

Welcome to your CDP Water Security Questionnaire 2021

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

LANXESS is a leading specialty chemicals company with sales of EUR 6.1 billion in 2020. The company currently has about 14,300 employees in 33 countries. The core business of LANXESS is the development, manufacturing and marketing of chemical intermediates, additives, specialty chemicals and plastics. LANXESS is listed in the leading sustainability indices Dow Jones Sustainability Index (DJSI World and Europe) and FTSE4Good. "Good for business, good for society" under this guiding principle LANXESS aims at combining safety, environmental protection, social responsibility, and commercial efficiency in its business operations. As a specialty chemicals enterprise operating worldwide, we believe that developing efficient technologies that protect the environment is a well-founded strategy for securing the long-term growth of our company. Every business decision at LANXESS takes into account the company's responsibility for society, environment, climate, and business results. Therefore, sustainability is an important criterion in all our strategic considerations and decisions. Regardless of where we do business, we are a leading provider of quality solutions. This means that we not only supply our clients with high-quality products, but also actively enable their own innovation and sustainable processes along their value chain.

LANXESS is serious about climate and water protection - both in terms of its own footprint and with regard to the benefits to society. "Climate Action and Energy Efficiency" and "Safe and sustainable sites" are two of our seven material sustainability topics (Annual Report 2020, p. 14) and as such incorporated into all strategy processes and integral part of LANXESS Corporate Strategy, the group wide risk management system and the agenda of all relevant operational committees. The foundation of LANXESS's climate strategy has the objective to reduce the impact of our own activities and manage emissions from our processes, sourced energy and raw materials, to make LANXESS more resilient in the long-term perspective. To this end, LANXESS has declared to become climate neutral by 2040.

Water plays an important role, especially when it comes to climate change. Access to clean drinking water is not only crucial for the nutrition and health, but also an important economic factor. The Sustainable Development Goals examine various facets of water comprehensively throughout its framework, including wastewater reduction, water efficiency and water management. The sensitive handling of the scarce resource of water is therefore a future-safe approach - especially at locations in water stressed areas where there are problems with availability, quality and/or access to water.

As a chemical company, we rely on water for our production activities. We use it mainly for cooling, as an input material in chemical processes or in the form of steam. In addition, rivers are important for transportation. Through access to drinking water at our sites, we are also meeting our responsibility to our employees. In addition, beyond our own production processes we are using our knowledge and experience to develop products and technologies which enable water savings or increase availability. The Business Unit Liquid Purification Technologies (LPT) with the development and production of ion exchange resins is an important example for that. Ion exchange resins are used to remove dissolved substances from liquids. Water treatment is the best-known and biggest field of application for ion exchange resins. In household, such applications are used among others to soften water. Ion exchange resins are also used in industry, for example in power generation. They are used in the production of ultra-pure boiler feed water and steam to avoid incrustations and corrosion. This improves the efficiency, operating reliability and lifetime of power plants. In the cleaning of industrial effluent and treatment of groundwater, the removal of toxic substances plays a key role. LANXESS offers a range of special resins that are able to selectively remove, for example, heavy metal ions and organic pollutants from (waste) water.

W-CH0.1a

(W-CH0.1a) Which activities in the chemical sector does your organization engage in?

- Bulk organic chemicals
- Bulk inorganic chemicals
- Specialty organic chemicals
- Specialty inorganic chemicals
- Other, please specify

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1, 2020	December 31, 2020

W0.3

(W0.3) Select the countries/areas for which you will be supplying data.

- Argentina
- Australia
- Belgium
- Brazil
- Canada
- China
- France
- Germany
- India
- Italy
- Japan

- Mexico
- Republic of Korea
- Russian Federation
- Singapore
- Taiwan, Greater China
- United Kingdom of Great Britain and Northern Ireland
- United States of America

☞ The countries listed have LANXESS production plants located in these countries. When LANXESS owns more than 50% stakes in these production plants, then we report the data under our own operations and mention the country in this list.

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

EUR

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which financial control is exercised

☞ The countries listed in W0.3 are the geographical locations where LANXESS has production plants and owns more than 50% stakes in these production plants, then we consider it as our own operations and mention the country in W0.3 list.

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

Yes

W0.6a

(W0.6a) Please report the exclusions.

Exclusion	Please explain
All production sites related to the business unit Leather are excluded from the 2020 reporting.	In 2019 the board decided to divest the business unit "Leather chemicals", therefore they were reported under discontinued operations in the previous financial year and also for this reporting year. Also, the sites for which LANXESS does not hold more than 50% of stakes are not considered for our data reporting. They are not part of the reported LANXESS revenue or EBITDA. We have adjusted the environmental data accordingly.

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Vital	Vital	<p>Direct use: Good quality fresh water is vital for our production activities, product quality and ensuring long-life of our equipment. More than 99% of total water withdrawn by the company are freshwater amounts withdrawn from surface water, groundwater, rainwater, third-party water and water in the form of steam .</p> <p>Usage: The major use of freshwater is in the form of cooling water (approx. 82% of withdrawn freshwater). Other uses include steam generation, as solvents and as a product or process input.</p> <p>what makes it vital: Freshwater is crucial in keeping the maintenance, water pre-treatment costs at minimum and maintaining the good quality of our products. Example: If salt water from seas is used as cooling water. It will cause scaling in the pipes resulting in high maintenance costs. Similarly, using low quality water can lead to corrosion or slime formation inside the piping network.</p> <p>Indirect use: There is an indirect dependency on freshwater because of the energy (in form of steam) and other raw materials supply from a third-party supplier.</p> <p>Usage: Our raw material and energy suppliers use water as coolant, solvent or raw material for their own production. For some of our biggest sites in Germany we source steam to meet our energy requirements for production.</p> <p>what makes it vital: The requirements are very product specific and hence, it's vital that our suppliers keep up with the production quality and quantity of supplied goods. Also, we source a lot of steam from third-party suppliers for some of our</p>

			<p>biggest sites in Germany. Using good quality is a pre-requisite for water used to generate steam.</p> <p>Future trends: For both direct use and Indirect use the requirement for freshwater will mostly remain unchanged. However, increased production, new acquisitions and a change in product portfolio might alter the situation.</p>
Sufficient amounts of recycled, brackish and/or produced water available for use	Not very important	Not very important	<p>Direct use: We have a direct use of very small amount of brackish waters at one of our production sites. The site takes the wastewater from the local community and processes it for being utilized in production processes.</p> <p>Usage: It is a readily available source of water for one of our production site. After treatment it can be used as product and process inputs.</p> <p>What makes it not very important: There are alternative sources of water available in case of a situational change. Overall, there is a very low dependency on this water type and that makes it not very important from a group perspective (approx. 0.05% of total water withdrawn).</p> <p>Indirect use: The brackish water ways are used for transportation purposes by our suppliers and might be used as product or process input.</p> <p>Usage: It is an economically feasible means of transportation.</p> <p>What makes it not very important: Alternative means of transportation or input source can be used which makes this water source not critical for us.</p> <p>Future trends: The dependency on this source of water for both direct and indirect use will remain the same unless a change in product portfolio, production rates is made or new acquisitions are made.</p>

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

% of sites/facilities/operations	Please explain
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Water withdrawals – total volumes	100%	<p>Frequency: Continuously</p> <p>Measurement: Invoices, flow metering, calculations based on the reported data</p> <p>Monitoring: Apart from a continuous monitoring of collected data on-site, it is reported into an internal and central data base system called "HSE Performance Data". On a quarterly basis, water-related KPIs (besides other environmental-relevant KPIs) are reported into the system by site personnel. After a three-step control process, the data is externally verified and published in our annual report. Regarding water quantity LANXESS measures total water withdrawals and withdrawals by source (groundwater, surface water, third party water, rain water, sewage water) for all the production sites. The HSE Performance Data system is based on the requirements of the GRI Standard.</p>
Water withdrawals – volumes by source	100%	<p>Frequency: Continuously</p> <p>Measurement: Flow metering, invoices, allocation of data</p> <p>Monitoring: Apart from a continuous monitoring of collected data on-site, it is reported into an internal and central data base system called "HSE Performance Data". After a three-step control process, the data is externally verified and published in our annual report. Regarding water quantity LANXESS measures water withdrawals by source (groundwater, surface water, third party water, rain water, sewage water) for all the production sites. The HSE Performance Data system is based on the requirements of the GRI Standard.</p>
Water withdrawals quality	100%	<p>Frequency: Continuously</p> <p>Measurement: Sample taking, laboratory testing</p> <p>Monitoring: Quality controls of water withdrawals are the responsibility of the production site. According to their permit and operating instructions the personnel on site make sure to get the amounts and quality of water they need for production processes.</p>
Water discharges – total volumes	100%	<p>Frequency: Continuously</p> <p>Measurement: Flow metering, invoices, calculation based on the reported data</p>

		<p>Monitoring: Environmental data is collected and monitored with an internal data base system called "HSE Performance Data". On a quarterly basis, water-related KPIs (besides other environmental-relevant KPIs) are reported into the system by site personnel. After a three-step control process, the data is externally verified and published in our annual report. Regarding water discharge LANXESS measures total water discharge for all the production sites. The HSE Performance Data system is based on the requirements of the GRI Standard.</p>
<p>Water discharges – volumes by destination</p>	<p>100%</p>	<p>Frequency: Continuously Measurement: Flow metering, invoices, calculation based on the reported data Monitoring: Environmental data is collected and monitored with an internal data base system called "HSE Performance Data". On a quarterly basis, water-related KPIs (besides other environmental-relevant KPIs) are reported into the system by site personnel. For this reporting year the annual volumes have been estimated for each destination source as the recorded values are available only for the last quarter. However, from year 2021, LANXESS will report recorded values for water discharge by source (groundwater, surface water, third party water, rain water, sewage water) for both its treated water and the water which needs no treatment (e.g. Once through cooling water)for all the production sites. After a three-step control process, the data is externally verified and published in our annual report. The HSE Performance Data system is based on the requirements of the GRI Standard.</p>
<p>Water discharges – volumes by treatment method</p>	<p>100%</p>	<p>Frequency: Continuously Measurement: Invoices, Allocation of discharge data by treatment category (treated or untreated) Monitoring: Environmental data is collected and monitored with an internal data base system called "HSE Performance Data". On a quarterly basis, water-related KPIs (besides other environmental-relevant KPIs) are reported into the system by site personnel. After a three-step control process, the data is externally verified</p>

		and published in our annual report. Regarding water discharge quantities, LANXESS measures water discharges according to the treatment status (For example: Chemical or biological treatment, LANXESS does not consider primary treatment (settling, pH adjustment as treatment in this category)). All the production sites are required to report the water that gets treated and the amounts that don't need treatment and are released directly to the relevant discharge source. The HSE Performance Data system is based on the requirements of the GRI Standard.
Water discharge quality – by standard effluent parameters	100%	<p>Frequency: Continuously</p> <p>Measurement: Sampling and laboratory testing</p> <p>Monitoring: Environmental data is collected and monitored with an internal data base system called "HSE Performance Data". On a quarterly basis, water-related KPIs (besides other environmental-relevant KPIs) are reported into the system by site personnel. After a three-step control process, the data is externally verified and published in our annual report. Regarding water quality LANXESS measures and reports on following parameters for all the production sites: nitrogen, total organic carbon (TOC) and heavy metals. The sites use internal or external lab results to determine different discharge parameters. The HSE Performance Data system is based on the requirements of the GRI Standard.</p>
Water discharge quality – temperature	100%	<p>Frequency: Continuously</p> <p>Measurement: Continuous recording of temperature readings on the sensors</p> <p>Monitoring: The Maximum temperature of water discharge is strictly regulated in the site permits, therefore all relevant checks and controls are the responsibility of the production site. The temperature measurement is done continuously to assure compliance with the permit limits.</p>
Water consumption – total volume	100%	<p>Frequency: On quarterly-basis</p> <p>Measurement: Calculating the consumption amount according to an internal formula and HSE performance data. This internal formula is in accordance with GRI standard.</p> <p>Monitoring: Environmental data is collected and</p>

		monitored with an internal data base system called "HSE Performance Data". On a quarterly basis, water-related KPIs (besides other environmental-relevant KPIs) are reported into the system by site personnel. After a three-step control process, the data is externally verified and published in our annual report. Water consumption is calculated according to the GRI standard as water withdrawal subtracted by discharge. The water consumption amounts are compared on a quarterly basis to identify huge changes and reasons behind it. The HSE Performance Data system is based on the requirements of the GRI Standard.
Water recycled/reused	100%	"Water recycled/reused" as a KPI was not a part of the reporting year HSE Performance Data system. However, LANXESS sees the importance to know the volume, as this represent the volume of fresh water that we do not need to withdraw from the environment. And therefore it is important to measure this volume and that's why we have included it into the KPIs from Q1 2021. But of course the sites had the overview on this figure also before Q1 for the previous reporting year.
The provision of fully-functioning, safely managed WASH services to all workers	100%	Frequency: Risk based, Minimum every 5 years Method: Auditing as part of Compliance Checks Monitoring: Compliance with safety and hygiene standards are regularly verified worldwide in the context of HSE (health, safety, environment) Compliance Checks. Experts examine the implementation of LANXESS guidelines and local regulations

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
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<p>Total withdrawals</p>	<p>209,600</p>	<p>About the same</p>	<p>The total water withdrawn includes the water bought in the form of steam, third-party wastewater (input) and freshwater from third-party sources along with water drawn from freshwater bodies. The total amount of water withdrawn for the year 2020 was about the same compared to the previous year (221,282 megalitres/year). The reason for the similar withdrawal amounts is attributed to the consistent product portfolio. Although we had lower production rates in the reporting year due to COVID-19 pandemic, the amount of water required to keep the processes running in the production plant stay almost the same.</p> <p>Future trends: The future water withdrawal amounts are likely to remain unaltered. A change in the product portfolio or increased production in the future might alter the withdrawal amounts.</p> <p>The comparison basis: Up to a difference of 5% we assess changes as "about the same", up to 15% as "higher/lower" and more than 15% as "much higher/lower".</p>
<p>Total discharges</p>	<p>194,600</p>	<p>About the same</p>	<p>The total discharge primarily consists of the once-through cooling water, the sum of treated and untreated water discharge volumes. The total amount of water discharged in 2020 remained almost the same compared to the last year (200,401 megalitres/ year) due to consistent product portfolio. Although we had lower production rates in the reporting year due to COVID-19 pandemic, the amount of water required to keep the processes running in the production plant stay almost the same. Therefore the discharge values also stay the same.</p> <p>Future trends: In future, the discharge amounts are likely to stay the same. A change in product portfolio or production rates can alter the discharge amounts.</p> <p>The comparison basis: Up to a difference of 5% we assess changes as "about the same", up to</p>

			15% as "higher/lower" and more than 15% as "much higher/lower".
Total consumption	13,300	Much lower	<p>The total consumption is defined as "the amount of water used by an organization such that it is no longer available for use by the ecosystem or local community in the reporting year" (GRI 303 Water and Effluents 2018). The total water consumption measures equal to the difference between total water withdrawal and total water discharges (Total consumption= total withdrawal - total discharges).</p> <p>LANXESS's water consumption is calculated by subtracting the volume of treated and untreated wastewater and the volume of sold steam from the total water withdrawal amounts. The sold steam volumes were reported as 1,700 megalitres of water for this year. This amount is additionally subtracted which is not included in total water discharge amounts.</p> <p>The resulting consumption amount in 2020 is much lower compared to the previous year (20,881 megalitres/year). The consumption values and the calculation basis are available in our annual report. The main reasons behind this reduction is a more accurate accounting of untreated discharge water, implementing water-saving projects at few of our sites and reduced production due to COVID-19 Pandemic.</p> <p>In general, compared to water withdrawal amounts, the water consumption of LANXESS is very low due to the main usage as once-through cooling. As this once-through cooling water is uncontaminated, it is released back to the environment at optimum temperature.</p> <p>Future trends: At this time, the total consumption is likely to stay the same. A change in product portfolio or production rates can alter the consumption amounts.</p> <p>The comparison basis: Up to a difference of 5% we assess changes as "about the same", up to 15% as "higher/lower" and more than 15% as</p>

			"much higher/lower".
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W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	1-10	Much lower	WRI Aqueduct	The water withdrawal data for all our sites is evaluated and monitored (refer question W1.2). On a yearly basis we use the online water tool "WRI Aqueduct" to identify the sites located in water stress areas. This tool is fed with the information of the location (latitude and longitude) of where our production sites are situated along with choosing a chemical industry specific analysis. The tool thereby identifies the basin location of the site and with its "Baseline Water Stress" risk indicator measures the ratio of total annual water withdrawal to total available annual renewable supply, accounting for upstream consumptive use. A higher percentage indicates more competition among users. The production sites in the locations identified with a high baseline water stress score are considered to be in water stress areas. In the reporting year 2020 a total of 13 sites were identified to be located in water stress areas same as in the year 2019. These water stress sites are spread across 7 countries. Most of these sites

				<p>are considerably smaller with only one business unit. Only two of the water stress sites have Multiple Business units operating at their location. The overall water withdrawal from these 13 water stress sites amounted for only 2.25% of the total LANXESS water withdrawal for this reporting year when compared to 3% in the previous year.</p> <p>The water withdrawal from the water stress areas for reporting year (4700 megalitres) is much lower compared to previous year (5700 megalitres). The main reasons for the lower amounts for this reporting year are implementing water saving measures on few our water stress sites.</p> <p>The comparison basis:Up to a difference of 5% we assess changes as "about the same", up to 15% as "higher/lower" and more than 15% as "much higher/lower".</p>
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W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	48,400	Lower	Fresh surface water is an important and a readily available source of water for around 15 LANXESS sites. Primary input is as cooling water. Most of this cooling water is released back to the

			<p>water bodies with no contamination as there is no contact with the chemical processes.</p> <p>The amount of fresh surface water intake in 2020 was lower compared to the previous year (52,702 megalitres). The main reason is a lower demand of once-through cooling water at few our sites due to comparatively lower temperatures in summer.</p> <p>Future trends: The situation is subject to the temperature extremities in summer affecting the once-through cooling water amounts, which is released back to the environment uncontaminated. Additionally, the future trend is expected to change if product portfolio and production rates are altered.</p> <p>Up to a difference of 5% "about the same", up to 15% as "higher/lower" and more than 15% as "much higher/lower".</p>
<p>Brackish surface water/Seawater</p>	<p>Not relevant</p>		<p>Water withdrawal from Brackish surface water/sea water is not a relevant withdrawal source for LANXESS. Being a chemical company, the major water use is for cooling purposes and brackish surface or seawater is not suitable for being used as cooling water. This type of water can cause scaling and fouling in the piping network. Which may</p>

				<p>lead to increased maintenance costs.</p> <p>Future trends: The situation is likely to stay unchanged as long as the asset portfolio stays the same.</p>
Groundwater – renewable	Relevant	4,300	Lower	<p>Groundwater withdrawal amount constitutes for a very small percentage in the overall water withdrawal amounts for LANXESS. However, it is a very important source of high quality water for some of our production sites.</p> <p>We do not yet differentiate between renewable and non-renewable groundwater supply as a KPI in our HSE performance data, still most of our groundwater supply comes from renewable sources as the sites using groundwater are not located in the countries where the groundwater sources are typically non-renewable (e.g. North Africa, Central Asia etc.). The groundwater supply in 2020 was lower compared to that of the previous year (4,948 megalitres). The reason for the lower amount withdrawal is due to seasonal variations.</p> <p>Future trends: The situation is expected to be similar, except for when a change is made in production rates or product and asset portfolio.</p> <p>Up to a difference of 5%</p>

				"about the same", up to 15% as "higher/lower" and more than 15% as "much higher/lower".
Groundwater – non-renewable	Not relevant			<p>We do not yet differentiate between renewable and non-renewable groundwater supply as a KPI in our HSE performance data, still most groundwater supply comes from renewable sources.</p> <p>Since, LANXESS does not have sites located in the countries where the groundwater supply is typically non-renewable (e.g. North Africa, Central Asia etc.,).</p> <p>Future trends: For coming years we are planning to include separate KPI's for recording these values.</p>
Produced/Entrained water	Not relevant			There is no produced water amounts that's recorded for any of our sites, since these amounts are negligible in most of the cases and non-existent. Therefore, this category is irrelevant for LANXESS.
Third party sources	Relevant	156,900	About the same	Third party sources of water supply is the primary source of water supply for LANXESS. It makes for around 80% of our total water withdrawal amount. It includes the water supplied in the form of steam and wastewater from the third-party sources (Example: At one of our Indian sites we take sewage water of a nearby community and treat it onsite, to use it for the

				<p>production processes). We mainly use this water as a coolant (85% of the total third party water supply), other uses are as solvents, process input and drinking water. The water used for cooling is uncontaminated is released back to the nearby water bodies. Compared to the previous year (162,483 megalitres) the amounts remained about the same due to constant production rates and product portfolio.</p> <p>Future trends: The trend will remain same. An alteration in the product portfolio and production rate can bring a shift.</p> <p>A difference of 5% "about the same", 15% as "higher/lower" and more than 15% as "much higher/lower".</p>
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W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Relevant	155,661	This is our first year of measurement	<p>Discharges to fresh surface water is a relevant discharge source for LANXESS.</p> <p>Relevance: This is a primary discharge source, it makes for almost 80% of our discharges. Since, most of our facilities are located near a river it is a primary discharge source for most of our sites.</p> <p>Constitutes of: This amount</p>

				<p>mainly contains the once-through cooling water, steam condensate and the water internally treated at a LANXESS owned wastewater treatment facility. Both cooling water and treated water is discharged after relevant quality checks and sophisticated alert systems are installed to prevent accidental discharges.</p> <p>Method of reporting: We record this value under a specific KPI in our HSE performance database from the year 2021. For this reporting year this value was estimated based on the discharge proportions recorded for each source for Quarter 1 of 2021.</p>
Brackish surface water/seawater	Relevant	829	This is our first year of measurement	<p>Discharges to Brackish surface water/ seawater is a relevant discharge source for LANXESS</p> <p>Relevance: Although the amount of discharges to this source are very small it is a readily available source of discharge for few of our sites. It makes for 0.45% of our overall discharges.</p> <p>Constitutes of: This amount mainly contains once-through cooling water, steam condensate and the water internally treated at a LANXESS owned wastewater treatment facility. Both cooling water and treated water is discharged after relevant quality checks and sophisticated alert systems are installed to prevent accidental discharges.</p> <p>Method of reporting: We record this value under a specific KPI in our HSE performance database from the year 2021. For this</p>

				reporting year this value was estimated based on the discharge proportions recorded for each source for Quarter 1 of 2021.
Groundwater	Relevant	10.6	This is our first year of measurement	<p>Discharges to groundwater is a relevant discharge source for LANXESS.</p> <p>Relevance: It is in accordance with our local permit situation for few of our sites. The discharge amounts to groundwater are almost negligible compared to the LANXESS total. However, knowing these volumes is important to close the overall water balance.</p> <p>Constitutes of: This amount mainly contains the once-through cooling water, steam condensate and the water internally treated at a LANXESS wastewater treatment facility. Both cooling water and treated water are discharged after relevant quality checks and sophisticated alert systems are installed to prevent accidental discharges.</p> <p>Method of reporting: We record this value under a specific KPI in our HSE performance database from the year 2021. For this reporting year this value was estimated based on the discharge proportions recorded for each source for Quarter 1 of 2021.</p>
Third-party destinations	Relevant	39,799	This is our first year of measurement	<p>Discharges to third-party destinations is a relevant discharge source for LANXESS.</p> <p>Relevance: This is a readily</p>

				<p>available discharge source for few of our biggest sites. (Example: Our biggest site in Germany is located in a chemical park, where a third-party utilities provider is responsible for complete water handling). It makes for almost 18% of our overall discharges.</p> <p>Constitutes of: This amount primarily constitutes of wastewater, steam condensate, cooling water and the steam sold to a third-party. The sold steam volumes were not included in the total discharge values in W1.2b but were rather accounted for in the total water consumption.</p> <p>Method of reporting: We record this value under a specific KPI in our HSE performance database from the year 2021. For this reporting year this value was estimated based on the discharge proportions recorded for each source for Quarter 1 of 2021.</p>
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W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Relevant	15,800	This is our first year of measurement	81-90	The tertiary treatment level of discharge water is

					<p>relevant for LANXESS. Relevance: Being a chemical company we use some water as process input water which is contaminated with chemicals and is therefore thoroughly treated at tertiary level to prevent any potential contamination to the environment, upon releasing this water. We have sophisticated alarm systems installed to prevent any accidental discharge before thoroughly treating this water. Scheduled laboratory testing and other checks are carried out to check the quality of treated water before releasing it to the natural environment.</p>
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					<p>Measurement method and constituents: We record this value under a specific KPI in our database. The sites report the volumes they release to a third-party wastewater treatment facility for further treatment under this KPI. Approximately 82% of our sites report discharges to a third-party facility for treating their water to tertiary level. The rest of the sites have their own treatment facility and treat the wastewater on site. This wastewater volumes discharged to a third-party for tertiary treatment make up for around 10% of our overall discharge volumes.</p>
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Secondary treatment	Not relevant				<p>The secondary treatment is not a relevant treatment method for LANXESS. Being a chemical company, we have a major use of water as cooling water. The cooling water does not come in direct contact with the chemical processes and stay uncontaminated.</p> <p>However, we also use some amount of water as a process input, which results in contamination of this water. We treat any contaminated water to the highest level of treatment, that is the tertiary level. The treatment is not limited to secondary or primary level of treatment in case the water has come in contact with the chemical processes, we</p>
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					<p>treat it to the maximum level before releasing it back to the environment. Therefore, the wastewater volumes treated to the secondary treatment level is not relevant for LANXESS.</p>
Primary treatment only	Not relevant				<p>The wastewater volumes treated to the primary treatment level is not a relevant discharge source for LANXESS. Being a chemical company, we have a primary use of water as cooling water. The cooling water does not come in direct contact with the chemical processes and stay uncontaminated. However, we also use some amount of water as a process input, which results in</p>

					contamination of this water. We treat any contaminated water to the highest level of treatment, that is the tertiary level. The treatment is not limited to secondary or primary level of treatment in case the water has come in contact with the chemical processes, we treat it to the maximum level before releasing it back to the environment. Therefore, the wastewater volumes treated to the primary treatment level is not relevant for LANXESS.
Discharge to the natural environment without treatment	Relevant	158,214	This is our first year of measurement	11-20	The water volumes discharged to the natural environment without treatment is a relevant category for LANXESS. Relevance: Being a

				<p>chemical company we use water primarily as cooling water. This cooling water does not come in contact with the chemical processes and is not contaminated. After checking relevant quality parameters like temperature, pH and other local permit specific parameters if any, this water is directly released to the local water bodies. To prevent any releases in case of accidental contamination sophisticated alarm systems are installed.</p> <p>Measurement method and constituents: This volume of directly discharged water to the natural environment without treatment was</p>
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					<p>recorded under a common KPI recording untreated wastewater for the reporting year. However, from the Q1 of year 2021 these volumes are recorded under a specific KPI. For reporting this value for the year 2020 we have estimated this volume based on the ratio reported for this category for Quarter 1 of 2021. This volumes make for almost 80% of our overall discharge volumes. It primarily consists of once-through cooling water volumes and a small amount of internally (LANXESS owned treatment facility) treated wastewater volumes. Approximately 20% of our sites account</p>
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					for these volumes
Discharge to a third party without treatment	Relevant	22,293	This is our first year of measurement	21-30	The water volumes discharged to a third party without treatment is a relevant category for LANXESS. Relevance: Being a global company, we have some sites where we have a third-party entity which handle our discharged water in accordance to our local permits. For example, one of our big sites in Germany, Leverkusen is situated in a Chemical park, where we have a central third-party utility providers who handle all our water which needs treatment and also the cooling water amounts which can be released directly to a local water body. Therefore, this

					<p>is a relevant category for us.</p> <p>Measurement method and constituents: The discharge volumes to a third-party without treatment were recorded under a common KPI recording untreated wastewater for the reporting year. However, from the Q1 of year 2021 these volumes are recorded under a specific KPI. For reporting this value for the year 2020 we have calculated and estimated this volume based on the ratio reported for this category for Quarter1 of 2021. This volume primarily contains once-through cooling water , internally and the sold steam volumes to a third-party entity. This</p>
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					<p>volume makes up for 10% of our overall discharges. Approximately 27% of our facilities report this value.</p> <p>Note: The sold steam volumes were not included in the Total discharges in the question W1.2b, however the volumes are mentioned in the Total consumption's explanation column. The sold steam volumes were recorded as 1,700 megalitres for the year 2020.</p>
Other	Not relevant				We have no water volumes treated under a special treatment technique.

W-CH1.3

(W-CH1.3) Do you calculate water intensity for your activities in the chemical sector?

Yes

W-CH1.3a

(W-CH1.3a) For your top five products by production weight/volume, provide the following water intensity information associated with your activities in the chemical sector.

Product type

Other, please specify
All LANXESS products

Product name

Corporate Water Consumption Intensity

Water intensity value (m3)

3.13

Numerator: water aspect

Total water consumption

Denominator

Ton

Comparison with previous reporting year

Higher

Please explain

We calculate water intensity for different levels of detail, e.g. corporate or plant level. So far we only publish data on corporate level. The water consumption intensity per ton of product is slightly higher compared to the previous year (2019: 2.84; 2020: 3.13). Main reasons are the decreased sold production volumes (in tons) due to COVID-19 Pandemic. We calculate the water intensity as total water consumption (in m3) divided by the volume of sold products (in tons). We had a higher water intensity this year compared to last year because for the reporting year the numerator value remained the same while we had a smaller denominator value due to reduced sales.

Internally, the HSE Management Dashboard provides a detailed overview on water consumption and withdrawal intensities. The information is available for all management levels at site and for the corporate functions. As trends can be displayed, the data can be used to measure progress, monitor and derive targets. The intensity is likely to reduce in the coming year when the production volumes go back to normal and is not affected by the pandemic. Additionally, in accordance with the product stewardship topic, all important product related environmental criteria like emissions, water consumption and waste generation values are critically being assessed and reviewed internally, this can result in implementing specific water projects aimed at reducing product water intensity in coming years. Furthermore, a change in product portfolio and production rate can cause a shift in the amounts.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

1-25

% of total procurement spend

51-75

Rationale for this coverage

As founding member of the Together for Sustainability (TfS) initiative for the Chemical Industry, we value this as core in the measurement of the Sustainability for our suppliers. Within the TfS initiatives suppliers are requested to participate in either a TfS Audit, and or TfS Assessment. A number of key factors are considered for the identification of suppliers to participate in this initiative. Although the procurement spend is an important factor, we also look at various other factors that have a significant impact on the supplier relationship. These factors include, but are not limited to, contract duration, strategic importance, business impact, previous CSR ratings, category and country risks.

Further to the TfS initiative, within the Procurement organisation, the we follow a systematic sustainability risk analysis and strategy approach for new and ongoing business. This process, known as XCORE, for contract values > €5 mio, and SCORE for contract values between €1m - €5m, has defined Sustainability targeted measures to improve our suppliers' sustainability and thereby gradually lower the LANXESS sustainability risk score. Suppliers with preferential sustainability scores are therefore incentivised with partnership with LANXESS.

Since the start of the TfS initiative, almost 16,000 supplier sustainability evaluations have been conducted and shared through the TfS program. The sustainability performance of 13,776 suppliers has been rated within the TfS initiative based on EcoVadis assessments and 2202 TfS Audits have been conducted by means of the TfS Audit Program.

In the year 2020, 1148 new supplier Assessments were initiated by TfS members via EcoVadis, and 3527 re-assessments were conducted as well as a further 640 existing assessments shared with TfS. All these form the TfS pool of 10,069 actively managed supplier Assessments. Also in the year 2020, 258 TfS Audits were conducted through the TfS Audit Program, the results shared with the whole TfS group. TfS has a pool of

751 actively managed audits.

Assessments and audits are the basis of continuous improvement. In the year 2020, 57% of suppliers who conducted a reassessment improved their score and 75% of suppliers who conducted a follow-up or re-audit show improvements.

Impact of the engagement and measures of success

Together for Sustainability is the foundation for our Sustainability engagement with suppliers. TfS Assessments & Audits focusses on environmental topics including water, & water management. This verifies if a suppliers has a related environmental policy in place and if they take actions on water management (awareness training, reduction of water intake, water recycling, measures to minimize water quality impacts). Suppliers must report on specific water KPIs (total water consumption). The TfS Assessments & Audits generates a Corrective Action Plan (CAP). This CAP is used in discussions to ensure continuous improvement. Supplier scorecards are reported on monthly basis. Specific supplier scorecards are also presented when the Strategic Buyer present his purchasing strategy as part of the balanced scorecard. Preference is given to a supplier with a favourable score, thereby incentivizing the participation and improvement. Re-assessments and re-audits are used to measure improvement.

In the year 2020, 1148 new supplier Assessments were initiated by TfS members via EcoVadis, and 3527 re-assessments were conducted as well as a further 640 existing assessments shared with TfS.

Comment

LANXESS is in the process of migrating the risk analysis system to SAP ARIBA, which is in the final testing phase. The decision to change systems has caused a significant delay in our proceedings because of data transfers and necessary adjustments.

However, we expect a more accurate reflection of the risk in our supplier database and a significantly increased data efficiency from it.

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

No other supplier engagements

Details of engagement

% of suppliers by number

% of total procurement spend

Rationale for the coverage of your engagement

As founding member of the Together for Sustainability (TfS) initiative for the Chemical Industry, we value this as core in the measurement of the sustainability for our suppliers. No additional engagements were conducted in the reporting year.

Impact of the engagement and measures of success

Comment

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

i) Partners engaged and a rationale for the engagement:

We learned, that information campaigns regarding water need different information dependent on the receiver and the special topics than needs to be understood. Therefore we informed our customers regarding water issues on three levels to ensure to reach 100% of our customer.

ii) The method or strategy of engagement

Corporate Level:

In 2021 we published a water factsheet, where we explained our water strategy, performance, our water risk assessment and management, etc. Here our customers can find answers to all questions they have about LANXESS on a corporate Level.

Customer Level:

In addition, customer engagement also includes responding to specific customer information requests, as for example through the CDP Supply Chain Program. Here we answered all requests we received as detailed as possible.

Product Level:

The demand for life cycle analysis, like Life Cycle Assessment, Environmental Product Declaration and Product Carbon Footprints has increased steadily over the past few years. The Assessment and Product ISO certification in form of Life Cycle Assessment (ISO 14044), Product Carbon Footprints (ISO 14067) and Environmental Product Declaration (ISO 14025) of 10 product groups is planned for this year.

iii) How engagement success is measured

We measure the impact of our information campaigns with our bi-annual Customer Satisfaction Analysis. This analysis comprises beside the usual aspects as product pricing, product quality, delivery & supply also sustainability questions to evaluate the impact of our information campaigns.

Here we saw, that in average about 66% of our customer respondents (100% of business units covered by the survey through use of representative samples) rated our sustainability activities very good or good (top 2 on a scale of 6).

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W-CH3.1

(W-CH3.1) How does your organization identify and classify potential water pollutants associated with its activities in the chemical sector that could have a detrimental impact on water ecosystems or human health?

Pollutants identified and classified: The relevant pollutants identified and classified by LANXESS are of global significance. These are heavy metals (example: arsenic, cadmium, chromium, copper, mercury, nickel, lead, zinc, tin) and total organic content (organic carbon, nitrogen, inorganic and organic phosphorous). Two new quality parameters Adsorbable Organic halides (AOX) and Persistent organic pollutants (POPs) have been added as KPI's in our HSE performance data from Q1 2021 onwards.

Impacts considered: The heavy metals are toxic and potentially cancerous for humans. They adversely affect the growth of flora and fauna in water and soil. The organic content (TOC) in water leads to eutrophication and high BOD (Biological Oxygen Demand) levels or decreased DO (Dissolved Oxygen) levels, resulting in reduced oxygen availability to organisms in water and damaging ecosystems. The presence of AOX and POP's in water is toxic and can adversely affect the human health and other living organisms.

The relevant data procurement and processing: We continuously collect the data of these pollutants from all our production sites. Our HSE Performance Data has specific KPI's to record and monitor the quantities of above mentioned pollutants in the water discharged. These pollutants are not relevant for all our sites in the same way, as they are product-specific and thereby site-specific. Therefore, the reporting is done based on the permits and set standards for the individual sites. Additional water-relevant data (like temperature, pH, salt) and pollutants are identified and classified depending on local regulation at the site-level. (Example: For few of our sites the water being released for treatment to wastewater treatment plants (WWTP's) is checked for specific pollutants and is regulated. This is done to not endanger the microorganisms used for biodegradation process in the biological treatment unit in WWTP's. The water after treatment is evaluated accordingly for the above discussed pollutants).

Whenever substantial financial, environmental or strategic impacts in regards to water pollutants are identified, they are integrated into the LANXESS Risk Management Process. The process is described more detailed in 3.3d. Group-wide guidelines e.g. regarding waste water treatment or the measurement of environmental-relevant KPIs, define the standard for all LANXESS production sites.

Additionally, we use a LANXESS specific water risk assessment process which includes an impact evaluation indicator among other indicators to evaluate the impact of the pollutants on the humans and environment. We use the impact values for each pollutant provided by recognised institutions and multiply it with the pollutant concentrations our sites report and check it against an internally decided threshold values. We strictly follow the discharge permit limits for all our sites but we do this additional impact evaluation because as a responsible water user we want to eliminate any probable threat to the health of local population in the areas we operate.

The process of engagement with our suppliers is through Together for Sustainability, it is the foundation for our Sustainability engagement with our suppliers . TfS Assessments & Audits focusses on environmental topics including water, & water management. This verifies if a suppliers has a related environmental policy in place and if they take actions on water management (awareness training, reduction of water intake, water recycling, **measures to minimize water quality impacts**). Suppliers must report on specific water KPIs (e.g. total water consumption etc.,). The TfS Assessments & Audits generates a Corrective Action Plan (CAP). This CAP is used in discussions to ensure continuous improvement. Supplier scorecards are reported on monthly basis. Specific supplier scorecards are also presented when the Strategic Buyer present his purchasing strategy as part of the balanced scorecard. Preference is given to a supplier with a favourable score, thereby incentivizing the participation and improvement. Re-assessments and re-audits are used to measure improvement.

Standards and Guidelines: With regards to our products, documentation and classification is done according to the legal requirements and standards on international (Example: UN Globally Harmonized System of Classification and labelling of chemicals) and local market level. All the substances handled in the plant, raw materials and products, are classified according to their toxicological properties and their environmental impacts (Material Safety Data Sheet (MSDS)). The guidelines in MSDS are strictly adhered to when handling these substances.(Procurement, storage, prevent spillages, leaching and leakages).

W-CH3.1a

(W-CH3.1a) Describe how your organization minimizes adverse impacts of potential water pollutants on water ecosystems or human health. Report up to ten potential pollutants associated with your activities in the chemical sector.

Potential water pollutant	Value chain stage	Description of water pollutant and potential impacts	Management procedures	Please explain
Heavy metals	Direct operations	Heavy metals are classified as toxic and probable carcinogens. They can cause multiple organ damage in humans and	Compliance with effluent quality standards	By being in Compliance with effluent quality standards we makes sure, that concentrations of pollutants are not

		<p>animals on ingestion. Plants experience cellular damage upon exposure to heavy metals. They also adversely affect the soil and water biodiversity.</p>	<p>Measures to prevent spillage, leaching, and leakages</p>	<p>hazardous to the environment. With the help of HSE Performance Data, continuous monitoring of the effluent quality is done. This monitoring of effluent data on all LANXESS production sites ensures continuous improvements in the handling of discharged water (including the wastewater sent for treatments to external WWTP). For the LXS owned WWTP, sophisticated alert systems are installed to prevent accidental discharges. To eliminate other potential sources of heavy metal pollution like spillages and leakages, the site personnel are given trainings on a timely basis to handle the raw materials and products on site according to the MSDS (Material Safety Data Sheet) guidelines.</p> <p>The Measurement of results: If we take a trend analysis from year 2015 more than 60% reduction of the heavy metal load could be realized. The decreasing trend has continued for the reporting year 2020.(In 2019: 0.0022 thousand metric tons and in 2020: 0.0021 thousand metric tons of heavy metals were reported). Decreasing trends in heavy metal concentrations illustrate the</p>
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				success of the management approach.
TOC (Total Organic Content)	Direct operations	High concentration of organic content in aquatic ecosystems leads to eutrophication. This results in increase of suspended particles owing to extensive macro algal blooms, decrease of water clarity which in turn leads to the destruction of aquatic habitat by shading of submerged vegetation.	Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages	By being in Compliance with effluent quality standards we makes sure, that concentrations of pollutants are not hazardous to the environment. With the help of HSE Performance Data, continuous monitoring of the effluent quality is done. This monitoring of effluent data on all LANXESS production sites ensures continuous improvements in the handling of discharged water (including the wastewater sent for treatments to external WWTP). For the LXS owned WWTP, sophisticated alert systems are installed to prevent accidental discharges. Measurement of results: Since 2015 a 20% reduction of the total organic content could be realized. Compared to year 2019 values the 2020 concentration levels have stayed the same(For both 2019 and 2020: 1.2 thousand metric tons TOC has been recorded).
Nitrogen	Direct operations	As nutrients, nitrogen and phosphorous are part of the aquatic ecosystem. In a high concentration they become a pollutant causing eutrophication. This results in increase of suspended particles owing to extensive macro algal blooms,	Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages	By being in Compliance with effluent quality standards we makes sure, that concentrations of pollutants are not hazardous to the environment. With the help of HSE Performance Data, continuous monitoring of

		decrease of water clarity which in turn leads to the destruction of aquatic habitat by shading of submerged vegetation.		<p>the effluent quality is done. This monitoring of effluent data on all LANXESS production sites ensures continuous improvements in the handling of discharged water (including the wastewater sent for treatments to external WWTP). For the LXS owned WWTP, sophisticated alert systems are installed to prevent accidental discharges.</p> <p>Measurement of results: Since 2015 a 20% reduction of the nitrogen content could be realized. However, compared to previous year values, there is no increase or decrease in the nitrogen concentration values (In both 2019 and 2020 : 0.4 thousand metric tons of nitrogen was recorded).</p>
Phosphorous	Direct operations	Too much phosphorus can cause increased growth of algae and large aquatic plants. This can result in decreased levels of dissolved oxygen leading to eutrophication. High levels of phosphorus can also lead to algae blooms that produce algal toxins which can be harmful to human and animal health.	Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages	By being in Compliance with effluent quality standards we makes sure, that concentrations of pollutants are not hazardous to the environment. With the help of HSE Performance Data, continuous monitoring of the effluent quality is done. This monitoring of effluent data on all LANXESS production sites ensures continuous improvements in the handling of discharged water (including the wastewater sent for treatments to external WWTP). For the LXS

			<p>owned WWTP, sophisticated alert systems are installed to prevent accidental discharges.</p> <p>Measurement of results: For the reporting year a total of 0.133 thousand metric tons of phosphorous was recorded. There was a huge reduction in phosphorous concentration amounts compared to the previous year(0.228 thousand metric tons). the decrease in the Phosphorous concentrations illustrate the success of the management approach.</p>
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W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market
Enterprise Risk Management
Databases

Tools and methods used

WRI Aqueduct
 WWF Water Risk Filter
 COSO Enterprise Risk Management Framework

Comment

LANXESS Risk Management Process: The risk identification and assessment takes place twice a year. It covers direct operations, as well as upstream and downstream activities. The process applies COSO model as framework and is based on a 2 step model:

The process is explained in detail in question W3.3d

Additional water-specific assessments: Additional to the standardized risk management process, LANXESS uses established and recognized online water tools. Once a year WWF Water Risk Filter and WRI Aqueduct Water Risk Atlas are used to analyze all LANXESS production sites in regards to water stress. LANXESS specific water-risk assessment. For the reporting year, a LANXESS specific Water Risk Assessment has been carried out. This assessment aims to identify our water risk sites and thereby, help in deriving local measures. The assessment combines internal data with external scientific data like water stress, operational or regulatory risks and relevant water-related KPIs. Overall, ten indicators are used.

This assessment helps to prioritize our sites based on the magnitude of water risk, and it lays the foundation for context-based goals and measures for the site. The sites identified in this assessment are recorded and reported in LANXESS Risk management tool and process.

Supply chain

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Enterprise Risk Management

Tools and methods used

COSO Enterprise Risk Management Framework

Comment

LANXESS Risk Management Process: The risk identification and assessment takes place twice a year. It covers direct operations, as well as upstream and downstream

activities. The process applies COSO model as framework and is based on a 2 step model:

(1) Identification process: Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company's strategy and business objectives and adversely affect company's reputation . A thorough impact evaluation with respect to society and environment is included to identify relevant risks and address them.

(2) Assessment process: Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed.

Relevant water-related topics are: Environment and technology, procurement/logistics, political relations, corporate strategy, innovation management. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.

Other stages of the value chain

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of an enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Enterprise Risk Management

Tools and methods used

COSO Enterprise Risk Management Framework

Comment

LANXESS Risk Management Process: The risk identification and assessment takes place twice a year. It covers direct operations, as well as upstream and downstream activities. The process applies COSO model as framework and is based on a 2 step model:

(1) Identification process: Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company's strategy and business objectives and adversely affect company's reputation . A thorough impact evaluation with respect to society and environment is included to identify relevant risks and address them.

(2) Assessment process: Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed.

Relevant water-related topics are: Environment and technology, procurement/logistics,

political relations, corporate strategy, innovation management. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization’s water-related risk assessments?

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	<p>Relevance: We include Water availability at a basin/catchment level I in our water-related risk assessments because availability of sufficient amount of water is vital for LANXESS. Water is mainly used as a coolant and input for chemical processes. Water is mainly used for cooling purposes apart from being used as product input, steam and solvent. That’s why we track water input and output data for all our sites. Since 2015 LANXESS carries out a global but country specific risk assessment. Besides others, risks arising from non-availability of water are tracked. Included are direct and indirect site-, operations-, supply chain-, product and business-impacts related to the aspect of water quality in the basin. Such impacts include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company’s strategy and business objectives or materially impact the license to operate.</p> <p>Assessment tools & process: WWF Water Risk Filter + WRI Aqueduct + LANXESS Water Risk Assessment +LANXESS Risk Management Process.</p> <p>The mentioned tools are used to assess current and future water trends for all our sites. Moving on to a more critical assessment, the Water Risk Assessment combines internal data with external scientific data like water stress, operational or regulatory risks and relevant water-related KPIs. Overall, ten indicators are used. This risk assessment helps to prioritize our sites based on the magnitude of water risk, and it lays the foundation for context-based goals and measures at site and catchment level.</p> <p>Then Identified risks will be tracked in the LANXESS Risk Management Tool. It covers direct operations, as well as upstream and downstream activities. The process applies</p>

		<p>the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>
<p>Water quality at a basin/catchment level</p>	<p>Relevant, always included</p>	<p>Relevance: We include Water quality at a basin/catchment level in our water-related risk assessments because access to a sufficient amount of water in good quality is vital for LANXESS to ensure minimum expenditure on pre-treatment and maintenance. As a responsible water user, we make sure our production activities do not adversely affect the water quality at a basin level and ensure other water users are safe. That’s why we track data on water quality for all our sites. Since 2015 LANXESS carries out a global but country specific risk assessment. Besides others, risks arising from an insufficient quality of water are tracked. Included are direct and indirect site-, operations-, supply chain-, product and business-impacts related to the aspect of water quality in the basin. Such impacts include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company’s strategy and business objectives or materially impact the license to operate.</p> <p>Assessment tools & process: WWF Water Risk Filter + WRI Aqueduct + Water Risk Assessment+ LANXESS Risk Management Process. The mentioned tools are used to assess current and future water trends. With Water Risk Assessment, internal data is combined with more extensive external scientific data like water stress, water quality, operational or regulatory risks and relevant water-related KPIs. Overall, ten indicators are used. This assessment helps to prioritize our sites based on the magnitude of water risk, and it lays the foundation for context-based goals and measures for the site.</p> <p>Identified risks will be tracked in the LANXESS Risk Management Tool. It covers direct operations, as well as</p>

		<p>upstream and downstream activities. The process applies the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>
<p>Stakeholder conflicts concerning water resources at a basin/catchment level</p>	<p>Relevant, always included</p>	<p>Relevance: We include Stakeholder conflicts concerning water resources at a basin/catchment level in our water-related risk assessments because as a global company, we understand the local nature of water and acknowledge it as a shared resource and a basic human right. Moreover, conflicts with local stakeholders can have serious implications on our production activities (e.g. losing the social license to operate, negative impacts on our reputation). Therefore, as a responsible water user, we actively engage with local stakeholders to understand and address the water concerns and issues. Both on a corporate level and locally, we conduct an active stakeholder dialogue that addresses, among other topics, water availability.</p> <p>Since 2015 LANXESS carries out a global but country specific risk assessment. Besides others, risks arising from stakeholder conflicts are tracked. Included are direct and indirect site-, operations-, supply chain-, product and business-impacts related to the aspect of stakeholder concerns in the basin. Such impacts include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company's strategy and business objectives or materially impact the license to operate.</p> <p>Assessment tools & process: LANXESS Risk Management Process. Identified risks will be tracked in the LANXESS Risk Management Tool. It covers direct operations, as well as upstream and downstream activities. The process applies the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning</p>

		<p>process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>
<p>Implications of water on your key commodities/raw materials</p>	<p>Relevant, always included</p>	<p>Relevance: We include Implications of water on your key commodities/raw materials in our water risk assessment because we are highly dependent on resilient and reliable supply for key input materials. Any hindrances or disruptions in the availability of these input materials can lead to severe production and financial damages for the company. Therefore, water induced risks around the availability of key commodities is always taken into consideration. (e.g. disruptions in transportation of raw materials or water supply from our third-party suppliers (major water withdrawal source for LANXESS). Since 2015, LANXESS carries out a global but country specific risk assessment. The impacts evaluated include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company’s strategy and business objectives or materially impact the license to operate.</p> <p>Assessment tools & process: TfS Audits & Assessments + LANXESS Risk Management Process. One of the key pillars within both the TfS Assessments and TfS Audits, are the focus on environmental topics including water and water management. These processes would verify if a suppliers has a related environmental policy in place; Action of water management (awareness training, reduction of water intake, water recycling, measures to minimize water quality impacts), and ask the supplier to report on specific water KPIs {total water consumption}.</p> <p>Identified risks will be tracked in the LANXESS Risk Management Tool. It covers direct operations, as well as upstream and downstream activities. The process applies the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized</p>

		<p>committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>
<p>Water-related regulatory frameworks</p>	<p>Relevant, always included</p>	<p>Relevance: We consider water-related regulatory frameworks in our water risk assessment because ensuring the compliance with the local regulation and site permits is our first and foremost priority. As a responsible water user, we understand the significance of water related regulations in safeguarding the local water bodies well-being and thereby the other stakeholders. In addition, the HSEQ committee members at site-level track expected changes or new initiatives well ahead, to prepare for increasing water-related regulatory pressure and more demanding permit limits (e.g. related to water efficiency or water discharge limits for certain pollutants). Since 2015, LANXESS carries out a global but country specific risk assessment. The impacts evaluated include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company’s strategy and business objectives or materially impact our license to operate.</p> <p>Assessment tools & process: Water Risk Assessment + LANXESS Risk Management Process. The water risk assessment combines internal data with external scientific data like water stress, operational or regulatory risks and relevant water-related KPIs. Overall, ten indicators are used. The water risk assessment helps to prioritize our sites based on the magnitude of water risk, and it lays the foundation for context-based goals and measures for the site. Identified risks are tracked in the LANXESS Risk Management Tool. It covers direct operations, as well as upstream and downstream activities. The process applies the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess</p>

		<p>the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>
<p>Status of ecosystems and habitats</p>	<p>Relevant, always included</p>	<p>Relevance: We consider status of ecosystems and habitats in our water risk assessment because, as a responsible water user, LANXESS takes the impact on neighbouring ecosystems into account in its risk assessment. To regularly track and minimize the impact of our production activities on the ecosystem and habitat, LANXESS carries out a global but country specific risk assessment since, 2015. Besides others, impacts on ecosystems are tracked. Included are direct and indirect site-, operations-, supply chain-, product and business-impacts related to impacts on the basin's ecosystem. Such impacts include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company's strategy and business objectives or materially impact the license to operate.</p> <p>Assessment tools & process: WWF Water Risk Filter + WRI Aqueduct + Water risk assessment + LANXESS Risk Management Process. The mentioned tools are used to assess current and future trends. The water risk assessment combines internal data with external scientific data like water stress, operational or regulatory risks, and relevant water-related KPIs. Overall, ten indicators are used. impact evaluation is one of these ten indicators. The water risk assessment helps to prioritize our sites based on the magnitude of water risk, and it lays the foundation for context-based goals and measures for the site. Identified risks will be tracked in the LANXESS Risk Management Tool. It covers direct operations, as well as upstream and downstream activities. The process applies the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>

<p>Access to fully-functioning, safely managed WASH services for all employees</p>	<p>Relevant, always included</p>	<p>Relevance: Occupational health and safety, which includes WASH services as one of the topics, is one of the top priorities of LANXESS. Employee satisfaction and their well-being is important to the company. Therefore, WASH is an important topic for LANXESS. Since 2015 LANXESS carries out a global but country specific risk assessment. Besides others, risks arising health and safety issues are tracked. Included are direct and indirect site-, operations-, supply chain-, product and business-impacts related to the aspect of health and safety. Such impacts include financial, organizational and strategic implications as well as proposed measures. Objective of risk identification is to determine risks that could interrupt operations, affect the reasonable expectation of achieving the company's strategy and business objectives or materially impact the license to operate.</p> <p>Assessment tools & process: Xact (global safety initiative) + LANXESS Risk Management Process. This includes WASH as one of the material topics. Identified risks will be tracked in the LANXESS Risk Management Tool. With respect to WASH topic It covers direct operations. The process applies the COSO model as framework. The risk identification and assessment takes place twice a year in the context of the forecasting and the budget/planning process. Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed. There are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, water and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment.</p>
<p>Other contextual issues, please specify</p>	<p>Not considered</p>	<p>No additional issues are considered.</p>

W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
<p>Customers</p>	<p>Relevant, always included</p>	<p>Relevance: The customers are relevant stakeholders and always included in our risk assessment because the trust of customers and consumers is crucial for the success of our</p>

		<p>company, and we are obliged to safeguard their health when using our products. We align our safety or direction of use instructions and the precautionary measures with local rules and regulations, application technologies and expertise available. We value long-term customer relationships, built on trust and knowing, understanding and solving the customer's challenges. "Valuing Customer Relations" is one of our material topics identified during our materiality analysis process. Via a central inquiry management system, customers can obtain information on our products, their applications and potential risks as well as product certificates. Feedback from customers gives us valuable information on how we can further improve our products and processes.</p> <p>Method of engagement: If some of our products are used improperly, negative effects on water ecosystems cannot be excluded. Therefore, 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. Additionally, LANXESS has a market- and customer-oriented complaint management and optimization process in place. In the case of justified complaints, we always aim to find a suitable solution to the problem that occurred together with everyone involved. Particularly in the case of consumer applications – for example, use as an additive in contact with drinking water or food – it is extremely important to us that our products meet high national and international standards. 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.</p>
<p>Employees</p>	<p>Relevant, always included</p>	<p>Relevance: The employees are a relevant stakeholders and are always considered in our risk assessment because they play a crucial role in the success of our company and making the products a reality for our customers. "Energized and Performing Teams" is another material topic identified during our materiality analysis process. Our ambition is to 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</p>

		<p>professional life. By doing so we enable business growth and address global HR trends such as demographic change, globalization, the drive for agility and digitalization as well as cultural and value-based transformation.</p> <p>Method of engagement: Besides negative impacts on the employee’s health, improper handling of harmful substances could have a negative impact on water bodies as well. Therefore, employees undergo certain trainings when it comes to product and raw material procurement, handling and storage. 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 behaviours in their professional and private lives. 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 and the environment. Risk management also includes preventing illegal conduct by our employees. To this end, we obtain extensive legal advice and obligate employees by means of our “Code of conduct – Code for integrity and compliance at LANXESS” to observe the law and our internal directives and to act responsibly.</p>
Investors	Relevant, always included	<p>Relevance: Investors are a relevant stakeholder and always considered in our water risk assessment because the success of our company depends on our investors. LANXESS’s stockholder structure predominantly consists of institutional investors pursuing a growth or value-oriented investment strategy. Investors play an important role in the success and growth of a company. As the focus of investors is increasingly broadening to include ESG-related issues such as water in their portfolio decisions, they are seen as an important water-related stakeholder group.</p> <p>Method of engagement: We maintain a very active and transparent dialogue with our investors. For example, CEO Sustainability meeting where we discuss our sustainability performance and on-going projects with our investors. Additionally, when it comes to reputational risk of our company in relation to water issues, investors reaction is always considered also in our corporate risk management process. Besides that LANXESS actively provides information in the form of different sustainability ratings and questionnaires. Besides CDP Water Security, LANXESS also contributes in the</p>

		DJSI and Together for Sustainability Ratings. Both of them also assess water-related risks.
Local communities	Relevant, always included	<p>Relevance: Local communities are relevant stakeholders for us because water is a shared resource and as a responsible water user, we want to ensure minimum negative impacts of our activities on the water share of the local communities. Also, our understanding of sustainable sites 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. We aim to work together with our neighbours to avoid causing inconvenience to them and also securing our social licenses to operate in that area.</p> <p>Method of engagement: We conduct an annual water risk assessment for all our sites and impact evaluation is one of the criteria considered in this assessment. For the identified water risk sites, site-specific goals and targets are defined. For this reporting year a goal of implementing water stewardship program and an ambitious target of 15% absolute reduction in water withdrawal by 2023 were defined with base year as 2019. Furthermore, in general for all our sites to avoid negative impacts on the water security of local communities, LANXESS is committed to water efficiency measures as well as a sufficient effluent treatment in accordance with the local rules. Additionally, we defined two main goals for our corporate citizenship engagement: (1) Mobilizing resources and people for social commitment and (2) Achieving positive impacts on the company, the environment and society. In this reporting year LANXESS also participated in community projects at various sites that directly addressed water-related topics.</p>
NGOs	Relevant, sometimes included	<p>Relevance: We consider NGOs as relevant in our risk assessment because they publicly comment on certain company matters which might impact our social license to operate. Also, they represent the interests of the local people and the associated water issues. Therefore, at basin level we engage with other water users and management authorities to focus and promote sustainable water management as well as to address shared water risks. As all water users share the context-related risks within a basin, measures must be taken by all water users. The local basin management authorities play an important role in coordinating basin activities. LANXESS aims at maintaining a cooperative relationship with other local users in the area.</p>

		<p>Method of engagement: On identifying special engagement requirements with the local environmental groups at any of our sites, we become a part of that initiative and promote the engagement activities as required. LANXESS is part of several water conservation projects in locations with own operations. Example: In the last reporting year we signed the “Low Water Action Plan” for the river Rhine together with other industry partners and the local authorities, which we are still a part of. This action plan focuses on our three main production sites (Leverkusen, Dormagen, Krefeld-Uerdingen) in Germany. Also, for our USA sites we are a part of the Sparta Aquifer project in Arkansas, an initiative to recover the Sparta Aquifer by using alternative water sources.</p>
<p>Other water users at a basin/catchment level</p>	<p>Relevant, sometimes included</p>	<p>Relevance: We consider other water users at a local level as relevant in our risk assessment because they could have an impact on the water quality and quantity on the water available in the river basin and vice-versa. Therefore, at basin level we engage with other water users and management authorities to focus and promote sustainable water management as well as to address shared water risks. As all water users share the context-related risks within a basin, measures must be taken by all water users. The local basin management authorities play an important role in coordinating basin activities. LANXESS aims at maintaining a cooperative relationship with other local users in the area. Potential conflicts with them can lead to reputational damage and a loss of license to operate.</p> <p>Method of engagement: LANXESS is part of several water conservation projects in locations with own operations. Example: In this reporting year we signed the “Low Water Action Plan” for the river Rhine together with other industry partners and the local authorities. This action plan focuses on our three main production sites (Leverkusen, Dormagen, Krefeld-Uerdingen) in Germany. Also, for our USA sites we are a part of the Sparta Aquifer project in Arkansas, an initiative to recover the Sparta Aquifer by using alternative water sources.</p>
<p>Regulators</p>	<p>Relevant, always included</p>	<p>Relevance: We consider regulators as relevant as relevant stakeholders because as a global company, ensuring the compliance with the local regulation and site permits is our first and foremost priority. As a responsible water user, we understand the significance of water related regulations in safeguarding the local water bodies well-being and thereby the other stakeholders. Additionally, regulatory changes can have a significant impact on our business strategies (example-change in withdrawal limits, a change in emission limits in wastewater which might require highly sophisticated technology, banning</p>

		<p>certain raw materials etc., all these changes could pose a risk to our investment decisions). LANXESS aims at complete compliance with the rules, regulations and permit limits laid down by national, state and local government authorities. Our sites continuously keep themselves informed about the current or future changes in regulations that are anticipated by engaging with local stakeholders and authorities. Any deviations can potentially lead to reputational damage and in worst case a cancellation of the license to operate.</p> <p>Methods of engagement: 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. The LANXESS HSE compliance checks (health, safety and environment) also include water-related regulatory topics like water withdrawal limits or effluent limits in waste water streams in its annual review and inform the next steps.</p>
<p>River basin management authorities</p>	<p>Relevant, sometimes included</p>	<p>Relevance: We consider river basin management authorities as relevant in our risk assessment because authorities regulate and oversee the implementation of water limits defined in the local permits and the compliance with the local regulation and site permits is our first and foremost priority . These authorities define and can change limits for the quantity of water withdrawal and discharge and monitor water quality at basin level and being up to date with these changes is crucial for safeguarding our license to operate and informing are current and future business strategies. In addition, we engage with other water users and management authorities to focus and promote sustainable water management as well as to address shared water risks. As all water users share the context-related risks within a basin, measures must be taken by all water users. The local basin management authorities play an important role in coordinating basin activities. LANXESS aims at maintaining a cooperative relationship with other local users in the area. Potential conflicts with them can lead to reputational damage and a loss of license to operate.</p> <p>Method of engagement: On identifying special engagement requirements with the local authorities at any of our sites, we become a part of that initiative and promote the engagement activities as required. LANXESS is part of several water conservation projects in locations with own operations. Example: In the last reporting year we signed the “Low Water</p>

		<p>Action Plan” for the river Rhine together with other industry partners and the local authorities, which we are still a part of. This action plan focuses on our three main production sites (Leverkusen, Dormagen, Krefeld-Uerdingen) in Germany. Also, for our USA sites we are a part of the Sparta Aquifer project in Arkansas, an initiative to recover the Sparta Aquifer by using alternative water sources.</p>
<p>Statutory special interest groups at a local level</p>	<p>Relevant, always included</p>	<p>Relevance: We include special interest groups as relevant in our risk assessment because we want to maintain a cooperative relationship with them and avoid any potential conflicts regarding water use, water quality, pricing etc. Furthermore, 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 the 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. We aim to work together with our neighbours to avoid causing inconvenience to them and also securing our social licenses to operate in that area.</p> <p>Method of engagement: We conduct an annual water risk assessment for all our sites and impact evaluation is one of the criteria considered in this assessment. For the identified water risk sites, site-specific goals and targets are defined. For this reporting year a goal of implementing water stewardship program and an ambitious target of 15% absolute reduction in water withdrawal by 2023 were defined. Furthermore, in general for all our sites to avoid negative impacts on the water security of local communities, LANXESS is committed to water efficiency measures as well as a sufficient effluent treatment in accordance with the local rules. We defined two main goals for our corporate citizenship engagement: (1) Mobilizing resources and people for social commitment and (2) Achieving positive impacts on the company, the environment and society. In the reporting year LANXESS performed projects that directly addressed water-related topics.</p>
<p>Suppliers</p>	<p>Relevant, sometimes included</p>	<p>Relevance: Suppliers are included in our risk assessment as a relevant stakeholder because they play an important role in realising and promoting sustainability for our products and sites. At LANXESS, raw materials, other materials, equipment and services are subject to globally standardized requirements with regard to safety and environmental protection. "Resilient Sourcing" is another material topic identified during our materiality analysis process. Our value chains start from a diverse, sustainable raw material portfolio. We engage with our</p>

		<p>suppliers and relevant stakeholders to improve the working and environmental conditions in the global supply chains. This helps us to minimize potential supply interruptions and ensure business continuity.</p> <p>Method of engagement: We engage with our suppliers also with regards to water. LANXESS has a Supplier Code of Conduct in compliance to which our suppliers are expected to safeguard and protect the environment. They are expected to strive to cut their use of resources, waste and emissions also with regards to water. Our suppliers are evaluated based on the magnitude of dependency LANXESS has on them in addition to the size and scale of our supplier's portfolio. Along with this we use other evaluation reports. Example: The Together for sustainability report (TfS) for suppliers. The TfS Assessments and TfS Audits focus majorly on environmental topics including water. These evaluation processes verify if a supplier has a related environmental policy in place; action of water management (awareness training, reduction of water intake, water recycling, measures to minimize water quality impacts), and ask the supplier to report on specific water KPIs (total water consumption). From both the TfS Assessments and TfS Audits a Corrective Action Plan is generated, and shared between the inviting company (LANXESS) and the supplier. This Corrective Action Plan is used as discussion and incentive to ensure continuous improvement. Re-assessments and re-audits are also used as effective way to measure improvement.</p>
<p>Water utilities at a local level</p>	<p>Relevant, always included</p>	<p>Relevance: Water utilities are a relevant topic in our risk assessment because for most our sites third party sources of water supply is the primary source of water supply . It makes for around 80% of our total water withdrawal amount. Therefore, local water utilities are an important stakeholder in ensuring the continuation and success of our business. Engaging with the local water providers helps us to minimize potential supply interruptions and ensure business continuity. Working with water utilities that do not act responsibly can result in regulatory consequences and fines as well as damage to our reputation.</p> <p>Method of engagement: LANXESS has a Supplier Code of Conduct which is applied to local water utilities under our procurement strategy. In compliance to this code our suppliers are expected to safeguard and protect the environment. They are expected to strive to cut their use of resources, waste and emissions also with regards to water. We majorly engage with local water utilities on our sites to ensure sustainable water</p>

		abstraction and discharge to third parties. We ensure proper handling of wastewater released to the third parties at local level. Example: In terms of water quality the permit limits are mandatory to be adhered to by the third party wastewater treatment plants.
Other stakeholder, please specify	Not considered	No additional stakeholders are considered.

W3.3d

(W3.3d) Describe your organization’s process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

The opportunity and risk management process is based on the COSO risk management process consists among others of the following process steps.

(1) Opportunity and Risk Identification:

Objective of the Risk Management process is the early detection and creation of transparency of material opportunities and risks, that could lead to a deviation from our targets and to implement measures to mitigate these risks and to exploit the opportunities, respectively. For water topic, it includes the risk identified through water risk assessment. For the water risk assessment the WWF and WRI tools were combined .

a) Process responsibility: The BU and GF Heads and Country Representatives are ultimately responsible for the opportunity/risk management in their unit. They organize the bottom-up assessment of opportunities and risks in the respective unit and the submission to the RM software.

b) Process: A risk catalogue is defined in order to systematize the collection of opportunities and risks and to ensure that all material risks and opportunities are taken into account. Relevant water-related topics are: Environment and technology, procurement/logistics, political relations, corporate strategy, innovation management. All users may report opportunities and risks in all risk categories. However, for clear responsibilities and to avoid duplications, for each risk category it is determined which organizational units are primarily responsible for identifying and assessing relevant risks. E.g. Risks regarding the availability of water for individual sites are identified by Global Procurement.

(2) Assessment process:

Short- (1 year), medium- (1-10 years) and long-term (10-30 years) opportunities and risks are assessed twice a year in the context of the forecasting and the budget/planning process. Opportunities and risks are potential deviations from set targets and are assessed in regard to their impact on the EBITDA or net income depending on the risk type. In addition, there are specialized committees on company level to oversee risks during the assessment process, e.g. HSEQ committee for environmental, energy and climate protection standards. In addition to the financial dimension, risk owners also assess the potential reputational impact on the Group for each risk and the potential impact on society and environment. These assessments are qualitative.

(3) Risk Steering Process:

After the identification and assessment the appropriate risk management strategy is determined:

- a) Limitation of risks / (exploitation of opportunity) by implementing measures that limit the risk,
- b) Transfer of risks,
- c) Setting up a provision, and
- d) Acceptance of risk.

The appropriate approach is selected based on the risk appetite. All opportunities and risks are assessed before and after measures.

The Risk Owners submit the information in the RM software, the Risk Champions review and discuss the findings with their heads of department and approve the risks and opportunities in the Risk software. All opportunities and risks are then analyzed and prioritized by GF Controlling. GF Controlling compiles the top risks and opportunities (in terms of the expected financial impact as well as impact on LANXESS's reputation and Impact on society & environment) together with the measures. The Corporate Risk Committee takes over the main oversight function. It is responsible for the structure and implementation of the Group-wide Risk Management process. CRC is made up of senior executives, analyses, validates and monitors the Group's risk profile as well as the key opportunities, risks and measures.

Direct operations: Due to the tracking of water-related KPIs at all LANXESS production sites, risks in form of increasing trends in water demand or waste water loads can be identified on a quarterly basis and integrated into the LANXESS Risk Management Process twice per year. Additionally, all the production sites are assessed using a water risk assessment framework to identify our water risk sites. This assessment combines internal data with external scientific data like water stress scores (From online water tools like WWF Water risk Filter and WRI Aqueduct), operational or regulatory risks and relevant water-related KPIs.

Other stages of the value chain, e.g. suppliers: Together for Sustainability is the foundation for our sustainability engagement with suppliers. One of the key pillars within both the TfS Assessments and TfS Audits, are the focus on environmental topics including water and water management. These processes would verify if a supplier has a related environmental policy in place; Action of water management (awareness training, reduction of water intake, water recycling, measures to minimize water quality impacts), and ask the supplier to report on specific water KPIs (total water consumption). The results are integrated into the LANXESS Risk Management Process as soon as substantial financial or strategic impact is identified.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, only within our direct operations

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

Substantive financial or strategic impacts are defined for several dimensions.

Each opportunity and risk is measured in three dimensions, of which one is quantitative and two of qualitative dimensions:

- a) **Financial Impact (quantitative)**
- b) **Impact on LANXESS's reputation (qualitative)**
- c) **Impact on society and environment (qualitative)**

a) Financial Impact

Regarding Financial Impact, all opportunities and risks have a substantive financial or strategic impact, if they met one of the following criteria:

- i) Opportunities and risks with more than €1 million EBITDA-impact after countermeasures
- ii) Risks which have an expected EBITDA impact, that was reduced by more than €10 million through the implementation of countermeasures
- iii) New opportunities or risks with an impact of more than €5 million after measures must be reported ad-hoc. Opportunities and risks having an impact on several BUs are aggregated for an evaluation of the impact on corporate level (e.g. low Rhine water). These thresholds guarantee that the information is comprehensive and not just limited to material risks or risks that could jeopardize the future of the company as a going concern..

b+c) Impact on LANXESS's reputation and on society and environment

If a risk is evaluated with highest ranking according to an assessment of senior management in category b) or c) it will be also marked as risk with substantive impact. The assessment is qualitative and is divided into five different classes depending on the following criteria for b) & c):

- its impact on people and/or the environment,
- the possibility to remediate consequences and
- the geographical scope of the impact.

b) Categories of qualitative assessment of the impact on LANXESS's reputation :

No impact

Minor impact: Limited local complaint/perception, minimal impact on image, minimal change in stakeholder confidence

Moderate impact: Local media coverage, moderate impact on image, moderate change in stakeholder confidence

Major impact: National media coverage, significant impact on image, significant change in stakeholder confidence

Critical impact: International media coverage, dramatic impact on image, dramatic change in stakeholder confidence

c) Categories of qualitative assessment of the impact on society and environment :

No impact

Minor impact: Limited local impact on people/environment, impact remediable with low use of resources

Moderate impact: Considerable local impact on people/environment, impact remediable with moderate use of resources

Major impact: Regional or high local impact on people/environment, impact remediable with substantial use of resources

Critical impact: National impact on people/environment, non-remediable consequences (fatalities, loss of resources)

When assessing a risk with a potential impact on society and environment, a small group of employees (PTSE, HR and COM) is automatically informed of this risk.

In addition, at the end of the group-wide risk assessment period, all risks that may have an impact on society and environment are reviewed in a small working group before the risks are reported to the Corporate Risk Committee.

Example 1:

Situation: Longer periods of drought can mean that rivers carry less water. For LANXESS, this is particularly crucial for the Rhine, as the Lower Rhine sites are the largest location for LANXESS, and shipping is essential for the supply of raw materials as well as the transport of products.

Task: In order to assess the risk and define countermeasures, a precise extent of the risk at business unit level is necessary.

Assessing the financial and environmental impact: The risk champions of all business units were asked to assess the financial and environmental risk and define countermeasures. First of all, the storage capacities and storage ranges were considered. Next, alternative supply routes such as road or rail were identified and evaluated. Prices, including premium due to scarce availability, were used for this analysis.

Risk identified: Insufficient supply with raw materials and feedstock due to strong limitations in ship and barge transportation in case of low level of river Rhine could lead to serious impacts in production volumes or even shutdowns of plants. This risk was qualified as substantive. No substantive direct impact on environment due to our activities was identified. However, water being a shared source is the responsibility of all water users and therefore we consider ourselves accountable to contribute towards improving the situation.

Result:

To reduce financial impact: As risk mitigation measure alternative logistics and supply options were developed. LANXESS has a consolidated view of the risk, including possible countermeasures.

To reduce environmental impact: Apart from efficient water use on the mentioned sites, LANXESS also signed the “Low Water Action Plan” for the river Rhine together with other industry partners and the local authorities.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

Total number of facilities	% company-wide facilities	Comment
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	exposed to water risk	this represents	
Row 1	7	1-25	<p>Out of the seven sites, for our three sites located in the Rhine basin (Germany), one water-related risk was identified, that exceeded the internally defined threshold of the risk management process. Due to the experience of the last five years, a low level of the river Rhine was identified as feasible risk scenario. Implications could be lower loading capacities and limitations in ship supply.</p> <p>The other four sites were identified as water risk sites after carrying out an extensive water risk analysis. All the four sites are situated in areas with high water stress. Two of the sites are located on two different river basins in India, one in china and one in Italy. In all the river basins, the current water stress is extremely high. In a ten-year pessimistic future scenario, the water supply and demand situation in the basins will remain at a critical level. Implications may include a negative impact on our production volumes and also future expansion plans. Although neither of the four sites experienced production disruptions due to inadequate water supply in the past decade, we are continuously working to improve our water management. It can also be seen as a preparatory step for future.</p>

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Germany
Rhine

Number of facilities exposed to water risk

3

% company-wide facilities this represents

1-25

% company's total global revenue that could be affected

Unknown

Comment

For our three sites located in the Rhine basin (Germany), one water-related risk was identified, that exceeded the internally defined threshold of the risk management process. Due to the experience of the last five years, a low level of the river Rhine was identified as feasible risk scenario. Implications could be lower loading capacities and limitations in ship supply.

Country/Area & River basin

India
Narmada

Number of facilities exposed to water risk

4

% company-wide facilities this represents

Less than 1%

% company's total global revenue that could be affected

Unknown

Comment

Four sites were identified as water risk sites after carrying out an extensive water risk analysis. All the four sites are situated in areas with high water stress. As our four water risk sites have negligible amount of water withdrawal, discharge and consumption amounts, when accounted for individually, they are reported as an aggregate of multiple locations in this section. The river basin of our biggest site, Jhagadia, was chosen. To assess water stress two different tools were used: WWF Water Risk Filter and WRI Aqueduct. Additionally an extensive water risk analysis was carried out for identifying these risk sites. This assessment combines internal data with external scientific data like water stress, operational or regulatory risks and relevant water KPIs. Overall, ten indicators are used. Although, the sites did not experience any production disruptions due to inadequate water supply in the past decade, we are continuously working to improve our water management and become water stewards at these sites.

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Germany
Rhine

Type of risk & Primary risk driver

Physical
Seasonal supply variability/inter annual variability

Primary potential impact

Supply chain disruption

Company-specific description

For our three sites located in the Rhine basin (Germany), one risk was identified i.e., Insufficient supply with raw materials and feedstock due to strong limitations in ship and barge transportation in case of low level of river Rhine could lead to serious impacts in production volumes or even shutdowns of plants.

Timeframe

More than 6 years

Magnitude of potential impact

High

Likelihood

Likely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact

We do not disclose data at this level of detail.

Primary response to risk

Amend the Business Continuity Plan

Description of response

As risk mitigation measure alternative logistics and supply options were developed. As water risks are shared risks for all stakeholders in a basin, LANXESS signed the "Low Water Action Plan" for the river Rhine together with other industry partners and the local authorities. This action plan focuses on the above mentioned sites.

Cost of response

Explanation of cost of response

We do not disclose data at this level of detail.

Country/Area & River basin

India

Narmada

Type of risk & Primary risk driver

Physical
Increased water stress

Primary potential impact

Constraint to growth

Company-specific description

As our four water risk sites have negligible amount of water withdrawal, discharge and consumption amounts, when accounted for individually, they are reported as an aggregate of multiple locations in this section. The river basin of our biggest site, Jhagadia, was chosen. This river basin already has an extremely high water stress, and the water supply is expected to decrease further in a ten year pessimistic scenario. This can have an impact on our production volumes and also future expansion plans. Although the site did not experience any production disruptions due to inadequate water supply in the past decade, we are continuously working to improve our water management.

Timeframe

More than 6 years

Magnitude of potential impact

Medium-high

Likelihood

Likely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact

We do not disclose data at this level of detail.

Primary response to risk

Other, please specify
Implementing water stewardship program and setting site-specific targets

Description of response

To specifically address water risk sites identified by the water risk analysis. We decided to implement site-specific water stewardship programs until 2023. Although neither of

the four sites experienced production disruptions due to inadequate water supply in the past decade, we are continuously working to improve our water management. It can also be seen as a risk mitigation and preparatory step for future. They include site-specific action plans, collaborative and multi-stakeholder water projects to address shared basin risks and best water practices on site. Moreover, we aim to develop a LANXESS-specific Water Stewardship Standard that is based on accepted standards and reflects the special needs of our company. As a cornerstone of these local water stewardship programs, we are committed to reducing 15% of our water withdrawal at these four sites by 2023.

Cost of response

Explanation of cost of response

We do not disclose data at this level of detail.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	<p>LANXESS suppliers are seen and treated as an extension of our value chain. We believe that our suppliers are business partners, and the aim is to foster long-term corporate partnerships that drive success and add value for society. This can only be achieved on the basis, among other things, of the extent to which our business partners share our social and environmental values.</p> <p>Our supplier code of conduct makes sure that the suppliers we work with share our principles when it comes to safeguarding the environment. From both the TfS Assessments and TfS Audits a Corrective Action Plan is generated, and shared between the inviting company (LANXESS) and the supplier. This assessment helps us identify any risks that exist in our supply chain and develop countermeasures before it has a substantive impact on our operational activities.</p> <p>One example: With low river rhine levels, risks were identified in our supply chain with regards to logistics and transportation of important raw materials and products. So, as risk mitigation measure alternative logistics and supply options were developed. As water risks are shared risks for all stakeholders in a basin, LANXESS also signed the “Low Water Action Plan” for the river Rhine together with other industry partners and the local authorities, to mitigate these risks at catchment level as a long term solution to this water issue.</p> <p>Although the procurement spends is an important factor, we also look at various other factors to identify risks. These factors include, but are not limited to, contract duration, strategic importance, business impact, previous CSR ratings, category and country risks. Positive steps and</p>

		<p>improvements have been made in the formalization of our risk based approach of identification of suppliers. This will strengthen and support our focus on sustainability as supplier CSR rating will be fundamental in the decision making process.</p> <p>All these risk identification processes provides us enough time in advance to review and change our supply chain strategies and partners as and when required.</p>
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W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Products and services

Primary water-related opportunity

Increased sales of existing products/services

Company-specific description & strategy to realize opportunity

Regarding climate adaptation increased water stress in many regions and countries is a direct consequence of climate change. Opportunities and not only challenges can be found in water scarcity and pollution. Experts estimate the annual water demand to reach 6,900 bn m³ in 2030, creating a shortfall of 2,700 bn m³. Contamination of water supplies is increasing at the same time due to an increasing rate of urbanization and water scarcity due to climate change. The need for safe drinking water is increasing as municipal sources vary from rivers to underground water to seawater along coastal areas. All these sources are often polluted and contain a significant amount of dissolved metals. This global water supply gap of approx. 40 % creates a business opportunity for LANXESS, as solution provider for water treatment and water extraction technologies.

The market for ion exchange resins will grow at a CAGR of 4% from 2019-2024, with higher growth rates for the specialty segment. This will increase the market from 1.6bn€ in 2019 to 1.9bn€ in 2024. LANXESS's approach is win a significant share of this absolute growth of ~300m€. To accompany this fast market growth and to gain a significant share of this growth, LANXESS invested in R&D collaborations with educational scientific institutes and R&D cooperation with customer and plans to increase its production capacities for ion exchange resins and is as illustrated in following Case Study:

Example:

Situation: The demand for products to implement water purification is increasing.

Task: LANXESS is to expand its production capacities in order to serve the demand for water purification products.

Action: LANXESS launched a project in 2019 that analysed the markets in the individual regions in terms of supply demand development, growth potential and differentiation by product group. It also looked at various countries and sites where a new plant could be built.

Result: LANXESS announced in 2020, that it is currently planning to build a new production facility, for which it plans to invest a significant amount in the coming years.

Estimated timeframe for realization

4 to 6 years

Magnitude of potential financial impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

45,000,000

Potential financial impact figure – maximum (currency)

90,000,000

Explanation of financial impact

The market for ion exchange resins will grow at a CAGR of 4% from 2019-2024, with higher growth rates for the specialty segment. This will increase the market from 1.6bn€ in 2019 to 1.9bn€ in 2024. LANXESS is a relevant player in the ion exchange resins market. The mentioned growth is based on feasibility studies. If LANXESS manages to generate 15%-30% of this growth, this would lead to a sales increase of 45-90m€.

Calculation:

Min: $15\% * 300\text{m€} = 45\text{m€}$

Max: $30\% * 300\text{m€} = 90\text{m€}$

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Facility reference number

Facility 1

Facility name (optional)

Niederrhein sites

Country/Area & River basin

Germany

Rhine

Latitude

51.021144

Longitude

6.982976

Located in area with water stress

No

Total water withdrawals at this facility (megaliters/year)

143,154.6

Comparison of total withdrawals with previous reporting year

About the same

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

86.448

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

143,068.2

Total water discharges at this facility (megaliters/year)

136,905.71

Comparison of total discharges with previous reporting year

About the same

Discharges to fresh surface water

127,951.48

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

8,954.24

Total water consumption at this facility (megaliters/year)

6,248.93

Comparison of total consumption with previous reporting year

Much lower

Please explain

As our 3 "Niederrhein-sites" are located within the maximum distance of 60 km to each other and as they have a shared water risk due to the location next to the river Rhine, they are reported as an aggregate of multiple locations in this section. The coordinates of our biggest site, Leverkusen, were chosen. To assess water stress two different tools have been used: WWF Water Risk Filter and WRI Aqueduct. Up to a difference of 5% we assess changes as "about the same", up to 15% as "higher/lower" and more than 15% as "much higher/lower". The figures are measured and reported on a quarterly basis into our HSE Performance Data system.

Facility reference number

Facility 2

Facility name (optional)

Water risk sites

Country/Area & River basin

India

Narmada

Latitude

21.69574

Longitude

73.13636

Located in area with water stress

Yes

Total water withdrawals at this facility (megaliters/year)

3,719.83

Comparison of total withdrawals with previous reporting year

This is our first year of measurement

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

2,513.102

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

87.919

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

1,118.8

Total water discharges at this facility (megaliters/year)

2,807.76

Comparison of total discharges with previous reporting year

This is our first year of measurement

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

2,807.7

Total water consumption at this facility (megaliters/year)

912.06

Comparison of total consumption with previous reporting year

This is our first year of measurement

Please explain

As our four water risk sites have negligible amount of water withdrawal, discharge and consumption amounts, when accounted for individually, they are reported as an aggregate of multiple locations in this section. The coordinates of our biggest site, Jhagadia, were chosen. To assess water stress two different tools were used: WWF Water Risk Filter and WRI Aqueduct. Additionally an extensive water risk analysis was

carried out for identifying these risk sites. We are reporting the values for this site for the first time, therefore no comparison is provided to previous year. In general up to a difference of 5% we assess changes as "about the same", up to 15% as "higher/lower" and more than 15% as "much higher/lower". The figures are measured and reported on a quarterly basis into our HSE Performance Data system.

W5.1a

(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?

Water withdrawals – total volumes

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water withdrawals – volume by source

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water withdrawals – quality

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water discharges – total volumes

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water discharges – volume by destination

% verified

Not verified

Water discharges – volume by treatment method

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water discharge quality – quality by standard effluent parameters

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water discharge quality – temperature

% verified

Not verified

Water consumption – total volume

% verified

76-100

What standard and methodology was used?

The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

Water recycled/reused

% verified

Not verified

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Company water targets and goals Commitment to water-related innovation Commitment to water stewardship and/or collective action	LANXESS has an exclusive overarching company-wide WATER BACKGROUND paper, which is externally available. The availability of fresh water is essential for life and socio-economic development. As a chemicals company, we rely on water for cooling (81%), for process purposes (17%) and in the form of steam (2%). At LANXESS, we are committed to a responsible use of water, and the Board of Management is responsible for overseeing our water strategy, risk management and performance. Globally, we aim to decouple economic growth from water consumption and wastewater loads. We are committed to using water more efficiently and to increasing the share of alternative water sources. Since 2016, we have reduced our specific water consumption by around 13%. Local context plays an important role in sustainable water management. The local water stress situation is one of the most important aspects. More than 90% of our total water withdrawal takes place in low stress areas, and only around 2% in areas with high or extremely high water stress. In order to prioritize and to develop context-based goals and measures, we combine aspects like water stress and operational or regulatory risks for water risk assessments. In total, we have identified four water risk sites in India, Italy and China. At all these sites, we have started to implement water stewardship (programs)

			<p>and are committed to further reducing our water withdrawal – for example, by installing a cooling tower and by increasing the internal recycling rate of water.</p> <p>At LANXESS, we understand that our responsibility for water does not end at our factory gates. Instead, we aim for a holistic approach taking into account all relevant stakeholders along the value chain and especially local communities. We engage as a corporate citizen in the communities where we operate, and we participate in multi-stakeholder initiatives.</p>
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W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Chief Executive Officer (CEO)	As climate change and water-related issues are multidimensional, the highest level of direct responsibility lies with the Board of Management headed by the CEO of LANXESS. Strategic risks and/ or chances arising from the resource water are analyzed and monitored as part of the annual 'Strategic Portfolio Review' by the Board and presented to the Supervisory Board. Outcomes are considered in the corporate business strategy of LANXESS.
Chief Operating Officer (COO)	<p>The highest level of direct responsibility for directives, strategies and programs with regard to water, water management and waste water as well as for defining HSEQ targets and monitoring their attainment is assigned to LANXESS Chief Operating Officer, who is also part of the Board of Management. HSEQ stands for Health, Safety, Environmental protection (water protection included) and Quality. The COO directs LANXESS's HSEQ Committee, comprising the company's senior executives including the heads of the Business Units and Group Functions. It has responsibility for initiating and monitoring the global implementation of HSEQ directives, strategies and programs. The COO sets up targets and strategies and supervises the Business Units in the implementation process and identifies the relevant reduction projects. Investment projects are then confirmed together with the CFO.</p> <p>After the decision in 2019 for LANXESS to become climate neutral until 2040, the COO initiated the Climate Coordination Committee, to manage and to harmonize the different work streams regarding CO2-topics.</p>

<p>Chief Financial Officer (CFO)</p>	<p>The Chief Financial Officer, who is a board member, is responsible to review the corporate risks and the corporate finance structure. This includes the heading of the Corporate Risk Committee (CRC). The Corporate Risk Committee takes over the main oversight function. It is responsible for the structure and implementation of the Group-wide Risk Management process. CRC is made up of senior executives, analyzes, validates and monitors the Group’s risk profile as well as the key opportunities, risks and measures, including climate and water related risks and opportunities.</p>
<p>Board-level committee</p>	<p>In order to pursue our sustainability goals even more consistently, a new committee structure was devised. The top decision-making body is the Sustainability Committee (a Board-level committee), which manages all key sustainability issues and includes all Board members. Five sub-committees report to the committee and deal with the focus topics of LANXESS's sustainability strategy. One of these sub-committees is the Health, safety and Environment sub-committee which takes the ownership for the water topic among other sustainability topics. It comprises besides the heads of the Group Functions Corporate Development, PTSE (Production, Technology, Safety and Environment) and members from LEX (Legal and Compliance), and for special topics members from Business Units.</p> <p>This is no one-time-effort: Our internal sustainability experts systematically examine the existing targets, formulations and indicators in the reporting year, refine them where necessary, and also define new targets for water among other topics. One example is our global LANXESS Water Program which we launched in 2020. The responsible use of the resource water is part of our corporate responsibility. We have also initiated our LANXESS Water Stewardship Program to drive our commitment even further forward.</p> <p>LANXESS has formulated specific targets for all key issues. Our aspiration is to achieve an increase in value for our company, our stakeholders and society through our operating activities. The topic of sustainability is also incorporated into the compensation of the Board of Management. A new system of compensation has been in place since the beginning of the year. Roughly one-third of the variable compensation is now linked to achievements of its sustainability goals.</p>

W6.2b

(W6.2b) Provide further details on the board’s oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance	Corporate Risk Committee: The Corporate Risk Committee as the main oversight function for risks and opportunities

		<p>Overseeing acquisitions and divestiture</p> <p>Overseeing major capital expenditures</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding strategy</p> <p>Reviewing and guiding corporate responsibility strategy</p> <p>Reviewing innovation/R&D priorities</p> <p>Setting performance objectives</p>	<p>analyses and validates the key opportunities and risks and their development from a group perspective as well as the management measures. It is headed by the Chief Financial Officer. If necessary, additional analyses or measures are commissioned. This includes all topics resulting from Climate Change.</p> <p>Every year all strategic topics and measures are discussed by the board in a three-day workshop. One of the topics is water including actual progress against new targets.</p> <p>Board of Management: As climate change is a multidimensional issue, the highest level of direct responsibility lies with the Board of Management headed by the CEO of LANXESS. Strategic risks and/ or chances arising from climate change are analyzed and monitored as part of the annual 'Strategic Portfolio Review' by the Board and presented to the Supervisory Board. Outcomes are considered in the corporate business strategy of LANXESS.</p> <p>HSEQ Committee: LANXESS's HSEQ Committee is headed by the COO. HSEQ stands for Health, Safety, Environmental protection (water protection included) and Quality. This committee comprises of the company's senior executives including the heads of the Business Units and Group Functions. The HSEQ Committee has responsibility for initiating and monitoring the global implementation of HSEQ directives, strategies and programs, as well as for defining HSEQ targets and monitoring their attainment. This includes water and climate related targets and decisions. this committee is replaced by sustainability committee from year 2021.</p> <p>Sustainability Committee: In order to pursue our sustainability goals even more consistently, a new committee structure was devised. The top decision-making body is the Sustainability Committee, which manages all key sustainability issues and includes all Board members. Five sub-committees report to the committee and deal with the focus topics of</p>
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			<p>LANXESS's sustainability strategy. One of these sub-committees is the Health, safety and Environment sub-committee which takes the ownership for the water topic among other sustainability topics. It comprises besides the heads of the Group Functions Corporate Development, PTSE (Production, Technology, Safety and Environment) and members from LEX (Legal and Compliance), and for special topics members from Business Units. This is no one-time-effort: Our internal sustainability experts systematically examine the existing targets, formulations and indicators in the reporting year, refine them where necessary, and also define new targets for water among other topics. One example is our global LANXESS Water Program which we launched in 2020. The responsible use of the resource water is part of our corporate responsibility. We have also initiated our LANXESS Water Stewardship Program to drive our commitment even further forward.</p>
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W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Chief Operating Officer (COO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

As a member of the Board of Management, the COO has the highest level of direct responsibility for LANXESS operations. The COO also has the highest level of direct responsibility for directives, strategies and programs with regard to water as well as for defining and monitoring of HSEQ targets. As water, as well as climate has become an important corporate-wide issue, responsibility for it has been assigned directly to the COO. The COO not only chairs the HSEQ committee and the Climate Coordination Committee but the overall process for eco efficiency incl. water efficiency and water emission reductions, especially in the case of investment decisions. In this respect the

COO brings water related topics to the attention of the Board of Management on a regular basis. The COO monitors the target achievements via the LANXESS HSE performance data. Results are analyzed by the Environmental Sustainability and Corporate Strategy department and brought to the attention of the HSEQ Committee.

Name of the position(s) and/or committee(s)

Chief Financial Officer (CFO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

The Chief Financial Officer chairs the Corporate Risk Committee and supervises all LANXESS investment decisions in the Investment Committee. As water, as well as climate has become an important corporate-wide issues, the CFO assesses and manages climate- and water-related risks and opportunities on a regular basis and therefore more frequently than quarterly. The CFO monitors the target attainment for water and water emission reductions via the HSE performance data that are provided to him by the COO and proceeds with the approval of investment decisions accordingly.

Name of the position(s) and/or committee(s)

Sustainability committee

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

In order to pursue our sustainability goals even more consistently, a new committee structure was devised. The top decision-making body is the Sustainability Committee, which manages all key sustainability issues and includes all Board members. Five sub-committees report to the committee and deal with the focus topics of LANXESS's sustainability strategy. One of these sub-committees is the Health, safety and Environment sub-committee which takes the ownership for the water topic among other sustainability topics. It comprises besides the heads of the Group Functions Corporate Development, PTSE (Production, Technology, Safety and Environment) and members from LEX (Legal and Compliance), and for special topics members from Business Units. This is no one-time-effort: Our internal sustainability experts systematically examine the existing targets, formulations and indicators in the reporting year, refine them where necessary, and also define new targets for water among other topics.

Name of the position(s) and/or committee(s)

Safety, Health, Environment and Quality committee

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

More frequently than quarterly

Please explain

LANXESS's HSEQ Committee is comprised of the company's senior executives (including the heads of the Business Units and Group Functions) under the direction of the Chief Operating Officer. HSEQ stands for Health, Safety, Environmental protection (water protection included) and Quality. The Committee is coordinated by the Head of the Group Function PTSE (Production Technology Safety and Environment), bearing the responsibility for initiating and monitoring the global implementation of HSEQ directives, strategies and programs, as well as for defining HSEQ targets and monitoring their attainment. The Head of the Group Function PTSE serves as the global representative of the Board of Management in terms of HSEQ management for LANXESS and its affiliates. The Head of the Group Function PTSE directly reports to the COO.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	No, and we do not plan to introduce them in the next two years	Climate-related incentives exist for higher management level at LANXESS. Extending these incentives to other topics is currently under discussion. It is not excluded that there will also be water-related incentives for upper management in the future.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

- Yes, direct engagement with policy makers
- Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

The Chairman of the Board of Management (CEO) of LANXESS has the highest level of responsibility. The CEO is responsible for the Corporate Communications Group Function and therefore for the Political Relations team. The team coordinates the Group's public affairs activities at the global level. The team's tasks: political communication and positioning of the Group and its strategy regarding politics, administration, associations and non-governmental organizations. This also includes energy, climate and water policy. The relevant stakeholders are addressed locally, regionally, nationally and internationally at all levels. To align all water-relevant decisions and engagements with the existing policies lies with the expert committees, e.g. the CR Committee (Corporate Responsibility Committee) or the HSEQ Committee (Health, Safety, Environment and Quality Committee). From the highest management level one member is present in these Committees (COO in HSEQ Committee and Labor Relations Director in CR Committee).

One example for water-related politics and stakeholder engagement is our involvement for the river Rhine (Germany). Together with other industry partners and local politicians we signed the "Low Water Action Plan" in year 2019 to counter the low water level problems with the river Rhine caused by climate change. The other example is from our site in Nagda, which is a zero liquid discharge site, a big water-consuming company will follow our zero liquid discharge model.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

 2020 AR LXS_web (4).pdf

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain

<p>Long-term business objectives</p>	<p>Yes, water-related issues are integrated</p>	<p>5-10</p>	<p>LANXESS sees that water availability and quality are global challenges, today and even more in the future. As a responsible water user and solution provider LANXESS enables the improved availability of high quality water for society through its product. LANXESS group strategy aims to grow above average in those markets. This is reflected in the set-up of the new segment “Consumer protection” with a focus on agro, water and human protection solutions. LANXESS is a leading supplier of water treatment products and producer of ion exchange resins of which one main application is drinking water treatment.</p> <p>Thus, one of our water related Long-term business objectives integrated into our business strategy is to capitalize on existing business opportunities. The following example illustrates this: Water Experts estimate the annual water demand to reach 6,900 bn m³ in 2030, creating a shortfall of 2,700 bn m³. This global water supply gap of approx. 40 % creates a business opportunity for LANXESS, as solution provider for water treatment and water extraction technologies. The market for ion exchange resins will grow at a CAGR of 4% from 2019-2024, with higher growth rates for the specialty segment. This will increase the market from 1.6bn€ in 2019 to 1.9bn€ in 2024. LANXESS’s approach is to win a significant share of this absolute growth of ~300m€.</p>
<p>Strategy for achieving long-term objectives</p>	<p>Yes, water-related issues are integrated</p>	<p>5-10</p>	<p>Our long-term goals are integrated into our Corporate Strategy and detailed into business strategies and specific measures. The corporate strategy process is designed to control the strategic implementation on business level annually. Financial targets are set. Additionally, we have a good track record with Mergers & Acquisitions activities and continuously scan the market for additional growth opportunities.</p> <p>On a more operational level we regularly review our strategy with the objective of making LANXESS resilient to risks related to water and climate change. We assess our portfolio in terms of economic, environmental and social sustainability.</p> <p>For example to realise the opportunity mentioned earlier the following strategic approach was implemented: Situation: The demand for products to implement water</p>

			<p>purification is increasing.</p> <p>Task: LANXESS is to expand its production capacities in order to serve the demand for water purification products.</p> <p>Action: LANXESS launched a project in 2019 that analysed the markets in the individual regions in terms of supply demand development, growth potential and differentiation by product group. It also looked at various countries and sites where a new plant could be built.</p> <p>Result: LANXESS announced in 2020, that it is currently planning to build a new production facility, for which it plans to invest between 80m€ and 120m€ in the coming years.</p> <p>For this year LANXESS set itself ambitious water targets and goals.(more details in chapter 8)</p>
Financial planning	Yes, water-related issues are integrated	5-10	<p>Climate and water-related risks and opportunities have influenced our financial statements in several ways and since many years. As the related effects are not limited in time, they are of course also influencing our financial planning. Its time horizon is five to ten years.</p> <p>To realize business growth in the water related market segments, short, medium and long-term revenue targets are defined for all relevant Business Units and Segments, e.g. for the new segment “Consumer protection”. LANXESS group strategy aims to grow above average in those markets. LANXESS continuously invests into R&D. Revenues are influenced due to the sales of chemical products required for water treatment (e.g. Ion exchange resins for food and pharmaceutical industries, semiconductor industry, the chemical industry, microelectronics and drinking water treatment), and of products being suitable for technologies helping to adapt to climate change and to mitigate its consequences.</p> <p>LANXESS also defines the costs and investments for realising the business opportunities identified. To realise its aim of growing in the resins business, as mentioned earlier, LANXESS is currently planning to build a new production facility, for which it plans to invest between 80m€ and 120m€ in the coming years.</p> <p>Besides realizing opportunities for market growth, divestments are as well an accepted measure to</p>

			improve the water efficiency of our portfolio.
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W7.2

(W7.2) What is the trend in your organization’s water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

Anticipated forward trend for CAPEX (+/- % change)

Water-related OPEX (+/- % change)

Anticipated forward trend for OPEX (+/- % change)

Please explain

We do not disclose our financial data at this level due to confidentiality reasons.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

	Use of climate-related scenario analysis	Comment
Row 1	Yes	We have used qualitative scenario analysis for both carbon and water, to support the development of our climate neutral strategy, which eventually gets translated into our business strategies. Informed by these scenario analysis for carbon, in 2019 LANXESS started it's journey to become climate neutral by 2040. We also consider water as critical environmental topic in our climate strategy along with carbon, therefore an extensive water risk analysis framework was developed and used in combination with the scenario-analysis (e.g. Current and Future water risk under pessimistic, optimistic or business as usual scenarios) provided by recognised water tools like WWF Water Risk Filter and WRI Aqueduct to make informed water related decisions. This scenario analysis provided the basis for choosing our water risk sites. Site-specific targets and goals were

		developed for the identified water risk sites, which in turn provides the basis for the business strategy for these sites.
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W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

Yes

W7.3b

(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization’s response?

	Climate-related scenarios and models applied	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	RCP 2.6	We used credible, publicly available tools WRI Aqueduct and WWF Water Risk Filter for assessing future water risks in relation to climate scenarios in our water risk assessment. Both tools combine different climate scenarios (IPCC Representative Concentration Pathways - RCP and IASA Shared Socio-economic Pathways - SSP) to explore future water risks. After assessing all our sites using the water risk assessment in combination with the pessimistic scenario analysis provided by WWF Water Risk Filter and WRI aqueduct, we identified and prioritized our water risk sites. Our main indicators for water risk are the water stress score provided by the above mentioned water tools and the specific water withdrawal per ton of product. The water stress score is the average of the current and future water stress, and therefore reflects the current situation as well as the expected future change (in a pessimistic scenario with higher population growth and a lower rate of urbanization). The second indicator is the specific water withdrawal per ton of	To specifically address water risk sites identified by the water risk analysis combined with the scenario analysis. We decided to implement site-specific water stewardship programs until 2023 on the identified water risk sites. They include site-specific action plans, collaborative and multi-stakeholder water projects to address shared basin risks and best water practices on site. Moreover, we aim to develop a LANXESS-specific Water Stewardship Standard that is based on accepted standards and reflects the special needs of our company. As a cornerstone of these local water stewardship programs, we are committed to reducing water withdrawal at these four sites by 15% by the 2023, considering 2019 as the base year. Although these sites did not experience any production disruptions due to inadequate water supply in the past decade, we are continuously working to improve our water management. This decision has determined our business related strategies at these sites.

		product. The less water a site withdraws for production, the lower the risk posed by water scarcity. Using this assessment, we have determined four water risk sites, namely Jhagadia (India), Latina (Italy), Nagda (India) and Qingdao (China). The risk assessment is updated regularly.	
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W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, and we do not anticipate doing so within the next two years

Please explain

We have an internal price for carbon and do not see an immediate requirement to introduce an internal monetary price to water. As a responsible user, we strive to use the water resource with utmost conscience and accountability. However, it's considered in our long term plans.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Site/facility specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	The company-wide non-financial targets and goals are set on a yearly basis. The LANXESS HSEQ (Health, Safety, Environment & Quality) experts discuss and define targets for different environmental-related KPIs based on the assessment of water performance of the company. This assessment includes monitoring and analysing the water specific parameters such as water usage, quality and discharge and the identification of water risk sites by using LANXESS specific water risk assessment, in combination with the online water tools (WWF Water Risk Filter and WRI Aqueduct). The analysis also takes into consideration the site-specific water projects and accompanying initiatives in the local communities where we operate. These goals and

		<p>targets are decided upon by the LANXESS Board of Management. Monitoring of water-related goals and targets is done corporate level, even for site-specific targets and goals.</p> <p>For this reporting year, LANXESS has set 3 water targets and one goal.</p> <p>Target 1: A continuous company-wide target of reducing specific water consumption by 2% compared to the previous year.</p> <p>For every reporting year LANXESS sets itself a specific water consumption reduction target using the total water consumption as a nominator and revenue as denominator. Due to water scarcity and increasing water prices in certain areas, a reduction in water consumption is seen as a risk mitigation and efficiency measure.</p> <p>Target 2: The continuous company-wide target of reducing specific TOC values in wastewater by 2% compared to the previous year</p> <p>From this reporting year, LANXESS has set itself a 2% y/y reduction target for TOC values in wastewater. Reducing the pollutants in wastewater discharges, even beyond the permit limits is as a measure to contribute towards improving the water quality in the areas we operate. As a responsible water user, we see it as a step towards reducing environmental impact. LANXESS intends to continue with this target for coming years.</p> <p>Target 3: Site-Specific target of 15% absolute reduction of water withdrawal at water risk sites until 2023 (base year 2019)</p> <p>To address the unique water situation on our sites, this site-specific target of 15% absolute reduction of water withdrawal at water risk sites has been established. It can be seen as a cornerstone to implementing our water stewardship program (described in the goal) on our water risk sites.</p> <p>Goal: Implementation of water stewardship program at water risk sites until 2023</p> <p>For specifically addressing the water risk sites identified by carrying out the water risk assessment explained in the risk identification chapter, LANXESS has decided to implement site-specific water stewardship programs until 2023 on these risk sites. This will include developing site-specific action plans, collaborative and multi-stakeholder water projects to</p>
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			address shared basin risks and best water practices on site.
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W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Water withdrawals

Level

Site/facility

Primary motivation

Water stewardship

Description of target

Target 1: Site-Specific target of 15% absolute reduction of water withdrawal at water risk sites until 2023 (base year 2019)

To address the unique water situation on our sites, this site-specific target of 15% absolute reduction of water withdrawal at water risk sites has been established. It can be seen as a cornerstone to implementing our water stewardship program (described in the goal) on our water risk sites. This reduction target can be seen as a good water steward behaviour, water-risk mitigation method or a preparatory step for future.

Quantitative metric

% reduction in total water withdrawals

Baseline year

2019

Start year

2019

Target year

2023

% of target achieved

20

Please explain

This target of 15% absolute reduction in water withdrawal is applicable to our four water risk sites which has to be achieved by 2023 with the base year being 2019. The sites have to reduce a total of 15% of their water withdrawal amounts in a span of 4 years with 2019 as the base year. Already for this reporting year, a reduction of 3% was achieved in the water withdrawal amounts from the water risk sites in total.

Target reference number

Target 2

Category of target

Water pollution reduction

Level

Company-wide

Primary motivation

Reduced environmental impact

Description of target

Target 2: A continuous target of reduction of specific TOC in wastewater by 2% compared to the previous year

From this reporting year, LANXESS has set itself a 2% y/y reduction target for TOC values in wastewater. Reducing the pollutants in wastewater discharges, even beyond the permit limits is as a measure to contribute towards improving the water quality in the areas we operate. As a responsible water user, we see it as a step towards reducing environmental impact. LANXESS intends to continue with this target for coming years.

Quantitative metric

% reduction in concentration of pollutants

Baseline year

2019

Start year

2019

Target year

2020

% of target achieved

0

Please explain

For this reporting year LANXESS has itself a specific TOC reduction target in wastewater, using revenue as a denominator for calculating the percentage reduction in specific TOC values. (Specific reduction of TOC in wastewater (metric tons per Euro

revenue)) , but could not achieve the target because of an exceptional year due to the coronavirus pandemic. We had reduced sales from few of our production sites resulting in a smaller denominator value (Euro revenue) and an increased specific TOC values thereby.

Target reference number

Target 3

Category of target

Water consumption

Level

Company-wide

Primary motivation

Risk mitigation

Description of target

Target 3: A continuous target of company-wide reduction of specific water consumption by 2% compared to the previous year

For every reporting year LANXESS sets itself a specific water consumption reduction target using the total water consumption as a nominator and revenue as denominator. Due to water scarcity and increasing water prices in certain areas, a reduction in water consumption is seen as a risk mitigation measure. On a yearly basis LANXESS HSEQ (Health, Safety, Environment & Quality) experts discuss and define targets for different environmental-related KPIs. One of them is water consumption. Using this measure for showed an improvement in lowering water consumption amounts is visible in the 4-year trend.

Quantitative metric

% reduction in total water consumption

Baseline year

2019

Start year

2019

Target year

2020

% of target achieved

0

Please explain

For reporting year 2020 LANXESS set itself a target of 2% reduction in specific water consumption compared to the previous year with revenue as the denominator (Specific

reduction of water consumption (cubic meter per Euro revenue)), but could not reach the target because of an exceptional year due to the coronavirus pandemic. We had reduced sales from few of our production sites resulting in a smaller denominator value (Euro revenue) and an increased specific consumption value thereby.

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Engaging with local community

Level

Company-wide

Motivation

Water stewardship

Description of goal

Goal: Implementation of water stewardship program at water risk sites until 2023
 For specifically addressing the water risk sites identified by carrying out the water risk assessment explained in the risk identification chapter, LANXESS has decided to implement site-specific water stewardship programs until 2023 on these risk sites. Although neither of the four sites experienced production disruptions due to inadequate water supply in the past decade, we are continuously working to improve our water management. It can also be seen as a risk mitigation and preparatory step for future. This will include developing site-specific action plans, collaborative and multi-stakeholder water projects to address shared basin risks and best water practices on site. In addition, on the basis program, we aim to develop a LANXESS-specific Water Stewardship Standard that is based on accepted standards and reflects the special needs of our company.

Baseline year

2019

Start year

2020

End year

2023

Progress

A LANXESS specific water stewardship framework has already been developed and tested over a period of 6 months on the water risk sites. The testing period is part of the implementation phase. This framework is divided into three main phases. The first phase consists of collecting relevant data at site and catchment level. The second phase focuses on analysing this collected data by answering a water stewardship

questionnaire. In the third phase, the sites are provided with a framework of the response plan which illustrates the minimum criteria and the maximum expectations that a water stewardship site has to fulfil. Based on this response plan the sites are required to develop their own site-specific response plan to fill the gaps identified by answering the water stewardship questionnaire and fulfil the criteria mentioned in the response plan. The documents developed in the three phases are inspired and shaped by globally recognised Water Stewardship Standards (e.g. AWS, EWS etc.,)

For reviewing the performance of the sites, the sites have to answer at least 80% of the water stewardship questionnaire in the second phase to move on to the third phase. Currently, all identified water risk sites have successfully finished the first two phases and moving on to the third phase and working on developing a response plan. To be declared as a water stewardship site by the year 2023, they have to fulfil all the criteria provided in the response plan.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

Yes

W9.1a

(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module	Data verified	Verification standard	Please explain
W1 Current state	Total Water withdrawal in water stress areas	ISAE 3000	The KPI is part of the independent third party audit by PwC (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft) with limited assurance. The auditor used the ISAE 3000 and the GRI standard. The audits focus on business unit and site information.

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Chief Operating Officer (COO)/ Member of the Board of Management	Chief Operating Officer (COO)

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate’s Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

No