

LANXESS – Société Générale ESG-SRI Conference

Dedicated to energizing sustainability

Investor Relations

October 5, 2021

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Agenda

1 LANXESS ESG vision

2 High impact topics: Status and targets

3 Governance approach and recognition in ratings

4 Way forward

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 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



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

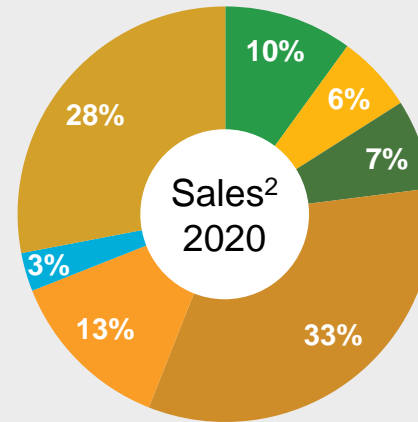


- ❖ Power generation lubricants
- ❖ GHG free refrigeration lubricants
- ❖ Wind turbine lubricants

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

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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1 LANXESS ESG vision

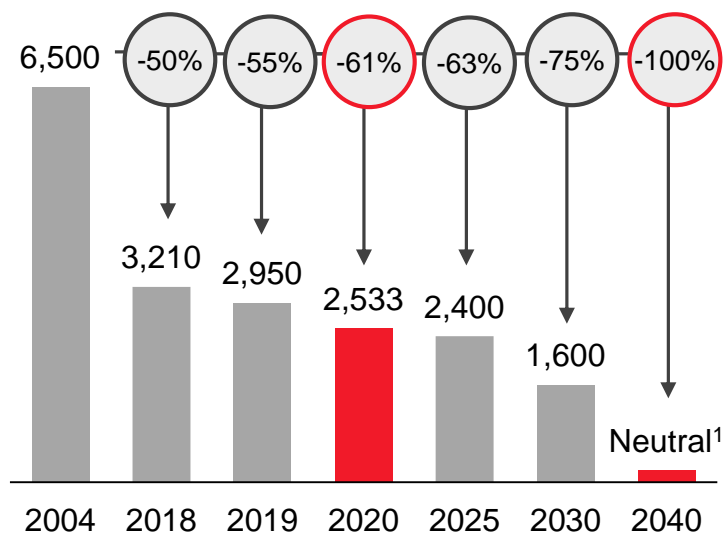
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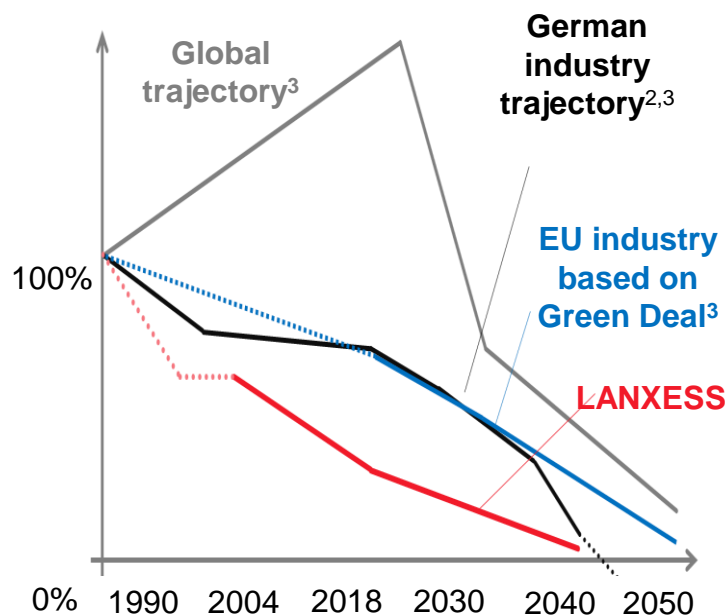
LANXESS goes climate neutral by 2040 based on internal measures

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



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

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



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

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

**Reuse/
Repair**



Even chemicals can be reused

**Mechanical
Recycling**

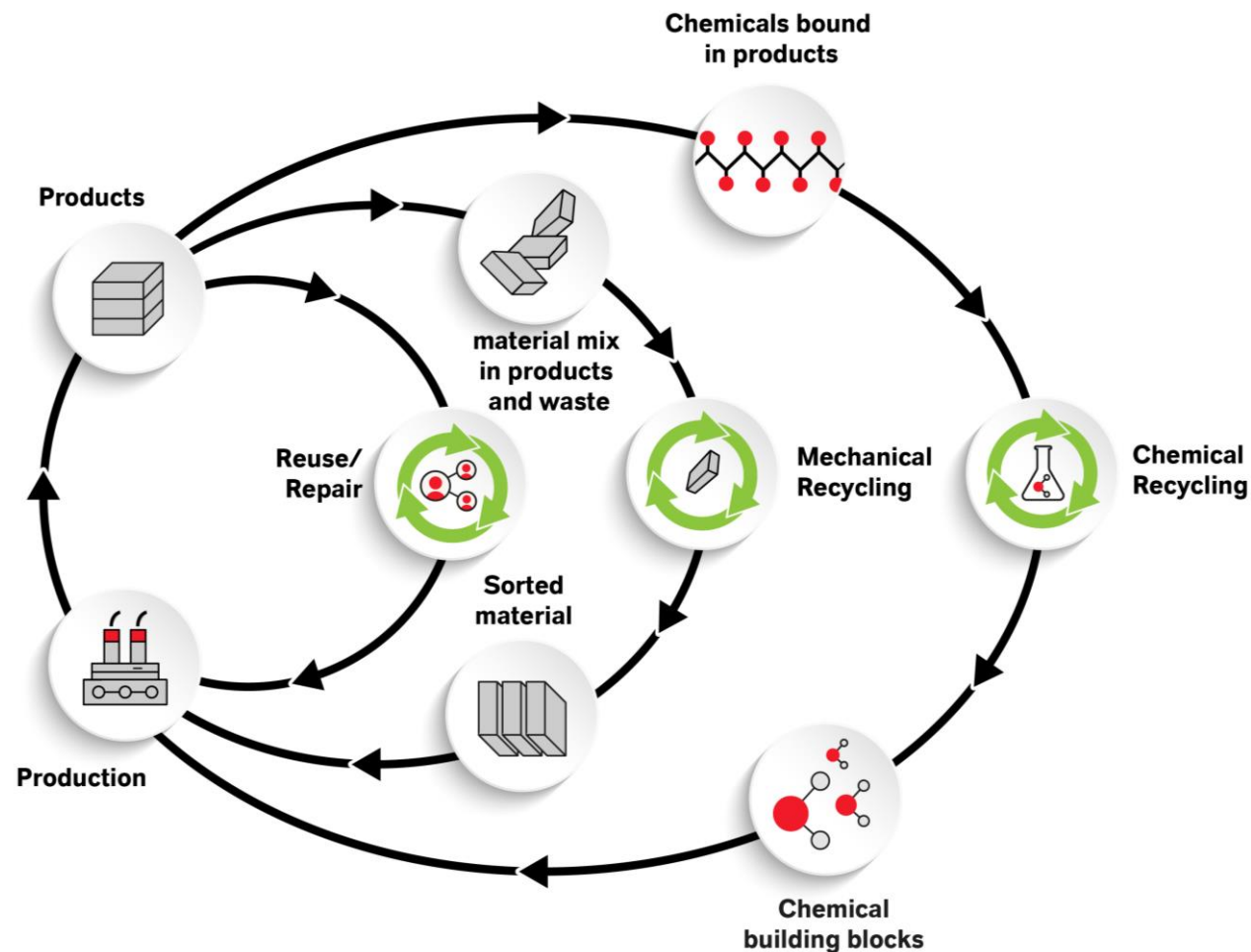


Decomposition without changing the chemical structure of the material

**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*)

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

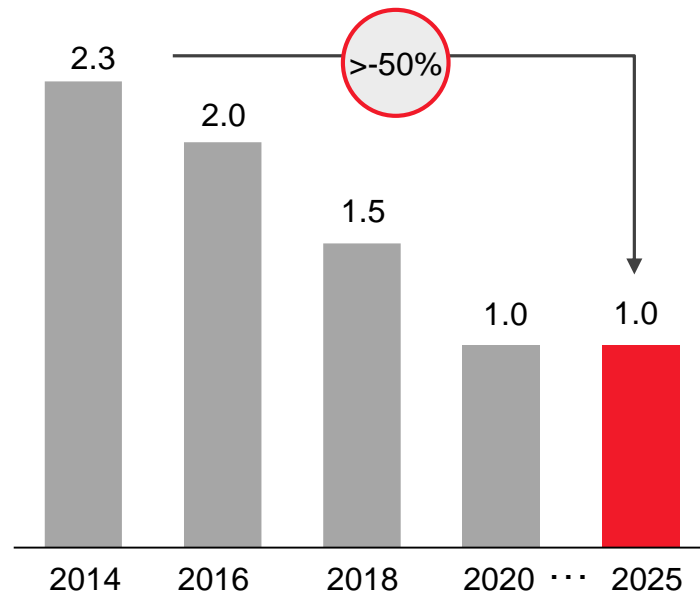


We are on track with achieving our targets and plan to further foster diversity and inclusion

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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Our governance structure ensures strategic oversight – starting with the supervisory board

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

Supervisory Board regularly assesses its effectiveness as a whole and its committees

Age Limit

An **age limit** has been set following the completion of the **75th 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, procurement of raw materials, energy & services, HR/codetermination, investor relations, corporate financing, accounting and auditing, risk management and IT/digitalization

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.

Sub-Committees

Climate
and
Energy

Hubert Fink
(Board Member)

Health, Safety
and
Environment

Hubert Fink
(Board Member)

Value Chain
Circularity &
Product
Stewardship

Anno Borkowsky
(Board Member)

People
and
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

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

Supervisory Board

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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
	16%		Sustainability Performance Plan (SPP)	<ul style="list-style-type: none"> 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 	
30%	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 	<ul style="list-style-type: none"> ✓ Total compensation is capped³ 	
		Financial target (EBITDApre)			
fix	Benefits Pensions				<ul style="list-style-type: none"> ✓ Discretionary payment is limited to 20% of total APP
	31%	Annual Base Salary		<ul style="list-style-type: none"> Share 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.


Leading ESG rating providers honor our performance



MSCI

BBB → A → AA

Convincing climate strategy
Ongoing improvement: Water Stress & Chemical Safety



ISS ESG

C → B-

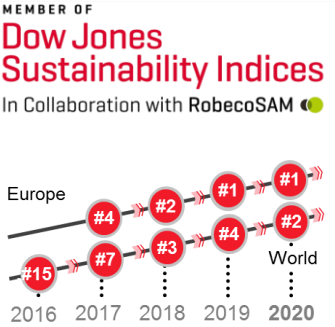
Prime status
Top 8%



CDP
DISCLOSURE INSIGHT ACTION

A A A- A A
2016 2017 2018 2019 2020

Climate leader
Top 5%



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Europe: #4 (2016), #7 (2017), #3 (2018), #4 (2019), #1 (2020)
World: #15 (2016), #7 (2017), #3 (2018), #4 (2019), #2 (2020)

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



PLATINUM Top 1%
2021
ecovadis
Sustainability Rating



vigeo eiris



SUSTAINALYTICS

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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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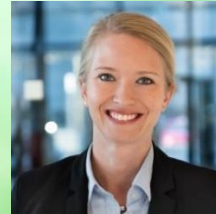
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