

# CORPORATE RESPONSIBILITY

# Commitment to Sustainable Transformation

*With the impact of the coronavirus pandemic, there is growing awareness that global society no longer has any time to lose on its way to more sustainable value creation. Our ambitious targets, for example in climate protection, and diverse measures prove that we will play an active role in this significant process for the benefit of society and our company.*

Our mission is the transformation to circular, climate-neutral value creation – which must also be fair and safe. Thinking and acting sustainably and in an integrated manner supports our business goals in a variety of different ways – from higher resource efficiency to good relationships with our stakeholders, increased risk awareness, and permanently advantageous cost structures. The quality of our company is also demonstrated by the social impact of our entrepreneurial activities. Our facilities, locations, and products must have a measurable, sustainable benefit for the community.

Internationally recognized standards and frameworks give us valuable guidance in this transformation process:

- › With 2030 Agenda for Sustainable Development, the United Nations has established the basis for global economic progress in harmony with social justice and within the Earth's ecological limits. The specific goals of the Agenda are set out in the Sustainable Development Goals (SDGs).
- › The U.N. Global Compact is the world's biggest and most important initiative for responsible corporate governance. Based on ten universal principles, it pursues the vision of an inclusive and sustainable global economy for the benefit of all people, communities, and markets. As a signatory, we recognize these principles as inalienable rights.
- › The term Responsible Care® stands for the chemical industry's goal of achieving progress with safety and environmental protection, regardless of the legal specifications. We have documented our commitment to the visions and ethical concerns of this initiative from the International Council of Chemical Associations (ICCA) by signing the Responsible Care® Global Charter.
- › Among the internationally recognized principles of business activity to which we are committed are the employment standards of the International Labour Organization, an agency of the United Nations. These are aimed at upholding globally recognized social standards and thereby improving working and living conditions for all people.

**The Ten Principles of the U.N. Global Compact**



**Human rights**

Businesses should ...

- 1** ... support and respect the protection of internationally proclaimed human rights.
- 2** ... make sure they are not complicit in human rights abuses.



**Labor**

Businesses should ...

- 3** ... uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4** ... uphold the elimination of all forms of forced and compulsory labor.
- 5** ... uphold the effective abolition of child labor.
- 6** ... uphold the elimination of discrimination in respect of employment and occupation.



**Environment**

Businesses should ...

- 7** ... support a precautionary approach to environmental challenges.
- 8** ... undertake initiatives to promote greater environmental responsibility.
- 9** ... encourage the development and diffusion of environmentally friendly technologies.



**Anti-corruption**

Businesses should ...

- 10** ... work against corruption in all its forms, including extortion and bribery.

**The 17 Sustainable Development Goals**



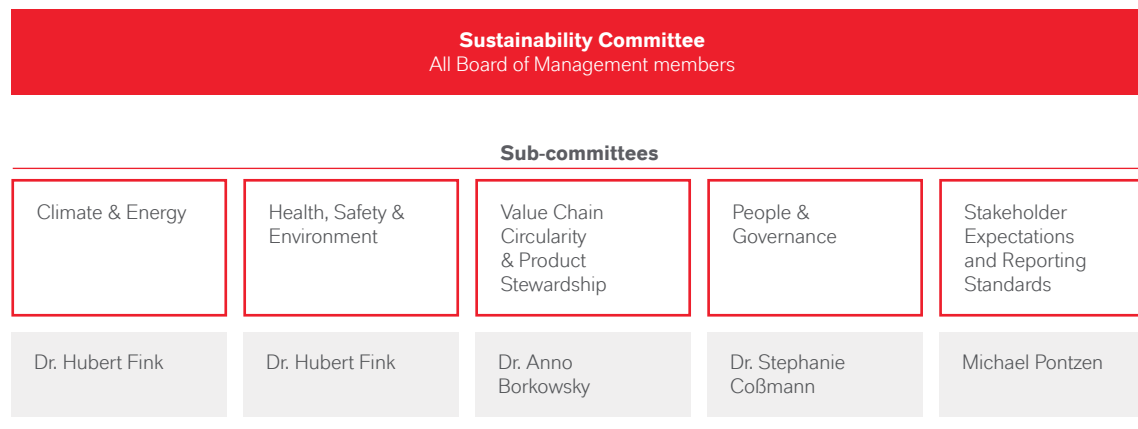
As “Agenda 2030,” the Sustainable Development Goals in particular provide important guidance. We must understand precisely how our priorities – formulated in the material topics – relate to the priorities of the international community. The analysis of our impact on the SDGs has shown that we are creating societal value and have a positive impact on many SDGs. At the same time, however, the challenges are also made clear – for example in the fields of climate protection and occupational safety.

[Further information on our contributions and the effects of our business activity in relation to the SDGs](#)

**NFR** Audited disclosures of the LANXESS Group that are included in the 2021 non-financial Group report

## SUSTAINABILITY MANAGEMENT LOCATED AT BOARD OF MANAGEMENT LEVEL

### Sustainability-Related Committees and Board of Management Responsibilities in Fiscal Year 2021



In order to more consistently pursue our sustainability targets, we established a new committee structure at the beginning of 2021. The top decision-making body is now the **Sustainability Committee**, which manages all key issues relating to sustainability. Its members include all members of the Board of Management. Five sub-committees report to the Sustainability Committee, which deal with various focal points of our sustainability strategy and are each headed by a Board of Management member:

- › “Climate & Energy” sub-committee – implementation of the LANXESS “Climate neutral 2040” climate program
- › “Health, Safety & Environment” sub-committee – development of sustainable and safe production sites



- › “Value Chain Circularity & Product Stewardship” sub-committee – promotion of sustainable products and value chains
- › “People & Governance” sub-committee – coordination of issues of LANXESS’s corporate and social responsibility
- › “Stakeholder expectations and reporting standards” sub-committee – fulfillment of external reporting standards and stakeholder management

Other key aspects of sustainable action in our view are compliance with and the continual development of our values, rules and standards as well as forward-looking risk management.

[Further information on corporate governance at LANXESS](#)



[Further information on risk management at LANXESS](#)

We also guarantee responsible business activity with our integrated management system, on which we report in detail in the “Safe and Sustainable Sites” section.

## DIALOG FOR THE FUTURE

The successful transformation of our industry along the entire value chain is possible only in continuous exchange and close cooperation with our stakeholders. Relevant stakeholders for LANXESS are groups, institutions, or individuals with whom we maintain a direct or indirect relationship through our business activities and who therefore have an interest in our actions. Our main stakeholder groups are customers, capital market representatives, suppliers, the media, and representatives from politics, public authorities, and non-government organizations (NGOs).

We are in intensive exchange and contribute actively to dialog and cooperation formats, especially with regard to the major transformation issues “climate protection and “circular economy.” For example, LANXESS is one of only a few companies from the chemicals industry that is a founding member of the BDI Circular Economy initiative. The initiative provides a platform for dialog between business, politics, science and society in order to jointly develop tools to promote the market for recycled raw materials and unlock potential for waste prevention. Meanwhile, the collaborative project “Circular economy as a driver of innovation for a climate-neutral and resource-efficient economy” (CEWI) is focusing on the building and automotive sectors. The project funded by the German

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety is organized by the KlimaWirtschaft Foundation, which LANXESS has supported as a sponsor since the reporting year, as well as the Wuppertal Institute for Climate, Environment and Energy, and WWF Germany.

On a global scale, we are now also involved in the International Sustainability and Carbon Certification (ISCC) initiative. ISCC is a multi-stakeholder initiative governed by an association with more than 140 members. We will play an active role in the further development of the ISCC standards on the road to a sustainable, climate-neutral and circular economy.

The World Business Council for Sustainable Development (WBCSD), which we joined at the beginning of 2020, is another important dialog forum for LANXESS. The WBCSD is a global, CEO-led organization committed to accelerating the pace of change toward a more sustainable world. The nearly 200 member companies represent over 19 million employees and more than US\$8.5 trillion in sales. As part of our membership, we are among the founding members of the Circular Cars Initiative (CCI) and the Circular Electronics Partnership (CEP). The CCI is a partnership between stakeholders from the

automobility ecosystem (e.g. industry, policymakers and fleet purchasers) to eliminate or minimize total lifecycle emissions. The CEP is the first private-sector alliance for circular electronics. Its vision seeks to maximize the value of components, products and materials through their full lifecycles, using safe and fair labor and depending on only circular resources.

[Further information on the topics and dialog forums for each relevant stakeholder group](#)



### SYSTEMATIC PRIORITIZATION OF SUSTAINABILITY TOPICS

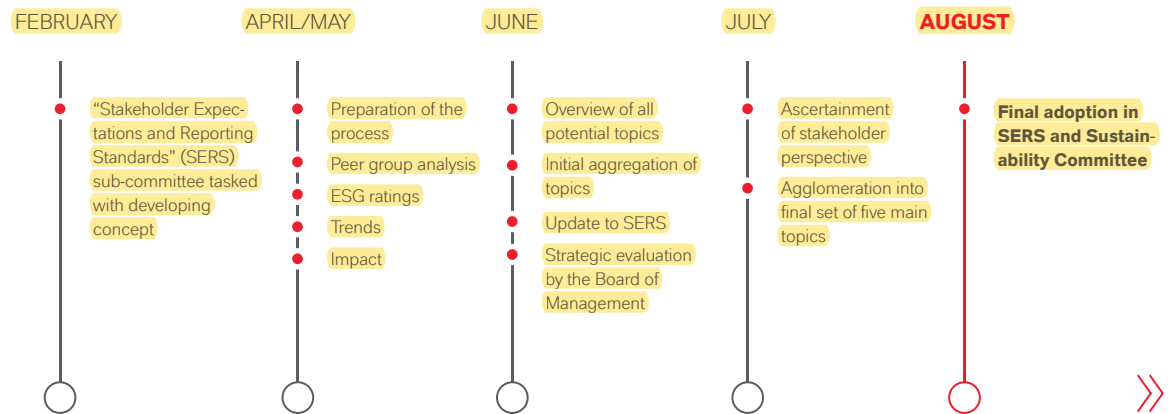
Everything LANXESS does must have due regard for our strategic guidelines, the relevant interests of our stakeholders, and the material effects of our actions on our



company and society. A materiality analysis in line with the requirements of the Global Reporting Initiative (GRI) helps us to systematically prioritize the wide range of action areas and use resources as effectively as possible. It is based on four principles: sustainability context, materiality, completeness, and inclusion of stakeholders.

In response to the dynamic transformation since the last comprehensive materiality analysis in 2017, we conducted a new analysis in the reporting year. As a result, we have condensed the number of our sustainability topics from seven to five, but sharpened the focus on important new topics such as the circular economy. The five main topics were confirmed by the Sustainability Committee in August 2021 and provide our relevant management framework. They also influence the structure of our external reporting on the topic of corporate responsibility.

#### Materiality Process 2021





Material Topics

<p><b>Circular and Sustainable Procurement</b></p>	<p><b>Safe and Sustainable Sites</b></p>	<p><b>Climate Action and Energy Efficiency</b></p>	<p><b>Good Corporate Governance and Motivated Employees</b></p>	<p><b>Sustainable Products</b></p>
<p>Our increasingly circular value chains start from a diverse, sustainable raw material portfolio. We engage with our suppliers and relevant stakeholders to improve the working and environmental conditions in the global supply chains.</p>	<p>We manufacture sustainable products at competitive and sustainable chemical sites. Continuous process improvements and investments are fundamental for our success. We care about the communities of which our sites are a part.</p>	<p>For us, climate action based on efficient energy use is the right thing to do for society and also a key to delivering financial performance in the long term. In 2040, LANXESS is to be a climate-neutral company.</p>	<p>We aim to be an attractive employer and to develop peoples' full potential throughout their professional life. To this end, we create a motivating working environment for all employees, striving for high engagement and impact. We nurture and promote a value-based, performance-orientated culture.</p>	<p>We systematically evaluate the sustainability of our portfolio and consider sustainability criteria in the development of products and applications. We have long-term relationships with our customers, drive innovation together and help them to make their business sustainable.</p>

In addition to our materiality analysis, we came up with a definition of materiality for the non-financial Group report – the contents of which are integrated into this section of the Annual Report and distinctly identified – in accordance with Section 289c, Paragraph 3, Sentence 1 of the German Commercial Code (HGB). The non-financial report contains disclosures that are necessary in order to understand the business performance, the business results, the position of the Group, and the effects of our activities on non-financial aspects. For us, this means environmental issues, employee and social issues, human rights, and anti-corruption as shown in the "About this Report" section on page 246.



As part of our management of opportunities and risks, we have implemented a wide range of risk-mitigating measures. With regard to the aspects defined as relevant for the non-financial Group report, a net risk analysis shows no material risks in connection with our own business activities or with business relationships, products, and services that are very likely to have serious negative effects.

[Further information on the opportunity and risk management system](#)



We have formulated specific goals for all key topics. Some of the variable compensation of the first and second management level below the Board of Management therefore depends on the extent to which certain CO<sub>2</sub>e targets regarding Scope 1 and Scope 2 and the LTIFR are achieved. The Sustainability Committee systematically examined the existing goals and indicators, fleshed these out where necessary, and also defined new goals in the reporting year.

## LANXESS Corporate Responsibility Goals


Topic	Goal	Indicator	Deadline	Status Quo 2021	SDG	Page
<b>Circular and Sustainable Procurement</b>					1, 8	
Establishment of a systematic sustainability risk analysis to evaluate all suppliers	Status inquiry to identify relevant suppliers with high risk level	Share of suppliers evaluated	2021	The risk analysis system is being migrated successively with the global roll-out of a general update of our SAP system. The North America region was connected in the reporting year. Germany and the rest of Europe are to follow in the second quarter of 2022.		21–23
Identification and reduction of sustainability risks in the supply chain	Differentiation of risk score by goods group/country (levels 1–6)	Sustainability risk score	2021	Adjustment of timeframe necessary due to the successive migration of the risk analysis system.		21–23
Circular raw materials	Development of a process to track, monitor and continuously improve the proportion of renewable raw materials in our products	Development of a process	2022	New target		21–22
<b>Safe and Sustainable Sites</b>					3, 4, 6, 8, 9, 12, 13	
Uniform standards and processes worldwide	Integration of all sites into the global matrix certificate (ISO 9001 and ISO 14001)	Degree of coverage in relation to sites	Ongoing until the end of 2025	As of December 31, 2021, our matrix certificate covered 38 certifiable companies with 71 sites in 21 countries. In relation to the number of employees, this equates to 85% coverage of our matrix certificate (not included in the newly acquired sites in 2021: 88.5%). Due to the changes in our site portfolio in recent years, we still have some site certificates and a region certificate; these will also be transferred to our matrix certificate. As of the reporting date, a total of 97% of our sites had ISO 14001 certification.		24–25
Global process safety	Continuous reduction in incidents relating to facility and process safety	Number of reportable incidents relating to facility and process safety	Ongoing	In total, there were five relevant incidents, of which three are classified as reportable.		24
	Continuous reduction in environmental incidents	Number of reportable environmental incidents	Ongoing	There were two environmental incidents (release of saline solution and hydrogen sulfide) in El Dorado, U.S.		24
	Continuous reduction in transportation incidents	Number of reportable transportation	Ongoing	There was a transportation incident with relevant product release in India.		24–26
Water consumption	Reduction of specific water consumption by 2% per year	Water consumption in cubic meters per thousand euros of sales	Ongoing	The specific water consumption amounted to 1.68 cubic meters/thousand euro (–21% year-on-year).		26–28
Wastewater	Reduction of total organic carbon (TOC) by 2% per year	Kilograms per thousand euros of sales	Ongoing	The specific TOC amounted to 0.17 kilograms/thousand euro (–10% year-on-year).		26–28

## LANXESS Corporate Responsibility Goals

Topic	Goal	Indicator	Deadline	Status Quo 2021	SDG	Page
Water risk sites	Introduction of a water stewardship program	Percentage of sites that have introduced a water stewardship program	2023	The implementation of the developed standard began in 2021.		26–28
	Reduction of absolute water withdrawal by 15%	Absolute water withdrawal in cubic meters	2023	Absolute water withdrawal at water risk sites has already been reduced by 10.5% compared with the base year 2019.		26–28
<b>Climate Action and Energy Efficiency</b>					3, 7, 8, 12, 13	
Emissions	Reduction of CO <sub>2</sub> e emissions by 60% versus 2004 (establishment of LANXESS; 6.5 million metric tons of CO <sub>2</sub> e)	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2)	End of 2025	Absolute CO <sub>2</sub> e emissions amounted to 2,591 thousand metric tons. This constitutes a 60% reduction versus 2004, when the company was founded.		33–35
	Including update of 2025 targets from 2015: - Reduction of specific Scope 1 emissions to < 0.19 (CO <sub>2</sub> equivalents, metric tons per metric ton of product) - Reduction of specific Scope 2 emissions to < 0.24 (CO <sub>2</sub> equivalents, metric tons per metric ton of product)			The specific Scope 1 emissions decreased year-on-year to 0.27 metric tons of CO <sub>2</sub> e per metric ton of product.  The specific Scope 2 emissions decreased year-on-year to 0.27 metric tons of CO <sub>2</sub> e per metric ton of product.		
	Reduction of emissions of non-methane volatile organic compounds (NMVOC) by 25% compared to base year 2015	Absolute NMVOC emissions	End of 2025	Absolute VOC emissions were reduced by 85% compared to the base year.		33–35
	Reduction of CO <sub>2</sub> e emissions by 75% versus 2004 (establishment of LANXESS; 6.5 million metric tons of CO <sub>2</sub> e)	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2)	End of 2030			33–35
	Climate neutrality for the entire Group	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2)	End of 2040			33–35
Energy efficiency	Increase in energy efficiency of 40% to < 1.24 (MWh/t) compared to base year 2015	Energy efficiency	End of 2025	Energy efficiency deteriorated slightly. Specific energy consumption amounted to 1.64 MWh/t in the reporting year.		35–36



## LANXESS Corporate Responsibility Goals

Topic	Goal	Indicator	Deadline	Status Quo 2021	SDG	Page
 <b>Good Corporate Governance and Motivated Employees</b>					3, 4, 5, 8	
Employee retention	High employee retention: Voluntary turnover rate below 3.5%	Turnover rate on the basis of resignations	Ongoing until the end of 2023	The turnover rate on the basis of resignations was 3.4%.		49–51
Employee development	At least 80% of apprentices hired after completing their training	Proportion of apprentices hired in Germany	Ongoing until the end of 2023	83% of apprentices were hired.		45
Employee welfare/work-life balance	95% of countries in which we operate have derived and implemented specific guidelines and/or corresponding models for flexible working conditions from our global "Xwork" principles.	Proportion of countries <sup>1)</sup> that have derived and implemented specific guidelines and/or corresponding models for flexible working conditions from our global "Xwork" principles	End of 2022	At the end of 2021, the proportion was 89%.		48–49
Diversity & Inclusion	At least one female Board of Management member	Proportion of women on the Board of Management	Mid-2022	By resolution of the LANXESS Supervisory Board of December 11, 2019, Stephanie Coßmann was appointed as a member of the Board of Management and as Labor Relations Director with effect as of January 1, 2020.		42–43
	Increase the proportion of women in the first level below the Board of Management to 15%	Proportion of women in the first level below the Board of Management	Mid-2022	The proportion of women was 18.2%.		42–43
	Increase the proportion of women in the second level below the Board of Management to 25%	Proportion of women in the second level below the Board of Management	Mid-2022	The proportion of women was 25.7%.		42–43
	At least 30% female and 40% non-German participants in LANXESS corporate talent programs	Proportion of female and non-German participants in LANXESS corporate talent programs	Ongoing until the end of 2022	With a total of 102 participants in 2021, the proportions amounted to 25% female and 60% non-German participants.		42–43
	Increase proportion of women in management to 30%	Proportion of women in management	End of 2030	The proportion of women was 24.0%.		42–43
Occupational safety	Continuous decrease in the LTIFR by > 50% (reference LTIFR of 2.0 in 2016)	LTIFR	End of 2025	The LTIFR was 0.9%.		53–55

## LANXESS Corporate Responsibility Goals

Topic	Goal	Indicator	Deadline	Status Quo 2021	SDG	Page
 <b>Sustainable Products</b>					3, 12, 13	
Active portfolio management from a sustainability perspective	Development of a strategy plan for all end products with more than 0.1% critical substances	Development of a strategy plan	2023	The strategic evaluation of products with a sustainability risk in the total sales of products with a sustainability risk is complete. The work on the new strategy plan has begun.		58–61
	Inspection and, if necessary, optimization of the quality of all registration dossiers that were prepared in accordance with the REACH Regulation under the guidance of LANXESS	Proportion of inspected/updated dossiers	2026	The project started in mid-2020. The proportion of inspected/updated dossiers is 7%.		57
Long-term, continuous development of products, applications, and processes	Developing innovative products based on the needs and expectations of our customers	Number of product-related projects	Ongoing until 2025	142 projects in the reporting year were aimed at developing new/improving existing products and applications.		64–65
	Continuous further development of our production processes in order to maintain competitiveness and achieve our climate and energy efficiency targets	Number of process-related projects	Ongoing until 2025	81 projects in the reporting year concerned process technology issues with a view to reducing costs, improving efficiency or increasing capacity.		33–34
Long-term customer relationship	Improvement in customer satisfaction and maintenance of customer loyalty: customer loyalty index > 75	Customer loyalty index score	2022	In the 2022 survey, the customer loyalty index score was 71. The survey is carried out every two years.		65–66



## CIRCULAR AND SUSTAINABLE PROCUREMENT

**16**  
**thousand**  
suppliers  
Group-wide



At LANXESS, raw materials, other materials, equipment and services are subject to globally standardized requirements with regard to safety and environmental protection. Their procurement is the responsibility of our Global Procurement & Logistics (GPL) Group function, the head of which reports directly to the Board of Management member Dr. Hubert Fink. In close coordination with our business units, this administrative unit organizes Group-wide procurement, establishes corresponding guidelines, and initiates measures to promote purchasing synergies and sustainable behavior by our suppliers.

The ongoing strain in global supply chains continued to pose challenges in the reporting year and resulted in rising raw material prices. In addition, significant fluctuations in electricity and gas prices in the fourth quarter had an impact on our production costs, especially in Europe. Due to an accident in the tank farm of the hazardous waste incinerator plant at Chempark Leverkusen, lower waste management capacity is currently available to use at this location, which is also restricting our production capacity. In China, the government-ordered power rationing at several of our sites caused interruptions to production.



In 2021, procurement transactions with over 16,000 suppliers were processed. A global procurement guideline for the entire Group defines our employees' conduct when dealing with suppliers and their employees. We have specified standardized workflows in the context of procurement in more detail in a process description.

According to the principles of the U.N. Global Compact, the International Labour Organization (ILO), Responsible Care® and other CSR codes, we expect our suppliers to comply with national and other applicable laws and regulations for environmental protection, health and safety at work and with regard to labor and recruitment practices. Acceptance of the requirements of our Supplier Code of Conduct is an essential prerequisite for all suppliers wishing to work with us. To flesh out our requirements, we revised the content of the Code during the fiscal year and added additional topics. In connection with this, the name was changed to the "Business Partner Code of Conduct" in order to make it clear that we expect sustainable and ethical conduct not only from our suppliers.



In the interests of safe processing at our production facilities, there is a particular focus on the procurement of raw materials. It is thus essential for suppliers to present an up-to-date safety data sheet for the procurement of all raw materials. In the case of raw material deliveries from non-European suppliers, our purchasing department, together with the Production, Technology, Safety & Environment (PTSE) Group function, clarifies which obligations have to be fulfilled under the REACH Regulation.

Our organic raw materials are currently still based primarily on fossil sources. We are striving to increase the proportion of sustainable raw materials. The market for sustainable raw materials is undergoing long-term development. To make progress, we are already working with multiple major partners and testing their research products. A realistic scenario is that we will increasingly bring individual products based on sustainable raw materials to market before this is possible for the entire product range. However, the use of bio-based organic raw materials also entails challenges and potential conflicts. For example, the production of food must always take priority over the use of biomass to manufacture chemical products. Therefore, we proceed with caution when purchasing bio-based raw materials and ensure that the biomass we use is produced in a renewable manner and is not competing with food production.



NFR

**bp and LANXESS join forces on renewable raw materials for plastics production**

High-performance plastics are the solution for many sustainable products. It is also important to us to also make the production of this valuable material sustainable. In this context, the use of bio-based raw materials, along with modern recycling processes, is a key lever. Against this backdrop, we have entered into a strategic partnership with energy company bp for the use of sustainable raw materials in high-tech plastics production. Since the fourth quarter of 2021, bp has supplied our production site in Antwerp, Belgium, with sustainably produced cyclohexane. Our long-standing partner uses bio-based and bio-circular feedstocks for its production. These can be, for example, rapeseed oil or biomass. The sustainable origin of the raw materials is certified according to ISCC Plus rules ("International Sustainability and Carbon Certification").

NFR

Our inorganic raw materials are primarily obtained from the biological cycle, e.g. nitrogen from the air or sodium chloride from seawater. These raw materials are renewable in principle, but not necessarily sustainable, as their extraction requires high energy usage in the form of electricity. In order to reduce their carbon footprint, more renewable energies will have to be used for their extraction. Here, too, we are engaged in strategic partnerships with our suppliers in order to achieve this. [Further information can be found under "Sustainable Product Portfolio."](#)

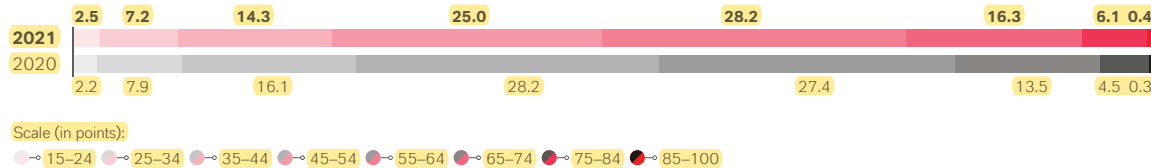
We strive to promote sustainability, increase transparency throughout our supply chain, and thereby further minimize procurement risks. This is why LANXESS is a founding member of the ["Together for Sustainability"](#) (TfS) initiative. TfS has established itself in the chemicals industry as the clear standard for a sustainable supply chain. The focus here is on environmental protection, workers' rights and human rights including the prevention of child labor, labor standards, occupational safety, business ethics and sustainable procurement practices.

NFR

Because the assessment results and audit reports are shared within the initiative, we had more than 10,500 sustainability assessments and around 740 audit reports available to us as of the end of 2021. Suppliers whose sustainability-related activities have been assessed in TfS audits or assessments represent 67% of our relevant procurement volume. The relevant procurement volume comprises all suppliers from which we procure more than €20,000 of goods or services per year. The TfS sustainability assessment is also incorporated into our strategy process, which must be applied to every contract negotiation or renewal with a purchasing volume of more than €5 million. In addition to the XCORE strategy process, we established the SCORE process in our purchasing departments worldwide. This process is similar to the XCORE process, but is geared toward purchasing volumes between €1 million and €5 million or over €250,000 in regions outside Europe.

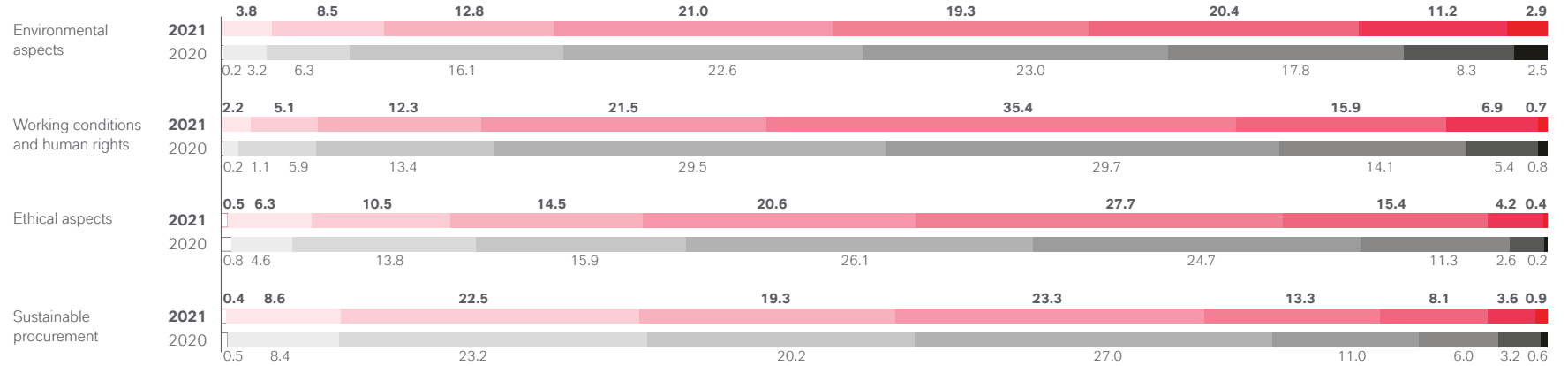
It is also encouraging to see that our suppliers' average EcoVadis sustainability assessment of 48.7 points is above the EcoVadis benchmark of 43.9 points. With regard to our suppliers' weak points, no trend could be discerned in 2021 again. We had no reason in the year under review to end our collaboration with suppliers due to sustainability aspects.

**Overall Scores of Our Suppliers at EcoVadis**  
%





**Detailed Scores of Our Suppliers at EcoVadis**  
%



Scale (in points):



With regard to the migration of a database-supported risk analysis system into our SAP system, we successfully completed the test phase in the reporting year. The global roll-out is now taking place in parallel with a general update of the SAP system. This is already complete in North America; Germany and the rest of Europe are to



follow in the second quarter of 2022. The risk analysis system allows us to retrieve supplier-related data from around 600,000 sources and in various qualitative dimensions – such as regulatory, environmental, social or financial – in real time.



## SAFE AND SUSTAINABLE SITES

NFR

Our commitment is to make our production safe and sustainable in every respect, thus ensuring our long-term competitiveness. Our Production, Technology, Safety & Environment (PTSE) Group function, the head of which reports directly to the Board of Management member Dr. Hubert Fink, is responsible for this. PTSE develops and maintains company-wide standards that ensure responsible use of chemicals at LANXESS. They define requirements and govern responsibilities for health protection, environmental protection, handling of chemicals, plant safety and safety precautions in the workplace. Continuous training of our employees and regular audit-based reviews of our health, safety and environmental management systems are aimed to ensure that the requirements are incorporated into our processes systematically and sustainably.

### Uniform standards in production

LANXESS operates a total of 65 production sites and has a presence in 19 countries (investments ≥ 50%, as of December 31, 2021). Our wide range of products requires the use of many different chemical and technical processes. Uniform standards for planning, building and operating plants ensure a high level of process, plant and occupational safety.

NFR

Handling chemical substances and working with technical equipment involves health and safety risks. We identify these risks and potential threats systematically worldwide – for new and existing plants – and minimize them by implementing defined preventive and protective measures. Experts examine implementation of LANXESS guidelines and local regulations for safe operation of our plants on-site via targeted spot checks in audits whose frequency is geared toward the respective risk profile. Compliance with safety standards must be regularly verified worldwide for every plant via audit opinions. In 2021, a total of 35 production facilities (previous year: 32) were examined in the context of HSE compliance checks (health, safety and environment), including 16 (previous year: 16) in Germany. Eight HSE compliance checks planned outside Germany were postponed to 2022 (6) and two to 2023 (2) as a result of the coronavirus pandemic. In 2021, we conducted HSE gap analyses at two sites acquired from Emerald Kalama.

We use an electronic reporting system (Incident Reporting System – IRS) to record accidents and events worldwide in line with uniform regulations. Injuries, transportation accidents, near-accidents, environmental incidents, instances of damage and security-relevant incidents such as theft are documented. Each event is carefully analyzed in order to draw conclusions as to how we can avoid

NFR

similar incidents in the future. All measures count toward our goal of continuously reducing the number of events. The number of major incidents in the 2021 reporting year was in single digits.

We are continuing the systematic digitalization of production, including by digitizing our paper-based operational management and maintenance checklists. Tablets are now in use that are directly connected to the central IT systems at LANXESS and enable real-time access to data. The solution includes the end-to-end integration of digital data processing in the work process and ensures that data are archived correctly and automatically. Thanks to the clear, complete data, we can now directly derive necessary measures and implement them immediately. This not only increases work efficiency in production and maintenance, but also avoids duplication of work.

### Integrated management system

A centrally organized management system at LANXESS provides for the necessary global management structures in all business processes in order to ensure responsible business activities. Globally, we base our actions on the international standards ISO 9001 and ISO 14001 for quality and environmental management and ISO 50001 for energy management.

**37**  
HSE  
(Health, Safety,  
Environment)  
checks at  
production facilities

**65**  
production sites  
in 19 countries



**85%**  
matrix certificate coverage

NFR

Confirmation of compliance with the standards ISO 9001 and ISO 14001 is provided in a global matrix certificate.

This brings a whole range of benefits:

- › a high degree of standardization of processes
- › uniform in-house guidelines and instructions
- › transparent, efficient, and effective processes and controls
- › considerably reduced external expense for the maintenance and optimization of the management system, for the integration of additional management systems (e.g. ISO 50001, sustainability standards), and for the integration of new sites or business units.

We ensure that progress in integrating new sites into our management system and its performance are regularly reviewed worldwide by independent external experts. In 2021, we successfully passed the recertification audit in accordance with the standards ISO 9001:2015 and 14001:2015 and the surveillance audit in accordance with ISO 50001:2018. In the reporting year, the sites in Elmira, Canada, and Gastonia South, U.S., acquired from Chemtura were added to the matrix certificate. Over half of the sites taken on with the acquisition of Chemtura have already been certified in accordance with ISO 9001 and ISO 14001. For the time being, they hold these certifications separately. We are planning to gradually integrate these sites into our matrix certificate. The same applies to the sites acquired from Emerald Kalama and Theseo in the reporting year and their certificates.

NFR

As of December 31, 2021, our matrix certificate covered 38 certifiable companies (companies with staff and in which LANXESS has a stake of over 50%) with a total of 71 sites in 21 countries. In relation to the number of employees, this equates to 85% coverage (not included in the newly acquired sites in 2021: 88.5%).

In addition, we have had LANXESS AG and all major Group companies certified in accordance with ISO 50001 for energy management in Germany and Belgium. The only exceptions are IMD Natural Solutions GmbH and CheMondis GmbH, both of whose energy consumption is below the minimum threshold for the performance of mandatory energy audits in accordance with EDL-G (German Energy Services Act), as well as the newly acquired Theseo Germany GmbH in Wietmarschen. As of December 31, 2021, the energy management system had reached coverage of 99% in these two countries in relation to the number of employees. IAB Ionenaustauscher GmbH has its own certificate. Outside Germany and Belgium, we are continuing to pursue our strategy of regional and local certifications. In Great Britain, our sites are certified in accordance with ESOS (Energy Savings Opportunity Scheme), for example.

In addition, individual LANXESS Group companies and sites have other specific management systems and certifications such as EMAS, RC14001 (RC = Responsible Care®), ISO 45001, and IATF 16949.

NFR

### Global hazardous-goods and transport-safety management system

With a global hazardous-goods and transport-safety management system, we ensure that we minimize or entirely avoid hazards. We coordinate, monitor and review implementation of relevant hazardous-goods and transport-safety regulations as well as in-house regulations centrally in a department that is specifically responsible for this.

Central classification of our products in line with international, regional and local hazardous-goods regulations ensures that applicable laws are interpreted uniformly while taking regional and local aspects into account. Classification determines such things as the type of containment (packaging and tanks), marking and labeling, the permitted modes of transport and transportation routes as well as measures that operational staff must take if a transportation event occurs. The corresponding classification data is stored in the safety-data system for chemicals at LANXESS. In recent years, an increasing number of countries and Group companies have been gradually connected to the system. For example, we successfully integrated the former Chemtura sites in North America into the central safety-data system in 2020. The integration of further former Chemtura sites in Germany and Great Britain planned for 2021 was postponed to 2022. We will also begin the integration of Theseo and Emerald Kalama Chemicals in 2022.



NFR

To counter the deficiencies in load securing of general cargo, the PTSE Group function and the business units have worked closely together to develop a load-securing standard for LANXESS. After numerous field tests, it was initially used successfully at our locations in Brunsbüttel and Leverkusen, Germany. Since 2019, we have carried out load-securing training sessions for external service providers in Antwerp, Belgium, and Bitterfeld, Duisburg and Mannheim, Germany, where the new load-securing standard is already established. We also implemented the standard at all Indian sites. The planned expansion to other sites – especially the U.S. – and the further load-securing training sessions have been suspended for the time being due to the coronavirus pandemic.

**Environmental responsibility**

We regard preservation of natural resources – for example by using raw materials and energy as efficiently as possible – and identification of further potential for reducing emissions and waste as an ongoing task in the context of our environmental responsibility and expertise. We equip all new production sites in accordance with the state of the art, taking environmental standards and local requirements into account.

NFR

**LANXESS Water Program launched**

As a chemicals company, we rely on water for our production. We use it mainly for cooling (81%), as an input material in chemical processes (17%) or in the form of steam (2%). In addition, rivers are an important transportation tool, particularly for our networked sites in Germany.

LANXESS is aware of water's ecological and social significance beyond water's importance as an economic resource. Access to water and sanitary facilities are a fundamental human right. Water availability and quality are global challenges that we can and must address locally. We are therefore committed to the responsible use of water. In our own business activities and beyond, we use

NFR

our products to advance the United Nation's Sustainable Development Goal 6 (SDG 6): "clean water and sanitation for all."

In order to push our engagement further, we launched our global LANXESS Water Program in 2020. The program is designed to promote sustainable water management with the aim of continuously improving the way water is used.

One of the most important indicators in discussions around water is water stress, calculated as the ratio of total annual water withdrawal to total renewable water reserves. In areas with high water stress, there is also competition between the users of water sources.

**LANXESS Water Program**



1

**Global water management:**  
Regulatory compliance, transparent reporting, performance and targets

2

**Local water stewardship:**  
Risk assessment and management approach

3

**Beyond the gates:**  
Social engagement and impact valuation





NFR

Our annual analysis of all LANXESS production sites using the WWF Water Risk Filter showed that a total of 14 of our production sites are still in water-stress areas. These sites accounted for around 2% of our total water withdrawal in 2021. Around 91% of our water withdrawal takes place in areas with low water stress.

We have developed an extensive water risk analysis, which we update every two years, in order to build upon the assessment and serve as a basis for our LANXESS Water Program. This analysis is based on a total of ten factors such as water stress, water withdrawal and other risks and combines internal and external data and information. The main indicators of water risk are the updated water stress score we developed (average of current and future water stress) as well as the specific water withdrawal per metric ton of a product. In our first analysis in 2020, we identified a total of four sites in Jhagadia and Nagda, India; Latina, Italy; and Qingdao, China, which are located in particularly severely affected water risk regions.

We believe we are on track to achieve our target to reduce absolute water withdrawal at water risk sites by 15% compared with 2019 by 2023. The planning of relevant savings measures is complete; prioritized projects are all

NFR

already in the pilot phase. In addition, we initiated local water stewardship programs at all water risk sites in the reporting year, which are to be implemented by 2023. They are based on recognized scientific methodologies and on a LANXESS-specific standard that covers the development of site-specific targets and action plans, efficiency measures and joint water projects in order to counter the risks in the catchment.

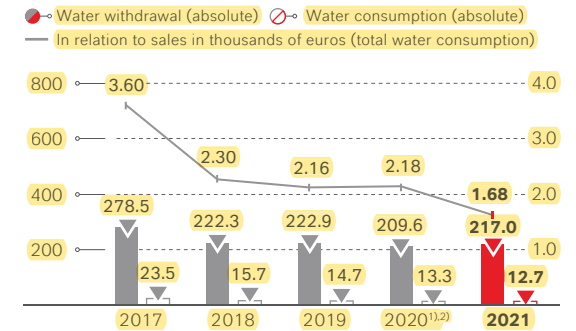
We are also making a major contribution to the protection of water as a resource with the products of our Liquid Purification Technologies business unit. For example, the Lewatit® ion exchange resin has articular use in the processing and reuse of process water and removes unwanted substances. LANXESS plans to further expand the promising business with ion exchange resins.

### Sparing use of water

Handling scarce water resources in a conscious and careful manner is an investment in the future. In order to break the link between our growth and water consumption and potential stresses from wastewater discharge, we have set ambitious targets at Group level. We are aiming for an annual reduction of both specific water consumption and specific total organic carbon (TOC) in wastewater flows by 2%.

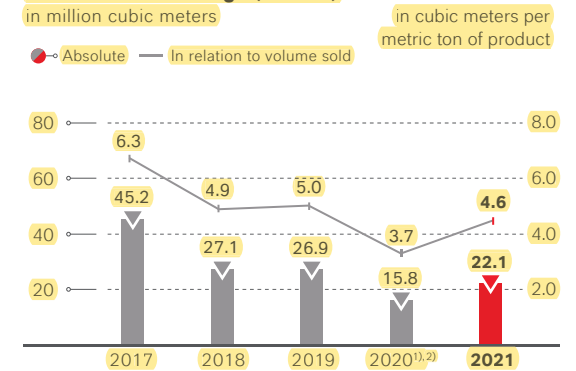
NFR

### Water Withdrawal & Consumption



1) Continuing operations  
 2) LANXESS total: Water withdrawal: 210.2, Water consumption: 13.4, specific: 2.13

### Wastewater Discharge (treated)



1) Continuing operations  
 2) LANXESS total: Wastewater discharge (treated): 15.8, specific: 3.6



NFR

The comparison of water withdrawal and water consumption shows that, while large volumes of water are withdrawn (e.g. in the form of once-through cooling water), this water is later returned to the water cycle in the same quality. In 2021, LANXESS's water consumption is calculated by subtracting the volume of treated and untreated wastewater and the volume of sold steam from the water withdrawal. Direct comparison between water withdrawal and water consumption shows that large volumes of water were withdrawn (e.g. in the form of once-through cooling water) but were returned to the water cycle in the same quality. Water consumption is calculated by subtracting once-through cooling water, dissipated steam, wastewater (treated and untreated) and other water sold to third parties. Our water withdrawal increased slightly in 2021, mainly due to newly acquired companies. In fiscal year 2021, we recorded the water discharged to third parties separately for the first time and included this in the calculation of water consumption. The recognition of the water discharge data shows a slightly improved water consumption value in comparison with the previous year. In the past fiscal year, we achieved our target of reducing specific water consumption.

The volume of treated wastewater increased in 2021. This is mainly due to the additional volumes of wastewater at the acquired sites. The assessment of qualitative indicators is also part of LANXESS's tracking of key environmental figures.

NFR

One of the most important wastewater parameters is TOC (total organic carbon). In fiscal year 2021, the specific TOC after wastewater treatment decreased to 0.17 kilograms/thousand euros (previous year: 0.20 kilograms/thousand euros). Because of the simultaneous increase in sales, we achieved the reduction target of 2%.

Further information on our use of water can be found in our "Water" Background Paper

### Sustainable waste management

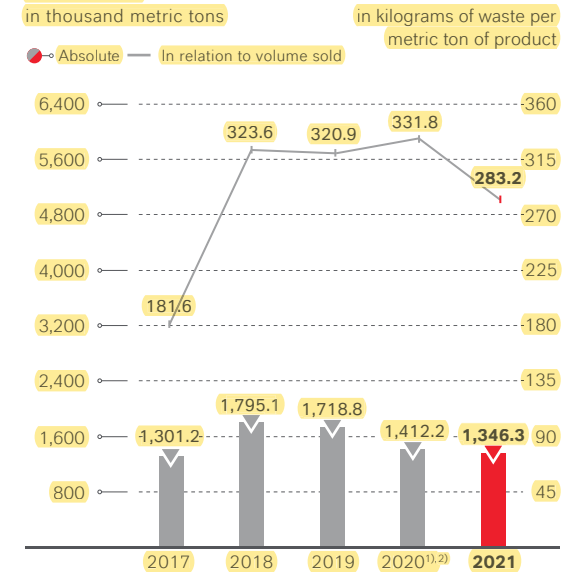
We aim to avoid hazardous as well as non-hazardous waste as far as possible and to break the link between our business growth and waste production. Rigorous material-flow management from use of raw materials to product finishing is aimed at ensuring that we use resources as efficiently as possible and minimize our waste volumes.

Our business units are working constantly on various research projects for the prevention, reduction and recycling of waste. In turn, our networked sites enable us to re-use many waste and secondary flows as a raw material directly in neighboring plants – both our own as well as those of other chemicals companies – to create closed loops and thus avoid the generation of waste.

NFR

In addition, we are working to achieve the targets defined in the international program "Operation Clean Sweep" (OCS) of the Society of the Plastics Industry. OCS aims to prevent plastic particles or pellets from entering the marine environment and having an undesired impact. By joining in 2016, we made a commitment to train employees in this area, to implement measures to prevent the release of pellets at our facilities and to require our business partners to also take active steps to prevent pellet emissions.

### Total Waste



1) Continuing operations

2) LANXESS total: Total waste: 1,413.3, specific: 322.7



NFR

The total amount of waste generated decreased compared to the previous year. In addition to technical improvements at our site in El Dorado, U.S., the scheduled production facility shutdown at this site also contributed to the significant reduction in 2021. The biggest share of our waste volumes comprises slightly polluted wastewater at the El Dorado site, which is declared as waste. The significant increase in the total amount of waste generated in 2017 is primarily attributable to the inclusion of the Chemtura production sites, which were acquired in that year.

NFR

**Systematic recording of key data**

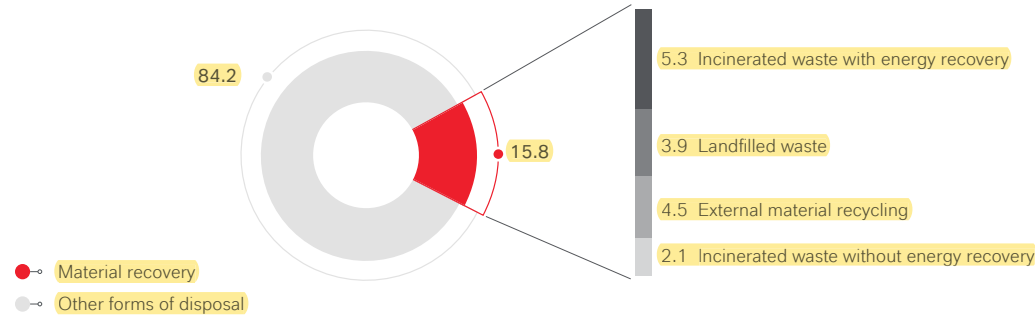
To record key data on safety and environmental protection systematically worldwide, we use an electronic data-entry system. This enables us to calculate a wide range of HSE performance data for each business unit and site worldwide, which is used as a valid data pool for strategic decisions as well as internal and external reporting. In addition, it maps the progress that we make with our global sustainability targets. Data is gathered only at production sites where we have investment of over 50%.

NFR

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited our environmental and safety performance data and the requisite data-gathering processes with limited assurance for fiscal year 2021.

**Waste for Disposal**

%




**NFR**
**Environmental and Safety Performance Data\***

	2019	2020	2021	
		Continuing operations	Leather business unit	
<b>Safety</b>				
Occupational injuries to LANXESS employees resulting in at least one day's absence (per million hours worked) (LTIFR <sup>1)</sup> )	1.6	1.0	3.3	0.9
<b>Volume sold<sup>2)</sup> in thousand metric tons</b>	<b>5,356</b>	<b>4,256</b>	<b>124</b>	<b>4,754</b>
<b>Energy consumption in petajoules (10<sup>15</sup> joules)<sup>3)</sup></b>	<b>27.1</b>	<b>24.4</b>	<b>0.34</b>	<b>28.1</b>
Direct energy sources (GRI 302-1)				
Non-renewable	11.3	9.5	0.21	11.2
Renewable (biomass)	1.9	2.4	-	3.3
Indirect energy sources (GRI 302-1) <sup>4)</sup>				
Electricity consumption	6.55	5.8	0.07	6.3
Heat and steam consumption	6.7	6	0.06	6.60
Energy consumption for cooling	0.5	0.55	-	0.54
Other	0.15	0.15	-	0.11
<b>Water and wastewater in million cubic meters</b>				
<b>Total water withdrawal (GRI 303-3)</b>	<b>222.9</b>	<b>209.6</b>	<b>0.64</b>	<b>217.0</b>
Surface water	52.7	48.4	-	57.5
Groundwater	5.2	4.3	0.04	4.6
Third-party wastewater	1.1	1.2	-	1.1
Third-party water	163.9	155.7	0.60	153.8
<b>Total water withdrawal in water-stress areas (GRI 303-3)</b>	<b>5.7</b>	<b>4.7</b>	<b>0.04</b>	<b>4.5</b>
<b>Volume of once-through cooling water (GRI 303-4)</b>	<b>181.4</b>	<b>169.7</b>	<b>0.49</b>	<b>176.4</b>
<b>Total wastewater discharge (GRI 303-4)</b>				
Wastewater discharge (treated) <sup>5)</sup>	26.9	15.8	0.04	22.1
Wastewater discharge (untreated) <sup>5)</sup>	-	178.8	0.48	187.4
<b>Wastewater emissions (after treatment) in thousand metric tons</b>				
Total nitrogen	0.4	0.4	0.001	0.5
Total organic carbon (TOC) <sup>6)</sup>	1.2	1.2	0.006	1.3
Heavy metals <sup>7)</sup>	0.0023	0.0021	0	0.0023
<b>Total water consumption in million cubic meters (GRI 303-5)<sup>8)</sup></b>	<b>14.7</b>	<b>13.3</b>	<b>0.13</b>	<b>12.7</b>
<b>Emissions to air in thousand metric tons</b>				
Total greenhouse gas emissions CO <sub>2</sub> e (GRI 305-1, GRI 305-2)	2,950	2,533	32	2,591
Direct (Scope 1) <sup>9)</sup>	1,459	1,263	12	1,284
Indirect (Scope 2) <sup>10)</sup>	1,491	1,270	20	1,307
Ozone-depleting substances (GRI 305-6)	0.00716	0.004	0	0.004
NO <sub>x</sub> , SO <sub>x</sub> and other emissions (GRI 305-7)				
NO <sub>x</sub> <sup>11)</sup>	2.6	2.1	0.01	1.4

**NFR**

SO <sub>2</sub> <sup>12)</sup>	0.9	0.9	-	0.9
CO	1.7	2.1	-	3.2
NH <sub>3</sub>	0.048	0.021	-	0.03
NM VOC <sup>13)</sup>	0.7	1.2	0.02	0.8
<b>Waste in thousand metric tons</b>				
Total weight of waste (GRI 306-3)	1,718.8	1,412.2	1.1	1,346.3
Incineration with energy recovery	66.1	77.1	-	70.7
Incineration without energy recovery	29.3	30.5	0.2	28.7
Landfilling	152.1	52.1	0.6	52.4
Material recovery	58.9	47.9	0.3	60.5
Other forms of disposal	1,412.4	1,204.6	-	1,134.0
Type of waste				
Hazardous	687.8	566.45	0.6	664.8
Non-hazardous	1,031.0	845.75	0.5	681.5

**Explanations concerning our environmental and safety performance data**

- \* The aggregate data refer to all LANXESS production sites in which the company holds an interest of more than 50%. 2021: The Kalama, Widnes, Botlek, Laval, Hull, and Wietmarschen production sites added as a result of the acquisitions of Emerald Kalama Chemicals (as of August 3, 2021) and Theseo Group (as of April 1, 2021) were included in the environmental figures pro rata. 2019/2020/2021: Some of the data is based on estimates and projections.
- On the basis of the current portfolio with Emerald Kalama Chemicals and Theseo Group, LANXESS's Scope 1 and Scope 2 emissions for the full year 2020 would have amounted to 2,784 thousand metric tons of CO<sub>2</sub>e. For the full year 2021, the Scope 1 and Scope 2 emissions would have amounted to 2,739 thousand metric tons of CO<sub>2</sub>e.
- 1) LTIFR: rate of accidents with an incapacity certificate per planned million hours worked resulting in one workday or more lost following the day of the accident, calculated for all employees at all sites (including temporary workers for Germany, NAFTA, China, and India).
- 2) Volume sold of goods manufactured by LANXESS and sold internally to another LANXESS company or externally (excluding commercial products).
- 3) The energy volumes given were calculated on the basis of simplified assumptions and typical substance values. They do not include other forms of imported energy (e.g. the energy contained in raw materials).
- 4) Indirect energy sources are shown in the form of a balance sheet. The volume of energy sold is subtracted from the volume of energy purchased.
- 5) From 2020, treated and untreated wastewater were recorded separately.
- 6) Chemical oxygen demand (COD) is calculated as follows: [COD] = [TOC] \* 3. For 2021, the COD is 3.9 kt.
- 7) Heavy metals (arsenic, cadmium, chromium, copper, mercury, nickel, lead, tin, zinc).
- 8) According to GRI 303(5), total water consumption is calculated by subtracting the total water discharge from the total water withdrawal. 2019: Total water withdrawal less the volume of once-through cooling water, wastewater and the volume of sold steam. 2020: Total water withdrawal less wastewater (treated and untreated) and the volume of sold steam. 2021: Total water withdrawal less once-through cooling water, the volume of sold steam, wastewater (treated and untreated) and other water sold to third parties.
- 9) The emission factors used for fuels are based on calculations by the U.S. EPA (GHG Emission Factors Hub, September 15, 2021) and on the IPCC Guidelines for National Greenhouse Gas Inventories (2006). In accordance with the GHG Protocol (2004), the factors for calculating CO<sub>2</sub>e are based on the global warming potential (time horizon: 100 years) defined in the IPCC Sixth Assessment Report (AR6 2021). Previously IPCC Second Assessment Report (SAR (1995)).
- All Scope 1 greenhouse gases are calculated as CO<sub>2</sub>e. In accordance with the GHG Protocol, the CO<sub>2</sub> emissions from the combustion of biomass are shown separately and are not included in the Scope 1 emissions. The following emissions were produced during the reporting period: 2017: 215 kt CO<sub>2</sub>, 2018: 230 kt CO<sub>2</sub>, 2019: 184 kt CO<sub>2</sub>, 2020: 268 kt CO<sub>2</sub>, 2021: 294 kt CO<sub>2</sub>.
- 10) All Scope 2 greenhouse gases are calculated as CO<sub>2</sub>e. In 2021, the conversion factors used were provided by the energy producers. Where these were not available, factors from the IEA (International Energy Agency) from 2019 were used for fiscal year 2021, factors from 2018 were used for fiscal year 2020 and factors from 2017 were used for fiscal year 2019. The Scope 2 CO<sub>2</sub> emissions are calculated using the market-based method in accordance with the GHG Protocol. Using the location-based method, Scope 2 CO<sub>2</sub> emissions for 2021 amounted to 1,562 kt.
- 11) Nitrogen oxide (NO<sub>x</sub>) calculated as NO<sub>2</sub> (excluding N<sub>2</sub>O; nitrous oxide).
- 12) Sulfur dioxide (SO<sub>2</sub>) + SO<sub>3</sub> calculated as SO<sub>2</sub>.
- 13) Total VOC (volatile organic compounds) excluding methane and acetone.



NFR

### Corporate citizenship

Our understanding of sustainable sites also includes being a strong and reliable partner for the people locally and in the respective region and taking responsibility for development of the social environment. Our social commitment is based on our corporate expertise and objectives and focused on education, climate protection, water and culture. Our goals in all these areas are identical:

- > Mobilizing resources and people for social commitment
- > Achieving positive impacts on the company, the environment and society

As a company, we aim to play a positive part in improving living conditions, education, training and equal opportunities as well as health and safety. In addition, we are working to attract talented persons, engage in extensive dialog with our stakeholders, have a positive influence on employee motivation and constantly improve our reputation.

We provided around €1.4 million globally for our projects in 2021 (previous year: around €1.5 million). The regional focal points of our activities in the reporting year were the EMEA and USMCA regions.

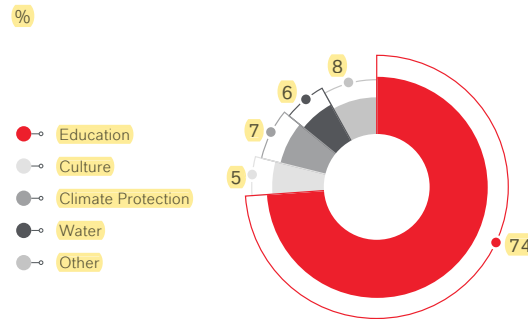
In decisions on social commitment, we assess our projects according to whether they pursue purely charitable ends ("charitable gift"), whether we are investing in the social

NFR

environment of our sites ("community investment") or whether we are investing in corporate objectives such as image, sales and income while also generating social value ("commercial initiative").

In total, roughly 885,954 (previous year: roughly 1,500,000) people benefited from our projects in 2021. We use a system of performance indicators to measure the social impact of our activities above and beyond the number of people who benefit. In 2021, we performed an impact assessment for 90% of the projects we carried out, taking into account positive effects in the area around the site and positive environmental effects and impacts on our business. Specific feedback from people who benefit from our projects is a key factor in this context. We regard these indicators as important benchmarks, with which we manage our measures in an impact-oriented manner.

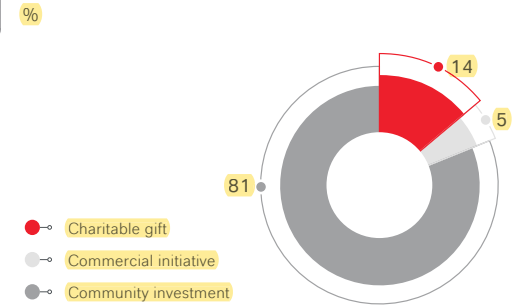
### Social Activities by Topic<sup>1)</sup>



<sup>1)</sup> Number of projects: 109

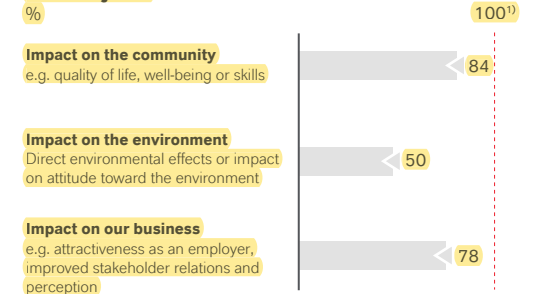
NFR

### Social Activities by Type of Investment<sup>1)</sup>



<sup>1)</sup> Number of projects: 109

### Impact Dimensions of Evaluated Activities and Projects



<sup>1)</sup> Number of projects: 98



NFR

**Commitment to education, climate protection, water and culture**

Under the LANXESS education initiative, starting in 2008, we have initiated more than 500 projects at our sites worldwide to get young people interested in the natural sciences at an early age.

We are particularly keen to support teachers who advance new lesson formats and thus switch on their students' inquiring minds. In the reporting year, for example, a school in Bergkamen received a five-figure sum for student experiments involving plant pigments and the use of drones in agriculture, as well as a green classroom. In Dormagen, we enabled a secondary school to design a multi-functional laboratory. As is tradition, the LANXESS laboratory days also met with a great response. This year, classes from various schools in North Rhine-Westphalia visited the Leverkusen Industry Museum.

In Canada, we launched the LANXESS Learners Program in 2021. This helps a local government organization in the region of our Elmira site to fund artistic and cultural activities for children in financially challenged communities. In our STEM education program at the site in El Dorado, U.S., we provided a total of US\$250,000 to promote science, technology, engineering and mathematics. In cooperation with the Goethe-Institut, we support highly talented students in China who want to study science in Germany.

NFR

We have worked to protect the climate, for example, by installing a photovoltaic system at the Marianum children's home in Krefeld. With a capacity of nearly 100 kWp, an estimated 90,000 kWh will be produced per year, and around 76% of the electricity will be used directly at Marianum. The rest will be made available to other households in Krefeld via the in-house transformer station or used to "refuel" electric vehicles. The "Sun, Wind and Weather" project box also helps to raise the young residents' awareness of climate protection. We also financed the construction of a photovoltaic system at a school near our Brazilian site in Porto Feliz.

As a sponsor of the Allegheny Land Trust in the U.S., we are helping to conserve one of the largest remaining green spaces in the Pittsburgh region. The project aims to protect and conserve the former Churchill Valley Country Club and its 148 hectares of natural green space and a growing habit for native flora and fauna.

Urban and industrial water recycling and water security were the themes of the "Clean water for a better life" research competition in China, which we organized for the seventh time in 2021. We use the competition to support talented young academics, who spend several months looking at questions of environmental and water conservation from various perspectives and across disciplines and regions.

As part of our cultural commitment, we have been sponsoring the international literature festival lit.Cologne as a lead partner since 2010 and the Kölner Philharmonie

NFR

for several years. The Ozawa International Chamber Music Academy in Japan, which we have likewise supported for more than ten years, gives talented young musicians from all over Asia the opportunity of first-class musical training. In the reporting year, our promotion of culture particularly included helping to create digital stages for authors and musicians during the pandemic.

**i LANXESS aids victims of catastrophic flooding**

Beyond our strategic engagements, there are always events that demand our rapid assistance – such as the catastrophic flooding that caused severe damage mainly in North Rhine-Westphalia and Rhineland-Palatinate in July 2021. Several areas of Leverkusen, the biggest LANXESS site worldwide, were also directly affected. We quickly donated €100,000 to "Bürgerstiftung Leverkusen" to help ease the initial hardship. In addition, we called on our employees to donate to "Aktion Deutschland hilft e.V." and doubled the total they donated from around €100,000 to €200,000. In addition to the financial support, LANXESS employees also physically pitched in for each other and in the regions affected. We gave them the freedom to do so – as well as those deployed as voluntary aid workers for organizations in the flood-hit regions.



## CLIMATE ACTION AND ENERGY EFFICIENCY



With the Paris Climate Agreement, the international community committed to limiting global warming to less than two degrees Celsius above the pre-industrial level. At the Climate Change Conference in Glasgow in November 2021, this ambition was for the first time backed up with concrete reduction requirements for greenhouse gas emissions. By 2030, for example, global CO<sub>2</sub> emissions must be cut by 45% versus 2010, and net-zero emissions must be achieved by 2050. Meanwhile, in Germany, the "Climate Protection Plan 2050" currently sets out the interim goal of cutting greenhouse gas emissions by at least 55% compared with the base year of 1990 by 2030. Industry is expected to contribute to this with a reduction of between 49% and 51%.

Since it was founded, LANXESS has made substantial progress towards its goal of becoming more environmentally friendly. Between 2004 and 2018, we halved our greenhouse gas emissions from around 6.5 million metric tons of CO<sub>2</sub>e to about 3.2 million tons. Moreover, we have already achieved our most recent targets much earlier than originally planned: improving energy efficiency and reducing the associated CO<sub>2</sub> emissions and emissions of volatile organic compounds by 25% compared to 2015.

In light of this, it was time to set new, ambitious medium- and long-term targets and thus fulfill our responsibility as a global specialty chemicals company: LANXESS is to be



climate neutral by 2040. By 2030, we aim to halve our greenhouse gas emissions again to around 1.6 million metric tons of CO<sub>2</sub>e. We will thus have achieved a 75% reduction compared to the emissions when LANXESS was founded. To measure our climate-relevant emissions, we collect data on emissions of greenhouse gases defined in the Kyoto Protocol and calculate their greenhouse effect in comparison to carbon dioxide. We include emissions from our own production (Scope 1) and from external energy sources (Scope 2) in the calculation.



### Our journey to climate neutrality

1. We drastically reduce emissions from internal sources.
2. We reduce our specific energy requirement.
3. We purchase very low-emission or climate-neutral energy.

### Clear strategy to lower emissions

We are taking a three-pronged approach to achieve our target:

#### 1. Launch climate protection projects (medium-term target)

Over the next few years, several measures will significantly lower greenhouse gases. In the previous year, we commenced operations at our first facility for the decomposition of nitrous oxide into its harmless components, nitrogen and oxygen, at the site in Lillo,



Belgium. This reduces our annual emissions of the particularly harmful greenhouse gas by up to 150,000 metric tons of CO<sub>2</sub>e. After the installation of a second facility in 2023, CO<sub>2</sub>e emissions will fall by another 300,000 metric tons.

In addition, we are also switching the entire energy supply at our Indian sites to renewable energy sources, specifically biomass and solar power. This will cut our CO<sub>2</sub>e emissions by a further 150,000 metric tons from 2024. As of the reporting date, the percent of renewable energies at the Jhagadia site was already 39%, while the Nagda site achieved around 71%. We already operate a highly efficient cogeneration plant entirely with biomass in Porto Feliz, Brazil. We are also planning to phase out the use of coal-based energy at our major production sites in Germany.

Under these projects and other measures, we want to decrease our CO<sub>2</sub>e emissions to 2.6 million metric tons by 2025.

#### 2. Break the link between emissions and growth (long-term target)

LANXESS is growing. But despite increasing production, emissions of greenhouse gases in our individual business units are set to shrink. In addition to technological efficiency, changes to governance instruments also play a significant role, with the impact on the company's carbon footprint becoming an investment criterion for organic growth and





NFR

acquisitions. This gives business units that achieve better than average reductions in greenhouse gas emissions a direct financial advantage. In 2020, the Board of Management and the Supervisory Board also decided that the reduction in CO<sub>2</sub>e will be used as an assessment criterion for the compensation system for managers and the Board of Management in the future.

### 3. Strengthen process and technological innovations (long-term target)

We are revising many of our existing production processes in order to go climate neutral by 2040. For example, we will continue to improve our composite structures, e.g. when it comes to heat exchange between plants and air purification. However, other procedures must first be developed on a large industrial scale. We will therefore focus our research activities more closely on climate-neutral process and technological innovation.

By implementing the above measures, we want to decrease our annual emissions to less than 300,000 metric tons by 2040. We will neutralize the remaining emissions via appropriate offsetting measures. In this way, we will not only make a significant contribution to climate protection in the years to come, but will also become an even more sustainable partner for our customers.

NFR

### Uncertainty over emissions trading

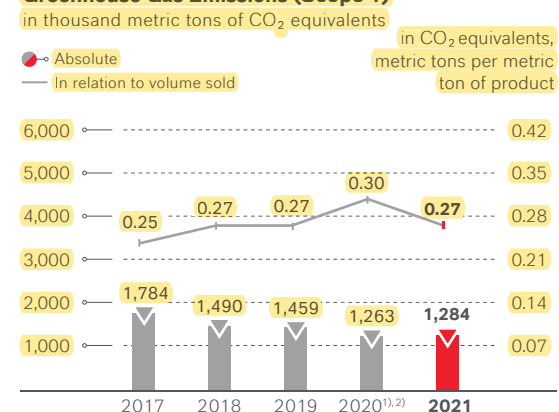
In Europe, 14 of our plants and sites are subject to European emissions trading. Trading with CO<sub>2</sub> emissions rights, known as certificates, is intended to reduce emissions of the environmentally harmful gas CO<sub>2</sub> cost-effectively. Because all of our plants covered by emissions trading are state-of-the-art and compete at the international level, we expect to receive enough certificates from free allocation to cover the expected CO<sub>2</sub> emissions by the end of the third trading period in 2030. At present, however, we cannot precisely estimate the effects of changes to the EU emissions trading system planned under the Green Deal. We also cannot precisely estimate the effects of the planned national Emissions Trading System (n-ETS), as important rules – especially for the period after 2022 – have not yet been specified.

### CDP gives LANXESS top score

For more than a decade, we have been participating in the international climate protection initiative CDP (formerly the Carbon Disclosure Project), each year sharing data and information on climate protection and the reduction of emissions. We again received the best possible score of “A” in the climate category in the assessment for 2021, which puts LANXESS among the top 2% of the more than 12,000 companies rated by CDP. These gratifying results gave us encouragement to continue systematically pursuing our climate protection strategy.

NFR

### Greenhouse Gas Emissions (Scope 1)



1) Continuing operations  
 2) LANXESS total: Scope 1: 1,275, specific: 0.29  
 From 2021, GWP100 factors of the IPCC Sixth Assessment Report (AR6 (2021)) are used. Previously IPCC Second Assessment Report (SAR (1995)).

In 2021, our absolute Scope 1 emissions are at the previous year's level. This is due to the increased emissions as a result of the changes in the business portfolio in 2021 and the increase in the production volume after the pandemic-driven decline in the previous year. These effects counteract the implemented reductions. For example, the reduction of nitrous oxide emissions in Belgium continued. In addition, Scope 1 emissions were reduced via the increased use of biomass. Specific Scope 1 emissions nevertheless decreased year-on-year due to the increased production volume.



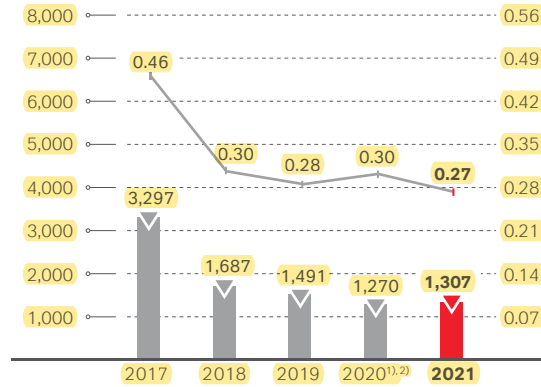


NFR

### Greenhouse Gas Emissions (Scope 2)

in thousand metric tons of CO<sub>2</sub> equivalents

● Absolute in CO<sub>2</sub> equivalents, metric tons per metric ton of product  
 — In relation to volume sold



1) Continuing operations  
 2) LANXESS total: Scope 2: 1,290, specific: 0.29

Scope 2 emissions are also level with the previous year. This development is based firstly on increased energy consumption due to a higher production volume and

### LANXESS supports the KlimaWirtschaft Foundation

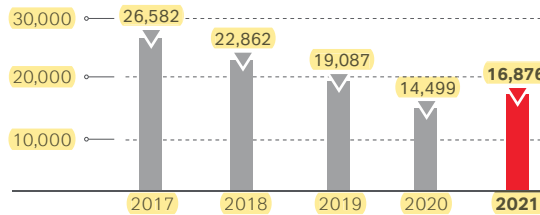
A forward-looking energy and climate policy framework is a prerequisite for German industry to remain competitive. Since June 2021, LANXESS has therefore been one of the first two representatives of the chemical industry to support the KlimaWirtschaft Foundation, an initiative of chairmen, CEOs and family businesses. The foundation's aim is to call on politicians to establish effective market-based conditions for climate protection and to support

the changes in the business portfolio and secondly to the further decline in emissions factors in the reporting year. The specific figure was reduced slightly despite the increased energy consumption.

### Greenhouse Gas Emissions (Scope 3)

in thousand metric tons of CO<sub>2</sub> equivalents

● Scope 3 (absolute)



On the basis of the current portfolio with Emerald Kalama Chemicals and Theseo Group, LANXESS's Scope 3 emissions for the full year 2021 would have amounted to 17,750 thousand metric tons of CO<sub>2</sub>e.

In fiscal year 2021, our Scope 3 emissions likewise increased as a result of the higher production volume and the changes in the business portfolio.

the problem-solving skills of German companies. In collaboration with 17 industrial companies, the Foundation, Agora Energiewende and Roland Berger had compiled twelve recommendations for action at the start of 2021. We are firmly convinced that our many years of experience in reducing greenhouse gases will be beneficial to the Foundation.

[klimawirtschaft.org](http://klimawirtschaft.org)

NFR

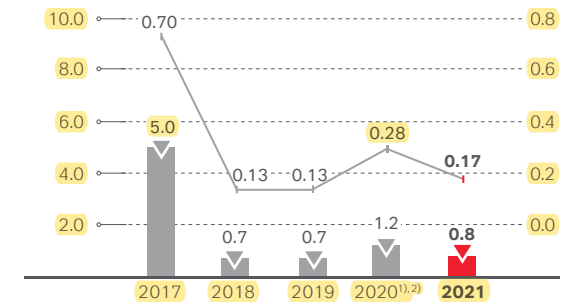
### Other atmospheric emissions

#### VOC Emissions

in metric tons

in VOC, kilograms per metric ton of product

● Absolute  
 — In relation to volume sold



1) Continuing operations  
 2) LANXESS total: VOC: 1.2, specific: 0.28

In fiscal year 2021, the VOC emissions, which increased in the previous year, were significantly reduced again. The absolute and specific figures are now roughly on a par with the pre-pandemic level again.

### Systematic energy management

A high level of energy efficiency improves not just our emissions footprint, but also our cost position, thus ultimately making LANXESS more competitive. Our global energy management promotes projects to increase energy efficiency in our plants. In each business unit, energy officers ensure communication and the ongoing improvement of energy-related performance. Technical experts from the central departments help the local teams to identify and implement effective projects to increase efficiency.

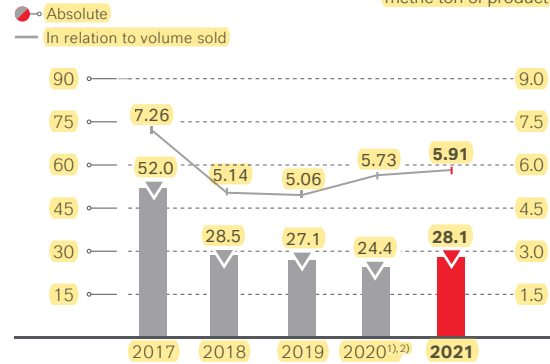


NFR

With this target, we have taken part in the Energy Efficiency Networks Initiative, established by the German federal government and leading industry associations, with several German sites since 2017. For example, our Mannheim site is currently participating in the ChePap 2 network, the Bitterfeld site in the Bitterfeld-Wolfen 2.0 network.

### Energy Consumption (Balance Sheet)

in petajoules in gigajoules per metric ton of product



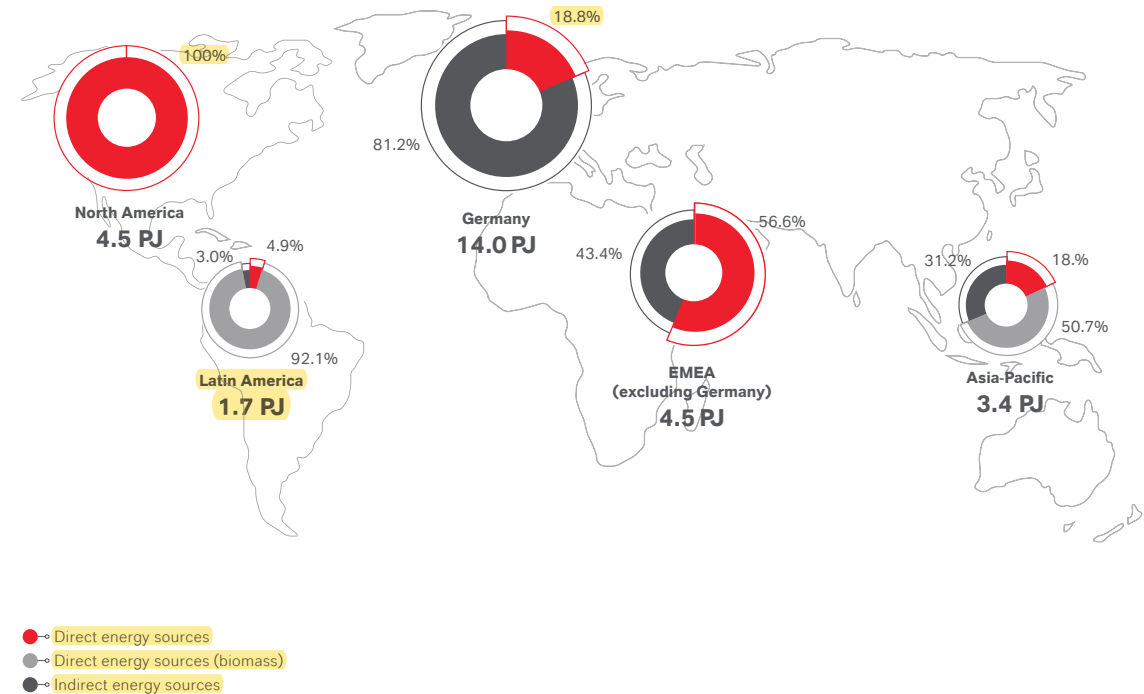
1) Continuing operations  
2) LANXESS total: Energy: 24.7, specific: 5.65

Our absolute energy consumption increased significantly in 2021. This is primarily due to the increased production volume and the changes in the business portfolio. Despite the increased absolute energy consumption, the specific energy consumption was roughly level with the previous year.

NFR

### Direct and Indirect Energy Consumption by Region

in petajoules/%



### Sustainable logistics

We select our transportation solutions individually worldwide in line with the principles of safety, punctuality and cost-efficiency. In doing so, we also take into account the CO<sub>2</sub> emissions resulting from transportation.

In particular, we are eager to step up our use of ships. In this context, we are currently making targeted investments in digital solutions that tell us the status of ship transports

NFR

early on so that we can plan the subsequent land transport with means of transport with the lowest possible emissions in a forward-looking manner. Furthermore, we are increasingly using comparatively low-emission combined-transport options, where most of the distance involved is covered by train, barge or sea vessel, thus keeping initial and final journeys by road to an absolute minimum. Europe in particular has a strong infrastructure



## GOOD CORPORATE GOVERNANCE AND MOTIVATED EMPLOYEES

NFR

for these types of transportation. However, increased use of rail means that combined transport is even an option for long-distance connections to China.

To transport our rail freight in Germany, we continue to use the TÜV SÜD-tested Eco-Plus service of the logistics company DB Cargo. The power required for transportation is obtained from regenerative energy sources. As a result, we can reduce our CO<sub>2</sub> emissions in national rail transportation by approximately 80% compared with conventional options.

[Further information on our climate strategy can be found in the "Climate" Background Paper](#)

NFR

### Good Corporate Governance

LANXESS's corporate culture is based on five central values: respect, ownership, trust, professionalism and integrity. These values apply always and everywhere – and to all employees. We seek to foster a corporate culture in which responsible and morally irreproachable actions and striving for performance do not contradict but complement each other.

Our central values, supplemented by operational guidelines and organizational structures – summed up as good corporate governance – enable our employees to act responsibly in their day-to-day work and thus turn a relatively abstract concept into a specific corporate success factor. At LANXESS, good corporate governance is embodied by a values-based and safety-conscious corporate culture, effective management systems and a commitment to internationally recognized principles of responsible management, such as the principles of the U.N. Global Compact.

We also ensure responsible business activities with our [committee structure](#) geared toward effective sustainability management and with our [integrated management system](#) that provides for the necessary global structures in all business processes.

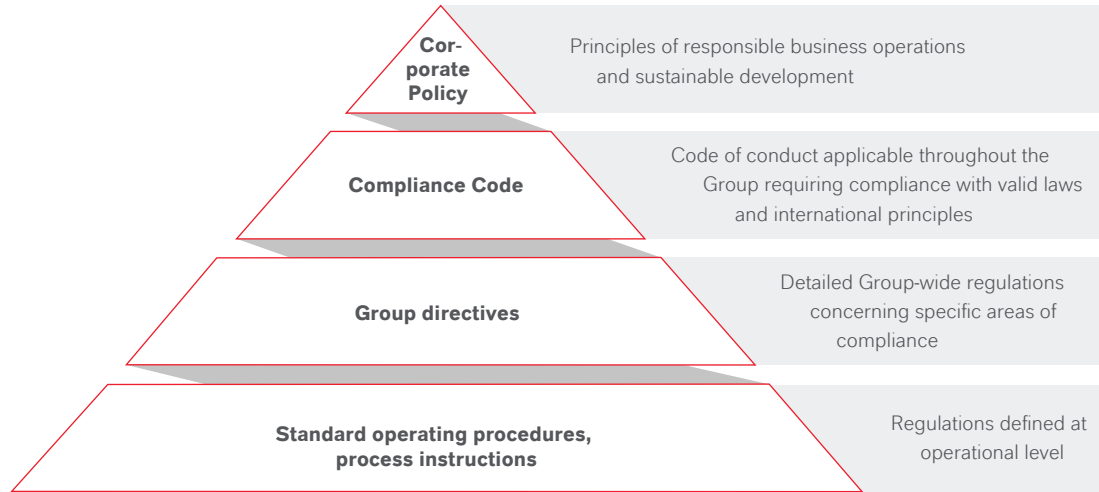
NFR

### Compliance organization

For LANXESS, responsible corporate governance particularly implies compliance with legal and internal standards and ethical principles to which all employees must adhere. Our global compliance organization – comprising the Group Compliance Officer, the regional Compliance Officers, and a network of local Compliance Officers – supports all areas of the company in implementing appropriate measures to counter unlawful or unethical conduct within the LANXESS Group at an early stage and to prevent misconduct. The compliance organization is also available to all employees as a point of contact for any compliance-related issues. The direct reporting line from the Group Compliance Officer to the Board of Management guarantees that the Board of Management members receive regular information.



**Clear Rules Provide Guidance**



**Internal guidelines and regulations**

Our Corporate Policy lays out principles of responsible business operations and sustainable development and defines our general corporate philosophy and the expected conduct of all employees in relation to our stakeholders.

The LANXESS Code of Conduct, which is applicable throughout the Group, requires all our employees – across all organizational units, regions and hierarchy levels – to behave lawfully and with integrity. Through correct and proper conduct, each employee is responsible for helping to prevent harm to LANXESS and increase the company's



value over the long term. The code covers issues such as human rights, cartel and antitrust law, anti-corruption, data protection, occupational, product and plant safety, and environmental protection.

Other Group directives, such as the HSE directives and the guideline on incentives, define the specific application of regulations in the individual areas of compliance covered by the code and are binding for our staff throughout the Group. On the basis of these LANXESS directives, more detailed regulations that also take account of local requirements are defined at the operational level in standard operating procedures and process



instructions, etc. The applicable directives, standard operating procedures and guidelines are accessible to all employees. Employees are also regularly informed of new and updated regulations relevant to them.

**Human rights**

In line with our values and operational guidelines, we are committed in all our markets and supply chains to promoting respect for human rights at all times and systematically preventing child and forced labor, for example. At LANXESS, human rights and ethical principles apply without restriction, even if they are not stipulated in the legislation of individual countries. Our target is formulated with corresponding clarity: in all areas over which LANXESS has control, there should be no breaches of human rights. We have included all relevant information on our commitment and on the measures established in the Group to protect human rights in the “LANXESS Position on Human Rights.”

Direct responsibility for ensuring that human rights are respected at all times lies with the respective management at our sites, supported by our global compliance organization and by the regional and local Compliance Officers. At Group level, human rights are subject to regular evaluation as part of our risk management system. For example, we conduct specific risk assessments in all national companies with regard to the potential risk of human rights violations. The general risk potential across the Group is determined annually, and national companies with elevated risk potential are subjected to an additional, comprehensive risk assessment at least every three years. This accounts for all fundamental risks



NFR

of human rights violations, including such important issues as child labor, modern slavery and human trafficking. The risk assessments are coordinated by Group headquarters and carried out by the responsible departments at national level. The assessments confirm that there is a high level of awareness of the subject and that functioning mechanisms have been established to prevent violations of human rights.

Furthermore, all organizational units at LANXESS and their business activities are subject to regular internal and external audits. It goes without saying that these activities also include monitoring respect for human rights and – if necessary – the introduction of suitable measures to guarantee this.

Our Code of Conduct includes unambiguous instructions regarding the respect of human rights. The code, which all new employees receive with their employment contract, is also an aspect of general training measures. In addition, we hold training sessions geared toward specific selected human rights issues such as occupational safety. In the event of suspected human rights violations, our employees and external third parties can report them in various ways. For example, the Compliance Helpdesk and the “SpeakUp” reporting system can be used to notify the compliance organization – also anonymously if they wish.

NFR

We have no reports or knowledge of any systematic discrimination against LANXESS employees on the basis of skin color, age, gender, sexual orientation, origin, religion, physical and mental abilities, trade union membership or political opinion. In individual cases, misconduct by employees in respect of colleagues or third parties was reported. We will not tolerate verified misconduct and it will result in appropriate disciplinary measures up to and including dismissal.

We also expect our suppliers to commit to values and rules, especially the principles of the U.N. Global Compact and the ILO Labour Standards, and to establish adequate systems for ensuring legally compliant and responsible behavior. When we select new suppliers, it is essential for us that they acknowledge the principles on respect for human rights contained in our Supplier Code of Conduct or have established their own comparable regulations and management systems in line with the U.N. Global Compact. To flesh out our requirements, we revised the content of the Code during the reporting year and added additional topics. In connection with this, the name was changed to “Business Partner Code of Conduct.” We thus make it clear that we expect sustainable and ethical conduct not only from our suppliers.

In addition, we promote responsible action in the supply chain with our involvement in the Together for Sustainability (TfS) initiative, which we operate jointly with other international chemical companies. Under this initiative, companies that supply significant goods and

NFR

services are regularly assessed in the context of TfS audits. These supplier assessments also cover compliance with aspects of our Business Partner Code of Conduct, such as compliance with human rights, including with regard to child labor and forced labor. In the reporting year, we received no indications of human rights violations by our suppliers.

We have also established the necessary sales-related processes to fulfill our responsibilities. This particularly includes our processes for central product monitoring and for trade compliance, especially with regard to regulations for preventing dual use. We also systematically evaluate the impact of our products on people as part of our portfolio analysis.

All acquisitions of companies, interests in companies, or businesses are subject to a careful due diligence process to ensure that human rights are also respected by the target company.

Thanks to our long-standing, proven mechanisms for compliance with human rights due diligence obligations – both in our business operations and in the supply chain – we believe we are well prepared for the regulatory developments formalizing the protection of human rights in many regions of the world. Our “People & Governance” sub-committee has taken on the task of closely examining the growing legal requirements in an interdisciplinary team of experts and coordinating the necessary measures.



NFR

### Anti-corruption

By signing the U.N. Global Compact, we have undertaken to actively counter all forms of corruption. This undertaking is also contained within the LANXESS Code of Conduct, wherein we make all employees aware of this topic. Our target is clear: no incidents. Prevention of corruption is part of our general compliance management system. Organizational measures and regulations for setting up the compliance management system as well as responsibilities for implementation, support and continuous monitoring of the system are defined in a guideline applicable throughout the Group. The respective site management, supported here too by our global compliance organization and by regional and local compliance officers, is responsible for preventing instances of corruption at all times.

A Group-wide directive provides clear guidance regarding incentives. Our employees are prohibited, either directly or in connection with their professional duties, from offering personal advantages to the employees of other companies – in particular when initiating, awarding or handling an order or assignment. Our employees are likewise prohibited from accepting such advantages or requesting them for themselves. If an employee is offered such gifts, they must immediately notify their supervisor or the compliance organization. Exceptions may be made for customary occasional or promotional gifts that are symbolic in nature and of low value.



NFR

LANXESS must not grant advantages of any kind to public servants or other officials in Germany or abroad. When commissioning service providers who have contact with officials on behalf of LANXESS, employees must likewise ensure compliance with the prohibition on corruption. As a basic principle, we do not provide financial support to political groupings or parties. LANXESS is involved in large industrial associations, which we regard as fundamental to representing our interests. We disclose contributions and spending on political activities transparently.

Donations – depending on the value – require approval from the Communications central function or from the Chairman of the Board of Management of LANXESS AG, in both cases after prior consultation with the compliance organization.

To enhance our employees' awareness of these rules of conduct, the issue of corruption is regularly covered by compliance training. In addition, we hold specific anti-corruption training aimed at exposed professional groups and countries. In the reporting year, we recorded more than 6,000 participations in compliance training sessions worldwide. If there are indications of compliance violations, our employees and external third parties can contact the compliance organization – anonymously if they wish. Our Group-wide "SpeakUp" reporting system allows all employees or external third parties to report potential violations in writing or by telephone in over 20 languages and guarantees secure and anonymous communication between the compliance organization and the individual making the report.

NFR

The Corporate Audit function examines and monitors implementation of our measures to prevent corruption. It applies various analytical approaches and scopes here:

- > Assessment of the risk of exposure to corruption as part of annual audit planning, and general monitoring of the internal control system: all business units
- > Transaction monitoring to ensure compliance with company regulations with an influence on the prevention of corruption in the standard SAP system: at least 90% of all transactions

In fiscal year 2021, we received no reports or other indications of cases of active corruption by LANXESS employees. Verified cases of LANXESS employees being bribed lead to appropriate disciplinary actions up to and including dismissal as well as consideration of further legal steps. In the reporting year, we received no reports or indications of such cases.

We also communicate our clear expectations for the prevention of corruption to our suppliers and service providers in our Business Partner Code of Conduct. It makes the clear demand that our suppliers must not engage in bribery, fraud or extortion. It is essential for us that they acknowledge the principles contained in the Business Partner Code of Conduct or have established their own comparable standards. If suppliers or service providers do not comply with these principles, this may lead to the termination of the contractual relationship.

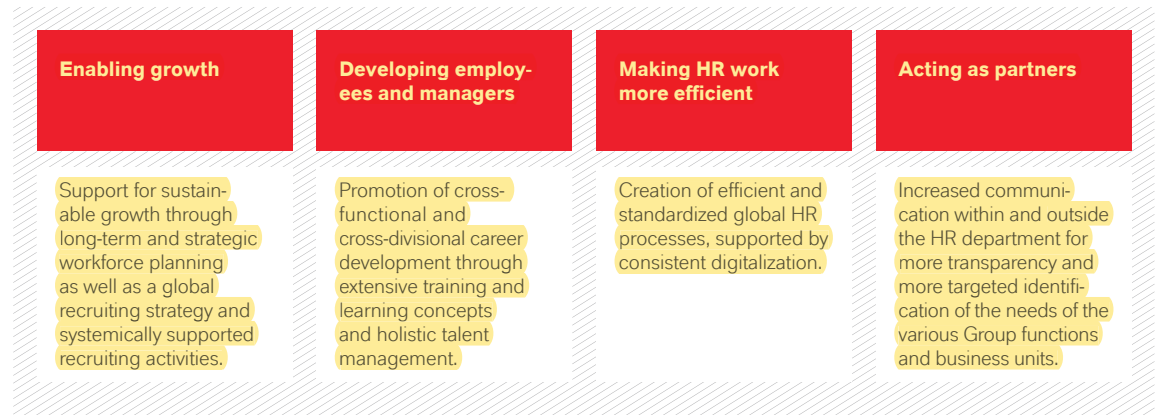


## Employees

LANXESS aims to be a sustainable chemicals company with long-term success driven by the personal commitment of each individual employee and by high-performing, diverse teams. Our goal is to enable our employees to shape their professional lives actively and to create a safe, productive and motivating environment. This makes us attractive to applicants of all ages and skill levels and enables us to counter demographic change and the shortage of skilled workers while also promoting a diverse workforce in which everybody feels included.

An HR strategy based on four pillars helps us to achieve our goal. We are continuously enhancing this in order to appropriately support our employees at all times in the diverse and sometimes complex change processes at LANXESS. In times of profound social and business transformation processes, change management is generally growing in importance. In particular, the increased M&A activities in the reporting year entail organizational, cultural and personal changes for many of our employees. A second major driver of change is and

## LANXESS HR Strategy



remains the consistent digitalization or digital optimization of our business processes, which center on the successive global implementation of a new SAP process and system landscape. For the associated challenges, we have developed various methods and training modules that provide transparency about the upcoming changes and encourage mutual exchange and reflection. One thing is

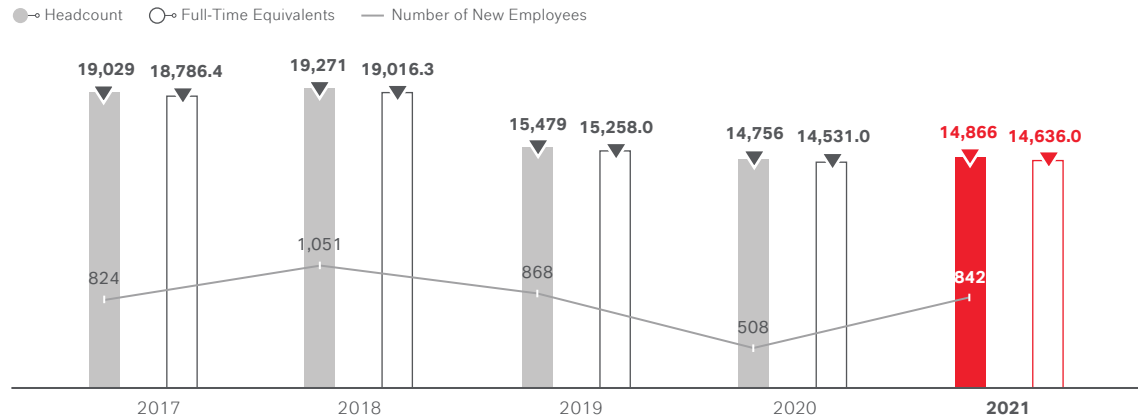
certain: change will remain a constant for LANXESS in the years to come. We want not only to deal with it, but to shape it.

Information on life and work at LANXESS can also be found in our "Working at LANXESS" Background Paper





### Number of Employees



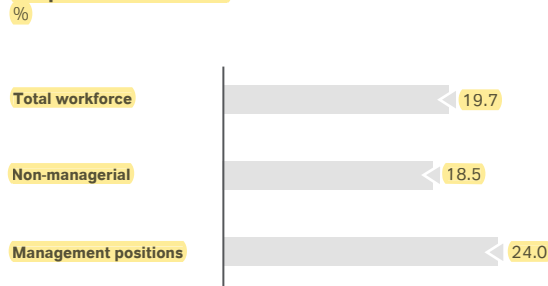
The figures shown for 2020 relate to continuing operations. For 2019, the discontinued operations of the Leather business unit are included. All figures relate to the core workforce. The figures for 2017 and 2018 include ARLANXEO.



### Diversity and inclusion

We regard diversity as a strategic advantage. Therefore, we aim to enhance diversity at LANXESS and use its positive effects for our company and employees. An appreciative culture that is open equally to all people helps us to become more innovative and efficient and to attract and retain promising talents. Recognizing and appreciating diversity is therefore ingrained in our values, our guiding principles as well as our leadership principles.

### Proportion of Women



We continued to follow our strategic “Diversity & Inclusion” (D&I) concept for promoting diversity, equal opportunities and inclusion in 2021. We are working steadily to make all HR processes D&I-compliant. We take a holistic view of D&I, focusing on aspects such as gender, nationality, age, disability and sexual orientation. In the reporting year, we placed particular emphasis on raising awareness and direct exchange with our employees. For example, we initiated various formats on the topic of “unconscious





NFR

bias” or virtual discussions about gender diversity and cultural diversity – one of our global priorities. Particularly with regard to the many new employees who have joined LANXESS through acquisitions in the reporting year, it is important to us that we all appreciate and use the further increase in diversity as a major advantage. This was also the central message of our first “Global Diversity & Inclusion Day,” which we held in November to mark the International Day for Tolerance.

In addition, gender diversity remains an important focus topic – with the clear target of increasing the proportion of women in the company. We sent an important signal in the reporting year with our commitment to the Women’s Empowerment Principles (WEP), a joint initiative by U.N. Women and U.N. Global Compact. The seven principles to empower women in the workplace provide clear guidelines for how employers can promote gender equality. These include equal pay for equal work, gender-specific measures for the promotion of women and zero tolerance for sexual harassment in the workplace.

A pilot project in Germany with four virtual events aimed to set up a network for women at LANXESS to make it easier for them to connect, communicate and inspire each other. The very first event reached around 100 participants, and the number of interested employees grew to more than 200 by the end of 2021. Several sub-groups (e.g. Women in STEM), mentoring pairs and a leadership team, which will organize the network itself from 2022, have already formed from among these participants. On the basis of this

NFR

positive experience, we will also launch pilots for women’s networks in all other regions in 2022.

**Proportion of Women on the Board of Management and at the Top Management Levels**

Proportion of women	2017 <sup>1)</sup>	2018	2019	2020	2021	Goal	Target date
First level below the Board of Management	11.6%	13.8%	20.9%	16.7%	18.2%	15%	June 30, 2022
Second level below the Board of Management	23.9%	19.2%	25.1%	23.4%	25.7%	25%	June 30, 2022
Board of Management (number of women)	0	0	0	1	1	1	June 30, 2022

1) Year when target was set.  
 The proportion of women at the second management level below the Board of Management has been fluctuating since 2015 due to M&A activities. In 2018, the proportion of women also fell due to a change in the reporting structure below the Board of Management associated with the introduction of an additional reporting level at the regional level. The significant increase in the proportion of women at the first two management levels below the Board of Management in 2019 is partly due to a change in the functional reporting structure to our Chief Financial Officer, Michael Pontzen. The proportion of women decreased slightly in 2020 due to organizational changes.

In addition, the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector commits us to set targets in Germany for aspects such as the proportion of women at the two management levels below the Board of Management and to determine the target date for attainment of the proportion of women. In 2017, the Board of Management and the Supervisory Board approved the targets with an implementation deadline of June 30, 2022: The proportion of women is to be at least 15% for the first level below the Board of Management and 25% for the second level. At the end of 2021, we exceeded the targets with a share of 18.2% women at the first level of management and 25.7% women at the second level of management. At the beginning of 2020, Dr. Stephanie Coßmann was appointed as a member of the Board of Management and

NFR

as Labor Relations Director. We therefore achieved our target of at least one woman being represented on the Board of Management by mid-2022.

Beyond the legal obligations, we made a new voluntary commitment in the reporting year: We want the proportion of women in management positions to be at least 30% by the end of 2030. At the end of 2021, the proportion of women in management was 24.0%.

**Ratio of Disabled Employees at German Companies**

	2017	2018	2019	2020	2021
Ratio in %	5.9	5.7	5.9	6.2	6.2



### Recruiting

Against a backdrop of strong competition for talent in our core markets and the demographic challenges, we see recruitment as a strategic issue. We invest in a distinctive employer brand in order to highlight the advantages of LANXESS as a global and socially responsible employer. Our employer branding centers on authenticity and diversity. We communicate this branding via social media, where we share a mix of company, product and HR information in order to spark enthusiasm for our company among talented people from a wide range of functions.

Our recruitment process is highly digitalized. The software platform covers all digital processes from onboarding to the signing of employment contracts. Highly specialized LANXESS recruitment teams work in the U.S., China, India and Europe. The software platform helps to make processes for approaching and acquiring new talent more standardized, transparent and customer-focused. In order to approach interesting candidates in both an active and a targeted manner, we also have a pool of active sourcing specialists, who will gradually replace external HR service providers. A total of 842 new employees joined the Group in the reporting year (1,314 including temporary employees). The new employees predominantly filled technical positions.

### New Employees by Age Group, Gender and Region

	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
Age group	f	m	f	m	f	m	f	m	f	m	
<30	12	49	24	75	10	46	12	12	9	42	<b>291</b>
30-49	17	53	27	114	26	90	7	14	35	80	<b>463</b>
≥50	2	9	3	13	11	48	-	-	1	1	<b>88</b>
<b>Total</b>	<b>31</b>	<b>111</b>	<b>54</b>	<b>202</b>	<b>47</b>	<b>184</b>	<b>19</b>	<b>26</b>	<b>45</b>	<b>123</b>	<b>842</b>
<b>Region total</b>	<b>142</b>		<b>256</b>		<b>231</b>		<b>45</b>		<b>168</b>		
<b>%</b>											
Age group	f	m	f	m	f	m	f	m	f	m	
<30	37.5	26.7	11.9	9.6	18.4	30.9	30.2	19.7	24.5	32.7	<b>17.4</b>
30-49	8.3	7.9	4.4	4.7	15.4	13.3	5.5	3.4	10.2	6.6	<b>6.8</b>
≥50	1.5	1.3	0.5	0.4	4.7	6.0	-	-	1.9	0.3	<b>1.5</b>
<b>Total</b>	<b>8.5</b>	<b>7.1</b>	<b>3.9</b>	<b>3.2</b>	<b>10.2</b>	<b>11.3</b>	<b>9.8</b>	<b>4.2</b>	<b>10.4</b>	<b>7.5</b>	<b>5.8</b>
<b>Region total</b>	<b>7.3</b>		<b>3.4</b>		<b>11.1</b>		<b>5.6</b>		<b>8.1</b>		

Disclosures apply to the core workforce not including conversion of temporary to permanent employees and acquisitions. Including temporary employees, the number of new employees increases to 1,314 (9.0%).

Our international graduate trainee program is a fundamental tool for securing talent in Germany. Exceptionally well-qualified Master's graduates are prepared for challenging specialist and managerial tasks and can gather valuable experience in Germany and abroad or in international projects. In addition to an engineering orientation, LANXESS

also offers attractive areas of activity for economics graduates. Our young staff have various opportunities to learn, be it on the job, through networking or targeted training. In 2021, we acquired 25 new talents (11 women, 14 men). This was the biggest intake of graduate trainees ever to start at LANXESS.



### Vocational training

Training young people has always been hugely important to us, both in order to safeguard the company's future and as part of our social responsibility. Vocational training is the basis of our strategy of developing specialist staff for the German sites from within our own ranks. In the reporting year, we celebrated a special milestone in this context: the thousandth apprentice was taken on as a permanent employee.

It is our aim to retain at least 80% of our apprentices after successful completion of their training. We reached this target again in the reporting year with a retention ratio of 83% (previous year: 85%).

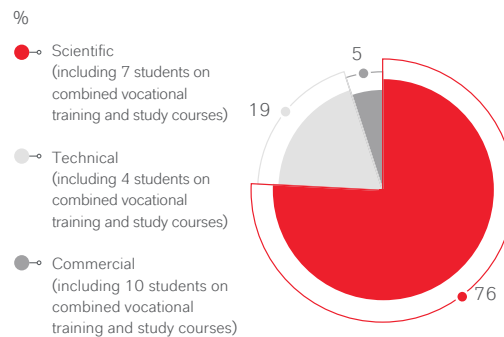
165 apprentices on six technical, scientific and commercial career paths and four dual-study programs started their apprenticeships at LANXESS Deutschland GmbH on September 1, 2021. The proportion of female career starters was 6% in the reporting year (previous year: 10%). Taking the new intake into account, there are 627 apprentices at LANXESS Deutschland GmbH (as of December 31, 2021). The proportion of female apprentices across all years is around 8.5%. We invested around €23 million (previous year: €23 million) in the vocational training of young talent in 2021.

Training will remain a key pillar of our HR policy in the years ahead. We are importantly demonstrating this with a new, modern offering. From 2022, it will also be possible to complete an apprenticeship an industrial management assistant in part time at LANXESS. We are



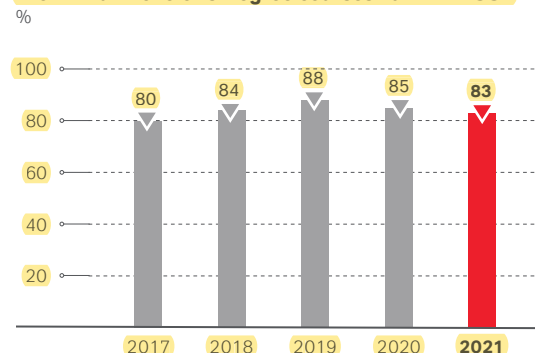
aiming this offering at people who cannot take on a full-time apprenticeship – e.g. because they have children or act as a relative's carer. The apprenticeship can be completed at a reduced 30 hours a week, without the duration of the apprenticeship increasing.

#### Apprentices by Career Path<sup>1)</sup>

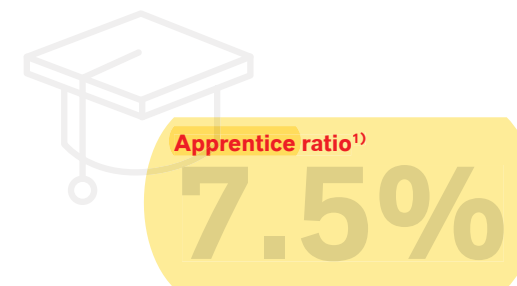


1) LANXESS in Germany

#### Hire Rate of Apprentices and Students on Combined Work and Bachelor's Degree courses at LANXESS<sup>1)</sup>



1) LANXESS in Germany



1) This figure is the ratio of apprentices at LANXESS Deutschland. The number of LANXESS Deutschland employees undertaking an apprenticeship is expressed as a percentage of the core workforce of LANXESS Deutschland (employees with a permanent, full- or part-time employment contract) plus the apprentices of LANXESS Deutschland.

Outside Germany, we offer apprenticeship programs in several European countries, as well as Argentina, Brazil and India, for example, in order to cover our requirement for young talent in those countries. In addition to our regular apprenticeship activities, we cooperated with the IOCHPE Foundation in Brazil for the first time. Through this cooperation, we enabled ten young people from disadvantaged backgrounds to take part in a nine-month training course at our production site in Porto Feliz. In India, the government supports an apprenticeship program to give more young people the opportunity to acquire qualifications required to work in the chemical industry. Within this framework, a total of 33 apprentices are working for us at the Nagda and Jhagadia sites in the 2021–2022 apprenticeship cycle.



**14,866**  
LANXESS  
employees  
worldwide

### Strategic Workforce Planning

Two regions of commercial significance for LANXESS – the U.S. and Europe, especially Germany, Belgium, and Great Britain – are particularly affected by the problem of the increasing average age of our employees, combined with a shortage of young talent. Accordingly, competition for qualified young talent is intensifying. In the medium term, illness and retirement – both regular and early (in Germany) – will mean that many vacancies require filling, especially in career paths such as chemical production technician, mechanic and engineer. For this reason, we have been investing in our own apprenticeship and management trainee programs for years in order to cover our requirements for specialist staff chiefly from our own ranks in the future. We offer attractive opportunities development in order to increase retention among the young talent. Last year, for example, we successfully established personnel conferences for the production and technology workforce. They serve the purpose of strengthening rotation and development in our operating areas in particular.

In order to make the immense practical knowledge of our older employees available to subsequent generations, we are currently successfully piloting a knowledge transfer program. This identifies important departing knowledge carriers at an early stage, systematically records their often implicit knowledge, and ensures its structured transfer to subsequent generations – in both analog and digital format. In addition, we are currently testing a digital, company-specific knowledge database that serves both existing and new employees as an intuitive reference work.

We use our global strategic HR planning process to simulate the long-term staffing supply – taking into account retirements, natural turnover, etc. – and compare it against our long-term staffing requirements. In the long-term planning of staffing requirements, we consider the company’s strategic goals as well as ideas about technological advancements. Our aim is always to identify staff shortages at an early stage.

After concentrating in particular on the development of the workforce at the plants in the U.S. and Canada in 2020, our focus in the reporting year was on the operating areas in Europe and Asia. A structural change in our staffing requirements is becoming apparent in the medium term, particularly in Germany. Simple, repetitive tasks in production will be rendered unnecessary by further automation and digitalization. In contrast, additional requirements are arising in technical areas, both for the implementation of our digitalization projects and for the management and maintenance of the process control systems. Against this backdrop, we have begun to include qualitative aspects such as future expertise in the strategic HR planning. We want to continue expanding on this in the years to come.

### Remuneration and benefits

Our remuneration policy offers fair and competitive remuneration worldwide, chiefly based on relevant external benchmarks, level of professional experience and quality of work, regardless of the gender of the employees. We regularly reassess the fixed annual salary of our non-pay-scale employees on the basis of these factors in our annual salary review. Salary increases for our pay-scale employees follow the applicable collective agreements, likewise regardless of gender. The remuneration ratio of women and men is reviewed regularly and analyzed including other factors.

### Employees by Age Group, Gender and Region

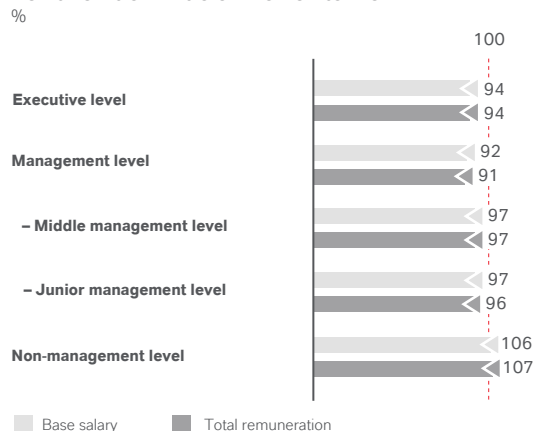
Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
<30	34	206	201	800	54	152	42	60	33	116	<b>1,697</b>
30–49	210	722	632	2,445	184	720	128	406	343	1,216	<b>7,006</b>
≥50	138	753	594	3,058	249	835	26	149	56	305	<b>6,163</b>
<b>Total</b>	<b>382</b>	<b>1,681</b>	<b>1,426</b>	<b>6,303</b>	<b>487</b>	<b>1,707</b>	<b>196</b>	<b>615</b>	<b>432</b>	<b>1,637</b>	<b>14,866</b>
<b>Region total</b>	<b>2,063</b>		<b>7,729</b>		<b>2,194</b>		<b>811</b>		<b>2,069</b>		<b>14,866</b>

NFR



NFR

### Remuneration Ratio of Women to Men



All disclosures are made exclusive of the acquired company Emerald Kalama Chemicals, as all the relevant information for these employees is not yet available.

The difference between the average remuneration for men and women at LANXESS is less than  $\pm 6\%$  for all individual levels. These salary differences are influenced by further, non-gender-specific variables – such as professional experience, salary differences due to geography or function, or differing work histories. When the wage gap is broken down by age group – as a proxy variable for professional experience – the difference between men and women is usually even smaller. The goal of our HR policy is to have no differences in pay on the basis of gender. Our Diversity & Inclusion measures also contribute to this (see page 42).

As part of the transparent remuneration in line with market conditions, LANXESS offers its employees bonus systems

geared toward the company's long-term success. In total, 86% (previous year: 88%) of LANXESS employees worldwide participate in our variable compensation systems. Due to acquisitions in fiscal year 2021 whose compensation structures are not yet fully integrated into the LANXESS compensation structures, the participation of eligible employees in our variable compensation systems has temporarily decreased slightly.

The central performance-based compensation component is the Annual Performance Payment (APP), which we provide above the pay scale and in most countries within the pay scale on top of fixed pay. This bonus payment is linked to our key controlling indicator, so requires the Group's attainment of a defined EBITDA target. Further individual targets in areas such as safety and sustainability additionally apply to top management. In 2021, we shared around €49 million of our profits for fiscal year 2020 with our employees worldwide. Because of the challenges of the coronavirus pandemic, the bonus payment was lower than in previous years.

With the Individual Performance Payment (IPP), managers can also reward employees' extraordinary individual achievements during the year in a prompt and unbureaucratic way. Around €12 million was awarded in fiscal year 2021, around €8.5 million of which in Germany. At present, around 82% of our employees worldwide are entitled to receive the IPP. In relation to this, they also receive a prompt assessment of their performance and their career prospects.

In addition, we offer a long-term incentive program for our managers in Germany. There are similar programs in the U.S., India and China. The Long-Term Stock Performance Plan (LTSP) consists of four tranches commenced each year and tracks the performance of the LANXESS share compared with the MSCI World Chemicals Index, over a period of four years in each case. In addition, there is a Share Ownership Guideline for the Board of Management and our top-level managers. This guideline emphasizes trust in the strategy and long-term success of LANXESS. 100% of those eligible participated in the current LTSP program in 2021.

After a two-year break, we also resumed the LANXESS stock program for our employees in Germany in the reporting year. All eligible participants had the opportunity to acquire a number of LANXESS shares according to their respective pay grade. The company subsidized each purchase share with 30% of the purchase price. Around 60% of the eligible employees made use of our offer.

Another core element of our offering is the company pension plan for plugging potential gaps in provision in old age. The design of the company pension plan differs from country to country depending on the state pension system. LANXESS's pension commitments often go beyond what is required by law. They are funded by employer and/or employee contributions. In Germany, employees can voluntarily increase their pension and receive an additional grant from LANXESS. 73.5% of employees participate in the supplementary component of the current pension plan. Other offerings facilitate the transition into retirement,



such as the long-term account for pay-scale employees in Germany. The participation rate here remained at a high level of around 92%.

### Working conditions and benefits

In addition to fair monetary remuneration, flexible working conditions and benefits are becoming increasingly important. As components of total remuneration at LANXESS, they make a material contribution to the wellbeing and productivity of our workforce. It is important to us that the benefits granted support our corporate targets, values and culture and address the relevant needs of our employees. When designing these benefits, we often go further than the respective statutory framework. In addition, we always aim to account for individual needs and life situations in the best possible manner.

All services apply to our core workforce. Even so, some individual services in the regions may have differing structures and be locally adapted to the needs of our employees. Our core workforce includes all employees with a permanent full-time or part-time employment contract. As of December 31, 2021, this was 94% (previous year: 93%) of our total workforce worldwide.

### LANXESS Employee Structure by Employment Type, Gender and Region

(also including employees on fixed-term contracts)<sup>1)</sup>

Contract	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
Permanent contract	382	1,681	1,426	6,303	487	1,707	196	615	432	1,637	<b>14,866</b>
Full-time	323	1,541	963	5,095	480	1,707	196	615	426	1,637	<b>12,983</b>
Part-time	59	140	463	1,208	7				6		<b>1,883</b>
Temporary contract	25	21	142	730	6	4	18	30	13	36	<b>1,025</b>
Full-time	23	20	108	691	5	4	18	30	11	35	<b>945</b>
Part-time	2	1	34	39	1				2	1	<b>80</b>
<b>Total</b>	<b>407</b>	<b>1,702</b>	<b>1,568</b>	<b>7,033</b>	<b>493</b>	<b>1,711</b>	<b>214</b>	<b>645</b>	<b>445</b>	<b>1,673</b>	<b>15,891</b>

1) In fiscal year 2021, we employed a total of 128 temporary staff members (19 women and 109 men) at our German companies.



In line with our office-based employees' desire for more flexible working and working-time models as well as greater transparency regarding existing options, we introduced and communicated global flexibility principles in 2018 under the heading "Xwork – Flexible Work." A significant aspect of this flexibility for our office-based employees is the ability to work remotely. We laid the foundation for country-specific guidelines in this regard with a global statement on remote working adopted and released by the entire LANXESS leadership team in September 2021. With the statement, we want to recognize the lessons learned from the coronavirus pandemic and the increased remote working of some of our employees during this time. We have seen that, while many tasks can be carried out at home, in particular creative activities and team interactions in the office are indispensable for our joint success and the welfare of our employees. In our view, therefore, an



average of four to eight days of remote working per month in addition to working in the office is compatible with our business interests – providing, of course, that the tasks are suitable for remote working. Guidelines to this effect were adopted in the U.S. and Great Britain, among other countries, by the end of the year. Pre-existing guidelines, such as in India, were also adapted on the basis of the global statement.

The "flexitime" model derived for Germany from the Xwork principles aims to enable employees in senior management to work part-time in an intelligent way. In the Flexi-95 model, the level of employment is reduced to 95% with a corresponding adjustment to remuneration, meaning that a full-time worker is entitled to 13 extra days off per year. Corresponding models with levels of employment of 90% and 85% are also possible. As of



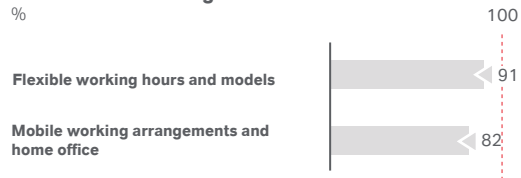


NFR

the start of 2021, flexitime is now available to all non-pay-scale employees. In 2021, there were 107 participants, of which 29 in senior management.

These and other measures count toward our goal of 95% of all countries in which we operate having derived and implemented specific guidelines and/or corresponding models for flexible working conditions from our global “Xwork” principles by the end of 2022. At the end of 2021, the coverage ratio was already 89% (previous year: 75%).

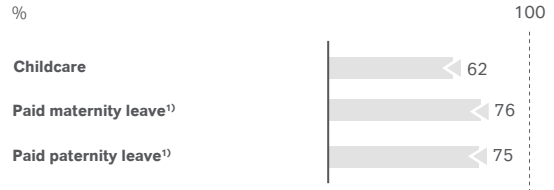
**Options for Flexible Working Hours and Mobile Working Worldwide**



Work/life balance has become even more important under the persistently difficult conditions of the coronavirus pandemic. In 2021, we therefore made our employees in Germany a number of new offers regarding childcare, such as additional locations for reserved places at daycare centers. A total of 8% of the workforce in Germany aged between 20 and 40 were on parental leave for a time. Of this figure, 60% were fathers. 99% of the employees who ended a parental leave period in 2021 returned to a job at LANXESS, 97% of which still worked in the company at the end of 2021.

The legally defined framework for maternity rights and parental leave taken for granted in Germany and similar models in the European Union are by no means standard worldwide. Therefore, at our sites outside Europe, we are assessing whether we can introduce or expand country-specific models for our employees. In Brazil and the U.S., for example, we offer parental leave programs that go beyond the respective legal requirements and allow our employees to spend time with their children on full pay.

**Options for Childcare, Maternity/Paternity Leave and Care Models Worldwide**



1) Beyond legal requirements  
Coverage is shown in percent for each initiative with regard to the countries and the total number of employees.

Against a backdrop of demographic change, care is a major issue in Germany. The centerpiece of the LANXESS care model is caregiver leave, which allows our employees to reduce their working hours by more than their pay during the care period and to work off the hours commensurate with the pay they received after their return. Caregiver leave and time off have been used by 127 employees in Germany since the LANXESS care model was introduced. In the reporting year, we informed the workforce about

the topic with a new series of presentations. In addition, the supplementary long-term care insurance “CareFlex” was launched in Germany. We thus offer our pay-scale employees additional protection against the risks and strains that arise for the dependents and their families when care is required but are not covered by statutory long-term care insurance. The costs are borne entirely by LANXESS. From 2022, CareFlex will also be available to our managerial employees.

**Commitment and loyalty**

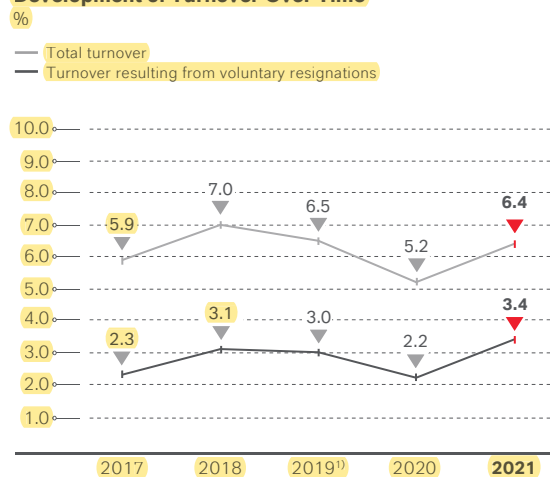
Committed and motivated employees are the key to strong company performance, successful change and ultimately long-term corporate success. Accordingly, we pay special attention to encouraging the commitment of our employees. Good management helps here, as do personal development prospects and company values with which our employees can identify. All these factors, among others, shape the LANXESS corporate culture, which we actively strengthen and develop with regard to the constant new challenges in our markets. In the future, internally trained culture coaches will make an important contribution here. Among other things, they will provide professional guidance for the diverse transformation processes in the Group, such as reorganizations, the digital transformation and integration projects. We also want to lend greater weight to the cultural framework, shared values, and thus the merger of the corporate cultures, e.g. through a corresponding analysis as an element of the due diligence process.

NFR



Regular and structured feedback is another important element of our corporate culture. To this end, we use different survey formats to allow feedback relating to the satisfaction and commitment of the various employee groups. Among other things, we regularly conduct Group-wide surveys – most recently in 2020.

### Development of Turnover Over Time



1) The turnover rate is the sum of departures (from the Group) in the last twelve months divided by the average of the headcounts at the end of the last four quarters. It therefore includes employer- and employee-initiated departures as well as retirement. Since fiscal year 2019, temporary absences, e.g. due to parental leave or lengthy illness, are no longer counted as departures.

### Early Turnover Resulting from Voluntary Resignations by Age Group, Gender and Region

Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
<30	12.5	4.9	0.5	0.9	9.2	11.4	2.5	–	10.9	16.3	4.1	69
30–49	2.4	1.3	0.5	0.7	4.1	3.8	0.8	0.5	1.2	2.2	1.5	102
≥50	0.8	0.3	0.2	–	0.4	1.9	–	–	–	–	0.3	21
<b>Total</b>	<b>2.7</b>	<b>1.3</b>	<b>0.4</b>	<b>0.4</b>	<b>2.8</b>	<b>3.6</b>	<b>1.0</b>	<b>0.3</b>	<b>1.8</b>	<b>2.9</b>	<b>1.3</b>	<b>192</b>
<b>Region total</b>	<b>1.5</b>		<b>0.4</b>		<b>3.4</b>		<b>0.5</b>		<b>2.7</b>			
<b>Region total (absolute)</b>	<b>30</b>		<b>31</b>		<b>71</b>		<b>4</b>		<b>56</b>			

Early turnover: percentage of employees who left our company of their own accord within three years of being hired

### Turnover Resulting from Voluntary Resignations by Age Group, Gender and Region

Age group	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
<30	15.6	6.5	3.0	3.3	16.6	17.5	5.0	1.6	21.8	21.0	7.3	122
30–49	4.4	4.2	2.3	2.1	7.1	7.2	2.4	1.2	7.0	4.9	3.7	254
≥50	2.3	2.1	2.0	1.1	3.8	3.9	11.1	0.7	5.7	1.0	1.9	113
<b>Total</b>	<b>4.6</b>	<b>3.5</b>	<b>2.3</b>	<b>1.7</b>	<b>6.5</b>	<b>6.5</b>	<b>4.1</b>	<b>1.1</b>	<b>8.1</b>	<b>5.5</b>	<b>3.4</b>	<b>489</b>
<b>Region total</b>	<b>3.7</b>		<b>1.8</b>		<b>6.5</b>		<b>1.9</b>		<b>6.0</b>			
<b>Region total (absolute)</b>	<b>72</b>		<b>141</b>		<b>136</b>		<b>15</b>		<b>125</b>			





NFR

In addition, we see the turnover rate on the basis of resignations as an important indicator of our employees' commitment. Our goal is to continuously keep this ratio below 3.5% until the end of 2023. In the reporting year, the global voluntary turnover rate was 3.4% (previous year: 2.2%), meaning that we reached our target for this year. In Germany, the rate was 1.8% (previous year: 1.1%). The percentage of employees who left our company of their own accord within three years of being hired stood at an average of 1.3% worldwide in the reporting year (previous year: 0.8%).

We rate our performance in relevant rankings and competitions as a further sign of our employees' satisfaction and the attraction of LANXESS as an employer. In 2021, for example, we took 53rd place out of 100,000 companies in Germany in the "Leading Employer" ranking by the Institute of Research & Data Aggregation, which puts us among the "top 1%" of German employers. In Brazil, LANXESS was recognized as the best employer in the chemical and petrochemical industry for the second time in a row, while our Indian subsidiary received the prestigious "Great Place to Work" certification.

**Total Turnover by Age Group, Gender and Region**

	EMEA (excl. Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
<b>Age group</b>											
< 30	5	14	6	29	9	31	3	5	9	30	<b>141</b>
30–49	14	32	14	55	13	54	6	13	42	88	<b>331</b>
≥ 50	13	51	33	192	26	92	4	17	5	26	<b>459</b>
<b>Total</b>	<b>32</b>	<b>97</b>	<b>53</b>	<b>276</b>	<b>48</b>	<b>177</b>	<b>13</b>	<b>35</b>	<b>56</b>	<b>144</b>	<b>931</b>
<b>%</b>											
<b>Age group</b>											
< 30	15.6	7.6	3.0	3.7	16.6	20.8	7.5	8.2	24.5	23.3	<b>8.4</b>
30–49	6.9	4.8	2.3	2.3	7.7	8.0	4.7	3.2	12.2	7.2	<b>4.8</b>
≥ 50	10.0	7.1	5.6	6.3	11.0	11.5	14.8	11.7	9.5	8.8	<b>7.6</b>
<b>Total</b>	<b>8.7</b>	<b>6.2</b>	<b>3.8</b>	<b>4.4</b>	<b>10.4</b>	<b>10.9</b>	<b>6.7</b>	<b>5.7</b>	<b>12.9</b>	<b>8.8</b>	<b>6.4</b>
<b>Region total</b>	<b>6.7</b>		<b>4.3</b>		<b>10.8</b>		<b>5.9</b>		<b>9.6</b>		

**Employee development and talent management**

Only by constantly investing in training our employees and imparting clear, globally binding values and standards can we as a company keep on using the opportunities of changing markets successfully. Wide-ranging leadership and HR development tools enable and motivate our employees to act on the basis of our values, rethink issues, implement them quickly and devise solutions in a team.

In 2021, our priorities in Learning & Development lay in the virtualization of our existing offerings and in the introduction of further digital learning opportunities in order to ensure our employees' continued development

even during the pandemic. After the successful pilot of the digital learning platform "LinkedIn Learning" in the previous year, we rolled out the offering worldwide in 2021. This means that our employees now benefit from more than 16,000 additional digital learning opportunities for their professional and interdisciplinary development and the strengthening of future skills.

Globally, more than 95% of our workforce received training, including both basic and safety training, as well as further education to further their careers and skills in the reporting year. On average, our employees received at least 15 hours of training (previous year: 14 hours).



We also virtualized our leadership training and were thus able to provide it unchanged at times when physical meetings in larger groups were practically impossible. The aim of the programs is to embed our leadership principles more deeply worldwide and to strengthen our leadership culture. Depending on the experience of the participants, basic leadership techniques are conveyed, refreshed and translated into individual measures. Since management practice differs depending on the country and cultural environment, our training programs also take cultural differences into account and include the requirements of digital management.

In the reporting year, we also worked hard on the issue of knowledge sharing and transfer. For example, we initiated different formats around the world in which employees could share their knowledge with interested colleagues. In addition, we have successfully advanced a project for knowledge transfer in production. Globally, several pilots were completed with expert debriefings and learning tandems, on the basis of which we are now planning the worldwide rollout for 2022.

With our global, cross-divisional and cross-hierarchical “compass,” “eXplorer” and “navigator” talent programs,



we support particularly high-performing employees, retain them within the company and identify suitable successors for key positions at an early stage.

“compass” for employees at the start of their career, offers guidance for their future career path. The format encourages practical development measures. The core element is a Development Center, which as of 2020 can be carried out entirely virtually. “eXplorer” is aimed at employees who have the potential to develop toward major leadership roles at LANXESS in the next few years. Key topics include dealing with complexity, new forms of collaboration and digital and agile leadership principles. Whereas there used to be three face-to-face modules, these have been replaced by more frequent, shorter virtual meetings, which are supplemented by individual preparation and follow-up as well as experience-based learning in experimental project groups. The “navigator” program is aimed at managers with the potential to lead a business unit or Group function.

In the reporting year, our activities focused on the professionalization of the training formats virtualized in the previous year. While the study goals, key topics and study periods are to remain as unchanged as possible on the



basis of the positive feedback from previous years, we have continuously optimized the teaching in light of the current challenges in order to strengthen personal communication and genuine interaction in the virtual framework.

Our commitment to increasing diversity at LANXESS is reflected in a specific target for the composition of the three talent programs. Every year, the programs' participants should be at least 30% female and 40% non-German. With a total of 102 participants in 2021, the proportions amounted to 25% female and 60% non-German participants. We have therefore exceeded our target regarding intercultural diversity, while missing the target for gender equality. Because the programs can last for up to 18 months, double counting cannot be ruled out. We are planning numerous measures to build on the good results of the previous year regarding gender equality in 2022. These include expanded offerings especially for women in the areas of training, coaching, mentoring and networking and various campaigns to raise awareness of gender equality. When it comes to nominating talent, we will also make sure to identify enough female candidates.



International deployments are another key component of our systematic HR development. In 2021, most of the planned assignments were begun and all expiring assignments were completed as planned despite the challenges as a result of coronavirus. At the end of 2021, 39 employees – i. e. around 1.1% of our specialist and managerial staff – were deployed outside their contractual country as expatriates.

It remains our aim to build up local management with specialist knowledge and expertise and assign challenging tasks to suitable employees at our international sites. At sites outside Germany, 87% of our leadership positions are currently held by local employees.

**Occupational health and safety**

Our occupational health management is based on raising all employees' awareness of their own health and motivating them to act on their own initiative and adopt healthy behaviors in their professional and private lives.

The coronavirus pandemic was also a focal point of our health protection work in 2021. In the middle of the year, for example, the coronavirus vaccination campaign for our employees at the Dormagen, Dortmund, Cologne, Langenfeld, Leverkusen, Uerdingen and Wietmarschen sites began at the Chem parks in the Lower Rhine region. We also organized a local vaccination offering close to our other German locations in the summer months.

Unconnected to the pandemic, we offered our employees free flu vaccinations and preventive liver and kidney screening with around 1,500 appointments at various German sites. We engaged in active health care by introducing a regular, free online back-fitness program. In addition, we initiated several themed weeks over the course of the year: While May focused on exercise, nutrition and wellbeing, the "Mental Health Week" in October aimed to educate about mental illness, highlight options for help and therapy, and stimulate discussion. In addition, our employees in Germany again received €200 credit for a wide range of health-related options on the digital platform "machtfit." More than 1,500 bookings for health units were registered by the reporting date in Germany.

We also offer our workforce wide-ranging measures to promote health and wellbeing at our international sites. In addition to the physical aspects, the topic of mental health is continuously growing in importance. Findings from neuroscience show that mindfulness-based stress reduction can protect against the effects of chronic stress and improve wellbeing as well as teamwork. Mindfulness is likewise of great importance for the safety culture. Since February 2021, we have therefore offered our employees worldwide the global "mindful@LXS program" as an online mindfulness program. In the future, our employees in Great Britain with mental health issues will receive advice

and support from specially trained "Mental Health First Aiders" among their colleagues. In India, we continued the successful "Health and Wellbeing" program, including with seminars on "mental wellbeing and productivity" and "money management", coaching sessions on work-life balance and mindfulness exercises. We also provide active support for our employees with physical and mental challenges in China.



We address the topic of occupational safety with our global safety initiative Xact. It pursues the goal of gradually lifting the safety culture of LANXESS to a higher level. Starting with top management, all employees are expected to work together to improve safety in the Group. We are doing this because we firmly believe that all industrial accidents are avoidable. As a specific target for occupational safety, we aim to reduce the lost time injury frequency rate (LTIFR, known as MAQ ["accidents per million hours worked"] in Germany) by more than half by the end of 2025 compared to the reference year of 2016 (LTIFR 2.0).

As ever, the work of the Xact team is focused on stabilizing and fostering a positive culture of safety and greater alignment toward behavior-based safety. To this end, we developed and piloted a systematic process called the Safety Culture Development (SCD) Process, the rollout of which began globally in 2019.



NFR

The six-stage process is centered on a full-day, focus-group workshop led by the Xact team. In this workshop, representatives of all hierarchy levels engage in an in-depth discussion on the safety culture in their own plant. In this way, we can identify the individual strengths and weaknesses of each plant and initiate targeted improvements. To boost sustainability, a follow-up workshop a few months later discusses the implementation of the measures with the focus group. The Xact team collates the workshop results centrally in order to determine global, regional or department-specific trends.

NFR

By the end of 2021, 41 of the roughly planned 150 focus-group workshops had been carried out in Germany, Belgium, the U.S. and China. Because of the pandemic, only a few of the some 50 workshops originally planned worldwide for 2021 were implemented. In Germany, we were also able to partially resume the process as a face-to-face event under strict hygiene precautions. In 2022, we will continue the events according to how the pandemic progresses.

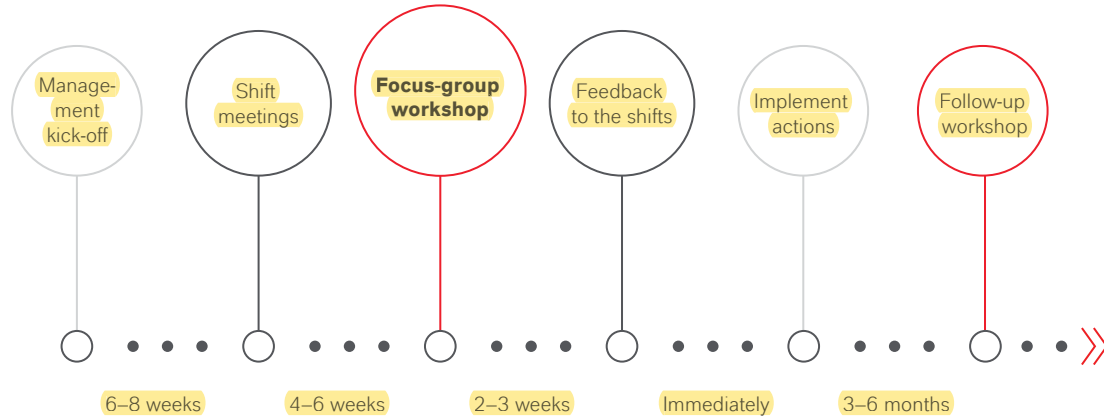
An interim evaluation shows that our employees appreciate the fact that they can contribute personally, receive direct feedback from their colleagues and supervisors and

NFR

actively help to shape the safety culture in their own area of activity. The greatest potential for improvement is in the cultural reasons for unsafe behavior. The characteristics that define our LANXESS safety culture play a fundamental role here. At LANXESS, these are safety leadership by example, attitude to safety/taking responsibility, learning and sharing/error culture, positive reinforcement of safe behavior, and communication/feedback culture. The Xact initiative has summarized these findings in a guidebook called "How Can Safety Culture Be Made Visible?". It was introduced worldwide in early 2021 and distributed in six languages as a key element of our future communication.

Active, ongoing communication is a top priority for us when it comes to matters relating to safety. The Xact pulse-check survey that we conduct every year among all LANXESS employees is an important tool here. It gives them the opportunity to express their personal experience of key aspects of safety at LANXESS. One aim of the anonymous survey is to determine whether all employees receive positive feedback regarding safe work – as intended – or whether supervisors set an example when it comes to safety.

**Our Safety Culture Development Process**





NFR

Despite the strain of the pandemic, around 51% of our employees took part in the survey in 2021. In addition to questions about the content of the Xact initiative, focal points in the reporting year included leadership by example and the avoidability of accidents. The results differed, in some cases substantially, depending on the region, organizational unit and hierarchy level. For instance, responses to the question on positive feedback from supervisors in the event of safe work were still far less affirmative than the global average in countries such as Germany. The majority of responses on the attitude to safety and lived safety culture at LANXESS were positive. Potential for improvement is seen, among other things, in leadership by example and in communication and feedback culture. The survey results with their more than 450 comments give us valuable ideas for the further development of the safety culture at LANXESS.

In accordance with the safety guidelines at LANXESS, every organizational unit, e.g. a plant, is required to carry out regular risk assessments and define suitable measures to protect against potential hazards. Employees are trained accordingly, and the training and the measures are checked regularly. We thus meet the legal requirements and protect employees, contractual partners and visitors to the plant alike.

We also want to reach an improved shared understanding of occupational safety with service providers who perform technical services for us, as well as including them in our safety culture. For instance, our partners must demonstrate

NFR

that they maintain their own safety management system and have carried out all safety training that is required of all employees who work for us. Regardless of this, we provide personal safety briefings for employees of our partner companies.

Indicators for the assessment of occupational safety at LANXESS are the recordable incident rate (RIR: number of incidents per 200,000 working hours that have to be reported according to the Occupational Safety and Health Administration [OSHA]) and the lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost. The LTIFR in 2021 was 0.9 and thus lower than the already strong level of the previous year and for the first time within our medium-term target of < 1.0.

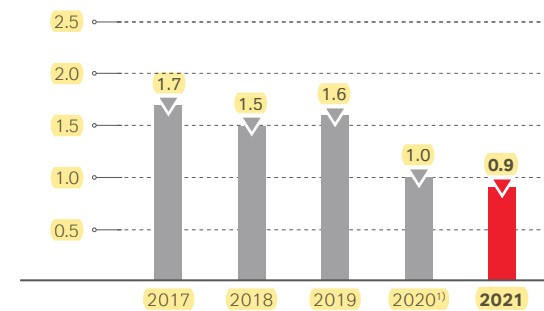
As in previous years, no fatal accidents occurred in the reporting period. The RIR, which also includes accidents with no days lost in accordance with OSHA rules, was 0.7 in 2021, and thus below the previous year's level of 0.8. Companies have been taking occupational safety increasingly seriously in recent years. This sharp focus at all hierarchy levels has helped to continuously reduce reports of serious accidents on a lasting basis.

All accidents as well as significant near-misses are systematically analyzed with regard to their cause and possible preventive measures. The results of these investigations are, for instance, incorporated into safety updates that are made available to the entire organization.

NFR

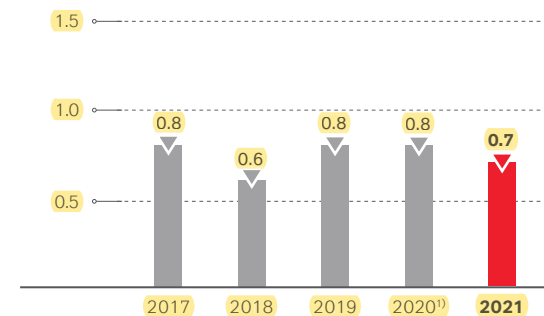
We regard the sharp fall in the LTIFR in recent years as evidence that this structured transfer of knowledge and the many measures to improve occupational safety at LANXESS are having a positive effect.

**Work-Related Injuries to LANXESS Employees Resulting in Absence from Work (LTIFR)**



1) Continuing operations. Including the Leather business unit, the LTIFR was 1.1.

**Work-Related Injuries to LANXESS Employees that are Reportable in Accordance with OSHA Regulations (RIR)**



1) Continuing operations. Including the Leather business unit, the RIR was likewise 0.8.



**CEO Safety Award**

For us as a chemicals company, the safety of our employees, plants and processes is the utmost priority. The international CEO Safety Award, which was bestowed for the third time in the reporting year, recognizes particularly successful initiatives and contributions to occupational safety at LANXESS. An important criterion for the award is how easily the submitted contribution can be implemented and transferred to other sites. For example, we are not only anchoring occupational safety even deeper in the minds of all employees, but also illustrating how important it is to learn from each other at LANXESS.

A plant team from our Advanced Industrial Intermediates business unit in the U.S. (Baytown site) received the award for its comprehensive “Operational Diligence” training concept for production employees. The six- to 14-month program focuses on identifying flawed and thus unsafe processes. This is based on twelve key topics that cover both plant and occupational safety. For example, the employees define clear and up-to-date process descriptions in teams, examine risk assessments in practice for errors, and have several people check permits for correctness. Continuous

feedback between employees and trainers as well as an annual performance assessment and regular tests are important elements of the program.

In addition, teams from the Inorganic Pigments business unit from Uerdingen and the Lubricant Additives business unit in Mannheim were virtually congratulated as finalists by CEO Matthias Zachert for the “The spot is marked safe, before it happens again” project and the “Internal load safety” project, respectively.

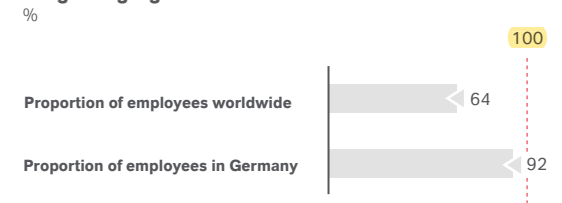
**Employee co-determination**

Dialog with chemicals social partners – works councils, trade unions and employer associations alike – as a principle of consultation in action is the global practice at LANXESS. As part of this, we also respect the freedom of association of our employees in accordance with the International Labour Organization (ILO) and the Global Compact and comply with collective bargaining agreements. We regularly seek dialog with employee representative committees in Germany, Europe and worldwide, provide information on our corporate objectives and involve employee representatives in organizational changes at an early stage.

In 2020, we came to an agreement with the Central Works Council and the German Mining, Chemical and Energy Industrial Union (IGBCE) on jointly designing the work of the future. A key element of the agreement is the regular communication between the parties on the design of the digitalization process at LANXESS. In this context, the first joint interim evaluation was made in a face-to-face workshop in October 2021. The agenda included the progress and challenges of digitalization in the Group and the changes arising for our employees from the increased use of digital technologies.

Fair dealings with employee representatives and trade unions are also a top priority for us outside Europe. At all our sites, we comply with International Labour Organization (ILO) standards with respect to our employees’ freedom of association. Where possible and in compliance with local laws and regulations, this includes regular exchange between local management and trade-union representatives as well as binding, collectively agreed-upon regulations on remuneration and working conditions.

**Proportion of Employees Covered by Collective Bargaining Agreements**





## SUSTAINABLE PRODUCTS

### Product responsibility

We see the constant improvement of product safety, which is enshrined as a core aspect of our corporate policy and in the Group-wide management system, as part of our product responsibility. We have undertaken to avoid risks for humans and the environment across all phases of the product lifecycle through safe research, manufacturing, storage, logistics, use and disposal.

With regard to the safety of our products, our ambitions exceed the legal requirements in many areas. Examples of this include the creation of safety data sheets even for non-hazardous substances and our roadmap for a sustainable product portfolio. Our "Product Safety Management at LANXESS" guideline stipulates how product responsibility is to be exercised throughout the Group and ensures collaboration between all of the parties involved. The Production, Technology, Safety & Environment (PTSE) Group function ensures that laws and regulations are complied with, resulting obligations and preventive measures are derived and their effective implementation monitored.

We classify and label hazardous products (substances and mixtures) in packaged form in accordance with hazardous substances legislation before they are used or brought to market. We regularly adapt our electronic safety data system to take account of new features in GHS (Globally Harmonized System of Classification and Labeling of Chemicals) legislation in the different countries. We thus ensure that risks for humans and the environment are avoided in transport, storage, use and disposal.

Complying with global chemicals control regulations across the whole value chain is an essential prerequisite for the saleability of our chemicals and chemical products. We go to great effort to ensure comprehensive compliance both for our own products and together with our partners for their products, which are our raw materials, for example. Particularly in the case of consumer applications, it is extremely important to us that our products meet high national and international standards, certificates, and quality seals.

Materials that we produce in the EU or import into the EU in quantities of more than one metric ton per year are registered, listed and evaluated in accordance with

the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation. We conduct workshops for our REACH officers in the business units at least twice a year in order to present new developments, promote understanding of the importance of product responsibility and guarantee legal conduct. The REACH requirements have been continuously updated since 2007, so it is necessary to regularly review and revise the registration dossiers. In this context, we support the voluntary Action Plan of the European Chemical Industry Council CEFIC (Conseil Européen des Fédérations de l'Industrie Chimique) and have undertaken to review and – if necessary – update our REACH registration dossiers by 2026 at the latest.

The safe use of our products, along both our own and the downstream value chains, is another essential part of our product responsibility. Our business units help their customers to use our products safely and in an eco-friendly way by way of training and advice and shed light on the risks associated with use. In our electronic safety data system, we provide our customers with safety data sheets and extended safety data sheets for all substances handled regularly – including intermediates.





### Portfolio development

In line with societal trends and needs, we aim to constantly improve the sustainability performance of our product portfolio, to identify critical substances in products and to substitute them or develop safe alternatives.

For the management and long-term development of our product portfolio, we follow an approach with three perspectives. This is based on the LANXESS Product Sustainability Monitor. Using this analytical tool, we identify products that are produced in a particularly sustainable manner as well as products where we see potential for improvement, and have been increasing the sustainability performance of our portfolio for years.

The second significant perspective is the product carbon footprint (PCF) and the circular potential of our products. Here, it is important to understand and account for the upstream value chain as well as our own production. The aim is to continuously reduce our products' influence on the climate, to use sustainable raw materials and to ensure that our products can be recycled.

As a third perspective, we look at the benefit of our products in their application. A sustainable world needs not only sustainably manufactured products but also solutions for new concepts such as in the areas of climate protection or circular economy. For example, additives make a significant contribution to extending the useful life of products or enabling materials to be recycled.

In the future, the EU taxonomy will be an additional, independent perspective. At present, for the chemical industry it concentrates chiefly on the identification of activities associated with particularly high carbon emissions, i.e. on high-volume basic chemicals and plastic products. In this respect, only a small portion of the LANXESS portfolio is relevant here.

### Safe and sustainable products

Using the LANXESS Product Sustainability Monitor, we divide our portfolio into four categories:

- › **Energizers:** Products in this category offer outstanding sustainability performance. They fulfill our highest sustainability requirements in most criteria and have no intrinsic properties that give cause for concern. Energizers are manufactured with a very low to low environmental impact. These products contribute to at least one SDG and are experiencing increasing demand.
- › **Performers:** Products that are sustainable according to the current state of the art. They fulfill the present sustainability requirements or exceed them in many categories. Performers are manufactured with a low to medium environmental impact and have a benefit to society.

### LANXESS Product Portfolio



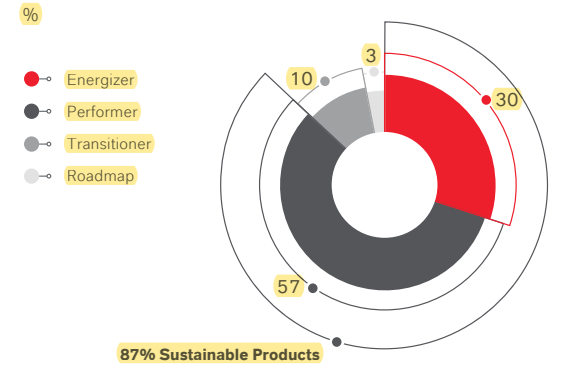




- › **Transitioners:** Products that do not yet fulfill all LANXESS sustainability requirements. We monitor these products and actively steer them by way of improvement measures, for example to reduce their environmental impact and make these products more sustainable.
- › **Roadmap:** This category covers products with serious sustainability concerns, namely chemical end products with more than 0.1% by mass of substances with the properties of substances of very high concern (SVHC). We manage these products in our roadmap process, in which we examine in particular whether critical substances in the respective chemical end products could be replaced with safe and sustainable alternatives.

In 2021, we already generated 87% of our total sales with products that fulfill our sustainability requirements. Only 13% of our sales were attributable to products that did not (yet) completely fulfill our sustainability requirements. We generate only around 3% of our sales with roadmap products. By 2023, we want to develop a specific action plan for all these products. As of the 2021 reporting date, the degree of target attainment was already 40% – we are therefore on track to achieve our target.

**LANXESS Product Portfolio 2021**



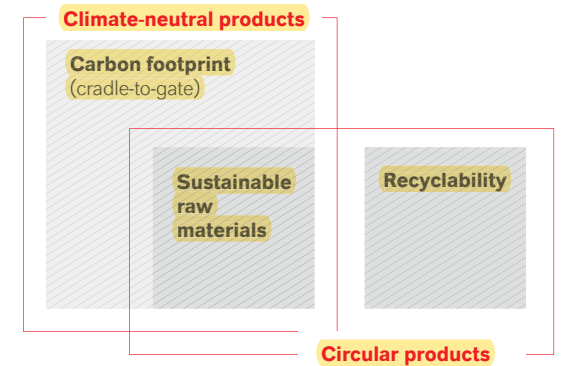
**Criteria of the LANXESS Product Sustainability Monitor**

	Environmental	Social	Economical
Climate change	🚫	👤	
Water use and water risk	🚫	👤	
Waste efficiency	🚫		
Environmental risk	🚫		
Human health risk		👤	
Support of the 2030 Agenda (product benefit)	🚫	👤	
Demand trend			📈
Profitability			📈
Legislative and reputational risk			📈

**Climate-neutral and circular products**

We want to help transform the entire value creation system into a resource-efficient and climate-neutral society. On the road to climate-neutral and circular products, we are focusing on three partially overlapping action areas.

**Three Elements for Climate-Neutral and Circular Products**





When selecting products, knowledge about the carbon footprint is becoming increasingly important – both for us and for our customers. Our aim is to continuously reduce the PCF and thus our products' negative impact on the climate. In a cradle-to-gate assessment, the PCF results from:

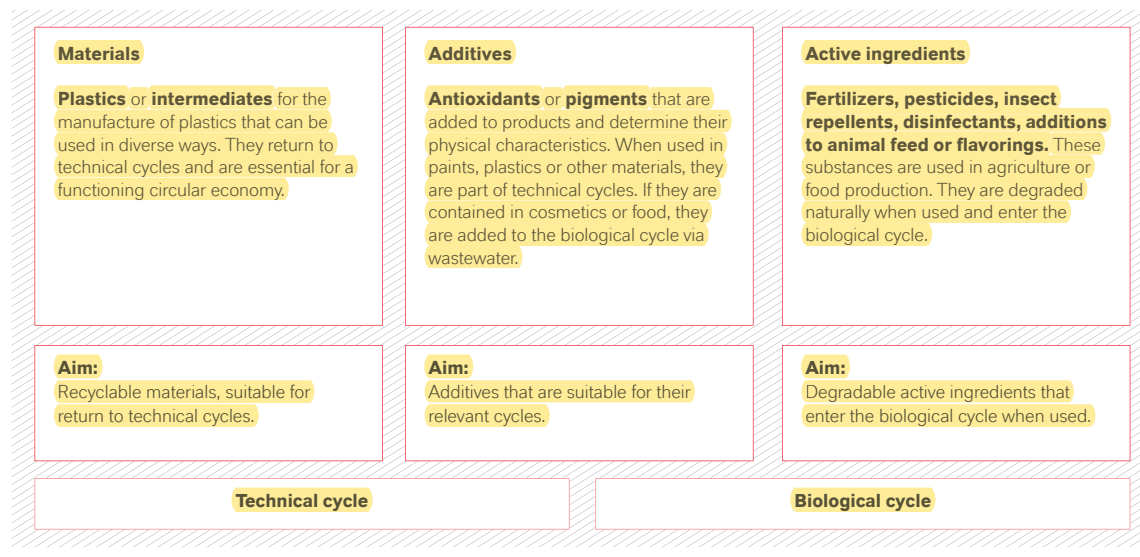
- › Emissions from our own processes (Scope 1)
- › Emissions from purchased energy (Scope 2)
- › Emissions from purchased goods, upstream transport and waste generation (Scope 3)

As a company, we can directly influence our Scope 1 and Scope 2 emissions in particular. With our strategy for climate neutrality in 2040, we have set ourselves ambitious targets in this area (see "Climate Action and Energy Efficiency"). Much more important for the PCF than the Scope 1 and Scope 2 emissions are often the Scope 3 emissions of purchased goods, i.e. our raw materials. In chemical production, they often account for more than 50% of the PCF. We are therefore placing a strategic focus on the purchase of sustainable raw materials with a reduced carbon footprint. The transformation away from conventional, often fossil-based raw materials towards renewable resources not only leads to a reduction in greenhouse gas emissions, but also makes our value chains less dependent on certain limited resources (see "Circular and Sustainable Procurement").

LANXESS products are sold almost exclusively to industrial customers. Only they or customers even further downstream use them to produce end products for a wide range of markets. For example, automotive suppliers use our high-performance plastics in components for lightweight automotive construction, which are ultimately built into vehicles by car manufacturers. Our chemical end products, which remain unchanged in the further value chain, are only processed into end products by our customers. With regard to completing cycles, this means

that there are sometimes very long periods between production and the end of our products' lifecycles. As a first step, we are therefore focusing on what we as a company can control: We are working to ensure the "recyclability" of all our products so that they are suitable for environmentally friendly recycling. In order to understand which "recyclability" requirements to impose on our products, it is important to analyze the function of our molecules in their final use and in which cycles (biological or technical) they circulate.

**Allocation of LANXESS Products to Cycles According to Their Use (Examples)**





## Products for climate protection and the circular economy

A full picture of our product portfolio is obtained only when assessing the benefit and the positive environmental impact that our products have when used. Here, we prioritize solutions that contribute to climate protection or enable a circular economy.

Products that support climate protection are suitable for reducing greenhouse gas emissions and thus stopping or slowing climate change (climate mitigation). A second important group are products that support adaptations to climate change – i.e. help to cope with the negative consequences resulting from changes in the climate that have already materialized or are expected in the future (climate adaptation).

The biggest drivers of climate change are the generation of electricity and heat. The change from fossil fuels to renewable energy requires a large number of new solutions, especially for wind power, photovoltaics and the necessary storage of energy in the form of batteries or hydrogen. The transport sector and especially road traffic are other significant causes of climate change. Lightweight automotive construction with modern plastics harbors potential to considerably reduce fuel consumption in

vehicles with combustion engines. In recent years, electric mobility has also become established as an important path to a sustainable future in road transport. Industry and the building sector are in third place when it comes to the emission of greenhouse gases. Electrification and insulation play a key role here. We address all these topics with our product portfolio.

The effects of climate change are already plain to see in many regions of the world. Changing water cycles and thus new patterns of precipitation and evaporation are one consequence of climate change. In this respect, the circulation of process water and the purification of drinking water are becoming important elements of local water strategies. Our Liquid Purification Technologies business unit provides support here with years of experience, a broad product range and innovative solutions. Another consequence of climate change is the increasing threat of infectious diseases. Global warming is enabling certain pathogens to advance and survive not only in tropical but also in temperate zones. Other factors such as globalized passenger, livestock and goods transport help these diseases to spread faster and farther. For years, we have therefore continuously enhanced our range of disinfectants.

For a functioning circular economy, it is not only the use of alternative raw materials and environmentally friendly recycling at the end of the lifecycle that are important. Products are also required that help materials to be used for longer or enable materials to be reused at all. Particularly in the case of plastics, the product lifecycle can be significantly extended with appropriate additives. When renewable materials such as wood are used, material protection solutions also extend their useful life many times over. If it is no longer possible to continue using products and they reach the end of their lifecycle, it is important that they can be recycled in an environmentally friendly manner. Here, too, the right additives help to complete the cycle. Both the correct use of additives and material protection are among LANXESS's core areas of expertise.



NFR

### Reporting on the EU taxonomy

A central element in the European Union’s Green Deal is the strategy for sustainable financing. It aims to channel financing flows into investments that support sustainable development in the future. In this context, a new classification system for economic activities – the EU taxonomy – is to help investors assess whether investments contribute to political targets and obligations such as the Paris Agreement on climate change at the same time as meeting specified environmental and social standards. To this end, the EU has defined six categories, or objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use of water
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The allocation of an economic activity to one of these categories depends on the activity’s influence on the respective environmental objective.

In order to assess an economic activity, a two-step analysis must be performed with regard to eligibility and alignment. To determine alignment, each activity must be assessed as

NFR

to whether it makes a substantial contribution to any given objective of the EU taxonomy while doing no significant harm (DNSH) to any of the other objectives. In addition, minimum safeguards for occupational health and safety and human rights must be guaranteed for each activity.

Companies that fall within the scope of the EU taxonomy are subject to certain reporting obligations. We are exercising the option to use the exemptions for the first year of application – our fiscal year 2021 – and reporting exclusively on taxonomy-eligible activities in the context of the objectives “climate change mitigation” and “climate change adaptation.” The parts of sales, capital expenditures and operational expenditures and explanations of the underlying calculation processes are disclosed on an aggregate basis, i.e. without differentiation according to the relevant economic activities. The disclosure obligations of the EU Taxonomy Regulation regarding alignment have to be met in full for the first time in the reporting for the fiscal year 2022.

#### Taxonomy-eligible activities at LANXESS

The Taxonomy Regulation covers products and activities from a range of economic sectors that are currently responsible for a total of around 93% of European greenhouse gas (GHG) emissions. All of these activities are described as “taxonomy-eligible.” With regard to the “climate change mitigation” objective, the chemical industry is a “transformative industry” because, among other things, basic chemicals and plastics that are produced in very large quantities are labeled as transitional activities. This means that the activities make a relevant contribution to the EU’s GHG emissions and thus have

NFR

relevant reduction potential. LANXESS – as a specialty chemicals company – is not focused on such products. Under the EU Taxonomy Regulation, all other activities that do not materially contribute to GHG emissions in the EU and accordingly are not defined in the Climate Delegated Act are currently labeled as “taxonomy-non-eligible.” Criteria for the demonstration of “enabling activities” – i.e. activities that in turn enable third parties to make their own material positive contribution to climate change mitigation – have not yet been defined for the chemical industry.

Taking materiality criteria into account, the following LANXESS activities can be classified as taxonomy-eligible economic activities:

1. LANXESS produces high-quality **plastics** for a broad range of applications – from the automotive and electrical/electronics industries to water treatment. All of these products correspond to activity 3.17 “Manufacture of plastics in primary form” defined in Annexes I and II of the relevant Delegated Regulation. We have bundled the large majority of our plastics activities in the Engineering Materials segment.
2. **Adipic acid** is a precursor that is in very high demand in the plastics industry, e.g. for polyamides or polyurethanes. At LANXESS, it is manufactured in the Advanced Intermediates segment. This product is allocated to activity 3.14 “Manufacture of organic basic chemicals” in the above Annexes. All other products described there are not manufactured by LANXESS.



### Fundamentals of reporting

In order to identify the taxonomy-eligible economic activities, we analyzed all economic activities/products at central level. The respective products were assigned to the product groups specified in the Taxonomy Regulation.

The data-gathering process likewise took place centrally on the basis of consolidated data and using centrally available, Group-wide information. In this way, double counting of sales, capital expenditures and operational expenditures can also be ruled out.

#### Reportable ratios

##### Sales

The ratio relating to the relative share of sales with taxonomy-eligible products is the ratio of two sales figures: The numerator is the sum of all sales that we have generated in the reporting year with taxonomy-eligible activities. The denominator is the value of the external sales as reported under "Sales" in the [income statement of our consolidated financial statements in the Annual Report](#) on page 150 pursuant to the relevant IAS/IFRS requirements as presented in the notes to the consolidated financial statements.

In the reporting year 2021, LANXESS generated 22% of its external sales with products allocable to taxonomy-eligible activities. The remaining 78% of sales relate to products that are not included in the taxonomy's activity categories.



### Capital expenditures and operational expenditures

We report the proportion of expenditures and expenses incurred in connection with the operation and expansion of our plants in order to manufacture taxonomy-eligible products as taxonomy-eligible capital expenditures and operational expenditures. The relevant value chain begins with the manufacture of products that are taxonomy-eligible according to Annexes I and II of the relevant Delegated Regulation. Other expenditures and expenses in connection with the acquisition of products or for individual measures that result in the reduction of greenhouse gas emissions are immaterial.

In accordance with the current scope of the taxonomy, only individual, precisely defined plants or business units within the LANXESS Group are affected. Detailed analysis also shows that most plants of the affected business units are needed for the manufacture of taxonomy-eligible products for these business units to be considered as a whole.

#### Capital expenditures

Relevant capital expenditures comprise firstly our capital expenditures to maintain and upgrade our production plants for taxonomy-eligible products, and secondly payments for business acquisitions. The goodwill derived from this after the purchase price allocation and recognized in intangible assets is not part of the capital expenditures considered here.

In the reporting year 2021, the numerator is the share of additions from these investments and business



acquisitions that relate to taxonomy-eligible activities. The denominator of the ratio is the sum of additions to property, plant and equipment and intangible assets from investments and acquisitions, adjusted for acquired goodwill, which can be found in the [notes to the consolidated financial statements](#) on pages 182 and 184. The recognition and measurement rules as presented in the notes to the consolidated financial statements apply accordingly.

In the reporting year, the share of taxonomy-eligible capital expenditures was 4%. Therefore, the share of taxonomy non-eligible activities in our capital expenditures is 96%. Due to our extensive M&A activities, we also report an additional ratio that we adjust for the influence of business acquisitions. In this analysis perspective, the taxonomy-eligible share increases to 9% and now reflects the capital expenditures attributable in 2021 to plants that manufacture the taxonomy-eligible products.

#### Operational expenditures

In accordance with the Taxonomy Regulation, the ratio's denominator must cover direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair. Any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company itself or third parties must also be included.

At LANXESS, operational expenditures comprise all non-capitalized costs incurred in the reporting period in connection with research and development and the



NFR

maintenance of our plants and buildings. According to a Group directive, these also include direct expenditures relating to day-to-day servicing, through which we ensure the continued and effective functioning of such assets. Short-term leases or leases of low-value assets are not of material importance for LANXESS. (See consolidated financial statements).

The operational expenditures in connection with research, development and patents include for example costs for our scientific departments and laboratories. These expenditures are reported in the Notes on page 210 in accordance with IAS 38.126 et seq. Maintenance includes all operating expenses for maintenance measures, overhauls of production plants, the implementation of legal requirements and plant downtimes in the relevant reporting period, which according to our accounting

NFR

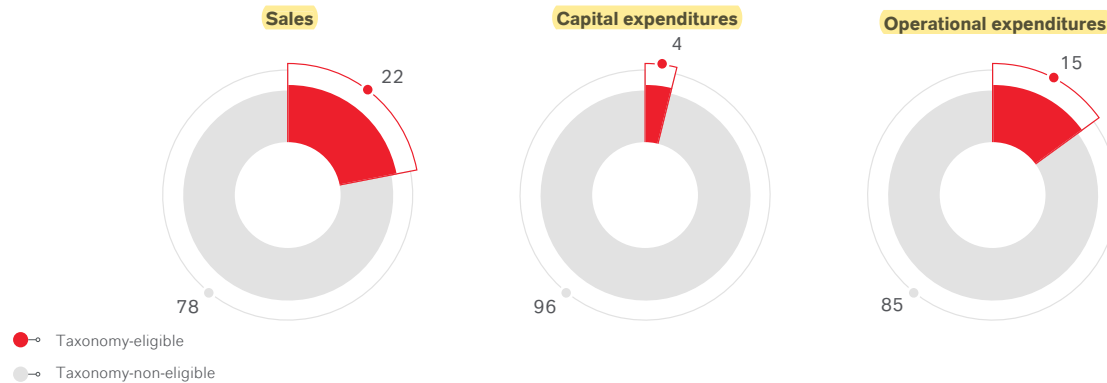
guidelines cannot be capitalized and are therefore not a component of capital expenditures. This also includes direct expenses for maintenance materials as well as external and internal maintenance services. Costs for building modernization that cannot be capitalized are immaterial and are not reported separately.

The ratio's numerator covers those expenses for the reporting year 2021 that relate to taxonomy-eligible activities. The denominator covers all non-capitalizable expenses for research, development and maintenance.

In the reporting year, the share of operational expenditures for taxonomy-eligible products amounted to 15% of the total operating expenditures. Therefore, the share of taxonomy non-eligible operating expenditures is 85%.

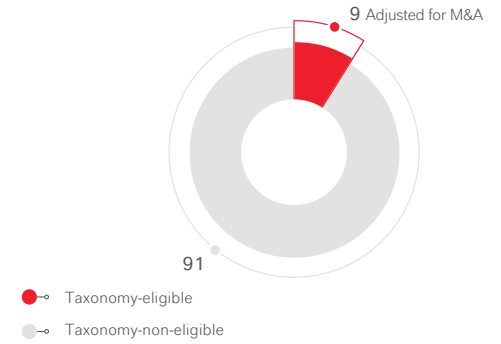
**Key Data Pursuant to EU Taxonomy Regulation**

%



**Capital Expenditures Adjusted for M&A<sup>1)</sup>**

%



1) Voluntary information.

**Product innovation**

In 2021, our portfolio strategy was again shaped primarily by specific product and application development. We put the needs and expectations of our customers at the center here and frequently pursue projects together with the customers concerned or other high-powered partners.

As the first product of our new "Scopeblue" series, we unveiled a variant of our high-performance plastic Durethan in which we replaced 92% of the raw materials with sustainable alternatives. One of the raw materials used in its production is cyclohexane from sustainable sources. The material is also strengthened by glass fibers comprising industrial glass waste instead of mineral raw materials. As these melt at lower temperatures than glass raw materials, this also saves energy and conserves



resources. The alternative raw materials are chemically identical to their fossil equivalents. The end product therefore exhibits the same characteristics and can be processed just as easily using exactly the same production tools and facilities with no conversion work needed.

Meanwhile, a new variant of our composite Tepex is 100% based on the biological raw materials flax and polylactic acid. We are now able to produce it to a level of quality suitable for large-scale production. The extremely strong material is suitable for use in sports articles, in the production of automotive interior parts and in electronics for case components. Tepex can be recycled completely. After its use, the product can be shredded and easily processed into new plastic.

Reusing plastic waste as a raw material is an important element of the circular economy, but requires that the different plastics be separated according to type first. With the new black pigment Bayferrox 303 T from our Inorganic Pigments business unit, we can help to increase the recycling rate for plastic packaging, which is still far too low around the world. The innovative pigment for coloring black plastic reflects 20% of near-infrared radiation (NIR). This enables plastics to be identified efficiently and cost-effectively with the aid of NIR detectors like those used for sorting waste.

For us, innovation also means continuously enhancing the applicability of the products we have already established on the market. One example of this is the new type of Lewatit ion exchange resin, with which we open up

new areas of application in the electronics industry and microsystems technology. Thanks to an improved polymer matrix in conjunction with a modified formula, we can now manufacture the product to the very highest degree of purity. In the future, Lewatit can therefore be used in the processing of ultra-pure water, which is necessary for semiconductor manufacture.

One of the most challenging applications for polyurethane casting systems is high-temperature applications. As polyurethane chemistries have advanced over the years, casting systems are being used more frequently in this high-performance segment. Our new Adiprene LF TR400 high-temperature prepolymer is much easier to process than comparable prepolymer systems for high-temperature applications. For example, it offers a manageable processing/pour life. The resulting cast elastomers perform better than comparable, established polyurethane high-temperature systems and do not change their properties under heat stress. A further strength is high resistance to heat aging at up to 150 °C.

In order to continue bringing product and application innovations successfully to market, we are enhancing our global network of research and development sites in a targeted manner. Since June 2021, our new APAC Application Development Center (AADC) in Shanghai has brought the research and development activities of the three business units Polymer Additives, Lubricant Additives and Urethane Systems together under one roof. We thus intend to better exploit the growth potential in the Chinese market, the largest chemicals market in the world.

### Valuing customer relationships

Our customers' satisfaction is not only an indicator of our success, but above all also a requirement for it. We therefore work continuously on the meaningful and best possible consideration of customers' constantly changing needs in our product and process innovations. In addition, we aim to build on and consolidate our relationships with our customers.

The coronavirus pandemic continues to severely restrict our direct interaction with our customers. This is particularly true of the usually intensive support for the implementation of new procedures and process innovations by our process engineers, who were able to attend their customers in person only to a limited extent. Nevertheless in order to ensure regular communication, our business units have now established and professionalized a wide range of virtual formats. For example, High Performance Materials invites its customers to a monthly global webinar, TechXchange, where it provides information about products, target applications and new technologies. In the reporting year, Saltigo gained initial positive experience with LinkedIn Live Events regarding the insect repellent Saltidin®. The generally higher reach and attendance of virtual formats is proving an advantage over traditional points of contact such as trade fairs.

When forming our customer relationships, the top priorities are customer satisfaction and avoiding customer complaints. Based on a central customer relationship management (CRM) system and a uniform complaint management platform, each of our business units





has its own market- and customer-oriented complaint management and optimization processes. Shared elements of these processes include clear targets, for example in relation to the reduction of customer complaints or processing times for customer complaints, as well as a corresponding statistical analysis of the feedback received, and structured monthly reporting to the management of the respective business unit. Various bodies and dialog forums, such as the Marketing & Sales Community that meets quarterly, also guarantee the regular exchange of experiences between our business units and Group functions.

Our business units regularly review their complaint management process to identify potential for improvement. In the reporting year, Liquid Purification Technologies successfully used an array of minor optimizations to accelerate the processing of complaints and to improve the quality of cause analysis and corrective measures. Among other things, a minimum threshold was defined, the transparency of larger complaints was increased by handing the internal complaint report to the customer, and new KPIs for quality measurement were introduced.

In our digitalization offensive, we use software to improve the speed and efficiency of the communication between our customer service teams and their respective customers. In light of the large number of simultaneous orders, it is a major challenge for our customer service employees to keep track of changes across the entire order acceptance,

production and delivery process. Here, we are assisted by software solutions that continuously search our ERP systems for changes in order data records, factor in external information and compare it with dynamic specifications. The responsible customer service advisors thus obtain constantly updated information about the key influencing factors and changes that Order Management, for example, has made to the orders – such as postponements of delivery dates or quantity changes. Our customer service is therefore able to inform customers immediately and promptly tackle any problems arising from the changes.

In 2021, we are continuing the roll-out of the new sales software introduced in the previous year. It enables flexible access to customer information regardless of internet connection or technical equipment. This benefits our customers because we are better informed about their specific needs and our consultants because it is easier for them to stay informed. According to our business units' requirements, we also enabled the software to be linked with other tools, for example to view three-dimensional graphics of components made from our high-tech plastics.

Customer satisfaction surveys are essential for LANXESS in order to determine potential for improvement in customer relationships and to check whether customer requirements have changed. LANXESS conducts an anonymous online survey of all relevant customers in all business units once every two years.

In terms of content, the survey aimed to evaluate LANXESS's performance overall (in comparison to the general competition) and to indicate whether customers would recommend LANXESS. Customers were also asked if they intended to continue the business relationship in the future and to assess the advantages resulting from this relationship.

In the current 2022 survey, the customer retention index (CRI) score was 71 and thus at the same level as our competitors. The score particularly reflects the strained economic situation of the last two pandemic years, the general global supply shortages in procurement, the drastic restrictions in logistics, and the sharply increased raw material and energy prices.

The topic of "sustainability" was a particular focus of the latest customer satisfaction survey, in which customers gave us an excellent rating due among other things to our "Climate Neutral 2040" strategy.

Based on the latest results of the customer satisfaction analysis, we will implement targeted measures at LANXESS and in the business units in order to remain a reliable and value-enhancing partner for our customers and thus to keep successfully retaining them in the long term.