysis, the top line was up by 14% in local currency. This growth was mainly volume-driven in all three business lines. The EBITDA margin decreased to 9.4% from 16.8% in the previous year. The main factors impacting this development included project cost and higher operational cost related to sunliquid®, a less favorable product mix during the first nine months of 2022, including the suspension of all business with Russia, and a temporary margin squeeze, which continued into September due to raw material, energy, and logistics cost pressure. Due to the long lead times, we were only able to adjust the pricing of our products with a certain delay. In Natural Resources, Oil and Mining Services, Functional Minerals, and Additives all contributed to the 25 % local currency sales growth. Oil and Mining Services reported a continued recovery in oil services, ongoing growth in mining, and a strong refinery business. Functional Minerals delivered positive developments in all business lines, especially Purification and Cargo & Device Protection. The acquisition of BASF's US Attapulgitic business, which we concluded in October 2022, started to contribute to the Functional Minerals sales growth and strengthens our market position in the highly attractive North American market. Additives reported strong growth based on increased volumes and pricing, in particular in the first nine months. A key growth driver in the last year was our flame retardants business, which benefits from the trend toward sustainable solutions in e-mobility combined with leading product performance. The halogen-free flame retardant is used in key end markets such as electric vehicles and electronic applications like 5G devices. The business area's EBITDA margin increased to 18.0% from 17.0% due to revenue growth in all business units, which was propelled by both pricing and higher volumes which resulted in improved operating leverage.

»Becoming climate-neutral reduces operational risks, will make sense financially, and will be the license to operate in the not-too-distant future. Beyond that, it is the right thing to do.«

Conrad Keijzer
Chief Executive Officer (CEO)

What were some of the highlights in the different regions?

In the Americas, we completed the acquisition of BASF's US Attapulgitic business assets, strengthening our leading technology position in the growing markets for the purification of edible oils and renewable fuels. This is a perfect example of our disciplined approach to bolt-on acquisitions, as it provides tangible synergies, strengthens one of our core segments, and brings us closer to our 2025 targets. In APAC, we still see significant potential in the Chinese markets. We therefore invested a total of CHF 180 million in new and existing facilities in Daya Bay. This will increase our production capacity for existing products such as ethylene oxide derivatives and flame retardants. In EMEA, we developed and implemented a plan making us less dependent on reduced gas availability from Russia. Here, Germany is particularly affected. The mitigation measures in Germany include switching the fuel from gas to oil or switching from gas-generated power to external electricity.

There have been a number of changes in Clariant's organization and leadership. What is the idea behind these changes?

They are all part of our new operating model for stronger customer focus, better and faster decision-making, greater empowerment, more accountability, and transparency. Our organizational setup was too complex for a company of our size. To give you one example: In some parts of Clariant, we had eleven layers of management between a plant operator and the CEO. We now have fewer hierarchical layers and less complexity in our organization, which will speed up and improve our decision-making. We now have a maximum of six management layers between the operative staff and the CEO. At the same time, we reduced the number of our internal meetings and empowered front line employees to take more responsibility for decisions in their respective area.



In the context of this new operating model, Clariant reduced the number of business units from five to three. What does this mean for customers?

It means that we will be closer to them than before. And I mean that quite literally. It's not only that we have reduced the number of business units. Each business unit is now organized into business lines reflecting market segments, rather than product lines as before. This means our organization is now fully focused on markets and customers. We have also appointed presidents for the three business units, who are located in the regions with the largest customer base and the highest growth potential for the respective business. As they are also presidents for the respective regions, these managers have a very strong focus on their customers.

In addition to making organizational changes, Clariant also announced new values: »win with our customers,« »act with integrity,« »perform with agility,« »innovate for sustainability,« and »empower and include.« How are these two developments related?

Both developments result from our purpose-led strategy, which we launched in 2021. With this strategy, we set up Clariant for growth. Our new, more complete set of values reflects our purpose statement and our stronger growth mindset, and it will be the basis for an even stronger entrepreneurial culture. I see our values more as an evolution of an already strong value-based culture, rather than as a revolution. They describe what we stand for and make sure that we all show a consistent behavior when dealing with each other or with external stakeholders.

In June 2022, Clariant also launched its DE&I roadmap. What is the intention behind this?

Our DE&I roadmap is an essential part of Clariant's purpose-led strategy, aimed at building a more diverse, equitable, and inclusive future by focusing on gender equality, an inclusive culture, and cultural identity. For each of these areas, Clariant has set ambitious targets for 2030, which are accompanied by a variety of concrete actions. I am optimistic about this topic since we already have a well-filled talent pool, including a high number of high potentials, both male and female, from all key regions.

In terms of gender equality, we strive to provide equal opportunities for all genders, with a special focus on strengthening the gender balance at the Management level which aims to increase the current female representation to at least 30% by 2030. With regard to cultural identity, we want to provide equal access to career development for all ethnicities and ensure that our global business footprint is reflected in Clariant's leadership teams. Therefore, we strive to increase the share of leaders of national origin outside Europe to more than 40% by 2030.

Do you anticipate Clariant's healthy performance to continue into 2023, and how would your business be affected by a dip in customer demand and the projected economic slowdown?

We already began being affected by the slowdown in volumes, which started in Europe in Q3. However, we are confident that we will continue to outperform our overall markets due to continued strong demand for sustainability-driven solutions. For example, our flame retardants, which are used in plastic parts for electrical vehicles, remain in very high demand as this segment in the automobile industry continues to experience robust growth. In the US, we see growth for our adsorbents, which are used in the purification of renewable diesel – a market that is experiencing strong tailwinds from the Inflation Reduction Act – as well as from bio-based and biodegradable coatings. Beyond the sustainability-driven areas, we see a recovery supported by strong demand for propane to propylene catalysts, which supports our catalyst business.

What are the most important achievements Clariant must accomplish in the next years?

We are confident that we are on the right trajectory to achieve our 2025 financial and non-financial targets. Most important to me is that our customers acknowledge us as a leader in sustainability and as their preferred supplier. And finally, we want to achieve top-quartile engagement levels and wish that our employees see – and recommend – us as a highly attractive employer.



Introducing the Executive Leadership Team

The Executive Steering Committee (ESC) under the leadership of Chief Executive Officer (CEO) Conrad Keijzer replaces the former Executive Committee.



Christian Vang
Business President Care Chemicals and Americas
Member of the ESC



Conrad Keijzer
Chief Executive Officer (CEO)
Member of the ESC



Bill Collins
Chief Financial Officer (CFO)
Member of the ESC



Angela Cackovich
Business President Adsorbents & Additives and EMEA
Member of the ESC



Jens Cuntze
Business President Catalysts and APAC
Member of the ESC



Together with the Chief Human Resources Officer, the Chief Technology & Sustainability Officer, the Chief Corporate Development Officer, and the General Counsel, the ESC forms the Executive Leadership Team (ELT).



Tatiana Berardinelli
Chief Human Resources Officer



Judith Bischof
General Counsel



Richard Haldimann
Chief Technology & Sustainability Officer



Chris Hansen
Chief Corporate Development Officer



Clariant on the Capital Markets

The Clariant share at a glance

SHARE DETAILS

Valor symbol	CLN
Valor number	1214263
ISIN	CH0012142631
Trading currency	CHF
Stock exchange	SIX Swiss Exchange
Nominal value	2.6
Security type	Registered share
Dividend 2022	0.42
Free float (%)	68.5
Bloomberg	CLN SW
Reuters	CLN.VX
Index member	Dow Jones Sustainability Index Europe Dow Jones Sustainability Index World MSCI Equity Switzerland Index SMI Mid SMI Expanded SPI SPI Extra SPI ex SLI SPI ESG Weighted SPI ESG Swiss All Share Index SXI Switzerland Sustainability 25 Index UBS 100 Index
Country	Switzerland

DATA PER SHARE

	2022	2021	2020	2019	2018
Five-year overview and dividend					
Number of registered shares issued	331 939 199	331 939 199	331 939 199	331 939 199	331 939 199
Number of shares eligible for a dividend	329 016 801	329 116 487	329 553 690	329 352 434	329 688 535
Price at the end of the year (CHF)	14.65	19.00	18.82	21.60	18.09
High of the year (CHF)	20.40	20.50	23.82	22.40	29.38
Low of the year (CHF)	13.90	17.07	14.39	17.10	17.65
Market capitalization at year-end (CHF m)	4 863	6 307	6 247	7 170	6 005
Basic earnings per share (CHF)	0.26	1.04	2.38 ⁵	0.03 ³	1.02
Distribution per share (CHF)	0.42 ¹	0.40 ¹	0.70 ²		0.55 ⁴

¹ Through capital reduction by way of par value reduction

² Of which CHF 0.55 relates to the 2019 financial year (dividend payout withheld due to COVID-19 uncertainties) and CHF 0.15 relates to the 2020 financial year; distribution through a capital reduction by way of a par value reduction of CHF 0.70 per registered share

³ Including CHF 231 m provision for a competition law investigation by the European Commission

⁴ Payout from capital contribution reserves

⁵ Restated

Weak SMIM market performance in 2022

The Swiss Market Mid Cap Performance Index (SMIM or SMI MID) comprises the 30 largest mid-cap stocks on the Swiss equity market that are not included in the blue-chip Swiss Market Index. The SMIM exhibited a largely sideways development during the first two months of 2022 with a decidedly downward trend. Then, on 24 February 2022, the Russian invasion of Ukraine resulted in a significant negative market reaction. Following this downbeat development, the market moved largely sideways again until a substantial global reduction in COVID-19 cases generated a performance rebound in early May. By mid-June the index began losing ground again, in part due to rising commodity prices, which led to higher crude prices and had a cascading effect on food prices and other products and services. The stock market reacted negatively in September when European countries put out sanctions on Russia to condemn the attack on Ukraine, and reduced trade of fuel supplies such as oil and gas. Economic growth in Europe began slowing, and an alarming increase in the number of COVID-19 cases in China in early November resulted in a further negative market development into December 2022.



The SMIM (SMI Mid) closed the 2022 financial year with 2 477 points on 31 December 2022, which corresponds to a decrease of 28% versus the end of the previous year. Closing at 1 141 points, the STOXX® Europe 600 Chemicals (SX4P) fell by 16.5% across the same period.

Clariant share price decreased by 22.9% throughout the course of the year

The Clariant share price ended the year 2022 at CHF 14.65. This corresponds to a decrease of 22.9% compared to the closing price of the previous year (CHF 19.00). Including the CHF 0.40 distribution to shareholders, the total shareholder return (TSR) amounted to -21.2% in 2022. With an opening price of CHF 19.00 on 2 January 2022, the shares trended upwards initially and reached the year’s high of CHF 20.40 on 21 January 2022. In mid-February the share price dropped significantly to CHF 16.80 on 14 February 2022, based on the news that Clariant delayed the publication of the Full Year 2021 results due to an investigation into accounting matters related to the booking of provisions and accruals during the financial years 2021 and 2020. The uncertainty regarding the potential magnitude of these discrepancies pulled the share price down to its low point in the year of CHF 13.90 on 8 March 2022. The shares recovered significantly on 27 April 2022

and rose to CHF 16.33 on the news that Clariant concluded the external investigation, met the original guidance for the full year 2021, and only made minor adjustments to the 2020 and quarterly 2021 results. The share price continued to rise slightly ahead of the full year 2021 results, which were published on 19 May 2022. The share price decreased slightly on reporting day to CHF 17.80. On 15 June 2022, Clariant reported markedly stronger growth in the first quarter of 2022, consequently the share price rose to CHF 18.71. The announcement of Clariant’s simplified organizational and leadership structure on 22 June 2022 resulted in a slight share price decline to CHF 17.98. Strong second quarter sales growth and a record high EBITDA margin communicated on 28 July 2022 left the share price comparatively unaffected at CHF 17.60. For the next two months, Clariant’s share price moved largely in tandem with relevant indexes such as the SMIM and SX4P. On 27 October, the Group announced strong third quarter results, which did not lift the share price at CHF 16.80. The asset impairment of Clariant’s bioethanol plant in Romania was announced on 12 December 2022, and the share price fell to CHF 14.71 on this disappointing news. The Clariant shares ended the year with a closing price of CHF 14.65.

Dividend

Dividend policy

Clariant’s dividend policy remains unchanged. The Group is committed to increasing the absolute dividend in Swiss francs on the back of profitable growth, while maintaining an attractive payout ratio.

Dividend proposal for 2022

The Board of Directors recommends an increased regular distribution of CHF 0.42 per share to the Annual General Meeting 2023 based on the Group’s strong performance in 2022. This distribution is proposed to be made through a share capital reduction by way of a par value reduction.

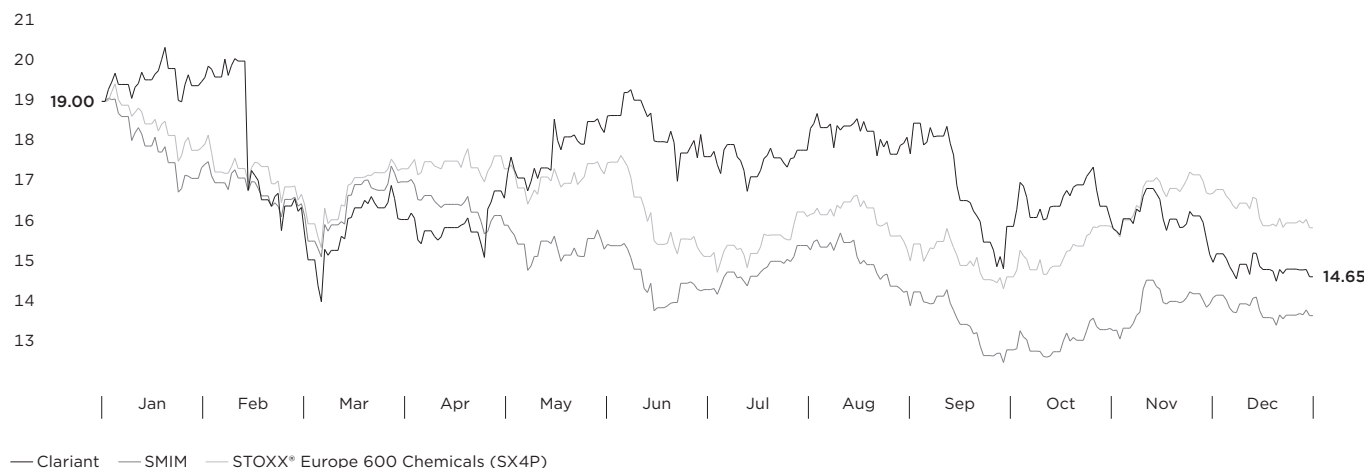
Shareholder structure (shareholders/distribution of free float)

In the 2022 financial year, Clariant maintained its well-diversified and stable shareholder structure. SABIC acquired 24.99% of the shares of Clariant Ltd on 17 September 2018 and increased its participation by 6.51% to 31.5% on 9 September 2020. The governance agreement entered into by SABIC and Clariant on 17 September 2018 expired at the Annual General Meeting on 24 June 2022. Consequently, Clariant’s treasury shares are no longer combined with the shares held by SABIC to form one group, as was previously the case.

Based on the notifications received by Clariant and published by SIX Exchange Regulation, on 31 December 2022, the following shareholders held 3% or more of the voting rights in Clariant Ltd:

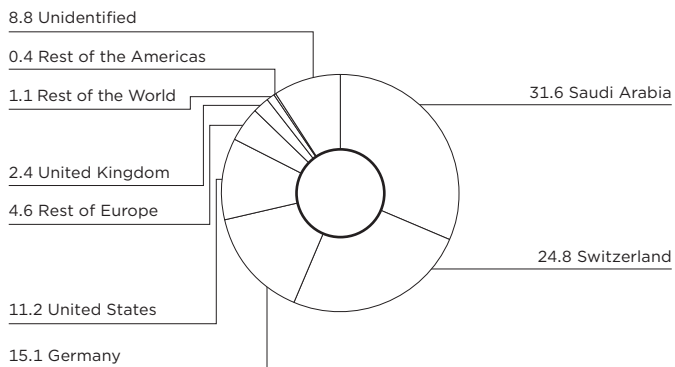
- SABIC International Holdings B.V., 31.5%
- BlackRock Inc., 3.8%
- Blue Beteiligungsgesellschaft mbH and Maple Beteiligungsgesellschaft mbH, 3.5% (According to a disclosure notification published on 18 December 2018, a group consisting of Konstantin Winterstein, 80333 Munich, Germany, and Elisabeth Prinzessin zu Sayn-Wittgenstein, 80333 Munich, Germany, was formed.)

001 CLARIANT SHARE PRICE PERFORMANCE 1 JANUARY - 31 DECEMBER 2022 IN CHF





002 **GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS IN %**



Subject to certain limitations on voting by nominees, each registered share entitles the holder to one vote at shareholders' meetings. Shareholders have the right to receive dividends and other such rights as granted by the Swiss Code of Obligations. However, only shareholders entered in the Clariant share register may exercise their voting rights. Shareholders representing shares with a total par value of CHF 1 million have the right to submit written requests that an item be included on the agenda at least 45 days prior to the 28th Annual General Meeting on 4 April 2023.

Analyst coverage

In the 2022 financial year, Clariant was actively covered by 18 sell-side analysts tracking the financial performance of Clariant on behalf of their respective companies. Their analyses served as the basis for the performance estimates and recommendations published in the 2022 financial year. At the end of 2022, eleven analysts had a neutral recommendation on Clariant, while seven analysts recommended buying the share and no analyst recommended selling. The average target price of the 18 actively covering analysts was CHF 19.30, representing an upside of 31.7% from the 2022 closing price of CHF 14.65. The target price range was between CHF 16.00 and CHF 24.00 on 31 December 2022. To facilitate an independent and transparent assessment of performance, Clariant provides analysts and investors with market consensus figures. This consensus is based solely on analyst estimates and in no way reflects the opinion of Clariant. An up-to-date analyst consensus is available on the → [Clariant website](#). This information reflects analyst forecasts as of 26 January 2023 and will change on a continuing basis.

Ratings

An overview of the most recent ratings of the Clariant share and bonds can be found on the → [Clariant website](#).

Dialogue with the capital market

Clariant's corporate strategy is aimed at generating long-term value enhancement. That is why continuous and open communication with all capital market participants is important. Clariant primarily used physical meetings as well as virtual formats, such as video or telephone conferences, for the dialogue in 2022. Clariant connects with institutional investors and rating agencies in various one-on-one meetings as well as at roadshows and conferences worldwide. For private investors, the company provides insight at the Annual General Meeting.

Clariant - a sustainable investment

The Clariant shares are attractive for investors focusing on companies with a strong ESG performance. Several leading ESG rating agencies consider Clariant best in class within the chemical industry. Their ratings particularly recognize the company's innovation power for sustainable products, Clariant's business ethics, and the comprehensive measures in place to address relevant sustainability issues. Clariant actively participates in several ESG ratings and is listed in numerous sustainability indices.

→ [Read more about Ratings and Rankings.](#)



Business Model and Strategy

The »Business Model and Strategy« chapter presents Clariant’s holistic approach to value creation. After showing the company’s business model, it presents the purpose-led strategy and outlines Clariant’s contribution to the Sustainable Development Goals (SDGs) of the United Nations. Lastly, the chapter describes Clariant’s materiality assessment.

OPERATING AN INTEGRATED BUSINESS MODEL

This chapter provides an in-depth overview of Clariant’s integrated business model. It presents the company’s holistic approach to creating value, providing an overall understanding of the different aspects of Clariant’s business, which are depicted in more detail in the subsequent sections of this report and in the Review on Performance, People, and Planet. The chapter also explores the company’s external environment and its organizational structure, two important parameters affecting business activities. In addition, it portrays Clariant’s core processes for creating value.

A holistic approach to value creation

Long-term value for all stakeholders

Clariant’s business model reflects how the company creates long-term value for all stakeholders – customers, employees, shareholders, and the environment, as → **Figure 003** depicts. It offers a detailed overview of the company’s multidimensional approach to value creation, covering both tangible and intangible, financial and non-financial aspects of the business.

External environment

Clariant’s integrated business model provides a strong foundation for the company to successfully navigate the current market dynamics in the specialty chemicals market, including the ongoing challenges posed by the COVID-19 pandemic, the war on Ukraine, and the resulting energy crisis. → **Read more in External Environment**

Core processes for value creation

Idea to Market, Market to Customer, and Customer to Cash – these are the three value-creation processes at the core of Clariant’s business model. By turning customer needs into innovative and sustainable solutions, the company creates value for all stakeholders. Clariant’s Innovation Excellence, Commercial Excellence, and Operational Excellence approaches support these processes.

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

Purpose-led strategy with ambitious financial and non-financial targets

Based on Clariant’s purpose »Greater chemistry – between people and planet,« and based on its vision, mission, and values, Clariant developed a new strategy. With this purpose-led strategy and the related financial and non-financial targets, the company is committed to creating value while striving to achieve top-quartile performance compared to specialty chemical peers. → **Read more in Purpose-Led Strategy**

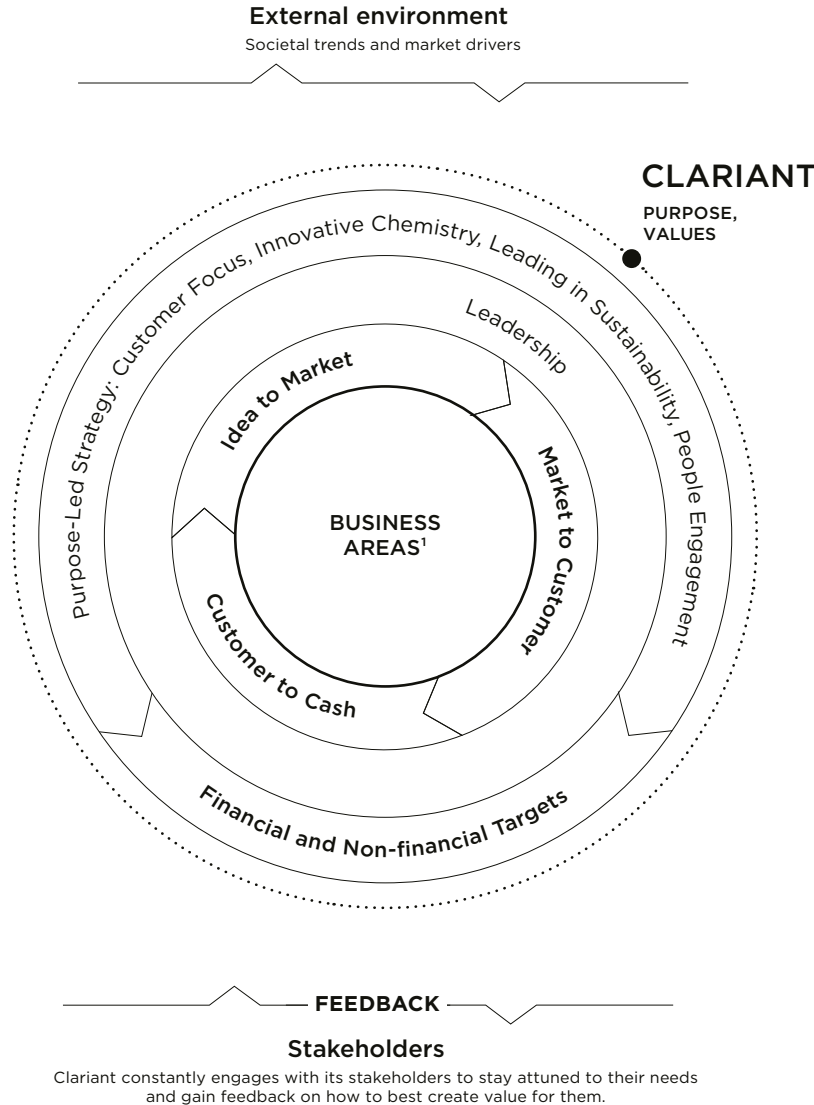


003 BUSINESS MODEL

Input (continuing operations)

Resources and relationships that Clariant draws upon for its business activities

160 R&D spend in CHF m	> 330 Active innovation projects
> 65 Scientific collaborations	2 258 Raw material procurement in CHF m
3.50 Raw materials procured in m t	70 Production sites
89 % Raw material spend covered by sustainability evaluations	
1 418 New employees hired	114 508 Training hours
680 Energy consumption in kWh/t production	2.24 Water intake in m ³ /t production



Output (continuing operations)

Results from Clariant's business activities

5 198 Sales in CHF m	24 % Growth in local currencies
15.6 % EBITDA margin	1.5 % Return on invested capital (ROIC)
> 5.5 %² Growth through innovation	> 4 300 Patents at year-end
3.8 Production volume in m t	0.24 Lost-time accident rate (LTAR)
11 148 Staff in FTEs at year-end	
0.64 Scope 1 & 2 GHG emissions in m t CO ₂ e ³	1.62 Wastewater in m ³ /t production
2.58 Scope 3 GHG emissions for purchased goods and services (cat. 1) in m t CO ₂ e	

¹ As of 1 January 2023: Business Units

² Contains the contribution to growth of the innovation portfolio from both Top Line Innovation and Life Cycle Innovation. Potential cannibalization of existing sales by Life Cycle Innovation has not been excluded.

³ This includes 0.02 m t of biogenic CO₂ emissions

IMPACT ON GLOBAL SUSTAINABLE DEVELOPMENT

Clariant's contribution to global sustainable development is further illustrated in the chapter → Contributing to the SDGs





Impact on global sustainable development

In addition to Clariant’s strategic objectives, the company follows the objectives set by the United Nations Sustainable Development Goals (SDGs). In relation to the SDGs, Clariant evaluates the positive and negative impacts of its products and services, operations, value chain, corporate citizenship activities, and collaborations. → [Read more in Contributing to the SDGs](#)

While contributing to all 17 SDGs in varying degrees, Clariant identified six priority SDGs for the company: SDG 3 »Good Health and Well-being,« SDG 7 »Affordable and Clean Energy,« SDG 9 »Industry, Innovation, and Infrastructure,« SDG 12 »Responsible Consumption and Production,« SDG 13 »Climate Action,« and SDG 17 »Partnerships for the Goals.«

Value creation in the financial year

With customer-oriented products and solutions, Clariant and its business areas created value for the company and its stakeholders in the 2022 financial year, enhancing Clariant’s growth and profitability. → [Read more in Value Creation](#)

Reviewing value creation

To measure and track the financial and non-financial value that Clariant creates for all stakeholders, the company monitors key performance indicators, including the ones mentioned under »Inputs« and »Outputs.« These indicators are associated with Clariant’s material topics, which were identified through a comprehensive materiality assessment.

→ [Read more in our Review on People, Performance, and Planet](#)

External environment

In 2022, several external developments had a significant influence on Clariant’s business. In particular, the war on Ukraine and the resulting sanctions on Russia led to high energy prices and exacerbated supply chain issues. Despite this challenging situation, the industry continues to focus on sustainability, particularly in the context of energy security and GHG emission reduction. China’s zero-COVID policy further strained supply chains in and out of China and had a negative impact on Chinese growth.



Q&A

Chris Hansen

Chief Corporate Development Officer
Member of the Executive
Leadership Team

You started as Chief Corporate Development Officer in July 2022. What does your role comprise, and what are your priorities?

I am responsible for Corporate Strategy, Procurement, and for our Engineering & Process Technology department. Each of these functions of course has its own priorities. But at an overall level, my priorities are threefold. First, I want to drive our company’s sustainability transformation forward at a strategic level, ensuring that we define and execute initiatives that move the needle and make a real impact. Second, I will continue to scout for and realize bolt-on M&A opportunities to complement our portfolio and capabilities. My third priority lies in communicating, exemplifying, and cementing our new Clariant values and the related behaviors and capabilities throughout my teams and the broader organization, in particular the customer focus.

What are you most proud of when you think about Clariant?

Clariant has a true purpose, a purpose that aims high yet is actionable and practically meaningful. »Greater chemistry – between people and planet« stands for our ambition to protect the planet and the living standards of current and future generations – jointly with our customers. Through our actions, innovations, and climate-friendly products, we make a real difference.

You have worked for Clariant for 14 years now. What have been your best experiences to date?

I have spent most of my years at Clariant running actual business operations. We give our business leaders a lot of freedom to shape and decide how to do things, and I have had great fun working with teams all over the world in trying new things, failing and – luckily – mostly succeeding. It is always a great feeling when our value proposition convinces a customer and we gain a business in a true win-win situation. I find the biggest satisfaction of all, though, in seeing how team members learn and develop as leaders and individuals, and I am happy to have formed a number of close friendships over the years.

Clariant Excellence was launched more than a decade ago. How do you see the Excellence culture in Clariant today?

Clariant Excellence and the culture of continuous improvement is strongly anchored throughout our company today, thanks to excellence initiatives launched, rolled out, and sustained over the years. We have reached a maturity level that has allowed us to roll back the corporate teams to a bare minimum and to continue the implementation within each business unit and location. This means we can focus more senior management attention on what we do versus how we do it, that is, on the strategic direction.



Global economic setting

In the first half of 2022, demand remained quite strong as consumers continued to spend after COVID-19 restrictions were removed. There was a shift from spending on goods to services and leisure as consumers were free to resume their normal lives in most regions. The high energy prices resulting from the war on Ukraine and continuing supply chain issues in certain value chains led to significant inflationary pressures at a time of good demand. As wages have not kept pace with inflation, consumer spending power has been reduced. At the same time, central banks have tightened monetary policy and raised interest rates to reduce demand and control inflation. In the second half of 2022, this led to a weakening of demand. At the same time, many supply-chain issues eased, and logistic costs between regions fell. Inventory levels reached or exceeded normal levels. At the end of 2022, industrial demand was relatively weak, although inflation remained high and central banks continued to raise interest rates.

Impact on the chemical industry

Typical raw materials for the chemical industry include crude oil and derivatives, natural gas, metals, and minerals. Supply shortages arising from the war on Ukraine caused a shortage in some of these primary products, particularly in Europe, with prices rising significantly. In the first half of 2022, continuing strong

demand for chemical products and restocking allowed the high prices achieved in 2021 to be maintained, together with strong sales and margins across the chemical industry, with capacities often well utilized. As the year progressed and demand weakened, certain sectors of the industry, such as base chemicals, saw weakening prices and margins. This was less true in the specialty chemical industry, where sectors such as care chemicals and oilfield services, as well as products for the recovering automotive segment, experienced continued or increasing demand.

Even under these dynamic trading conditions, customers and suppliers continued to develop their sustainability roadmaps, with alternative future feedstocks and sustainable products and solutions looking more attractive in both sustainability and economic terms.

COVID-19 challenges mainly limited to China

In 2022, the largest remaining impact of the COVID-19 pandemic was in China due to the continued zero-COVID policy. Both the supply side and the demand side were negatively affected by local lockdowns. In some markets, such as base chemicals, where significant new capacity has been commissioned in recent years, the resulting overcapacity led to price and margin pressure and some localized temporary shutdowns.

Focus on sustainability and performance

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

Despite the challenges from the energy crisis, the trend toward increased sustainability continued in 2022 with new proposed legislative initiatives and increasing customer and investor focus on the topic. Chemical companies are expected to substitute unsustainable products, while offering innovations for a low-carbon, circular economy. Consequently, further companies set new sustainability targets and announced sustainability initiatives.

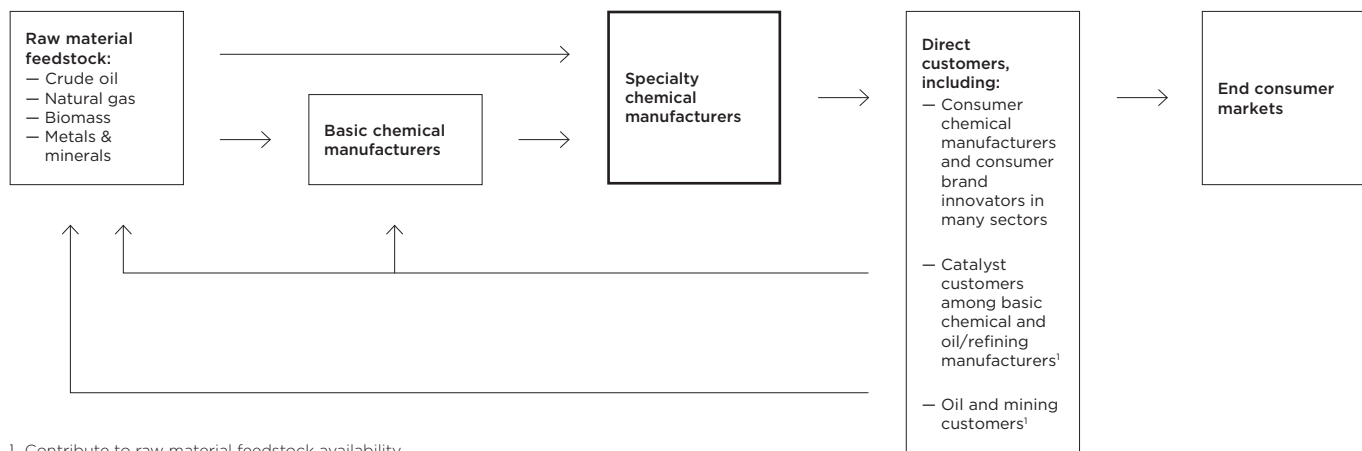
Mounting importance of the Chinese market and industry

Despite the issues resulting from the zero-COVID policy, China remains the world's largest market for chemical sales. It accounts for about 35% of the global specialty chemical markets. China's current five-year plan is focused on innovation as the core concept to drive the country's modernization, promoting high-end, intelligent, and green production. This continues to provide interesting opportunities for Clariant and others.

Local presence on the ground in China has become even more important in the current environment of constrained logistics, trade tensions, and COVID-19 restrictions. This applies to manufacturing, technical support, products, and commercial management. Therefore, chemical companies increasingly seek to be close to their Chinese customers and partners and to work locally.

Despite the supply and demand issues in 2022, Chinese demand growth continues to outperform other regions, likely increasing its relative market share compared to Europe and the US again in 2022.

004 THE ROLE OF SPECIALTY CHEMICAL FIRMS IN THE CHEMICAL INDUSTRY VALUE CHAIN



¹ Contribute to raw material feedstock availability



Organizational structure

Clariant is headquartered in Muttenz, Switzerland. In the 2022 financial year, Clariant’s continuing operations comprised five business units: Industrial and Consumer Specialties, Catalysts, Oil and Mining Services, Functional Minerals, and Additives. In this Integrated Report 2022, the continuing operations are reported in three business areas: Care Chemicals (including Industrial and Consumer Specialties), Catalysis (including Catalysts), and Natural Resources (including Oil and Mining Services, Functional Minerals, and Additives). The Business Unit Pigments was divested on 3 January 2022.

In 2022, the organizational structure further comprised nine service units and eight corporate functions. The responsibilities of the Executive Committee included the financial and operational management of the Group.

Change in organizational and leadership structure

In June 2022, Clariant announced changes in its organizational and leadership structure. This new structure aims at reducing complexity, speeding up decision-making, increasing customer

proximity, strengthening governance and diversity, and increasing accountability. By making these changes, Clariant intends to support cultural transformation and the implementation of the purpose-led growth strategy. The reorganization does not impact the financial reporting until 1 January 2023.

Business units

Effective 1 January 2023, Clariant reduces the number of business units from five to three.

- Business Unit Catalysts comprises the former Business Unit Catalysts and the former Business Line Biofuels & Derivatives
- Business Unit Adsorbents & Additives comprises the former Business Units Functional Minerals and Additives
- Business Unit Care Chemicals comprises the former Business Units Industrial and Consumer Specialties and Oil and Mining Services

The three new business units are now based on the nature of the business, similar market and industry dynamics, technology and applications used, as well as a comparable customer approach. As

of 1 January 2023, Clariant’s external reporting will reflect this new business unit structure.

Each business unit is headed by a President. In order to increase customer proximity, Clariant will locate these Business Presidents in the regions with the highest growth potential for the respective business:

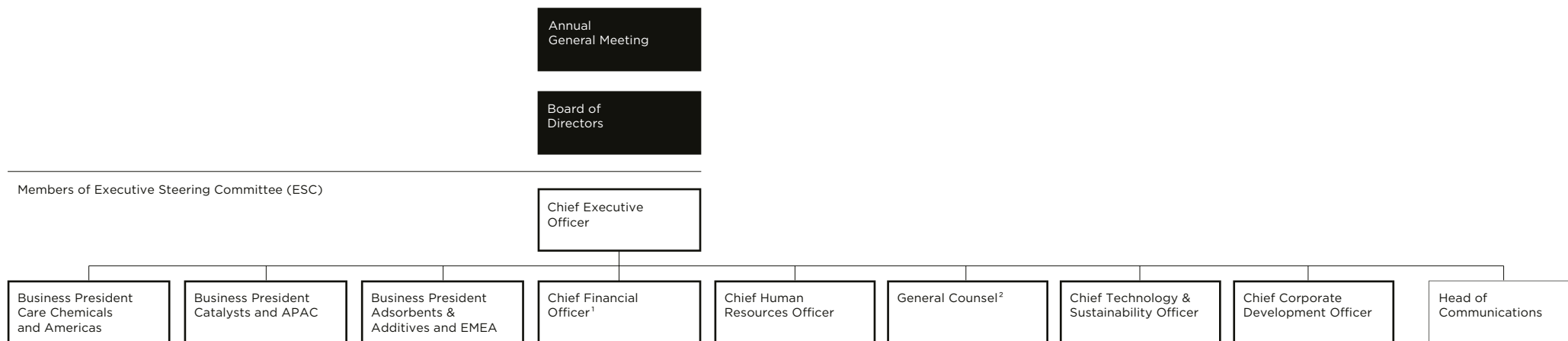
- Care Chemicals in the Americas
- Catalysts in the Asia-Pacific region
- Adsorbents & Additives in the EMEA region

Consequently, the Business Presidents also take over the role of Presidents of the respective regions.

Executive Steering Committee and Executive Leadership Team

With this organizational change, Clariant reduces the hierarchical layers and brings the business units closer to the company’s management by creating direct reporting lines from the newly appointed Business Presidents to the CEO. The newly formed

005 CLARIANT ORGANIZATIONAL STRUCTURE



■ Members of the Executive Leadership Team (ELT) □ Not part of the ELT

¹ The Head of Internal Audit reports directly to the CFO, with a dotted line to the CEO and the Chairperson of the Audit Committee.
² The Head of Group Compliance reports directly to the General Counsel, with a dotted line to the CEO and the Chairperson of the Audit Committee.



Executive Steering Committee includes the CEO, the CFO, and the Business Presidents.

The Executive Steering Committee, together with the Chief Human Resources Officer, the General Counsel, the Chief Corporate Development Officer, and the Chief Technology & Sustainability Officer, form the Executive Leadership Team. All key functions are combined in this team to facilitate strategic decision-making. Clariant intends to further increase the speed and strength of its governance and increase accountability.

In addition, some functions changed their reporting lines. Among others, Compliance and Corporate Audit will uphold additional dotted reporting lines to the CEO and to the Chairman of the Audit Committee. Thus, Clariant further strengthened its culture, which is built on integrity and compliance.

Please refer to the → [Corporate Governance Report](#) for information on the updated bylaws.

Corporate Governance Report

The Corporate Governance Report provides detailed information on the governance aspects underlying Clariant's business, in addition to information on the organizational structure.

→ [Read more about Corporate Governance](#)

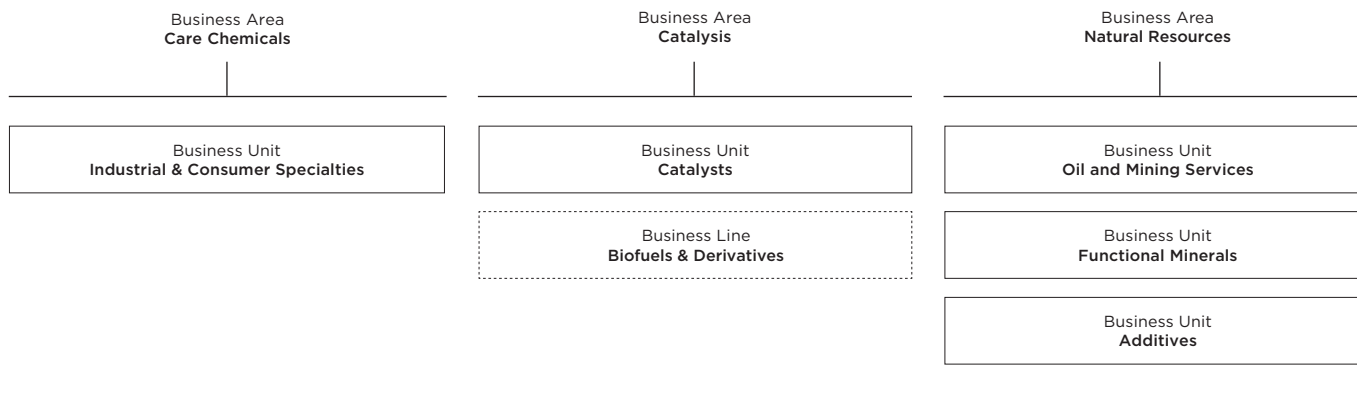
Core processes for value creation

The processes Idea to Market, Market to Customer, and Customer to Cash are essential to create value for all stakeholders. Turning customer needs into innovative and sustainable solutions is what forms the core of Clariant's business model.

Idea to Market

Clariant believes that continuously investing in innovation is key to future success – even in times of economic uncertainty. The company's innovation power makes it possible to deliver products with an outstanding technical performance. Innovative chemistry

006 BUSINESS AREAS

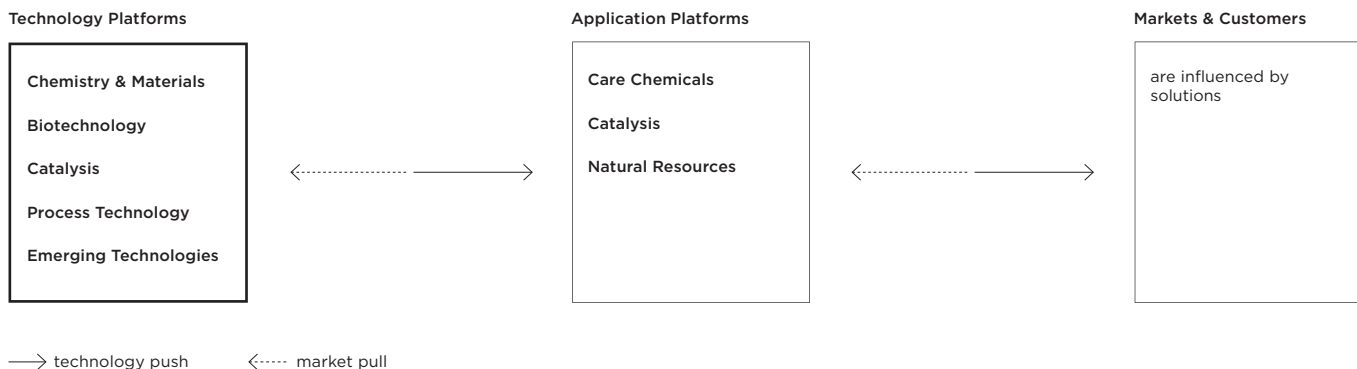


The Business Area Care Chemicals has a clear focus on highly attractive, high-margin, and low-cyclical segments with c. 2/3 of the business being consumer-facing in Consumer Care and Industrial Applications.

The Business Area Catalysis contributes significantly to value creation in our customers' operations, ensuring that finite raw materials and energy are used efficiently and, in turn, ensuring the quality and yield of processes.

The Business Area Natural Resources adds value through enhanced sustainability benefits and by enabling circularity, supporting recycling solutions, and reducing customers' dependency on fossil resources, thereby helping them to achieve a lower carbon footprint.

007 CLARIANT INNOVATION CHAIN



is one of the four dimensions of the company's purpose-led strategy. Leveraging the deep technical knowledge and resources of Clariant's Research & Development as well as the systematic innovation approach, Clariant develops high-performing solutions to satisfy unmet customer needs, while adding value with sustainability. To find these solutions, Clariant places a particular emphasis on the understanding of market and customer needs

through collaboration and the leveraging of digitalization throughout the innovation process.

Market developments characterized by sustainability

Sustainability, another of Clariant's four key dimensions, becomes more and more important for the entire value chain. With end customers attaching increasing importance to product ingredients and sustainability performance, these topics are critical for



Clariant's customers as well, particularly in customer-facing market segments, such as the electrical and electronics, cosmetics, and home care segments. Regulatory requirements like the European Union's Green Deal or similar developments in other regions also highlight the fact that sustainability includes both operations as well as the transformation of the product portfolio. To achieve this, a sustainability assessment (Portfolio Value Program) is closely interlinked with Clariant's innovation process Idea to market.

Due to its systematic link between sustainability and innovation, Clariant is in an excellent position to benefit from this ongoing shift. The business areas have launched new products in 2022 that combine excellent performance with clear sustainability benefits, representing both an improved footprint as well as handprint.

New business opportunities through circularity

Enhancing circularity is one important dimension of adding value through sustainability. Companies in the chemical sector need to find new ways to close material loops by reusing products at the end of their life cycle. This offers new business opportunities for Clariant, as the company has been developing new product portfolios and new business models systematically for many years, using redirected waste streams for new applications.

Digitalization: step-changing R&D and innovation processes

With a strong focus on sustainability-driven innovation, digital tools are powerful enablers of Clariant's innovation strategy. Digitalization of R&D and innovation processes enables significant gains in efficiency, increasing speed and optimizing resource consumption. Data capturing, advanced data analytics, computational science, and the setup of the required IT infrastructure, combined with lab automation and high-throughput experimentation (HTE) capabilities, allow Clariant to shorten its innovation cycles and reduce the time to market. In addition, Clariant uses digital tools to develop new digital business models and explore new ways to collaborate with customers. Digital collaboration solutions have become even more important due to the COVID-19 pandemic.

Strong technology capabilities power Clariant's research

Clariant's innovation activities are based on a strong network of more than 785 full-time equivalents. R&D is performed in three contract R&D centers in China, Germany, and India, where several BUs are represented. Dedicated centers with a focus on biotechnology, high-throughput experimentation for catalysts and consumer care innovation complement the global network of Clariant's R&D Centers. The R&D resources are allocated to and managed by each business unit to ensure maximum market and customer alignment. For certain technologies, which cut across several business units, the R&D is housed in the unit with the greatest need serving the other units in a contract R&D service model. The company structures its research activities along five Technology Platforms → **Figure 007**, which collaborate closely with the business units to provide them with crucial technology expertise and innovative solutions:

- **Chemistry & Materials:** This Technology Platform focuses on new chemistries and formulations that meet emerging value propositions of Clariant's customers, while providing a clear sustainability benefit. Hosted within Business Unit Industrial & Consumer Specialties, this platform serves all business units to leverage synergies.
- **Biotechnology:** This Technology Platform focuses on the valorization of biomass toward biofuels and biobased chemicals by supporting the Business Line Biofuels & Derivatives in further developing the EcoTain®-awarded sunliquid® technology.
- **Catalysis:** This Technology Platform develops innovative catalysts to increase the resource and energy efficiency of chemical processes and to reduce their environmental footprint. One specific focus of the Technology Platform lies in using greenhouse gases such as carbon dioxide as feedstock to be converted into valuable chemicals, e.g., methane and methanol.

- **Process Technology:** This Technology Platform focuses on process development and scale-up to commercial scale production by providing a comprehensive chemical engineering toolbox with the aim to provide safer and more sustainable high-performing manufacturing processes. Among others, the Data Science team makes use of advanced data analytics and artificial intelligence to further boost process performance.
- **Emerging Technologies:** This newly implemented Technology Platform focuses on emerging technology trends with high relevance for Clariant's business units and with high transformational impact. Current activities include high-throughput experimentation, digital formulation technologies, as well as cutting-edge analytical methodologies, to widen the solution space and accelerate time to market.

Centralized functions to support innovation, growth, and the sustainability transformation of the company

Group Engineering, part of the Service Unit Group Operational Excellence (GOE), is responsible for managing and executing major and complex investment projects.

The Sustainability Transformation department is responsible for integrating sustainability in the company's products and processes. The department aligns innovation management practices with Clariant's sustainability programs to enhance its transformation roadmap.

Sustainability Transformation collaborates closely with Global Product Stewardship, a function responsible for monitoring all global regulatory developments, evaluating the impact and risk for Clariant's portfolio, and ensuring compliance of Clariant's products with regulatory requirements. The close interaction between Sustainability Transformation and Global Product Stewardship allows joint action in advocacy and regulatory affairs to tackle the wave of new legislation to be expected from the Green Deal in Europe and other regions likely following. Global Product Stewardship and Sustainability Transformation are involved early on in the innovation process to assure from the



beginning that the product developed will be safe and sustainable by design.

By securing Clariant's patents and trademarks, Global Intellectual Property Management leverages the value creation from innovative products for Clariant.

Collaborations for innovation

To drive its innovation strategy, Clariant strongly relies on collaboration across functions and businesses, as well as with external partners. The company's Open Innovation initiative identifies collaboration partners in the private sector as well as at universities and other research institutions to source creative ideas.

Complementing its strong ties to different partner networks, Clariant strives to collaborate closely with partners in the supplier industry to develop solutions that are more sustainable when considering the entire value chain. Thus, the company's innovation team is collaborating closely with Procurement to create opportunities for joint supplier innovation.

Market to Customer

Clariant's success relies on its ability to understand customer needs and market trends along the entire value chain, to develop solutions that address those needs, and to capture the value created. To foster this ability, the company constantly builds and adapts its marketing and sales capabilities, optimizes its pricing, and continues to strengthen its customer relationships, supported by digitalization.

A portfolio continuously focused on sustainability contributions

Following the trends from recent years, 2022 introduced a stricter regulatory landscape, along with customers' growing interest in sustainable products. Aligned with its purpose, Clariant decided to raise its sustainability ambitions even more. This year, the Portfolio Value Program (PVP) methodology, which is Clariant's way of assessing the sustainability profile of the project and product portfolio, was updated, anticipating customers' requests, upcoming legislation, and trends. Based on 39 sustainability criteria covering all life cycle phases, the assessment allows Clariant to design and promote new solutions with less footprint and a higher handprint. PVP also identifies products with an outstanding sustainability profile for recognition with the EcoTain® label. In 2022, 6 new products were awarded the EcoTain® label for an outstanding sustainability profile.

Clariant has been a front-runner in assessing the sustainability of chemical products holistically across the life cycle. Due to the rapidly evolving stakeholder expectations around sustainability, Clariant updated its PVP in 2022. The company is actively assisting the World Business Council for Sustainable Development (WBCSD) in updating its framework for portfolio sustainability assessments, serving as a member of the working group developing the methodological update based on current and upcoming initiatives. With PVP, Clariant can provide more accurate and credible information about the performance of the portfolio across all life cycle phases, which allows customers to have a deeper understanding of the effects, releases, and emissions of Clariant's products and services, enabling the company to move toward zero pollution in air, water, soil, and biota.

Standing out in the market through specialized solutions

To meet the evolving ecological standards and its customers' quality expectations, the company aims toward ever increasing innovation and specialization, despite the continuing commoditization, consolidation, and integration in the chemicals market. As a specialty chemicals company, Clariant is working to maintain and strengthen its market position by delivering services tailored to customer needs.

Customer satisfaction survey

Clariant conducts customer satisfaction surveys to gain insights into how its customers perceive the company's operational, commercial, and innovation performance. The last survey in 2020 revealed improved values of the Customer Satisfaction Index, the Customer Loyalty Index, and in particular the Net Promoter Score (NPS) compared to 2018. The next survey will be conducted in 2023.

New organizational setup to challenge commercial performance

Customer centricity is important to stay ahead of the competition. That is why Clariant keeps challenging its commercial performance and reinventing its portfolios. Clariant's Commercial Excellence approach, with its deep functional expertise, facilitates dialogue with current and prospective customers to improve commercial strategies, customer engagement, as well as sales and marketing operations. It concentrates on three areas that are central to all business units: Sales Force Effectiveness, Pricing Excellence, and Digital Solutions.

- **Sales Force Effectiveness for improved marketing performance:** Sales Force Effectiveness aims to increase sales performance and holistically assesses sales-related areas to identify levers for targeted improvements. In addition to its focus on improving sales force productivity, the approach includes in-depth analyses of market gaps and of the performance potential for key market segments. This provides the basis for growth analytics, including lead identifications. When analyzing short- and long-term market trends, Clariant always follows a triangulation approach, considering various sources and looking at a situation from different angles to avoid bias. Clariant continues to adjust and to differentiate customer profile development to ensure that profiles stay relevant. Observing the customer experience reveals both apparent and hidden needs of different roles at different points in time within the decision cycle and allows Clariant to tailor the value proposition accordingly.



— **Mutually beneficial pricing through Pricing Excellence:**

By determining mutually beneficial price points, Clariant transforms value created for customers into profitable growth for the company. Value calculators that can quantify and visualize the financial benefits of using Clariant's products as compared to the next best competing alternative are helpful to demonstrate a product's value to customers. Clariant's Pricing Excellence identifies intrinsic margin potential and supports the implementation of pricing, based on data lake-driven analyses. New digital pricing tools integrate both internal and external sources, such as weather influences and commodity stock prices, and accurately execute the value calculations for customers and for Clariant.

— **Advancing customer relationships with digital solutions:**

Clariant's commercial activities are driven by digitalization. Creating effective digital solutions starts with understanding each touchpoint along the customer journey, systematically investigating potential digital opportunities for go-to-market approaches. Clariant's Customer Relationship Management (CRM) system continues to be developed as a core digital solution, enabling effective customer relationships and performance management.

Customer to Cash

Clariant continuously optimizes its operational chain. The company fosters process efficiency using digitalization, improves CAPEX efficiency with so-called front-end loading, and responds to customer needs and changes in market environments with agile approaches. Beyond that, Clariant strengthens its overall profitability with continuous cost savings in procurement with safe, functional operations and by further integrating sustainability into the value chain.

Connecting customers and operations with end-to-end supply chains

Clariant continues to build integrated end-to-end supply chains, connecting the commercial with the operational value chain. The company translates customer requirements into demand planning, using an agile mindset as well as digital solutions and technology, including machine learning, demand sensing, and advanced analytics.

Operational Excellence strongly anchored at every site

Launched back in 2009, Operational Excellence today is core to the DNA of every manufacturing site in Clariant. Through Lean Six Sigma and an evolving project portfolio, Clariant's Operational Excellence efforts continue to deliver safety, productivity, and quality improvement year on year through local Green Belts and Black Belts and global coordination and steering.

Digitalization for optimal processes

Digitalization optimizes process efficiency in various ways. Digital lean methods use computer-based optimization to go beyond manual improvements of a classical lean approach. Drawing from increased data availability, this allows for digitally steered processes with advanced controls, including in-time raw material delivery, improved plant throughput, system and employee scheduling, and energy use optimization.

Front-end loading for CAPEX efficiency

For CAPEX projects, Clariant has introduced a stringent front-end loading (FEL) stage-gate process. Starting with a critical review of the business case, the process builds on thorough reviews of a project's fundamentals before proceeding to the next stage. This avoids unnecessary spend on projects that may not be viable and fosters best possible design choices early in the process.

Well-positioned through agile approaches

Benefits for customers are the primary driver for improvements in the operational chain. To satisfy the customers' evolving expectations, Clariant keeps improving its agility. The company has fully adapted agile approaches like the SCRUM methodology, which are established through team trainings and a Black Belt curriculum. To offer optimal lead times, the company fine-tunes improvements based on feedback from users along the operational chain, including controllers, procurement managers, and production personnel.

Global supply chains under pressure due to COVID-19 and the war on Ukraine

While COVID-19 keeps challenging Clariant's supply chain management and demand planning, the war on Ukraine has added further significant risks in terms of energy and raw material availability, product delivery, and logistics performance at customer sites. This has led to targeted mitigation measures, such as investing in fuel flexibility to respond to possible shortages in natural gas availability in Europe. Moreover, flexibility and a global sourcing network that mitigates supply shortages allow Clariant to respond to these challenges quickly and effectively.



Coordinated procurement for cost efficiency

In 2022, 2 479 vendors delivered raw materials worth CHF 2.3 billion to Clariant's continuing operations. Given these figures, aligned and coordinated procurement activities are vital for overall cost competitiveness and related efficiency. Clariant keeps a structured value chain approach, combined with improved and digitally supported processes. Thus, Procurement contributed to ensure security of supplies at competitive costs to support all business units. Additional cost efficiency measures, supported by digital enablers, resulted in further sustainable cost savings, placing Procurement in the top quartile of its industry peers.

Operational safety: a key priority

A safe operational chain is of utmost importance for Clariant as a responsible employer. It is also necessary to minimize disruptions in production. Thus, Clariant has defined a safety target of zero accidents in its operations. In 2022, the lost-time accident rate (LTAR) rose from 0.16 to 0.24 days lost per 200 000 hours of work. Because of the COVID-19 pandemic, Clariant established additional security and safety concepts to guarantee the health and safety of employees at all times.

Sustainable operations for sustainable success

Sustainability is a key priority for Clariant's own operations, but also across its entire value chain. The company continues to increase its renewable electricity share, a cost-effective measure with positive environmental impacts. Clariant also keeps rethinking its operations in the pursuit of climate-neutral production. For instance, the design of plant construction aims at optimal energy consumption. Driven by customer demand for sustainable chemistry, Clariant considers carbon footprint and origin when sourcing raw materials. In cooperation with the business units, Clariant's Procurement continuously seeks solutions for alternative materials.

A PURPOSE-LED STRATEGY

Clariant aims to move toward top-quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people. Based on its purpose, »Greater chemistry – between people and planet,« Clariant unveiled a purpose-led strategy with four dimensions, accompanied by new financial and non-financial targets. The strategy reflects Clariant's ambition to create value with innovative chemistry and a sustainability focus, putting customers, employees, and the planet at the center of all activities.

Additionally, in October 2022, the former company claim and brand motto »what is precious to you?« was changed. For 10 years, this question had represented the Clariant brand. The new claim is »Greater chemistry,« a short version of the purpose statement and an answer to the former claim. With this change, the purpose has also moved to the center of the Clariant brand and, moreover, will

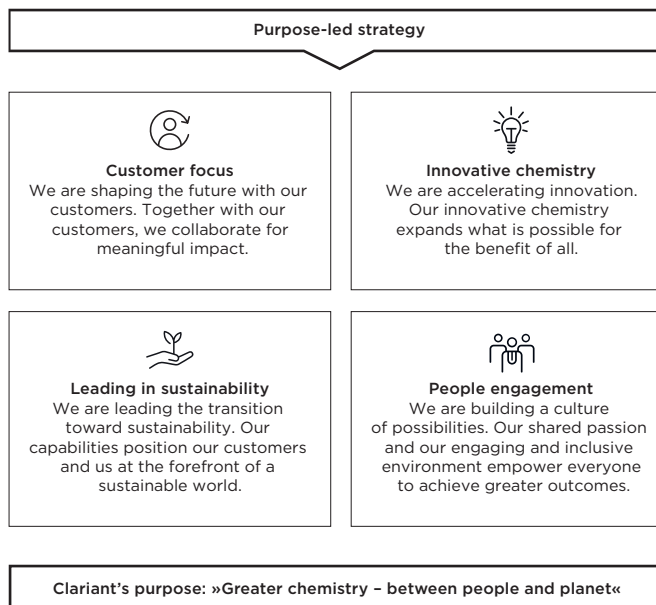
be embedded in all communications, thus significantly raising the level of clarity. However, the motto »what is precious to you?« was not simply replaced. Rather, the new claim is considered a logical consequence, a next step in the purpose journey, as it summarizes the answers that stakeholders and Clariant have found in response to this question. Clariant is clear about what it stands for and what customers, partners, employees, and the public can expect. The benchmark is always the same: Greater chemistry.

In short, the new claim was developed to

- build a strong tie between the purpose and the Clariant brand
- make the change visible across all touchpoints
- make the purpose easy to use while safeguarding the strength and meaning of the purpose statement

The purpose and the new claim completely replace the previous brand positioning comprising Clariant's former mission, vision, former brand values, and the concept of appreciation. Appreciation has become part of Clariant's DNA and therefore no longer needs to be explicitly addressed as a brand core.

008 CLARIANT'S NEW PURPOSE-LED STRATEGY



Strategic dimensions

A strategy to reflect Clariant's purpose

The world is changing quickly. In addition to the ongoing challenges of the COVID-19 pandemic and the related economic issues, such as supply chain disruptions, the effects of climate change are becoming more and more tangible. Thus, climate change and carbon footprint are important priorities for Clariant and the entire industry. Clariant's innovation power, customer proximity, and its uniquely talented and experienced people enable the Group to deliver products with an outstanding technical and sustainability performance. Against this background, Clariant unveiled its purpose, »Greater chemistry – between people and planet.« This purpose leads Clariant's new strategy, which → **Figure 008** depicts.

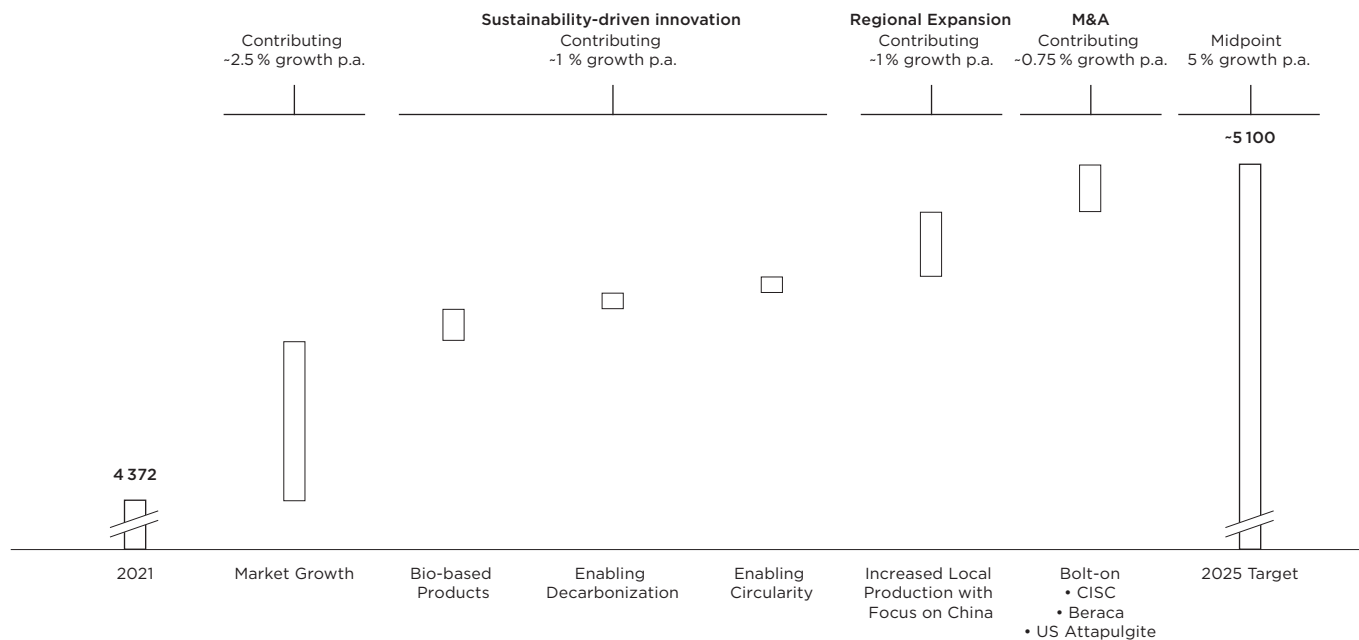


009 EXAMPLES OF STAKEHOLDER ENGAGEMENT

Stakeholder Group	Examples of engagement formats	Key needs and concerns
<p>Customers</p>	<ul style="list-style-type: none"> – Daily interactions – Marketing and Innovation Excellence Initiatives: Customer interviews, innovation workshops, joint ideation, iGarage – Best practice exchange sessions – Co-branding EcoTain® – Biennial customer satisfaction survey – Trade fairs and international conferences – Webinars and customer portal 	<ul style="list-style-type: none"> – On time, in full: quality, reliability of supply, prices – Innovative solutions – Achieving sustainability goals – Circular economy
<p>Employees</p>	<ul style="list-style-type: none"> – Personal dialogues – Intranet, Yammer, newsletters, town halls – Employee engagement survey – Performance management cycle – mySuccess platform – Awards landscape (special recognition, appreciation, badges) – Integrity Line – Global Learning Catalogue – Focus Group Discussions – Evaluation of training and development programs – Employee assistance programs (with local adaptations) – Diversity, Equity, and Inclusion communities and focus groups – Interactions on social media and employer review sites 	<ul style="list-style-type: none"> – Wages, salaries, and benefits – Competence building – Leadership skills – Occupational health, safety, and well-being – Integrity – Diversity, Equity, and Inclusion – Digitalization, simplification, and harmonization – Work-setup and configuration – Clariant purpose, culture, and values – Attrition – Cost of living
<p>Shareholders</p>	<ul style="list-style-type: none"> – Integrated Report – Annual General Meeting – Quarterly Results - including conference call and webcast – Financial Media Releases – Roadshows – Participation at conferences 	<ul style="list-style-type: none"> – Value creation – Growth and capital returns – Contribution to environmental, social, and governance improvements – Access to up-to-date public financial information – Insight into Clariant's outlook
<p>Environment</p>	<ul style="list-style-type: none"> – Corporate culture that prioritizes environmental stewardship – Innovative and sustainable products and offerings addressing sustainability challenges – Environmental management tools and programs – Low-Carbon Emitting Technologies in the Chemical Industry initiative of the World Economic forum – EcoCircle collaborations fostering transition to a circular plastics economy – Alliance to End Plastic Waste (AEPW) – »Driving change in a changing world« videos on YouTube 	<ul style="list-style-type: none"> – Minimizing impacts on the environment – Safeguarding natural resources – Reducing environmental footprint and handprint of customers
<p>Suppliers</p>	<ul style="list-style-type: none"> – Together for Sustainability (TfS) initiative – Supplier performance assessment reviews – Regularly communicating updated standard information package – Yearly procurement events – EcoTain® and other partnerships – Open Innovation initiative 	<ul style="list-style-type: none"> – Prices, payment practices – Lead time – Supplier Code of Ethics – Safety – Circular economy – Digitalization
<p>Policymakers and Civil Society</p>	<ul style="list-style-type: none"> – Engagement in trade associations, multistakeholder alliances, sectoral associations, and scientific and research associations – Community dialogues – Dialogue with policymakers and related stakeholders (industry alliances, NGOs, academia) on public policies – Preparation of Position Papers and communication materials – Participation at conferences and events 	<ul style="list-style-type: none"> – Governance and compliance – Sustainable chemistry – Circular economy – Bio-economy – Climate change and energy transition



010 ATTRACTIVE SALES GROWTH TRAJECTORY SUPPORTED BY MULTIPLE LEVERS IN CHF M



Four strategic dimensions

The purpose-led strategy replaces Clariant's five-pillar strategy. It establishes four strategic dimensions:

- **Customer focus:** Customer centricity is an important differentiator to stay ahead of the competition. With a series of divestments since 2019 and the closing of the Pigments business sale on 3 January 2022, Clariant has become more simplified and focused with a true specialty chemicals portfolio. This focus allows even more customer centricity in the three business areas. Clariant continues to become more agile, delivering tailor-made solutions to satisfy customers' evolving expectations, which mirror their enthusiasm. To understand customer needs and develop corresponding solutions, Clariant focuses on building strong customer relationships.

- **Innovative chemistry:** At Clariant, chemistry stands for unique solutions that redefine what conventional wisdom considers to be possible. In line with its focus on ever increasing innovation and specialization, Clariant has an innovation pipeline of high-performance solutions throughout its three business areas. These solutions are strongly linked to customer-driven sustainability requirements. Continuously investing in Research & Development – even in times of economic uncertainty – is crucial for future success and for business growth above market growth.

- **Leading in sustainability:** Customers and stakeholders around the globe are demanding sustainable solutions while moving away from products and investments that have a negative sustainability footprint. Legislation around the globe to address sustainability challenges is further driving the transformation of entire value chains. Clariant is in an excellent position to benefit from this ongoing shift. Innovation and sustainability are systematically linked at Clariant. The company continues to promote new solutions that are more sustainable. In addition, sustainability is a key priority for Clariant's own operations and the entire value chain in terms of raw materials, the use of renewable energy, and climate-neutral production.
- **People engagement:** Appreciation for people lies at the core of Clariant's holistic approach to value creation. A culture of dialogue and mutual respect, dedication to sustainable, innovative technologies, and continuous transparency and integrity are key characteristics of Clariant's stakeholder engagement. The company values customer relationships and ongoing dialogue with suppliers, shareholders, and public policy platforms, as → **Figure 009** shows. Clariant is particularly committed to engaging with employees at all levels. Through the lens of people centricity and by making the well-being of employees a priority, Clariant fosters a culture where people feel valued. By actively promoting diversity, inclusiveness, mutual appreciation, empowerment, and safety at work, Clariant creates an environment where everyone can contribute and develop their talents to their fullest potential. The excellent work and commitment of Clariant's global team is a key competitive factor.

Financial and non-financial targets

New medium-term targets to guide Clariant's value creation

The four dimensions of the purpose-led strategy are reflected in Clariant's new medium-term financial and non-financial targets. They reflect Clariant's ambition to achieve top-quartile results in specialty chemicals in terms of growth, profitability, sustainability, and people.



By 2025, Clariant is aiming to grow its top line with a 4–6% compound annual growth rate (CAGR) and to increase its EBITDA margin to 19–21%. In addition, Clariant has introduced a cash conversion target: The company is planning to reach a free cash flow (FCF) conversion ratio of around 40% by 2025 – a figure that Clariant defines as cash flow from operations minus CAPEX, divided by EBITDA.

FINANCIAL TARGETS BY 2025

	Clariant Group
Sales growth (CAGR) (%)	4-6
EBITDA margin ambition (%)	19-21
FCF conversion expectation (%) ¹	-40

¹ Defined as (cash generated from operating activities - CAPEX)/EBITDA

Clariant has also set itself science-based climate targets: By 2030, the company plans to reduce its Scope 1 & 2 emissions by 40% and its Scope 3 (cat. 1) emissions by 14%. Finally, Clariant aims to be in the top quartile in employee engagement in its industry.

NON-FINANCIAL TARGETS BY 2030

	Clariant Group
Reduction in Scope 1 & 2 emissions (%)	40
Reduction in Scope 3 (cat. 1) emissions (%)	14
Employee Net Promoter Score (eNPS)	Top quartile

Levers for sales growth

Clariant's plan to reach an annual midpoint sales growth of 5% on average by 2025 is based on four types of growth levers, as → Figure 010 depicts:

- 2.5% market growth of current market segments with actual geographic footprint;
- 1% growth above the market from sustainability-driven innovation, especially from products that are bio-based, that enable decarbonization, or that enable circularity;
- 1% growth from regional expansion through increased local production, with a focus on China; and



Q&A

Judith Bischof

General Counsel

Member of the Executive Leadership

Team

As General Counsel, you are part of the newly formed ELT. How have the first few months in the ELT been, and what specific perspective do you bring to the table in ELT discussions?

The Board of Directors and our CEO ensured that the composition of our newly formed ELT is well balanced in terms of background and experience. We have therefore been able to work together constructively and efficiently right from the beginning. My specific perspective lies in establishing functional compliance organizations and improving effective and business-oriented legal teams. Furthermore, my experience as part of executive committees in two different industries and as board member of a publicly listed company gives me the opportunity to analyze issues from different angles. That also helps tremendously in developing suitable solutions for Clariant.

In 2022, the ELT – together with the GMT and a group of employees from different regions – defined a set of new values. As General Counsel, the value »act with integrity« is probably close to your heart. What is required to bring this value to life?

First of all, we need to make sure that the ELT and the entire management team lead by example. The tone at the top is one of the most important

factors to ensure that everyone acts with integrity. Secondly, we will continue to encourage our employees to speak up when they see something that violates our code of ethics or breaks the law. And thirdly, we will not tolerate any violations of our code of ethics, and we will respond to them with appropriate measures. These three key elements will support our growth strategy, as our employees will feel more empowered. Integrity is the foundation of everything we do.

What are the most important topics you will drive within Clariant in the upcoming months?

Clariant is on a clear growth path. And many of these growth initiatives require legal assistance, for instance, in the fields of intellectual property, projects with customers and suppliers, and M&A activities. We are currently implementing a new regional setup of our legal teams so that we support the growth initiatives in the best way possible. In the legal, IP, and compliance organization, we will further improve and digitalize internal processes to become even more efficient and business-oriented than we are already now.



- 0.75% growth from M&A activities, in particular the acquisition of Beraca in Brazil, CISC (the joint venture with India Glycols), and US Attapulgitte.

Clariant's high-quality core portfolio operates across diverse, growing end markets. That is why it is more resilient – and less volatile – than Clariant's pretransformation portfolio. On this basis, Clariant is well set to grow its business in excess of the expected average annual market growth of approximately 2.5% and to increase its operating leverage. The focused allocation of capital and resources will further amplify Clariant's growth.

Sustainability-driven innovation raises the average annual growth by approximately 1%. Clariant focuses on bio-based products and solutions that enable decarbonization and circularity, including the EcoTain® product range.

Regional expansion is another important growth driver for Clariant – with China as the main growth region. By allocating approximately 35% of its growth capital expenditure (CAPEX) to China, the company expects its sales share to grow to around 14% by 2025 versus the current 11% contribution. In total, Clariant anticipates regional expansion to contribute around 1% additional average annual sales growth.

Clariant is also well prepared for bolt-on M&A transactions to close product, market, and technology gaps. The recent transactions in Care Chemicals – CISC, the joint venture with India Glycols, Beraca in Brazil, and the acquisition of BASF's US Attapulgitte business assets in Functional Minerals – reflect Clariant's successful adherence to these criteria. These transactions will positively impact the top line with a combined sales contribution of 0.75% to average annual growth.

Improving efficiency for an increased EBITDA margin

In terms of profitability, Clariant's ambition is to take the Group EBITDA margin corridor to a range of 19% to 21% by 2025. This margin improvement will be leveraged by around two-thirds from sales growth while efficiency improvements will contribute by approximately one-third, as → **Figure 011** shows.

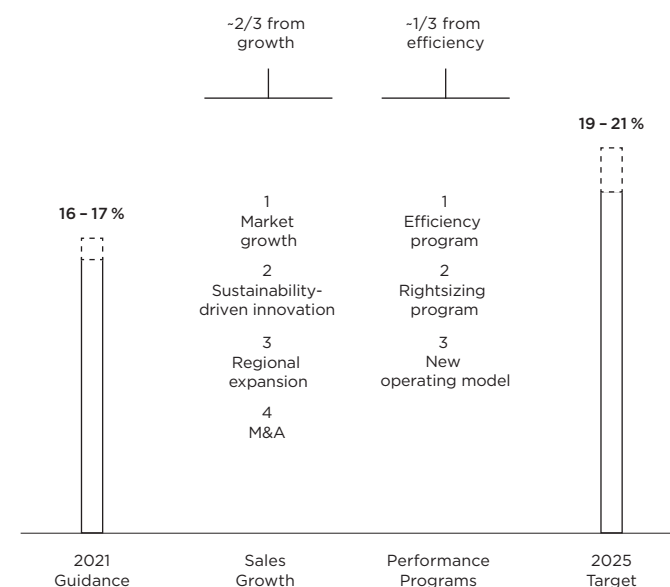
Clariant has increased the original core cost savings target of CHF 110 million by 2025 to CHF 160 million due to the implementation of the new operating model. Thus far, savings of CHF 85 million have been realized from the efficiency and rightsizing measures as well as initial savings related to the new operating model. The implementation of the new operating model is expected to contribute additional savings of CHF 50 million by 2025 as the result of the simplified organizational and leadership structure as well as non-full time equivalent savings.

Improving FCF conversion with capital and cost discipline

Clariant is strongly committed to capital and cost discipline and expects free cash flow conversion – defined as cash generated from operating activities minus CAPEX, divided by EBITDA – of around 40% toward 2025.

Capital expenditure (CAPEX) in the upcoming year should be approximately CHF 280 million due to the postponement of projects into 2023 and continued growth investments. More than half of this CAPEX will be used for growth: Clariant will continue to invest in attractive businesses such as Care Chemicals and Additives, and in growth regions like China. Clariant will also step up investments in sustainability measures, especially to reduce greenhouse gas emissions. Toward 2025, CAPEX is expected to normalize in the range of CHF 280 million to CHF 320 million per year. Together with Clariant's profitable growth, the reduction in CAPEX will result in a significant improvement in FCF conversion and a continued improvement in ROIC.

011 MEASURES TO DRIVE EBITDA MARGIN¹ RANGE TO 19-21%



¹ Continuing operations

Non-financial targets to reflect emission reductions and employee engagement

Clariant is a leader in sustainability, so setting ambitious non-financial targets for itself is only a logical next step. The 2030 non-financial targets reflect Clariant's purpose-driven strategy and its commitment to people and planet. Clariant plans to reduce Scope 1 & 2 emissions by 40% and Scope 3 (cat. 1) emissions by 14%. Based on latest climate science, the Science-Based Targets initiative (SBTi) considers these goals to be in line with the necessary steps to meet the targets of the Paris Agreement. In addition, Clariant aims to become a top-quartile company in terms of employee engagement, using this target as a benchmark for measuring its ambition to become the employer of choice in its industry.



Strategic implications at the business area and regional level

All three business areas have strong market positions and the ability to deliver growth. Clariant focuses on bringing all core businesses to their full potential. The company will follow a differentiated growth strategy and invest in its most attractive businesses and market segments.

The regrouped regional structure, which is based on the four regions APAC (Asia-Pacific), EMEA (Europe, Middle East, and Africa), LATAM (Latin America), and NORAM (North America), is aligned with Clariant’s strategic plans. Clariant plans to further develop its footprint and sales in NORAM and APAC, in particular in China.

Strategic Management Process

Clariant’s Strategic Management Process (SMP) is conducted by the business units in collaboration with Corporate Planning & Strategy. The SMP ensures Group level and business unit strategies are connected and are updated together. Clariant refreshed its SMP in 2021.

The progress of the 2021 SMP was reviewed in 2022. Where necessary, adjustments were made to reflect the changing business environment. In particular, the strategy implementation was adapted to the new business unit and organization structure to enhance implementation and adjust accountability.

In some cases, target achievement was faster than originally forecast due to the strong post-COVID-19 recovery and sharply higher revenues due to a stronger pricing environment. Some targets were adjusted to reflect this good performance.

CONTRIBUTING TO THE SDGS

Clariant is committed to contributing to the Sustainable Development Goals (SDGs) of the United Nations. These 17 goals outline a clear path to a more sustainable future and offer key business opportunities for the company.

Sustainable development and market potential

The SDGs provide a global framework for the most urgent societal and environmental necessities. The goals are defined in everyday language and offer a well-defined set of actions for all stakeholders. They are at the heart of the United Nations 2030 Agenda for Sustainable Development.

The business community recognizes the SDGs as a powerful way to foster innovation and growth. According to the Business & Sustainable Development Commission’s »Better Business, Better World« report, USD 12 trillion of additional market value could be generated by 2030 if the SDGs are achieved.

Clariant can contribute to the SDGs with its innovative and sustainable products and services, strong environmental management, and a commitment to respect and protect human rights across its own operations and the supply chain.

012 CLARIANT’S PRIORITY SUSTAINABLE DEVELOPMENT GOALS



Evaluating Clariant’s impact on the SDGs

Clariant assessed both the positive and negative impacts of its products and services, operations, value chain, collaborations, and corporate citizenship activities to evaluate the impact of its business activities in relation to the 17 SDGs, including all 169 underlying targets and the corresponding indicators. All business units and several service units were involved in performing, reviewing, and validating this analysis.

While Clariant contributes in some respect to every SDG, six priority SDGs were identified. Four of these SDGs were paired, as their relevance to Clariant cannot be evaluated independently, as → Figure 012 describes.

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

In addition to this list, certain business units also contribute to SDG 2 »Zero Hunger,« SDG 6 »Clean Water and Sanitation,« and SDG 15 »Life on Land.«



013 EXAMPLES OF CLARIANT'S ACTIVITIES AND PRODUCTS CONTRIBUTING TO THE SDGs



- New Volunteering Guideline
- Sustainable surfactants for dishwashing: First »all-in-one« for All-in-Ones: new surfactant Genapol® Complete checks all the boxes for automatic dishwashing tabs (clariant.com)
- Dispersing agent for sustainable pigment preparations
- Clariant's new Dispersogen® Flex 100: now the only choice for superior and sustainable pigment preparations
- Nitrous oxide - catching an elusive villain
- Tackling greenhouse gas emissions, one handprint at a time
- Sustainable sourcing - protecting the skin by protecting the Amazon forest
- Cupuaçu - naturally effective
- Synergen® DRT - fields abuzz
- CliMate - real data, real change



- 2030 science-based climate targets
- sunliquid® second-generation biofuel
- Natural drying replacing fossil-powered drying (Functional Minerals)
- Commercialization of cellulosic ethanol at the Podari plant (Romania)
- Grant for catalysis research
- Nitrous oxide - catching an elusive villain
- Tackling greenhouse gas emissions, one handprint at a time
- CliMate - real data, real change



- High-performing catalysts
- Contract R&D centers
- Collaboration with ETH Zurich University regarding catalysis research
- Collaboration via industry platforms, e.g., the World Economic Forum's Low-Carbon Emitting Technologies (LCET) initiative
- Nitrous oxide - catching an elusive villain
- Tackling greenhouse gas emissions, one handprint at a time
- Ready for a second life
- 800 volts under the driver's seat
- Synergen® DRT - fields abuzz



- First-time cellulosic ethanol production/licensing in Podari, Romania
- Launch of portfolio for purifying pyrolysis oil derived from mixed plastic waste (LINK Clariant unveils portfolio for purifying pyrolysis oil derived from mixed plastic waste)
- OMD D3 Platform
- Portfolio Value Program 2.0
- Most Clariant products are designed for higher efficiency
- Clariant's target to reduce landfill
- The company's initiative to increase the use of renewable materials
- Collaboration in a German government-supported project for using waste from the paper industry for biofuels
- Nitrous oxide - catching an elusive villain
- Tackling greenhouse gas emissions, one handprint at a time
- Sustainable sourcing - protecting the skin by protecting the Amazon forest
- Ready for a second life
- Can biomass waste improve manufacturing efficiencies and circularity?
- Cupuaçu - naturally effective
- Synergen® DRT - fields abuzz
- CliMate - real data, real change



- Global climate campaign (Free delivery of EnviCat® N₂O-S catalyst to nitric acid producers who do not yet use an N₂O abatement catalyst)
- Launch of product carbon footprint (PCF) tool »CliMate«
- Grant for catalysis research
- Nitrous oxide - catching an elusive villain
- Tackling greenhouse gas emissions, one handprint at a time
- 800 volts under the driver's seat
- Can biomass waste improve manufacturing efficiencies and circularity?
- CliMate - real data, real change



- SPOTS (Sustainable Palm Oil and Traceability with Sabah small producers) initiative
- SPIRAL (Small Producer Inclusivity and Resilience Alliance)
- Round Table on Sustainable Palm Oil
- ASD (Action for Sustainable Derivatives)
- Sustainable sourcing - protecting the skin by protecting the Amazon forest
- Ready for a second life
- Cupuaçu - naturally effective
- CliMate - real data, real change

→ Read more in our Review on Performance, People, and Planet



Clariant's commitment to the SDGs shows in all aspects of the company's activities and policies. To enhance sustainable transformation, the company is executing two programs, »Sustainable Operations« and »Sustainability-Driven Portfolio Change.« Thus, the portfolio comprises a constantly rising number of sustainable products and services. As sustainability can be achieved only by joint efforts, the company is engaged in several collaborations and partnerships. Clariant also works in special initiatives, e.g., the EcoCircle and the Renewable Carbon Initiative. All business units have ambitious targets and work intensively on reducing water, waste, and air emissions, as Clariant is striving for 2030 science-based climate targets. Clariant shows social responsibility by engaging in corporate citizenship activities and supporting its employees volunteering in sustainable projects.

FEATURED STORY



CliMate - real data, real change

How a new tool developed by Clariant unleashes the potential of product carbon footprints.

[Learn more](#)



Q&A

Richard Haldimann
 Chief Technology & Sustainability Officer
 Member of the Executive Leadership Team

In the difficult macroeconomic environment, what role does sustainability play for a company like Clariant?

Despite the disruptions from COVID-19 and the war on Ukraine, the transition towards sustainability has accelerated. Broad policy measures are being implemented in major economies around the world. In the EU, we have the Green Deal. In the US, the IRA provides huge incentives for the reduction of greenhouse gas emissions and for the acceleration of new technologies that Clariant products enable. And in China, the 1+N policy system introduces measures to increase energy efficiency, accelerate the energy transition, and achieve carbon peak by 2030. So, all over the world, sustainability is rapidly becoming the license to operate. These trends provide a competitive advantage for frontrunners like Clariant. Also, having a sound sustainability program is becoming crucial for attracting top talent.

Can you illustrate how Clariant's sustainability strategy creates meaningful impact for customers and the world?

Many of our solutions help customers to come up with more sustainable products. Just think about our low-carbon surfactants, our catalysts that reduce greenhouse gas emissions in the production process of our customers, our DEPAL-based flame retardants which are critical for modern electrical

vehicles, or our additives that foster circularity. And with CliMate, we provide carbon footprint information for many Clariant products, which helps to accelerate the transformation to low-carbon value chains. These efforts are being recognized in the industry: In 2022, our sustainable innovations received numerous awards. These included the ACC Sustainable Leadership award, several BSB Innovation Awards, the ICIS Innovation Award, but also the Sustainable Packaging Award for the Personal Care packaging concept »Design4Circularity« that resulted from an industry collaboration. In addition to providing sustainability benefits for our customers, we reduce our own footprint: By 2030, we will lower our CO₂ emissions by 40% compared to 2019.

Is Clariant on track to achieve these climate targets?

Yes, we are seeing good progress. In 2022, we implemented various projects to reduce our direct emissions, and we are switching to low-carbon or even climate-neutral raw materials while also supporting efforts to decarbonize entire value chains. In absolute terms, we reduced our Scope 1 & 2 emissions by 10% and our Scope 3 cat. 1 emissions by 5%, each compared to 2019. I think this is a great achievement in a year where the business grew by 24%. In other words, we are now really starting to see a decoupling of growth from our GHG emissions.



014 **EXAMPLES OF CORPORATE CITIZENSHIP ACTIVITIES**

- Solidarity with Ukraine
- War relief efforts - Clariant employees in Poland
- Introduction of one-day allowance for employee volunteering Group-wide
- Clariant litter collection/site cleanups - Germany and Poland
- Litter collection/beach cleanup - Taiwan
- Tree planting - Taiwan
- Collaboration with schools - Japan
- Blood donation drive - India

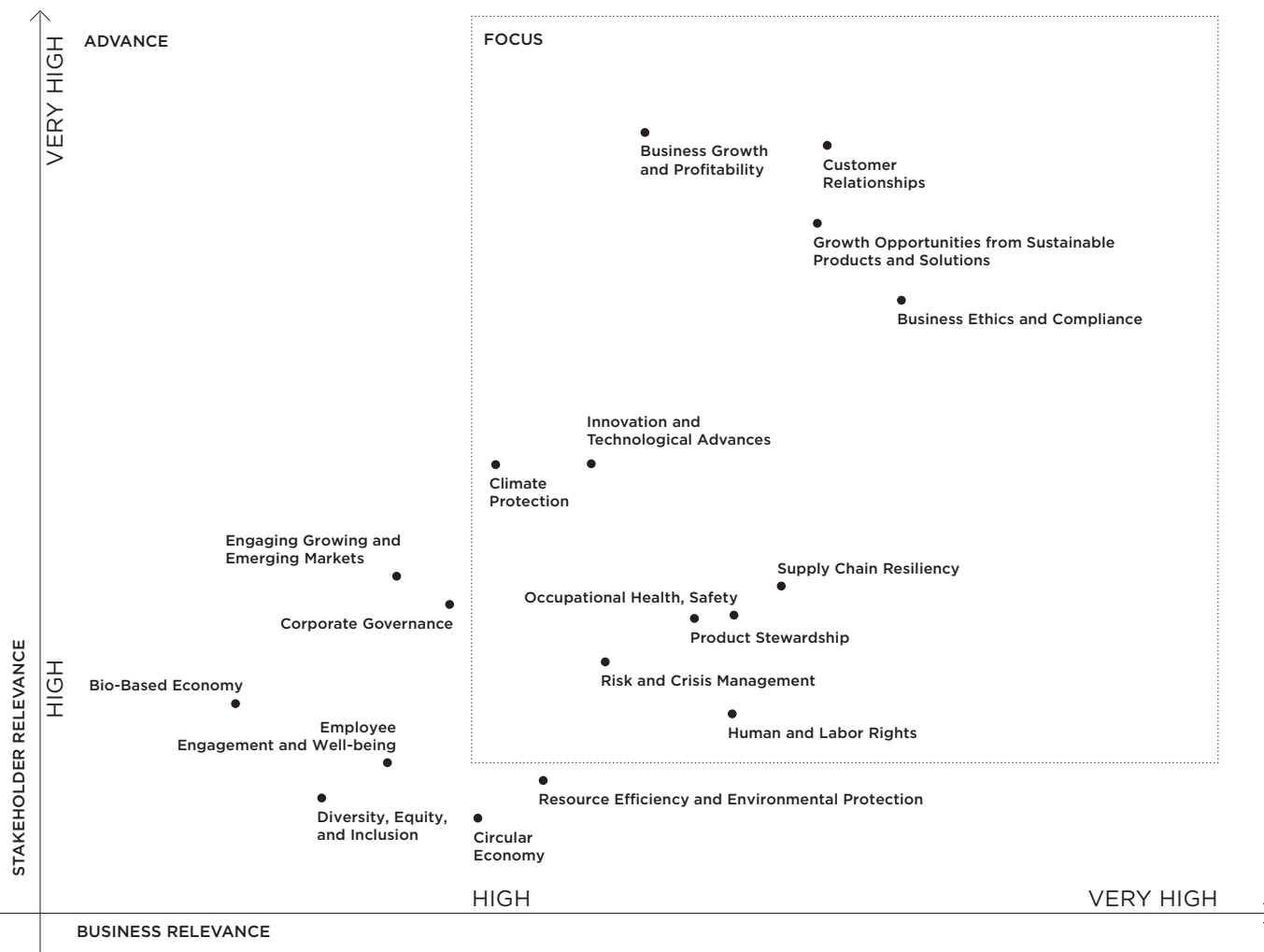
MATERIALITY ASSESSMENT

In line with the strategic dimensions, Clariant conducts comprehensive materiality assessments on a regular basis. Validated by external stakeholders, the company identifies the topics that have the greatest impact on the ability to create long-term value and prioritizes with respect to performance, people, and planet.

Materiality assessment

Clariant evaluates the materiality of economic, environmental, and social topics on an ongoing basis, drawing upon regular stakeholder discussions and market monitoring. In addition, Clariant conducts comprehensive materiality assessments to identify relevant issues and prioritize initiatives. After the last assessment in 2017, this process was conducted in 2021. The assessment will be carried out again in 2023.

015 **CLARIANT MATERIALITY MATRIX**





Drawing from recognized sources

The materiality assessment is based on two internationally recognized frameworks: first, the Integrated Reporting <IR> framework issued by the International Integrated Reporting Council (IIRC), which is now part of the Value Reporting Foundation (VRF), and second, the sustainability reporting standards of the Global Reporting Initiative (GRI). An external service provider specialized in materiality assessments facilitated the process.

Based on these frameworks and other sources, including the Sustainability Accounting Standards issued by the Sustainability Accounting Standards Board (SASB), the UN Global Compact, the SDGs, and topics covered by relevant ESG ratings and rankings, Clariant compiled an extensive list of economic, environmental, and social topics as a first step in the process. Topics that Clariant and its peers had identified in the past supplemented this catalogue such that the resulting list comprised 240 entries. Consolidating these entries resulted in 28 topics.

Feedback from two perspectives

As a second step in the process, 42 external stakeholders provided their views on the relevance of each topic, while 13 senior Clariant managers evaluated the importance of the issues for Clariant's value creation.

The external stakeholders were selected based on carefully defined criteria. The group included customers, nongovernmental organization representatives, sustainability experts, scientists, suppliers, and financial stakeholders.

Clariant senior managers evaluated the potential influence of the topics on strategy development and achievement, market positioning and growth opportunities, risk and reputation management, and compliance. Thus, Clariant implicitly accounted for impacts on sustainable development by considering these risks and opportunities.

The worldwide surveys of Management and stakeholders were conducted in English and Mandarin.

As the final step of the process, Clariant's senior management evaluated and validated the results of the assessment in a follow-up workshop.

Materiality Matrix

The Clariant Materiality Matrix in → **Figure 015** summarizes the outcomes of the assessment. The horizontal axis depicts the relevance of the topics for Clariant's value creation, whereas the vertical axis shows the relevance of the topics to stakeholders. The topics fall into two categories: Advance and Focus. Focus topics are essential to Clariant's ability to create long-term value; Advance topics offer opportunities that will allow Clariant to better meet expectations.

Clariant is actively reviewing its priorities according to market trends and the company's own ambitions. With the advances in bio-economy and circularity within the product and project portfolio and also anticipating the advances in initiatives deriving from the European Green Deal, such as Safe and Sustainable-by-Design, which present a strong focus on these topics, Clariant decided to select them as part of its 1+5 Sustainability Focus Areas scheme. For this reason, the material topics mentioned are moved in the materiality analysis on the business relevance scale compared to last year.

Review on Performance, People, and Planet

This → publication depicts Clariant's dedicated management approaches, as well as current developments, activities, and achievements for each material topic.



Clariant Culture

A WORLD OF POSSIBILITIES

Transforming

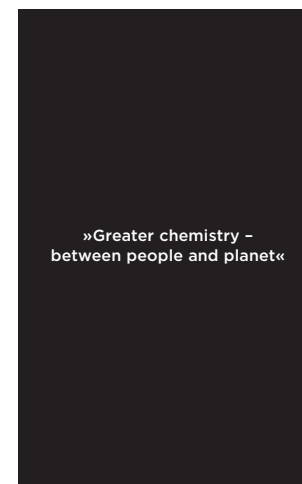
Reshaping the company remained a focus in 2022, when Clariant continued its transformation process and the course it had set in the last two years. While Clariant has a long history, in recent years, the company has transformed itself into a focused specialty chemicals company and significantly reshaped its portfolio. With 2022 the time had come to initiate and foster significant changes also in corporate culture. These changes will eventually enable an exceptional workforce to achieve even greater outcomes in the ongoing efforts to overcome the challenges and »side effects« of crisis and uncertainty caused by political and economic developments. Turning challenges into opportunities is key for Clariant in preparing the ground for the next generations to come.

On this transformation journey, in 2021, Clariant reached an important milestone with the introduction of the purpose »Greater chemistry - between people and planet,« distilling the essence of Clariant’s license to operate and expressing what Clariant strives to contribute to this planet and the people living on it. Clariant’s purpose puts customers, employees, and the planet at the center of every business activity. The statement was defined by the Clariant leadership team together with colleagues from all over the world and with key customers. It stands for Clariant’s

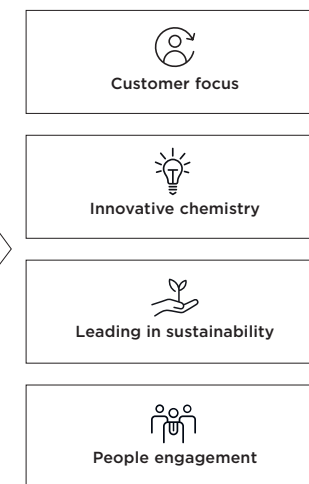
- distinct customer focus;
- strong innovation capability;
- profound commitment to sustainability in its operations and products;
- uniquely talented people in a culture of empowerment and inclusiveness.

016 GUIDED BY THE PURPOSE

Clariant’s purpose



Purpose-led strategy



As the chemical industry touches on more than 90% of all the products that society uses in its daily life, it has the opportunity and the responsibility to create a truly meaningful impact. Clariant has an attractive innovation pipeline that is strongly linked to customer requirements. Interactions between uniquely talented and highly motivated employees with an entrepreneurial spirit drive a high-performance culture. This enables Clariant to deliver products and solutions with outstanding technical and sustainable performance. Innovative and customer-driven chemistry, paired with people empowerment and leadership in sustainability, serves the interests of Clariant’s key stakeholders. It leads to greater chemistry - between people and planet - and thus provides for a long-term approach to sustained value creation.



Bringing the purpose to life by activating its underlying rationale resulted in various further steps throughout 2022. Regarding organizational changes, 2022 was essential for the implementation of a new global company setup with a new leadership team, less layers on management levels, a reduced number of business units, and simplified structures and processes overall, as the chapter → **Core Processes** describes. The new operating model will foster greater accountability, speed up decision-making processes, and enhance customer proximity. It will support the implementation of Clariant's purpose-led strategy and long-term sustainable growth to the benefit of all stakeholders, including employees, customers, and shareholders. While organizational changes are scheduled to be completed by January 2023, it will take more time throughout 2023 and beyond to set up revised ways of working together.

The next phase of Clariant's change journey will consist of customized measures, leveraging employee groups to maximize the positive impact of this transformation while building and strengthening individual and group engagement. Across employee groups, the company will focus on three areas to build momentum: communication, building new capabilities and focusing on the enablers. Additionally, Clariant will continue to move forward on the DE&I strategy as well as creating effective, yet simple, people processes for managers and employees.



Q&A

Tatiana Berardinelli
 Chief Human Resources Officer
 Member of the Executive
 Leadership Team

Clariant is in the middle of a significant transformation. In your view, what is most important to make this transformation a success?

We need to make sure that all our colleagues at Clariant understand why we started this transformation and what impact it has for everyone. We also need to make sure that everyone knows how to contribute to this change, which goes far beyond adjusting an organizational structure. The cultural component of this change is even more important. That is why it is crucial for us to bring our new values to life in the best way possible.

As CHRO, the value »empower and include« is highly relevant to your work. What does that value mean to you?

Empowerment means trusting the teams and trusting that everyone in our company is able to deliver on their jobs. Inclusion means that everyone has a voice in the company, and that we want to hear every opinion. It is not always possible to implement a suggestion, but it is obvious that we will achieve much better results if we consider different ideas.

Making yourself heard as an employee can be challenging. What is Clariant's plan to foster diversity, equity, and inclusion?

That is why we developed a roadmap to make Clariant a more diverse, equitable, and inclusive workplace. We want our people to reflect the world's diversity and create a workplace that engages everyone. When everyone is welcomed, considered, and appreciated, we build an environment that spurs forceful innovation. Our aspiration is to ensure that everyone feels valued and respected as an individual. Thanks to inclusive leadership we empower our talents to think out of the box and share their experiences and perspectives, which in turn is a key driver for development and engagement.

Clariant aspires to attract the best talents in the industry. Why choose Clariant as an employer?

We foster an empowering, inclusive, and performance-oriented culture where everyone feels welcomed, included, and appreciated. We create an environment where you can perform at your best and thrive. We think of our people as the true magic behind our achievements. Our ambition is to be an employer of choice for talents across the globe and create a distinctively great place to work.

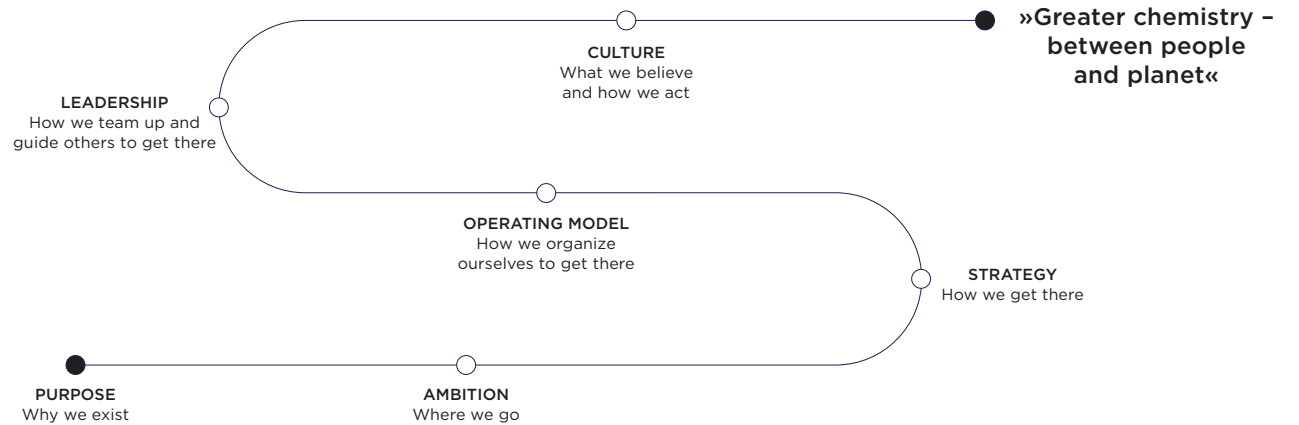


017 CLARIANT'S VALUES



Leaders, managers, and employees can count on multidimensional support that enables them to stay focused on delivering the goals for 2023 while strengthening engagement in their teams. From the organization's side, employees may count on: a clear communication and dialogues with the ELT through the year to share Clariant's new values and behaviors, progress, direction, actions and seek feedback. Leaders will provide mentoring as employees navigate new charters, ways of working and new cultural expectations, and resources to acquire needed know-how and capability development to equip with the right skills. There will surely be opportunities to contribute to the change and the enablers to strengthen performance such as the New Performance Management Process and incentives (long- and short-term). Human Resources aspires to be a partner enabling business results and Clariant's culture via impactful, simple, and people-friendly processes and enhancing employee experience and engagement through the employee life cycle.

018 ESSENTIAL INGREDIENTS OF OUR JOINT PURPOSE-LED JOURNEY



Evolution of Clariant's new values

As the company is transforming and the external environment is changing, it is crucial to continue to evolve, which is why existing values were critically assessed. Starting in November 2021, the Global Management Team examined the Clariant values and discussed their validity and what they would change considering the newly developed purpose statement of 2021. Several groups of Clariant employees from different regions also provided their input. The result was not a revolutionary change in existing values, but an evolutionary change. In September 2022, Clariant unveiled new values, which are considered the new cornerstones of the Clariant culture. They reflect the growth mindset of the people working at Clariant and what each individual at Clariant should expect from themselves and one another. They serve as a compass, providing orientation and guiding the way to deliver on the company purpose.

Based on the aspiration to live up to the values, the next steps in 2023 will include actions to help move from poster to practice and embed the values in all people-related processes in order to grow people awareness. The values as of 2022 are:

- win with our customers;
- act with integrity;
- empower and include;
- perform with agility;
- innovate for sustainability.

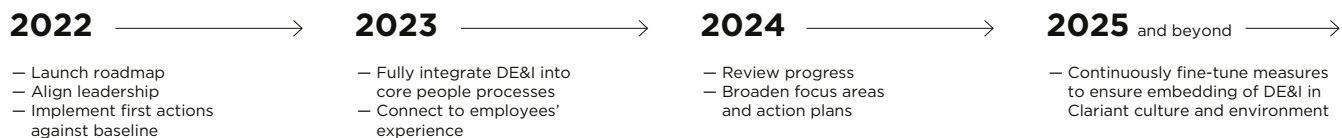


Reshaping continued: more diverse, equitable, and inclusive

Another milestone concerning corporate culture was reached in June of 2022, when Clariant launched its Diversity, Equity, and Inclusion (DE&I) Roadmap along with corresponding DE&I objectives. Continuously developing Clariant into a more diverse, equitable, and inclusive workplace is essential for the Clariant people to represent the world’s diversity. This is the goal on the Management level as well as throughout the entire workforce. When all people and social identities are welcomed, considered, and appreciated, an environment within the organization can be built that spurs powerful innovation and attracts opportunities for employees, customers, shareholders, and ultimately society. For this goal, Clariant will continuously review progress on its DE&I journey, for which leaders at Clariant will be held accountable.

→ Read more in the Review on Performance, People, and Planet, in the chapter Diversity, Equity, and Inclusion.

019 DIVERSITY, EQUITY, AND INCLUSION ROADMAP OF ACTIONS



Diversity, Equity, and Inclusion Objectives

- Increase the inclusion index from 66 % in 2021 to 82 % in 2030
 - Achieve gender parity by 2035
 - Grow the percentage of female leaders from 16 % to over 30 % and strengthen gender balance for non-frontline employees from 35 % female in 2021 to 45 % by 2030
 - Increase the percentage of leaders of national origin outside Europe at the Senior Management level from 32 % in 2021 to over 40 % in 2030
-



Value Creation in the 2022 Financial Year

VALUE CREATION AT THE GROUP LEVEL

In the full year 2022, sales from continuing operations were CHF 5.198 billion, compared to CHF 4.372 billion in the full year 2021. This corresponds to an increase of 24% in local currency and 19% in Swiss francs. Both pricing and volume growth had a positive impact on the Group of 17% and 7%, respectively, while the currency impact was -5%.

In the full year 2022, sales growth exceeded 20% in local currency in all geographic regions. Clariant's performance was especially strong in North America, Latin America, and the Middle East & Africa.

Care Chemicals grew sales by 28% in local currency in full year 2022 with double-digit sales growth in all key businesses. In Catalysis, the top line was up by 14% in local currency, propelled by the Petrochemicals and Specialty Catalysts businesses. Oil and Mining Services, Functional Minerals, and Additives in particular, all contributed to the 25% local currency sales growth reported at Natural Resources.

The continuing operations EBITDA increased by 14% to CHF 810 million as the Group improved profitability on the back of sales growth. The EBITDA margin was 15.6%, versus 16.2% in the previous year. Adjusting for restructuring expenses of CHF 40 million related to the implementation of the new operating model, booked in the fourth quarter of 2022, the 16.4% EBITDA margin exceeded the previous year's level. The adjusted profitability improvement was propelled by pricing measures that more than fully offset the high raw material cost increase (25% year-on-year) and higher energy (+35%) and logistics cost (+6%). The Group's ongoing cost discipline and the profitability improvement in Care Chemicals and Natural Resources more than offset the relative weakness in Catalysis, which includes a CHF 43 million negative impact from sunliquid®.

The EBIT decreased to CHF 72 million in the full year 2022 from CHF 440 million in the previous year, mainly due to three impairments totaling CHF 462 million. A non-cash impairment in the amount of CHF 233 million was related to the sale of Clariant's North American Land Oil business to Dorf Ketal, which is expected to close in the first quarter of 2023. A further impairment of CHF 220 million was booked for the sunliquid® bioethanol plant in Romania based on the delayed ramp-up and the plant's current financial performance. A CHF 5 million impairment was also made on Clariant's assets in Ukraine. Excluding these charges, the EBIT increased to CHF 534 million, 21% above the full year 2021.

In the full year 2022, the total Group net result was CHF 116 million, versus CHF 373 million in the previous year. The net result was lifted by the net result from discontinued operations of CHF 217 million, mainly related to the gain on the Pigments disposal; the strong business performance of the continuing operations; and the corresponding margin improvement, while impairments had a negative impact of CHF 462 million.

Net operating cash flow for the total Group increased to CHF 502 million from CHF 363 million in the full year 2021. This development was mainly attributable to strong underlying earnings and net working capital management. The increased free cash flow of CHF 293 million compared to CHF 6 million in 2021 resulted in a conversion rate in 2022 of 36%, versus 1% a year ago, and is attributable to the strong operating cash flow and disciplined capital expenditures.

Net debt for the total Group decreased to CHF 750 million, versus CHF 1.535 billion recorded at the end of 2021. This development is largely attributable to a significant reduction in current financial debt and an increase in short-term deposits due to proceeds received from the divestment of the Pigments business and the Scientific Design Company stake.

The Board of Directors recommends an increased regular distribution of CHF 0.42 per share to the Annual General Meeting (AGM) on 4 April 2023 based on the strong performance in 2022. This distribution is proposed to be made through a capital reduction by way of a par value reduction.

Clariant aims to grow above the market to achieve higher profitability through sustainability and innovation. Clariant has become a true specialty chemicals company and confirms its 2025 ambition to deliver profitable sales growth (4 – 6% CAGR), a Group EBITDA margin between 19 – 21%, and a free cash flow conversion of around 40%.

As of 1 January 2023, Clariant will report in the business unit structure aligned with its new operating model. The Business Unit Care Chemicals includes the former Business Area Care Chemicals and the Business Unit Oil & Mining Services (previously part of the former Business Area Natural Resources). The Business Unit Catalysts is unchanged from the former Business Area Catalysis. The Business Unit Adsorbents & Additives is a combination of the former Business Units Functional Minerals and Additives (both previously part of the former Business Area Natural Resources).

From a macroeconomic perspective, Clariant anticipates a soft recessionary environment in the first half of 2023, compared to a very strong first half of 2022, and expects to see an economic recovery in the second half of 2023 while uncertainties and risks related to the economic environment remain. For the full year 2023, Clariant expects to achieve sales of around CHF 5 billion, including a net negative top line impact of around CHF 130 million from divestments and the bolt-on acquisition. Clariant aims to slightly improve its year-on-year reported EBITDA margin due to a continued recovery in Catalysts, which is expected to offset lower sales volumes in the other business units. Clariant expects an increasing negative annualized sunliquid® impact and a continued inflationary environment given the current economic outlook, counterbalanced by savings benefits from the restructuring programs.



Q&A

Bill Collins

Chief Financial Officer (CFO)
Member of the Executive Steering Committee

You joined Clariant in July 2022. What have been your first impressions in the last months?

Prior to joining, I had heard many great things about Clariant as part of my due diligence, and I'm happy to say that the reality matches my expectations. It's an exciting time to be at Clariant – we can focus on building a structure and culture truly focused on serving our customers and thus growing the company.

Joining Clariant also meant moving to Switzerland from the US. Have you settled in yet?

Absolutely. As our recent relocation to Switzerland is now our tenth international move, we're becoming experts in the process. Plus, having lived in Switzerland before, coming to Basel has been an easy transition.

In your first months here at Clariant, you already achieved a significant success by placing a green bond in the amount of CHF 175 million. What does this mean to you personally?

This transaction shows how the finance function can contribute to sustainability across the Group. The bond allowed sustainability-driven investors to participate in the sustainability leadership of our company. We use these proceeds to finance assets for the transition toward a low-carbon and environmentally sustainable society. So, the bond allows us to make clear

progress toward our 2030 emission targets. And our investors profit from the fact that these assets will make Clariant an even more future-proof bond issuer.

What is your opinion of Clariant's financial performance in 2022?

I consider it to be a significant accomplishment that Clariant grew sales so notably over the year, by 24 % in local currency. Despite the tough inflationary environment, we achieved strong operating performance and full year EBITDA margin of 16.4 % – excluding restructuring charges of CHF 40 million related to the implementation of the new operating model – slightly exceeding the full year 2022 guidance we previously communicated. We increased the free cash flow conversion rate to 36 % due to the strong operating cash flow and disciplined capital expenditures. In my view, these solid results have brought us a step closer to achieving Clariant's financial targets for 2025.



CARE CHEMICALS

General information

In the 2022 financial year, the Business Area Care Chemicals comprised the Business Unit Industrial & Consumer Specialties (ICS). As a leading provider of specialty chemicals and application solutions for consumer care and industrial markets, Care Chemicals delivers high-performance ingredients and formulation expertise at the best cost-to-performance ratio with an integrated value chain that responds quickly to consumer trends.

CARE CHEMICALS IN THE 2022 FINANCIAL YEAR

OVERVIEW

In the 2022 financial year, the Business Area Care Chemicals comprised Industrial & Consumer Specialties (ICS), which serves customers in the personal & home care, crop solutions, paints & coatings and industrial applications markets.

APPLICATIONS

Business Unit Industrial & Consumer Specialties

- Automotive Fluids
- Aviation
- Construction chemicals
- Crop Solutions
- Health Care
- Home Care
- Industrial Lubricants
- Paints & Coatings
- Personal Care
- Special solvents

PRIORITY SDGS

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

Care Chemicals sets a clear focus on highly attractive, high-margin, and low-cyclicality segments. The business area operates in seven different markets: personal & home care, crop solutions, paints and coatings, industrial lubricants, automotive fluids, and aviation. Offering approximately 2000 products to around 5000 customers, it operates in Europe, Middle East, and Africa, Asia-Pacific, North America, and Latin America. Approximately two-thirds of the business is consumer-facing in consumer care and industrial applications.

The business area benefits from several business drivers:

- growing relevance of lifestyle-driven consumers focused on comfort and well-being;
- an increased interest in green and sustainable products that are based on natural ingredients and free of harmful substances;
- the desire of the agricultural industry to better fulfill global nutrition requirements;
- the general trend toward responsible production and consumption, including a demand for solutions that reduce the carbon footprint in the value chain

As of January 2023, the former Business Units ICS and Oil and Mining Services make up the Business Unit Care Chemicals. This reorganization is part of the simplified organizational and leadership structure that is outlined in greater detail in the chapter →»Business model and strategy – organizational structure.«

Market dynamics in 2022

In 2022, global supply chain disruptions and surging freight costs continued to drive supply chain strategies toward regionalization and higher resilience. Increasing supply chain uncertainties and cost volatility put pressure on inventories along the supply chain. As a result of the disruptions faced in 2021 and 2022, customers increasingly require suppliers to ensure supply chain resilience and transparency.

In 2022, a growing global need for more sustainable ingredients also became evident, particularly in terms of their environmental footprint. Ingredients with a lower carbon footprint and a higher renewable carbon index (RCI) are key driving forces for innovation in the market. Customers are looking for ingredients that can deliver significant improvements in both factors while maintaining the technical performance of their formulations and products.

How Business Area Care Chemicals created value in 2022

In the full year 2022, sales in the Business Area Care Chemicals increased by 28% in local currency and by 24% in Swiss francs, with the full integration of Beraca contributing approximately 1% of this sales growth. Both Consumer Care as well as Industrial Applications sales rose at rates exceeding 20% on the back of strong market demand, especially during the first nine months of the year. The absolute Care Chemicals sales levels in 2022 significantly exceeded full year 2019 pre-pandemic levels.

The EBITDA margin in the full year 2022 increased to 22.3% from 20.7%. This positive development resulted from active price management to address raw material cost inflation, supply chain constraints, and energy and logistic cost increases, as well as from the continuous portfolio improvement toward more innovative and sustainable offerings to address customer needs. The full year 2022 was a strong year in terms of launches of innovative and sustainable solutions to Clariant's customers as described in the next section.



New partnerships and products

In February 2022, Clariant unveiled new Vita 100% bio-based surfactants and polyethylene glycols. With a Renewable Carbon Index (RCI) of at least 98%, these products help to remove fossil carbon from the value chain. They are based on sugar cane or corn, which are fully segregated along the value chain from the field to the final consumer product. Vita surfactants have a significantly lower carbon footprint compared to their fossil analogues. At the same time, they are chemically equivalent to Clariant's fossil versions, offering the same performance and efficiency to formulators and brand owners. Therefore, Vita products support manufacturers in maximizing the bio-based carbon content of consumer goods such as detergents, hair and body shampoo, paint, industrial lubricants, and crop formulations.

In August 2022, Clariant reached a definitive agreement for the divestment of its Quats business to Global Amines Company Pte. Ltd., a 50/50 joint venture owned by Clariant and Wilmar, Asia's leading agricultural business and oleochemicals business globally. The divestment is a further step in Clariant's portfolio transformation to focus operations purely on specialty chemicals. Quats are quaternary ammonium compounds, a group of chemicals used for a variety of purposes, including as preservatives, surfactants, and as antistatic agents. They are used in a wide range of commercial, industrial, and consumer products. The business maintains an excellent reputation as a leading supplier of quats with proprietary technology and a good service reputation. The transaction is subject to regulatory approvals and customary closing conditions and is expected to be consummated in the first half of 2023.


In September 2022, Clariant showcased one of the largest ingredient portfolios of natural actives, oils, butters, and clays in the industry. This range of naturals for the cosmetics market is provided by Beraca, a Brazilian personal care specialty company that was fully acquired by Clariant in 2021. Beraca is located in the Amazon region and has outstanding expertise in natural and organic certified ingredients such as fats, oils, and botanicals. Ethical sourcing commitments in close collaborations with local communities help to keep natural environments intact, while brands benefit from the transparency and traceability from plant to ingredient. The new product line features products such as the innovative new skin care

ingredient Ethience® Protect and offers proven efficacy and science-backed claims for skin, hair, and body care.

In October 2022, Clariant launched Genapol® Complete, a new product for the high-performing automatic dishwashing segment. Genapol® Complete is the first environmental label-compatible surfactant capable of achieving excellent rinse and very good overall drying performance, cleaner machines, and CO₂ product footprint savings. It is derived from natural oil and is readily biodegradable. The natural origin of Genapol® Complete ensures a substantially lower carbon product footprint for final formulations than is possible with standard surfactants. It achieves CO₂ savings of 30% compared to the best-in-class benchmark, with no loss in rinse performance, thus providing brands with a significant differentiating advantage for their products.

In agriculture, there is a growing interest in the data-driven and outcome-oriented practices of precision farming. Drones already play a relevant role in the targeted application of fertilizers, and drone spraying is also a highly interesting approach when it comes to pesticides. However, drone-assisted pest management still has to overcome a number of challenges: As drones have small tanks, they need to carry a highly concentrated mix of actives. Also, they have to spray very fine drops to be effective – but if the droplets are too small, wind drift makes the application less efficient. In order to tackle these issues, Clariant has created DropForward™, a focused approach to drone-specific adjuvants and formulations. The first DropForward™ solution, called Synergen® DRT, was introduced to the markets in April 2022. This adjuvant helps to control the drift and volatility of droplets, while also improving the coverage and penetration of the actives in the leaves. This boosts biological performance and makes drone spraying more sustainable and environmentally friendly.

FEATURED STORY



Sustainable sourcing – protecting the skin by protecting the Amazon forest

The »Queen of the Amazon« is a tall, strong beauty who regularly showers the floor of the rainforest with precious gifts – Brazil nuts. By using a byproduct from Brazil nut oil extraction for our skin care ingredient Ethience® Protect, we contribute to the Sustainable Development Goals 3, 12 and 17.

[Learn more](#)

New locations

In December 2022, Clariant held a groundbreaking ceremony to expand its Care Chemicals facility in Day Bay, Huizhou, China, to boost its support for pharmaceutical, personal care, home care, and industrial application customers. The CHF 80 million investment will see capacity increases for existing products as well as the introduction of new products by the end of 2024. The site will also become a new global hub for Clariant's healthcare business support, speeding up the supply of high-quality ingredients for life-changing medicines.

Innovation activities

In June 2022, Clariant launched »BeautyForward™ 6« – a digital tool that facilitates the research and selection of natural ingredients for personal care formulations. The tool features standardized data on the Renewable Carbon and Natural Origin Indices of over 800 ingredients for personal care applications, including over 300 ingredients from Clariant's own portfolio. BeautyForward™ 6 calculates the percentage of natural content of any formulation according to the ISO 16128 methodology and showcases the individual impact of specific ingredient choices on formulation naturality. Available on Clariant's own → **ClariHub platform**, the tool allows users to create their own natural formulation from scratch or to choose and edit a series of exemplary and customizable skin and hair care formulations.

In October 2022, Clariant launched ClariCoat, a new digital platform for paints and coating specialists. ClariCoat's offering is unique in the paints and coatings industry. It allows for customized property selection covering a wide range of performance criteria, from liquid paint stability and workability to sustainability, to name a few. Once the criteria selection is complete, the product recommendation engine proposes the most suitable additives covering the needs of the paint formulator. The → **platform** is available for registered users on the Clariant website.



Q&A

Christian Vang

Business President Care Chemicals and Americas
Member of the Executive Steering Committee

In the Business Unit Care Chemicals, consumer trends have a major influence on Clariant's business. Which trends are most important, and what does Clariant have to offer with respect to these trends?

Most trends today are anchored around sustainability, with CO₂ footprint reduction driving both our innovation and sourcing. We recently established a joint venture in India, Clariant IGL Specialty Chemicals Private Limited. In doing so, we have taken a lead position in providing the world with products and solutions based on our bio-derived ethoxylates.

You also have responsibility for the complete Americas region. What drives Clariant's business in this part of the world?

Clariant has a long-standing presence in the Americas region. But despite the growth in recent years, we are still underrepresented compared to our presence in other regions. So, the drive is to further lead innovation and optimize the manufacturing footprint in the Americas region.

What is your vision for the business unit?

I want to continue our growth path by delivering innovative solutions and products that support our customers and end markets in their sustainability transformation. I also intend to further optimize our portfolio by pursuing both organic and inorganic growth opportunities. And I want to make sure that everyone feels comfortable with our new organizational setup and embraces this positive change.

Clariant recently introduced a new set of values. Which of these values has played the biggest role in your career so far?

I feel a very strong connection to the value »Win with our customers«. First of all, I think that our customers are the reason why we exist as a company. But I also believe that winning with customers can be a truly rewarding experience for everyone at Clariant. That is why I would like everyone in this company to appreciate that every little decision in our work can have a meaningful impact on our customers.

Certifications and awards

In February 2022, Clariant's TexCare® series received Henkel's »Best Innovation Contributor Award Laundry & Home Care 2021 – Runner Up.« TexCare® is an advanced soil release polymer technology for laundry detergents that combines best-in-class dirt protection with environmental benefits: Polymers form a protective film on clothes that reduces staining and graying. This helps to reduce the number and temperature of washing cycles, which in turn saves water and energy.

In 2022, Clariant further strengthened its position in the Active Ingredients market with the launch of three new award-winning Active Ingredients. In particular, Clariant was awarded several BSB Innovation Awards 2022 for Active Ingredients: Gold for Rootness® Awake in the category »Environment,« Silver for Galactinol Advanced in the category »Actives,« Silver for Prunizen® in the category »Natural Products,« and Silver for the formulation concept Beauty Wizard in the category »Applied Concepts.« Clariant was also awarded the Ringier Technology Innovation Award 2022 for Prunizen® in China, which recognizes innovative ingredients based on criteria such as product efficacy, functionality, and safety.

Ongoing developments

Clariant is a worldwide technology leader in premium rheology modifiers for Personal Care, with the well-known Aristoflex® range. Premium rheology modifiers are a growing sector in Personal Care, driven by premiumization of skin care products aiming to deliver a sophisticated sensory experience to consumers. Clariant has been upgrading its premium rheology modifiers range with one additional product: Aristoflex® ECO-T. This Aristoflex® version was designed to address customers aiming to have the sophisticated premium sensory of Aristoflex® while improving the sustainability profile of their formulations. Aristoflex® ECO-T is a combination of a natural bio-polymer with Clariant polymerization technology, achieving a Renewable Carbon Index of 71% and a readily biodegradable profile, surpassing alternative technologies available in the market.



Business Area

Care Chemicals

Input

2.0 %

R&D spend of sales

1117.6

Raw materials procured in CHF m

38 788

Training hours

804.6

Energy consumption in m kWh

> 65

Active innovation projects

15

Production sites

1903

Number of raw materials procured

1049

Raw material suppliers

Output

2 099

Sales in CHF m

28 %

Growth in local currencies

47.0

Waste in thousand t

22.3 %

EBITDA margin

2 811

Staff in FTEs at year-end

0.88

Production volume in m t



CATALYSIS

General information

The Business Area Catalysis comprises the Business Unit Catalysts and the Business Line Biofuels & Derivatives. It develops, manufactures, and sells a wide range of catalyst products. They contribute significantly to value creation in its customers' operations, making use of finite raw materials and energy efficiently and effectively, ensuring quality and yield of processes.

The business area profits from several business drivers:

- the need to increase energy efficiency and sustainability in chemical production;
- the desire to decarbonize the chemical as well as the transport sectors;
- the search for sustainable, emission-free mobility solutions;
- growing interest in circular-economy solutions through the extensive use of renewable resources;
- increasing legal and regulatory requirements for renewable energy sources.

The Business Area Catalysis has 16 production sites (including joint ventures), 21 sales offices, and 11 contract R&D centers around the world.

Business Unit Catalysts

Building on a 165-year history, Business Unit Catalysts is a global catalyst manufacturer of energy-efficient technologies shaping a sustainable future for the chemical industry. The Business Unit Catalysts helps to decarbonize its customers' production processes and scale up the transition toward zero-emission chemicals and fuels. Through exceptional R&D and established expertise, its broad portfolio of catalysts and adsorbents provides innovative solutions that increase production throughput, lower energy consumption, and reduce hazardous emissions from industrial processes.

For example, the emission-control EnviCat®-S catalysts series removes harmful chemical compounds with an excellent conversion efficiency. The EnviCat®-S catalysts series also helps customers meet strict new regulations concerning the

improvement of air quality around the world. Another example is the catalyst AmoMax® 10 Plus, a new wustite-based catalyst that contributes to a more sustainable and profitable production of green ammonia. It delivers stable and reliable performance so that green ammonia producers maximize yields while minimizing operating expenses. And Clariant's tailor-made structured catalysts used in the award-winning EARTH® technology help to improve the efficiency of hydrogen production: EARTH® is proven to increase hydrogen yield by up to 20%, while decreasing CO₂ emissions by up to 10% and reducing makeup fuel consumption by up to 50% per unit of hydrogen produced.

Business Line Biofuels & Derivatives

Biotechnology provides unique opportunities for Clariant to meet its customers' demand for more sustainable production chains and for energy supply on a renewable basis. The business line's flagship product is the sunliquid® technology, which converts agricultural residues into cellulosic ethanol, a second-generation biofuel.

As of January 2023, the former Business Area Catalysis is replaced by the new Business Unit Catalysts, which now also includes the former Business Line Biofuels & Derivatives as one of its segments. This reorganization is part of the simplified organizational and leadership structure that is outlined in greater detail in the chapter → »Business model and strategy – organizational structure.«

CATALYSIS IN THE 2022 FINANCIAL YEAR

OVERVIEW

Business Area Catalysis comprises Business Unit Catalysts and Business Line Biofuels & Derivatives. Products of Business Unit Catalysts are used for chemical production, fuel processing, and emission control. Its »custom catalysts« business helps customers to scale up and commercialize their new catalyst recipes. Business

Line Biofuels & Derivatives complements the offering with sunliquid®, a ground-breaking technology to produce biofuels and biochemical intermediates from agricultural residues.

APPLICATIONS

Business Unit Catalysts

- Ammonia cracking
- Ammonia
- Custom catalysts
- Ethylene & derivatives
- Fischer-Tropsch
- Fuel cell
- Fuel upgrading
- Gas processing
- Hydrogen
- Hydrogenation
- Liquid hydrogen carrier
- Low-carbon ammonia
- Low-carbon methanol
- Methanol
- Methanol-to-propylene (MTP)

- Off-gas treatment for chemical plants and stationary engines
- Olefins purification
- On-purpose propylene
- Oxidation
- Polypropylene
- Refinery stream purification
- Styrene
- Zeolite powders

Business Line Biofuels & Derivatives

- Biocatalysis
- Cellulosic ethanol
- Cellulosic sugars
- Low-carbon advanced biofuels
- Residue-derived biochemical intermediates

PRIORITY SDGS

- SDG 7 Affordable and Clean Energy
- SDG 9 Industry, Innovation, and Infrastructure
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action

Market dynamics in 2022

2022 was an exceptionally challenging year. The war on Ukraine caused a major energy crisis that contributed to inflation of input costs. The strict zero COVID-19 policy in China depressed economic activity. Internationally, a long period of record-low interest rates came to an end. All chemical sectors in Europe relying on natural gas for energy and as a feedstock – such as ammonia and methanol – were challenged.



Regions with advantaged feedstock costs and ample hydrocarbon resources, such as the Middle East and North America, are profiting from the new energy environment. BU Catalysts, as a global player with a broad portfolio, can take advantage of the shifts in the chemical industry and grow with the advantaged regions.

The ongoing energy crisis has further accelerated the energy transition, as can be seen from the pace of project announcements. The Business Unit Catalysts is well positioned to capture these opportunities through its portfolio of technologies for conversion of green hydrogen.


How the Business Area Catalysis created value in 2022

In the full year 2022, sales in the Business Area Catalysis rose by 14% in local currency and by 9% in Swiss francs. This growth was mainly volume-driven. In response to the cost developments mentioned above, Clariant implemented price increases across its catalysts portfolio.

In 2022, the EBITDA margin decreased to 9.4% from 16.8% in the previous year. The main factors impacting this development included: (1) project cost and higher operational cost related to the new sunliquid® production plant in Romania; (2) a less favorable product mix during the first nine months of 2022, with a lower share of accretive Petrochemicals and Syngas catalyst sales and the suspension of all business with Russia; (3) temporary margin squeeze, which continued into September, due to pressure from raw material (peak in the second quarter of 2022), energy, and logistics cost.

Clariant's energy-efficient catalyst technologies made a significant contribution to climate protection in 2022. They enabled the emission reduction of more than 35 million tons of carbon dioxide equivalent (CO₂e) in customers' processes in the chemical industry.

FEATURED STORY



Nitrous oxide – catching an elusive villain

In the fight to protect the climate, Clariant has developed a catalyst that effectively cuts down nitrous oxide emissions and will give the opportunity to ten companies worldwide to try it for free.

[Learn more](#)

A significant part of the emission reductions comes from customers in the steel industry, a sector otherwise responsible for 7% of global CO₂ emissions. Clariant's reformer catalysts are used in the Direct Reduction of Iron (DRI) process of iron production, which in turn feeds into the production of steel.

Another key contributor is Clariant's solutions for the catalytic abatement of nitrous oxide (N₂O) emitted during the production of nitric acid. Clariant's catalysts offer an economical solution for removing up to 99 % of nitrous oxide emissions by converting them into harmless nitrogen and oxygen.

New products

Clariant's EcoCircle initiative supports the transition from a one-way plastics value chain toward a circular plastics economy. One way to do this is to use mixed plastic waste for the production of pyrolysis oils, a feedstock for valuable chemicals. Launched in October 2022, Clariant's new HDMax® catalysts and Clarit™ adsorbents are designed for the purification of these pyrolysis oils. Used together, the adsorbents extend the life of the catalyst by reducing impurities in the production process. Producers benefit from highly efficient impurity removal to achieve pyrolysis oil that is compatible with ethylene plants. → See also the Natural Resources chapter

New initiatives

The Business Area Catalysts supports the decarbonization of the chemical industry in various ways. For example, catalysts play a major role in the production of so-called green ammonia, which is produced using renewable energies. Clariant will supply a new green ammonia plant by KBR in Duqm, Oman, with its next-generation AmoMax® 10 Plus ammonia synthesis catalyst. Once completed, the plant will use solar and wind energy to produce 300 tons of ammonia per day, avoiding 270 000 tons of CO₂ each year compared to an average traditional ammonia plant. Clariant also supplies another groundbreaking green ammonia project in Australia with its award-winning AmoMax® Casale ammonia synthesis catalyst. The joint project of The Hydrogen Utility and Case starts with the construction of two pilot plants that will avoid around 100,000 tons of CO₂ per year.

In November 2021, Clariant launched a global climate campaign to reduce nitrous oxide (N₂O). N₂O is a by-product of nitric acid production and around 300 times more harmful to the climate than CO₂. Of the approximately 500 nitric acid plants operating globally, more than half run without N₂O abatement. Such producers without abatement were able to apply for a free first fill of Clariant's EnviCat® N₂O-S catalysts. These catalysts remove up to 95% of N₂O generated in nitric acid production.

Clariant's SynDane® catalysts will be used in one of the world's largest plants for maleic anhydride, an important base material for biodegradable plastics. The plant by Wanhua Chemical Group is located in China's Shandong province and will commence operations in 2023. It will be the first plant to use a new production technology, which includes the use of SynDane® catalyst. The increased efficiency of the production process results in planned energy savings of up to 24 000 MWh each year.

Certifications and awards

In June 2022, the American Chemistry Council (ACC) awarded Clariant with the Sustainable Leadership Award 2022 in the category »Environmental Protection.« The accolade is in recognition of Clariant's global climate initiative for N₂O reduction (see above).

In October 2022, Clariant and its engineering and technology partner Technip Energies received two industry awards for the groundbreaking EARTH® technology: EARTH® was selected as the »Best Process Innovation« in the ICIS Innovation Awards 2022 and as the winner in the »Best Refining Technology« category of the Hydrocarbon Processing Awards 2022. In parallel, EARTH® was installed at a large-scale hydrogen plant in one of Europe's biggest refineries, resulting in an expected increase in production capacity of up to 20%.



Q&A

Jens Cuntze

Business President Catalysts and APAC
Member of the Executive Steering
Committee

You have been with Clariant since 2003, and led part of the Catalysts business 2013-2018. With this experience, what is your perspective looking forward?

Through my tenure and the business and functional roles that I have held in the past, I am well acquainted with many of our customers' industries, value propositions, and colleagues. This gives me confidence in our ability to develop our company toward our medium-term strategy. I am looking forward to driving the business with the newly appointed leadership team.

What is your target for Business Unit Catalysts?

Our mission is to create greater chemistry – between people and planet – by supplying innovative, sustainable, and economical catalyst solutions that help our customers increase production throughput and maximize their profitability. An excellent example is EARTH® technology, which we recently developed and commercialized with Technip Energies. It is a groundbreaking solution for blue hydrogen production, proven to increase yield by up to 20%, decrease carbon emissions by up to 10%, and reduce makeup fuel consumption by up to 50%. EARTH® is carbon capture-ready and can play a key role in global efforts to reduce emissions. With regard to short-term priorities, our financial performance in 2022 was below our

ambition standards and historical levels. Therefore, improving our performance is an important priority.

Where do you see the biggest market potential for Catalysts in the coming years?

Our current sales are well balanced between EMEA, America, China, and the rest of Asia. Further progress will come from regions with strong GDP-based growth potential as well as from markets that will invest in new capacity based on competitive feedstock. In the medium- and long-term, we see additional expansion opportunities through new technologies and the development toward more sustainable solutions that enable decarbonization. As a leading global catalysts supplier with a broad product portfolio, we are very well positioned to participate in these growth markets.

You are also President of APAC. What is your view on the growth potential of this region?

APAC will continue to be a strong growth driver due to an above-average increase in GDP and a higher share of local production. This holds true for China, India, and Southeast Asia. Although we already have a strong footprint in APAC, we are further enhancing our presence. Our ongoing expansion across our operations in China will drive a stronger regional business model by developing and producing in the region, for the region.

Academic partnerships

Clariant has partnerships with prominent global academic institutions. For example, the strategic academic cooperation of Clariant and the Technical University of Munich, called »MuniCat,« has brought about more than 30 completed projects since its inception in 2011. »MuniCat« has been saving innovative intellectual property and technical know-how for Clariant and has been crucial in developing improved and new catalyst systems. Clariant and the Technical University plan to further cooperate to develop new catalyst technologies for trendsetting sustainable transformations. The research cooperation with the ETH Zurich is another example of Clariant's academic partnerships. Clariant has awarded the winners of the ETH Talent program for their outstanding research in the field of Catalysis with the aim of supporting the sustainable transformation in the chemical industry.

Ongoing developments

Clariant has been participating in a project for more efficient hydrogen transport since the end of 2021. Project »AmmonoRef« is funded by the German Federal Ministry of Education and Research in the amount of EUR 14 million. It aims to develop ammonia-cracking catalysts and processes capable of industrial-scale and long-distance hydrogen transport. Converting hydrogen to ammonia for transportation and cracking ammonia back into hydrogen at the point of use is an economically viable transportation method. Clariant's role in AmmonoRef is to use its profound knowledge of the chemical reactions and catalytic processes to develop new and improved generations of its existing ammonia-cracking catalysts.



Business Area Catalysis

Input

6.5 %

R&D spend of sales

316.8

Raw materials procured in CHF m

29 248

Training hours

626.7

Energy consumption in m kWh

> 95

Active innovation projects

15

Production sites

725

Number of raw materials
procured

551

Raw material suppliers

Output

989

Sales in CHF m

14 %

Growth in local currencies

34.0

Waste in thousand t

9.4 %

EBITDA margin

2 161

Staff in FTEs at year-end

0.06

Production volume in m t



NATURAL RESOURCES

General information

In the 2022 financial year, the Business Area Natural Resources offered high-performing products and custom-tailored solutions for the mineral, oil, and gas extraction businesses, as well as for food, plastic, coating, adhesive, foundry, and inks applications. It consisted of three business units: Oil and Mining Services, Functional Minerals, and Additives.

The business area profited from several business drivers:

- stricter global chemical regulations and customer expectations that drive sustainability in oil, mining, and purification as well as circularity in plastic, coating, and adhesive;
- increased demand for minerals and lightweight, sustainable fire safety and thermoresistance requirements for digitalization and e-mobility;
- consumer demand for enhanced health and safety;
- growing regulation regarding biofuels, such as the Renewable Energy Directive (RED II).

Oil and Mining Services

The Business Unit Oil and Mining Services is a leader in the development, manufacture, application, and supply of chemicals. It provides products to over 700 customers in the oil, gas, mining, and refinery industries as well as services for many customers in the oil and gas industries. The largest segment of the business unit is Oil Services. The products are applied at different points in the oil process: drilling operations, completions, and production. They help to prevent corrosion of metal components, to maintain flow, and to separate fluids into clean oil and clean water. The mining products of the business unit are used to separate valued minerals in the processing of mineral ores by flotation and to deal with the waste materials of this process, the so-called »tailings.« The business unit also provides the global mining industry with emulsifiers for explosives, as well as cold-flow additive applications for middle distillates in refineries, including diesel, home heating oils, and biofuels.

Most of these products are customized for the needs of individual mines or oil production challenges. Technical experts from the business unit analyze the customer applications and develop unique solutions. This results in over 5000 custom-made formulations developed using industry insights and state-of-the-art statistical data analysis, combined with high-throughput experimentation methods.

The business unit's customers are located in the major oil- and mineral-producing regions around the world. The production facilities of the business unit are located in Brazil, Chile, the United States, Mexico, Australia, South Africa, Spain, and Germany.

In late 2022, Clariant agreed to enter a definitive transaction documentation to divest its North American Land Oil business to Dorf Ketal, a specialty chemicals manufacturer and service provider headquartered in India. The transaction is subject to customary closing conditions and is expected to be consummated in the first quarter of 2023.

Functional Minerals

The Business Unit Functional Minerals is a leading provider of mineral-based specialty products. It operates a fully integrated value chain – from the exploration and mining of bentonites to the processing of finished products to the application of technical know-how at the customer's operations. Its production sites are located across the globe, offering over 1 500 products tailored to the needs of more than 3 400 customer across a diverse range of industries.

For edible oils and fats purification, for example, the business unit offers Tonsil®, a highly active adsorbent that is 100% natural. Looking back on over a century of success in the market, the product is continually being developed to provide optimum efficiency. In addition, the Tonsil® RNF series offers producers of biofuels and renewable fuels specialty adsorbents for the purification of waste oils and fats to significantly enhance the efficiency and economics of their production process. The product removes impurities that occur in waste oils and fats, thus prolonging the life and efficiency of high-value catalysts further

NATURAL RESOURCES IN THE 2022 FINANCIAL YEAR

OVERVIEW

The Business Area Natural Resources comprises Functional Minerals, Oil and Mining Services, and Additives. Functional Minerals operates a fully integrated value chain, from the exploration and mining of bentonites to the processing of finished

products to the application of technical know-how at the customer's operations. Oil and Mining Services provides innovative chemistry, technology, and service solutions for the oil, mining, and refinery industries. Additives serves markets for plastics, coatings and

inks, adhesives, agro and care applications ranging across electrical and electronics, packaging, transportation, consumer goods, building and construction, textile, as well as agriculture industries.

APPLICATIONS

Business Unit Functional Minerals

- Bio- and renewable fuel purification
- BTX catalysts
- Cargo and device protection
- Cat litter
- Chemical recycling
- Civil engineering
- Clay specialties
- Detergent additives
- Edible oil purification
- Feed additives
- Foundry additives
- Kerosene and jet fuel purification
- Paper additives
- PVC stabilizers
- Wastewater treatment

Business Unit Oil and Mining Services

- Chemical delivery and data management systems
- Cold flow improvers
- Emulsifiers for explosives
- Fluid separation
- Froth flotation
- Oilfield integrity management
- Oil flow assurance
- Pelletizing
- Pour point depressants
- Well Service Additives

Business Unit Additives

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

PRIORITY SDGS

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



downstream of the renewable diesel and sustainable aviation fuel production.

Other products of the business unit include GEKO™ natural molding sand additives and ECOSIL™ lustrous carbon former, which help foundries across the globe to achieve precision castings. Furthermore, for customers in need of cargo and device protection, various solutions are offered. DESI PAK® desiccants achieve exceptional results in protecting goods from moisture, and DESVOCANT™ VOC adsorbents help to control and eliminate the accumulation of volatile organic compounds (VOCs) due to the off-gassing of products enclosed in packaging to fully loaded shipping containers. In addition, Container Dri® II cargo desiccants protect shipments from moisture damage. GEKO™, ECOSIL™, and Container Dri® II all carry the Clariant EcoTain® label for products with outstanding sustainability advantages.

Additives

The Business Unit Additives is a major supplier of flame retardants, performance additives, and advanced surface solutions for functional effects in plastics, coatings and inks, adhesives, agro and care applications. With production sites in Europe and China, it produces about 300 different products for approximately 1500 customers worldwide.

The products of the business unit are used in many different applications. For example, the halogen-free Exolit® flame retardants comply with fire safety standards for buildings, electrical and electronic equipment, transportation (including e-mobility), and other applications. AddWorks® solutions are ready-to-use packages that prevent oxidation, dissipate electric charge accumulation, and improve heat, light, and weather resistance. Licocene® stands for advanced surface solutions consisting of polymers and waxes. They provide the right balance of adhesion and cohesion while offering high heat resistance. And the bio-based Licocare® RBW Vita range offers high-performing surface solutions for demanding plastic, coating, and agricultural applications. Made from non-food-competing rice bran wax, these products have a Renewable Carbon Index of at least 98% and contribute to a substantial reduction of CO₂ emissions.

As of January 2023, the Business Units Functional Minerals and Additives are combined into a single Business Unit »Adsorbents & Additives,« while Business Unit Oil and Mining Services has become a part of the new Business Unit »Care Chemicals.« This reorganization is part of the simplified organizational and leadership structure that is outlined in greater detail in the chapter →»Business model and strategy – organizational structure.«

Market dynamics in 2022

In 2022, plastic, coating, and adhesive markets continued to rebound post-COVID-19, but were affected by ongoing disruptions in global supply chains and production shutdowns due to critical raw material shortages and inflationary prices. Sustainability continued to be a main global trend in the markets that are relevant to the business area. The year saw further progress in stricter global regulations and growing customer expectations concerning CO₂ emissions, waste reduction, circularity, and sustainability.

The ongoing recovery of the global industrial sector, especially in transportation, drove growth in the plastic and coating markets in particular. The mining industry also improved, driven by increased mineral production to support electrification, high commodity prices, and an increased focus on improving the sustainability of mining operations. Oil production volumes recovered. However, additional investment in the upstream oil and gas industry is needed to sustain the global production demand and drive the transition to cleaner energies. As the refining industry is also recovering, it explores ways to shift toward bio- and renewable fuels and solutions.

Consumer behavior changed in different ways that are relevant for the business area. This change includes greater concern for health and safety and an increased consumption of vegetable oils. Furthermore, tremendous stimuli from governments and increased commitments from operators, including airlines, were the main drivers for the continued demand for biofuels and, more notably, the strong growth for renewable fuels and sustainable aviation fuel (SAF).

How Business Area Natural Resources created value in 2022

In the full year 2022, sales in the Business Area Natural Resources increased by 25% in local currency and by 20% in Swiss francs, driven by both higher prices and volumes. All three Natural Resources business units contributed to the sales growth, which was observed across all regions. Growth in Additives was particularly strong overall and driven by automotive (e-mobility) as well as electronic applications, among others. Growth in Oil and Mining Services came from increased market demand, most notably in Oil Services, as well as successful price measures. Functional Minerals saw growth in its key business lines, Purification and Cargo & Device Protection especially. The EBITDA margin for 2022 increased to 18.0% from 17.0% year on year as a result of the strong top-line advance, which was propelled by both pricing and higher volumes and thus resulted in improved operating leverage.

New products

In 2022, the business area launched several new products: Licowax® AS 100 TP, a new anti-scratch additive for PP & TPO formulations that helps extend the service life of consumer goods and boosts reuse potential of plastics used in consumer applications. New AddWorks® AGC 970 is Clariant's latest light stabilizer solution for polyethylene agricultural films that offers the mulch segment a step-up in product durability. Licocare® RBW 560 TP Vita is a bio-based wax for reduced cycle times and easier processing of injection-molded polyester compounds. The benefits make it particularly attractive to formulators for use in the E&E and transportation industries. Clariant also introduced new products in the Exolit® OP 1400 series with two new grades specifically to help polyamides meet safety regulations for unattended household electrical appliances – like white goods, for example.



FEATURED STORY



Can biomass waste improve manufacturing efficiencies and circularity?

Licocare® RBW Vita waxes are a positive contribution to a circular carbon economy, carrying Clariant's »Vita« designator because of their exceptionally high share of renewable carbon content – in this case 100%.

[Learn more](#)

In October 2022, Clariant also unveiled a product portfolio for the emerging market of chemical recycling as an advanced solution for plastics that cannot be recycled mechanically. The new Clarit™ adsorbents and HDMax® catalysts are designed for the purification of pyrolysis oil made from mixed plastic waste to achieve cracker-compatible feedstock. The portfolio answers the need for flexible and economical solutions to remove a wide range of contaminants, regardless of process configuration and plastic waste feedstock. Used together, the adsorbents extend the lifetime of the catalyst by reducing impurities. → See also the Catalysis chapter



Q&A

Angela Cackovich

Business President Adsorbents & Additives and EMEA
Member of the Executive Steering Committee

You joined Clariant this year, having held management positions in various international companies before. What have been your impressions so far?

I see a strong collaboration between employees and teams at Clariant. Sharing information and taking all perspectives into account is part of our DNA. Additionally, I see our teams not only having tremendous know-how around technologies, applications, and customers, but also a very professional approach. That is a great basis for capturing the many opportunities in front of us, as our customers need access to renewable materials and to products and solutions enabling circularity.

Your new role here is threefold: You head a newly formed business unit, as well as Clariant's EMEA region, and you are also a member of the Executive Steering Committee. How do you bring these different responsibilities together?

These are not necessarily different responsibilities, as our ongoing transformation process and our resulting changes in the organizational structure resulted in reduced hierarchy and increased empowerment. As a member of the Executive Steering Committee, my responsibility within Clariant is broader, but I also represent the Business Unit Adsorbents & Additives, as well as the EMEA region.

Combining these responsibilities works quite well thanks to empowered teams and clear roles and responsibilities in the global business unit and in the regional organization.

What are your plans for the BU?

The key markets of our Business Unit Adsorbents & Additives are changing. Sustainability and the circular economy are big disrupters for our customers' value chains. These developments generate significant opportunities for our sustainable offerings, such as in electronics, e-mobility, packaging, adhesives, food and renewable fuels. We will continue to improve our CO₂ footprint and handprint. We also invest in innovation and assets to grow in applications triggered by regulations, customer needs, and brand owner commitments. In this way, we will achieve above-average growth in our key markets and lead with sustainability-driven innovative solutions.



New initiatives

In the context of the EU plans to phase out all internal combustion engine vehicles by 2035, the three-year EU-funded → **Revolution Project** brings together organizations from ten countries across the entire automotive value chain. The project is aimed at developing lightweight car parts and increasing circularity by facilitating the recycling of materials and use of recycled polymers. Business Unit Additives helps to validate and develop solutions that push plastic materials beyond current performance and sustainability boundaries and help to meet minimum recycling targets for plastic components in vehicles as expected in the upcoming EU legislation. Solutions from Clariant include additives for maintaining high-quality polymer recyclate and for increasing recycled content in finished lightweight recyclable parts.

In a unique collaboration for the Personal Care industry, Clariant, Siegwark, Borealis, and Beiersdorf aim to create recyclable consumer packaging for cosmetic applications based on 100% retrieved plastic packaging waste. The pioneering initiative, named »Design4Circularity,« provides design innovations and insights concerning design for circularity principles. Circular packaging supports reduced plastic waste, less use of virgin plastic material, and reduced climate impact.

As Clariant embraces its new purpose-led strategy, Oil Services introduced new solutions and technologies designed for customers with sustainability at the forefront. As part of this initiative, the business line launched the → **D3 PROGRAM** – a novel program designed to support carbon reduction and sustainability in the oil and gas industry. The initiative optimizes onshore and offshore operations and introduces more environmentally acceptable formulations as energy demand soars. The D3 PROGRAM embodies Clariant's new direction as a company and provides workable solutions for the energy industry.

New locations

In October 2022, Clariant closed the acquisition of BASF's Attapulgit business assets. The business is well recognized for its unique combination of mineral quality, mine reserve size, and strategic location. The newly integrated site and 70 highly qualified employees will increase the production capacity of Clariant adsorbents in North America to cater for the growing market of renewable fuels purification.

Following the start of construction for its first flame retardant production facility in China, Clariant announced an investment in a second production line in October 2022. The additional investment will further expand access to innovative and sustainable fire protection solutions and related technical expertise. This supports the significant growth of engineering plastics applications in e-mobility, electrical and electronics segments, transportation, 5G communications, infrastructure, and appliances. Clariant is aiming to commence production in Daya Bay around mid-2023, with the second line due to come onstream within 2024.

In October 2022, Clariant launched its Decarbonization Minerals Program. This program is dedicated to helping the mining industry meet the increasing demand for decarbonization minerals and rare earths. Clariant is investing resources to develop new flotation reagents and other processing chemicals so that mining companies can optimize their beneficiation plants. In addition, Clariant's Competence Center for Decarbonization Minerals in Dubai helps customers optimize metallurgical performance, maximize recovery and grade, and create more sustainable solutions for the processing of decarbonization minerals.

Certifications and awards

For more than a decade, DSM Engineering Materials and Clariant Additives have cooperated in a commercial relationship and a deep technical partnership with several joint projects. In the field of sustainability, the companies have had exchanges on product carbon footprint methodologies and are now looking into ways to improve the recyclability of flame-retarded polyamides. In November 2022, Clariant's efforts were awarded the DSM Sustainability Award.

The Business Unit Oil and Mining Services formulations are recognized globally for complying with rigorous environmental regulations. In 2022, Clariant Oil Services was named a finalist in Chemical Week's Innovation Awards for its PHASETREAT WET solution. The product was selected for its novel delivery system, which has a significant impact on sustainable, offshore operations with optimized logistics and dose rates reducing carbon emissions. Furthermore, the business unit was named a finalist in five categories of the 2022 World Oil Awards. The industry awards program honors the best upstream technologies and achievements and celebrates the development of exceptional solutions. Most notably, Clariant was recognized in the Health, Safety, Environment/ Sustainable Development Offshore and Onshore Award categories, which are awarded to companies that have made significant strides in protecting and enhancing the environment and communities where they operate.

Ongoing developments

Clariant has extended the existing renewable raw material mass balance certification REDCert² with the International Sustainability and Carbon Certification (ISCC PLUS) for Exolit® OP Terra flame retardants and Licocene® Terra waxes and polymers.

Natural drying is at the core of Clariant's Adsorbents business' climate-neutral and sustainable operations program. In 2022, the Adsorbents business continued to reduce fossil-fueled thermal drying of bentonites by expanding its natural-drying capacity at several sites in Asia and Europe. This resulted in substantial and sustainable CO₂ reductions and significant cost efficiencies through reduced input fuel and maintenance costs. The Adsorbents business will continue to add natural-drying capacity to further reduce the cost and environmental impact of its operations while preserving or enhancing the quality and consistency of the finished products.



Business Area

Natural Resources

Input

1.5 %

R&D spend of sales

823.8

Raw materials procured in CHF m

16 165

Training hours

1161.2

Energy consumption in m kWh

>160

Active innovation projects

40

Production sites

2 390

Number of raw materials procured

1173

Raw material suppliers

Output

2110

Sales in CHF m

25 %

Growth in local currencies

189.1

Waste in thousand t

18.0 %

EBITDA margin

3 800

Staff in FTEs at year-end

2.87

Production volume in m t



DISCONTINUED OPERATIONS

On 3 January 2022, Clariant's Pigments business was divested to a consortium comprising Heubach Group and SK Capital Partners.

As the Pigments business was sold on 3 January 2022, no sales were recorded in the full year 2022 compared to CHF 912 million in the previous year. The 2022 net result from discontinued operations was a gain in the amount of CHF 217 million, which mainly resulted from the Pigments divestment proceeds, compared to CHF 81 million in the previous year.

On 1 December 2022, Clariant and SK Capital / Heubach Group entered into an agreement that foresees a CHF 55 million payment to Clariant (due no later than 2029, therefore representing a discounted value of CHF 38 million) as a settlement of the final purchase price for the Pigments business. This agreement resulted in an increased gain on disposal after taxes in 2022 in the amount of CHF 210 million versus CHF 197 million recorded in the first half year 2022.



Five-Year Group Overview

CONTINUING OPERATIONS IN CHF M

	2022	2021	2020 ¹	2019	2018
Sales	5 198	4 372	3 860	4 399	4 404
Change relative to preceding year					
in Swiss francs (%)	19	13	-12	0	-
in local currencies (%)	24	15	-5	3	-
EBITDA	810	708	597	461	607
EBITDA before exceptional items	893	760	623	740	739
EBITDA margin (%)	15.6	16.2	15.5	10.5	13.8
EBITDA margin before exceptional items (%)	17.2	17.4	16.1	16.8	16.8
Operating income	72	440	317	165	348
Operating income before exceptional items	617	493	354	444	480
Net result	-101	292	130	-34	213
Basic earnings per share (in CHF)	-0.42⁴	0.81	0.32	-0.17	0.59
Distribution per share (in CHF)	0.42³	0.40	0.70	0.55	0.55
Operating cash flow	502²	363 ²	369 ²	509 ²	530 ²
Return on invested capital (ROIC) (%)	1.5	9.9	7.4	3.0	7.9
Return on invested capital (ROIC) before exceptional items (%)	13.2	11.1	8.2	9.0	9.0
Investment in property, plant, and equipment	209²	357 ²	288 ²	273 ²	237 ²
Research & Development expenditures	160	155	172	207 ²	209 ²
Depreciation and amortization	276²	267 ²	269 ²	330 ²	325 ²
Net working capital	757	693	500	713	1 145 ²
in % of sales	14.6	15.9	13.0	16.2	17.3
Total assets	6 188²	7 038 ²	6 932 ²	7 979 ²	7 981 ²
Equity (including noncontrolling interests)	2 513²	2 544 ²	2 416 ²	2 677 ²	2 970 ²
Equity ratio (%)	40.6²	36.1 ²	34.9 ²	33.6 ²	37.2 ²
Net debt	750²	1 535 ²	1 040 ²	1 372 ²	1 374 ²
Gearing (%)	30²	60 ²	43 ²	51 ²	46 ²
Employees (in FTEs)	11 148²	13 374 ²	13 235 ²	17 223 ²	17 901 ²

¹ Restated

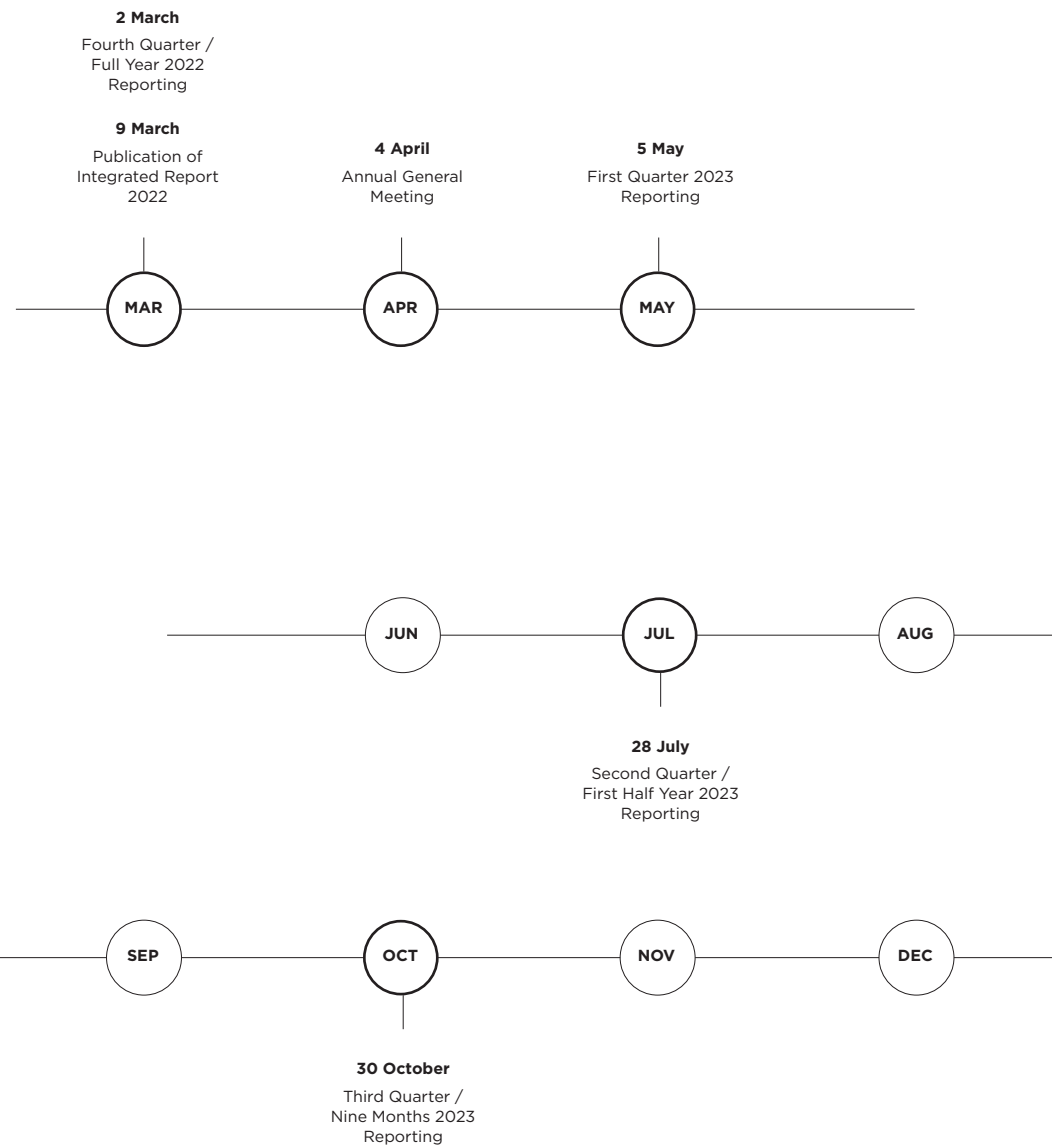
² Including discontinued operations

³ Recommended by the Board of Directors, pending approval at the Annual General Meeting 2023

⁴ Including impairments of CHF 462 million



Financial Calendar 2023





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Note about forward-looking statements

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→ Glossary