



LANXESS – dedicated to energizing sustainability

ESG Equity Story

Investor Relations

Updated on March 11, 2022

Safe Harbor Statement



The information included in this presentation is being provided for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to purchase, securities of LANXESS AG. No public market exists for the securities of LANXESS AG in the United States.

This presentation contains certain forward-looking statements, including assumptions, opinions, expectations and views of the company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of LANXESS AG to differ materially from the estimations expressed or implied herein. LANXESS AG does not guarantee that the assumptions underlying such forward-looking statements are free from errors, nor does it accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecast developments. No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, any information, estimates, targets and opinions contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and accordingly, no representative of LANXESS AG or any of its affiliated companies or any of such person's officers, directors or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

Agenda

1 LANXESS ESG vision

2 High impact topics: Status and targets

3 Recognition in ratings and EU Taxonomy

4 Contact and further information

Energizing Chemistry – Energizing Sustainability

We contribute to a better, sustainable future

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

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



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



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

We drive sustainable solutions...

Societal needs which we can and want to fulfill, e.g.

- Need for clean drinking water for an increasing world population
- Disinfection to prevent the spread of diseases
- Contribute to the shift towards e-mobility



... and we see clear financial benefits

- **Energy-efficient production:** Cost saving potential by determination in addressing areas of sustainability risks
- **Acceptance and reputation:** Strategic investment decisions by shifting into “tomorrow’s markets” with growth and innovation potentials
- **Better, integrated decision-making:** Position ourselves with a foresighted business strategy and thereby secure our financial base
- **Higher employee retention and lower recruiting cost:** Healthier and happier workforce

Good for business, good for society



Our product portfolio caters to several Sustainable Development Goals

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

2



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

6



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

11



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

12



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

3



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

7

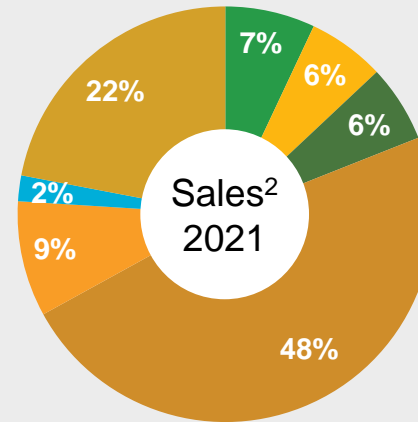


- ❖ Power generation lubricants
- ❖ GHG free refrigeration lubricants
- ❖ Wind turbine lubricants

13



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



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

¹ SDG = Sustainable Development Goals

² Approx. 80% of sales directly attributable based on end market/applications data, 20% of sales not directly attributable due to indirect business relationships

We offer extensive transparency on our commitment to sustainability

We commit to several initiatives and frameworks



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



Agenda

1 LANXESS ESG vision

2 High impact topics: Status and targets

3 Recognition in ratings and EU Taxonomy

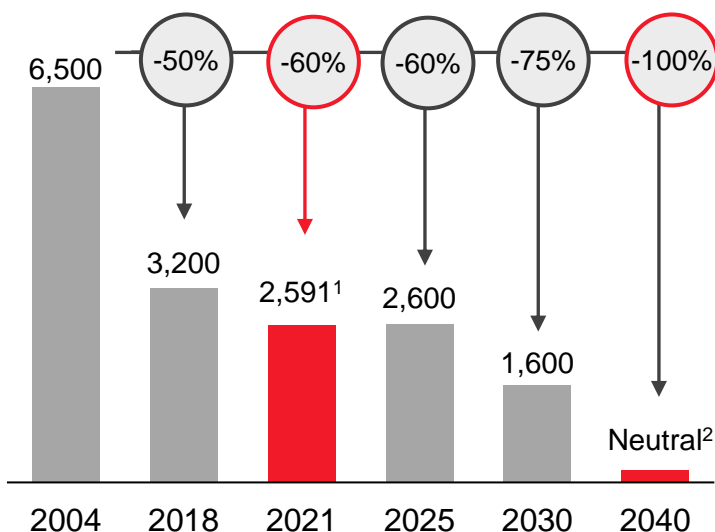
4 Contact and further information

Climate neutral strategy



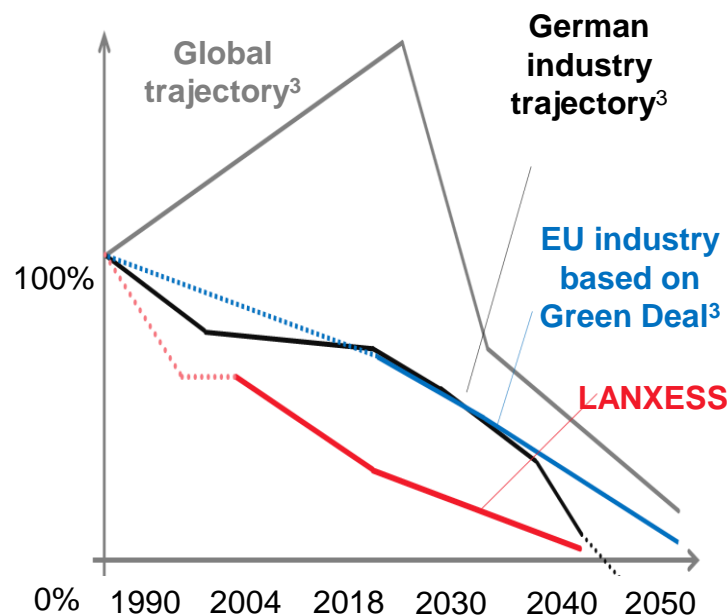
LANXESS goes climate neutral by 2040 based on internal measures

Our goal: Climate neutrality



Emissions based on Scope 1 + Scope 2, figures rounded, in thousand tons CO₂e

Ahead of EU regulation



Emissions based on Scope 1 + Scope 2

Three pillar approach

- 1 Launch major impact projects
- 2 Decouple emissions and growth
- 3 Strengthen process and technological innovation

LANXESS is on track to achieve targets set for 2025

¹ Figure only partly includes additional emissions from acquisition of Emerald Kalama Chemical (EKC) and does not include emissions from acquisition of IFF Microbial Control. Figure including full year emissions for EKC would have amounted to approximately 2,739 kt.

² Climate neutral: Less than 300,000 tons of CO₂ equivalents (e) per year. These will be reduced through compensation measures. | ³ Estimation based on AGORA Energiewende

More information



Nitrous oxide reduction plant in Antwerp – first plant in operation

1

Major impact projects



- Nitrous oxide is generated during caprolactam production
- Investment of approx. EUR 10 million
- Total reduction: 450 kt CO₂e / year starting 2023

1 **Plant significantly reduces emissions**
Reduction: 150 kt CO₂e / year



2 **Second plant planned for 2023**
Additional reduction: 300 kt CO₂e / year

CO₂ neutral production in India on track – first reductions in Jhagadia

1

Major impact projects



- Terminate use of coal-based energy sources at our sites and switch to biomass and renewable energies until 2024
- Total investment of EUR 10-15 million

1 **First reductions in Jhagadia site**
Reduction: 20 kt CO₂e / year



2 **Total Nagda and Jhagadia sites emission reduction by 2024**
Reduction: ~ 150 kt CO₂e / year



Recent acquisitions and investments are in line with climate neutral strategy

2

Decouple emissions and growth

Organic growth

- Resulting CO₂e emissions increase of annual volume growth has to be compensated by innovations and technologies

Acquisitions

- All potential targets are analyzed with regard to their CO₂e balance
- Businesses are only acquired if emissions fit in our climate neutral strategy



More
information



Various smaller projects for emission reduction successfully in place

3

Strengthen process and technological innovation

Rethink and adapt energy and CO₂ intensive chemical processes

Digitalization in Leverkusen

New program enabling the live simulation of production processes for phosphorus chemicals plant allowing us to reduce steam consumption

Reduction: ~ 4,000 t / year

Leverage “Verbund” structures for more integrated solutions

Steam plant network in Antwerp

Commissioning of a steam plant network in partnership with other chemicals companies reducing energy costs and CO₂e emissions

Reduction: ~ 10,000 t / year

Emphasis on CO₂ intensity as criterion in the R&D process

Priority for CO₂ projects



More
information



Sustainable water management



LANXESS has a clear strategy for sustainable water management

LANXESS Water Program

- Regular assessment of current and future water stress¹ and specific withdrawal
- > 90% of water withdrawal at sites without water scarcity
- Four water risks sites² identified and measures to reduce water withdrawal planned

- **Global target: To reduce annual water consumption by 2% despite organic growth**
- **Local targets: 15% absolute reduction of water withdrawal until 2023 at water risk sites**



¹ Water stress refers to the (lack of the) ability to meet human and ecological demand for freshwater. It also takes the quality and accessibility of water into account.

² Sites located in Nagda and Jhagadia (both India), Latina (Italy) and Qingdao (China)



Circular economy



Circular Economy: There are three major ways to circulate chemical products

**Reuse/
Repair**



Even chemicals can be reused

**Mechanical
Recycling**

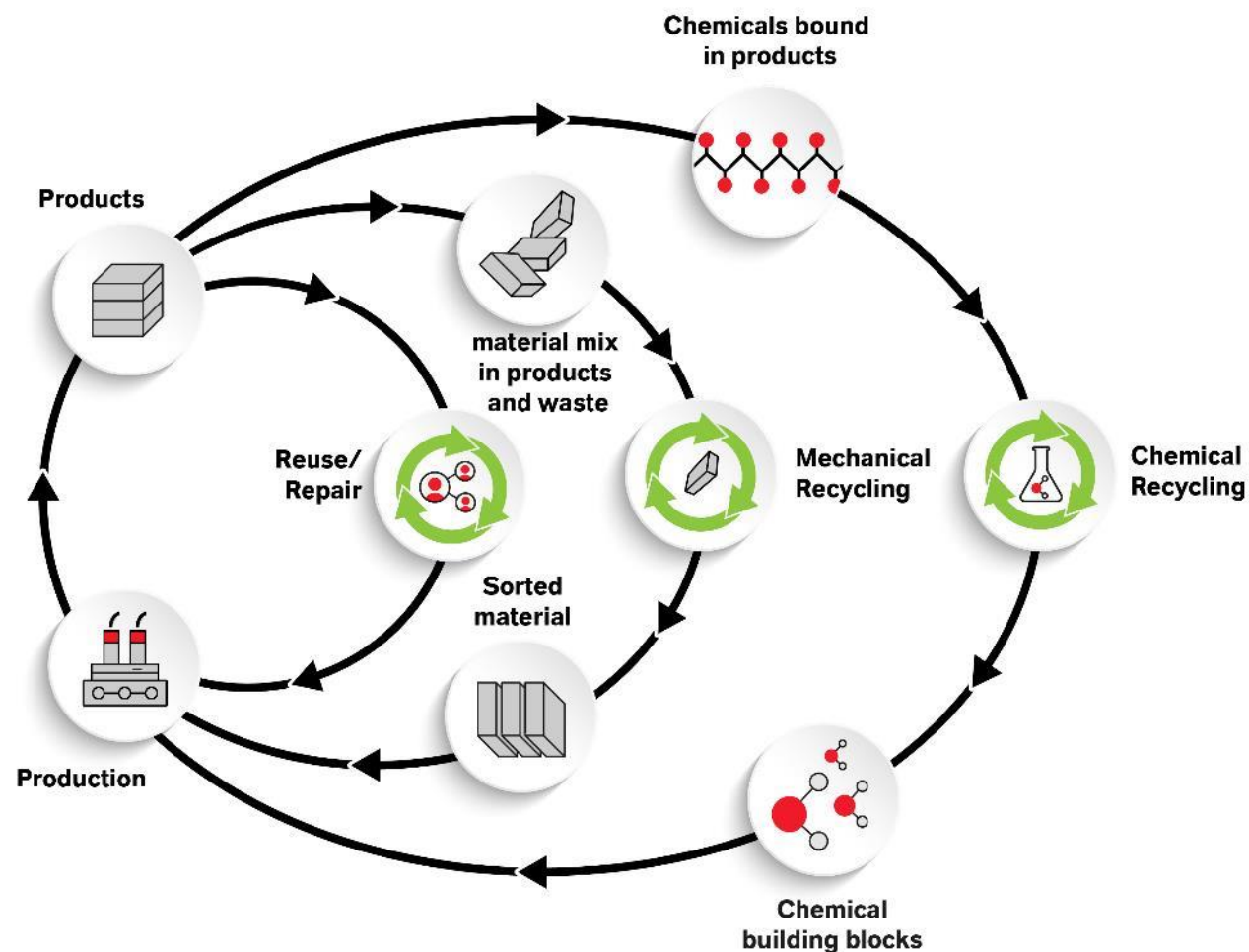


Decomposition without changing the chemical structure of the material

**Chemical
Recycling**



Material is broken down into chemical building blocks for reuse



LANXESS supports the transition to a Circular Economy with numerous products and initiatives

Reuse/ Repair



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

Mechanical Recycling



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

Chemical Recycling



- **Sulfuric acid**: Used acids from customers recycled and redelivered as high quality sulfuric acid
- **Green Cyclohexane**: After chemical recycling process by supplier reused as raw material (*pilot phase*)



Sustainable products



Our new product classification system identifies the share of sustainable products in our portfolio

87% of our products are sustainable

LANXESS Product Sustainability Monitor

Evaluation criteria and sustainability dimensions

environmental ▪ social ▪ economical

| | ENV | SOC | ECO |
|-----------------------------------|-----|-----|-----|
| Climate change | ■ | ■ | ■ |
| Water use and water risk | ■ | ■ | ■ |
| Support of the Agenda 2030 | ■ | ■ | ■ |
| Waste efficiency | ■ | ■ | ■ |
| Environmental risk | ■ | ■ | ■ |
| Human health risk | ■ | ■ | ■ |
| Demand trend | ■ | ■ | ■ |
| Profitability | ■ | ■ | ■ |
| Legislative and reputational risk | ■ | ■ | ■ |

Sustainable products

Energizer

- Outstanding sustainability performance
- Very low to low environmental impact
- Contribution to at least one SDG

Performer

- State-of-the-art sustainable products
- Fulfill or exceed sustainability requirements
- Low to medium environmental impact

Transitioner

- Do not (yet) fulfill all LANXESS sustainability requirements
- Active steering and improvement processes

Roadmap

- End-products¹ with sustainability concerns containing >0.1% critical substances
- Roadmap process for sustainable alternatives

2021 sales:

3% 10%

57%

30%

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





Working at LANXESS



We have a strong commitment towards diversity and inclusion

Success driven by personal commitment of each and every employee



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



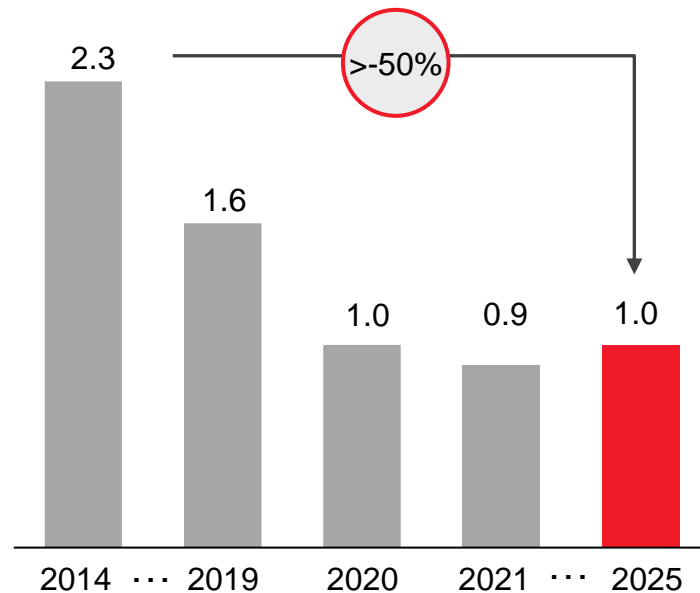
We are on track with achieving our targets and plan to further foster diversity and inclusion



LANXESS views social principles as major drivers for sustainable success

Ambition: Avoid all accidents

Social principles are more than diversity indicators



LTIFR¹: Accident rate per million hours worked

- Commitment to ILO convention and its principles for work
- Initiatives fostering occupational health and safety, e.g. platform in place with various offers around health and prevention measures
- Fair compensation and comprehensive benefits, e.g. offers beyond legal requirements for (child-)care, maternity/ paternity leave, pension, transition into retirement and for different insurances
- Comprehensive concepts for employee qualification, e.g. reflected in high ratio of apprentices hired after completing the training
- Close and regular collaboration with works' councils and labor unions leading to avoidance of conflicts and strikes

Our social principles are embedded in our Performance Culture

More
information



¹ LTIFR = lost time injury frequency rate, known as MAQ in Germany. Accident rate per 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.

Governance approach

Our governance structure starting with the Supervisory Board ensures strategic oversight

Supervisory Board

- Competence profile
- Sustainability embedded in yearly strategy review

Committees

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

Compensation

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

Composition

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

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

Independence

All current shareholder representatives are **independent**

Diversity

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

Tenure

Maximum of 12 years

Assessment

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

Age Limit

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



Broad Competence profile to ensure specialist knowledge and experience

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



CEO lead committee structure guarantees effective sustainability management

Supervisory Board

- Competence profile
- Sustainability embedded in yearly strategy review

Committees

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

Compensation

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

Sustainability Committee

Matthias Zachert (CEO)

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

Sub-Committees

Climate
and
Energy

Hubert Fink
(Board Member)

Health, Safety
and
Environment

Hubert Fink
(Board Member)

Value Chain
Circularity &
Product
Stewardship

Anno Borkowsky
(Board Member)

People
and
Governance

Stephanie Cossmann
(Board Member)

Stakeholder
expectations &
reporting
standards

Michael Pontzen
(CFO)

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



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

Supervisory Board

- Competence profile
- Sustainability embedded in yearly strategy review

Committees

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

Compensation

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

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

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

Agenda

1 LANXESS ESG vision

2 High impact topics: Status and targets

3 Recognition in ratings and EU Taxonomy


4 Contact and further information

Leading ESG rating providers honor our performance



BBB → A → AA

Convincing climate strategy
Ongoing improvement: Water Stress & Chemical Safety



C → B-

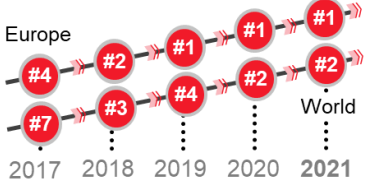
Prime status
Top 8%



2016 2017 2018 2019 2020 2021

Climate leader
Top 5%

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



Europe: #4 (2017), #2 (2018), #1 (2019), #1 (2020), #1 (2021)
World: #7 (2017), #3 (2018), #4 (2019), #2 (2020), #2 (2021)

Top 10% in DJSI World (11th year)
DJSI Europe (5th year)

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



Bloomberg
Gender-Equality Index
2022



PLATINUM Top 1%
2021
ecovadis
Sustainability Rating



vigeo eiris



SUSTAINALYTICS

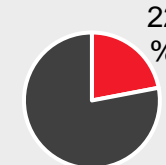
LANXESS' activities account only for minor CO₂e emissions, hence only minor taxonomy-eligibility

EU Taxonomy as one element of the European Union's Green Deal

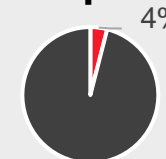
- For alignment with EU Taxonomy, assessment of¹:
 - Substantial contribution to one of six environmental objectives
 - While doing no significant harm (DNSH) to any of the other objectives
- As of the first reporting year, only eligibility with regard to the first two objectives (“climate change mitigation” and “climate change adaptation”) has to be determined
- Taxonomy focuses on sectors responsible for over 93% of European Scope 1 CO₂e emissions
- All other activities that do not materially contribute CO₂e emissions currently labeled as taxonomy-non-eligible
- Positive signal: LANXESS only with minor share of taxonomy-eligible product portfolio

**LANXESS' current taxonomy-eligible economic activities:
Production of high-quality plastics and adipic acid as a precursor**

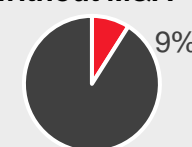
Sales



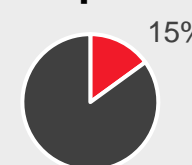
Capex



without M&A



Opex



Taxonomy-eligible

Taxonomy-non-eligible

More
information



¹ In addition, minimum safeguards for occupational health and safety and human rights must be guaranteed for each activity.



On course for a more sustainable environment

Sustainability at the core of our strategy

Creating measurable benefits for company, customers and society

Supporting a sustainable economy with activities and products



Agenda

1 LANXESS ESG vision

2 High impact topics: Status and targets

3 Recognition in ratings and EU Taxonomy

4 Contact and further information

Please contact us for more information on ESG...



Oliver Stratmann
Head of Treasury & Investor Relations

Tel.: +49 221 8885 9611
Fax.: +49 221 8885 4944
Mobile: +49 175 304 9611
E-mail: oliver.stratmann@lanxess.com



André Simon
Head of Investor Relations

Tel.: +49 221 8885 3494
Fax.: +49 221 8885 4944
Mobile: +49 175 302 3494
E-mail: andre.simon@lanxess.com



Eva Frerker
Institutional Investors / Analysts

Tel.: +49 221 8885 5249
Fax.: +49 221 8885 4944
Mobile: +49 151 7461 2969
E-mail: eva.frerker@lanxess.com



Anja K. Siehler
Institutional Investors / Analysts

Tel.: +49 221 8885 1035
Fax.: +49 221 8885 4944
Mobile: +49 151 7461 2789
E-mail: anja.siehler@lanxess.com



Mirjam Reetz
ESG & Retail Investors

Tel.: +49 221 8885 1272
Fax.: +49 221 8885 4944
Mobile: +49 151 7461 3158
E-mail: mirjam.reetz@lanxess.com



Lisa Häckel
Investor Relations Assistant

Tel.: +49 221 8885 9834
Fax.: +49 221 8885 4944
Mobile: +49 151 7461 4637
E-mail: lisa.haeckel@lanxess.com

Visit our IR
website



ESG@lanxess.com

... or find additional information and documents on ESG here

- [Annual Report 2021](#)
- [Articles of Association of LANXESS AG](#)
- [Business Partner Code of Conduct](#)
- [Code of Conduct](#)
- [Compensation Report 2021](#)
- [Corporate Policy](#)
- [ESG Data Factsheet \(KPI overview\)](#)
- [ESG Background Papers on: Climate, Water, Working at LXS](#)
- [Position on Human Rights](#)
- [Political activities](#)
- [Political positions](#)
- [Taxation Policy](#)



LANXESS

Energizing Chemistry

The taxonomy climate criteria (1 & 2) cover activities responsible for 93% GHG emissions in the EU

| Activities | Definition | Industry perspective |
|--|---|--|
| Enabling activities e.g. Construction of solar photovoltaic technology | Activities which are needed to become climate neutral | <ul style="list-style-type: none">▪ In general only the last value-chain step covered▪ Chemicals <u>not</u> considered by definition |
| Transformational activities e.g. Manufacturing of plastics and of bulk chemicals | Activities which need to transform because they have high GHG emissions today | <ul style="list-style-type: none">▪ Transformation pathways (“alignment”):<ul style="list-style-type: none">– Chemicals: Technology (Capex)– Plastics: Raw material change (no Capex) |
| All activities <u>not</u> covered by taxonomy criteria 1 & 2 e.g. Manufacturing of specialty chemicals | Activities which in total <u>do not</u> have high GHG emissions today | <ul style="list-style-type: none">▪ Activities should be considered as “aligned” per se |

