

# Report of the Supervisory Board

## DEAR STOCKHOLDERS,

Fiscal year 2023 was the most challenging year in LANXESS's history. In difficult times for global politics and with a recession in Germany, the company was adversely affected by generally low demand, which was exacerbated by the inventory reduction among customers as well as the reduction of the company's own inventories.

In April, the company completed the contribution of the High Performance Materials business unit to Envalior, the joint company for high-performance engineering plastics formed with private equity investor Advent International. In line with the acquisitions of previous years, this step further sharpened the focus of LANXESS's business portfolio on specialty chemicals.

This progress was made in a difficult environment for global politics and the world economy, which also had a significant influence on our company. The year was shaped by the ongoing war in Ukraine, still high raw material and energy prices, and generally subdued consumer confidence. As a result, LANXESS had to adjust its forecast for the full year in June. In order to counteract

the generally weak demand, we promptly implemented the FORWARD! action plan, which includes immediate measures to stabilize earnings as well as a medium-term plan to permanently lower the cost base. Because of the persistently weak demand, inventory reduction by our customers, and supplier-related production cuts, we had to adjust our forecast again in November.

However, LANXESS again achieved positive results with regard to sustainability and especially climate change mitigation. As early as 2019, we said we would become climate neutral in terms of direct emissions in production (Scope 1) and from purchased energy (Scope 2) by 2040. This target was expanded to include emissions from the upstream and downstream supply chains (Scope 3). We likewise wish to make these climate neutral by 2050. As part of this strategy, last year we entered into additional cooperations that enable us to offer sustainable alternatives in our product portfolio, for example. In 2023, external rating agencies specializing in sustainability therefore gave our holistic sustainability strategy very good ratings once again.

For fiscal year 2024, we continue to expect a difficult environment with political uncertainties. Our focus for 2024 is the realization of cost savings through the FORWARD! program and the management of our businesses in a persistently challenging environment.

During the reporting year, the Supervisory Board duly and fully performed the tasks and duties incumbent upon it under the law, the articles of association and the rules of procedure for the Supervisory Board. It regularly advised the Board of Management in its management of the company and monitored its activity. In the process, we were satisfied at all times by the legality, usefulness and propriety of the Board of Management's work.

The Supervisory Board was directly involved in all decisions of fundamental importance for the company. The Board of Management informed us regularly in written and oral reports about business performance, the situation of the Group, including the risk situation and risk management, strategic development, compliance, management development, and current issues. On the basis of these reports, we discussed significant business transactions in detail. We thoroughly examined

the reports and the resolutions proposed by the Board of Management and discussed them at length in meetings of the full Supervisory Board and its committees. If the law, articles of association or other provisions required the Supervisory Board to approve the actions of the Board of Management, we discussed these actions in detail and adopted resolutions on them.

The chairs of the Supervisory Board/Presidial Committee and Audit Committee and the Board of Management were in regular contact outside of the Supervisory Board's meetings and discussed in particular the company's current situation and material transactions.

## PRINCIPAL TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The Supervisory Board met a total of five times in the reporting year. We regularly discussed the sales and earnings performance of the Group and its segments, as well as the financial position. Additionally, the Board of Management kept us updated about the overall state of the economy, the difficult situation in the chemical industry in the reporting year, the development of raw material, energy and logistics costs, the performance of LANXESS stock, the energy supply at LANXESS sites in Germany, the effects of the Ukraine war on LANXESS's business activities, sustainability issues, and the FORWARD! cost reduction and stabilization project initiated by the company. The Supervisory Board addressed the following important issues:

The focus of the Supervisory Board's financial statements meeting held on March 14, 2023, was the review of the annual financial statements and consolidated financial statements for fiscal year 2022 and the proposal for use of the distributable profit. We discussed and approved the non-financial Group report 2022, which shows the sustainability aspects pursued by the company. In addition, the Supervisory Board resolved upon the motions for resolution by the Annual Stockholders' Meeting, which is to be held in virtual format, including the approval of the compensation report. The Board of Management then presented the internal control and risk management systems, and we satisfied ourselves of their efficacy. In addition, the Supervisory Board decided upon the variable compensation for the Board of Management members for fiscal year 2022 on the basis of the identified target attainment and on the payout of the 2019 LTSP tranche.

At the meeting on May 9, 2023, the Board of Management informed us about the status of the preparations for the upcoming virtual Annual Stockholder's Meeting. The Board of Management also gave us a full report on environmental protection and occupational and plant safety, which was subsequently discussed by the full Supervisory Board. In connection with a Board of Management personnel decision, we furthermore resolved to reappoint Matthias Zachert as a member and as Chairman of the Board of Management of LANXESS AG for a further five years with effect from April 1, 2024. We also amended Frederique van Baarle's service contract in connection with her assumption of additional functions in the U.S.

At the meeting on August 3, 2023, the Board of Management gave us a full report on the FORWARD! project initiated in response to the company's difficult economic situation. The immediate measures introduced with the project are intended to lower costs and stabilize earnings. In the medium term, the business excellence program is also to be refined with the help of business excellence initiatives as part of the project. In addition, we obtained information about the structure of LANXESS's global purchasing organization and the strategic purchasing processes that have been implemented. We held a detailed discussion with the Board of Management about the development of costs for raw materials, energy, and logistics. Finally, we attended to human resources matters on the Board of Management and resolved upon the mutually agreed termination of Michael Pontzen's appointment as a member of the Board of Management with effect from August 31, 2023, which Michael Pontzen had sought ahead of time, and the conclusion of a termination agreement. We appointed Oliver Stratmann to succeed Michael Pontzen as Chief Financial Officer for a period of three years with effect from September 1, 2023.

At the meeting on November 8, 2023, the Board of Management again informed us about the status of the FORWARD! cost reduction and stabilization project. We also addressed sustainability management and ESG targets at LANXESS. We obtained information about the implementation of the sustainability targets adopted in 2018 and the internal management structure established for this purpose. We then discussed significant sustainability issues with the Board of Management. The Board

of Management also informed us about the succession planning system at LANXESS and the processes implemented for this purpose. Finally, the Board of Management explained the financial policy targets and measures to secure the company's financial stability even in times of crisis.

At its meeting on December 15, 2023, the Supervisory Board reviewed in full and approved the corporate planning for 2024 proposed by the Board of Management. After reviewing compliance with the recommendations and suggestions of the German Corporate Governance Code (GCGC), we resolved to issue a declaration of compliance. The Board of Management also informed us about the business development of Envalior, the joint company with Advent International. The Supervisory Board also defined the conditions for the Board of Management's variable compensation components and target total compensation for fiscal year 2024.

All members of the Supervisory Board and its committees performed their duties diligently and conscientiously. The stockholder representatives and employee representatives to the Supervisory Board always worked together in a spirit of trust. They regularly held separate meetings at which they prepared the meetings of the full Supervisory Board. At its meetings, the Supervisory Board also regularly met without the Board of Management.

The members of the Supervisory Board autonomously undertake the training necessary for their duties and are supported in their efforts by the company. New members of the Supervisory Board can meet members of the Board of Management and specialist managers for an exchange on fundamental and current topics, thus obtaining an overview of the relevant topics for the company (onboarding). The company also offers training sessions.

The attendance at meetings of the Supervisory Board and its committees was 100%. All meetings were held in person, apart from two meetings of the Nominations Committee, which were held by video conference. The attendance of Supervisory Board members at meetings of the Supervisory Board and the committees is disclosed individually:

#### Individual Disclosure of LANXESS AG Supervisory Board Members' Meeting Attendance in Fiscal Year 2023

| Supervisory Board members            | Supervisory Board |     | Presidial Committee |     | Audit Committee |     | Nominations Committee |     | Total      |     |
|--------------------------------------|-------------------|-----|---------------------|-----|-----------------|-----|-----------------------|-----|------------|-----|
|                                      | Attendance        | %   | Attendance          | %   | Attendance      | %   | Attendance            | %   | Attendance | %   |
| Dr. Matthias L. Wolfgruber, Chairman | 5/5               | 100 | 5/5                 | 100 |                 |     | 3/3                   | 100 | 13/13      | 100 |
| Ralf Sikorski, Vice Chairman         | 5/5               | 100 | 5/5                 | 100 |                 |     |                       |     | 10/10      | 100 |
| Birgit Bierther                      | 5/5               | 100 | 5/5                 | 100 |                 |     |                       |     | 10/10      | 100 |
| Armando Dente                        | 5/5               | 100 |                     |     | 4/4             | 100 |                       |     | 9/9        | 100 |
| Dr. Hans-Dieter Gerriets             | 5/5               | 100 |                     |     | 4/4             | 100 |                       |     | 9/9        | 100 |
| Dr. Heike Hanagarth                  | 5/5               | 100 |                     |     |                 |     | 3/3                   | 100 | 8/8        | 100 |
| Pamela Knapp                         | 5/5               | 100 |                     |     | 4/4             | 100 |                       |     | 9/9        | 100 |
| Lawrence A. Rosen                    | 5/5               | 100 |                     |     | 4/4             | 100 | 3/3                   | 100 | 12/12      | 100 |
| Iris Schmitz                         | 5/5               | 100 |                     |     | 4/4             | 100 |                       |     | 9/9        | 100 |
| Manuela Strauch                      | 5/5               | 100 | 5/5                 | 100 |                 |     |                       |     | 10/10      | 100 |
| Hans van Bylen                       | 5/5               | 100 | 5/5                 | 100 | 4/4             | 100 |                       |     | 14/14      | 100 |
| Dr. Rainier van Roessel              | 5/5               | 100 | 5/5                 | 100 |                 |     |                       |     | 10/10      | 100 |

## WORK OF THE COMMITTEES

The Supervisory Board has four committees: the Presidial Committee, the Audit Committee, the Nominations Committee and the Committee formed pursuant to Section 27, Paragraph 3 of the German Codetermination Act. The committees are tasked with preparing the topics and resolutions to be discussed at meetings of the full Supervisory Board. They also, at times, exercise decision-making powers conferred on them by the Supervisory Board.

The Presidial Committee convened five times during the reporting year to prepare the meetings of the Supervisory Board and the decisions to be reached by the full Supervisory Board at its meetings concerning human resources measures in the company's Board of Management.

The Audit Committee met four times during the year. The Audit Committee dealt in particular with the annual financial statements of LANXESS AG, the consolidated financial statements and the combined management report for fiscal year 2022, the quarterly statements issued during fiscal year 2023, and the condensed consolidated financial statements and interim management report included in the 2023 half-year financial report. It reviewed the company's risk management and internal control systems. The Audit Committee also dealt with the

concept for approving non-audit services and the non-financial Group report 2022. Other topics discussed were the significant findings by the internal audit department, corporate planning and compliance, the perception of LANXESS on the capital market, and the determination of the principal areas of focus for the audit of the 2023 financial statements. Utilization of production capacity was another regular topic. The Committee also found out about changes in equity, LANXESS's liquidity management, the Group's pension systems, strategies to hedge currency risks, and the recent audit of OTC derivatives contracts pursuant to Section 32 of the German Securities Trading Act. Finally, there was detailed discussion of the development of energy and raw material prices, including hedging. The external auditor reported on the auditing activities at two of the four Audit Committee meetings.

The Nominations Committee met three times in fiscal year 2023. It prepared the Supervisory Board's nominations to the Annual Stockholders' Meeting of stockholder representatives for the Supervisory Board elections. The Committee formed pursuant to Section 27, Paragraph 3 of the German Codetermination Act did not need to convene.

The chairmen of the committees each reported on the meetings and the work of the committees at the meetings of the full Supervisory Board.

## CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board also dealt with the company's corporate governance in the past fiscal year. The joint declaration of compliance made by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act can be viewed by stockholders at any time on the company's website. As expressed in the declaration, LANXESS AG currently complies with all the GCGC's recommendations bar one exception. No conflicts of interest on the part of Supervisory Board members became known last year. Further information about corporate governance can be found in the Board of Management's declaration pursuant to Sections 289f and 315d of the German Commercial Code.

## ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements prepared by the Board of Management of LANXESS AG in accordance with the rules of the German Commercial Code, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the combined management report for fiscal year 2023 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, the auditor appointed for the last time by the Annual Stockholders' Meeting on May 24, 2023, and engaged by the Supervisory Board. The auditor issued an unqualified opinion in each case. The auditor carried out the audit in accordance with Section 317 of the German Commercial Code and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC according to a selection procedure implemented by the company. The auditor responsible for the audit was Folker Trepte.

The Supervisory Board convinced itself of the independence of the auditor and the persons acting on the auditor's behalf.

The audit reports and the documents relating to the financial statements were discussed at length with the Board of Management and the auditor at the Audit Committee meeting held on March 12, 2024. They were also discussed in detail on the basis of the required documents and notes at the Supervisory Board's financial statements meeting held on March 13, 2024. The responsible auditor was present for the discussions concerning the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. He reported on the scope, focus areas and significant findings of the audits and went into particular detail on the key audit matters. He was also available to the Audit Committee and full Supervisory Board to provide additional information.

Based on the recommendation of the Audit Committee as well as on its own review and in-depth discussions about the financial statements of LANXESS AG, the consolidated financial statements of the LANXESS Group, the combined management report and the proposal for appropriation of the profit, the Supervisory Board endorsed the auditor's conclusions and had no objections to raise. The Supervisory Board has approved the annual financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group, which were prepared by the Board of Management. The Supervisory Board endorsed the Board of Management's proposal for use of the distributable profit after close examination and extensive deliberations that carefully weighed the best interests of the company and the stockholders.

## CHANGES IN MANAGEMENT

There were changes in the composition of the Board of Management of LANXESS AG in fiscal year 2023. On the basis of the Supervisory Board resolution of November 8, 2022, Frederique van Baarle joined the Board of Management of LANXESS AG with effect from April 1, 2023. Frederique van Baarle also holds the office of Labor Director. Oliver Stratmann was appointed as a member of the Board of Management as of September 1, 2023, succeeding Michael Pontzen as Chief Financial Officer. Dr. Anno Borkowsky retired and stepped down from the Board of Management as of the end of December 31, 2023.

The composition of the Supervisory Board did not change in fiscal year 2023.

The Supervisory Board thanks the members of the Board of Management, all of the Group's employees around the world and the employee representatives for their dedication and service in the extraordinarily difficult fiscal year 2023.

Cologne, March 13, 2024

The Supervisory Board



Dr. Matthias L. Wolfigruber  
Chairman