

# CORPORATE RESPONSIBILITY

# Sustainability – Success with Foresight

*For LANXESS, acting sustainably means being ready for the future. So we are in a position to withstand uncertain times: We are stable, use resources sparingly, take social responsibility, and do business from a long-term perspective. With this entrepreneurial mindset, which is firmly rooted in our strategy, we take our global responsibility and make an important contribution to the future – during the crisis and thereafter.*

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. This principle is the starting point for our thought and action.



**Our facilities, locations, and products must have a measurable, sustainable benefit for the community.**

Several internationally recognized standards and frameworks give us valuable guidance in this thought and action:

- › 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. We renewed our commitment to the U.N. Global Compact again for 2020.
- › 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. With our internal guidelines, we integrate the principles of the Charter into our guiding principles and corporate strategy.
- › Among the internationally recognized principles of business activity to which we are committed are the employment standards of the International Labor 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.

**Contributions and impact – SDG 13**

**Current Contribution**

Negative effects of greenhouse gas emissions

**Goal:**  
**Steadily reduce environmental impact**



**Future impact**

Since company was founded in 2004: greenhouse gas emissions more than halved

**LANXESS 2040:**  
**Climate neutral**

The Sustainable Development Goals in particular provide important guidance throughout the Group in order to translate the social 2030 Agenda into appropriate structures, processes and goals for us as a company. To do so, 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](#)

We meet these challenges by following the development of the SDGs and reconciling the positive and negative contributions of our business activities, our initiatives and our measures with the SDGs. We are working particularly hard on the topic of climate protection (SDG 13). Between 2004 and 2018, for example, we halved our greenhouse gas emissions from around 6.5 million tons of CO<sub>2</sub>e to about 3.2 million tons. We wish to stay on this trajectory. As part of our global climate strategy, we have set out to become climate neutral by 2040.

[Further information on our global climate strategy](#)

The [use of water](#) is also an important aspect when it comes to climate protection.

[Further information on our LANXESS Water Program](#)

## ACTIVE STAKEHOLDER DIALOG

**NFR**  
Audited disclosures of the LANXESS Group that are included in the 2020 non-financial Group report


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 engage in intensive dialog with all of these groups. Firstly, to promote mutual understanding and build trust with an open and constructive exchange of views. And secondly, to continuously identify topics that are important in view of our environment and our corporate responsibility. We are convinced that this dialog-oriented approach encourages integrated thinking and improves the quality of our business decisions.

In the reporting year, we discussed one of our most important climate targets with various stakeholders: “On the Way to Climate Neutrality” was the theme of our virtual stakeholder roundtable, attended by representatives from several institutions, LANXESS cooperation partners, customers, and representatives from NGOs

and trade unions. In addition to a presentation on climate neutrality in the chemical industry (Chemistry Roadmap 2050 study) and the unveiling of LANXESS’s global climate strategy, we used the interactive possibilities of the virtual format for discussions in break-out groups. In these smaller groups, the discussions took a look at special challenges on the way to climate neutrality: the development of renewable energy, opportunities to continue reducing emissions in the value chain, and companies’ and politicians’ use of suitable tools for the purpose of climate protection. We will include insights gained from these discussions in the further drafting of our climate strategy.

The World Business Council for Sustainable Development (WBCSD), which we joined on January 1, 2020, is an 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. In six work programs, the network develops economic concepts and business models to conserve the world’s resources while feeding a growing population and ensuring future-proof mobility and livable cities. The WBCSD’s approximately 200 member companies

represent 19 million employees and USD 8.5 trillion in sales. Thanks to our membership, we will cooperate actively on the transformation of industry and global value chains and can thus align our business strategies at an early stage.

 [Further information on the main topics and dialog forums for each relevant stakeholder group and other specific activities in the reporting year](#)

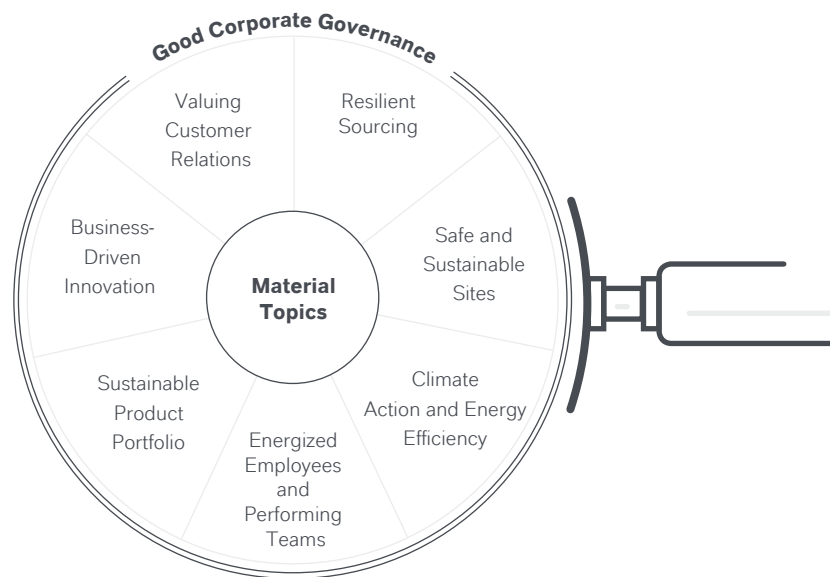
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## SYSTEMATIC PRIORITIZATION OF SUSTAINABILITY TOPICS

Identifying the main effects of our actions and incorporating our stakeholders’ concerns into our strategy forms the basis of our sustainability management. Our materiality analysis in line with the requirements of the Global Reporting Initiative (GRI) is a key tool for systematically prioritizing the wide range of action areas and using resources as effectively as possible. The results also influence the structure of our external reporting on the topic of corporate responsibility.



**Material Topics**



As part of our management of opportunities and risks, we have implemented a wide range of risk-mitigating measures. With regard to the non-financial aspects of the CSR Directive Implementation Act 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. These are based on the goal of using our operating activities to achieve an increase in value for our company, our stakeholders, and society. 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 targets are achieved. In a working group, internal sustainability experts again systematically examined the existing goals and indicators, fleshed these out where necessary, and also defined new goals in the reporting year.

The table below provides an overview of all corporate responsibility goals in the LANXESS Group. Further information on the individual goals and associated measures can be found in the following pages.

The materiality analysis in 2020 is based on our extensive materiality analysis from fiscal year 2017. It was based on four principles: sustainability context, materiality, completeness, and inclusion of stakeholders. As a result, we defined seven material sustainability topics that were again confirmed by the Board of Management and the Corporate Responsibility Committee in 2020 and thus formed the relevant management framework. The topic of good corporate governance forms the basis for all of our business activities. [Further information on the description of our process for determining material topics](#)



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 relevant disclosures in this context are those 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. We have distinctly identified these parts of the report.

## LANXESS Corporate Responsibility Goals

Topic	Goal	Indicator	Deadline	Status Quo 2020	SDG	Page
<b>Resilient Sourcing</b>	Our 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.				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 migration of the risk analysis system with the objective of mapping risk more precisely resulted in delays. The timeframe has been extended accordingly from 2020 to 2021.		<a href="#">39–40</a>
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 from 2020 to 2021 necessary due to the migration of the risk analysis system.		<a href="#">39–40</a>
<b>Safe and Sustainable Sites</b>	We manufacture sustainable products at competitive and sustainable chemical sites. Continuous process improvements and investments are fundamental for our sustained success. We care about the communities of which our sites are a part.				<a href="#">3, 4, 6, 8, 9, 12, 13</a>	
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, 2020, our matrix certificate covered 39 certifiable companies with 74 sites in 21 countries. In relation to the number of employees, this equates to 88% coverage of our matrix certificate. 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 98% of our sites had ISO 14001 certification.		<a href="#">20–21</a>
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 seven relevant incidents, of which four are classified as reportable.		<a href="#">41–42</a>
	Continuous reduction in environmental incidents	Number of reportable environmental incidents	Ongoing	There were two environmental incidents (release of saline solution) in El Dorado, U.S.		<a href="#">41–42</a>
	Continuous reduction in transportation incidents	Number of reportable transportation incidents	Ongoing	There was a transportation incident with relevant product release in India.		<a href="#">41–42</a>
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 of continuing operations amounted to 2.18 cubic meters/thousand euro (+0.9% year-on-year). Including the Leather business unit, the figure was 2.13 cubic meters/thousand euro (–1.4% year-on-year).		<a href="#">44</a>
Wastewater	Reduction of total organic carbon (TOC) by 2% per year	Kilograms per thousand euros of sales	Ongoing	The specific TOC of continuing operations amounted to 0.20 kilograms/thousand euro (+11.1% year-on-year). Including the Leather business unit, the figure was 0.19 cubic meters/thousand euro (+5.6% year-on-year).		<a href="#">44</a>
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 will begin in 2021.		<a href="#">42–44</a>
	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 3% compared with the base year 2019.		

## LANXESS Corporate Responsibility Goals

Topic	Goal	Indicator	Deadline	Status Quo 2020	SDG	Page
<b>Climate Action and Energy Efficiency</b> For LANXESS, 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.					3, 7, 8, 12, 13	
Emissions	Reduction of CO <sub>2</sub> e emissions by 65% 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	In continuing operations, absolute CO <sub>2</sub> e emissions amounted to 2,533 thousand metric tons. Including the Leather business unit, the figure was 2,565 thousand metric tons of CO <sub>2</sub> e. Both cases constitute a 61% reduction versus 2004, when the company was founded.		51
	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 of continuing operations increased year-on-year to 0.30 metric tons of CO <sub>2</sub> e per metric ton of product. Including the Leather business unit, the figure was 0.29 metric tons of CO <sub>2</sub> e per metric ton of product.		51
	Reduction of emissions of non-methane volatile organic compounds (NMVOC) by 25% compared to base year 2015	Absolute NMVOC emissions	End of 2025	The absolute VOC emissions were reduced by 78% compared to the base year. This applies both to continuing operations and including the Leather business unit.		52
	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			49–50
	Climate neutrality for the entire Group	Absolute CO <sub>2</sub> e emissions (Scope 1 and 2)	End of 2040			49–50
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. For continuing operations, specific energy consumption amounted to 1.59 MWh/t. Including the Leather business unit, the figure was 1.57 MWh/t.		52–53
<b>Energized Employees and Performing Teams</b> We create a motivating, energetic and health-preserving working environment for all employees, striving for high engagement and impact. We nurture and promote a value-based, performance-orientated culture. We aim to be an attractive employer and to develop peoples' full potential throughout their professional life.					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 2.2% both in continuing operations and including the Leather business unit (previous year: 3.0%).		29
Employee development	At least 80% of apprentices hired after completing their training	Proportion of apprentices hired in Germany	Ongoing until the end of 2023	85% (previous year: 88%) of apprentices were hired.		26–27
Occupational safety	Continuous decrease in the LTIFR by > 50% (reference LTIFR of 2.0 in 2016)	LTIFR	End of 2025	The LTIFR was 1.0 in continuing operations. Including the Leather business unit, the LTIFR was 1.1.		38

## LANXESS Corporate Responsibility Goals

Topic	Goal	Indicator	Deadline	Status Quo 2020	SDG	Page
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 2020, the proportion in continuing operations was 78%. Including the Leather business unit, the proportion was 75% (previous year: 74%).		<a href="#">34</a>
Diversity & inclusion	Increase proportion of women in middle and upper management to 20%	Proportion of women in middle and upper management	End of 2020	The proportion of women was 19.9% in continuing operations. Including the Leather business unit, the figure was 19.7% (previous year: 19.8%).		<a href="#">32</a>
	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.		<a href="#">32</a>
	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 17.1% in continuing operations. Including the Leather business unit, the figure was 16.7% (previous year: 20.9%).		<a href="#">32</a>
	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 23.7% in continuing operations. Including the Leather business unit, the figure was 23.4% (previous year: 25.1%).		<a href="#">32</a>
	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 89 participants in 2020, the proportions amounted to 30% female and 61% non-German participants (previous year: 31%/49% respectively).		<a href="#">28</a>



### Sustainable Product Portfolio

Our products are manufactured and marketed so that they do not pose a risk to humans or the environment. We systematically evaluate the sustainability of our entire portfolio. Sustainability criteria are also applied in the development of products and applications.

[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.		<a href="#">54–55</a>
	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-2019. The proportion of inspected/updated dossiers is 7%.		<a href="#">54–55</a>

1) Countries in which LANXESS operates.



**LANXESS Corporate Responsibility Goals**

Topic	Goal	Indicator	Deadline	Status Quo 2020	SDG	Page
 <b>Business-Driven Innovation</b> We drive process-, product-, application- and business model-oriented innovation for and together with our customers and suppliers. We help our customers to make their business sustainable.					1, 8, 9, 12	
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	134 projects in the reporting year were aimed at developing new/improving existing products and applications.		<a href="#">56–57</a>
	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	75 projects in the reporting year concerned process technology issues with a view to reducing costs, improving efficiency or increasing capacity.		<a href="#">56–57</a>
 <b>Valuing Customers Relationships</b> We value long-term customer relationships, built on trust and knowing, understanding and solving the customers' challenges.						
Long-term customer relationship	Improvement in customer satisfaction and maintenance of customer loyalty: customer loyalty index > 75	Customer loyalty index score	2020	In the 2019/2020 survey, the customer loyalty index score was 77. The survey is carried out every two years.		<a href="#">57–58</a>



**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.

**Compliance organization and committees**

To ensure that our values as well as our rules and standards are observed and continuously developed, we have established the compliance organization and several specialized committees below the level of the Board of Management.

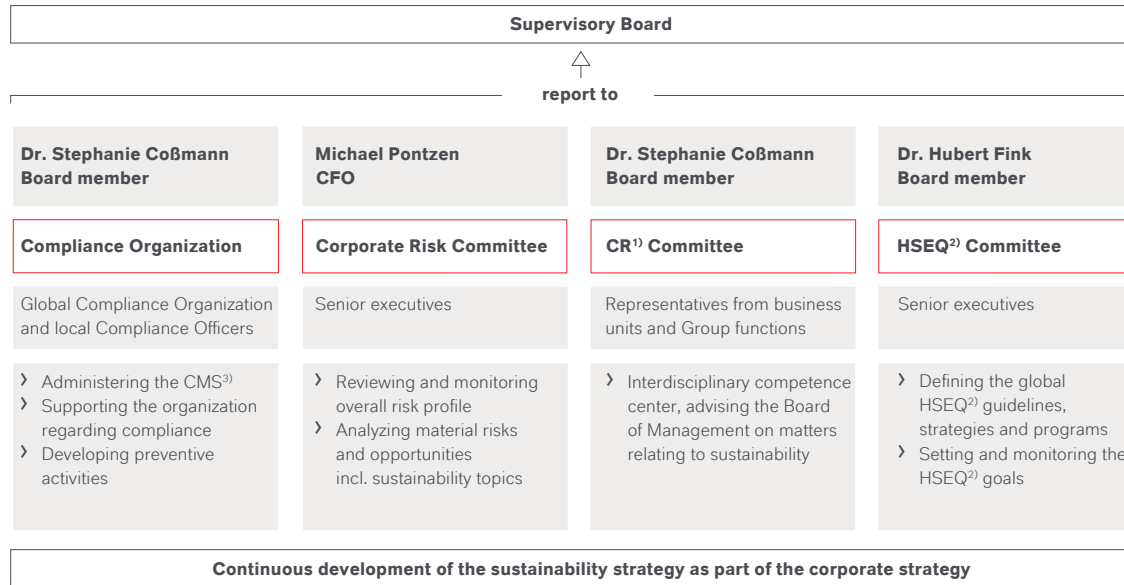


**Compliance organization**

The global compliance organization is made up of the Group Compliance Officer, the regional Compliance Officers, and a network of local Compliance Officers. They are available to all employees as contact persons for any compliance-related issues. In coordination with the organizational units, measures are also developed in order to counter illegal or unethical conduct by LANXESS employees at an early stage and to prevent improprieties. The direct reporting line from the Group Compliance Officer to the Board of Management guarantees that the Board of Management members receive regular information. [Further information on the compliance management system](#)



**Sustainability Committees and Board of Management Responsibilities in Fiscal Year 2020**



1) Corporate Responsibility.  
 2) Health, Safety, Environment and Quality.  
 3) Compliance Management System.

**Corporate Risk Committee**

The Corporate Risk Committee is responsible for the structure and implementation of the Group-wide risk management process. It is headed by the Chief Financial Officer and comprises representatives of selected Group functions. The committee examines and monitors the Group's risk profile and in this context regularly analyzes the key opportunities and risks as well as the corresponding preventive measures – including in relation to sustainability. [Further information on the opportunity and risk management system](#)



**Corporate Responsibility (CR) Committee**

This committee comprises representatives of all LANXESS business units and the Labor Relations Director as representative of the Board of Management. The members ensure that all CR activities within the Group are in line with our strategy. As an interdisciplinary competence center, the committee advises both the full Board of Management and the business units on all matters relating to sustainability. It is also responsible for collecting and maintaining reliable data that comply with current market standards for use in our external CR communications.



**HSEQ Committee**

The HSEQ (Health, Safety, Environment and Quality) Committee ensures worldwide compliance with uniformly high quality management, safety, environmental, energy and climate protection standards and develops a unified understanding of management principles relating to these subjects. It has responsibility for initiating and monitoring the global implementation of all necessary HSEQ guidelines, strategies and programs as well as for defining our HSEQ objectives and monitoring their achievement. It also defines the global strategy for our integrated quality and environmental management system and our energy management system. The committee, which is chaired and led by three Board of Management members, comprises all global heads of business and staff units.

**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.

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

**88%**  
matrix certificate coverage



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 2020, we successfully passed the surveillance audits in accordance with the standards ISO 9001:2015, 14001:2015 and ISO 50001:2018. In the reporting year, the site in Latina, Italy, acquired from Chemtura and the Urethane Systems business unit's new plant in Porto Feliz, Brazil, were added to the matrix certificate. With just a few exceptions, the other sites taken on with the acquisition of Chemtura have already been certified in accordance with ISO 9001 and most of them have also been certified in accordance with ISO 14001. For the time being, they hold these certifications separately. We are planning to gradually integrate these sites into our matrix certificate.

As of December 31, 2020, our matrix certificate covered 39 certifiable companies (companies with staff and in which LANXESS has a stake of over 50%) with a total of 74 sites in 21 countries. In relation to the number of employees, this equates to 88% coverage.

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 of December 31, 2020, the



energy management system had reached coverage of over 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. [Further information on the status of our certifications](#)

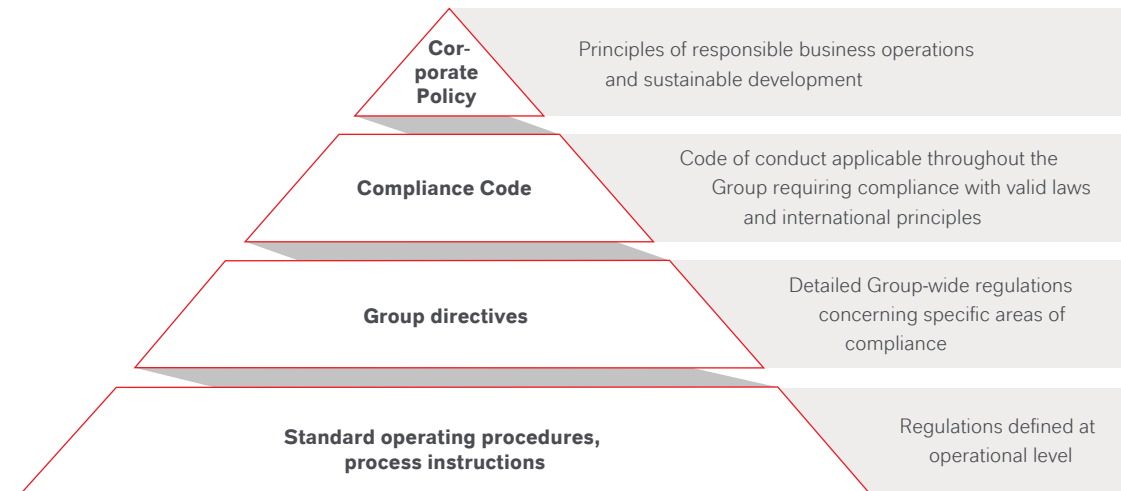


### Internal guidelines and regulations

The principles of responsible business operations and sustainable development are expressed in our Corporate Policy, which defines our general corporate philosophy and the conduct of all employees in relation to our stakeholders in a total of eleven guidelines.

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

#### Clear Rules Provide Guidance





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 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. If there are suspected human rights violations, the Compliance Helpdesk and the “SpeakUp” reporting system offer our employees and external third parties various ways to notify the compliance organization – also anonymously if they wish.

We have no reports or knowledge of any systematic discrimination against LANXESS employees. This includes discrimination 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 Labor 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. In addition, we



Over  
**4,500**  
participants  
in compliance  
training  
sessions



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 services are regularly assessed in the context of TfS audits. These supplier assessments also cover compliance with aspects of our Supplier 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.

**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 our employees with 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.

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.

All donations require approval from a member of the Board of Management 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 corruption training aimed at exposed professional groups and countries. In the reporting year, we carried out compliance training sessions with a total of over 4,500 participants worldwide. If there are indications of compliance violations, our employees and external third parties can contact the compliance organization – anonymously if they wish. In the reporting year, a new, Group-wide reporting system was introduced, which not only allows potential violations to be reported in writing or by telephone, but also enables secure and anonymous communication in over 20 languages between the compliance organization and the individual making the report.



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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 2020, 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 recorded a low single-digit number of such cases, but these did not have any further significant effects for LANXESS.

We also communicate our clear expectations for the prevention of corruption to our suppliers and service providers in our Supplier 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 Supplier 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

After the successful implementation of our global transformation project, we have a regionally and globally harmonized and well connected organizational structure in Human Resources. The new structure enables the Human Resources Group function to provide the best possible support for LANXESS's operating business. In order to integrate further, since mid-2020 we have been working to make responsibilities and decision-making processes more transparent. With the ONE HR initiative, we intend not only to accelerate internal decision-making processes globally, but also to generate a shared understanding of central HR processes in the Group.

All measures in connection with our HR work serve the rigorous application of our "People Strategy," which we check regularly for potential updates. Derived from our mission to motivate people and facilitate business growth, we adopted an updated version of the "People Strategy" in the reporting year. Our "People Strategy" is based on four pillars:

- › **Enabling growth**  
With increasingly long-term and strategic workforce planning as well as a globally managed recruiting strategy, we are supporting the sustainable growth of our business in line with our corporate strategy.
- › **Developing employees and leadership skills**  
Based on continuous dialog with our employees, we follow a comprehensive training and learning concept with the aim of promoting cross-functional and cross-divisional career development and

strengthening the LANXESS organization of the future. The development of good leadership skills is particularly important to us, as they are a cornerstone of our corporate culture.

- › **Enhancing and strengthening HR work**  
We promote efficient and standardized HR processes, act as a global team with transparent structures and consistently drive the digitalization of our HR systems and tools. We operate as a strategic partner for the businesses.
- › **Acting as partners**  
We strengthen exchange within and outside the HR department in order to create greater transparency regarding HR products and services, to enhance the role of HR as a strategic partner and to address the needs of the various Group functions and business units in an even more targeted way.

In the reporting year, we initiated or continued a great many projects and measures while the coronavirus pandemic shaped our day-to-day work. Our pandemic crisis team ensured that the entire workforce was protected and that production continued to function without interruption. It regularly reported to the Board of Management and executive management about the global infection rate at LANXESS and the resulting, regionally varying risks for the Group. [Further information on health and safety measures for our employees and on LANXESS's support for external organizations](#)



### Coronavirus accelerates digital transformation of work

In addition to all its challenges, the pandemic also ultimately meant that we expanded our IT capacity in 2020 and significantly increased the digitalization of our processes, ways of working and forms of communication. Above all, we succeeded in quickly switching to digital formats – alongside an offering of supporting measures tailored to the needs of the respective users. We encouraged remote work and virtual cooperation wherever possible. Remote work offers a great degree of flexibility, because employees – if the nature of their work at LANXESS is suited to this – can work either from home or from somewhere else. In general, our support took the form of information and advice, but also targeted measures and offers. The Board of Management sent regular e-mails about coronavirus developments, and information was provided on the intranet or in the electronic coronavirus booklet. Our digital offering for further measures comprised workshops for various target groups with appropriate focus areas or videos and newsletters with tips for best working practice. We also offered mentoring as well as virtual opportunities for training and communication, both regionally and globally. In addition, various conferences were held virtually.

In HR services, we technically updated the digital system solution for our processes introduced in 2019. From 2021, we can use a new “compensation module” for processes in the system solution relating to compensation. It already includes recruitment and onboarding, performance management, document management and

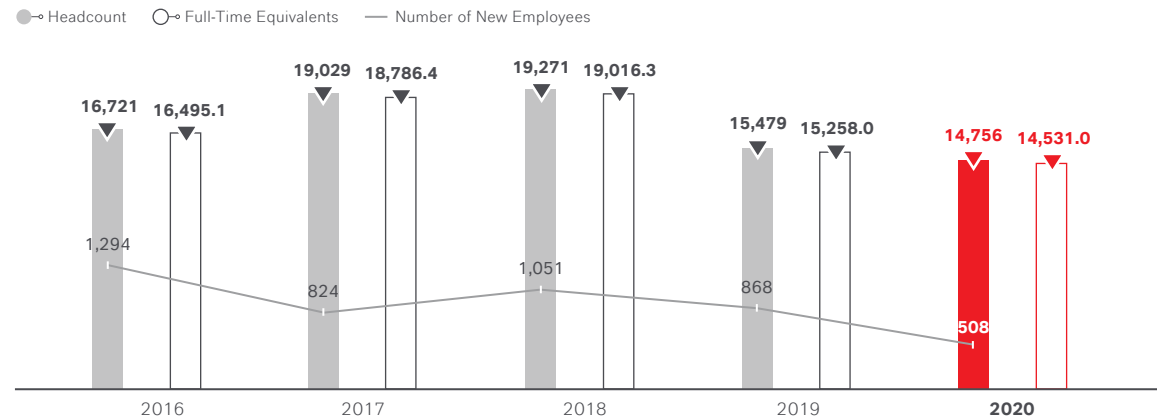
self-service functions for employees. The system allows us to be more transparent throughout the Group and to harmonize processes.

Other HR activities in the reporting year related, for example, to [digital learning](#) and [ensuring knowledge transfer and digital knowledge management in production](#). In addition, we rolled out [mindfulness training](#) globally and conducted [a global survey on satisfaction and the work environment](#). For the future design of the LANXESS working world as part of the digitalization strategy, LANXESS agreed joint [action areas](#) with the Central Works Council and the German Mining, Chemical and Energy Industrial Union.

### Winning the competition for diversity

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.

#### Number of Employees



Unless stated otherwise, the figures shown here for 2020 and all subsequent assessments for fiscal year 2020 correspond to the [entire Group including the Leather business unit](#) and relate to the [core workforce](#). Figures from 2016 to 2018 including ARLANXEO.



Our global recruitment process is highly digitalized. The software platform covers all processes from digital onboarding to the digital signing of employment contracts. Highly specialized LANXESS recruitment teams work in the U.S., China, India, Europe and Germany. The software platform helps to make processes in connection with 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 508 new employees joined the Group in the reporting year. The new employees predominantly filled technical positions.

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 opportunities for economists. In 2020, 17 new graduate trainees (10 women, 7 men) started their career at LANXESS.

### Commitment to young talent

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

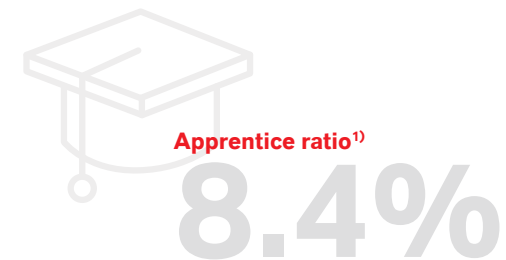
the basis of our strategy of developing specialist staff for the German sites from within our own ranks.

199 apprentices on seven technical, scientific and commercial career paths and four dual-study programs started their apprenticeships at LANXESS Deutschland GmbH on September 1, 2020. The proportion of female career starters was again 10% in the reporting year (previous year: 10%).

Taking the new intake into account, there are 698 apprentices at LANXESS Deutschland GmbH (as of December 31, 2020). The proportion of female apprentices across all years is around 10%. We invested around €23 million (previous year: €23 million) in the vocational training of young talent in 2020.

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

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
<30	6	24	12	33	10	33	7	10	8	23	<b>166</b>
30-49	11	41	15	65	14	55	5	11	13	44	<b>274</b>
≥50	1	11	1	9	7	34	0	3	0	2	<b>68</b>
<b>Total</b>	<b>18</b>	<b>76</b>	<b>28</b>	<b>107</b>	<b>31</b>	<b>122</b>	<b>12</b>	<b>24</b>	<b>21</b>	<b>69</b>	<b>508</b>
<b>Region total</b>	<b>94</b>		<b>135</b>		<b>153</b>		<b>36</b>		<b>90</b>		
<b>%</b>											
Age group	f	m	f	m	f	m	f	m	f	m	
<30	17.6	14.4	5.8	4.3	18.6	20.9	18.3	13.6	15.8	14.0	<b>9.7</b>
30-49	4.2	5.5	2.5	2.6	8.9	8.7	3.8	2.6	3.3	3.2	<b>3.8</b>
≥50	0.7	1.5	0.2	0.3	3.2	4.4	0.0	1.9	0.0	0.7	<b>1.1</b>
<b>Total</b>	<b>4.2</b>	<b>4.6</b>	<b>2.0</b>	<b>1.7</b>	<b>7.2</b>	<b>7.8</b>	<b>6.0</b>	<b>3.7</b>	<b>4.2</b>	<b>3.8</b>	<b>3.4</b>
<b>Region total</b>	<b>4.5</b>		<b>1.7</b>		<b>7.7</b>		<b>4.2</b>		<b>3.9</b>		



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



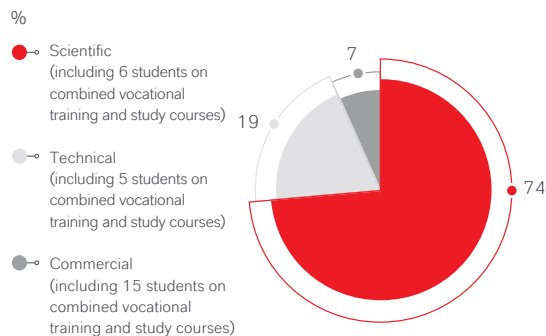


Training will remain a key pillar of our HR policy in the years ahead. It is our aim to retain at least 80% of our apprentices after successful completion of their training. We reached this target again in the reporting year with a retention ratio of 85% (previous year: 88%). Outside Germany, for example, we offer similar programs in Argentina, Brazil and India in order to cover our requirement for young talent in those countries. In Argentina, two students successfully completed a two-year dual training program at the end of 2020. The program in Brazil is geared toward advanced students and has been implemented successfully for some years now. 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.

Each year, with our XOnce program, we give school-leavers who do not meet academic or personal requirements for starting an apprenticeship program immediately the opportunity to qualify for a technical or scientific apprenticeship program – regardless of whether this is then done at LANXESS itself. Eight young people took part in the “XOnce” program in 2020. On average, approximately 50% of participants take up the opportunity to complete an apprenticeship program at LANXESS.

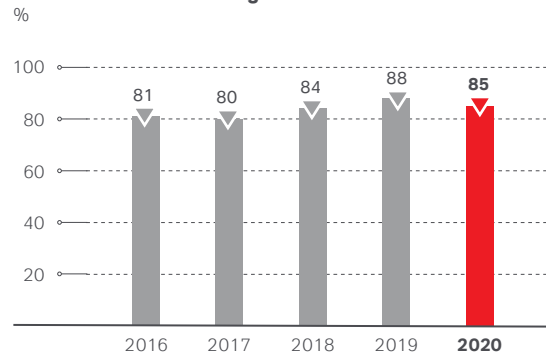


### Apprentices by Career Path<sup>1)</sup>



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

### Developing talented people around the world

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 values, rethink issues, implement them quickly and devise solutions in a team.



In the reporting year, our activities focused on the virtualization of the Group's global, cross-divisional and cross-hierarchical talent programs. We thus ensure that, despite the restrictions due to the coronavirus pandemic, we can support particularly high-performing employees, retain them within our company and identify suitable successors for key positions at an early stage. While the talent programs' 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 adjusted the teaching to the current challenges.

We offer “eXplorer,” “compass” and “navigator” as Group-wide, cross-divisional and cross-hierarchical talent programs.



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“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 shorter, monthly virtual meetings, which are supplemented by individual preparation and follow-up as well as experience-based learning in experimental groups.

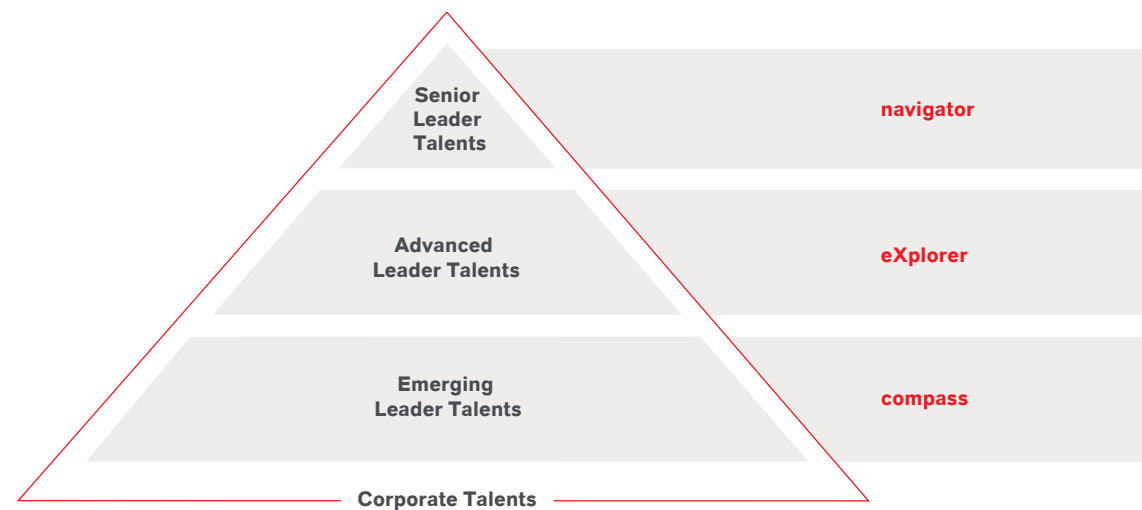
“compass” for employees at the start of their career, offers guidance for their future career path. The format encourages practical development measures. The core element is a Development Center, which as of 2020 can be carried out entirely virtually.

The “navigator” program is aimed at managers with the potential to lead a business unit or Group function.

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 89 participants in 2020, the proportions amounted to 30% female and 61% non-German participants, which means we achieved our target for the reporting year. Because the programs can last for up to 18 months, double counting cannot be ruled out.

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### Global Talent Programs Promote High-performing Employees



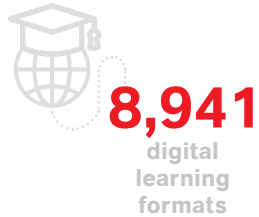
We offer global leadership training in order to embed our leadership principles more deeply worldwide and to strengthen our leadership culture. Depending on the experience of the participants, basic leadership techniques are conveyed, refreshed and translated into individual measures. Since management 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. A total of 1,701 managers have completed leadership training since 2016, including 278 in the reporting year.

The performance dialog is a key tool for HR development. It helps our managers and their employees to compare mutual expectations regarding tasks, targets and

responsibilities and to continuously give each other feedback, thus improving collaboration. The performance dialog was also available to all managers in 2020 and, as in the previous year, was very well received.

Promoting life-long learning was also a central issue in our HR development in 2020. Globally, 99% 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, each employee worldwide received 14 hours of training in 2020.

2020 was the year of virtual learning. Our offering comprised 8,941 digital learning formats. In one pilot project, around 1,000 employees from various regions of



the Group were given access to the “LinkedIn Learning” digital learning platform. For nine months, they were able to avail themselves of over 10,000 online courses on various subjects. Between April and December, the participants accessed a total of 12,834 courses. Once the usage data and the feedback survey have been analyzed, a decision will be made on introducing the platform Group-wide.

In the reporting year, we also worked hard to improve knowledge transfer at the production plants and to increase the digitalization of workflows. We aim to ensure that valuable know-how is retained within the company despite personnel changes driven by demographics. At the same time, we want to develop continuous digital knowledge management that offers a stable foundation for secure and profitable production in the long term.

International deployments are another key component of our systematic HR development. In 2020, all assignments were completed as planned despite the exceptional circumstances and challenges as a result of coronavirus.

At the end of 2020, 50 employees – i. e. around 1.5% of our specialist and managerial staff – were deployed outside their contractual country as expatriates. Despite the more difficult conditions, it is our ongoing 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, 85% of our leadership positions are currently held by local employees.

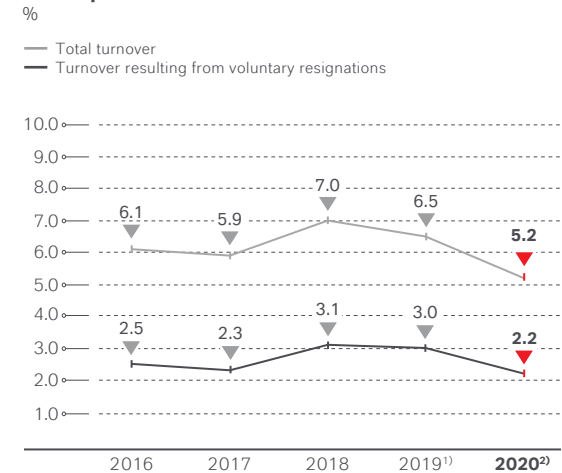
### Turnover Resulting from Voluntary Resignations by Age Group, Gender and Region

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
<30	8.8	3.6	1.5	2.6	3.7	9.5	7.8	5.4	4.0	9.2	4.3	73
30–49	4.5	2.8	1.1	1.6	7.0	4.6	3.8	1.7	3.5	4.1	2.8	203
≥ 50	1.5	2.3	0.5	0.3	2.3	1.3	0.0	1.3	1.8	1.0	0.9	52
<b>Total</b>	<b>3.9</b>	<b>2.7</b>	<b>0.9</b>	<b>1.1</b>	<b>4.2</b>	<b>3.4</b>	<b>4.0</b>	<b>2.0</b>	<b>3.4</b>	<b>4.0</b>	<b>2.2</b>	<b>328</b>
<b>Region total</b>	<b>2.9</b>		<b>1.1</b>		<b>3.6</b>		<b>2.5</b>		<b>3.9</b>			
<b>Region total (absolute)</b>	<b>61</b>		<b>83</b>		<b>72</b>		<b>21</b>		<b>91</b>			

### Motivated and committed

Committed 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, a high degree of flexibility in job design and company values with which our employees can identify. All these factors, among others, shape the LANXESS corporate culture, which we actively cultivate and develop with regard to the constant new challenges in our markets. An important forum for this is the annual Performance Culture Day, the theme of which in 2020 was “Seek Solutions.” We also want to lend greater weight to the aspect of “cultural fit” when it comes to acquisitions – so a corresponding analysis will become a fixed element of the due diligence process in the future.

### 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.  
 2) The total turnover rate for continuing operations improved further to 5.2%. Including the Leather business unit, the figure is 9.7%, as the departures in South Africa are included in the calculation.



**18**  
years  
average length  
of service

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. In 2020, we asked our workforce throughout the Group how they found the working from home that was required during the pandemic. We conducted two global surveys on this in order to detect a potential change in mood. Around a third of all LANXESS employees took part in the survey. Around two-thirds of the participants were working remotely at the time. The results show that general satisfaction among both men and women was at the upper end of the scale (5.5 and 5.7, respectively, on a scale from 1 to 7, with 7 standing for very high satisfaction). The average commitment index is also very high at 6 for men and 6.1 for women (overall average: 6.0). 92% of participants are very committed (result between 5 and 7 on the 1-7 scale; 91% of men and 93% of women). This confirms that the employees are highly satisfied. The survey also showed that employees working remotely felt more satisfied, committed and productive than those at their workplace. Most respondents would like to continue combining workplace and remote working in the future. The results of the second survey confirmed the finding of the first survey. [Further information on flexible working at LANXESS](#)



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 2.2%, meaning that we reached our target for this year. In Germany, the rate was 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 0.8% worldwide in the reporting year.

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

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
<30	5.9	1.2	1.0	0.7	0.0	5.7	2.6	5.4	2.0	7.3	2.2	38
30-49	1.5	0.8	0.2	0.6	4.4	1.9	0.8	0.5	1.0	1.5	1.0	72
≥50	0.0	0.3	0.0	0.0	0.5	0.6	0.0	0.6	0.0	0.3	0.2	11
<b>Total</b>	<b>1.4</b>	<b>0.6</b>	<b>0.2</b>	<b>0.3</b>	<b>1.8</b>	<b>1.7</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>	<b>1.9</b>	<b>0.8</b>	<b>121</b>
<b>Region total</b>	<b>0.8</b>		<b>0.3</b>		<b>1.7</b>		<b>1.1</b>		<b>1.7</b>			
<b>Region total (absolute)</b>	<b>16</b>		<b>23</b>		<b>34</b>		<b>9</b>		<b>39</b>			

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

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

Age group	EMEA <sup>1)</sup> (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	f	m	f	m	f	m	f	m	f	m	%	Abs.
<30	21	19	3	22	2	19	3	10	3	32		134
30-49	165	412	11	46	14	44	12	14	25	93		836
≥50	20	173	17	162	18	60	0	20	2	14		486
<b>Total</b>	<b>206</b>	<b>604</b>	<b>31</b>	<b>230</b>	<b>34</b>	<b>123</b>	<b>15</b>	<b>44</b>	<b>30</b>	<b>139</b>		<b>1,456</b>
<b>Region total</b>	<b>39.1<sup>1)</sup></b>		<b>3.3</b>		<b>7.9</b>		<b>6.9</b>		<b>7.2</b>			

Age group	EMEA <sup>1)</sup> (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total	
	w	m	w	m	w	m	w	m	w	m	%	Abs.
<30	61.8	11.4	1.5	2.9	3.7	12.0	7.8	13.6	5.9	19.5		7.9
30-49	62.5	55.3	1.8	1.8	8.9	7.0	9.1	3.3	6.3	6.8		11.5
≥50	15.0	23.8	2.9	5.2	8.1	7.7	0.0	12.7	3.7	4.7		8.0
<b>Total</b>	<b>47.7<sup>1)</sup></b>	<b>36.9<sup>1)</sup></b>	<b>2.2</b>	<b>3.6</b>	<b>7.9</b>	<b>7.9</b>	<b>7.6</b>	<b>6.8</b>	<b>5.9</b>	<b>7.6</b>		<b>9.7<sup>2)</sup></b>
<b>Region total</b>	<b>39.1<sup>1)</sup></b>		<b>3.3</b>		<b>7.9</b>		<b>6.9</b>		<b>7.2</b>			

1) The high total turnover rate in EMEA (excluding Germany) is attributable to the sale of the organic leather chemicals business and the sale of our share in the chrome ore mine in Rustenburg, South Africa. [see page 7.](#)

2) Total turnover rate for continuing operations: 5.2%.

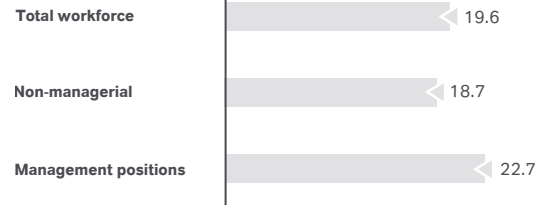


We rate our performance in relevant rankings and competitions as a further sign of our employees' satisfaction and the attraction of LANXESS as an employer. LANXESS was named as a top employer or as an employer of choice in fiscal year 2020, e.g. in Brazil and China once again. LANXESS in India was recognized by the Indian Chemicals Council for its HR management.

### Inextricably linked: appreciation and diversity

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 organizational 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 2020. In the reporting year, we placed particular emphasis on raising awareness, such as by writing about D&I in various global newsletters. In addition, we generally geared our internal and external communications toward promoting modern role models. We continue to work to consider the aspects of age, gender, nationality, disability and sexual orientation in all HR processes.

Gender diversity remains one of our global priorities, with the clear target of increasing the proportion of women in the company.



79 Nationalities at LANXESS

Our measures begin in recruitment, with messages and event formats tailored specially to women. In 2020, we also paid particular attention to ensuring that our HR development and training opportunities are attractive to women. Their professional and personal development is supported by mentoring, coaching and mandatory D&I criteria for the composition of our [global talent programs](#). In addition, we are constantly working to expand and improve our [offerings for work-life balance](#). Regional and local D&I activities accompany our global measures.

#### Ratio of Disabled Employees at German Companies

	2016	2017	2018	2019	2020
Ratio in %	5.6	5.9	5.7	5.9	6.2

#### **LANXESS USA: X-arise** – against racial injustice and social exclusion

We do not tolerate discrimination at LANXESS. In order to avoid any risk of disadvantage on the basis of background or skin color, a special working group of employees was assembled in the U.S. in 2020. The group is to use targeted education to raise awareness of the danger of racially motivated discrimination and social exclusion and come up with plans if action is needed.



NFR

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

Proportion of women	2016	2017 <sup>1)</sup>	2018	2019	2020	Goal	Target date
First level below the Board of Management	9.8%	11.6%	13.8%	20.9%	16.7%	15%	June 30, 2022
Second level below the Board of Management	25.1%	23.9%	19.2%	25.1%	23.4%	25%	June 30, 2022
Board of Management (number of women)	0	0	0	0	1	1 woman	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 during the reporting year due to organizational changes.

**14,756**  
LANXESS  
employees  
worldwide

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 2020, the share of women at the first level of management was 16.7%, hence the target was exceeded again. Owing to organizational changes, the share of women at the second level of management was 23.4%.

We achieved a significant target in the context of gender diversity at the beginning of fiscal year 2020: We aimed for at least one woman to be included on the LANXESS Board of Management by mid-2022. On January 1, 2020, Stephanie Coßmann, previously Head of the Human Resources Group function, was appointed as a member of the Board of Management and as Labor Relations Director.

NFR

Our goal for middle and upper management was a proportion of women of 20% by the end of 2020. We have nearly reached this goal: The percentage was 19.7% as of the end of the year, and the average over the year was 19.9%. We are therefore seeing a positive trend – in 2014, the proportion of women at this level was still 15.3%. As a whole, these are encouraging developments for us in regard to our commitment to continue pursuing ambitious goals in the area of gender diversity.

### A look at demographics

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/fitter and engineer. Against this backdrop, around 110 “demographic jobs” have been created in recent years. In addition, 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. In the [context of knowledge management](#), we are also stepping up our efforts for successful knowledge transfer and to keep crucial know-how within the company.

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. In 2020, we

### Employees by Age Group, Gender and Region

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	w	m	w	m	w	m	w	m	w	m	
<30	28	161	210	748	52	148	37	67	44	151	1,645
30–49	192	612	597	2,511	149	634	130	424	401	1,353	7,002
≥50	132	697	597	3,119	230	772	31	159	58	314	6,109
<b>Total</b>	<b>352</b>	<b>1,470</b>	<b>1,403</b>	<b>6,377</b>	<b>431</b>	<b>1,554</b>	<b>198</b>	<b>650</b>	<b>503</b>	<b>1,818</b>	<b>14,756</b>
<b>Region total</b>	<b>1,822</b>		<b>7,780</b>		<b>1,985</b>		<b>848</b>		<b>2,321</b>		



concentrated in particular on the development of the workforce at the plants in the U.S. and Canada.

### Flexibility forges connections

The digitalization of our working world, longer working lives and societal changes also mean that our staff have different expectations of their employer. Therefore, we regularly review existing offerings to our staff and, if necessary, adapt them to altered needs and requirements.

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 well-being 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. Some benefits are equally essential, such as:

- › Company pension plans and insurance benefits for financial security
- › Flexible working conditions and other offerings that promote work-life balance
- › Programs for prevention and long-term preservation of health
- › Education and training

When designing these benefits, we often go further than the respective statutory framework. In addition, we always aim to account for individual needs and every life situation 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, 2020, this was 93% of our total workforce worldwide.

### Fair remuneration and comprehensive benefits

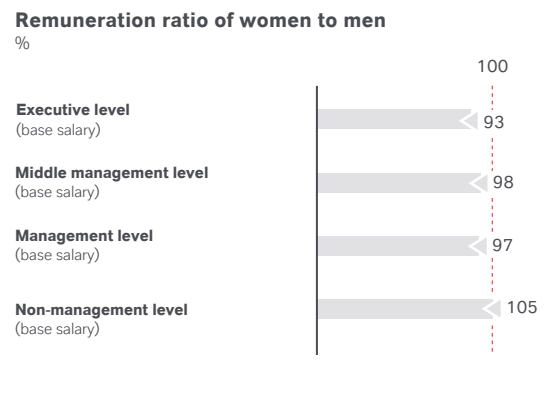
Our remuneration policy offers fair and competitive remuneration worldwide, chiefly based on relevant external benchmarks, level of professional experience and quality of work, regardless of the gender of the employees. The fixed annual salary of non-pay-scale employees is regularly reassessed on the 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.

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, 88% of LANXESS employees worldwide participate in our variable compensation systems.

Above the pay scale, and, in most countries, within the pay scale, we also provide a performance-related remuneration component on top of fixed pay. This is the Annual Performance Payment (APP), which goes to employees in countries that participate in this program. This bonus payment is linked to 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 2020, we shared around €73 million of our profits for 2019 with our employees worldwide.

In addition, there was a special bonus in the reporting year in recognition of exceptional performance and for overcoming the extraordinary challenges during the coronavirus pandemic, which particularly honored the performance of the production employees. In total, around €7.5 million was paid out.





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) 2018–2021 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. The four-year term and the potential growth in value make this program an attractive long-term incentive and retention tool. In addition, there is a Share Ownership Guideline (SOG) 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 2020.

Another core element of our offering is the company pension plan for plugging potential gaps in provision in old age. In the reporting year, we topped up the plan assets for German pension commitments by €100 million in order to further secure the company pension plan in the Group and thus the future of the employees' pensions. 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. Employees in Germany can voluntarily increase their pension and receive an additional grant from LANXESS. 75% of employees participate in the supplementary component of the current pension plan. Other offerings facilitate the

**LANXESS Employee Structure by Employment Type, Gender and Region**  
(also including employees on fixed-term contracts)<sup>1)</sup>

Contract	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific		Total
	f	m	f	m	f	m	f	m	f	m	
Permanent contract	352	1,470	1,403	6,377	431	1,554	198	650	503	1,818	<b>14,756</b>
Full-time	301	1,320	957	5,247	425	1,554	198	650	496	1,818	<b>12,966</b>
Part-time	51	150	446	1,130	6	0	0	0	7	0	<b>1,790</b>
Temporary contract	18	18	143	792	3	3	19	18	20	32	<b>1,066</b>
Full-time	16	18	117	754	3	3	19	18	18	32	<b>998</b>
Part-time	2	0	26	38	0	0	0	0	2	0	<b>68</b>
<b>Total</b>	<b>370</b>	<b>1,488</b>	<b>1,546</b>	<b>7,169</b>	<b>434</b>	<b>1,557</b>	<b>217</b>	<b>668</b>	<b>523</b>	<b>1,850</b>	<b>15,822</b>

<sup>1)</sup> In fiscal year 2020, we employed a total of 70 temporary staff members (7 women and 63 men) at our German companies.

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 90%.



**Working and living in the modern world**

In line with our 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." On this basis, we again developed specific guidelines on flexible working conditions and introduced corresponding models in a number of countries in 2020, for example at several Asian sites. All 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 2020, the coverage ratio was already 75%.

The "flexitime" model 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. We have expanded this model so that 90% and 85% are now also possible. All non-pay-scale employees have been able to participate in the program since 2019. At the end of fiscal year 2020, there were around 180 participants, of which 56 in senior management.





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



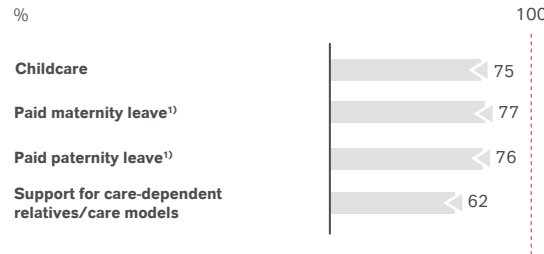
Continuing operations

Work/life balance is increasingly important. In 2020, we increased our special offers to employees regarding childcare or care for people in their households.

A total of 8% of the workforce in Germany aged between 20 and 40 were on parental leave for a time. Of this figure, 58% were fathers. 98% of the employees who ended a parental leave period in 2020 returned to a job at LANXESS, 98% of which still worked in the company at the end of 2020.

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. For our employees in the U.S., for example, we implemented a new paid parental leave model in 2020, which enables mothers and fathers to take parental leave of eight weeks on the birth or adoption of a child – while continuing to receive a full salary. We also offer a parental leave program in Brazil that goes beyond legal requirements.

### 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.

Continuing operations

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 115 employees in Germany since the LANXESS care model was introduced.

In India, we have implemented a new program to promote the physical, mental, emotional and financial wellbeing of employees. For example, they were offered therapy, telephone counseling and mindfulness exercises to combat the increased stress level due to the pandemic. In China, too, a stress management program was established in response to the coronavirus pandemic.

## Occupational health and safety enjoy top priority

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.

In the reporting year, occupational health and safety were initially dominated above all by the coronavirus pandemic. In order to keep the infection rate in check, we established extensive distancing rules and hygiene plans throughout the Group, including specifications for the reduced capacity of offices and meeting rooms. In April and May 2020, we moved production in Germany from 8-hour shifts to 12-hour shifts. The longer shifts meant fewer changes and reduced contact in order to keep the risk of infection low. To prevent potential stress responses to the pandemic, the workforce in Germany, the U.S. and in India had the opportunity to receive psychosocial counseling.

Business trips were taken only if they were unavoidable and pre-approved on a case-by-case basis.

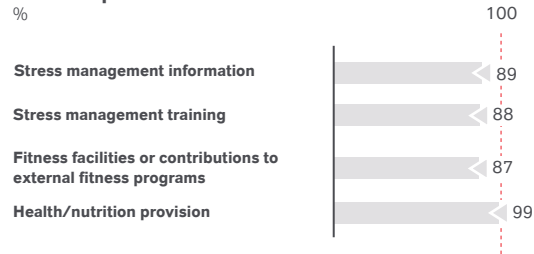
Unconnected to the pandemic, we offered flu vaccinations at various German sites in 2020. There was also a series of healthcare campaigns for production employees.



In addition, our employees in Germany again received €200 credit for a wide range of health-related options on the digital platform "machtf.it." LANXESS pays 80% of the costs for each course booking until the budget is used up. Around 50% of German LANXESS employees are now registered. Up to the reporting date, a total of around 30,000 health units had been booked, with massage, fitness and yoga options proving most popular.

We also offer our workforce wide-ranging measures to promote health and wellbeing at our international sites, e.g. medical check-ups, training on stress management and fitness, wellness or dietary options. Around the world, we integrated virtual training sessions on the topic of mindfulness into our preventive measures for the first time.

**Health Options Worldwide**



Coverage is shown in percent for each initiative with regard to the countries and the total number of employees.



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).

Six Xact safety rules, the core principles of safe working at LANXESS, address the key points with which all employees – from the factory to the office, regardless of hierarchy and position – can make an active contribution



to their own safety and that of their colleagues. They are derived from the Xact "guidelines and principles," the worldwide framework for the orientation of our safety culture.

As ever, the work of the Xact team is focused on 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.

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 – from plant managers to shift workers – engage in an in-depth discussion on the safety culture in their own plant. In this way, we

**Our Safety Culture Development Process**





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.

By the end of 2020, 32 of the 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 50 workshops originally planned worldwide for 2020 were implemented. In Germany, none of these workshops took place after March 2020. During the second half of the year, some face-to-face events such as HR meetings and follow-up workshops were resumed under strict hygiene rules or occasionally held virtually. Staff health was the top priority in all decisions. In 2021, 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 actively help to shape the safety culture in their own area of activity.

An analysis of the SCD process revealed the greatest potential for improvement 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, communication/feedback culture. The Xact-initiative has summarized these findings in a guidebook called “How Can Safety Culture Be Made Visible?,” which is to be rolled out worldwide in early 2021.

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.

Despite the strain of the pandemic, more than 45% of our employees took part in the survey in 2020. In order to address the issues of mindfulness and workload, the employees were first asked whether they believe they are given enough time to work safely. Over two-thirds (68%) of respondents answered the question with “always” and 28% with “mostly.” This positive feedback is reflected at all levels of the hierarchy and shows that supervisors have successfully been made more sensitive to this issue. However, 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 far less affirmative than the global average in countries such as Germany, even though more praise is given. The survey results and the more than



400 comments give us valuable ideas for the further development of the safety culture at LANXESS. The majority of the feedback on safety and safety culture at LANXESS was positive; potential for improvement is seen in the practical implementation and execution of measures, among other things.

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 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 Administration [OSHA]) and the lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost. The



LTIFR reduced<sup>1)</sup> to  
**1.0**



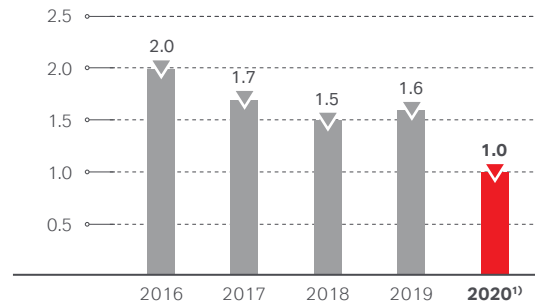
LTIFR in 2020 was 1.0, and thus significantly lower than in the previous year and already very close to our medium-term target of < 1.0. The significant improvement in 2020 could be influenced by the effects of the coronavirus crisis. Including the Leather business unit, the LTIFR in the reporting year was 1.1.

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 0.8 in 2020, both in continuing operations and including the Leather business unit, and thus equivalent to the previous year's level. 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. 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. We present many of these measures at business unit, region and/or site level in connection with the CEO Safety Award. All employees can access an overview of these measures in a special database.

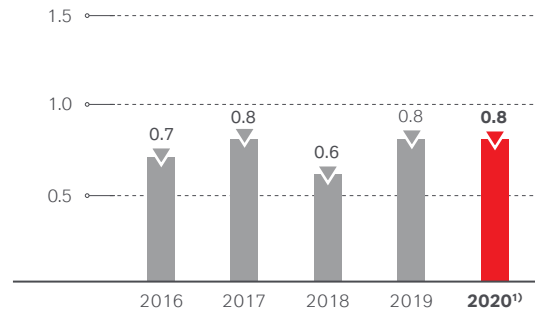


**Work-Related Injuries to LANXESS Employees Resulting in Absence from Work (LTIFR)**



1) Continuing operations

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



1) Continuing operations

**CEO Safety Award**

For us as a chemicals company, the safety of our plants and processes is the utmost priority. The international CEO Safety Award, which was bestowed for the second time in the reporting year, recognizes particularly successful initiatives and contributions to occupational safety at LANXESS. We thus want to anchor occupational safety even deeper in the minds of all employees. The focus is on avoiding accidents and incidents as well as the sustainable implementation of safety processes.

A plant team from Germany (Uerdingen site) received the award for its "Projection lamps for occupational safety pictograms" project. Resourceful colleagues from the milling plant improved safety in their operating area by installing LED projection lamps at danger spots that project occupational safety pictograms onto the wall and floor. This makes the warning signs much clearer and more noticeable.

In addition, CEO Matthias Zachert personally congratulated teams from Elmira, Canada, for "lock out, tag out" processes and the All business unit (Germany) for their "Professional Calm" safety initiative as finalists.

1) Continuing operations



**1,198**  
new ideas in  
2020

### Good ideas are always in demand

With our ideas management system, we systematically promote the development and implementation of suggestions for improvement in order to keep on generating impetus for improving economic efficiency, occupational safety and environmental protection. Many good ideas were again implemented in 2020. 305 contributed to increased occupational safety, 271 to improved environmental performance.

#### Ideas Management

	2016	2017	2018	2019	2020
No. of new ideas	2,442	2,262	1,633	1,538	<b>1,198</b>
Employees entitled to participate	7,908	7,655	7,206	7,475	<b>7,747</b>
TMQ <sup>1)</sup>	318	295	267	206	<b>155</b>
Savings (€ million)	2.26	1.58	0.92	0.42	<b>1.31</b>
Bonuses (€ million)	0.8	0.65	0.34	0.27	<b>0.49</b>

1) TMQ: rate per thousand employees.

### Pursuing goals together

Dialog with chemicals social partners – 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 the reporting year, 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. The agreement, dated March 2020, documents the action areas that we identified in a prior process to analyze the status of digitalization (“Work 2020” project with BCE). The principles agreed relate to regular discussion between the parties on the design of the digitalization process, the illustration of employment prospects and necessary change processes, the establishment of learning opportunities and a culture of learning for Education 4.0, and health care. The agreement forms the basis for subsequent, more specific plant agreements.

Fair dealings with employee representatives and trade unions are also a top priority for us outside Europe. In South Africa, for instance, we comply with International Labour Organization (ILO) standards with respect to our employees’ freedom of association. 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



### RESILIENT SOURCING



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 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.

In the reporting year, the coronavirus pandemic posed serious challenges for our supply chain. Because of the strategic relationships with our suppliers and our dual procurement module for strategic raw materials and products, however, our performance and delivery capability remained unimpaired. Thanks to our global procurement structure, we successfully handled the massive rise in demand. For example, it was no problem to redeploy deliveries of personal protective equipment (PPE) from China to India in order to avoid any bottlenecks. In logistics, the extraordinary circumstances of the pandemic demanded a high degree of flexibility. Thanks to our agile approach and the solid and long-term business relationships with our logistics partners, we were able to meet all customer requirements without problem. This was particularly evident in the flexible response of our Chinese procurement and logistics teams, which – especially during lockdown – put in a top performance and ensured that orders were promptly delivered in spite of the challenging conditions.



# 18,000 suppliers Group-wide



In 2020, procurement transactions with over 18,000 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. In our training program for strategic purchasers (ProTrain), we also pay due attention to the topic of sustainability. As ProTrain is predominantly carried out face to face, all training events were canceled in 2020 due to the pandemic. 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.

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. [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. In 2020, this initiative was supported by 26 international chemicals companies with a cumulative purchasing volume of over €227 billion. The focus here is on human rights, prevention of child labor, labor standards, occupational safety, environmental protection, and business ethics. TfS has established itself in the chemicals industry as the clear standard for a sustainable supply chain.

Because the assessment results and audit reports are shared within the initiative, we had more than 9,750 sustainability assessments and over 800 audit reports available to us as of the end of 2020. Suppliers whose sustainability-related activities have been assessed in TfS audits represent 50% (previous year: 55%) 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, the SCORE process was also introduced during the reporting year and established in 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 47 points is above the Ecovadis benchmark of 43 points. With regard to our suppliers' weak points, no trend could be discerned in 2020 again. We had no reason in the year under review to end our collaboration with suppliers due to sustainability aspects.

LANXESS is in the process of migrating the risk analysis system to SAP ARIBA, which is currently in the final test phase. Because of the decision to switch systems, our processes have been significantly delayed by data transfers and necessary adjustments. However, we expect to achieve a more precise depiction of the risk in our supplier database and a marked increase in data efficiency.



## SAFE AND SUSTAINABLE SITES



More than ever, acting sustainably in the chemicals industry means taking responsibility for products and manufacturing processes. All over the world, we are seeing a high level of convergence of environmental and production standards. What used to be positive distinguishing features in the area of sustainability are now increasingly essential worldwide to the mere ability to produce and sell chemical products. Yet we would be failing in our commitment to quality if we simply restricted ourselves to meeting standards – even if they are more exacting than in the past. Instead, 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

**58**  
production sites in 18 countries

**32**  
HSE (Health, Safety, Environment) checks at production facilities



are aimed to ensure that the requirements are incorporated into our processes systematically and sustainably.

### Uniform standards in production

LANXESS operates a total of 58 production sites and has a presence in 18 countries (investments  $\geq$  50%, as of December 31, 2020). 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.

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 2020, a total of 32 production facilities (previous year: 38) were examined in the context of HSE compliance checks (health, safety and environment), including 16 (previous year: 16) in Germany. 15 HSE compliance



checks planned outside Germany were postponed to 2021 as a result of the coronavirus pandemic.

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 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 2020 reporting year was in single digits.

[Further information in GRI content index](#)

### 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, we have gradually connected an increasing number of countries and Group companies to the system. We successfully integrated the former Chemtura sites in North America into the central safety-data system in 2020. In 2021, we will include more former Chemtura sites in Germany and the UK.

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 expansion to other sites – especially the U.S. – planned for 2020 has 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 line with the state of the art, including in terms of environmental standards, taking local requirements into account.

### 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.



Besides water's importance as an economic resource, LANXESS is also aware of its ecological and social significance. Access to water and sanitary facilities are a fundamental human right. Water availability and quality are global challenges that we can and must face up to locally as a company. We are therefore committed to the responsible use of water. In our own business activities and beyond, we use 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. We thus want to promote sustainable water management with the aim of continuously improving the way water is used.

[Further information on our Water Background Paper](#)





## 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

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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.

Our analysis of all LANXESS production sites using the WWF Water Risk Filter showed that a total of 14 of our 58 production sites are in water-stress areas. These sites account for 2.25% of our total water withdrawal. 90% of our water withdrawal takes place in areas with low water stress.

**90%**  
of water withdrawal conducted in areas with low water stress

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We have developed an extensive water risk analysis in order to enlarge upon this 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 new water stress score developed by us (average of current and future water stress) and the specific water withdrawal per ton of a product. The results of this analysis make it possible to classify all sites according to their water risk and

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to develop suitable targets and measures for the sites. Using our risk analysis, we have identified four sites in Jhagadia and Nagda, India; Latina, Italy; and Qingdao, China, which are located in particularly severely affected water risk regions. Initially, we will concentrate our measures on these sites.

By 2023, LANXESS aims to reduce absolute water withdrawal at water risk sites by 15% compared with 2019. Local Water Stewardship Programs are to be implemented at the four risk sites up to 2023. They are based on generally recognized science 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 also campaign for the responsible use of water regardless of potential risk sites: In 2020, LANXESS received the “Diamond Award for Excellence in Environmental Leadership” from the Arkansas Environmental Federation and the “Sustainability Award in Waste Minimization” from the American Chemistry Council. These awards were in recognition of a new wetland constructed at the site in El Dorado, U.S., which LANXESS acquired in 2017 in the Chemtura acquisition. When we acquire companies, we also take responsibility for any pre-existing damage. In El Dorado, for example, decades



of industrial use caused heavy metals to build up in soils close to the surface. There is a risk that pollutants will be washed out when it rains. The wetland created by LANXESS binds the escaping heavy metals and thus acts as a plant-based treatment facility. As a result, we can significantly reduce the leakage of heavy metals.

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. In the coming years, an investment of between €80 million and €120 million is expected to be made in the construction of a new production facility.

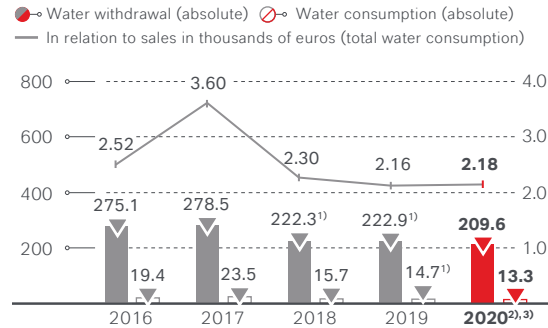
### Sparing use of water

Dealing with scarce water resources sensitively 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%.



### Water Withdrawal & Consumption

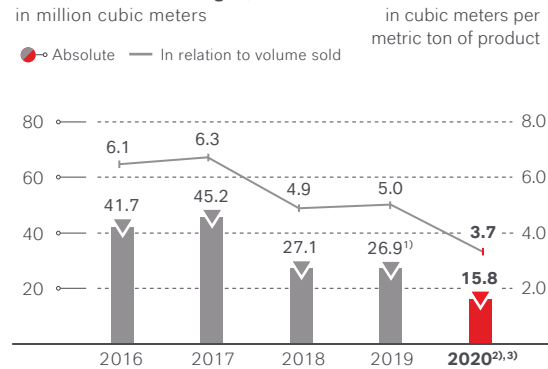
in cubic meters/  
in million cubic meters      in thousand euros of sales



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

### Wastewater Discharge (treated)

in million cubic meters      in cubic meters per  
metric ton of product



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



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 2020, 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. There was a significant reduction in water withdrawal, mainly due to the coronavirus situation. In fiscal year 2020, the volumes of treated and untreated wastewater were recorded separately for the first time and used in the calculation of water consumption. Together with the coronavirus effect, this led to significantly lower water consumption than in the previous year. Due to the sharp decline in the production volume, however, the target of a specific reduction of 2% was not achieved.

The volume of treated wastewater decreased significantly in 2020. This is attributable on the one hand to the methodological change described above and on the other hand to the coronavirus situation. The same applies to the specific figure. The assessment of qualitative indicators is also part of LANXESS's tracking of key environmental figures. One of the most important wastewater parameters is TOC (total organic carbon). In fiscal year 2020, the specific TOC after wastewater treatment increased to 0.20 kilograms/thousand euros (2019: 0.18 kilograms/thousand euro). The reduction target was therefore not achieved.

### Sustainable waste management

Rigorous material-flow management from use of raw materials to product finishing is aimed at ensuring that



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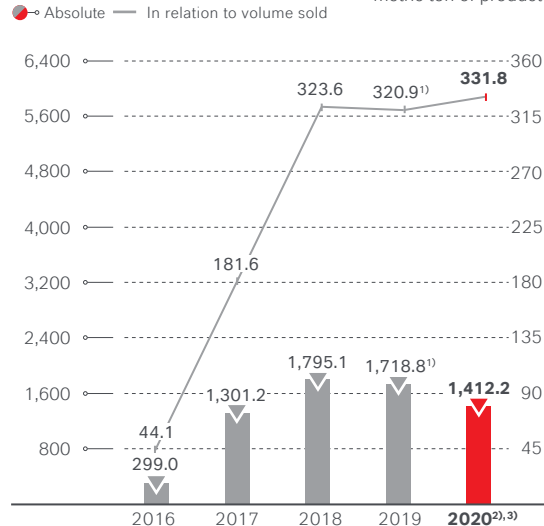
we use resources as efficiently as possible and minimize our waste volumes. Where waste is unavoidable, we try to use or sell it as a secondary raw material or energy source. To keep the amount of waste that has to be disposed of to an absolute minimum, we take a wide range of measures to continuously improve recovery in our production processes.

To ensure continuous optimization of our material-flow management, we have committed ourselves to achieving the targets defined in the international program “Operation Clean Sweep” (OCS) of the Society of the Plastics Industry. OCS aims to prevent plastic particles and pellets from entering the maritime 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.

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### Total Waste

in thousand metric tons in kilograms of waste per metric ton of product



1) Figure restated  
 2) Continuing operations  
 3) LANXESS total: Total waste: 1,413.3, specific: 322.7

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The total amount of waste generated decreased compared to the previous year. Due to the reduction in the volumes produced, the specific figure deteriorated compared to the previous year. In addition to portfolio changes and effects of the coronavirus pandemic, the considerable reduction was mainly due to a technical improvement at our El Dorado site in the U.S. The biggest share of our waste volumes comprises slightly polluted wastewater at this 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.

### Systematic recording of key data

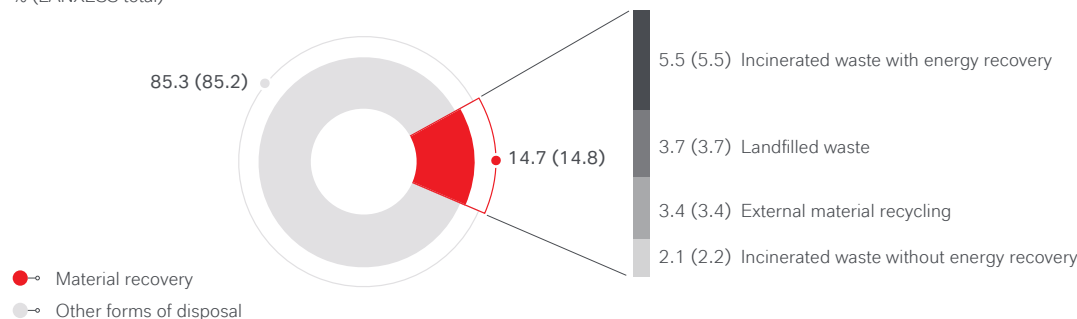
To record key data on safety and environmental protection systematically worldwide, we use an electronic data-entry system. This enables us to calculate a wide range of HSE performance data for each business unit and site worldwide, which is used as a valid data pool for strategic decisions as well as 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%. Because of the planned sale of the leather business, we recognize the Leather business unit separately.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited our HSE key data and the requisite data-gathering processes with limited assurance for fiscal year 2020.

[The current independent assurance report can be found here.](#)

### Waste for Disposal<sup>1)</sup>

% (LANXESS total)



1) Continuing operations



## Environmental and Safety Performance Data\*

	2018	2019	2020	
			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> )	1.5	1.6	1.0	3.3
<b>Volume sold<sup>2)</sup> in thousand metric tons/year</b>	<b>5,547</b>	<b>5,356</b>	<b>4,256</b>	<b>124</b>
<b>Energy consumption in petajoules (10<sup>15</sup> joules)<sup>3)</sup></b>	<b>28.5<sup>a)</sup></b>	<b>27.1<sup>a)</sup></b>	<b>24.4</b>	<b>0.34</b>
Direct energy sources (GRI 302-1)				
Non-renewable	11.7 <sup>a)</sup>	11.3 <sup>a)</sup>	9.5	0.21
Renewable (biomass)	2.5 <sup>a)</sup>	1.9 <sup>a)</sup>	2.4	0.00
Indirect energy sources (GRI 302-1) <sup>4)</sup>				
Electricity consumption	6.7 <sup>a)</sup>	6.55 <sup>a)</sup>	5.8	0.07
Heat and steam consumption	6.9 <sup>a)</sup>	6.7 <sup>a)</sup>	6.0	0.06
Energy consumption for cooling	0.5 <sup>a)</sup>	0.5	0.55	0.00
Other	0.2 <sup>a)</sup>	0.15	0.15	0.00
<b>Water and wastewater in million cubic meters</b>				
<b>Total water withdrawal (GRI 303-3)</b>	<b>222.3</b>	<b>222.9<sup>a)</sup></b>	<b>209.6</b>	<b>0.64</b>
Surface water	49.5	52.7	48.4	0.00
Groundwater	5.3	5.2	4.3	0.04
Third-party wastewater	1.2	1.1	1.2	0.00
Third-party water	166.3	163.9 <sup>a)</sup>	155.7	0.60
<b>Total water withdrawal in water-stress areas (GRI 303-3)</b>	<b>-</b>	<b>5.7<sup>a)</sup></b>	<b>4.7</b>	<b>0.04</b>
<b>Volume of once-through cooling water (GRI 303-4)</b>	<b>178.5</b>	<b>181.4<sup>a)</sup></b>	<b>169.7</b>	<b>0.49</b>
<b>Total wastewater discharge (GRI 303-4)</b>				
Wastewater discharge (treated) <sup>5)</sup>	27.1	26.9	15.8	0.04
Wastewater discharge (untreated) <sup>5)</sup>	-	-	178.8	0.48
<b>Wastewater emissions (after treatment) in thousand metric tons</b>				
Total nitrogen	0.5	0.4	0.4	0.001
Total organic carbon (TOC) <sup>6)</sup>	1.2	1.2	1.2	0.006
Heavy metals <sup>7)</sup>	0.0027	0.0023 <sup>a)</sup>	0.0021	0
<b>Total water consumption in million cubic meters (GRI 303-5)<sup>8)</sup></b>	<b>15.7</b>	<b>14.7<sup>a)</sup></b>	<b>13.3</b>	<b>0.13</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)	3,177 <sup>a)</sup>	2,950 <sup>a)</sup>	2,533	32
Direct (Scope 1) <sup>9)</sup>	1,490 <sup>a)</sup>	1,459 <sup>a)</sup>	1,263	12
Indirect (Scope 2) <sup>10)</sup>	1,687 <sup>a)</sup>	1,491 <sup>a)</sup>	1,270	20
Ozone-depleting substances (GRI 305-6)	0.00785	0.00716	0.004	0
NO <sub>x</sub> , SO <sub>x</sub> and other emissions (GRI 305-7)				
NO <sub>x</sub> <sup>11)</sup>	2.8	2.6	2.1	0.01

SO <sub>2</sub> <sup>12)</sup>	1.0	0.9	0.9	0.00
CO	2.2	1.7	2.1	0.00
NH <sub>3</sub>	0.025	0.048 <sup>a)</sup>	0.021	0.00
NMVC <sup>13)</sup>	0.7	0.7	1.2	0.02
<b>Waste in thousand metric tons</b>				
Total weight of waste (GRI 306-2)	1,795.1	1,718.8 <sup>a)</sup>	1,412.2	1.1
Incineration with energy recovery	65.0	66.1 <sup>a)</sup>	77.1	0.0
Incineration without energy recovery	25.0	29.3	30.5	0.2
Landfilling	141.7	152.1 <sup>a)</sup>	52.1	0.6
Material recovery	65.0	58.9 <sup>a)</sup>	47.9	0.3
Other forms of disposal	1,498.4	1,412.4 <sup>a)</sup>	1,204.6	0.0
Type of waste				
Hazardous	718.7	687.8	566.45	0.6
Non-hazardous	1,076.4	1,031.0 <sup>a)</sup>	845.75	0.5

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%. 2018: For the reporting in 2020, only continuing operations are shown for 2018 (not including ARLANXEO). All charts on environmental and safety performance data likewise present the figures for continuing operations for reporting year 2018. 2020: The production site in Jarinu, added due to the acquisition of IPEL-Itibanyl Produtos Especiais Ltda., was included in the key environmental figures from February 2020. 2018/2019/2020: Some of the data is based on estimates and projections.
- LTIFR: accident rate per planned million hours worked resulting in one workday or more lost following the day of the accident, calculated for all employees (including temporary workers) at all sites.
  - Volume sold of goods manufactured by LANXESS and sold internally to another LANXESS company or externally (excluding commercial products).
  - 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).
  - 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.
  - From 2020, treated and untreated wastewater were recorded separately.
  - Chemical oxygen demand (COD) is calculated as follows: [COD] = [TOC] \* 3. For 2020, the COD is 3.6 kt (not including Leather BU).
  - Heavy metals (arsenic, cadmium, chromium, copper, mercury, nickel, lead, tin, zinc).
  - According to GRI 303-5, total water consumption is calculated by subtracting the total water discharge from the total water withdrawal. 2018-2019: 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.
  - The emission factors used for fossil fuels are based on calculations by the U.S. EPA (AP-42 from 1998) 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 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: 2016: 212 kt CO<sub>2</sub>, 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> (not including Leather BU).
  - All Scope 2 greenhouse gases are calculated as CO<sub>2</sub>e. In 2020, the conversion factors used were provided by the energy producers. Where these were not available, factors from the IEA (International Energy Agency) from 2018 were used for fiscal year 2020, factors from 2017 were used for fiscal year 2019 and factors from 2016 were used for fiscal year 2018. The Scope 2 CO<sub>2</sub>e 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>e emissions for 2020 amounted to 1,645 kt (not including Leather BU).
  - Nitrogen oxide (NO<sub>x</sub>) calculated as NO<sub>2</sub> (excluding N<sub>2</sub>O – nitrous oxide).
  - Sulfur dioxide (SO<sub>2</sub>) + SO<sub>3</sub> calculated as SO<sub>2</sub>.
  - Total VOC (volatile organic compounds) excluding methane and acetone.
- a) Values restated due to supplementary notifications or change in calculation method.



### 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.

As in the previous year, we provided around €1.5 million globally for our projects in 2020.

The regional focal points of our activities in the reporting year were the EMEA and USMCA regions.



As soon as we heard about the outbreak of the coronavirus pandemic, we made the necessary arrangements to provide disinfectant around the world. In February 2020, we donated one ton of our Rely+On Virkon disinfectant to hospitals in Wuhan, China, followed by a total of ten tons for hospitals, authorities and public institutions in 13 countries around the world. In Germany, we donated the water-soluble powder to the North Rhine-Westphalia's Ministry of Labor, Health and Social Affairs as well as supplying a total of 470 schools and public institutions.

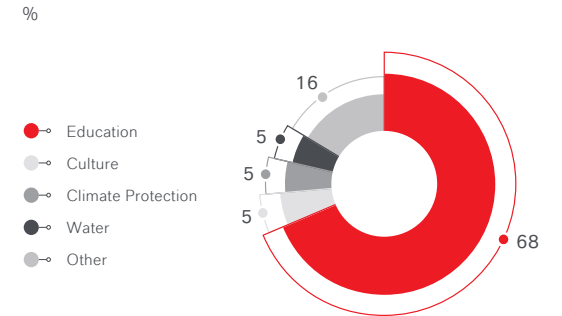
In decisions on social commitment, we initially assess our projects according to whether they pursue purely charitable ends ("charitable gift"), whether we are investing in the social environment of our sites ("community investment") or whether we are investing in corporate objectives such as image, sales and income while also generating social value ("commercial initiative").

In total, roughly 1,500,000 (previous year: roughly 300,000) people benefited from our projects in 2020, which also included the disinfectant donations. We use a system of performance indicators to measure the social impact of our activities above and beyond the number of people who benefit. For nearly all of our projects in 2020, we performed an impact assessment, 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



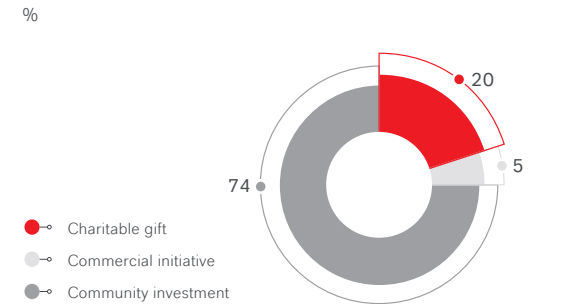
our projects is a key factor in this context. We regard these indicators as important benchmarks, with which we manage our measures in an impact-oriented manner.

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



1) Number of projects: 129

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

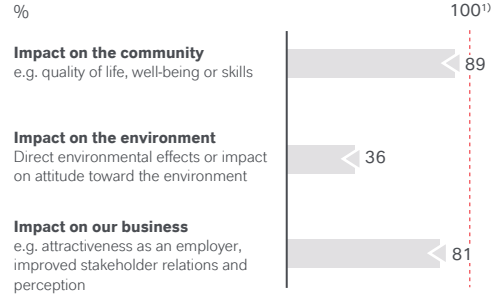


1) Number of projects: 129

Roughly  
**1.5 million**  
people  
reached with  
our projects



**Impact Dimensions of Evaluated Activities and Projects**



1) Number of projects: 129

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

We began promoting education under the umbrella of the LANXESS education initiative in 2008. Since then, we have initiated more than 500 projects at our sites worldwide to get young people interested in the natural sciences at an early age. In Germany, the LANXESS laboratory days again met with a great response, with children from secondary schools spending a day in modern laboratories conducting experiments under expert guidance. In total, we held four of these events at our sites in Leverkusen, Dormagen and Krefeld in the reporting year. In addition, we supported schools with project funding of around €144,000. The schools used the donations to purchase STEM teaching materials.

In order to facilitate digital learning in times of coronavirus – and thereafter – we provided a total of 57 schools near our sites with licenses to the interactive online platform



123chemie.de. The aim of preparing young people for the digital future was the focus when issuing new teaching material on industry and working world 4.0. We distributed the material to 169 high schools at the German LANXESS sites. In Poland, we joined forces with the Children’s University Foundation to support a workshop with eight modules to teach technical knowledge to elementary school children in the second to fourth grades. In total, students from 64 school classes took up the offer. It remains our particular ambition to also provide children growing up in difficult circumstances or under difficult conditions with access to science education. For example, we continued our partnership with “Save the Children Japan” in the reporting year and, because of the coronavirus pandemic, held online workshops in several Japanese cities. In a cooperation project with the “Aha Open Education Center,” children in the Republic of Korea who otherwise have no access to education were given the opportunity to test theoretical knowledge in a series of practical experiments.

We are working to protect the climate with a multi-stage energy-saving project at a children’s home in Mexico City, for example. The Hogar y Futuro children’s home not only gives children a new home, but also offers lessons for around 300 preschool-age children as a charitable organization. After replacing the wiring and putting in an energy-saving lighting system, we installed a photovoltaic system on the roof of the home in 2019 and 2020. It ensures that the facility is supplied with hot water all year round. As well as a cost saving of approximately 33% thanks to the reduced energy consumption, the



combination of various energy-saving measures resulted in an overall reduction in CO<sub>2</sub> emissions of around 2.89 tons/year. In addition, we facilitate lessons in which the children learn about how to save energy and the ways that modern technology can be used to protect the environment.

When it comes to saving energy in order to reduce CO<sub>2</sub> emissions, every individual can and must make a contribution. This is the fundamental principle of a Japanese campaign that we have been involved with for seven years. As part of the campaign, we turned out the lights on two days at three LANXESS sites in Japan, recommended that employees do the same in their home offices, and provided climate protection training in an online seminar.

In Porto Feliz, Brazil, our Inorganic Pigments business unit is involved with several reforestation projects for climate and water protection as well as the living environment of the local population. At the end of 2020, seedlings of native trees were planted by hand in two nature reserves totaling around 3,000 m<sup>2</sup>, and another 200 seedlings were planted on the grounds of three schools.

The “Clean Water for a Better Life” research competition in China, which we held for the sixth time in a row, and digitally for the first time, in 2020, looked at the treatment and reuse of dirty water, research into and treatment of drinking water and the management of natural water resources. We use the competition to

Over **500** education projects launched since 2008



Greenhouse gas emissions reduced by **50%** from 2004 to 2018

VOC emissions reduced by **78%** since 2015



support talented young academics. At the same time, it raises public awareness of the significance of water as a resource. One of the many places in the world suffering from water scarcity and climate change is Burani, a village in Kenya. In the last few years, the water table there has fallen from 45 meters to 145 meters. Since 2020, membrane elements of our Lewabrane brand have been installed in a solar-powered plant in Burani. The extremely salty untreated water is transformed into clean water through reverse osmosis. The filtered water is offered as drinking water in a water kiosk.

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 for several years. The Ozawa International Chamber Music Academy in Japan, which we have supported for ten years, gives talented young musicians from all over Asia the opportunity of first-class musical training. In 2020, the program was altered because of the pandemic. It ended with a concert in Nagano Prefecture, which was attended by a physical audience of around 100 people and an online audience of around 3,400.

[Further information on our corporate citizenship activities](#)



## 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. Accordingly, all signatory nations have set ambitious reduction targets. For instance, in Germany, the “Climate Protection Plan 2050” 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 in its goal of becoming more environmentally friendly. Between 2004 and 2018, we halved our greenhouse gas emissions from around 6.5 million 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.



### 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.



In light of this, it was time to set new, ambitious 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 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 emissions, we look at the emissions of greenhouse gases defined in the Kyoto Protocol and calculate their greenhouse effect in comparison to carbon dioxide (CO<sub>2</sub>e). We include emissions from our own production (Scope 1) and from external energy sources (Scope 2) in the calculation.

### Clear strategy to lower emissions

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

#### 1. Launch climate protection projects

Over the next few years, several special projects will significantly lower greenhouse gases. For example, we are currently building a facility for the decomposition of nitrous oxide at the site in Lillo, Belgium. The new facility began operations in 2020 and will reduce our annual emissions of this particularly harmful greenhouse gas by up to 150,000 tons of CO<sub>2</sub>e. After a second expansion in 2023, CO<sub>2</sub>e emissions will fall by another 300,000 tons.



**€100 million**  
investment  
volume for  
climate protection  
projects



In addition, we are also switching the entire energy supply at our Indian site to renewable energy sources, specifically biomass and solar power. This will cut our CO<sub>2</sub>e emissions by a further 150,000 tons from 2024. Under these projects and other measures, we want to decrease our CO<sub>2</sub>e emissions by a total of 800,000 tons by 2025. We will invest up to €100 million in order to achieve this.

**2. Break the link between emissions and growth**

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 acquisitions. This gives business units that achieve better than average reductions in greenhouse gas emissions a direct financial advantage. In the reporting year, the Board of Management and the Supervisory Board decided 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**

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 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.

**Uncertainty over emissions trading**

In Europe, 13 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

**LANXESS is IN4climate**

We have been involved since 2018 as an active partner in the IN4climate.NRW initiative, a new working platform for industry, science and the North Rhine-Westphalian government, the only one of its kind in Germany to date. The aim of the initiative is to devise strategies for how industry in North Rhine-Westphalia can become highly competitive, generate additional growth and play its part in attaining the Paris climate change targets. Specifically, the partners work together in innovation teams to address how production processes and value chains can be made climate neutral on a long-term basis, or what role industry might play in the development of climate-friendly products. For example, the "Hydrogen" working group is looking at the infrastructure required for the use of hydrogen as a reducing agent and heating medium. Meanwhile, the "Circular Economy" working group wants to gain access to raw materials for chemistry through thermolysis of plastics, and the "Heat" working group is investigating the greenhouse gas-neutral generation of heat. The regional government wishes to continue the project, which was initially limited to four years, and integrate it into the newly planned, state-owned company "Energie- und Klimaagentur." The project is receiving €16 million in funding from the regional government.





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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 the carbon leakage regulation stipulating important details on special treatment for the industry is not yet available. Similarly, important rules for the period after 2022, especially regarding the future treatment of hazardous waste, which may have relevant effects for LANXESS, have not yet been specified.

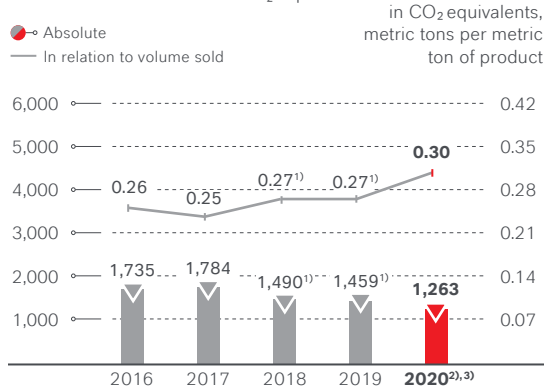
**CDP gives LANXESS top score**

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 received the best possible score of "A" in the assessment for 2020, which puts LANXESS among the top 5% of more than 5,800 companies examined by the initiative in 2020. These gratifying results gave us encouragement to continue systematically pursuing our climate protection strategy.

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**Greenhouse Gas Emissions (Scope 1)**

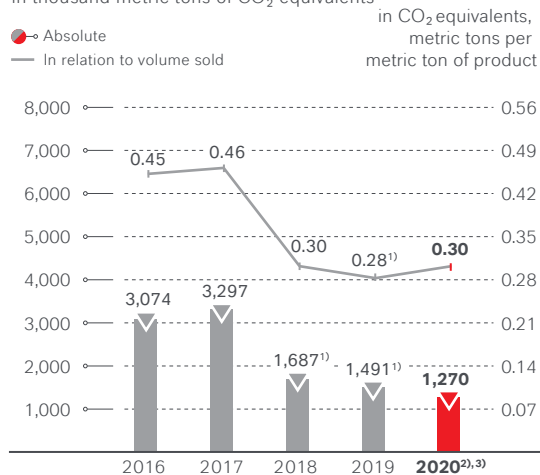
in thousand metric tons of CO<sub>2</sub> equivalents



1) Figure restated  
2) Continuing operations  
3) LANXESS total: Scope 1: 1,275, specific: 0.29

**Greenhouse Gas Emissions (Scope 2)**

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



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

**Greenhouse Gas Emissions (Scope 3)**

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



1) Continuing operations

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In 2020, we further reduced our absolute Scope 1 emissions. The reduction of nitrous oxide emissions in Belgium continued and contributed significantly to the reductions. In addition, Scope 1 emissions from the use of coal were reduced via the increased use of biomass. However, due to the decline in the production volume as a result of coronavirus, specific Scope 1 emissions increased slightly year-on-year.

The reduction trend is also continuing for Scope 2 emissions. This is due on the one hand to reduced energy consumption as a result of coronavirus and on the other hand to lower emission factors, e.g. of our site operator in the Lower Rhine region. Because of the reduced production volume in the reporting year, there was also a slightly increase in the specific figure here.

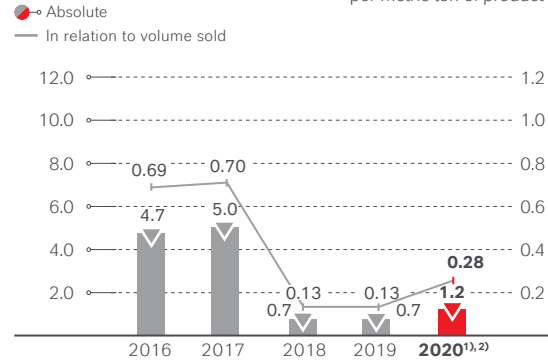
The impact of coronavirus also led to a reduction in total Scope 3 emissions.



### Other atmospheric emissions

#### VOC Emissions

in metric tons in VOC, kilograms per metric ton of product



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

In fiscal year 2020, VOC emissions increased again in both absolute and specific terms for the first time since the sale of ARLANXEO. This is attributable to increased combustion of residual gas at one of our sites.



### 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.

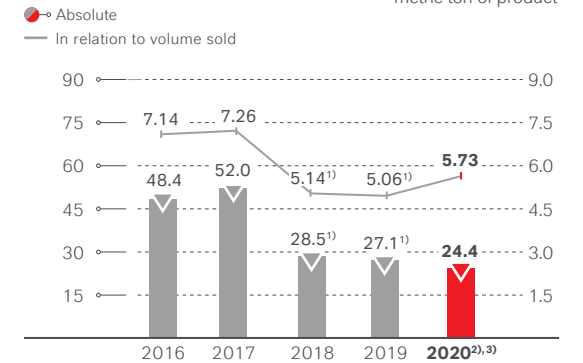
With our Leverkusen, Krefeld-Uerdingen and Dormagen sites in Germany, since the end of 2017, we have been part of the Energy Efficiency Networks Initiative, established by the German federal government and leading industry associations. With its partners, the network@CHEMPARK, in which the three sites are involved, surpassed the target set at the start of the cooperation. When the term of this network came to a close at the end of 2020, it had achieved a saving of considerably more than 100 GWh or 30,000 tons of CO<sub>2</sub> per year.



We continue to support the network initiative in other regions. For example, our Mannheim site is participating in the ChePap 2 network and the Bitterfeld in the new Bitterfeld-Wolfen 2.0 network.

#### Energy Consumption (Balance Sheet)

in petajoules in gigajoules per metric ton of product



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

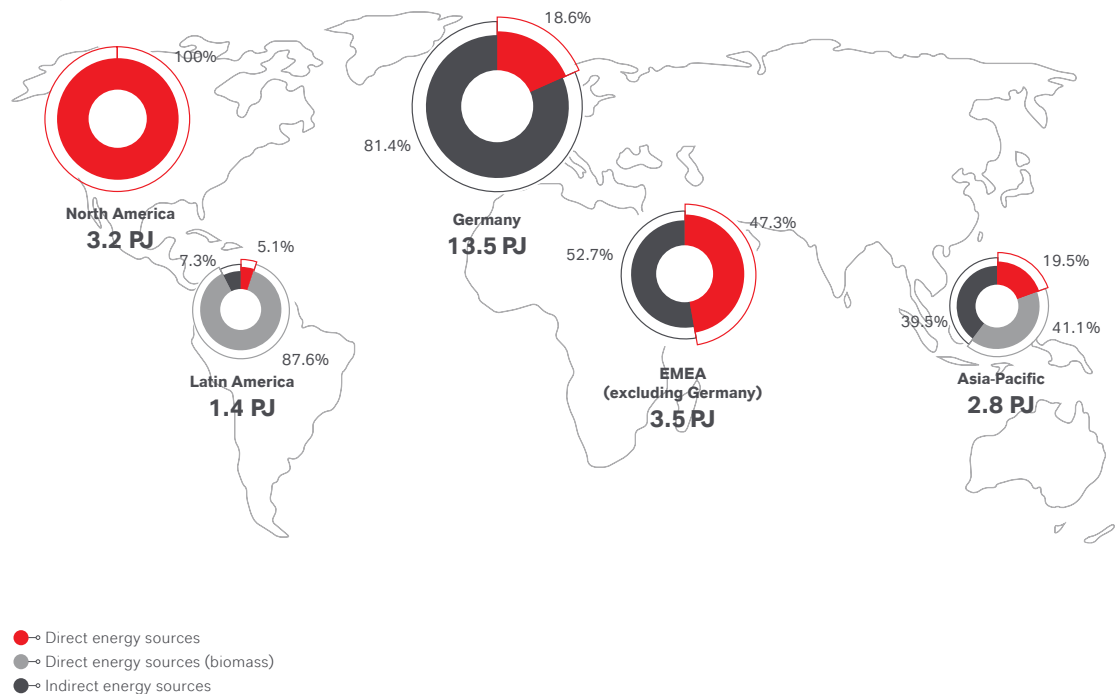
Our absolute energy consumption continued to decrease in 2020. This is particularly attributable to the lower use of fuels. In specific terms, however, there was a deterioration due to the decline in our production volumes as a result of coronavirus.



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### Direct and Indirect Energy Consumption by Region

in petajoules/%



Continuing operations

### 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

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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

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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 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.



## SUSTAINABLE PRODUCT PORTFOLIO

In signing the “Responsible Care® Global Charter” LANXESS committed itself to comprehensive product responsibility. This initiative launched by the International Council of Chemical Associations (ICCA) made a significant contribution to the development of the “Global Product Strategy” (GPS). It aims to provide basic information and risk assessments of materials in order to minimize harmful effects of chemicals on human health and the environment and to manufacture and distribute products in a way that avoids harm to people and the environment. In line with the above obligations, our product responsibility covers the safe handling of chemical materials and products throughout their lifecycle – from research and development, procurement and production, storage and transportation through to marketing, further processing and disposal.

The “Guideline on Product Safety Management at LANXESS” stipulates how product responsibility is to be exercised throughout the Group and ensures collaboration between all of the parties involved. This particularly applies to substances in our product portfolio that are classified as hazardous. With the “Central Product Monitoring” guideline, we systematically manage the global monitoring of our products and their application with regard to possible health and environmental effects. Our product developers and product safety experts incorporate the experience gathered into their assessments. Our guideline “Development of New or Changed Products, Processes and Applications” stipulates that development

ideas already have to be examined systematically with regard to their potential economic, environmental and social impact. In this way, we ensure that unsustainable products, processes or applications no longer occur in our development process.

Particularly in the case of consumer applications – for example, use as an additive in food or animal feed, in contact with drinking water or food, or in cosmetic, pharmaceutical, or medical products – it is extremely important to us that our products meet high national and international standards, certificates, and quality seals. We thereby actively support our customers with the authorization of materials to be used in contact with drinking water, for example, or with further processing of our products into certified goods for end consumers. By intensively exchanging information with our customers and suppliers, we achieve greater transparency and safety throughout the whole product lifecycle.

### **Management of chemicals control regulations**

Complying with global chemicals control regulations is an essential prerequisite for the saleability and safe handling of our chemicals and products across the whole value chain.

LANXESS ensures the implementation of binding and voluntary requirements using an electronic safety data system. Safety data sheets in more than 40 languages provide our customers worldwide with data on the materials and inform them of the protective measures required when handling the respective chemicals. We regularly

adapt our electronic safety data system to take account of new features in the GHS (Globally Harmonized System of Classification and Labeling of Chemicals) in the different countries. The GHS is a system under the auspices of the United Nations that aims to globally harmonize existing classification and labeling systems from different sectors such as transportation, consumer protection, employee protection, and environmental protection. We take account of regional aspects in the implementation of the GHS, such as the CLP Regulation (Regulation on Classification, Labeling and Packaging of Substances and Mixtures) in Europe.

We explicitly support the goal of the EU chemicals regulation REACH: to ensure a high level of protection for human health and the environment. We have so far registered all relevant materials for LANXESS that we produce in or import to Europe in quantities of more than one metric ton per year on schedule in line with the REACH process. In the last ten years, approximately 1,000 registration dossiers have been submitted to the central European Chemicals Agency (ECHA). We systematically evaluate all necessary information on our materials and their uses for the registration. In doing so, we consider the whole product lifecycle and determine safe conditions for use.

However, the registration of all phase-in materials is only part of REACH, because REACH means the registration, evaluation, and authorization of chemicals. In the future, new materials must be registered before they are produced or imported. This already applies for quantities of more than one metric ton per year and per LANXESS

Approx.  
**1,000**  
registration  
dossiers submitted  
to ECHA



**100%**  
of the product portfolio analyzed in regard to sustainability aspects

company. Existing dossiers must also be updated constantly, as the content requirements will change over time. In this context, we support the voluntary Action Plan of the European Chemical Industry Council (Cefic) and have signed an associated declaration of intent. We are thus committed to re-evaluating all our existing REACH registration dossiers and to updating them according to the latest requirements by 2026 at the latest.

Similar chemicals control regulations to those in the EU now also exist in many other countries, and the number of them is still increasing. Before manufacturing or exporting our products, we therefore check their saleability under the applicable chemicals laws in the countries concerned. We register our materials and products in accordance with local requirements. We support the responsible authorities' material assessment programs by supplying all available information and determining new data where necessary. Here we benefit from our experience from the REACH process. We are currently

dealing with increasing requirements particularly in the Republic of Korea, Taiwan, Turkey, the U.S., Russia, and the Eurasian Economic Union.

**Comprehensive analysis of our product portfolio from a sustainability perspective**

In order to take effective sustainable action, we need to know the effects of our business activities – both positive and negative – as precisely as possible. With a specially developed assessment system, we have established a strategic management tool that enables us to systematically assess and improve the sustainability performance of our product portfolio with regard to economic, environmental and social aspects. The system analyzes the effects and benefits of our products based on nine criteria, which cover the three dimensions of sustainability – economy, environment, and society – and which we consider relevant for our company and for society as a whole.

**Criteria of our Product Portfolio Analysis**

	social	environmental	economical
Support of the Agenda 2030			
Production process safety			
Human health risk			
Environmental risk			
Water use and water risk			
Energy, emissions and waste efficiency			
Demand trend			
Profitability			
Legislative and reputational risk			

Based on this list of criteria, we carry out an annual assessment of our entire product portfolio – followed by a review by an internal panel of experts – as part of our strategy process. This process has revealed which of our products satisfy the sustainability requirements we have defined and can help us to deliver solutions for key sustainability challenges.

**Evaluation Processes**



Throughout the LANXESS Group, we work intensively with the results of this assessment in order to further improve the sustainability performance of our product portfolio. This enables us to make fact-based management decisions in order to replace critical products or remove them from the portfolio. By 2023, we will develop a specific action plan for all end products that contain more than 0.1% critical substances.



## BUSINESS-DRIVEN INNOVATION

**517**  
employees in the  
area of research  
and development

With process-, product-, application- and business model-oriented innovation, we not only make LANXESS more competitive but also help our customers run their businesses successfully and sustainably. We put the needs and expectations of our customers at the center of product and application development and frequently pursue projects together with the customer concerned or other high-powered partners. In addition, our developments are driven by our sustainability targets, such as the goal of being climate neutral by 2040. Our work is also shaped by the macroeconomic efforts to promote the shift to a circular economy.

In the reporting year, we faced the challenges of the coronavirus pandemic. Although we were largely able to continue our own laboratory activities, travel restrictions made it more challenging to maintain existing cooperations and particularly difficult to start new ones. Similarly, assisting our customers' test series presented a particular challenge. Despite delays in work flows, however, we made good progress overall.

With regard to artificial intelligence, for example, the optimization of the development of customer-specific high-performance plastics through artificial intelligence bore its first fruits. The High Performance Materials business unit was one of LANXESS' first business units to use artificial intelligence to optimize glass fibers. We

can thus develop even better, tailor-made products for our customers within shorter time frames. After around one and a half years of development work in cooperation with Citrine Informatics, a U.S. company specializing in the software-supported development of chemical products, we can begin series production with significantly improved glass fiber. This project is an important contribution to the future viability of LANXESS.

We are also making our plants and processes increasingly digital. A little over two-thirds of all plants are now equipped with new data analysis software. Our experts use the data thus gathered to identify patterns and trends and to detect production irregularities.

Based on this expanded data, we have already achieved the first successes in process innovation. Together with our engineers, our phosphorous chemicals plant in Leverkusen has successfully optimized the process for manufacturing phosphorous chemicals so that a reduction in steam not only lowered operating costs but also reduced CO<sub>2</sub> emissions by nearly 4,000 tons a year.

We pay particular attention to the development of products that have a tangible benefit for sustainability. For Aktiplast PP-veg, the processing promoter for natural rubber compounds used in the production of tires and technical rubber articles, we have switched to renewable raw materials. The substance is manufactured only from vegetable oils, so the proportion of renewable raw

materials in Aktiplast PP-veg is now around 90%. The switch benefits us and our customers: LANXESS can reduce its carbon footprint, while customers can reduce their energy consumption, as the natural rubber compounds are easier to process.

Another product based on renewable raw materials is the new Adiprene Green product line. The urethane prepolymers are suitable replacements for fossil-based polyether prepolymers. They enable PU components with a reduced carbon footprint and also offer the advantage of easy handling and processing. Products from the Adiprene Green line are particularly well-suited for sophisticated applications such as wheels, rollers and roll covers.

LANXESS continues to pursue the goal of adapting its processes for a circular economy. Accordingly, we are making increased use of recycled raw materials in the production of thermoplastic compounds and composites. Current examples of products being manufactured in line with this strategy are three Durethans containing 30%, 35% and 60% recycled fibers by weight. The glass comes from waste left over from glass fiber production. A feature of these products is that they have the same properties as conventional material. The customer can process the sustainable and certified Durethan compounds with recycled fibers like conventional materials in existing plants. The compounds are mainly used in the automotive industry.



## VALUING CUSTOMER RELATIONSHIPS

In the Polymer Additives business unit, sustainability is the central issue in several projects. One of these is the “PolyStyrene Loop” project, in which LANXESS is working with partners to develop an innovative recycling concept. The aim was to separate HBCD – a material that used to be used for thermal insulation and fire protection in buildings and is now considered a pollutant – from construction waste. For the first time, polystyrene foam contaminated with HBCD can be processed in a new plant. The pilot plant with a capacity of 3,000 tons – based on a process developed by the Fraunhofer Institute – is currently being built in Terneuzen, the Netherlands, and is scheduled to commence operations in the second half of 2021. In 2020, LANXESS received the “Blue Tulip Award” for this project. In eight future-oriented categories, the award honors innovative concepts and successful cooperations that protect ecosystems.

For us, innovation also means developing new uses for existing products. The pilot plant constructed with our partner Standard Lithium Ltd. in El Dorado for the extraction and processing of lithium salt is being run in test mode, and the first product tests look promising. Lithium salt is required on a large scale for lithium-ion batteries and is therefore a crucial raw material for the desired expansion of electric mobility. LANXESS operates three plants manufacturing bromine products in El Dorado. The bromine is obtained from the brine extracted at the site, which also contains lithium. Our partner Standard Lithium provides the technology for extracting the lithium.

[!\[\]\(8d0f0e0fe25b320c33272c52aec1fbca\_img.jpg\) Further information on research and development](#)

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 integration of customers' constantly changing needs into our products and processes. In addition, we aim to build on and consolidate our relationships with our customers. In the reporting year, the coronavirus pandemic substantially interrupted and severely restricted our direct interaction with our customers. In dialog with our customers, we therefore concentrated on digital channels and formats, which included webinars for new products. In order to continue our product development without delay, we held (in some cases whole-day) meetings for certain technical projects during which customers and LANXESS development teams cooperated virtually. Interactive formats made it possible for these meetings to be conducted internationally.

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. The expansion of the global CRM system with a new module for improved management of long-term projects helps our business units to implement projects successfully in close coordination with customers. Various bodies and dialog forums such as the quarterly Marketing & Sales Community forum, which we are carrying out digitally in light of the social distancing restrictions currently in effect, also guarantee the regular exchange of experiences between our business units and Group functions.

We work closely with our clients in order to develop the most customer-specific solutions possible. For example, one of our plants is located in Charleston, South Carolina U.S. – a region that from June to November is regularly hit by tornadoes. In order to deliver on time, the Polymer Additives business unit developed an extensive contingency plan for the storage of important materials and substances close to affected customers.



In order to conserve resources in our logistics, the Lubricant Additives business unit began to introduce Drumguard, an innovative and certified load securing system, in the reporting year. The new load securing system for the transport of plastic drums saves packaging and time. Our customers also benefit, as the load securing system is reusable and thus saves costs. Alternatively, there is a well-developed global return network.

In order better to meet growing customer requests for small production volumes, Saltigo has initiated an investment program to further increase the capacity of our pilot plants. Moreover, Saltigo will register an entire product family for our insect repellent active ingredient Saltidin, which our customers can use as a reference in order to make it easier for them to register Saltidin-based products EU-wide.

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 sales, we used new software in the reporting year that 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.

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 the 2019/2020 survey, the customer retention index (CRI) score was 77 and thus slightly higher than in the previous 2017/2018 survey (75). In terms of content, the survey aimed to

evaluate LANXESS' performance overall 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.

Based on these encouraging results of the customer satisfaction analysis, we will continue to implement targeted measures in the business units in order to at least maintain this very good level of customer satisfaction and keep successfully retaining our customers in the long term.