LANXESS – dedicated to energizing sustainability
ESG Equity Story

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Agenda

1. LANXESS ESG vision
2. High impact topics: Status and targets
3. Governance approach and recognition in ratings
4. Outlook and contact
The quality of our business is reflected in the economic, social and environmental impact – there must always be a measurable, sustainable benefit for the company and society alike.

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

Sustainability is a business case and drives our economic and strategic success.
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We drive sustainable solutions…

- **Societal needs** which we can and want to fulfill, e.g.
  - Need for clean drinking water for an increasing world population
  - Disinfection to prevent the spread of diseases
  - Contribute to the shift towards e-mobility

… and we see clear financial benefits

- **Cost saving potential** by addressing areas of sustainability risks precautiously and timely > energy-efficient production
- Strategic investment decisions by shifting into “tomorrow's markets” with **growth and innovation potentials**
  > acceptance and reputation
- Position ourselves with a **foresighted business strategy** and thereby secure our financial base
  > better, integrated decision-making
- Healthier and happier workforce
  > higher **employee retention** and **lower recruiting** cost

We drive sustainable solutions…
The core of our sustainability business case is a product portfolio catering society demands

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

- **Fertilizer**
- **Fungicides, Herbicides**
- **Food & Beverage packaging**
- **Food grade lubricants**

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

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

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

- **Cleaners**
- **Disinfection**
- **Intermediates for pharmaceutics**
- **Insect repellents**

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

- **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 ambition goes beyond just maintaining the license to operate

We are committed to several initiatives and frameworks

We are offering transparency on where we stand complying with standards and regulations
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LANXESS goes climate neutral by 2040

Our goal: Climate neutrality

- Major impact projects
  - Exit coal-based power generation wherever possible
  - Reduction of N₂O emissions in Antwerp → first reduction plant operational
  - Change to renewable energies in India

- Decoupling emissions and growth
  - CO₂e balance as criteria for organic growth and acquisitions
  - Implement climate roadmap for all businesses → implemented in annual strategy review

- Strengthening process and technological innovation
  - Implement process changes in our “Verbund” structures
  - Focus R&D on climate neutral processes and technology

Three-pronged approach

Ahead of EU regulation

- LANXESS actively reduced CO₂e emissions in line with Emission Trading Scheme (ETS) reduction targets
- Cost effect from ETS is currently neutral

Emissions based on Scope 1 + Scope 2, numbers rounded, in thousand tons of metric tons CO₂e

We are on track with achieving our 2025 target

Climate neutral: Less than 300,000 tons of CO₂ equivalents per year. These will be reduced through compensation measures.
LANXESS has a clear strategy for sustainable water management

- **Global water program**
  - Globally, we aim to decouple economic growth from water consumption and wastewater loads
  - **Targets:** 2% yoy reduction of specific water consumption and specific Total Organic Carbon in wastewater

- **Local water stewardship programs**
  - We regularly perform **water risk assessments** for all sites
    - Assessment of current and future water stress and specific withdrawal
    - Four water risks sites identified
  - **Targets:** Implementation of water stewardship programs at water risk sites until 2023; 15% reduction of absolute water withdrawal (base year 2019)

### Water withdrawal in the different water stress areas

<table>
<thead>
<tr>
<th>Water Stress Level</th>
<th>Number of Sites</th>
<th>Water Withdrawal (mm³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>25</td>
<td>190.6</td>
</tr>
<tr>
<td>Low to medium</td>
<td>7</td>
<td>9.5</td>
</tr>
<tr>
<td>Medium to high</td>
<td>10</td>
<td>4.8</td>
</tr>
<tr>
<td>High</td>
<td>9</td>
<td>1.0</td>
</tr>
<tr>
<td>Extremely high</td>
<td>4</td>
<td>3.7</td>
</tr>
</tbody>
</table>

90% of LANXESS water withdrawal in low water stress areas; targets focus on sites in extremely high stress areas

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1 Water stress refers to the (lack of the) ability to meet human and ecological demand for freshwater. It also takes the quality and accessibility of water into account.
LANXESS supports the transition to a Circular Economy (CE) with numerous projects and initiatives.

**Value streams in a circular economy**

- **Reuse/Repair**
  - Consumer goods or even chemicals can be tested and reused.

- **Mechanical Recycling**
  - Decomposition without changing the chemical structure of the material includes collection, separation, grinding, melting, sorting, washing, or filtering.

- **Chemical Recycling**
  - With different methods, the material is broken down into chemical building blocks to make unused waste streams valuable for the chemical industry again.

**Projects & Initiatives**

### Mechanical Recycling

- **Pocan Eco**: Polyester blend series containing post consumer PET recyclate
- **Durethan Eco**: Polyamide 6 compounds strengthened with glass fibers, 100% from waste glass
- **Tepex**: Fiber-reinforced composites containing recycled polycarbonate drinking water bottles

### Chemical Recycling

- **Polystyrene Loop**: Recycling of used flame-retardant polystyrene-based insulating panels, recovering polystyrene material and bromine contained in the flame retardant

**CE is about a transformation of the entire value creation system towards a sustainable carbon neutral economy**
LANXESS has the ambition to substitute or phase out critical substances from end-products

LANXESS net sales share of products\(^1\) with critical substances\(^2\) in end-products (>0.1%)

We have the ambition to:

1. **Replace**: If critical substances in our end-products can be replaced with alternative substances, we will implement a replacement plan.

2. **Phase-out**: If according to our scientists or regulatory bodies the concerns or risks are beyond reasonable levels, we will phase-out the substance.

If critical substances can’t be replaced, we have implemented **risk mitigating measures** based on scientifically acceptable levels.

Target: Until 2023 we have an action plan in place for all end-products containing (>0.1%) critical substances

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\(^{1}\) Not considered as end-products are chemical intermediates sold to chemical-industry customers.

\(^{2}\) Substances classified as carcinogenic (Cat 1A and 1B), mutagenic (Cat 1A and 1B), toxic for reproduction (Cat 1A and 1B), persistent, bio accumulative and toxic, very persistent and very bio accumulative, endocrine disrupting, ozone depleting.
LANXESS views social principles as major drivers for sustainable success

Initiatives fostering **occupational health and safety** – Continuously reduce LTIFR¹ of employees by 50% until 2025 (base year 2016)

Commitment towards **diversity and inclusion**
- Increase proportion of women in **middle and upper management to 20%**
- Increase proportion in **first level** below Board of Management to **15%** and respective **25% in second level**
- More than **30% female** and **40% non-German** participants in **corporate talent programs**

Commitment towards **employee well-being** – Offer flexible working condition in 95% of LANXESS countries

Comprehensive concepts for employee qualification – **from apprenticeship programs to leadership trainings**

**We are on track with achieving our targets**

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¹ LTIFR = lost time injury frequency rate, known as MAQ in Germany. Accident rate per million hours worked resulting in one workday or more lost following the day of the accident, calculated for all employees (including temporary workers) at all sites.
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Our governance structure ensures strategic oversight – starting with the supervisory board

**Supervisory Board**
- Competence profile
- Sustainability embedded in yearly strategy review

**Composition**
The Supervisory Board of LANXESS consists of 12 members:
- 6 represent the **shareholders**
- 6 represent the **employees**

**Independence**
All current shareholder representatives are **independent**

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

**Tenure**
Maximum of 12 years

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

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

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

**Broad Competence profile to ensure specialist knowledge and experience**
Chemical industry, international management, corporate governance/compliance, strategy, M&A, production, marketing & sale of chemical products, procurement of raw materials, energy & services, HR/codetermination, investor relations, corporate financing, accounting and auditing, risk management and IT/digitalization

More information
CEO lead committee structure guarantees effective sustainability management

Supervisory Board
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Sustainability Committee
Matthias Zachert (CEO)

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

Subcommittees
- Climate and Energy
  - Dr. Hubert Fink (Board Member)
- Health, Safety and Environment
  - Dr. Hubert Fink (Board Member)
- Value Chain Circularity & Product Stewardship
  - Dr. Anno Borkowsky (Board Member)
- People and Governance
  - Dr. Stephanie Cossmann (Labor Relations Director)
- Stakeholder expectations & reporting standards
  - Michael Pontzen (CFO)

➢ Corporate Policy, Code of Conduct, Integrated Management Systems
### Balanced compensation for Board of Management – significant share based on sustainability & safety targets

**Supervisory Board**
- Competence profile
- Sustainability embedded in yearly strategy review

**Committees**
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**Compensation**
- Long-Term Stock Plan
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<table>
<thead>
<tr>
<th>Variable</th>
<th>22%</th>
<th>Sustainability Performance Plan (SPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16%</td>
<td>Long-Term Stock Performance Plan (LTSP)¹</td>
</tr>
<tr>
<td></td>
<td>30%</td>
<td>Non-financial target (LTIFR²)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial target (EBITDA pre)</td>
</tr>
<tr>
<td>Benefits</td>
<td></td>
<td>Share Ownership Guideline: Target 100% of annual base salary (150% for CEO)</td>
</tr>
<tr>
<td>Pensions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Stock performance vs. MSCI World Chemicals Index
- Vesting period: 4 years
- Duration of 4 years for each tranche, target setting in advance
- Sustainability Plan targets can differ from tranche to tranche
- For 2024 a goal for CO₂e emission reduction was set
- 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

- Stock ownership guideline: Target 100% of annual base salary (150% for CEO)

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

- “Claw-back” – Right to withhold or reclaim granted variable compensation
- Total compensation is capped³
- Discretionary payment is limited to 20% of total APP
Leading ESG rating providers have recognized our performance

- Convincing climate strategy
- Continuous improvement in Chemical Safety

MSCI
- A
- BBB

ISS ESG
- Prime status
- Top 8%
- B-
- C

CDP
- Climate leader
- Top 5%
- 2016 2017 2018 2019 2020

LANXESS’ performance is also rewarded by further ESG indices and rating providers

- Top 10% in DJSI World – 10 year in a row
- Fourth year in DJSI Europe

More information
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There is more to come on LANXESS' sustainable journey into the future!

We are working on several initiatives, projects and regulations:

**Recent achievements**
- **Inauguration of nitrous oxide reduction plant** in Antwerp in February 2021. Plant breaks down around 500 metric tons of nitrous oxide per year, equivalent to the climate impact of 150,000 metric tons of CO₂.
- Reflecting Sustainability in **remuneration of Board of Management**.

**Updates on projects**
- **Climate roadmaps** to be implemented in all businesses.
- Implementation of **water stewardship programs** at water risk sites until 2023.

**EU Taxonomy**
- Build foundation for EU Taxonomy reporting by defining requirements, processes and delivering first reporting in **Annual Report 2021**.
- Currently, a working group develops the input for compliance with the EU Taxonomy.

**There is more to come on LANXESS' sustainable way forward**
For more information on ESG please contact the IR team, ESG@lanxess.com or visit our website!