



# LANXESS – dedicated to energizing sustainability

ESG Equity Story

Investor Relations

Updated on March 15, 2023

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# Agenda

**1 LANXESS ESG strategy**

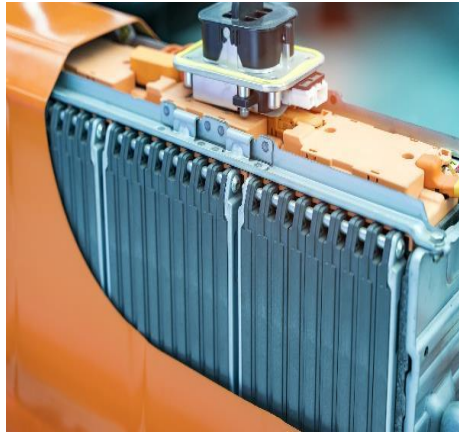
**2 Key pillars of our ESG strategy**

**3 Ratings, EU taxonomy and financing**

**4 Contact and further information**

# LANXESS as part of the chemical industry enables the transformation towards a sustainable society

## New Mobility



Chemicals for battery production enable GHG-reduced solutions such as e-mobility

## Renewable Energy



High-end materials such as lubricants support sustainable energy generation

## Water Treatment



Ion exchange resins can purify water providing drinking water and helping wastewater treatment

## Circular Economy



Recycling enables the recovery of molecules, reduces waste and makes re-use possible

## Human Capital



Our employees are our asset: We foster safety, diversity and justice among our workforce & society



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

## We drive sustainable solutions...

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

- Need for clean drinking water for a growing world population
- Disinfection to prevent the spread of diseases
- Additives to increase product life and thus reduce waste



## ... and see clear financial benefits

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

**Sustainability commitment as our license to operate**



# Our product portfolio caters to several Sustainable Development Goals

Our products are used in applications which positively contribute to seven of the SDGs<sup>1</sup>

2



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

6



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

11



- ❖ Protective coatings
- ❖ Root resistance roofing
- ❖ Wood Protection
- ❖ VOC<sup>3</sup> 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

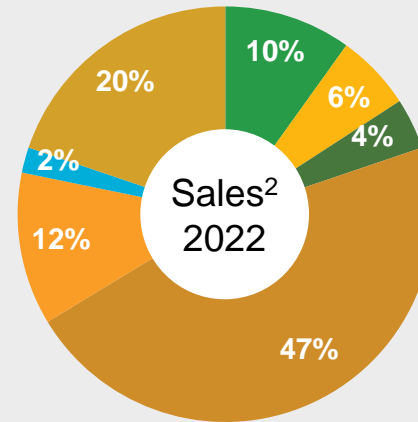


- ❖ Power generation lubricants
- ❖ GHG free refrigeration lubricants
- ❖ Wind turbine lubricants

13



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



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

<sup>1</sup> SDG = Sustainable Development Goals

<sup>2</sup> Approx. 90% of sales directly attributable based on end market/applications data, 10% of sales not directly attributable due to indirect business relationships

<sup>3</sup> VOC = Volatile organic compounds



# 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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# We have defined clear targets and objectives for the sustainability areas we consider most important

## CLIMATE

- **Climate neutral by 2040 for Scope 1 & 2:  
-75% CO<sub>2</sub>e emissions by 2030 versus 2004**
- **Net zero by 2050 for Scope 3:  
-40% CO<sub>2</sub>e emissions by 2030 versus 2015**

## WATER

- **Reduction of absolute water withdrawal by 15% at water risk sites by end of 2023**

## PRODUCTS

- **Develop an action plan for all products containing critical substances<sup>1</sup> by end of 2023**

## SAFETY

- **Aiming for zero accidents**

## DIVERSITY

- **Proportion of women in management<sup>2</sup> at 30% in 2030**



**Ambition: LANXESS, a leading, resilient, and sustainable company**

<sup>1</sup> With a concentration above 0.1%

<sup>2</sup> Management refers to all managerial employees below the Board of management

# Climate strategy



# We are enroute towards climate neutrality

## Scope 1 & 2

**Climate  
Neutral  
2040**

CLIMATE  
NEUTRAL 2040

**Reduce CO<sub>2</sub> emissions from our own production and purchased energy (Scope 1 and 2)**

- I. Realize major impact projects for climate protection
- II. Decouple emissions and growth
- III. Pursue technological innovations

## Scope 3

**Net Zero  
Value  
Chain**

NET ZERO VALUE CHAIN

**Reduce CO<sub>2</sub> emissions from our value chain (Scope 3)**

- I. Use of sustainable raw materials
- II. Transition to green logistics
- III. Increasingly offer low-carbon and climate-neutral products



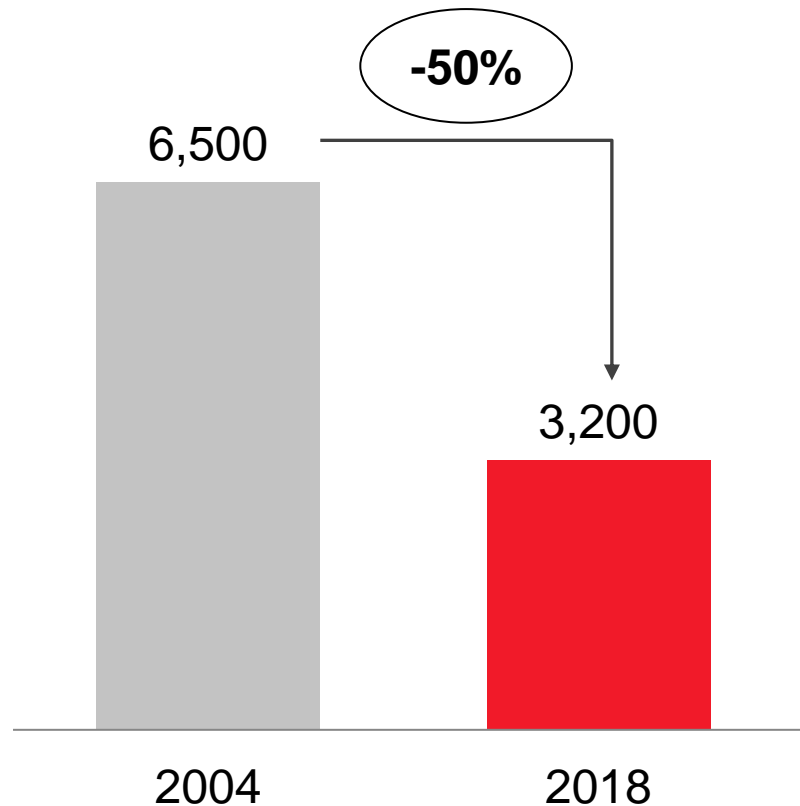
**Near-term targets  
(2030) approved to  
be on 1.5-degree  
climate path by SBTi<sup>1</sup>**

<sup>1</sup> SBTi = Science Based Targets initiative

# We have a long track record of climate protection projects – significant reduction already since 2004

CLIMATE NEUTRAL **2040**

**Climate path**



## Nitrous oxide reduction plant in Krefeld-Uerdingen, Germany

- Reduction by 1,500 kt CO<sub>2</sub>e/year
- Awarded several times

## Co-generation plant in Porto Feliz, Brazil

- Degree of efficiency of up to 90 percent
- Powered by biomass, thus CO<sub>2</sub>-neutral

## Steam network in Antwerp, Belgium

- Highly efficient due to joint energy use by numerous partners in the port of Antwerp

## Portfolio optimization

- Focus on low-emission specialty chemicals

Emissions based on Scope 1 + Scope 2, figures rounded, in thousand tons CO<sub>2</sub>e



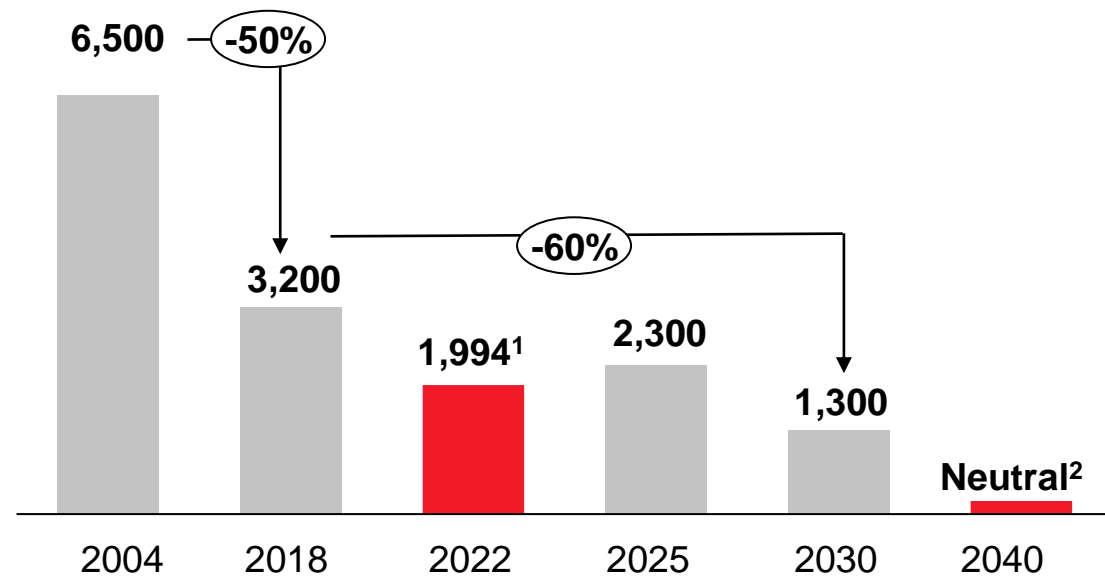
# Our projects to reduce Scope 1 and 2 emissions are on track

CLIMATE NEUTRAL 2040

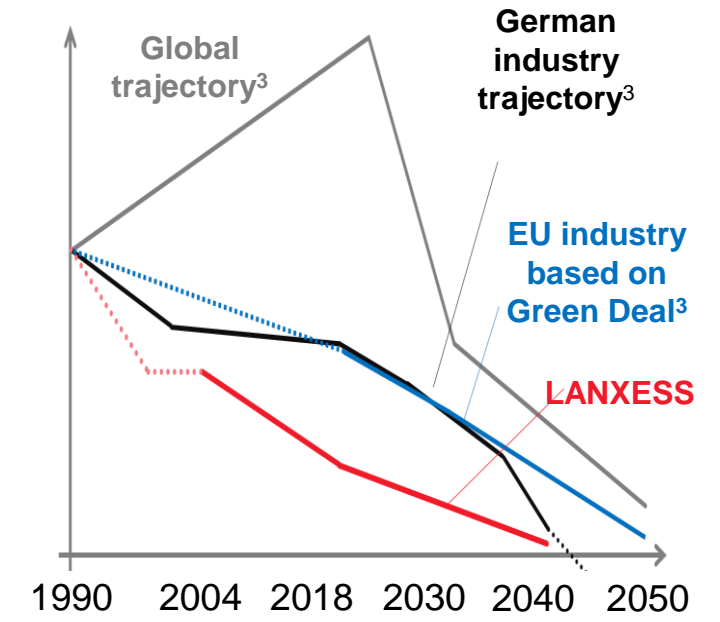
## Our path to climate neutrality

## We are ahead of EU regulation

- 1 Realize major impact projects
- 2 Decouple emissions & growth
- 3 Pursue technological innovations



in thousand metric tons of CO<sub>2</sub>e Scope 1 and 2 emissions



Scope 1 and 2 emissions

## We are on track to achieve target set for 2030

<sup>1</sup> Only continuing operations. 2022 figure distorted by very low utilization. | <sup>2</sup> Climate neutral: Less than 300k tons of CO<sub>2</sub> equivalents (e) per year. These will be reduced through compensation measures. | <sup>3</sup> Estimation based on AGORA Energiewende

More information



# Transition to CO<sub>2</sub> neutral production in India on track

CLIMATE  
NEUTRAL 2040

1

## Major impact project (example)



- 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

Emissions at Indian sites (base year: 2018)  
Reduction: ~ 100 kt CO<sub>2</sub>e / year



Total target for 2024 emissions  
Reduction: ~ 150 kt CO<sub>2</sub>e / year



# We will fully transition to green electricity supply in the next decade

CLIMATE  
NEUTRAL 2040

1

## Major impact project (example)



- Full supply contract with ENGIE concluded for German and Belgian sites with a volume of 1,400 GWh
- More than half is green electricity from wind and solar parks (17 wind farms and 4 solar parks in Germany)
- Supply to Bergkamen, Bitterfeld, Brunsbüttel, Mannheim and Antwerp sites

**Total emission reduction starting in 2023**  
**Reduction: ~ 33 kt CO<sub>2</sub>e / year**



More  
information



# Recent acquisitions and investments are in line with climate neutral strategy

### Organic growth

- Resulting CO<sub>2</sub>e emissions increase of annual volume growth must be compensated by innovations and technologies

### Acquisitions

- All potential targets are analyzed with regards to their CO<sub>2</sub>e balance
- Businesses are only acquired if emissions fit in our climate neutral strategy; our recent acquisitions of Emerald Kalama Chemical and IFF's Microbial Control business are aligned with this strategy





# Various smaller projects for emission reduction successfully in place

CLIMATE NEUTRAL 2040

3

## Pursue technological innovations (examples)

Rethink and adapt energy and CO<sub>2</sub> 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 CO<sub>2</sub>e emissions

**Reduction: ~ 10,000 t / year**

Emphasis on CO<sub>2</sub> intensity as criterion in the R&D process

### Priority for CO<sub>2</sub> projects



More information

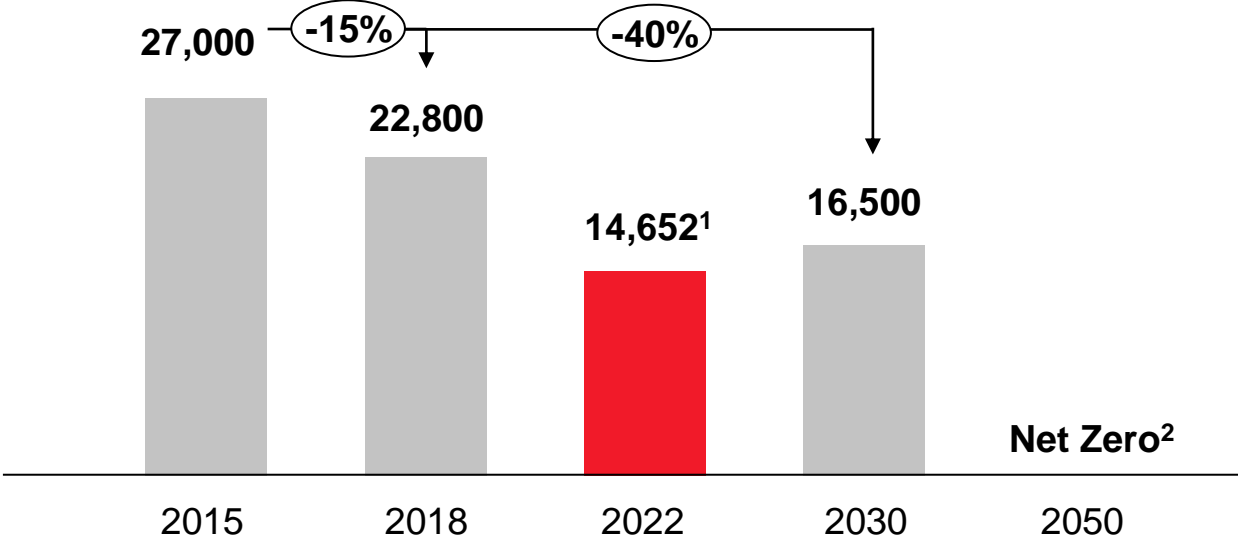


# We aim to reduce and ultimately neutralize our Scope 3 value chain emissions

NET ZERO VALUE CHAIN

## Our path to Net Zero

- 1 Use of sustainable raw materials
- 2 Transition to green logistics
- 3 Increasingly offer low-carbon and climate-neutral products



in thousand metric tons of CO<sub>2</sub>e Scope 3 emissions

**We are on track to achieve target set for 2030**

<sup>1</sup> Including discontinued operations. 2022 figure distorted by very low industry utilization.  
<sup>2</sup> "Net zero" will be achieved by a combination of positive and negative emissions during the life-cycle.





# Sustainable raw materials are the key to climate neutrality in the value chain

### LANXESS and TotalEnergies cooperate on sustainable styrene

- Biocircular styrene based on tall oil derived from a tree resin
- LANXESS uses the styrene to produce sustainable ion exchange resins, e.g., used in treatment of wastewater and chemical process flows
- Sustainable origin is certified in accordance with ISCC<sup>1</sup> PLUS standard

### LANXESS and Covestro cooperate to produce more sustainable raw materials

- LANXESS sources chlorine, caustic soda and hydrogen from the ISCC PLUS-certified sites of Covestro in Leverkusen and Krefeld-Uerdingen
- Covestro uses electricity with certificates of origin from hydropower for electrolysis



<sup>1</sup> ISCC = International Sustainability and Carbon Certification

# We make our logistics "greener" by using low-emission transport options

- Increase transportation asset utilization
- Optimize freight transport modes
- Reduce freight transport demand
- Utilize "green ships"
- Improve fleet partner energy efficiency



Reducing emissions from logistics is a small but still important lever

# We strive for a sustainable, climate-neutral product portfolio without compromising product performance

## Increasingly offer low-carbon and climate-neutral products (examples)



### X Lewatit® Scopeblue

- First sustainable ion exchange resin used in water filter cartridges
- Resins are based on bio-circular acrylonitrile resulting in a sustainable raw material share of more than 90%
- Production in compliance with certified ISCC Plus standards

### X Trimethylolpropane Scopeblue

- Is used in resins and polyurethane applications
- TMP Scopeblue is based on more than 50% circular Butyraldehyd as a raw material (ISCC Plus certified)
- Sustainable drop-in for existing formulations without compromising performance

## Sustainable products



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

**~80% of our products are sustainable**

## LANXESS Product Sustainability Monitor



### Evaluation criteria and sustainability dimensions

environmental ▪ social ▪ economical

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

## Sustainable products

### Energizer

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

### Performer

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

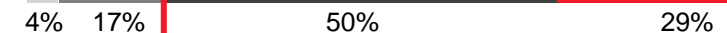
### Transitioner

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

### Roadmap

- End-products<sup>1</sup> with sustainability concerns containing >0.1% critical substances
- Roadmap process for sustainable alternatives

**2022 sales:**



More information



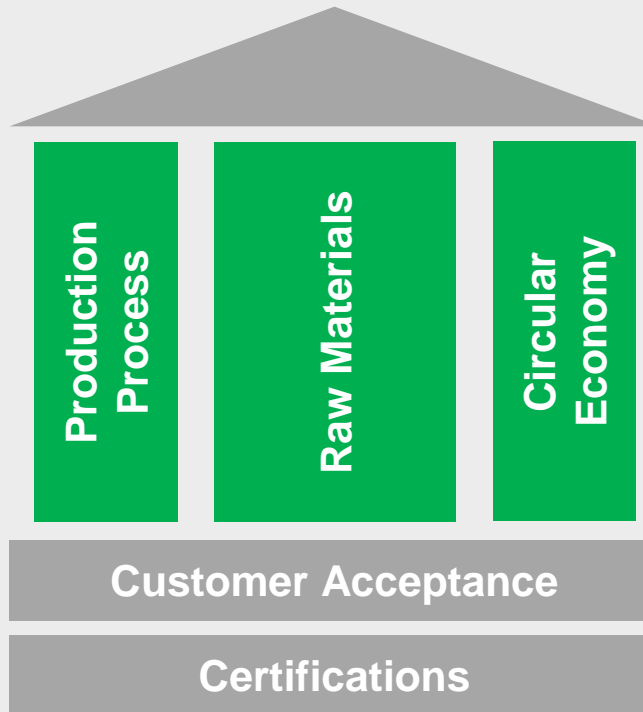
<sup>1</sup> Not considered as chemical end-products are chemical intermediates sold to chemical-industry customers. Figures do not include figures from discontinued operations (Business Unit High Performance Materials).



# Example from BU F&F<sup>1</sup>: Plan to offer all products in green alternative until end of 2023



## Pillars for green strategy



## Overview

- BU F&F with clear commitment towards sustainability
- LANXESS BU F&F first (chemical) supplier in the world to offer nature identical renewable Benzoates & aroma chemicals solutions
- **Plan to be able to offer the entire product portfolio as fossil based and based on green raw materials until end of 2023**

Offering full choice between conventional and certified<sup>2</sup> green products across whole portfolio



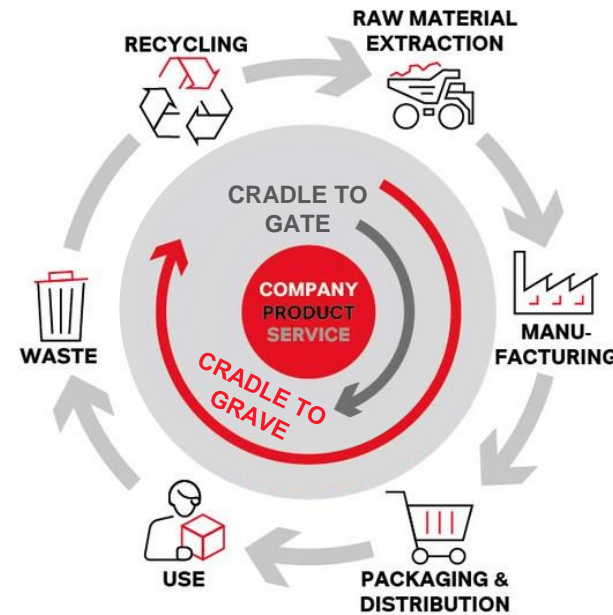
# We support our customers in reaching their climate goals

## Life Cycle Assessments

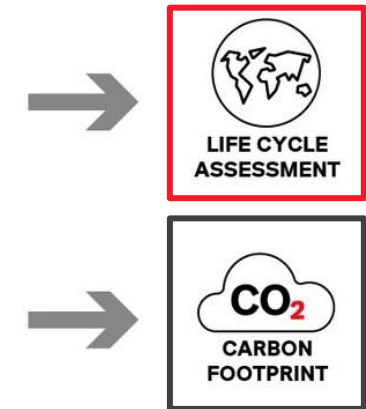
- Systematic analysis of input and output streams over the entire lifespan of our products
- Assessment according to ISO 14040/44

## Product Carbon Footprints

- Engine that automatically calculates the carbon footprint for LANXESS' products
- Calculates the emissions generated according to the cradle-to-gate approach
- Method certified by TÜV Rheinland in accordance with the ISO 14067



## MAKING IMPACTS TRANSPARENT



Product Carbon Footprint and Life Cycle Assessments support our customers to make the right choices on their path to climate neutrality and better environmental performance.

# Water and waste



# We have a clear strategy for sustainable water management

## LANXESS Water Program

- Regular assessment of current and future water stress<sup>1</sup> and specific withdrawal
- > 90% of water withdrawal at sites without water scarcity
- Four water risks sites<sup>2</sup> identified and measures to reduce water withdrawal planned

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



**CDP honored our efforts in water security with an A- rating in 2022**



**More  
information**

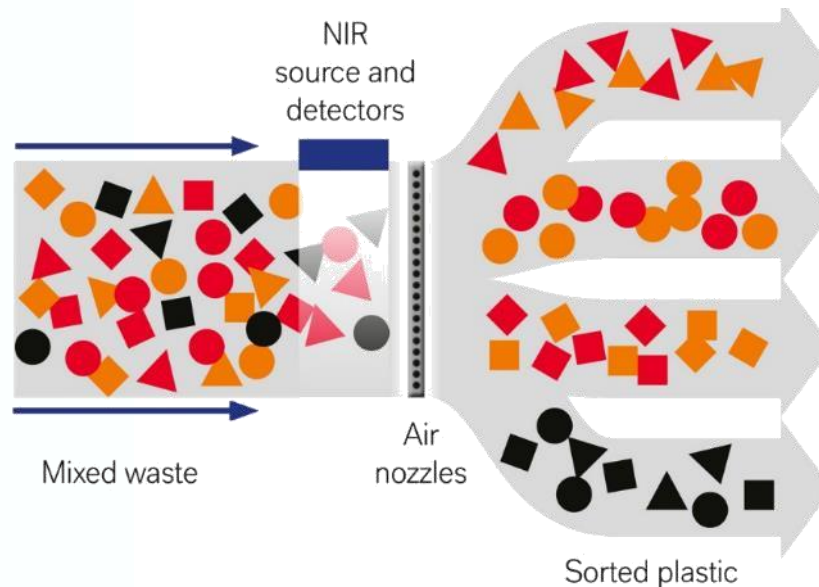


<sup>1</sup> Water stress refers to the (lack of the) ability to meet human and ecological demand for freshwater. It also takes the quality and accessibility of water into account.

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



# Example for waste reduction: Pigment solution ensures sorting of black plastics for recycling



## LANXESS product facilitates recycling

- Black plastics are largely colored with carbon black which is not detectable in sorting machines
- LANXESS black pigment Bayferrox 303 makes black plastic detectable by machines, thereby improving recycling results

**Reliable sorting of black plastics can be realized, and thermal decomposition avoided**



## Working at LANXESS



# We have a strong commitment towards diversity and inclusion

Success driven by personal commitment of each and every employee



- Further increase proportion of women in...
  - Management<sup>1</sup> to 30% by 2030
  - 1<sup>st</sup> level below Board of Management to 25% by 2027
  - 2<sup>nd</sup> level below Board of Management to 28% by 2027
- Have at least 30% female and 40% non-German participants in corporate talent programs
- Further increase proportion of countries with flexible working conditions



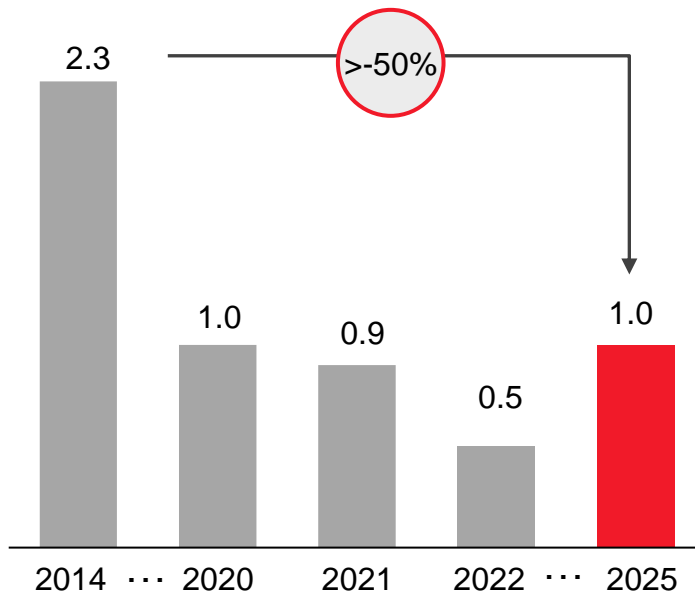
We are on track with achieving our targets and plan to further foster diversity and inclusion

<sup>1</sup> Management refers to all managerial employees below the Board of management



# We view social principles as major drivers for sustainable success

## Ambition: Avoid all accidents



LTIFR<sup>1</sup>: Accident rate per million hours worked

## Social principles are more than diversity indicators

- Commitment to ILO<sup>2</sup> convention and its principles for work
- Initiatives fostering occupational health and safety, e.g., platform in place with various offers around health and prevention measures
- Fair compensation and comprehensive benefits, e.g., offers beyond legal requirements for (child-)care, maternity/ paternity leave, pension, transition into retirement and for different insurances
- Comprehensive concepts for employee qualification, e.g., reflected in high ratio of apprentices hired after completing the training
- Close and regular collaboration with works' councils and labor unions leading to avoidance of conflicts and strikes

## Our social principles are embedded in our Performance Culture

<sup>1</sup> 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. | <sup>2</sup> ILO = International Labour Organization



# Governance approach



# Our governance structure starting with the Supervisory Board ensures strategic oversight

## Supervisory Board

- Competence profile
- Sustainability embedded in yearly strategy review

## Committees

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

## Compensation

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

## Composition

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

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

## Independence

All current shareholder representatives are **independent**

## Diversity

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

## Tenure

**Maximum of 12 years**

## Assessment

Regular assessment of efficiency of Supervisory Board with external support

## Age Limit

An **age limit** has been set following the completion of the **75<sup>th</sup> year of life**



## Broad Competence profile to ensure specialist knowledge and experience

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





# CEO lead committee structure guarantees effective sustainability management

### Supervisory Board

- Competence profile
- Sustainability embedded in yearly strategy review

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### Compensation

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## Sustainability Committee

Matthias Zachert (CEO)

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

### Sub-Committees



Each Sub-Committee is led by one member of the Board of Management and coordinated by senior management

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



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

## Supervisory Board

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## Compensation

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

variable	23%	Long-term incentive	Long-Term Stock Performance Plan (LTSP <sup>1</sup> )	<ul style="list-style-type: none"> <li>Stock performance vs. FTSEurofirst 300 Eurozone Chemicals</li> <li>Vesting period: 4 years</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>“Claw-back”</b>: Right to withhold or reclaim granted variable compensation</li> <li>✓ Total compensation is <b>capped</b><sup>3</sup></li> <li>✓ Discretionary payment is limited to 20% of total APP</li> </ul>
	16%		Sustainability Performance Plan (SPP)	<ul style="list-style-type: none"> <li>Duration of 4 years, target setting in advance</li> <li>SPP target can differ from tranche to tranche</li> <li>For 2024 a goal for CO<sub>2</sub>e emission reduction was set</li> </ul>	
30%	Short-term incentive	Non-financial target (LTIFR <sup>2</sup> )	<ul style="list-style-type: none"> <li>Annual Performance Payment (APP) with 2 elements: 80% EBITDA and 20% LTIFR</li> <li>Cap: 200% of budget (including discretionary payment)</li> <li>Deduction in case of serious safety and/or environmental problems</li> </ul>		
		Financial target (EBITDA pre)			
fix	Benefits      Pensions				
	31%	Annual Base Salary		<ul style="list-style-type: none"> <li>Share Ownership Guideline: Target 100% of annual base salary (150% for CEO)</li> </ul>	

<sup>1</sup> Current LTSP program | <sup>2</sup> LTIFR = lost time injury frequency rate, known as MAQ in Germany | <sup>3</sup> 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.

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# Leading ESG rating providers honor our performance

**MSCI**  
ESG RATINGS

Rating recently confirmed

2<sup>nd</sup> highest category for 2<sup>nd</sup> time  
Convincing climate strategy and efforts to reduce water use

**ISS ESG**

Rating recently confirmed

Prime status  
Top 8%

**CDP**  
DISCLOSURE INSIGHT ACTION

Rating recently confirmed

6<sup>th</sup> time Climate A list (among top 2%)  
1<sup>st</sup> time A- rating for water disclosure

**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

Rating recently confirmed

Top 10% in DJSI World (12<sup>th</sup> year)  
DJSI Europe (6<sup>th</sup> year)

**We are rewarded for our efforts on sustainability that go beyond the must-haves**

**Bloomberg**  
Gender-Equality Index  
2023

3<sup>rd</sup> time in a row

PLATINUM Top 1%

2022  
**ecovadis**  
Sustainability Rating

2<sup>nd</sup> time in a row

**vigeo eiris**

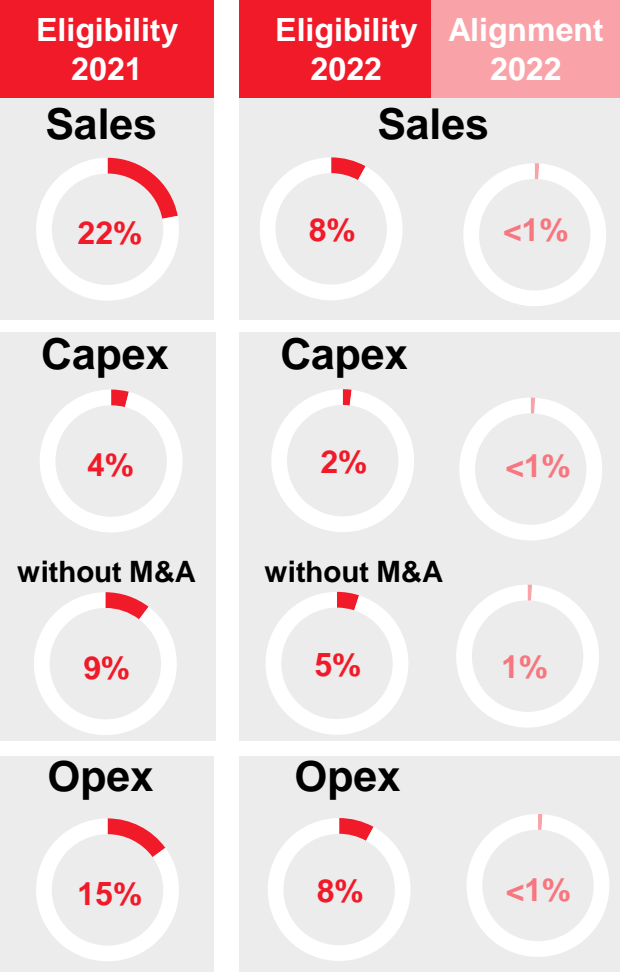
**SUSTAINALYTICS**

# Our activities account only for minor CO<sub>2</sub>e emissions, hence only minor taxonomy-eligibility



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

- For alignment with EU Taxonomy, assessment of<sup>1</sup>:
  - Substantial contribution to one of six environmental objectives (so far, only “climate change mitigation” & “climate change adaptation” determined)
  - While doing no significant harm (DNSH) to any of the other objectives
- Taxonomy focuses on 93% of European Scope 1 CO<sub>2</sub>e emissions; all other activities without material CO<sub>2</sub>e emissions currently labeled as taxonomy-non-eligible
- **Positive signal: Our minor share of taxonomy eligible activities was reduced even further through the carve-out of our High Performance Materials business unit into the joint venture with Advent**



**Our low taxonomy-eligibility is a reflection our low emission profile**

<sup>1</sup> In addition, minimum social safeguards must be guaranteed.





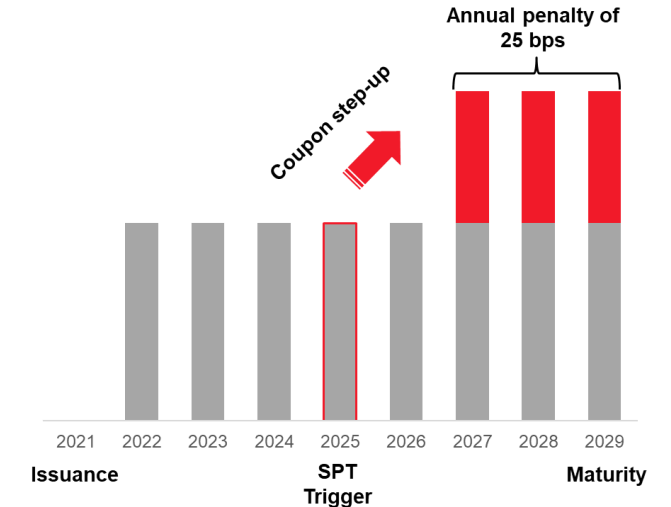
# We have also embedded sustainability targets in our financing strategy

## Sustainable revolving credit facility

- In 2019, consortium of 12 banks agreed upon parameters
- Volume of €1 bn
- Interest rate terms linked to two parameters:
  - Reduction of CO<sub>2</sub> emissions (Scope 1)
  - Increase in the proportion of women in management

## Sustainability-linked bonds (SLB)

- Successful placement of two sustainability-linked bonds within our SLB financing framework
- Interest rate of bonds linked to reduction of CO<sub>2</sub> emissions
- If the target is missed, the interest rate will increase by 25 bps p.a. for subsequent interest periods until maturity
- Example bond 2021: €600 m, tenor: 8 years, coupon: 0.625 %



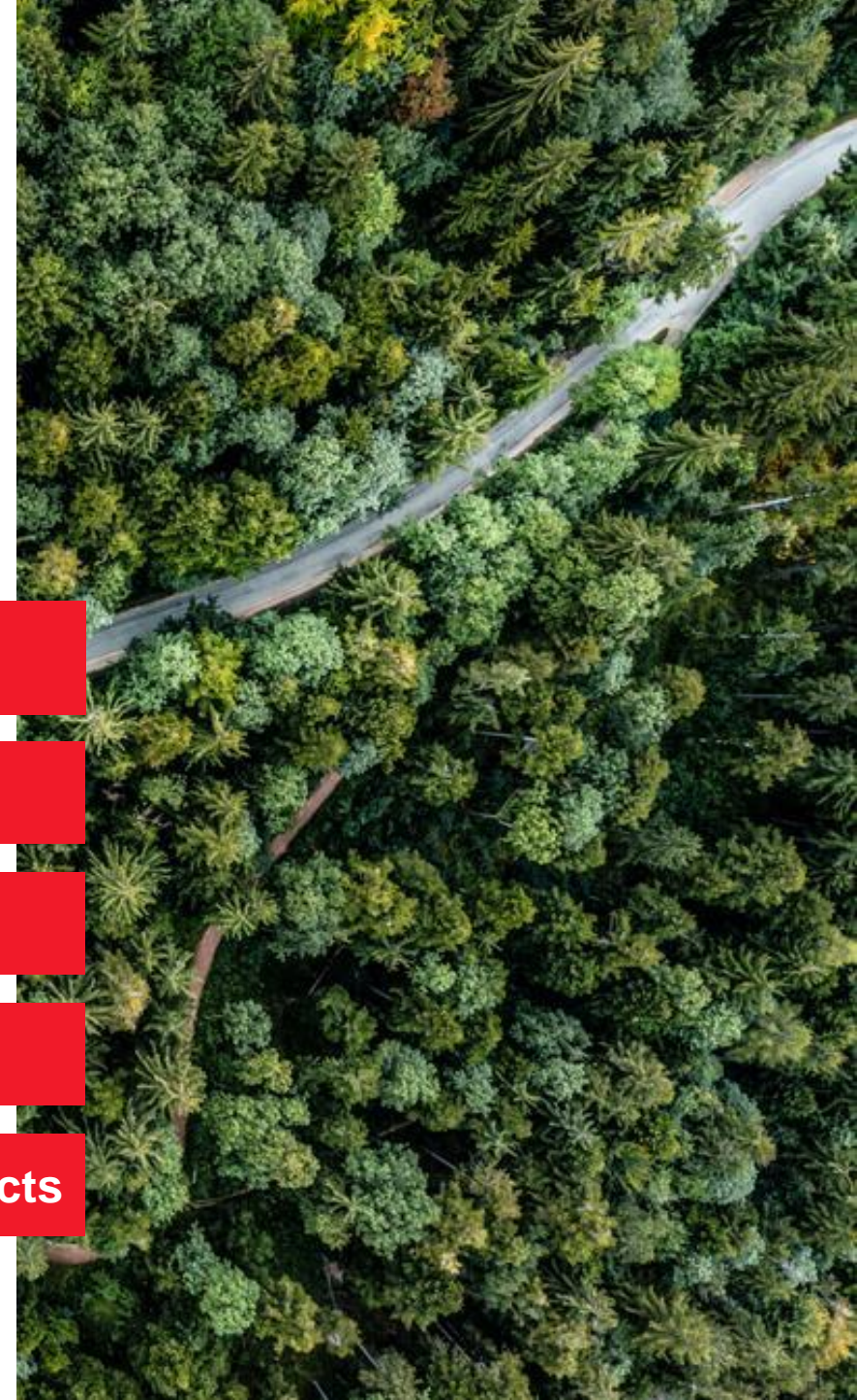
Maturity profile of 2021 SLB

Innovative sustainable financing concepts will enable us to achieve better financing conditions

## On course for a more sustainable environment

### Sustainability at the core of our strategy:

- ✓ Overarching targets
- ✓ Anchored in management remuneration
- ✓ Sustainability-linked financing
- ✓ Supporting a sustainable economy with activities and products



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**4 Contact and further information**



# Please contact us for more information on ESG...



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

- **Corporate Responsibility Website**
- **Annual Report 2022**
- **Articles of Association**
- **Business Partner Code of Conduct**
- **Code of Conduct**
- **Compensation Report 2022**
- **Corporate Policy**
- **ESG Data Factsheet (KPI overview)**

- **ESG Background Papers on:**
  - **Climate**
  - **Water**
  - **Working at LXS**
  - **Value Chain Circularity**
  - **Product Portfolio**
- **Position on Human Rights**
- **Political activities**
- **Political positions**
- **Taxation Policy**



**LANXESS**

Energizing Chemistry

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

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

