

LANXESS – dedicated to energizing sustainability

ESG Equity Story

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Agenda

1 LANXESS ESG vision

2 High impact topics: Status and targets

3 Governance approach and recognition in ratings

4 Outlook and contact

Energizing Chemistry – Energizing Sustainability

LANXESS contributes to a better, sustainable future

The quality of our business is reflected in the economic, social and environmental impact – there must always be a measurable, sustainable benefit for the company and society alike

- This **guiding principle** is anchored in our **strategic imperatives**
- Therefore, sustainability is on the top of our **management agenda** and integrated in our group-wide structure
- We encourage our **employees to actively shape sustainability**

Good for business, good for society



Sustainability is a business case and drives our economic and strategic success



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We drive sustainable solutions...



- **Societal needs** which we can and want to fulfill, e.g.
 - > **Need for clean drinking water** for an increasing world population
 - > **Disinfection** to prevent the spread of **diseases**
 - > Contribute to the shift towards **e-mobility**

... and we see clear financial benefits

- **Cost saving potential** by addressing areas of sustainability risks precautiously and timely > energy-efficient production
- Strategic investment decisions by shifting into “tomorrow’s markets” with **growth and innovation potentials**
 - > acceptance and reputation
- Position ourselves with a **foresighted business strategy** and thereby secure our financial base
 - > better, integrated decision-making
- Healthier and happier workforce
 - > higher **employee retention** and **lower recruiting** cost



The core of our sustainability business case is a product portfolio catering society demands

LANXESS products are used in applications which positively contribute to seven of the SDGs¹

- ❖ Fertilizer
- ❖ Fungicides, Herbicides
- ❖ Food & Beverage packaging
- ❖ Food grade lubricants



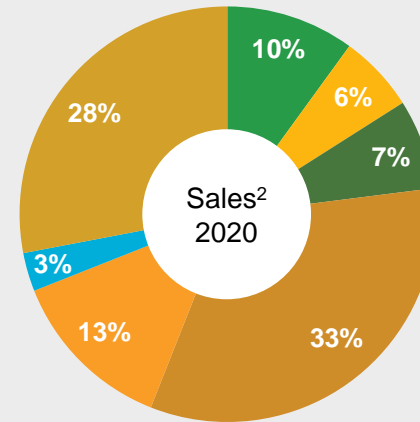
- ❖ Drinking water
- ❖ Make-up water
- ❖ Waste water treatment & reuse



- ❖ Protective coatings
- ❖ Root resistance roofing
- ❖ Wood Protection
- ❖ VOC free flooring



- ❖ Additives to increase product life
- ❖ Long-life lubricants
- ❖ Pigments to enable recycling
- ❖ Material preservatives



- ❖ Cleaners
- ❖ Disinfection
- ❖ Intermediates for pharmaceuticals
- ❖ Insect repellents



- ❖ Power generation lubricants
- ❖ GHG free refrigeration lubricants
- ❖ Wind turbine lubricants



- ❖ BEV powertrain
- ❖ Thermal insulation
- ❖ Lightweight material for automotive

Our journey: Continuous improvement of the net positive impact of our products

¹ SDG = Sustainable Development Goals,

² 70% of sales directly attributable based on end market/applications data, 30% of sales not directly attributable due to indirect business relationships

Our ambition goes beyond just maintaining the license to operate

We are committed to several initiatives and frameworks



We are offering transparency on where we stand complying with standards and regulations



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1 LANXESS ESG vision

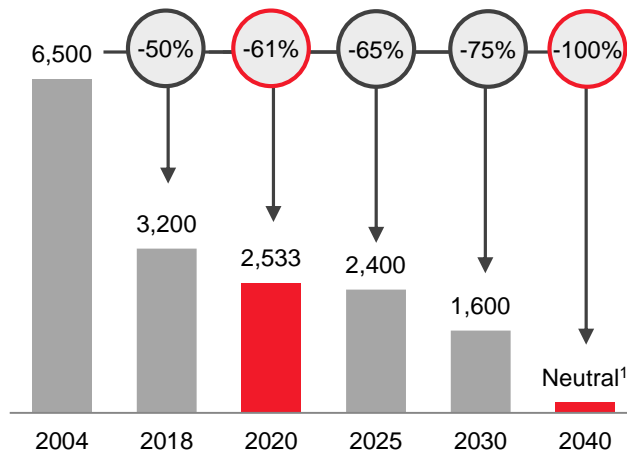
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LANXESS goes climate neutral by 2040

Our goal: Climate neutrality



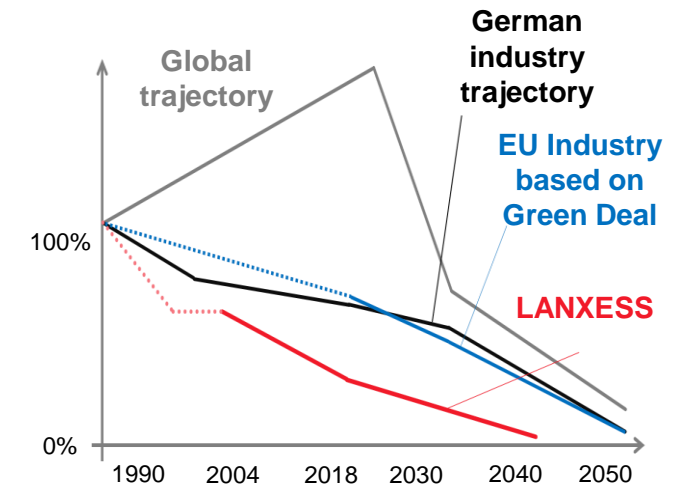
Emissions based on Scope 1 + Scope 2, numbers rounded, in thousand tons of metric tons CO₂e

Three-pronged approach

- **Major impact projects**
 - Exit coal-based power generation wherever possible
 - Reduction of N₂O emissions in Antwerp
→ **first reduction plant operational**
 - Change to renewable energies in India
- **Decoupling emissions and growth**
 - CO₂e balance as criteria for organic growth and acquisitions
 - Implement climate roadmap for all businesses
→ **implemented in annual strategy review**
- **Strengthening process and technological innovation**
 - Implement process changes in our “Verbund” structures
 - Focus R&D on climate neutral processes and technology

Ahead of EU regulation

- LANXESS actively reduced CO₂e emissions in line with Emission Trading Scheme (ETS) reduction targets
- Cost effect from ETS is currently neutral



We are on track with achieving our 2025 target

LANXESS has a clear strategy for sustainable water management

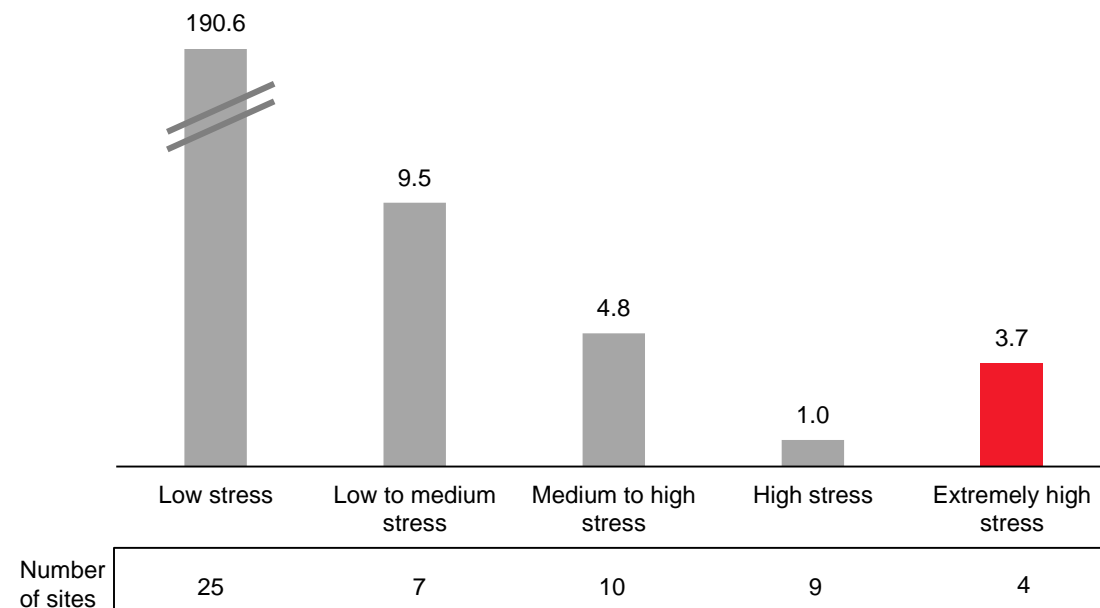
Global water program

- Globally, we aim to decouple economic growth from water consumption and wastewater loads
- **Targets: 2% yoy reduction of specific water consumption and specific Total Organic Carbon in wastewater**

Local water stewardship programs

- We regularly perform **water risk assessments** for all sites
 - Assessment of current and future water stress¹ and specific withdrawal
 - Four water risks sites identified
- **Targets: Implementation of water stewardship programs at water risk sites until 2023; 15 % reduction of absolute water withdrawal (base year 2019)**

Water withdrawal in the different water stress areas



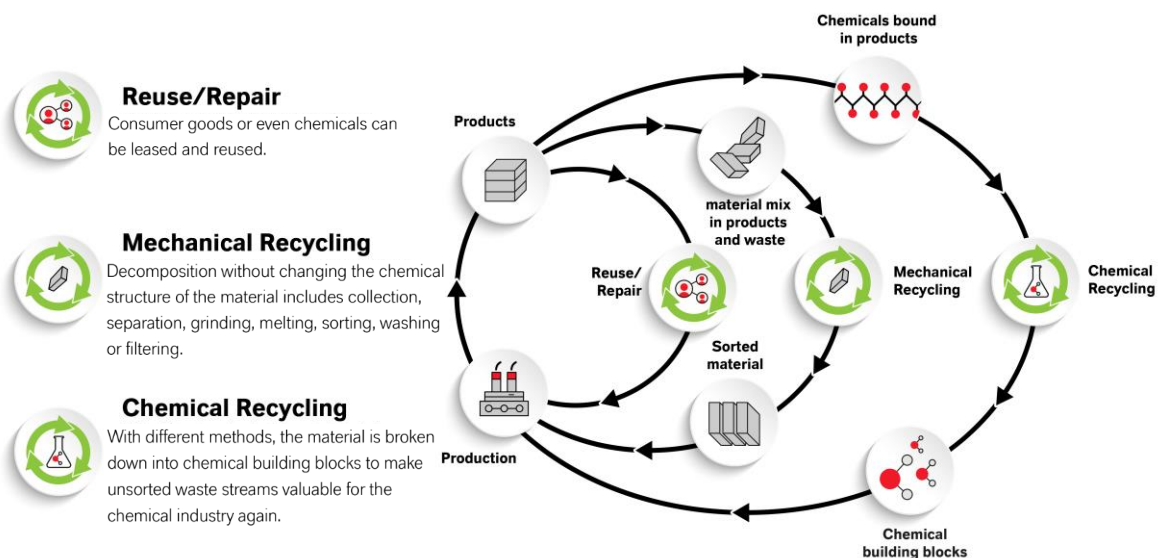
Water withdrawal in m m³, data from 2020

90% of LANXESS water withdrawal in low water stress areas; targets focus on sites in extremely high stress areas



LANXESS supports the transition to a Circular Economy (CE) with numerous projects and initiatives

Value streams in a circular economy



Projects & Initiatives

Mechanical Recycling

- **Pocan Eco**: Polyester blend series containing post consumer PET recyclate on the market
- **Durethan Eco**: Polyamide 6 compounds strengthened with glass fibers, 100% from waste glass on the market
- **Tepex**: Fiber-reinforced composites containing recycled polycarbonate drinking water bottles on the market

Chemical Recycling

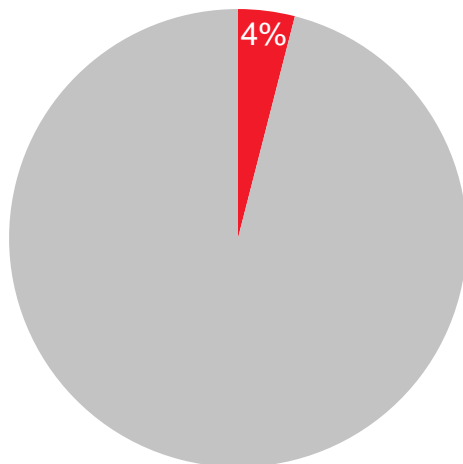
- **Polystyrene Loop**: Recycling of used flame-retardant polystyrene-based insulating panels, recovering polystyrene material and bromine contained in the flame retardant under development

CE is about a transformation of the entire value creation system towards a sustainable carbon neutral economy

LANXESS has the ambition to substitute or phase out critical substances from end-products

Critical substances in end-products

LANXESS net sales share of products¹ with critical substances² in end-products (>0.1%)



Data from 2019

Our ambition

We have the ambition to:

- 1. Replace:** If critical substances in our end-products can be replaced with alternative substances, we will implement a replacement plan
- 2. Phase-out:** If according to our scientists or regulatory bodies the concerns or risks are beyond reasonable levels, we will phase-out the substance

If critical substances can't be replaced, we have implemented **risk mitigating measures** based on scientifically acceptable levels.

Target: Until 2023 we have an action plan in place for all end-products containing (>0.1%) critical substances

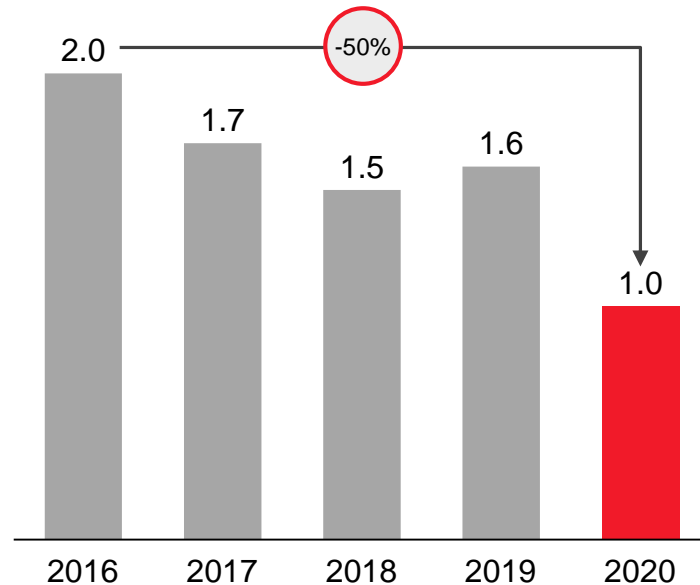
¹ Not considered as end-products are chemical intermediates sold to chemical-industry customers.

² Substances classified as carcinogenic (Cat 1A and 1B), mutagenic (Cat 1A and 1B), toxic for reproduction (Cat 1A and 1B), persistent, bio accumulative and toxic, very persistent and very bio accumulative, endocrine disrupting, ozone depleting.



LANXESS views social principles as major drivers for sustainable success

Decreasing LTIFR¹



LTIFR: Accident rate per million hours worked

Success driven by personal commitment of each and every employee

- Initiatives fostering **occupational health and safety** – Continuously reduce LTIFR¹ of employees by 50% until 2025 (base year 2016)
- Commitment towards **diversity and inclusion**
 - Increase proportion of women in **middle and upper management to 20%**
 - Increase proportion in **first level** below Board of Management to **15%** and respective **25% in second level**
 - More than **30% female** and **40% non-German** participants in **corporate talent programs**
- Commitment towards **employee well-being** – Offer flexible working condition in **95%** of LANXESS countries
- Comprehensive concepts for employee qualification – **from apprenticeship programs to leadership trainings**

We are on track with achieving our targets



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Our governance structure ensures strategic oversight – starting with the supervisory board

Supervisory Board

- Competence profile
- Sustainability embedded in yearly strategy review

Committees

- Sustainability (CEO)
- Risk (CFO)
- Investments
- Digitalization

Compensation

- Long-Term Stock Plan
- Sustainability Performance Plan
- Short-term incentive incl. non-financial target

Composition

The Supervisory Board of LANXESS consists of **12 members**:

6 represent the **shareholders**
6 represent the **employees**

Independence

All current shareholder representatives are **independent**

Diversity

>30% of the members of the Supervisory Board are **women**

Tenure

Maximum of 12 years

Age Limit

An **age limit** has been set following the completion of the **75th year of life**



Broad Competence profile to ensure specialist knowledge and experience

Chemical industry, international management, corporate governance/compliance, strategy, M&A, production, marketing & sale of chemical products, procurement of raw materials, energy & services, HR/codetermination, investor relations, corporate financing, accounting and auditing, risk management and IT/digitalization



CEO lead committee structure guarantees effective sustainability management

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Sustainability Committee

Matthias Zachert (CEO)

Entire board reviews and tracks quarterly the sustainability performance and aligns on targets and action plans.

Subcommittees

Climate
and
Energy

Dr. Hubert Fink
(Board Member)

Health, Safety
and
Environment

Dr. Hubert Fink
(Board Member)

Value Chain
Circularity &
Product
Stewardship

Dr. Anno Borkowsky
(Board Member)

People
and
Governance

Dr. Stephanie
Cossmann
(Labor Relations
Director)

Stakeholder
expectations &
reporting
standards

Michael Pontzen
(CFO)

➤ **Corporate Policy, Code of Conduct, Integrated Management Systems**



Balanced compensation for Board of Management – significant share based on sustainability & safety targets

Supervisory Board

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Committees

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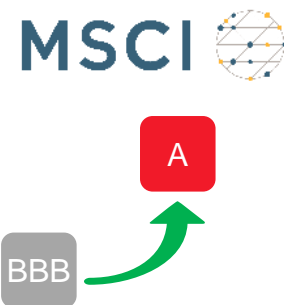
Compensation

- Long-Term Stock Plan
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variable	23%	Long-term incentive	Long-Term Stock Performance Plan (LTSP ¹)	<ul style="list-style-type: none"> Stock performance vs. MSCI World Chemicals Index Vesting period: 4 years 	<ul style="list-style-type: none"> ✓ “Claw-back” – Right to withhold or reclaim granted variable compensation ✓ Total compensation is capped³ ✓ Discretionary payment is limited to 20% of total APP
	16%		Sustainability Performance Plan (SPP)	<ul style="list-style-type: none"> Duration of 4 years for each tranche, target setting in advance Sustainability Plan targets can differ from tranche to tranche For 2024 a goal for CO₂e emission reduction was set 	
30%	Short-term incentive	Non-financial target (LTIFR ²)	<ul style="list-style-type: none"> Annual Performance Payment (APP) with 2 elements: 80% EBITDA and 20% LTIFR Cap: 200% of budget (including discretionary payment) Deduction in case of serious safety and/or environmental problems 		
		Financial target (EBITDApre)			
fix	Benefits Pensions				
	31%	Annual Base Salary		<ul style="list-style-type: none"> Share Ownership Guideline: Target 100% of annual base salary (150% for CEO) 	

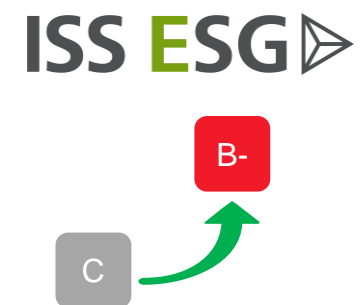
¹ Current LTSP program | ² LTIFR = lost time injury frequency rate, known as MAQ in Germany | ³ The total cap includes all possible bonus payments from the variable remuneration and discretionary payments. Discretionary payment is limited to 20% of total APP and total payment (including discretionary payment cannot exceed 200% of annual base salary). It is only paid in exceptional cases and requires a reasonable and transparent justification by the Supervisory Board.

Leading ESG rating providers have recognized our performance



MSCI

- Convincing climate strategy
- Continuous improvement in Chemical Safety



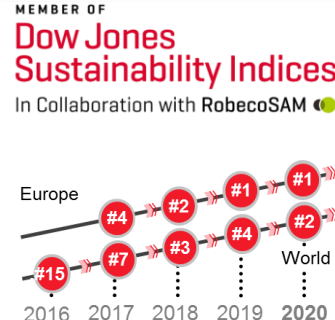
ISS ESG

- Prime status
- Top 8%



CDP
 DISCLOSURE INSIGHT ACTION

- Climate leader
- Top 5%



MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM

- Top 10% in DJSI World – 10 year in a row
- Fourth year in DJSI Europe

LANXESS' performance is also rewarded by further ESG indices and rating providers



Bloomberg
 Gender-Equality Index
 2021



72/100
 98th percentile



vigeoEiris



SUSTAINALYTICS

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We are working on several initiatives, projects and regulations

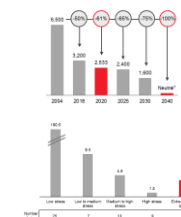
Recent achievements

- **Inauguration of nitrous oxide reduction plant** in Antwerp in February 2021
Plant breaks down around 500 metric tons of nitrous oxide per year, equivalent to the climate impact of 150,000 metric tons of CO₂
- Reflecting Sustainability in **remuneration of Board of Management**



Updates on projects

- **Climate roadmaps** to be implemented in all businesses
- Implementation of **water stewardship programs** at water risk sites until 2023



EU Taxonomy

- Build foundation for EU Taxonomy reporting by defining requirements, processes and delivering first reporting in **Annual Report 2021**
- Currently, a working group develops the input for compliance with the EU Taxonomy



There is more to come on LANXESS sustainable way forward

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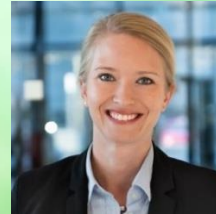
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