

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Financing Framework

Clariant AG  
27 July 2022

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Finance Securities including, but not limited to, Green Bonds and take up Green Loans</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• International Capital Market Association (ICMA) Green Bond Principles (GBP) (06.2021)</li><li>• Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA) Green Loan Principles (GLP) (02.2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Clariant AG Green Financing Framework (as of 19.07.2022)</li><li>• Clariant AG Eligibility Criteria (as of 19.07.2022)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as there is no material change to the Framework</li></ul>

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## SCOPE OF WORK

Clariant AG (“Clariant”, “the Issuer” or “the Company”) commissioned ISS ESG to assist with its Green Finance Securities by assessing three core elements to determine the sustainability quality of the instruments:

1. Clariant’s Green Financing Framework (19.07.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).
3. Green Finance Securities link to Clariant’s sustainability strategy – drawing on Clariant’s overall sustainability profile and issuance-specific Use of Proceeds categories.

## CLARIANT BUSINESS OVERVIEW

Clariant AG engages in the development, manufacture, distribution, and sale of specialty chemicals. It operates through the following segments: Care Chemicals, Catalysis, Natural Resources, and Corporate. The Care Chemicals segment is composed of the industrial and consumer specialties with a focus on applications and formulations for personal care, home care, crop solutions, paints and coatings, aviation, construction chemicals, and industrial lubricants. The Catalysis segment develops, manufactures, and sells catalyst products for the chemical, fuel, and automotive industries. The Natural Resources segment offers oil and mining services, functional minerals and additives. The company was founded in 1995 and is headquartered in Muttenz, Switzerland.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP and GLP</b></p>	<p>The issuer has defined a formal concept for its Green Finance Securities regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's GBP and LMA, LSTA, APLMA's GLP.</p>	<b>Aligned</b>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green Finance Securities will (re-)finance eligible asset categories which include: Circular economy adopted products, production technologies and processes and/or certified eco-efficient products (Bio-based solutions), Circular economy adopted products, production technologies and processes and/or certified eco-efficient products (Biofuels and chemicals from residual waste), Energy efficiency (sun drying), Energy efficiency (biomass energy), Energy efficiency (renewable energy), Energy efficiency (heat integration), Pollution prevention and control (protecting water), Pollution prevention and control (managing air emissions), Pollution prevention and control (preventing waste).</p> <p>The Biofuels and chemicals from residual waste use of proceeds category has a limited contribution to SDG 7 'Affordable and clean energy' and a significant contribution to SDG 13 'Climate action'.</p> <p>The remaining use of proceed categories improve the company's operational impacts and mitigate potential negative externalities of the issuer's sector on SDGs 3 'Good health &amp; well-being', 6 'Clean water &amp; sanitation', 7 'Affordable &amp; clean energy', 12 'Responsible consumption &amp; production' and SDG 13 'Climate action'.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	<b>Positive</b>
<p><b>Part 3:</b></p> <p><b>Green Finance Securities link to issuer's sustainability strategy</b></p>	<p>The Use of Proceeds financed through these Green Finance Securities are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Securities is clearly described by the issuer.</p>	<b>Consistent with issuer's sustainability strategy</b>

<sup>1</sup> ISS ESG's evaluation is based on the Clariant's Green Financing Framework (19.07.2022) and on the ISS ESG Corporate Rating updated on the 23.05.2022 and applicable at the SPO delivery date.

## ISS ESG SPO ASSESSMENT

### PART I: ALIGNMENT WITH ICMA'S GBP AND LMA, LSTA, APLMA'S GLP

This section describes ISS ESG's assessment of the alignment of the Clariant's Green Financing Framework (dated 19.07.2022) with the ICMA's GBP and LMA, LSTA, APLMA's GLP.

GBP/GLP	ALIGNMENT	ISS ESG'S OPINION
1. Use of Proceeds	✓	<p>ISS ESG considers the Use of Proceeds description provided by Clariant's Green Financing Framework as <b>aligned</b> with the ICMA's GBP and LMA, LSTA, APLMA's GLP.</p> <p>The issuer's green categories align with the project categories as proposed by the ICMA's GBP and LMA, LSTA, APLMA's GLP and criteria are defined in a clear and transparent manner. Environmental benefits are described.</p> <p>The issuer provides a qualitative analysis of the environmental and/or social benefits of the project categories and defines exclusion criteria for harmful project categories, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>ISS ESG considers the Process for Project Evaluation and Selection description provided by Clariant's Green Financing Framework as <b>aligned</b> with the ICMA's GBP and LMA, LSTA, APLMA's GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process that ensures compliance with applicable laws and regulations as well as Clariant's Sustainability Policy that reflects the company's long term goals for social and environmental sustainability as well as commitment to ethical and sustainable practices. A Project Risk Assessment Guideline also describes how risks of technical projects are to be ascertained, assessed and documented. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>The issuer clearly defines responsibilities, involving various stakeholders (representatives from the Group Innovation &amp; Sustainability and Group Finance), in the process for project evaluation and selection and is transparent about it, which is in line with best market practices.</p>

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>ISS ESG finds that the Management of Proceeds proposed by Clariant's Green Financing Framework as <b>aligned</b> with the ICMA's GBP and LMA, LSTA, APLMA's GLP.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer commits to segregate the proceeds collected by having them in a separate register managed by the company with proceeds yet to be allocated towards Eligible Assets placed in the liquidity reserves and managed as such.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>ISS ESG finds that the allocation and impact reporting proposed by Clariant's Green Financing Framework as <b>aligned</b> with the ICMA's GBP and LMA, LSTA, APLMA's GLP.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Clariant explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually, until the bond matures.</p> <p>The issuer is transparent about the information reported in the impact report, in line with best market practice.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE GREEN FINANCE SECURITIES TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the Green Finance Securities's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION <sup>2</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Circular economy adopted products, production technologies and processes and/or certified eco-efficient products</b> - Financing of capital expenditures and related R&amp;D for products made from renewable and/or residue feedstock as well as the production facilities and related infrastructure. Eligible Assets relate to the complete value chain including end of life.</p> <p><i>Biofuels and chemicals from residual waste - Financing of the production facilities, test plants and related infrastructure required to</i></p>	<b>Limited Contribution</b>	

<sup>2</sup> ISS ESG review is limited to the examples of projects spelled out in the Framework.

*produce bio-based chemicals such as ethanol from 100% agriculture residues feedstock, where the fully segregated process reduces CO<sub>2</sub> emissions ~95% compared to gasoline. The technology used for Bioethanol production is also recognized as making substantial contribution to the technical screening criteria of the EU Taxonomy as of December 2021. Clariant technology also fits the substantial contribution to the technical screening criteria established for activities falling under the 'Manufacture of biogas and biofuels for use in transport and of bioliquids' in the EU Taxonomy as of December 2021.*

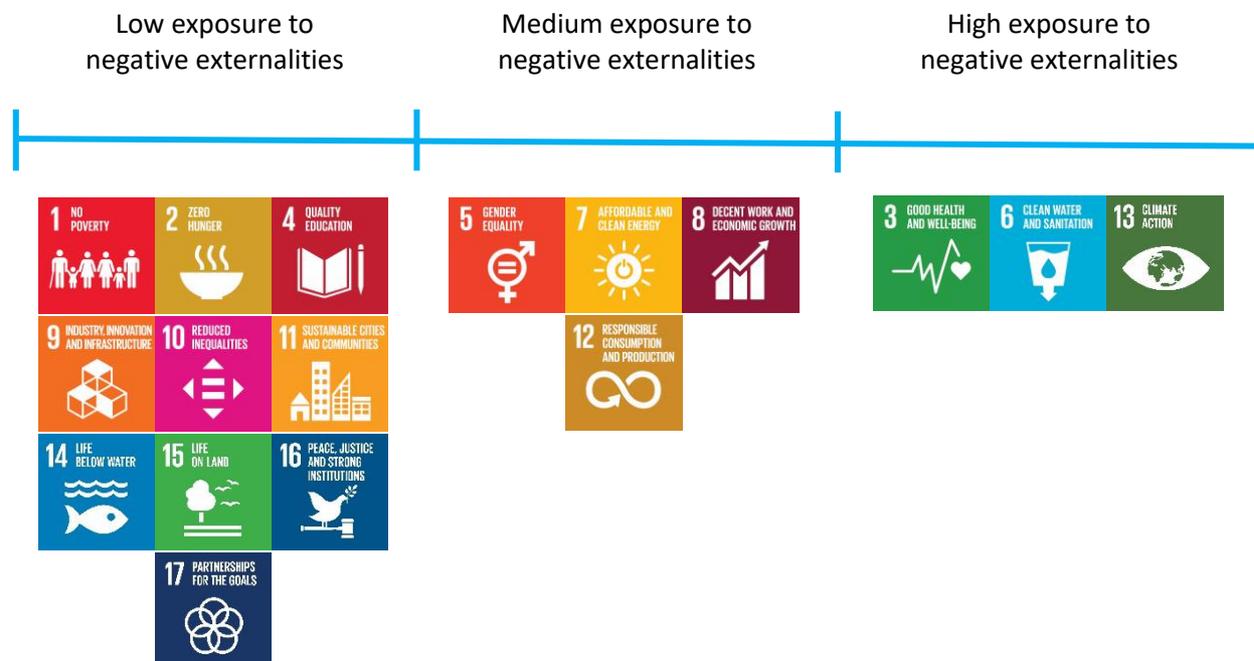
**Significant Contribution<sup>3</sup>**



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>4</sup> in the Chemicals industry (to which Clariant belongs) are the following:



<sup>3</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an Issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Assets compliance with EU taxonomy is not evaluated under the SPO.

<sup>4</sup> Please, note that the impact of the Issuer's products and services resulting from operations and processes is displayed in section 1 of the SPO.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (Processes)	OPERATIONAL IMPACT IMPROVEMENT <sup>5, 6</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Circular economy adopted products, production technologies and processes and/or certified eco-efficient products</b> - Financing of capital expenditures and related R&amp;D for products made from renewable and/or residue feedstock as well as the production facilities and related infrastructure. Eligible Assets relate to the complete value chain including end of life.</p> <p><i>Bio based solutions - Financing of the production facilities and related infrastructure required to produce sustainable bio-based plastic additives. The bio-based additives are made from waste rice material, which is a non-food competing by-product of renewable feedstock, and have a renewable carbon index (RCI) of 100% as well as a Cradle-to-Cradle GOLD Certification.</i></p> <p><i>The proceeds will be exclusively allocated to finance, or refinance, the bio based additive investments.</i></p>		 
<p><b>Renewable energy and energy efficiency<sup>7</sup></b> - Financing of energy efficiency initiatives and related infrastructure for Clariant's CO<sub>2</sub> reduction project</p> <p><i>Energy efficiency - Financing of energy efficiency projects which enable the switch away from fossil fuel such as diesel, coal or natural gas to renewable and sustainable alternatives such as sun drying (avoiding fossil based thermal drying by replacing it via sun and wind drying on large areas or in greenhouses), biomass (modification of coal fired boiler to use agro pellets composed of biomass processed from crop residues), renewable energy (on-sight installation to exchange natural gas with biomethane from landfill gas), heat integration (heat from exothermal reactions recovered with additional heat exchangers). In each case the project results in a minimum efficiency improvement in the range of 10 to 100%.</i></p>		 

<sup>5</sup> Limited information is available on the scale of the improvement as no narrow threshold is provided. ISS ESG only displays the direction of change.

<sup>6</sup> ISS ESG review is limited to the examples of projects spelled out in the Framework.

<sup>7</sup> The energy efficiency projects financed under this framework could improve the energy efficiency of both manufacturing and/or non manufacturing sites.

<sup>8</sup> ISS ESG notes that this UoP category is part of a broader strategy to achieve an established third-party standard. In this case, Clariant is financing activities that contribute to its SBTi-validated GHG emissions reduction target.

**Pollution prevention and control** - Financing of capital expenditures and related R&D for pollution prevention and control initiatives and related infrastructure for the protection of water as well as the management of air emissions and waste. Eligible Assets relate to the complete value chain including end of life.

*Protecting Water - Financing of downstream water related infrastructure such as new ponds to safeguard the discharge of contaminated water and soil. Installation of own wastewater treatment facilities are planned for the near future. Furthermore, wastewater treatment to enable recovering and reuse of wastewater are in planning.*



**Pollution prevention and control** - Financing of capital expenditures and related R&D for pollution prevention and control initiatives and related infrastructure for the protection of water as well as the management of air emissions and waste. Eligible Assets relate to the complete value chain including end of life.

*Managing air emissions - Financing of air emission initiatives and related infrastructure targeting 95% reductions of air pollutant emissions such as nitrogen oxide (NO<sub>x</sub>) emissions via a selective catalytic reduction system.*



**Pollution prevention and control** - Financing of capital expenditures and related R&D for pollution prevention and control initiatives and related infrastructure for the protection of water as well as the management of air emissions and waste. Eligible Assets relate to the complete value chain including end of life.

*Preventing waste - Financing of recycling and waste prevention initiatives and efforts made in the development and manufacturing of products, as well as related infrastructure, to ensure that waste is minimized in line with Clariant's targets to reduce hazardous and non-hazardous waste by 25%. Planned conditioning of waste streams to remove critical impurities will allow wastewater treatment instead of disposal.*



## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

### Green Activities

The table below presents the findings of an ISS ESG assessment of the Eligibility Criteria against ISS ESG KPIs.

#### ASSESSMENT AGAINST ISS ESG KPI

##### ENVIRONMENTAL ASPECTS OF CONSTRUCTION (OR PRODUCTION) AND OPERATION

**Eligibility criteria: bio-based solutions | biofuels and chemicals | preventing waste**



Clariant operations are covered by a certified Environmental Management System. By 2021, all sites had achieved an external certification and operated along the ISO 14001 standard. Furthermore, a Specialized Environment, Safety, and Health Affairs teams in the business units and country organizations set and monitor the standards for managing environmental protection and resources.

**Eligibility criteria: bio-based solutions | biofuels and chemicals | biomass energy | renewable energy | preventing waste**



The issuer has an Environmental, Safety, and Health Guidance to address the relevant standard required in projects and planned projects in all Clariant sites. The assessment includes but is not limited to ecological impacts, waste treatment, noise limits, management of excavated materials and demolition debris.

**Eligibility criteria: biomass energy | renewable energy | preventing waste**



The issuer has measures in place to cover the environmentally safe operation of the plants. Indeed, company guidelines are in place on the discharge of pollutants into the atmosphere, waste management and wastewater management. Such company guidelines aim to ensure that the emissions into the air and direct discharge or indirect discharge of wastewater from Clariant sites into the environment does not pose an unacceptable risk to human health or the environment or become a nuisance to the neighborhood during normal operation. They also aim to minimise waste generated and ensure that the remaining waste is treated or disposed of in a long-term safe and environmentally sound manner.

**Eligibility criteria: bio-based solutions | biofuels and chemicals**



The issuer has measures in place systematically ensuring that assets financed under this framework have comprehensive life-cycle assessments, currently under verification. Examples of bio-based materials include products made from waste rice material, with a renewable carbon index (RCI) of 100%, and cellulosic ethanol certified under sustainability schemes such as ISCC. Furthermore, through its EcoCircle initiative and associated design4circularity strategy, Clariant claims to support the reduction of plastic waste, enabling the reuse of plastic and offering recycling solutions. The initiative focuses on providing additive solutions to enable the reduction and reuse of plastic while improving plastic's mechanical and chemical

recyclability. Under the Portfolio Value Program (PVP), Clariant in collaboration with the Collaborating Centre on Sustainable Consumption and Production systematically assesses its product portfolio for strengths and weaknesses in terms of sustainability, comparing its performance against alternatives on the market and against defined sustainability risks and benefits. The product portfolio, which includes all existing products and the innovation pipeline, is screened for sustainability performance based on 36 criteria that consider the entire life cycle and all three dimensions of sustainability: people, planet, and performance.

**Eligibility criteria: protecting water**



The issuer has measures in place systematically ensuring that water leakage risks are mitigated. Indeed, a Clariant Waste Water Management Guideline is in place to ensure the sewage system is regularly inspected to prevent pipe leakage and brokerage.



The issuer has measures in place ensuring that production wastewater from assets financed under this framework will be subjected to multi-stage chemical-physical pre-treatment before being routed to biological wastewater treatment plants. According to Clariant, this multi-step treatment approach and constant monitoring guarantee that discharged wastewater does not negatively impact ecosystems. In 2021, wastewater generation per ton of production was decreased to 1.5 m<sup>3</sup> from 1.7 m<sup>3</sup> in 2020. Furthermore, the Clariant's supplier standard also includes general wastewater treatment performance requirements. Under its Waste Water Management Guideline, water quality standard is defined as a value for the concentration of a pollutant in surface or drinking water, adopted by a respected body (legal regulations, agreements with local authorities, Clariant group goals and local commitments) as an overall goal to preserve the health of people, animals and plants.



The issuer has measures in place ensuring reduced environmental impacts of sewage sludge disposal. Under its Waste Management Guideline it is stated that sludge from biological treatment of wastewater from Clariant sites is not spread on land for agricultural purposes without an assessment of future risk and liability.

**All eligibility criteria**



The issuer has measures in place ensuring that assets financed under this framework meet high environmental standards and requirements in the supply chain. To evaluate and increase the sustainability profile of its supply chain, Clariant relies on the online Together for Sustainability (TfS) assessments conducted by EcoVadis. EcoVadis is a global provider of online company sustainability assessments, through a collaborative platform for measuring corporate social responsibility (CSR) performance and sharing the results with interested customers.

**ENERGY EFFICIENCY**

**Eligibility criteria: bio-based solutions | biofuels and chemicals**



The issuer has measures in place systematically ensuring that for assets financed under this framework energy efficiency during production is optimized. Across the

Group, Clariant records total energy consumption from energy sources. Since 2019, energy consumption per ton of produced goods has decreased by 5 %. Clariant confirms that globally all sites operate according to an established energy management system consistent with ISO 50001 requirements. By the end of 2021, around 25% of production sites (including discontinued business units) were certified, and Clariant produced more than 35% of its production volume at sites certified with ISO 50001. Furthermore, through its global initiative “eWATCH™ goes digital”, Clariant aims to use the latest measurement and monitoring technologies to endure full visibility and high granularity of energy generation and consumption. Analyses made by Clariant in this context show a savings potential of up to 10 % for energy and utilities as well as opportunities for lower costs and greenhouse gas emissions.

#### CONSERVATION AND BIODIVERSITY MANAGEMENT

**Eligibility criteria: All infrastructure projects except sun drying and heat integration**



Clariant has a policy in place defining responsibilities for aspects of environmental protection and assessment for projects to be developed. Clariant has Environmental Aspect & Impact Guidelines systematically in place globally to establish, implement and maintain a procedure for identifying significant environmental aspects of all activities, products and services and for determining those impacts. Examples of adverse impacts assessed include pollution of land, air, water and depletion of natural resources, while beneficial impacts include improved water or soil quality trees plantation.

#### ON-SITE SAFETY

**Eligibility criteria: bio-based solutions | biofuels and chemicals | biomass energy | renewable energy | sun drying | heat integration | preventing waste**



The issuer has measures in place systematically ensuring employees are covered by a health and safety management system. Indeed, Occupational Health and Safety at Clariant is managed globally by the Environmental Safety and Health Affairs department. Clariant employees are covered by an Occupational Health and Safety management system in accordance with requirements of the ISO 45001 standard adopted by the issuer in 2020.

#### LABOUR, HEALTH, AND SAFETY

**All eligible criteria**



The issuer has measures in place systematically ensuring that assets financed under this framework provide for high labour and health and safety standards for its own employees and volunteers. The company’s Human Rights Policy Statement is in line with the United Nations (UN) Human Rights Declaration and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. This policy statement applies to all direct operations and activities. It states clearly that Clariant expects its suppliers and contractors to uphold the same high standards.

**COMMUNITY DIALOGUE**

**Eligibility criteria: bio-based solutions | biofuels and chemicals | renewable energy | protecting water | preventing waste**

- Clariant has no policy in place systematically ensuring community dialogue. However, according to the issuer, during detail engineering, procurement and construction, a structured communication system within the project or program with the entire business environment (BU, authorities, local organization, etc.) is included. The issuer also states that the community's consultation process occurs whenever authorities require it.

## PART III: GREEN FINANCE SECURITIES LINK TO CLARIANT'S SUSTAINABILITY STRATEGY

### A. CLARIANT'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

#### *ESG risks associated with the Issuer's industry*

The issuer is classified in the Chemicals industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

#### ESG KEY ISSUES IN THE INDUSTRY

Chemical and product safety
Climate protection and energy efficiency
Alternative raw materials
Facility and transport safety
Worker safety and accident prevention

#### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

#### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>9</sup>	DIRECTION OF IMPACT	UN SDGS
Key products and/or services to the oil industry	3%	OBSTRUCTION	 

*Breaches of international norms and ESG controversies*

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Chemicals industry are as follows: Failure to respect the right to health, Failure to assess environmental impacts and Failure to respect consumer health and safety.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

<sup>9</sup> Percentages presented in this table are not cumulative.

## B. CONSISTENCY OF GREEN FINANCE SECURITIES WITH CLARIANT'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

As a specialty chemicals company, there are five key areas where Clariant states it can have the greatest impact through its operations, products and solutions, including:

- fighting climate change;
- minimizing waste and eliminating pollution;
- fostering to sustainable bio economy;
- increasing circularity; and
- fostering the development of its employees as well as the local communities in which it operates.

In order to achieve its first objective mentioned above, in 2021 Clariant has defined new climate targets in line with the Science Based Targets initiative (SBTi). These set the company's ambition towards absolute reductions for scope 1, 2 (40% by 2030 from a 2019 base year) and 3 (14% by 2030 from a 2019 base year) greenhouse gas emissions between 2019 to 2030. Steering tools for emissions reduction, such as setting an internal Carbon Pricing to integrate emissions in its investment decisions and linking greenhouse gas emission reductions to remuneration have also been developed.

The issuer also set out intensity reduction targets between 2019 to 2030 in the areas of water intake, wastewater, hazardous waste, land-filled non-hazardous waste, and nitrogen oxide emissions. It is also stated that Clariant aims to conclude the implementation of sustainable water management systems at all sites in areas of high water stress.

The issuer also launched initiatives such as the EcoTain label and Portfolio Value Program (PVP). The EcoTain label aims at identifying innovations with the highest market standard on sustainability, while PVP is the screening process to identify possible EcoTain® products and solutions, assessing them against market standards and for their overall sustainability contribution and impact.

Through other initiatives such as the EcoCircle initiative and associated design4circularity strategy, Clariant also aims to support the reduction of plastic waste, enabling the reuse of plastic and offering recycling solutions. The initiative focuses on providing additive solutions to enable the reduction and reuse of plastic while improving plastic's mechanical and chemical recyclability.

### *Rationale for issuance*

Clariant states that its Green Financing Framework provides an opportunity for investors to support and learn about the company's journey towards greater sustainability and how it drives transformation within the chemistry industry. The issuer materiality assessment also identified Growth Opportunities from Sustainable Products and Solutions as one of the most relevant to the company and its stakeholders. Furthermore, Clariant has also defined new climate targets in line with the Science Based Targets initiative (SBTi), to which some of the use of proceeds categories present in the framework can contribute.

*Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges*

ISS ESG mapped the Use of Proceeds categories financed under these Green Finance Securities with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Chemicals industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Circular economy adopted products, production technologies and processes and/or certified eco-efficient products</b> - Bio-based plastic additives   Biofuels and chemicals from residual waste	✓	✓	Contribution to a material objective
<b>Renewable energy and energy efficiency</b>	✓	✓	Contribution to a material objective
<b>Pollution prevention and control</b> - Protecting Water   Managing air emissions   Preventing waste	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through these Green Finance Securities are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green Finance Securities is clearly described by the issuer.*

## DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them, and the use thereof shall be excluded.
4. All statements of opinion and value judgments given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: Methodology

### ISS ESG Green/Social KPIs

The ISS ESG Green/Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Clariant’s Green Finance Securities.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Clariant (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Clariant’s Green Finance Securities contributes to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

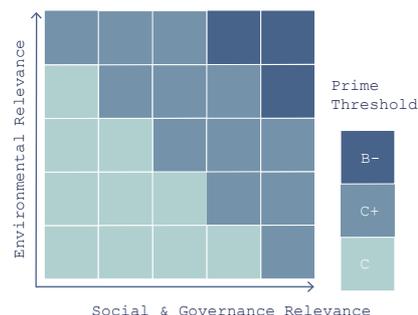
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 3: Quality management processes

### SCOPE

Clariant commissioned ISS ESG to compile a Green Finance Securities SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA's GBP and LMA, LSTA, APLMA's GLP and to assess the sustainability credentials of its Green Finance Securities, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's GBP
- LMA, LSTA, APLMA's GLP
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the Issuer

### ISSUER'S RESPONSIBILITY

Clariant's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Finance Securities to be issued by Clariant based on ISS ESG methodology and in line with the ICMA's GBP and LMA, LSTA, APLMA's GLP.

The engagement with Clariant took place from June to July 2022.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Green Finance Securities SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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