

LANXESS – dedicated to energizing sustainability

CEO Sustainability Meeting

Matthias Zachert, CEO

Cologne, June 29, 2021

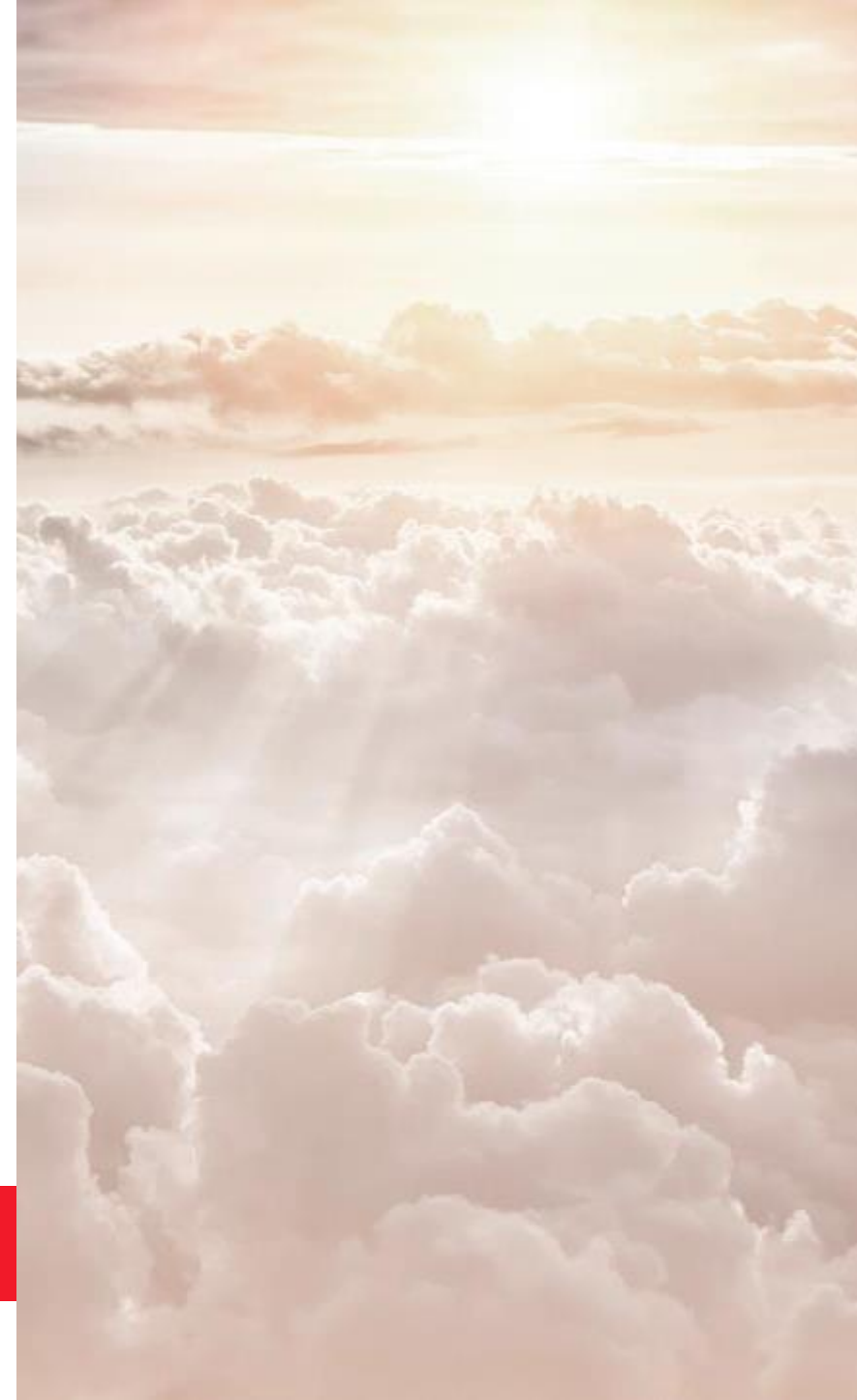
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Agenda

- I. LANXESS ESG Vision
- II. LANXESS ESG Approach
 1. Environment
 - Climate
 - Water
 - Circular Economy
 2. Social
 3. Governance
- III. Sustainability Ratings and Reporting
- IV. Conclusion



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I. LANXESS ESG Vision

II. LANXESS ESG Approach

1. Environment

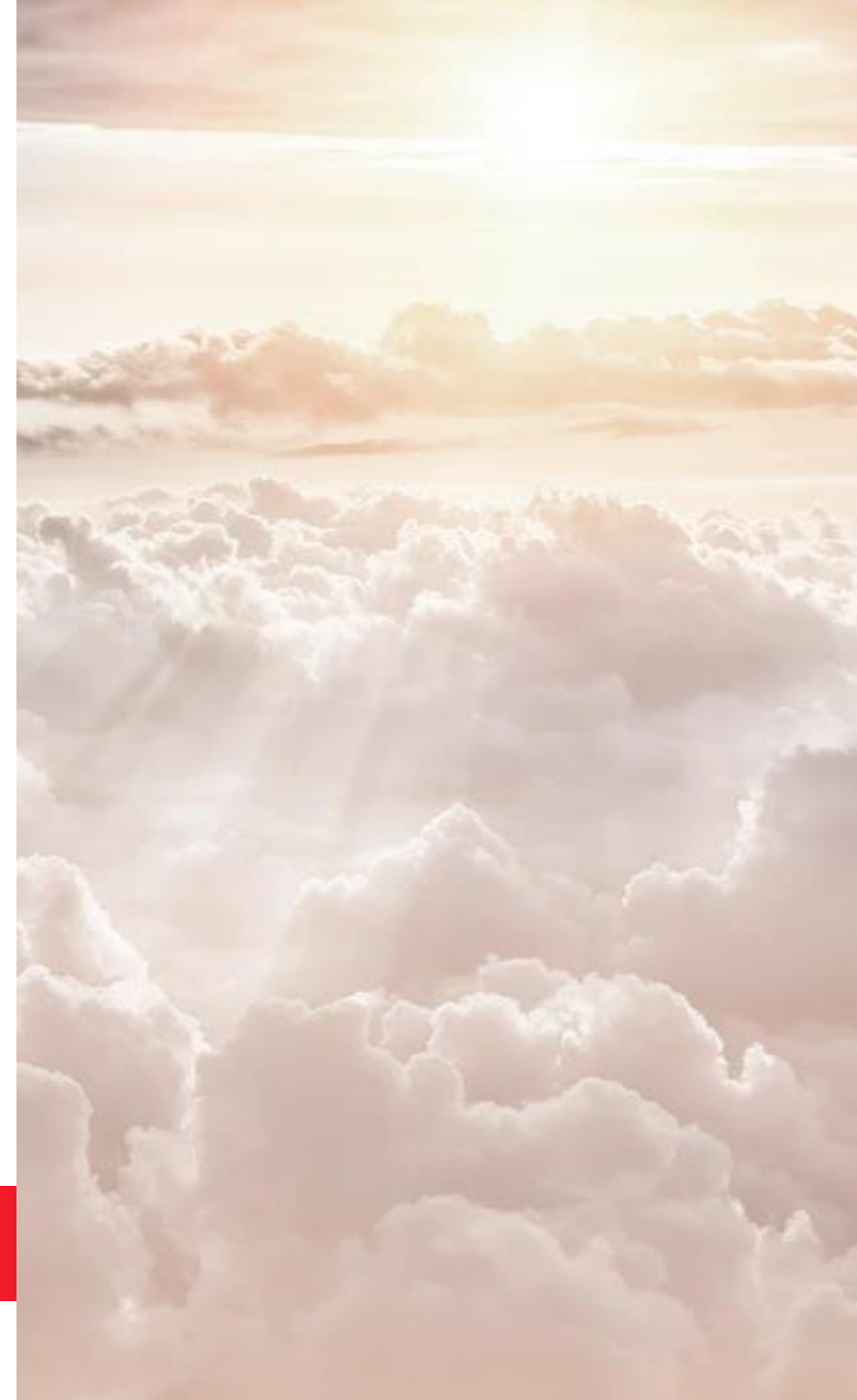
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- Water
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2. Social

3. Governance

III. Sustainability Ratings and Reporting

IV. Conclusion



We are intrinsically motivated to thrive for sustainability

Responsibility for next generations

Matthias Zachert, CEO:

“Not only as a CEO, but especially as a father of 4 children, I want to shape sustainability @ LANXESS!”



Sustainability as a business case

- Competitive advantage by implementing CO₂ emission reduction
- Cost saving potential by addressing areas of sustainability risk
- Workforce: Higher employee retention and lower recruiting costs



Our product portfolio caters to several Sustainable Development Goals

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

2



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

6



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

11



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

12



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

3



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

7

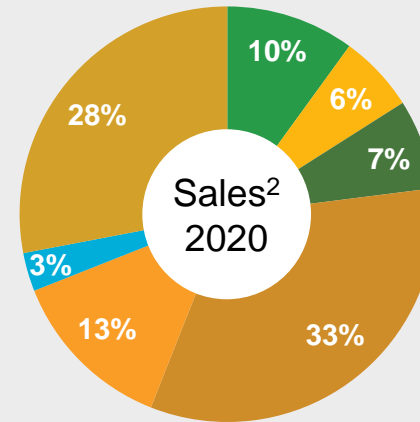


- ❖ Power generation lubricants
- ❖ GHG free refrigeration lubricants
- ❖ Wind turbine lubricants

13



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



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

¹ SDG = Sustainable Development Goals

² 70% of sales directly attributable based on end market/applications data, 30% of sales not directly attributable due to indirect business relationships

Our product portfolio caters to several Sustainable Development Goals

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

2 ZERO HUNGER



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

6 CLEAN WATER AND SANITATION



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

11 SUSTAINABLE CITIES AND COMMUNITIES



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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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

3 GOOD HEALTH AND WELL-BEING



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

7 AFFORDABLE AND CLEAN ENERGY

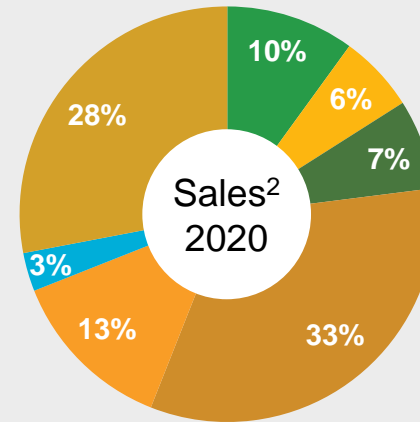


- ❖ Power generation lubricants
- ❖ GHG free refrigeration lubricants
- ❖ Wind turbine lubricants

13 CLIMATE ACTION



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



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

¹ SDG = Sustainable Development Goals

² 70% of sales directly attributable based on end market/applications data, 30% of sales not directly attributable due to indirect business relationships

We offer extensive transparency on our commitment to sustainability

We commit to several initiatives and frameworks

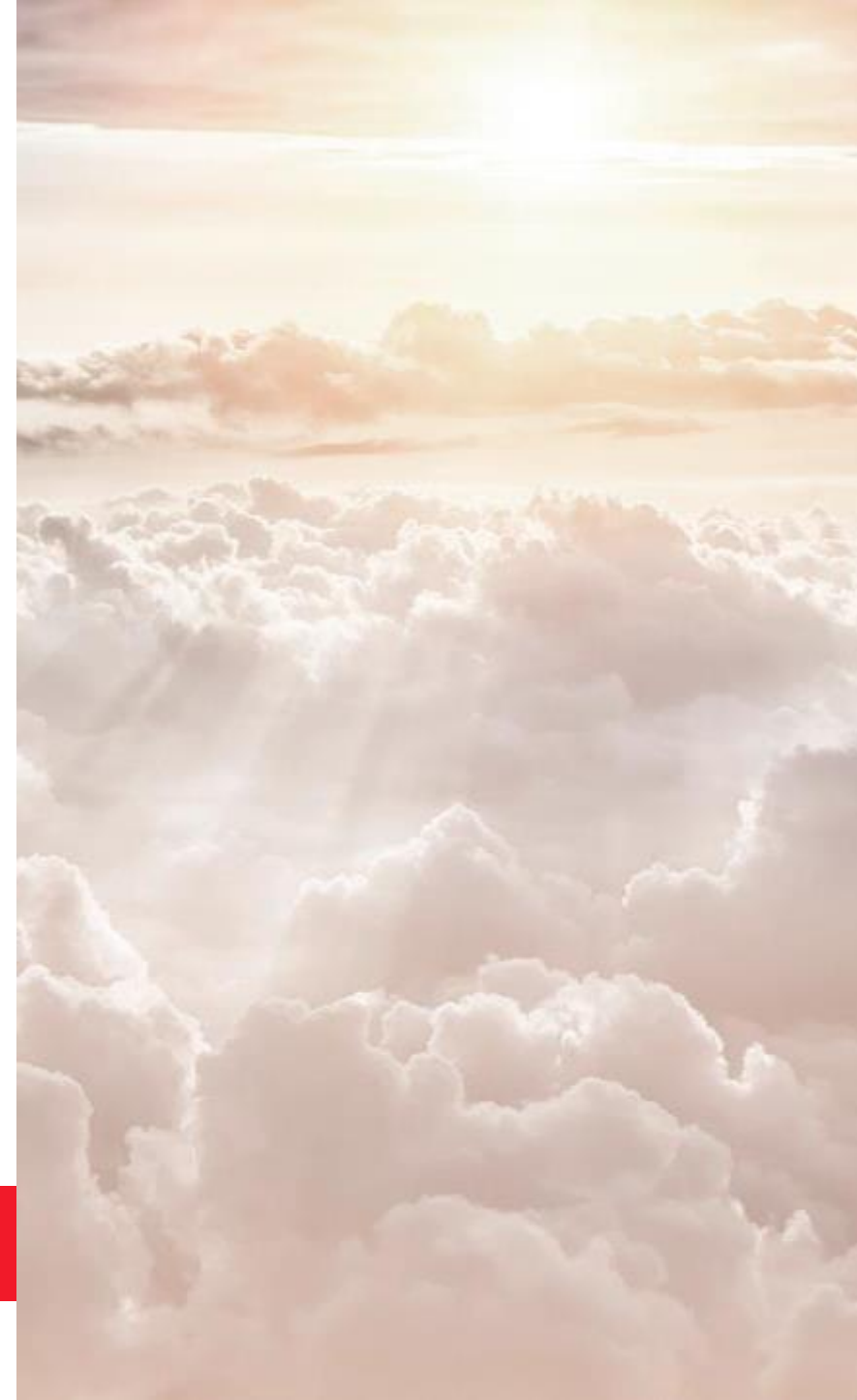


We offer transparency on where we stand complying with standards and regulations



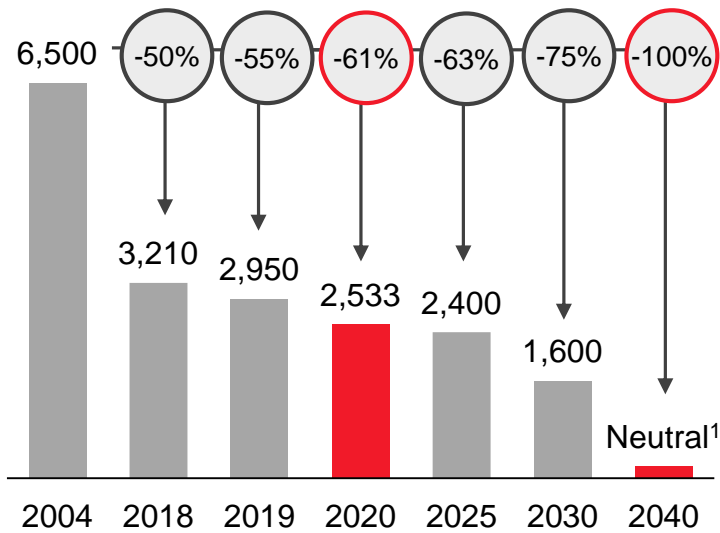
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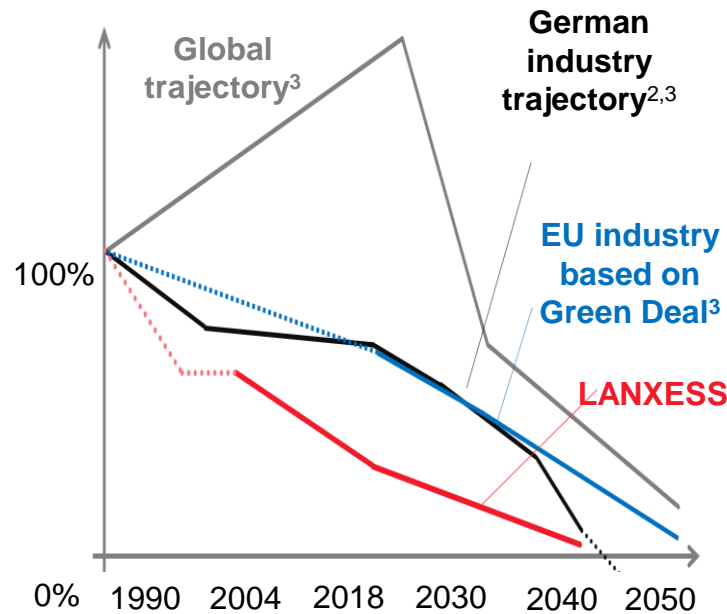
LANXESS goes climate neutral by 2040 based on internal measures

Our goal: Climate neutrality



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

Ahead of EU regulation



Emissions based on Scope 1 + Scope 2

Three pillar approach

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

LANXESS is on track to achieve targets set for 2025

Nitrous oxide reduction plant in Antwerp – first plant in operation

1

Major impact projects



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

1

Plant significantly reduces emissions

Reduction: 150 kt CO₂e / year



2

Second plant planned for 2023

Additional reduction: 300 kt CO₂e / year



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

1

Major impact projects



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

1

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



2

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



Recent acquisitions and investments are in line with climate neutral strategy

2

Decouple emissions and growth

Organic growth

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

Acquisitions

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



Various smaller projects for emission reduction successfully in place

3

Strengthen process and technological innovation

Rethink and adapt energy and CO₂ intensive chemical processes

Digitalization in Leverkusen

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

Reduction: ~ 4,000 t / year

Leverage “Verbund” structures for more integrated solutions

Steam plant network in Antwerp

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

Reduction: ~ 10,000 t / year

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

Priority for CO₂ projects



Our products are enablers for climate protection

E-Mobility

Our products are used in various parts, e.g. lightweight material or battery/charging infrastructure



Water purification

Our ion exchange resins are used for the treatment of water



Renewable energies

Our lubricants used in wind turbines secure longevity



On the way to climate neutrality, Scope 3 emissions play an important role

Scope 3 emissions

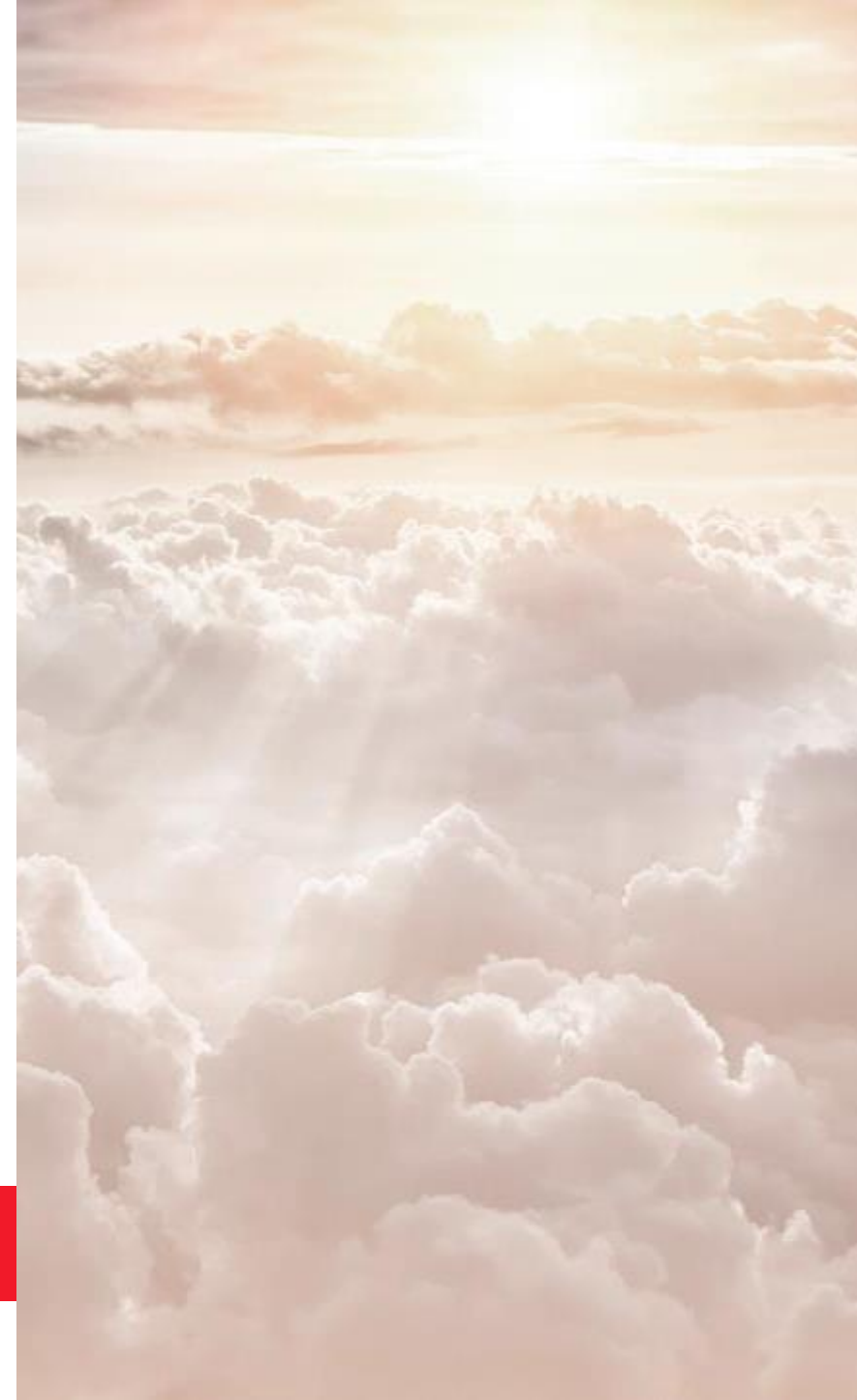
- LANXESS has already set greenhouse gas (GHG) Scope 1 and 2 emissions reduction targets in November 2019
- Emissions produced in the value chain – Scope 3 emissions – refer to all indirect upstream and downstream emissions
- We are currently in the process of analyzing our Scope 3 emissions and developing strategic measures together with our partners



The analysis of Scope 3 emissions is currently on top of our agenda

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Strategy for sustainable water management in place

LANXESS Water Program

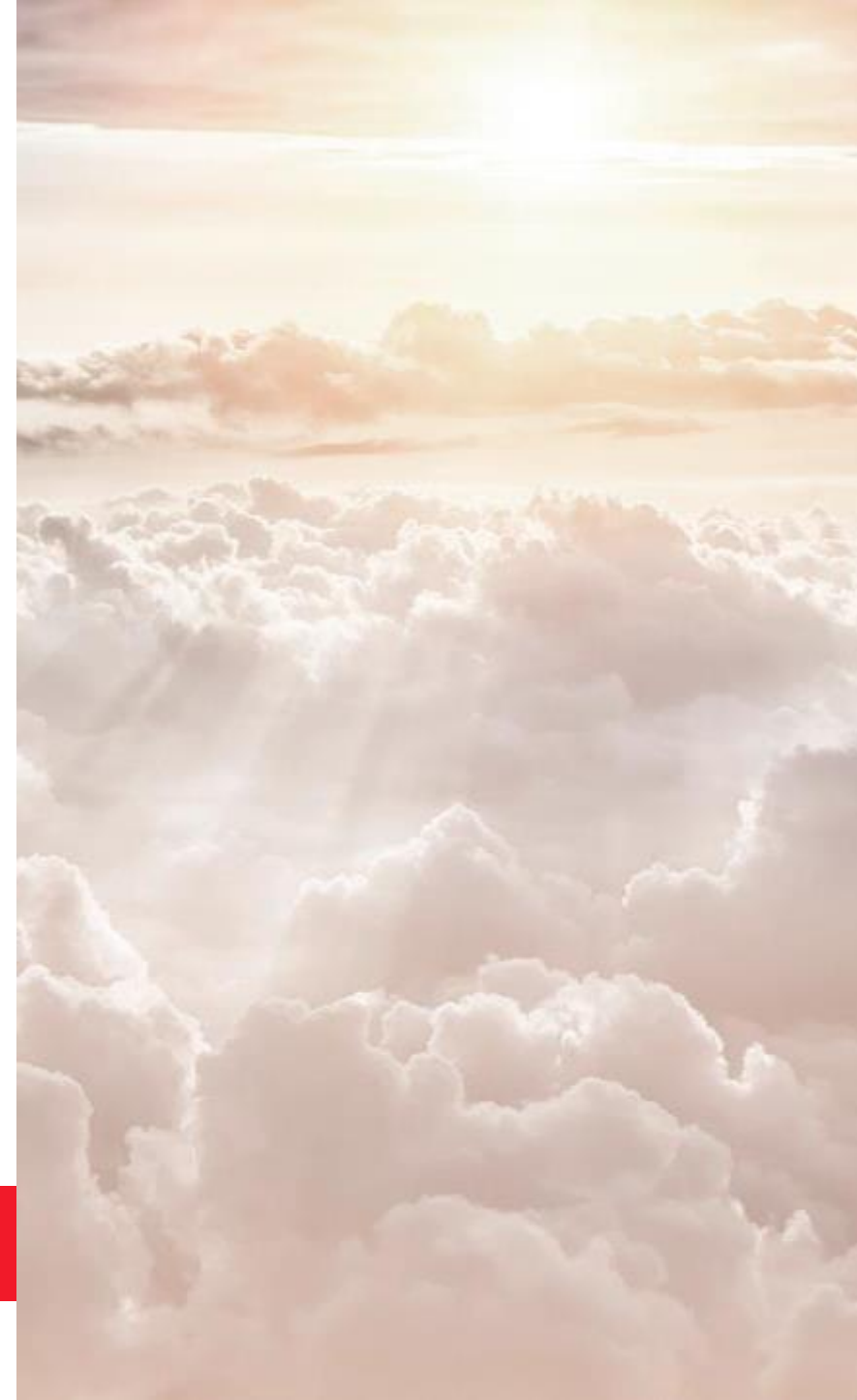
- Assessment of current and future water stress¹ and specific withdrawal
- > 90% of water withdrawal at sites without water scarcity
- Four water risks sites² identified and measures to reduce water withdrawal planned
- Global target: To reduce annual water consumption by 2% despite organic growth



Target: 15% absolute reduction of water withdrawal until 2023 at water risk sites

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LANXESS explores new circular models

Circular Economy is transforming the entire value creation system

New cross-industry partnerships & alliances become vital for success

LANXESS supports the transition with dedicated projects & initiatives



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

**Reuse/
Repair**



Even chemicals can be reused

**Mechanical
Recycling**

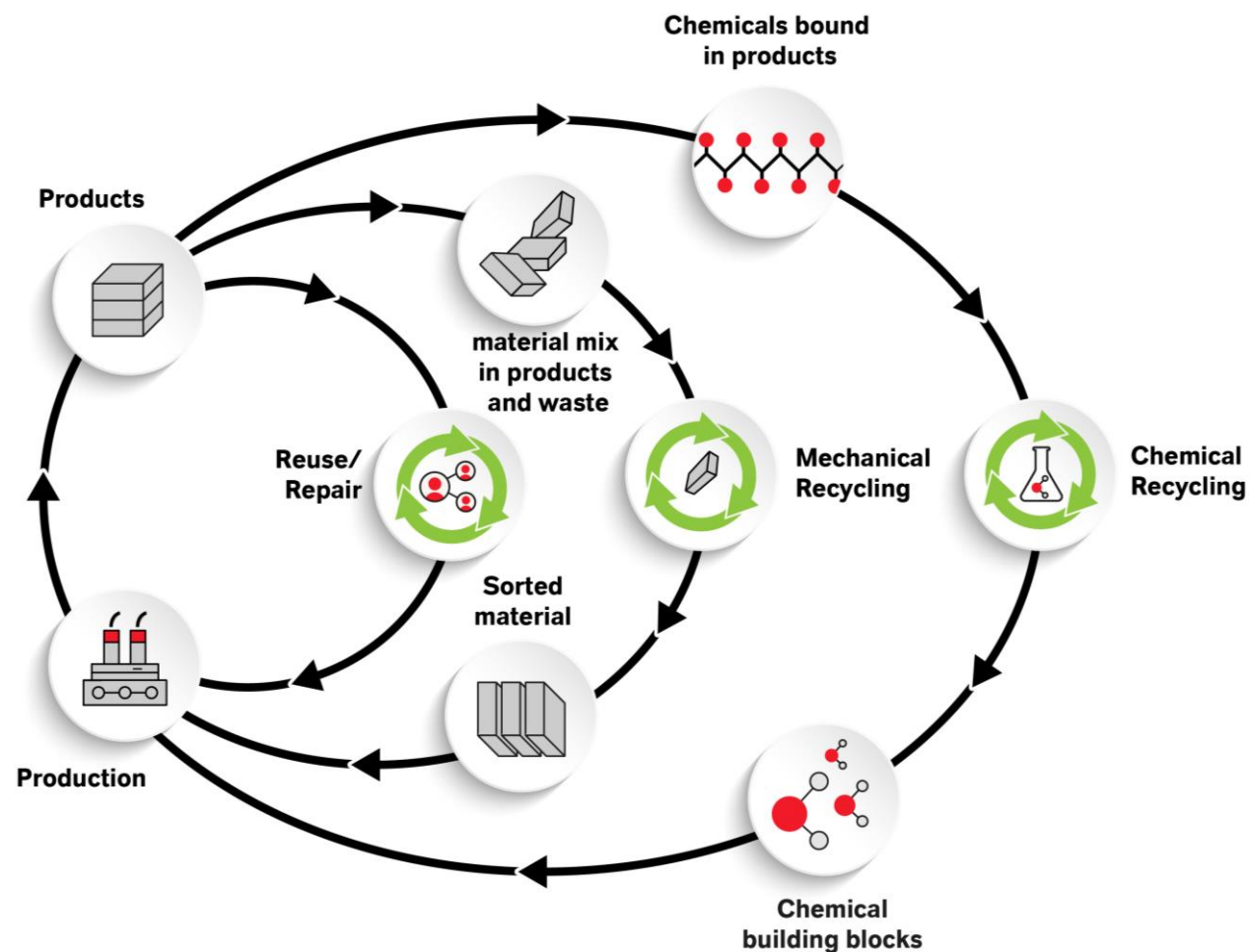


Decomposition without changing the chemical structure of the material

**Chemical
Recycling**



Material is broken down into chemical building blocks for reuse



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

Reuse/ Repair



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

Mechanical Recycling



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

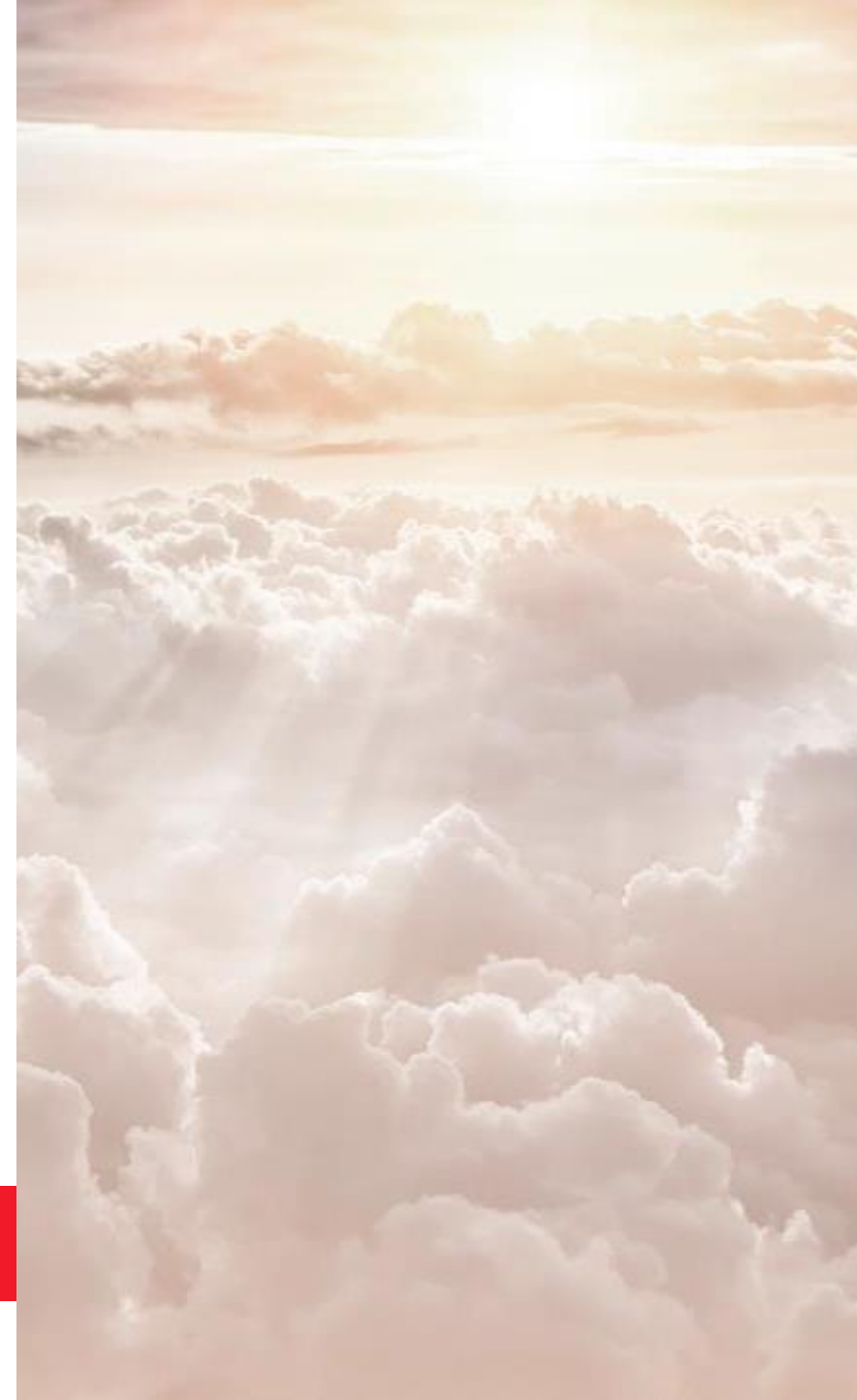
Chemical Recycling



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

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We have a strong commitment towards diversity and inclusion

Success driven by personal commitment of each and every employee



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

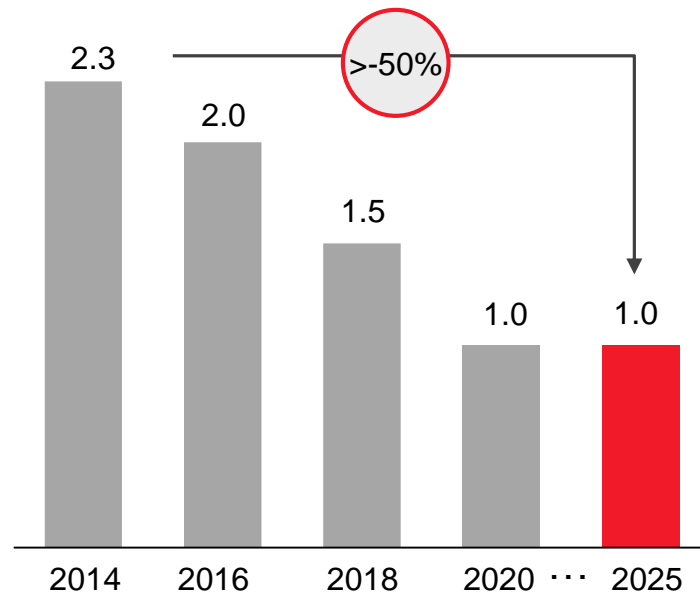


We are on track with achieving our targets and plan to further foster diversity and inclusion

LANXESS views social principles as major drivers for sustainable success

Ambition: Avoid all accidents

Social principles are more than diversity indicators



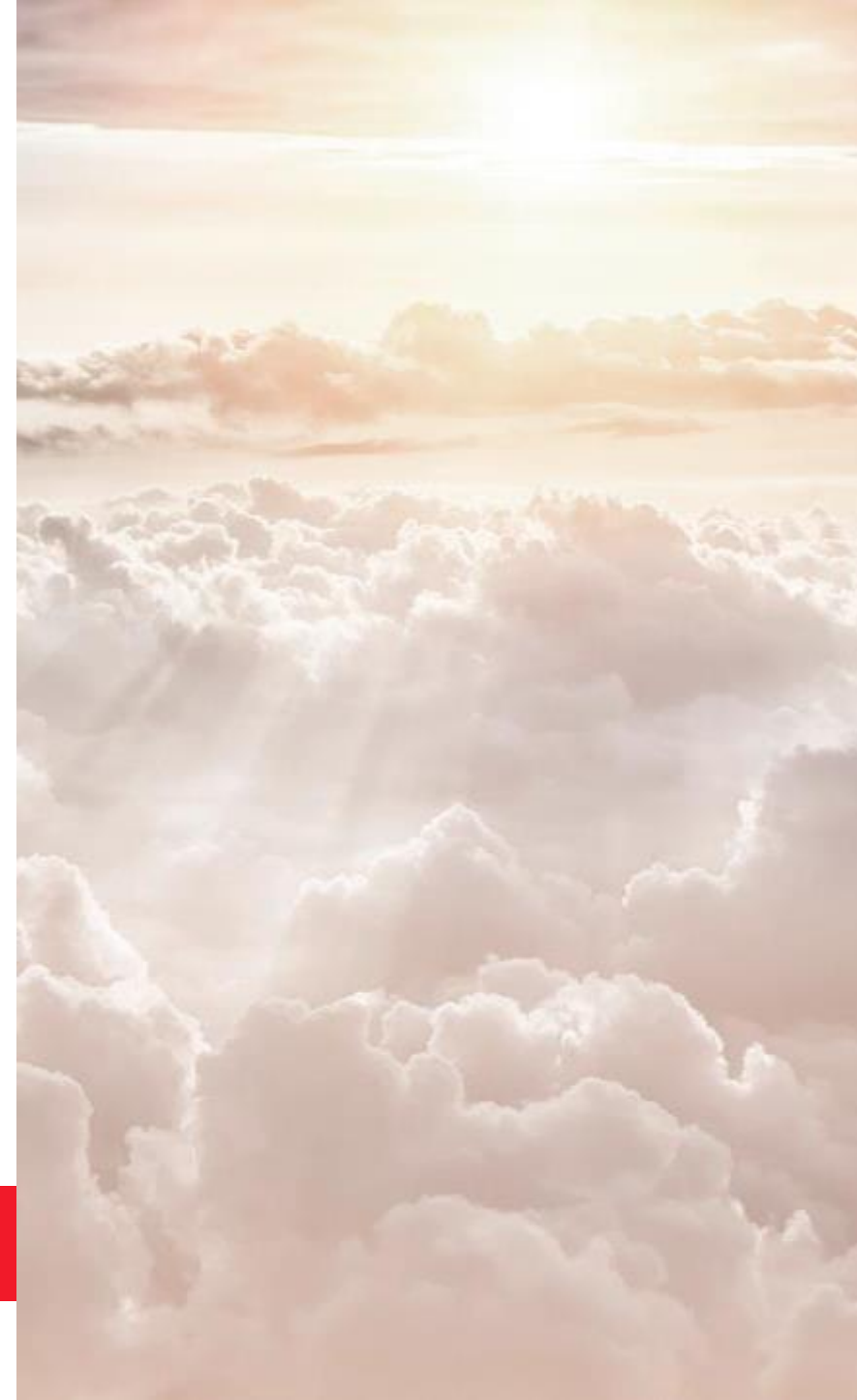
LTIFR¹: Accident rate per million hours worked

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

Our social principles are embedded in our Performance Culture

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CEO-led committee structure guarantees effective sustainability management

Sustainability Committee

Matthias Zachert (CEO)

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

Sub-Committees

Climate
&
Energy

Hubert Fink
(Board Member)

Health, Safety
&
Environment

Hubert Fink
(Board Member)

Value Chain
Circularity &
Product
Stewardship

Anno Borkowsky
(Board Member)

People
&
Governance

Stephanie Cossmann
(Board Member)

Stakeholder
expectations &
reporting
standards

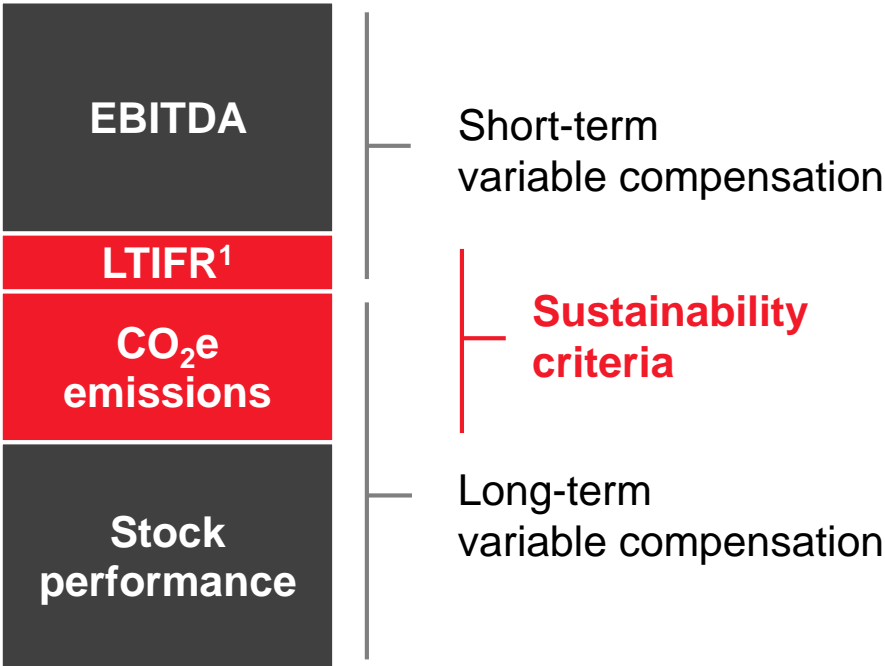
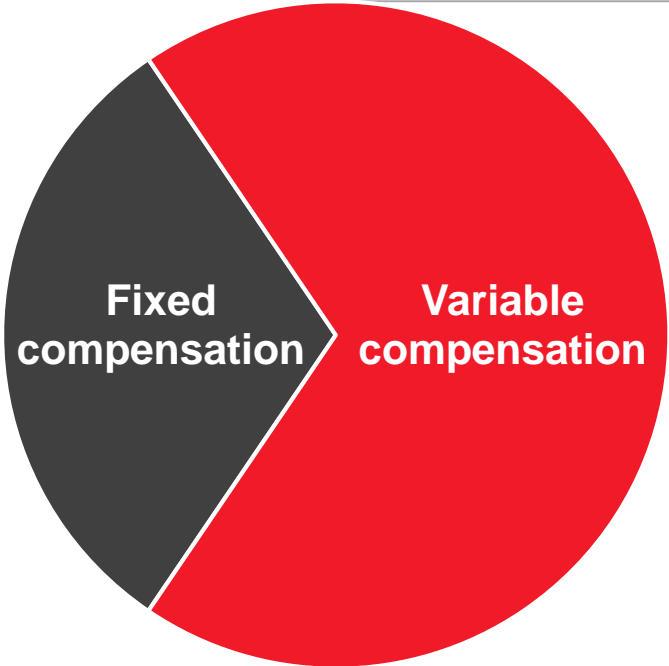
Michael Pontzen
(CFO)

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

Compensation for Board of Management is linked to absolute sustainability targets

Share of variable compensation

References for variable compensation



1/3 of variable Board compensation is based on sustainability criteria

¹ LTIFR = lost time injury frequency rate

New compensation system for Board approved by vast majority in this year's Annual Stockholder's Meeting



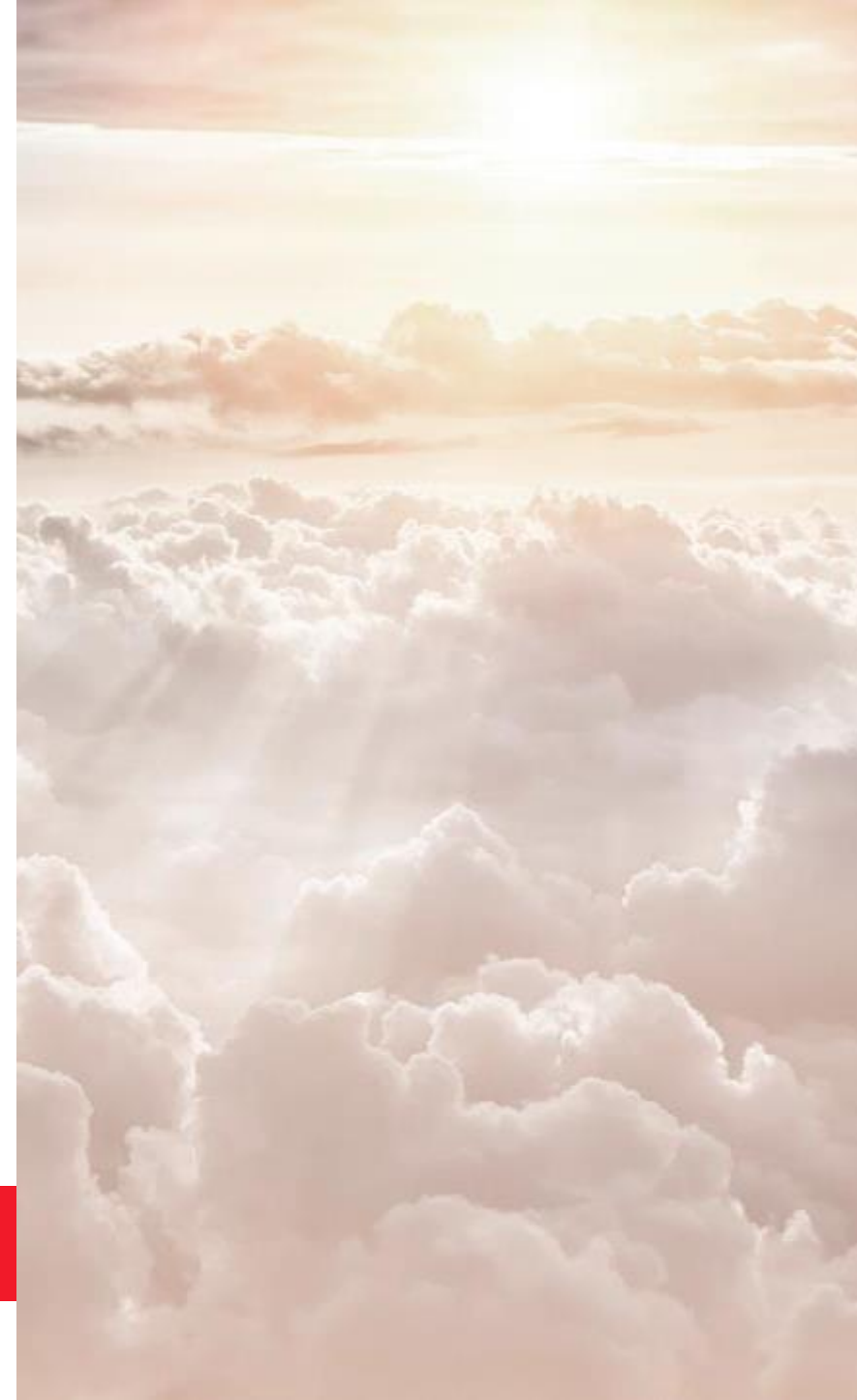
variable	23%	Long-term incentive	Long-Term Stock Performance Plan (LTSP ¹)	<ul style="list-style-type: none"> Stock performance vs. MSCI World Chemicals Index Vesting period: 4 years 	<ul style="list-style-type: none"> ✓ “Claw-back” – Right to withhold or reclaim granted variable compensation ✓ Total compensation is capped³ ✓ Discretionary payment is limited to 20% of total APP
	16%		Sustainability Performance Plan (SPP)	<ul style="list-style-type: none"> Duration of 4 years, target setting in advance SPP target can differ from tranche to tranche For 2024 a goal for CO₂e emission reduction was set 	
	6%	Short-term incentive	Non-financial target (LTIFR ²)	<ul style="list-style-type: none"> Annual Performance Payment (APP) with 2 elements: 80% EBITDA and 20% LTIFR Cap: 200% of budget (including discretionary payment) Deduction in case of serious safety and/or environmental problems 	
	24%		Financial target (EBITDApre)		
fix	Benefits Pensions				
	31%	Annual Base Salary		<ul style="list-style-type: none"> Share Ownership Guideline: Target 100% of annual base salary (150% for CEO) 	

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

Sustainability-linked

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Leading ESG rating providers honor our performance



BBB → A → AA

Convincing climate strategy
Ongoing improvement: Water Stress & Chemical Safety



C → B-

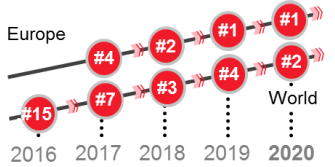
Prime status
Top 8%



A A A- A A
2016 2017 2018 2019 2020

Climate leader
Top 5%

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



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

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



Bloomberg
Gender-Equality
Index
2021



GOLD
2020
ecovadis
Sustainability
Rating

72/100
98th
percentile



vigeo eiris



SUSTAINALYTICS

We offer one of the broadest range of ESG publications



Factsheet provides a quick overview of KPIs related to ESG

Presentation with comprehensive explanation of ESG vision, projects and targets

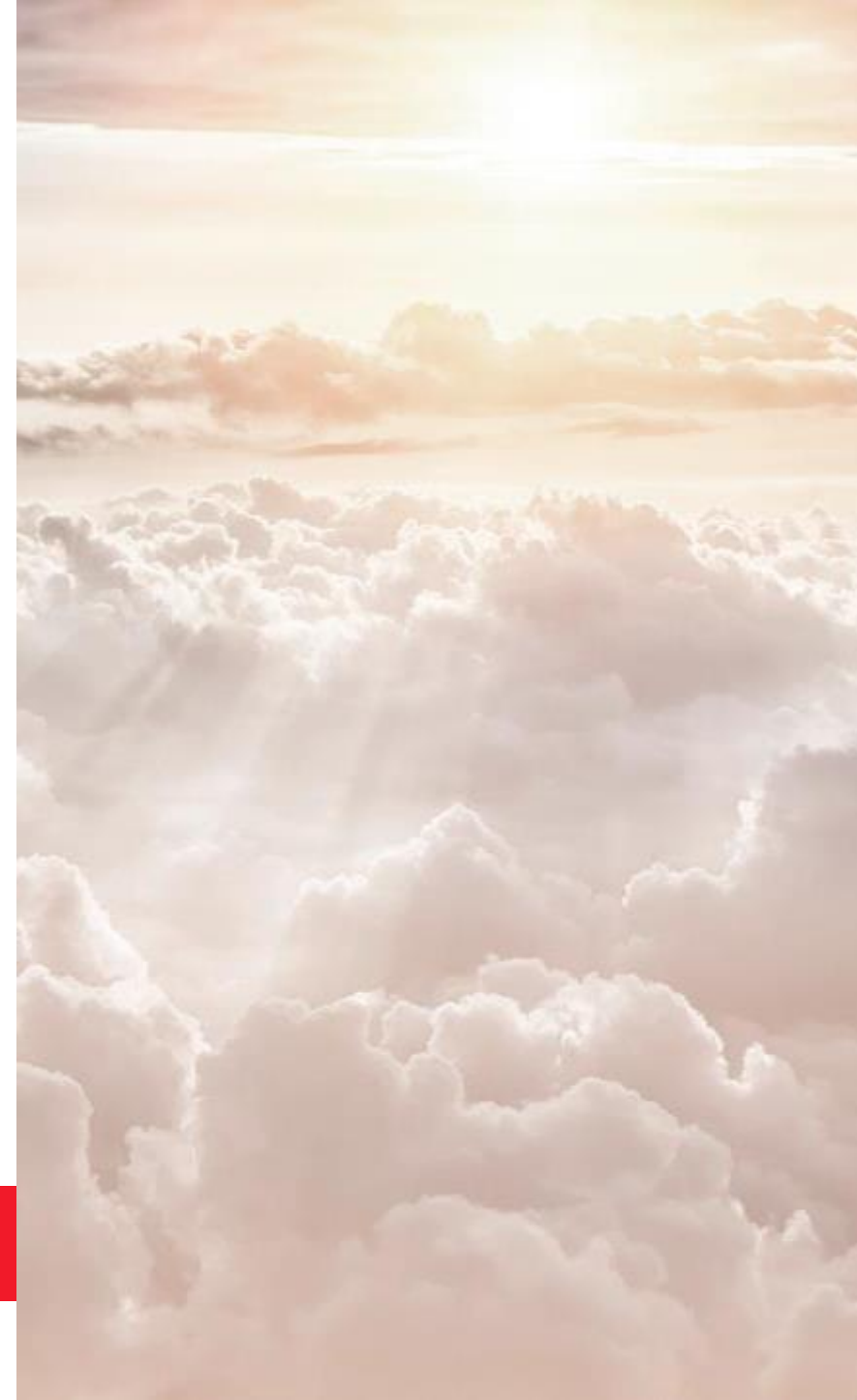
Papers give more insights on our approaches in key sustainability areas

We provide state-of-the-art ESG transparency

¹ So far published: Background Papers on Water and Climate

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We are pursuing our ESG contributions globally

Recent achievements

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



High transparency honored

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



EU Taxonomy

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



There is more to come on LANXESS sustainable way forward



On course for a more sustainable environment

Sustainability at the core of our strategy

Creating measurable benefits for company, customers and society

Supporting a sustainable economy with activities and products



LANXESS

Energizing Chemistry

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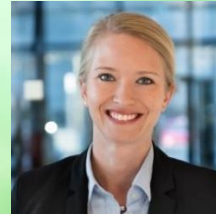
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