

LANXESS – dedicated to energizing sustainability

ESG Equity Story

Investor Relations

Updated on October 7, 2021

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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

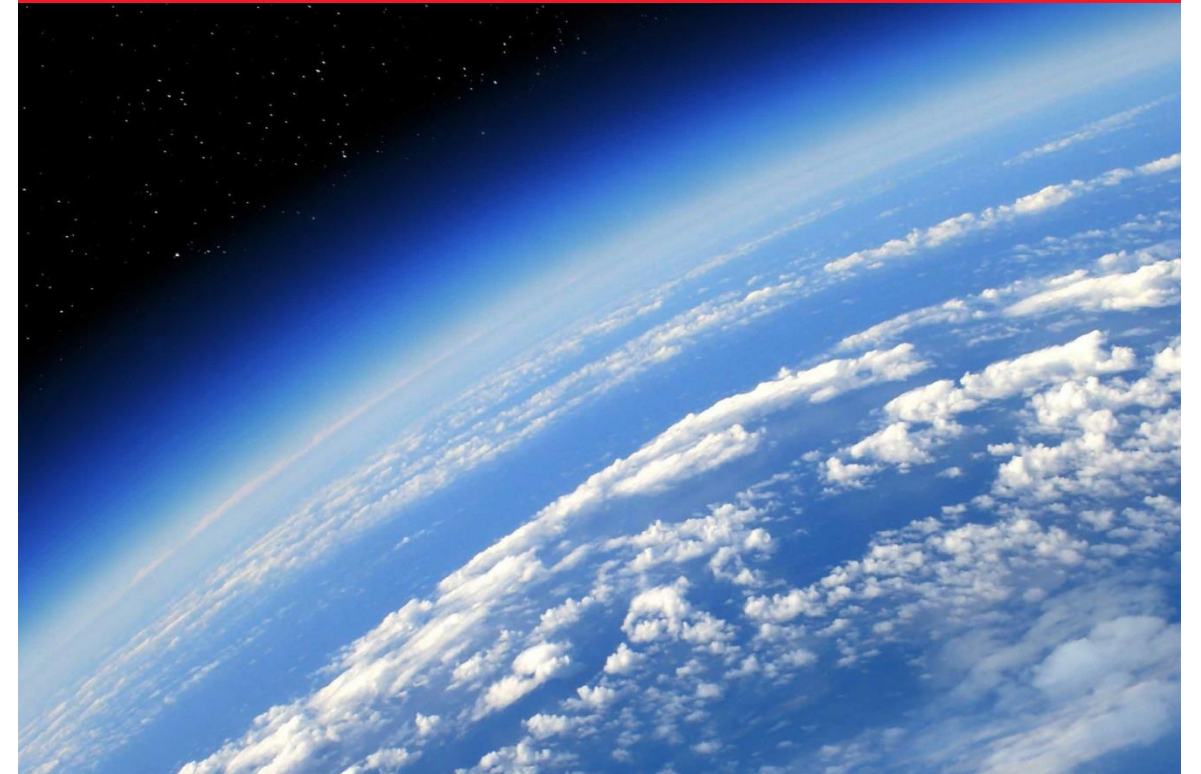
Energizing Chemistry – Energizing Sustainability

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



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

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**

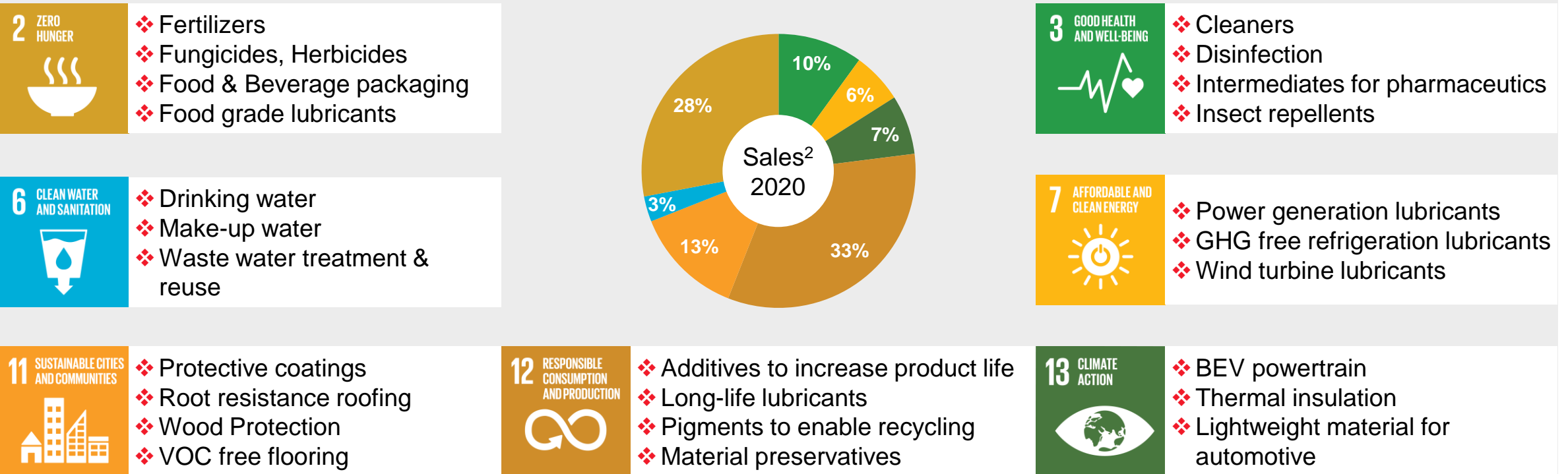
... and we see clear financial benefits

- **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



Our product portfolio caters to several Sustainable Development Goals

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



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

We offer extensive transparency on our commitment to sustainability

We commit to several initiatives and frameworks



We offer transparency on where we stand complying with standards and regulations



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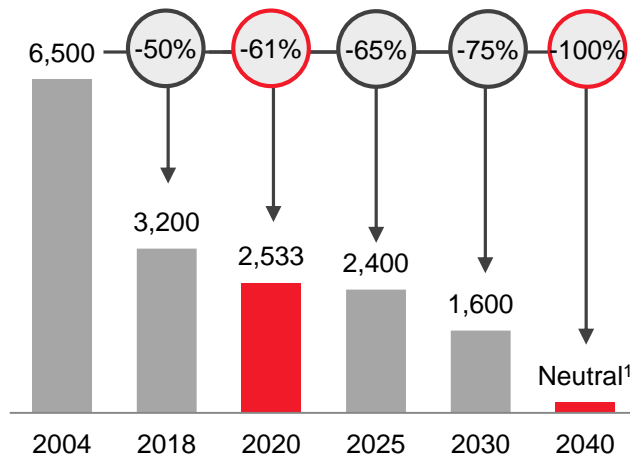
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LANXESS goes climate neutral by 2040

Our goal: Climate neutrality



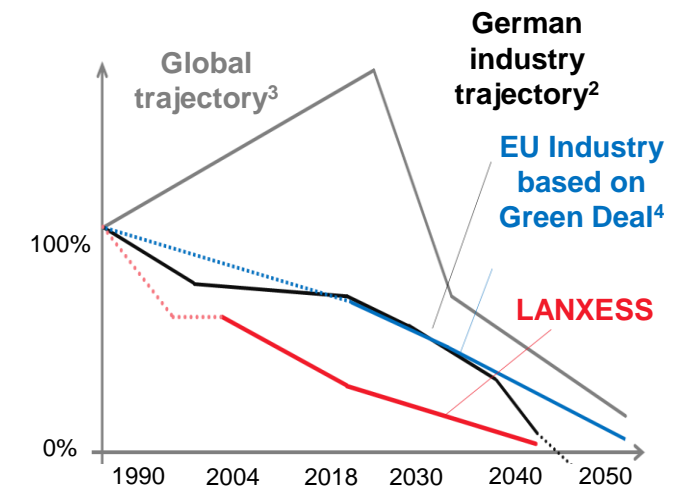
Emissions based on Scope 1 + Scope 2, numbers rounded, in thousand tons of metric tons CO₂e

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

¹ Climate neutral: Less than 300,000 tons of CO₂ equivalents per year. These will be reduced through compensation measures.

² This is based on new legislation for a more ambitious 2045 Net-Zero Emission Goal. | ²³⁴ Estimation based on AGORA Energiewende

LANXESS has a clear strategy for sustainable water management

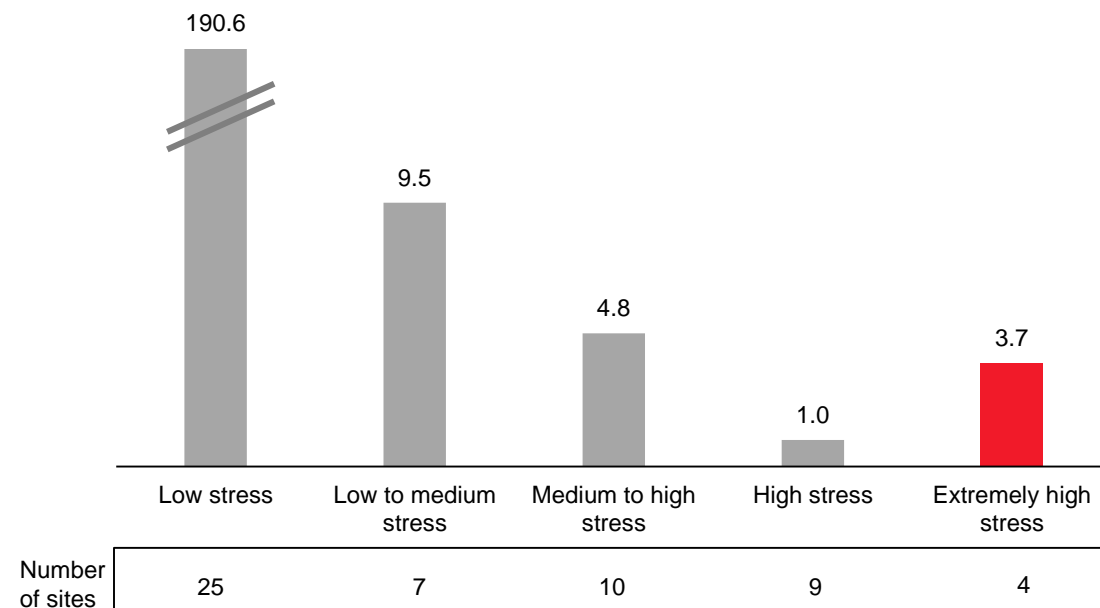
Global water program

- 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



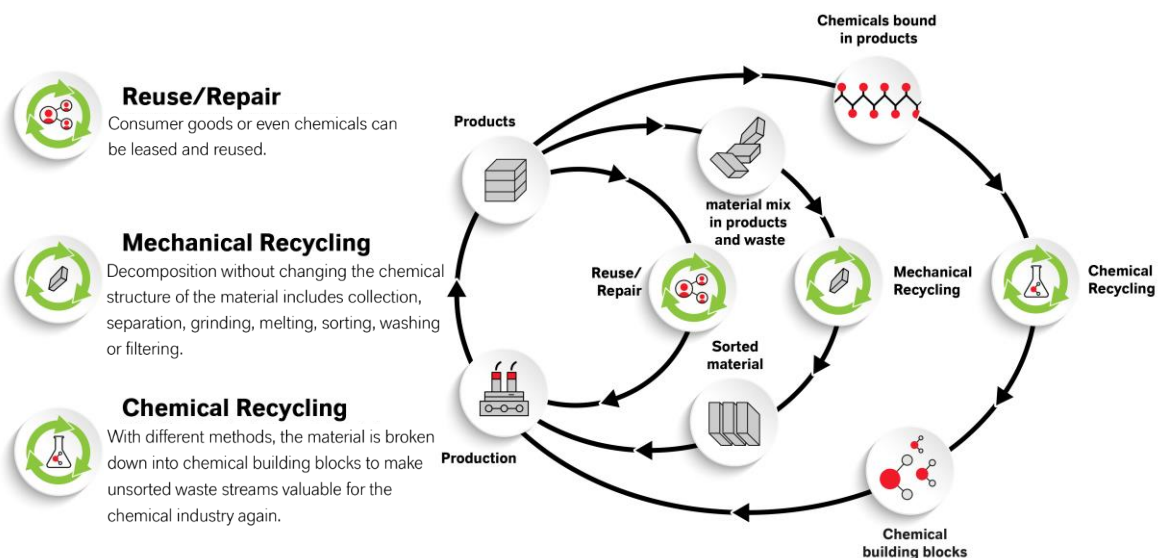
Water withdrawal in m m³, data from 2020

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

Reuse/Repair

- **Lewatit®**: Ion exchange resins enable the purification and reuse of mineral acids and chemicals in metal finishing and other industrial processes

Mechanical Recycling

- **Durethan® Eco**: Polyamide 6 compounds strengthened with glass fibers, 100% from waste glass
- **Tepex®**: Fiber-reinforced composites containing recycled polycarbonate drinking water bottles

Chemical Recycling

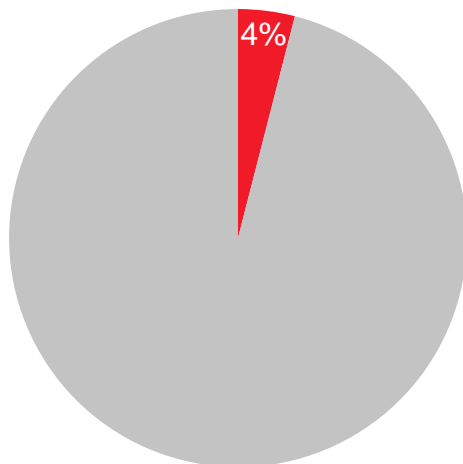
- **Sulfuric acid**: Used acids from customers recycled and redelivered as high quality sulfuric acid

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 chemical end-products

Critical substances in chemical end-products

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



Data from 2020

Our ambition

We have the ambition to:

- 1. Replace:** If critical substances in our chemical 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 chemical end-products are chemical intermediates sold to chemical-industry customers.

² Substances having the characteristics of SVHCs (Substances of very high concern), 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



We have a strong commitment towards diversity and inclusion

Success driven by personal commitment of each and every employee



- Further increase proportion of women in...
 - Middle and upper management to 20%
 - First level below Board of Management to 15%
 - Second level below Board of Management to 25%
- Have at least 30% female and 40% non-German participants in corporate talent programs
- Further increase proportion of countries with flexible working conditions



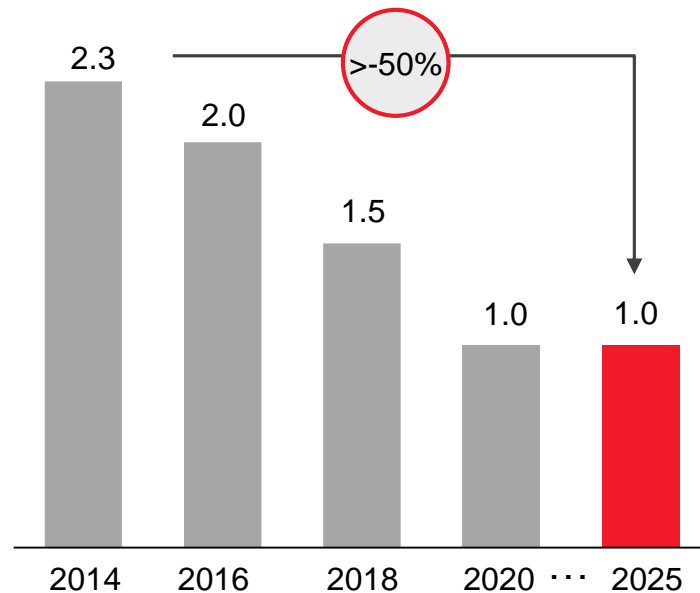
We are on track with achieving our targets and plan to further foster diversity and inclusion



LANXESS views social principles as major drivers for sustainable success

Ambition: Avoid all accidents

Social principles are more than diversity indicators



LTIFR¹: Accident rate per million hours worked

- Commitment to ILO convention and its principles for work
- Initiatives fostering occupational health and safety, e.g. platform in place with various offers around health and prevention measures
- Fair compensation and benefits model
- Comprehensive concepts for employee qualification, e.g. reflected in high ratio of apprentices hired after completing the training
- Close and regular collaboration with works' councils and labor unions leading to avoidance of conflicts and strikes

Our social principles are embedded in our Performance Culture



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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

Assessment

Supervisory Board regularly assesses its effectiveness as a whole and its committees

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.

Sub-Committees

Climate
and
Energy

Hubert Fink
(Board Member)

Health, Safety
and
Environment

Hubert Fink
(Board Member)

Value Chain
Circularity &
Product
Stewardship

Anno Borkowsky
(Board Member)

People
and
Governance

Stephanie Cossmann
(Board Member)

Stakeholder
expectations &
reporting
standards

Michael Pontzen
(CFO)

- Embedded in our Corporate Policy, Code of Conduct and Integrated Management Systems
- Close collaboration between Board of Management and Supervisory Board



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

Supervisory Board

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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 honor our performance



MSCI

BBB → A → AA

Convincing climate strategy
Ongoing improvement: Water Stress & Chemical Safety



ISS ESG

C → B-

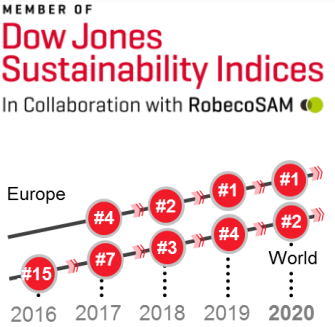
Prime status
Top 8%



CDP
DISCLOSURE INSIGHT ACTION

2016 (A) 2017 (A) 2018 (A-) 2019 (A) 2020 (A)

Climate leader
Top 5%



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Europe: #4 (2016), #7 (2017), #3 (2018), #4 (2019), #1 (2020)
World: #15 (2016), #2 (2017), #3 (2018), #4 (2019), #2 (2020)

Top 10% in DJSI World (10th year)
DJSI Europe (4th year)

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



Bloomberg
Gender-Equality Index
2021



PLATINUM Top 1%
2021 ecovadis
Sustainability Rating



vigeo eiris



SUSTAINALYTICS

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We are pursuing our ESG contributions globally

Recent achievements

- Aggressive CO₂e reduction, especially due to high impact projects
- Clear targets set for reduction of water consumption, again with focus projects
- Sustainability reflected in remuneration of Board of Management



High transparency honored

- High scores achieved in MSCI, CDP and Dow Jones Sustainability Index
- High transparency ensured through reporting according to high standards (SASB, TCFD, GRI)



EU Taxonomy

- Establish processes for first reporting in Annual Report 2021 in accordance with EU Taxonomy
- Taxonomy focuses on sectors contributing over 93% of European Scope 1 CO₂ emissions; positive signal: LANXESS only with minor share of product portfolio



There is more to come on LANXESS sustainable way forward





On course for a more sustainable environment

Sustainability at the core of our strategy

Creating measurable benefits for company, customers and society

Supporting a sustainable economy with activities and products



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