2024

Annual Report 2024

LANXESS
Energizing Chemistry

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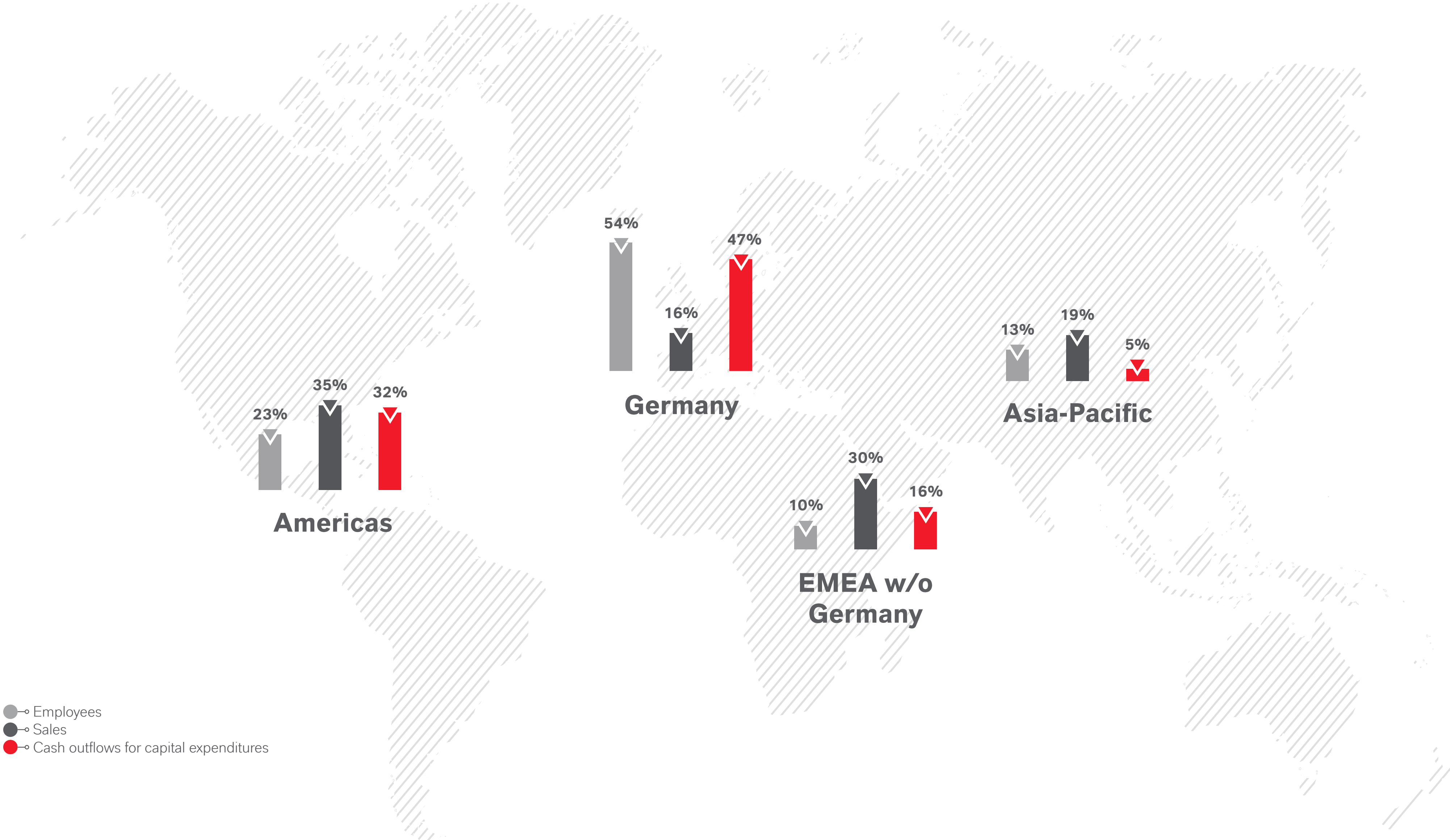
LANXESS AT A GLANCE

Group Structure

Segments	**Consumer Protection**	**Specialty Additives**	**Advanced Intermediates**
Business Units	Material Protection Products Flavors & Fragrances Saltigo Liquid Purification Technologies	Polymer Additives Lubricant Additives Business Rhein Chemie	Advanced Industrial Intermediates Inorganic Pigments
Applications	› Agrochemicals › Flavors and fragrances › Disinfection, preservation and material protection products › Products for water treatment › Pharmaceuticals	› Colorants, polymer additives › Phosphorous-based and brominated flame retardants › Lubricants and lubricant additives	› Agrochemicals › Automotive › Construction › Aromas and flavors › Semiconductors and photovoltaics › Color pigments
Market positions	Top 3 position	Top 3 position	Top 3 position

GLOBAL PRESENCE



KEY DATA 2024

LANXESS Group

	Q4 2023	Q4 2024	Change %	2023	2024	Change %
Sales	1,436	1,483	3.3	6,714	6,366	(5.2)
Gross profit	232	305	31.5	1,268	1,298	2.4
Gross profit margin	16.2%	20.6%		18.9%	20.4%	
EBITDA pre exceptionals[1]	97	159	63.9	512	614	19.9
EBITDA margin pre exceptionals[1]	6.8%	10.7%		7.6%	9.6%	
EBITDA[1]	(7)	123	> 100	328	538	64.0
EBIT pre exceptionals[1]	(55)	13	> 100	(53)	53	> 100
EBIT[1]	(581)	(23)	96.0	(668)	(28)	95.8
EBIT margin[1]	(40.5%)	(1.6%)		(9.9%)	(0.4%)	
Net income	(590)[6]	(64)	89.2	443	(177)	< (100)
from continuing operations	(577)	(64)	88.9	(843)	(177)	79.0
from discontinued operations	(13)[6]	–	100.0	1,286	–	(100.0)
Weighted average number of shares outstanding	86,346,303	86,346,303	–	86,346,303	86,346,303	–
Earnings per share (€)	(6.83)[6]	(0.74)	89.2	5.13	(2.05)	< (100)
from continuing operations	(6.68)	(0.74)	88.9	(9.76)	(2.05)	79.0
from discontinued operations	(0.15)[6]	–	100.0	14.89	–	(100.0)
Adjusted earnings per share from continuing operations (€)[2]	(0.30)	0.21	> 100	0.13	1.58	> 100
Dividend per share (€)				0.10	0.10[7]	–
ROCE[3]				(0.8%)	0.8%	
Cash flow from operating activities – continuing operations	224	352	57.1	852	508	(40.4)
Depreciation and amortization	574	146	(74.6)	996	566	(43.2)
Cash outflows for capital expenditures	132	146	10.6	326	320	(1.8)
Total assets				9,665	9,711	0.5
Equity (including non-controlling interests)				4,507	4,592	1.9
Equity ratio[4]				46.6%	47.3%	
Provisions for pensions and other post-employment benefits				498	429	(13.9)
Net financial liabilities[5]				2,498	2,381	(4.7)

	Q4 2023	Q4 2024	Change %	2023	2024	Change %
Employees (as of Dec. 31)				12,849	12,338	(4.0)
The lost time injury frequency rate (LTIFR) for accidents with days lost				0.6	0.6	–
CO_2e emissions (Scope 1 and 2) in thousand metric tons				1,722	1,887	9.6

1) EBIT: earnings before interest and taxes.
EBIT pre exceptionals: EBIT before exceptional items.
EBIT margin: EBIT in relation to sales.
EBITDA: EBIT before depreciation of property, plant and equipment and amortization of intangible assets, less reversals of impairment charges on property, plant, equipment and intangible assets.
EBITDA pre exceptionals: EBITDA before exceptional items.
EBITDA margin pre exceptionals: EBITDA pre exceptionals in relation to sales.
Further details can be found under "Value Management and Control System" in the combined management report.
2) Adjusted earnings per share from continuing operations: earnings per share from continuing operations disregarding exceptional items, amortization of intangible assets and attributable tax effects, and result from investments accounted for using the equity method. Details can be found under "Business Performance of the LANXESS Group" in the combined management report.
3) ROCE: EBIT pre exceptionals in relation to capital employed (total assets less deferred tax assets and interest-free liabilities). Capital employed as of December 31, 2023 and 2024, adjusted. Details of capital employed can be found under "Value Management and Control System" in the combined management report.
4) Equity ratio: equity in relation to total assets.
5) Net financial liabilities: sum of current and non-current financial liabilities (adjusted for liabilities for accrued interest) less cash, cash equivalents and near-cash assets. Further details can be found under "Value Management and Control System" in the combined management report.
6) Prior-year figure restated.
7) Dividend proposal to the Annual Stockholders' Meeting on May 22, 2025.

Letter from the CEO

Ladies and Gentlemen,

2024 once again posed massive challenges for the chemical industry and hence also LANXESS. A weak economic environment across the entire range of our customer industries, and geopolitical uncertainty in many parts of the world shaped the course of the year. Nevertheless, despite these persistent troubled waters, LANXESS held its course.

It paid off that we acted promptly and counteracted weak demand worldwide. We once again had better capacity utilization of our plants, and our FORWARD! action plan significantly improved our cost situation, so that we were able to improve both our earnings and our debt position. At the same time, we further refined our business models and worked on optimized market access.

We also made strategic progress. In recent years, we have systematically restructured the LANXESS portfolio through targeted acquisitions and divestments to become a specialty chemicals company with an end consumer-focused and increasingly sustainable product portfolio. We completed this transformation in October 2024 with the announced sale of the final remaining polymer business, Urethane Systems, to the Japanese UBE Corporation.

For us, sustainability is key to long-term success. In 2024, we further improved our sustainability profile, and it once again garnered international recognition. We have achieved leading positions in several sustainability indices and ratings, including the Dow Jones Best-in-Class Index and the MSCI ESG and EcoVadis ratings. These distinctions show that we are serious about our responsibility toward the environment, society and good governance. We thus also affirm our commitment to the UN Global Compact and its principles regarding human rights, labor standards, environmental protection and combating corruption. We firmly believe that these values are the key to long-term success.

I would particularly like to thank our employees worldwide. Their high flexibility and dedication have been a decisive factor in our overcoming the massive challenges of recent months. Without their support and commitment it would not have been possible to hold our course so consistently. We also thank our customers, business partners and all of our shareholders for their confidence and support in these difficult times.

We have set the right course for LANXESS. With our clear strategic alignment, we are ideally equipped to benefit from a recovering economy – whenever this recovery may be. We want to accompany our customers as partners in an increasingly dynamic environment, and develop solutions together – with innovation and a deep understanding of their industries and needs. We are in the right position for that, with the right products in the right markets. I would be delighted if you continue to accompany us on this path in the future.

Best regards,

Matthias Zachert
Chairman of the Board of Management

STRATEGY

Tackling the crisis with foresight

The chemical industry economy hit bottom at the beginning of 2024 and LANXESS thus operated in an economic environment characterized by globally weak demand and price declines. We nonetheless registered higher sales volumes and greater capacity utilization year on year in some customer industries, as well as cost savings as a result of the FORWARD! action plan, which significantly contributed to the performance in 2024.

CHEMICAL INDUSTRY MARKED BY WEAK DEMAND

While the economy as a whole continued to stagnate, the German chemical industry was mired in a severe recession in fiscal year 2024. Many industrial customers curbed their production, which in turn reduced the overall demand for chemical products in numerous customer industries. According to the German Chemical Industry Association VCI, production and capacity utilization were below the level of the previous years. The poor economic situation was also reflected in declining employment numbers. Thus the recovery in the industry that was hoped for in 2024 largely failed to materialize both in Germany and around the world. Global demand did not yet return to a normal level, although a moderate upturn became evident in individual markets.

FORWARD! ACTION PLAN PAYS OFF

LANXESS acted both with foresight and consistency, pressing ahead with the FORWARD! action plan initiated in 2023 to reduce the impact of the global demand weakness. This paid off for us, as we achieved a considerably improved cost and earnings situation despite a persistently weak market environment. In conjunction with the first costcontainment initiatives introduced in 2023, the package of measures was aimed at creating a sustainably lower cost base and lastingly reducing annual costs by around €150 million by the end of 2025. This was achieved through a headcount reduction in administration and adjustments in the plant structure and operating organization.

LANXESS also began transforming its business models and market positioning. In addition, we continued to focus on digitalization. Successfully tested pilot programs are being scaled up and deployed in more and more businesses in order to increase customer benefit and efficiency. For example, LANXESS uses new digital solutions on the basis of data analysis or artificial intelligence to optimize the capacity utilization of its plants, accelerate product development, and improve customer-specific distribution processes.

Portfolio transformation complete

In recent years, LANXESS has systematically restructured its portfolio through targeted acquisitions and divestments to become a specialty chemicals company. We have captured leading market positions in numerous areas such as flame-retardant additives or protection products for end consumer-focused markets such as cosmetics, food, and beverages. At the same time, we have withdrawn step by step from the polymers business.

In October 2024, LANXESS agreed on the sale of the Urethane Systems business unit to UBE Corporation of Japan. The transaction is expected to close in the first half of 2025, thus completing the transformation of LANXESS into a pure specialty chemicals company. The final remaining polymer business of LANXESS encompasses five production sites worldwide and application development laboratories in the United States, Europe and China. UBE Corporation will take over these operations with some 400 employees in total. The Urethane Systems business generated sales of some €250 million in the last 12 months through June 2024. LANXESS will use the divestment proceeds to further reduce net debt.

Balance of end markets

Since the beginning of the business transformation in 2016, LANXESS has consistently worked to significantly reduce dependence on the automotive market. Since then, we have attained a balanced portfolio with regard to the end markets and increased the share of end consumer-focused, less cyclical markets, which offer higher profitability potential. At the same time, the portfolio changes also significantly expanded the LANXESS presence in the important U.S. market.

Sustainability at the core of the newly aligned portfolio

LANXESS aims to become a stably growing and profitable specialty chemicals company. Sustainability is anchored at the core of our strategy.

The strategy begins with the determination of the products' carbon footprints and the aim to continuously reduce them. The Advanced Intermediates segment in particular plays a leading role here.

The focus of the Specialty Additives segment is on reducing the carbon footprint of its own products, as well as their sustainable processing by customers. LANXESS additives allow materials to be used for longer, which reduces the carbon footprint of these products throughout their lifecycle. Especially in a circular economy, additives help to ensure the safe use of materials in a second lifecycle.

The Consumer Protection segment's products help people cope with major global challenges. For example, highly effective disinfectants safeguard against the growing risk of bacteria and other germs. The development of better-adapted pesticides protects the global food chain.

Clearly defined sustainability targets

Even in the currently uncertain situation as regards both the economy and geopolitics, LANXESS is consistently pursuing the long-term transformation into a climate-neutral economy. We therefore ensure that our sustainability strategy is holistic and contributes to the protection of biodiversity on the one hand, and that the individual measures and targets are geared toward specific action areas such as climate change mitigation and water and have a medium-term impact on the other.

For example, the climate targets of LANXESS contribute to the 1.5-degree climate target defined in 2015 as part of the Paris Agreement. The targets of LANXESS were verified by the SBTi (Science Based Targets initiative) in 2023. LANXESS intends to be climate neutral in terms of Scope 1 and Scope 2 greenhouse gas emissions by 2040 and in terms of Scope 3 emissions by 2050.

For more information on the climate strategy of LANXESS, see Chapter E1 – "Climate Change."

We also achieved the targets relating to product responsibility. We largely achieved those relating to water (see "LANXESS Water Program," page 153) in fiscal year 2024. For both action areas, LANXESS has set the next milestones on the way to sustainable sites and products and for responsibility throughout the value chain.

Sustainable financing concept

In recent years, it has become evident that sustainability criteria are also of consistently high importance for financing on the capital markets. Together with its banking partners, therefore, LANXESS maintained its existing financing concept and undertook a refinancing at an early stage. A new revolving credit line of €800 million is tied to fulfilling environmental, social and governance (ESG) criteria. The interest rate terms depend on the successful reduction of the company's greenhouse gas emissions (Scope 1, 2 and 3) and the increase in the proportion of women in management positions.

Outstanding placements in sustainability indices

Top placements in international sustainability indices and ratings serve as recognition of the company's efforts: LANXESS was listed in the Dow Jones Best-in-Class Index for the 14th time in a row and, among chemical companies, was ranked fourth in the world and first in Europe.

Once again the non-profit organization Carbon Disclosure Project also awarded LANXESS an "A" grade for successful climate management. In the renowned sustainability rating by MSCI ESG Research, the company again attained the second-highest category, "AA." LANXESS also achieved Gold level in the sustainability rating by EcoVadis. This rating is given to the top 5% of companies analyzed by EcoVadis.

Financial discipline is the priority

LANXESS further reduced its net financial debt in fiscal year 2024 thanks to stable free cash flow generation that was driven by an improved operating performance and permanent cost savings. We will once again focus on further reducing net debt and generating an attractive cash flow in 2025. LANXESS plans to use the proceeds from the agreed sale of the Urethane Systems business unit to further reduce gross debt in the first half of 2025.

In line with its conservative financial policy, LANXESS also continues to strive for a sound investment grade rating.

In a good position for the future

LANXESS is in a good position. The task now, although the economic situation remains difficult, is to continue developing the individual business models, leverage synergies and efficiency, and fully exploit the potential. This will enable us to perform at full pace once the economy picks up again.

CORPORATE GOVERNANCE

Corporate Governance Statement

In the Corporate Governance Statement pursuant to Sections 289f, 315d of the German Commercial Code (HGB), LANXESS AG reproduces the latest declaration of compliance issued by the Board of Management and the Supervisory Board and describes the work of the Board of Management and the Supervisory Board and of the Supervisory Board committees, the corporate governance practices followed in the Group and the diversity concept for the cooperation of the Board of Management and the Supervisory Board. The statement also includes additional information on corporate governance.

The Board of Management and Supervisory Board of LANXESS are committed to the principles of transparent and responsible corporate governance and control. They place high value on the standards of good corporate governance, with a view to strengthening the trust of investors, customers, employees and the public in LANXESS.

DECLARATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD OF LANXESS AG ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

On December 17, 2024, the Board of Management and the Supervisory Board of LANXESS AG issued the following declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG):

“Since the issuance of the last declaration of compliance on December 15, 2023, LANXESS AG complied with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC) (‘Government Commission’) as amended on April 28, 2022, which were published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, until April 1, 2024, with the exception described and explained therein (deviation from recommendation G.6 of the GCGC, as the long-term variable compensation portion had not yet outweighed the short-term variable compensation portion in all valid Board of Management contracts). Since that date, LANXESS AG has complied fully with all recommendations of the GCGC and intends to do so in the future.

The deviation ceased to apply because the compensation system of the company revised as of January 1, 2021, has now been implemented in all contracts of the current members of the Board of Management through a reappointment as of April 1, 2024.

The declaration of compliance can be viewed on the LANXESS AG website. Declarations of compliance from previous years are also permanently available on the website.

CORPORATE GOVERNANCE PRACTICES GOING ABOVE AND BEYOND THE LEGAL REQUIREMENTS

As an international company, LANXESS bears global responsibility for the propriety and sustainability of its conduct. Compliance, meaning the observance of all legal provisions that are binding on the LANXESS Group, ethical principles and self-imposed regulations, is a fundamental requirement for all corporate activities. For this reason, LANXESS has established a global compliance management system (CMS), which is defined in the CMS policy applicable throughout the Group.

The goal of the CMS is to appropriately and effectively ensure compliance throughout the LANXESS Group so as to counter unlawful or unethical conduct within the LANXESS Group at an early stage and introduce suitable measures to prevent misconduct. The CMS is supported by the compliance organization, which is made up of the Group Compliance Officer, regional Compliance Officers and a network of local Compliance Officers for the countries in which LANXESS has subsidiaries. The compliance organization acts, in particular, as the central point of contact and provider of advice for all employees on all compliance-related issues. The staff function to which the global compliance organization belongs reports directly and regularly to the Board of Management.

One of the fundamental elements of the CMS is a compliance culture based on LANXESS' corporate values of respect, responsibility, integrity, professionalism and trust. It is shaped by the clear commitment and dedication of the LANXESS Board of Management and the Supervisory Board. All managerial staff at LANXESS have a duty to embody this compliance culture and communicate it to the workforce, so that all LANXESS employees live by and practice this compliance culture.

The aim of the LANXESS Compliance Program, which is part of the CMS, is to establish appropriate organizational measures and processes to prevent individual misconduct (prevention) or to identify misconduct as quickly as possible (identification) and react with appropriate sanctions (response). The most important instrument in the Compliance Program is the Group-wide "LANXESS Code of Conduct." It defines binding principles of conduct and provides employees with important information and guidance on compliance. The LANXESS Code of Conduct is published on our website. Additional preventive measures include, in particular, an extensive portfolio of compliance briefings and targeted compliance training. Compliance risk assessments are performed regularly to identify and evaluate company-specific compliance risk areas, as well as to develop additional measures and processes for reducing compliance risks. The main risk areas identified are assigned to individual Group functions as special compliance responsibilities. These functions are developing and implementing individual compliance programs that encompass, in particular, specific Group policies, standard operating procedures and training concepts. The compliance organization supports the Group functions during both the design and implementation phases on an overall and global level.

An effective internal control system, appropriate monitoring activities and audits performed by Internal Auditing and those functions with special compliance responsibilities are designed to ensure that requirements are met. In the event of indications of compliance violations, the global whistleblower platform "SpeakUp" enables employees and external third parties to report suspected violations (anonymously if desired), which are investigated by the compliance organization.

We consider responsible and sustainable business activities to be a prerequisite for operating successfully in the future and creating value. With this in mind, sustainability is a key factor for success that is at the heart of LANXESS's corporate culture and a component of our business strategy. This also involves knowing and evaluating the impact of our actions, whether positive or negative, including in dialog with stakeholders. We subscribe to globally recognized standards and frameworks such as the U.N. Global Compact, the standards of the International Labour Organization (ILO) and Responsible Care®. The principles of responsible business operations and sustainable development are expressed in our Corporate Policy, which defines our general corporate philosophy and the conduct of every single employee in relation to our stakeholders. An overview of the implementation of sustainability at LANXESS is available on our website under Sustainability.

WORK OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

LANXESS AG is a stock corporation established under the laws of Germany. One of the fundamental principles of German stock corporation law is the two-tier management system with the governing bodies of management board and supervisory board. This system is characterized by a clear separation between the management board as the body that manages a company and the supervisory board as the body that advises and oversees management. The management board and the supervisory board work closely together in a relationship of mutual trust for the benefit of the company.

There were no changes on the Board of Management of LANXESS AG in fiscal year 2024. As of December 31, 2024, the Board of Management continued to consist of four members: Matthias Zachert (Chairman), Frederique van Baarle, Dr. Hubert Fink and Oliver Stratmann. Information on the members of the Board of Management is available online under Company/Management.

The Board of Management is appointed to manage and represent the company. It is responsible for conducting business in the company's interests with the goal of creating sustainable value. The principal tasks of the Board of Management include defining the company's goals and strategic alignment, managing and overseeing the operating units, setting human resources policy, arranging the company's financing, focusing on sustainable value creation, and establishing an effective risk management system. The Board of Management has a duty to ensure compliance with legislation, regulatory requirements and the company's internal directives. It is also responsible for preparing the quarterly and half-year financial statements, the financial statements of LANXESS AG, the consolidated financial statements of the LANXESS Group and the management report for LANXESS AG and the LANXESS Group.

The Chairman coordinates the work of the Board of Management. As a rule, Board of Management decisions are adopted with a simple majority. In the event of a tie, the Chairman has the casting vote. Resolutions of the Board of Management are generally passed at regularly held meetings. The rules of procedure for the Board of Management that are enacted by the Supervisory Board contain further regulations concerning the form of cooperation within the Board of Management, the allocation of duties and the matters requiring resolution by the full Board of Management. The Board of Management has not formed any committees.

The company's Supervisory Board is composed of twelve members, with equal numbers of stockholder representatives and employee representatives in accordance with the provisions of the German Codetermination Act of 1976. The stockholder representatives are elected by the Annual Stockholders' Meeting, whereas the employee representatives are elected in accordance with the provisions of the Codetermination Act and its electoral regulations. Supervisory Board members generally serve for a five-year term. However, appointments can also be made for shorter terms. There was a change in the position of Chairman of the Supervisory Board during fiscal year 2024: The longstanding Chairman Dr. Matthias Wolfgruber stepped down from the Supervisory Board at the end of the Annual Stockholders' Meeting on May 24, 2024. Dr. Rainier van Roessel, who has been a member of the Supervisory Board since 2022, was elected as his successor at the constituent meeting of the Supervisory Board held on the same day. The vacancy on the Supervisory Board resulting from Dr. Wolfgruber's departure was filled with the election of Dr. Hans-Joachim Müller, former Chairman of the Management Board of Azelis Group, Belgium, at the Annual Stockholders' Meeting on May 24, 2024. In addition, Birgit Bierther, the long-serving Chairwoman of the LANXESS Works Council at the Cologne site, stepped down from the Supervisory Board due to retirement with effect from May 31, 2024. Sadik Emiroglu, the current Chairman of the LANXESS Works Council at the Cologne site, succeeded her as a new member of the Supervisory Board on June 1, 2024, through appointment by the Cologne District Court upon application by the company.

Information on the members of the Supervisory Board is available on the corporate website.

The Supervisory Board's role is to advise the Board of Management in its management of the company and to monitor its conduct of the business. The Supervisory Board discusses business performance, planning and strategy at regular intervals. Its responsibilities also include appointing the members of the Board of Management as well as reviewing the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. The Supervisory Board makes decisions on the Board of Management's proposed appropriation of the distributable profit and on its report to the Annual Stockholders' Meeting. It also deals with sustainability issues and climate action. The Supervisory Board reaches its decisions with a majority of the votes cast unless a different majority is stipulated by law. In the event of a tie, the Chairman of the Supervisory Board has two votes in a second ballot on the resolution, even if this also results in a tie. The German Codetermination Act contains special requirements concerning resolutions. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. Supervisory Board resolutions are usually adopted at regularly held meetings. An overview of the attendance of Supervisory Board members at meetings of the Supervisory Board and its committees in fiscal year 2024 can be found in the Report of the Supervisory Board and on the company's website.

The Supervisory Board has issued its own rules of procedure, which, in addition to defining the tasks and responsibilities of the Supervisory Board and the personal qualifications of its members, establish the processes for convening, preparing and chairing meetings as well as the procedures for voting. The rules of procedure of the Supervisory Board can be found on the company's website.

The Board of Management provides full and timely reports to the Supervisory Board about the course of business and the situation of the Group, including potential risks and relevant issues relating to corporate planning. The Supervisory Board has specified the Board of Management's notification and reporting obligations in its rules of procedure. The Chairman of the Board of Management regularly exchanges information with the Chairman of the Supervisory Board in order to discuss matters of strategy, planning, business performance, the risk situation, risk management and compliance. Certain transactions and measures of major or long-term importance require the Supervisory Board's approval. Measures requiring approval include, but are not limited to: the adoption of the corporate planning, the acquisition, sale or encumbrance of real property, shareholdings or other assets, and borrowings and certain other types of financial transactions. Thresholds have been set for some of these transactions.

The Supervisory Board assesses, at regular intervals, how effectively it as a whole and its individual committees fulfill their tasks. An externally supported self-assessment was last carried out in fiscal year 2022. The results were presented to the Supervisory Board, which discussed opportunities for improvement and recommendations for action thus derived.

The Report of the Supervisory Board details the Supervisory Board's work.

COMPOSITION AND WORK OF THE SUPERVISORY BOARDCOMMITTEES

The Supervisory Board has a Presidial Committee, an Audit Committee, a Committee pursuant to Section 27, Paragraph 3 of the German Codetermination Act and a Nominations Committee formed from among its members. The composition of the committees of the Supervisory Board is explained on the company's website.

The Presidial Committee discusses key issues and prepares the meetings and resolutions of the Supervisory Board. In addition, it makes decisions on transactions requiring approval that are already included in the company's annual planning. The Presidial Committee may also resolve on the exercise of participation rights pursuant to Section 32 of the German Codetermination Act and on transactions requiring approval that cannot be deferred. It consults regularly about long-term succession planning for the Board of Management and prepares the personnel decisions to be made by the Supervisory Board. In addition, the Presidial Committee prepares the Supervisory Board resolution on the compensation system for the Board of Management including the implementation of this system in the Board of Management contracts, the setting of targets for variable compensation and the assessment and review of the appropriateness of the total compensation of the individual Board of Management members. The Chairman of the Presidial Committee is Dr. Rainier van Roessel. The other members of the Presidial Committee are Manuela Strauch, Hans van Bylen, Ralf Sikorski, Sadik Emiroglu and Dr. Hans-Joachim Müller.

The Audit Committee supports the Supervisory Board in overseeing the conduct of the business and deals with matters relating to the supervision of accounting, the accounting process, effectiveness of the internal control system, the risk management system and the internal auditing system, as well as auditing, including the independence of the auditor and the work additionally performed by the auditor, and compliance. It prepares the Supervisory Board's resolutions concerning the annual and consolidated financial statements and recommends an auditor whom the Supervisory Board then proposes to the Annual Stockholders' Meeting for appointment. The Audit Committee also prepares the separate non-financial report. As of December 31, 2024, the Audit Committee comprised the following members: Pamela Knapp (Chairwoman), Hans van Bylen, Armando Dente, Dr. Hans-Dieter Gerriets, Lawrence A. Rosen and Iris Schmitz. The members of the Audit Committee are all familiar with the sector in which LANXESS AG operates. Under German stock corporation law, at least one member of the Audit Committee must have expertise in the field of accounting and at least one other member of must have expertise in the field of auditing ("financial experts"). In accordance with the recommendations of the GCGC, the Chairman or Chairwoman of the Audit Committee must also have expertise in at least one of these two areas and be independent. Pamela Knapp as Chairwoman of the Audit Committee fulfills these requirements because of her earlier professional practice. She has held various management positions in the financial field during her professional career, most recently as CFO of a listed company where her responsibilities included the Accounting, Controlling and Treasury divisions. Pamela Knapp therefore has in-depth knowledge and many years of experience in the application of accounting principles, in the field of auditing and with regard to internal control and risk management systems, and also expertise in the field of sustainability reporting.

Hans van Bylen, among others, also has a business management background and during his career has been a long-term member and most recently chairman of the management board of a large, international, publicly traded corporation. In this role, Hans van Bylen has gained extensive experience in the application of accounting principles as well as various aspects of sustainability reporting, which he actively contributes to the Supervisory Board and the Audit Committee. Pamela Knapp and Hans van Bylen therefore meet the relevant statutory requirements for “financial experts.”

The Mediation Committee pursuant to Section 27, Paragraph 3 of the German Codetermination Act performs the tasks described in Section 31, Paragraph 3 of the German Codetermination Act. The Chairman is Dr. Rainier van Roessel. The other committee members are Dr. Heike Hanagarth, Ralf Sikorski and Iris Schmitz.

The Nominations Committee comprises solely stockholder representatives and proposes candidates for the Supervisory Board to nominate for election as new members of the Supervisory Board by the Annual Stockholders’ Meeting. The members of the Nominations Committee are Rainier van Roessel (Chairman), Lawrence A. Rosen and Dr. Heike Hanagarth.

The respective committee chairmen or chairwomen report regularly to the Supervisory Board on the work of the committees.

SETTING AND IMPLEMENTATION OF TARGETS FOR FEMALE REPRESENTATION ON THE BOARD OF MANAGEMENT AND IN MANAGERIAL POSITIONS PURSUANT TO SECTIONS 76, PARAGRAPHS 3A AND 4, AND 111, PARAGRAPH 5, OF THE GERMAN STOCK CORPORATION ACT

In accordance with the framework conditions of German stock corporation law, the Supervisory Board of LANXESS AG must comprise at least 30% women and at least 30% men. In the context of separate fulfillment, the company’s twelve-member Supervisory Board currently has four female members: Dr. Heike Hanagarth, Pamela Knapp, Iris Schmitz and Manuela Strauch. This is a ratio of approximately 33% women. New appointments in the future will also comply with the statutory requirements.

Under the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector, certain companies in Germany are required to set targets for the management board and the next two management levels down, and to specify a deadline for meeting these targets. In accordance with the German Stock Corporation Act, companies like LANXESS that are listed on the stock exchange and subject to equal codetermination and have a Board of Management with more than three members must also have at least one female and one male Board of Management member and observe this requirement in the event of (re-)appointments of Board of Management members (minimum participation requirement). The Board of Management of LANXESS AG meets this requirement, as it has a female member in Frederique van Baarle.

The Board of Management last adopted new targets for the management levels below the Board of Management in April 2022. These plan for greater representation than before in accordance with the company’s interest in continually increasing the number of women in management positions. By June 30, 2027, the proportion of female employees must therefore amount to at least 25% at the first level and 28% at the second level below the Board of Management. At the end of fiscal year 2024, these figures amounted to 24.4% and 27.5%, respectively.

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

LANXESS AG's Board of Management and Supervisory Board as a whole should reflect the principles of diversity. Both the Board of Management and the Supervisory Board of the company observe principles that particularly encompass diversity in terms of age, gender, educational/professional background and internationality/ethnicity. This diversity contributes to a greater wealth of experience and a wider range of expertise and skills within the Board of Management and the Supervisory Board.

Board of Management diversity concept

The Supervisory Board's decisions on the filling of specific Board of Management positions are based on the interests of the company, taking all individual circumstances into account. The Supervisory Board aims to put together a Board of Management with strong leadership qualities and the most diverse and complementary composition as possible. The goal is for all Board of Management members to have the knowledge, skills and professional expertise required to successfully perform their Board of Management duties.

When appointing members of the Board of Management, the Supervisory Board considers personal suitability, professional qualifications, integrity, leadership qualities, international experience, previous achievements, and knowledge of the company and the chemical industry. Diversity is an additional criterion, especially with regard to age, gender, educational and professional background, and internationality/ethnicity.

Age

In line with recommendation B.5 GCGC, the Supervisory Board has adopted a standard age limit of 70 for the Board of Management. This is designed to enable members of the Board of Management to contribute their professional and life experience for a sufficient length of time for the benefit to the company. The Supervisory Board also seeks to ensure a balanced mix of ages so that the management of the company is guided both by long-term professional and life experience and by the perspective of a younger generation. The balance also ensures continuity in the management of the company.

Gender diversity

LANXESS also strongly believes that gender diversity is a key component of diversity. The company therefore promotes, for example, family-friendly workplace initiatives. In accordance with the statutory requirements in Section 76, Paragraph 3a of the German Stock Corporation Act, the Supervisory Board also aims – as described above – to have at least one female member on the company's Board of Management. This is currently the case in the person of Frederique van Baarle.

Educational and professional backgrounds

LANXESS is of the firm belief that a diverse range of educational and professional backgrounds is necessary to enable the governing bodies to fulfill the duties and responsibilities placed on them by law, the company's articles of association and the rules of procedure to the best of their ability and in the interests of the company. Varying educational and professional backgrounds also guarantee varying perspectives and approaches to solving business challenges. The members of the company's Board of Management have educational qualifications in business, science or law and diverse international management experience.

Internationality/ethnicity

LANXESS is a global company with a correspondingly wide range of customers and suppliers. LANXESS employees come from many different countries. This is why membership of the Board of Management must also be international. Board of Management member and Labor Director Frederique van Baarle is a Dutch citizen. However, we do not mean international only in the sense of a specific nationality. A different cultural background also plays a role here. Cross-cultural characteristics and experiences, which can also be acquired through education or professional activity, are crucial. The Board of Management membership must therefore be characterized by an openness to other cultures and an understanding of international issues and relations. In many cases, the experience and skills of the members of the Board of Management have been acquired while working abroad or in an international field. Further information about all members of the Board of Management of LANXESS AG is available in the curricula vitae on the company's website.

The diversity concept described above is implemented in the Supervisory Board's process for appointing Board of Management members. Board of Management staffing issues are prepared in the Supervisory Board's Presidial Committee and then discussed and decided upon in the Supervisory Board. In the long-term succession planning for the Board of Management, the Presidial Committee and the Supervisory Board regularly communicate with the Board of Management regarding suitable internal candidates for the Board of Management, taking the current Board of Management mandates into account. If necessary, external candidates are also evaluated. When selecting the candidates, the Supervisory Board considers the requirements laid down in the diversity concept for the Board of Management.

The composition of the Board of Management of LANXESS AG complies entirely with the current diversity concept.

Goals for composition, diversity concept and qualification matrix of the Supervisory Board

With the goals for its composition, skills profile and diversity concept, the Supervisory Board aims to ensure that the Board of Management receives qualified advice and supervision. Therefore, proposed candidates for appointment to the Supervisory Board should be able to perform the duties of a Supervisory Board member in an international chemicals company by virtue in particular of their personality and integrity, their professional skills and the time they have available. Sufficient diversity and independence are also taken into account. In addition to German stock corporation law and the recommendation of the GCGC, proposed appointments to the Supervisory Board consider the skills profile and the targets for the composition of the Supervisory Board. New Supervisory Board members are provided with the information relevant to their work in an onboarding process.

Goals for composition, skills profile

The members of the Supervisory Board of LANXESS AG are expected to possess the necessary expertise, skills and professional experience to perform their duties. They autonomously undertake training and are supported in their efforts by the company. In addition to the requirements applicable to each individual member of the Supervisory Board such as integrity, professionalism and independence, the entire Supervisory Board should be composed in such a way to ensure that the Board of Management receives qualified supervision and advice. The Supervisory Board of LANXESS AG has devised a skills profile which stipulates that in-depth specialist knowledge and experience are represented in the Supervisory Board from fields such as the chemical industry, management of major international companies, production, marketing and sale of chemical products, corporate governance/compliance, M&A, corporate financing, accounting, risk management, digitalization/IT, cybersecurity, and ESG/sustainability. In its current composition, the entire Supervisory Board fulfills these goals and completes the skills profile. The Supervisory Board members are all familiar with the sector in which LANXESS operates and possess the knowledge, skills and experience that are crucial to the company. In its proposals to the Annual Stockholders' Meeting for filling vacant positions on the Supervisory Board, the Supervisory Board will continue to take account of the targets for the composition of the Supervisory Board and, at the same time, endeavor to complete the skills profile for the entire body.

Independence

The Supervisory Board of LANXESS AG should ensure the provision of impartial advice and supervision to the Board of Management. It must include what it considers to be an appropriate number of independent members, but this number must in any event be more than half of the shareholder representatives, taking the company's ownership structure into account. Supervisory Board members are to be considered independent from the company and its Board of Management if they have no personal or business relationship with the company or its Board of Management that may cause a substantial – and not merely temporary – conflict of interest. In particular, it must be taken into consideration whether the respective Supervisory Board member or a close family member

- was a member of the company's Board of Management in the two years prior to appointment;
- currently is maintaining (or has maintained) a material business relationship with the company or one of these entities dependent upon the company (e.g. as customer, supplier, lender or advisor) in the year up to his/her appointment, directly or as a shareholder, or in a leading position of a non-group entity;
- is a close family member of a Board of Management member;
- or has been a member of the Supervisory Board for more than twelve years.

Moreover, no more than two former members of the Board of Management of the company may be members of the Supervisory Board. Supervisory Board members may not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company or a Group entity, and may not hold any personal relationships with a significant competitor.

The Supervisory Board deems all current Supervisory Board members to be independent. In its assessment of employee representatives, the Supervisory Board also assumes that their ability to act independently is not affected by their status as employees of the company or members of labor unions. No member of the Supervisory Board has a personal or business relationship with the company, its executive bodies, a controlling shareholder or any enterprise affiliated with a controlling shareholder that may cause a material and not merely temporary conflict of interest. Moreover, no Supervisory Board members have a family relationship with anyone who performs or has performed a Board of Management or executive function at the company or a Group entity. No Supervisory Board members are in a contractual service relationship with the company or its management personnel. In addition, no Supervisory Board members are partners or employees of the audit company working for LANXESS. In addition, no Supervisory Board members have been in office for more than twelve years. Furthermore, the Supervisory Board sees no conflicts of interest on the part of any of its members that could cast doubt on their independence. Only one member of the Supervisory Board – Dr. Rainier van Roessel – is a former member of the company's Board of Management. In line with the recommendations of the GCGC, Dr. van Roessel's appointment to the Supervisory Board in 2022 was not until two years had elapsed since his departure from the Board of Management.

Age limit and length of membership

The Supervisory Board has defined an age limit for its members, which is contained in the rules of procedure for the Supervisory Board. Supervisory Board members may not continue to serve after the end of the Annual Stockholders' Meeting following their 75th birthday. The Supervisory Board has stipulated a maximum length of membership of generally not more than 12 years, bearing in mind that stability in the composition of the Supervisory Board promotes trusting cooperation within the board and with the Board of Management.

Diversity

In general, the Supervisory Board should be guided by the principles of diversity in its composition. LANXESS is a global company with a correspondingly wide range of customers and suppliers. LANXESS employees come from many different countries. This is why membership of the LANXESS Supervisory Board must also be international. By international, we do not mean merely in the sense of a specific nationality. A different cultural background (ethnicity) also plays a role here. Cross-cultural characteristics and experiences, which can also be acquired through education or professional activity, are crucial. The global reach of LANXESS AG and the different cultural characteristics of Supervisory Board members have been reflected in the composition of the Supervisory Board thus far and will remain a factor in selecting candidates to be proposed to the Annual Stockholders' Meeting for election to the Supervisory Board. The company's Supervisory Board contains members from four different countries (Germany, Belgium, Netherlands, and the U.S.), who acquired much of their experience and skills while working abroad for long periods.

Diversity applies equally to gender. LANXESS AG's twelve-member Supervisory Board currently has four female members: Dr. Heike Hanagarth, Pamela Knapp, Iris Schmitz and Manuela Strauch. This is a ratio of approximately 33%. The company therefore complies with the legal requirements for gender diversity and will also take these into account when filling positions on the Supervisory Board in the future.

Time available

Each Supervisory Board member ensures that they have sufficient time available to discharge their duties. They must be willing and able to engage with the work and to undertake necessary training. A Supervisory Board member who belongs to the management board of a listed company must not have, in aggregate, more than two supervisory board mandates in non-Group listed companies or comparable functions, and must not accept the chair of a supervisory board in a non-Group listed company. A member that does not belong to the management board of a listed company must not have, in aggregate, more than five supervisory board mandates at non-Group listed companies or comparable functions, with an appointment as chairman or chairwoman of the supervisory board being counted twice.

Qualification Matrix

		Stockholder representatives						Employee representatives					
		Dr. Rainier van Roessel	Hans van Bylen	Dr. Heike Hanagarth	Pamela Knapp	Lawrence A. Rosen	Dr. Hans-Joachim Müller	Sadik Emiroglu	Armando Dente	Dr. Hans-Dieter Gerriets	Ralf Sikorski	Iris Schmitz	Manuela Strauch
Membership	Member since	2022	2020	2016	2018	2015	2024	2024	2020	2014	2015	2021	2015
Personal suitability	Independence	●	●	●	●	●	●	●	●	●	●	●	●
	Not overboarded	●	●	●	●	●	●	●	●	●	●	●	●
Diversity	Gender	Male	Male	Female	Female	Male	Male	Male	Male	Male	Male	Female	Female
	Nationality	Dutch	Belgian	German	German	American	German	German	German	German	German	German	German
Professional aptitude	Management of major international companies	●	●	●	●	●	●						
	Chemical sector	●	●				●	●	●	●	●	●	●
	Production, marketing and sale of chemical products	●	●				●	●		●		●	●
	Corporate governance (compliance)	●	●	●	●	●	●				●		
	M&A	●	●	●	●	●	●						
	Corporate financing				●	●							
	Accounting		●		●	●			●	●	●	●	●
	Risk management		●		●	●			●	●	●	●	●
	Digitalization/IT/ Cybersecurity	●		●		●					●	●	●
	Sustainability/ESG	●		●			●		●	●	●		
International experience		●	●	●	●	●	●		●	●	●		

In line with recommendation C.1 GCGC, the table provides an overview of the Supervisory Board members' qualifications on the basis of the targets for the composition of the Supervisory Board.

Proposals of candidates to the Annual Stockholders' Meeting must take the Supervisory Board's targets for its composition into account and, at the same time, endeavor to complete the skills profile for the entire body.

Candidate proposals and succession in the Supervisory Board are based on the self-set targets and the skills profile of the Supervisory Board. The current composition of the Supervisory Board complies with the targets and the skills profile.

STOCKHOLDERS AND STOCKHOLDERS' MEETINGS

The stockholders of LANXESS AG exercise their rights at the Annual Stockholders' Meeting, where they can vote on the resolutions submitted. The Annual Stockholders' Meeting resolves on all matters reserved for its decision by law, with binding effect on the stockholders and the company. Each share confers one vote.

The items resolved on by the Annual Stockholders' Meeting include appropriation of the distributable profit, ratification of the actions taken by the members of the Board of Management and the Supervisory Board, appointment of the auditors, election of the stockholder representatives to the Supervisory Board, the compensation system for the members of the Board of Management and the Supervisory Board, and the approval of the Board of Management's compensation report. The Annual Stockholders' Meeting also resolves on amendments to the articles of association, measures affecting the company's capital and the approval of intercompany agreements. Each year, there is an Annual Stockholders' Meeting at which the Board of Management and Supervisory Board give an account of the last fiscal year. The German Stock Corporation Act requires the convening of an Extraordinary Stockholders' Meeting in certain situations.

All stockholders who register in time and prove their eligibility to attend the Annual Stockholders' Meeting and exercise their voting rights shall be allowed to participate in the Annual Stockholders' Meeting. Stockholders may exercise their voting rights at the Annual Stockholders' Meeting in person, through a proxy of their own choosing or through a company-nominated proxy who acts according to their instructions. Stockholders may also cast mail-in votes in writing, by e-mail or electronically.

As in the previous years, the company's Annual Stockholders' Meeting on May 24, 2024, was again held as a virtual Annual Stockholders' Meeting without the physical presence of the stockholders or their authorized representatives. This followed an extensive review and consideration of all decision-making criteria relevant for the event format. In this process, it was ensured that all rights of the stockholders were fully protected. In particular, the company intentionally refrained from exercising statutory restriction options such as replying to questions by the stockholders ahead of the Annual Stockholders' Meeting. Due to the resolution by the Annual Stockholders' Meeting of May 24, 2023, amending the articles of association, the Board of Management is currently authorized to decide that annual stockholders' meetings of the company can continue to be held until June 12, 2025, without the physical presence of the stockholders or their authorized representatives at the venue of the Annual Stockholders' Meeting (virtual Annual Stockholders' Meeting).

COMPENSATION SYSTEM AND COMPENSATION REPORT

In fiscal year 2020, the Supervisory Board had revised the compensation system for the members of the Board of Management on the basis of the Second Shareholder Rights Directive Implementation Act (ARUG II) and the new version of the GCGC at that time. Taking particular account of LANXESS's sustainable and strategic alignment, significant changes were implemented in the revised compensation system. In particular, both the short-term variable compensation and the long-term variable compensation are based on two measurable performance criteria that are aligned with the sustainable corporate strategy. In addition, the proportions of short-term and long-term variable compensation have been determined such that the long-term compensation components outweigh the short-term ones. The revised compensation system for the Board of Management was approved by the Annual Stockholders' Meeting of LANXESS AG on May 19, 2021, with a majority of 94.22% of the valid votes cast. In conjunction with the regular submission of the Board of Management compensation system in accordance with Section 87a, Paragraph 2, Sentence 1 and Section 120a Paragraph 1 of the German Stock Corporation Act (AktG), the Supervisory Board reviewed the existing system in fiscal year 2024 with regard to regulatory requirements, market practice and investors' expectations. Selected elements of the Board of Management compensation system were restructured and adjusted by the Supervisory Board in this connection. The amended version of the compensation system will be presented to the company's Annual Stockholders' Meeting on May 22, 2025, for approval and is scheduled to enter into force on January 1, 2026.

The compensation report in accordance with Section 162 AktG including the auditor's report can be found together with the compensation system on the company's homepage. In accordance with Section 120a AktG, it was approved at the Annual Stockholders' Meeting of LANXESS AG on May 24, 2024, by a majority of 92.40%. The most recent resolution of the Annual Stockholders' Meeting on the compensation of the Supervisory Board in accordance with Section 113, Paragraph 3, Sentence 1 AktG of May 19, 2021, is also available.

REPORTABLE SECURITIES TRANSACTIONS

Members of the Board of Management and Supervisory Board and persons closely related to them are required to disclose transactions in shares or debt securities of LANXESS AG or associated financial instruments if the total volume of such transactions in any given calendar year equals or exceeds €20,000. Reportable securities transactions are published on the Internet site of LANXESS AG.

The total number of shares of LANXESS AG held by members of the Board of Management and Supervisory Board as of December 31, 2024, was still less than 1% of all shares issued by the company.

RISK MANAGEMENT AND COMPLIANCE

The Board of Management sees systematic and effective risk and opportunity management as an important part of good corporate governance and as an integral component of value-oriented management. This is a systematic, Group-wide process, which helps the Board of Management to identify, assess, manage and minimize risks and opportunities. The risk management system is continuously updated and adapted to the changing conditions. The Board of Management regularly informs the Supervisory Board of potential risks and their development. The Audit Committee regularly reviews the effectiveness of the risk management system and the internal control and auditing system.

Key characteristics of the risk management system and internal control system can be found in the combined management report for LANXESS AG and the LANXESS Group.

ACCOUNTING AND AUDITING

LANXESS AG prepares its consolidated financial statements and interim financial statements in line with the International Financial Reporting Standards (IFRS), as applicable in the European Union. The annual financial statements of LANXESS AG are prepared in accordance with the provisions of the German Commercial Code. After being adopted and approved by the Supervisory Board, the annual financial statements and consolidated financial statements of LANXESS AG as well as the combined management report are published within 90 days after the end of the fiscal year. In line with the external rotation required by law and to ensure an early and orderly handover process, the Annual Stockholders' Meeting of LANXESS AG already on May 24, 2023, accepted the Supervisory Board's nomination and elected KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as the new auditor of the financial statements for fiscal year 2024 and as the auditor for the review of the condensed financial statements and interim management report included in the 2024 half-year financial report. The company's accounts for fiscal year 2024 were therefore audited by KPMG for the first time. The condensed financial statements and interim management report included in the 2024 half-year financial report were also reviewed by KPMG. Dr. Thorsten Hain has been the responsible auditor since 2024. The audits are conducted in line with German auditing regulations and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). The statutory requirements and rotation obligations in Sections 319 and 319a of the German Commercial Code are fulfilled. The auditor has agreed to immediately inform the Supervisory Board of any possible reasons for disqualification or conflicts that may arise, as well as any material findings or events in the course of the audit.

Cologne, March 2025

LANXESS Aktiengesellschaft

The Board of Management The Supervisory Board

Offices Held by Board of Management and Supervisory Board Members

OFFICES HELD BY BOARD OF MANAGEMENT MEMBERS

Offices Held by Serving Board of Management Members (as of December 31, 2024)

Member of the Board of Management	External offices	Offices within the LANXESS Group
Matthias Zachert		
Chairman of the Board of Management	• Member of the Supervisory Board of Siemens AG, Berlin and Munich	• Chairman of the Executive Board of LANXESS Deutschland GmbH
Dr. Hubert Fink		
Member of the Board of Management		• Member of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Supervisory Board of Saltigo GmbH • Chairman of the Board of Directors of LANXESS India Private Limited (since January 23, 2024)
Frederique van Baarle		
Member of the Board of Management		• Member of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Board of Directors of LANXESS Corp.
Oliver Stratmann		
Member of the Board of Management[1]	• Member of the Advisory Board of HDI Global SE, Hanover	• Member of the Executive Board of LANXESS Deutschland GmbH

1) Statutory supervisory boards.

SUPERVISORY BOARD OF LANXESS AG

Serving Members

Dr. Rainier van Roessel (Chairman)
- Self-employed consultant
- Former member of the Board of Management and Labor Relations Director of LANXESS AG

Further offices:
- LANXESS Deutschland GmbH, Cologne[1]
- K+S Aktiengesellschaft, Kassel[1]
- K+S Minerals and Agriculture GmbH, Kassel[1]

Hans van Bylen
- Self-employed consultant
- Former Chairman of the Management Board of Henkel AG & Co. KGaA
- Former President of Verband der Chemischen Industrie e.V. (VCI)

Further offices:
- LANXESS Deutschland GmbH, Cologne[1]
- Akzo Nobel N.V., Amsterdam, Netherlands
- Etex NV, Brussels, Belgium
- Ontex Group NV, Erembodegem (Aalst), Belgium (Chairman)

Dr. Heike Hanagarth
- Self-employed management consultant
- Former member of the Board of Management of Deutsche Bahn AG, Berlin

Further offices:
- LANXESS Deutschland GmbH, Cologne[1]
- Grillo-Werke AG, Duisburg
- Martur Fompak International/Automotive Seating Systems AS, Istanbul, Turkey
- Rivean Capital Advisory GmbH, Frankfurt am Main (member of the Advisory Board – formerly Gilde Buy Out Partners BV)

Pamela Knapp

- Member of the Boards of Management and Supervisory Boards of various European commercial enterprises
- Former CFO of GfK SE

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]
- Douglas AG, Duisburg
- Signify NV, Eindhoven, Netherlands (member of the Supervisory Board and Chairwoman of the Audit Committee)
- Compagnie de Saint-Gobain S.A., Courbevoie, France (member of the Board of Directors – Conseil d’Administration – and Chairwoman of the Audit Committee)

Dr. Hans-Joachim Müller

- Former Chairman of the Management Board of Azelis Group N.V.
- Former member of the Management Board of Süd-Chemie AG

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]
- Chairman of the Supervisory Board of TIB Chemicals AG, Mannheim[1)]

Lawrence A. Rosen

- Member of the Supervisory Boards of various commercial enterprises
- Former member of the Board of Management of Deutsche Post AG

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]
- Deutsche Post AG, Bonn[1)]
- Qiagen N.V., Venlo, Netherlands (Chairman of the Supervisory Board)

Ralf Sikorski (Vice Chairman)

- Vice Chairman of the German Mining, Chemical and Energy Industrial Union, Hanover

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)] (Vice Chairman)
- RAG AG, Herne[1)]
- RWE AG, Essen[1)] (Vice Chairman)
- RWE Power AG, Cologne and Essen[1)] (Vice Chairman)

Sadik Emiroglu

- Chairman of the LANXESS Works Council at the Cologne site (since June 1, 2024)

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]

Armando Dente

- District manager at IGBCE, Cologne-Bonn district

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]
- INEOS Deutschland Holding GmbH, Cologne[1)]
- INEOS Manufacturing Deutschland GmbH, Cologne[1)]

Dr. Hans-Dieter Gerriets

- Chairman of the Group Managerial Employees’ Committee of LANXESS AG
- Chairman of the LANXESS Managerial Employees’ Committee
- Manager of a production facility in the Advanced Industrial Intermediates business unit of LANXESS Deutschland GmbH

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]

Iris Schmitz

- Chairwoman of the LANXESS Central Works Council
- Vice Chairwoman of the LANXESS Group Works Council
- Chairwoman of the LANXESS Works Council at the Leverkusen site

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]
- Saltigo GmbH, Leverkusen[1)]

Manuela Strauch

- Chairwoman of the LANXESS Group Works Council
- Vice Chairwoman of the LANXESS Central Works Council
- Chairwoman of the LANXESS Works Council at the Uerdingen site

Further offices:
- LANXESS Deutschland GmbH, Cologne[1)]

1) Statutory supervisory boards.

Report of the Supervisory Board

DEAR STOCKHOLDERS,

In fiscal year 2024, the development of LANXESS was influenced once again by a challenging environment. Geopolitical crises such as the war in Ukraine and the conflicts in the Middle East regrettably continued. With the election result in the United States, protectionist tendencies are intensifying and could now significantly impact world trade and inflation. Germany remained in recession in 2024, with relatively high energy prices and bureaucratic obstacles adding to the burden placed on companies by weak demand. Although the massive inventory reduction seen in the previous year came to an end in most industry sectors with the exception of agrochemicals, global demand remains at a low level.

In operational terms, LANXESS asserted itself in this challenging environment. We substantially and visibly counteracted these unfavorable factors through the early implementation of the FORWARD! action plan. Permanent savings through structural measures as well as higher capacity utilization boosted EBITDA pre exceptionals by 20% despite a massive decline in revenue in the agrochemicals business that resulted mainly from inventory reduction. At the same time, LANXESS generated strong free cash flow that contributed to a further reduction in net debt.

In October, LANXESS announced the sale of its Urethane Systems business to the Japanese chemical company UBE. This transaction is expected to close in the first half of 2025. We will further reduce our debt with the expected divestment proceeds of approximately half a billion euros. With the sale of Urethane Systems, LANXESS will complete the portfolio transformation it embarked on in 2016 and is fully withdrawing from the polymer chemistry business. We have thus created the platform for profitable organic growth with a clear alignment toward attractive specialty chemicals markets. The focus now lies on further developing these businesses.

Additionally, LANXESS once again achieved positive results in the area of sustainability, and particularly climate protection. The renowned Science Based Targets initiative (SBTi) recently confirmed once again that our climate goals are aligned with the 1.5 degree path of the Paris Climate Agreement. Within the framework of our sustainability strategy, the terms of our new sustainable credit facility were linked to our targets for Scope 1, Scope 2 and Scope 3 emissions, as well as for the proportion of women in management positions. External ESG rating agencies for sustainability once again very positively assessed our comprehensive sustainability strategy in 2024.

For fiscal year 2025, we also continue to expect a difficult environment with political and economic uncertainties. We will therefore focus in 2025 on the issues that we can influence and manage: further reduction of our debt, cost savings through the FORWARD! action plan and the strengthening of our product portfolio and competitiveness through innovation and further excellence projects.

During the reporting year, the Supervisory Board duly and fully performed the tasks and duties incumbent upon it under the law, the articles of association and the rules of procedure for the Supervisory Board. It regularly advised the Board of Management in its management of the company and monitored its activity. In the process, we were satisfied at all times by the legality, usefulness and propriety of the Board of Management’s work.

The Supervisory Board was directly involved in all decisions of fundamental importance for the company. The Board of Management informed us regularly in written and oral reports about business performance, the situation of the Group, including the risk situation and risk management, strategic development, compliance, management development, and current issues. On the basis of these reports, we discussed significant business transactions in detail. We thoroughly examined the reports and the resolutions proposed by the Board of Management and discussed them at length in meetings of the full Supervisory Board and its committees. If the law, articles of association or other provisions required the Supervisory Board to approve the actions of the Board of Management, we discussed these actions in detail and adopted resolutions on them.

The chairs of the Supervisory Board/Presidial Committee and Audit Committee and the Board of Management were in regular contact outside of the Supervisory Board's meetings and discussed in particular the company's current situation and material transactions.

PRINCIPAL TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The Supervisory Board met a total of seven times in the reporting year. We regularly discussed the sales and earnings performance of the Group and its segments, as well as the financial position. Additionally, the Board of Management kept us updated about the overall state of the economy, the ongoing difficult situation in the chemical industry, the development of raw material, energy and logistics costs, the performance of LANXESS stock, the energy supply at LANXESS sites in Germany, sustainability issues, the FORWARD! cost reduction and stabilization project initiated by the company, and the Group-wide business excellence projects. The Supervisory Board addressed the following important issues:

The focus of the Supervisory Board's financial statements meeting held on March 13, 2024, was the review of the annual financial statements and consolidated financial statements for fiscal year 2023 and the proposal for use of the distributable profit. We discussed and approved the non-financial Group report 2023, which shows the sustainability aspects pursued by the company. In addition, the Supervisory Board resolved upon the motions for resolution by the Annual Stockholders' Meeting, which is to be held in virtual format, including the approval of the compensation report. The Board of Management then presented the internal control and risk management systems, and we satisfied ourselves of their efficacy. In addition, it reported in detail on the FORWARD! cost reduction and stabilization project. We also adjusted the functional income of Frederique van Baarle.

At the meeting on May 7, 2024, the Board of Management once again updated us on the status of the FORWARD! project and the business excellence programs designed to increase the competitiveness of LANXESS. In addition, the Board of Management informed us about the status of the preparations for the upcoming virtual Annual Stockholder's Meeting. It also gave us a detailed report on LANXESS' positioning on the capital market, including the share price development and remarks on total shareholder return and the stockholder structure. The report was subsequently discussed by the full Supervisory Board.

Following the Annual Stockholders' Meeting on May 24, 2024, and the departure on that date of the previous Supervisory Board Chairman Dr. Matthias L. Wolfgruber, a constituent meeting of the Supervisory Board was held to elect the new Chairman. Dr. Rainier van Roessel was elected as the new Chairman. New committee membership was also chosen to some extent.

At the meeting on August 8, 2024, the Board of Management also gave us a full report on environmental protection and occupational and plant safety, which was subsequently discussed by the full Supervisory Board. We also received a presentation on Group-wide compliance management at LANXESS along the dimensions of prevention, identification and reaction. In addition, we held a special election for the Presidial Committee and issued the audit mandate to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (KPMG), which was elected by the Annual Stockholders' Meeting as the auditor of the consolidated financial statements, for the audit of the financial statements and the sustainability statement for fiscal year 2024, and established the areas of focus for the audit.

At the extraordinary meeting of the Supervisory Board held in virtual form on October 1, 2024, the Board of Management presented to us the M&A project pertaining to the sale of the Urethane Systems business unit to the Japanese company UBE Corporation. The Board of Management gave us a detailed explanation of the strategic deliberations for the divestment, the enterprise valuation, the planned transaction structure with the commercial and contractual negotiating results achieved and the effects of the transaction on LANXESS, and introduced the potential buyer to us in more depth. The Supervisory Board then extensively discussed and acknowledged the negotiating result achieved. Subsequently, the Supervisory Board approved the sale of the Urethane Systems business unit to the Japanese company UBE Corporation.

At the meeting on November 6, 2024, the Board of Management reported to the Supervisory Board on the status of research and development projects in the LANXESS Group. In this context, the Board of Management informed us about relevant fields of innovation in the respective segments and provided detailed examples of innovation projects in the individual business units. In addition, the Board of Management gave us an overview of the status of the innovation excellence program and informed us about the measures that have been taken so far and, last but not least, the planned priority measures for 2025. We also addressed sustainability management and ESG targets at LANXESS. Based on the management structure implemented by the Group's Sustainability Committee, the Board of Management explained the measures being pursued to ensure target attainment. The Board of Management also informed us about LANXESS' successful positioning in all leading sustainability ratings, as well as about the status of and further measures for implementing the requirements of the Corporate Sustainability Reporting Directive (CSRD) in the LANXESS Group. In addition, the Board of Management explained the financial policy targets and measures to secure the company's financial stability. Another focus of the meeting was an in-depth discussion of a new, further developed compensation system for the members of the Board of Management. The Supervisory Board dealt very intensively with the market developments using a benchmark and with regard to the demands of the investors and proxy holders, and approved the further developed compensation system based on preparatory work by and the recommendation of the Presidial Committee. The future compensation system strengthens the focus on the strategic objectives of LANXESS: earnings, cash flow, stock price performance, sustainability, and safety. The compensation system will be presented to the 2025 Annual Stockholders' Meeting for approval. It is scheduled to enter into force as of January 1, 2026.

At its meeting on December 17, 2024, the Supervisory Board reviewed in full and approved the corporate planning for 2025 proposed by the Board of Management. After reviewing compliance with the recommendations and suggestions of the German Corporate Governance Code (GCGC), we resolved to issue the declaration of compliance. The Supervisory Board also defined the conditions for the Board of Management's variable compensation components and target total compensation for fiscal year 2025.

All members of the Supervisory Board and its committees performed their duties diligently and conscientiously. The stockholder representatives and employee representatives to the Supervisory Board always worked together in a spirit of trust. They regularly held separate meetings at which they prepared the meetings of the full Supervisory Board. At its meetings, the Supervisory Board also regularly met without the Board of Management.

The members of the Supervisory Board autonomously undertake the training necessary for their duties and are supported in their efforts by the company. New members of the Supervisory Board can meet members of the Board of Management and specialist managers for an exchange on fundamental and current topics, thus obtaining an overview of the relevant topics for the company (onboarding). The company also offers training sessions.

The attendance at meetings of the Supervisory Board and its committees was 98.5%. All meetings were held in person, apart from the extraordinary meeting of the full Supervisory Board on October 1, 2024, which was held by video conference. The attendance of Supervisory Board members at meetings of the Supervisory Board and the committees is disclosed individually:

WORK OF THE COMMITTEES

The Supervisory Board has four committees: the Presidial Committee, the Audit Committee, the Nominations Committee and the Committee formed pursuant to Section 27, Paragraph 3 of the German Codetermination Act. The committees are tasked with

Individual Disclosure of LANXESS AG Supervisory Board Members' Meeting Attendance in Fiscal Year 2024

Supervisory Board members	Supervisory Board		Presidial Committee		Audit Committee		Nominations Committee		Total	
	Attendance	%	Attendance	%	Attendance	%	Attendance	%	Attendance	%
Dr. Matthias L. Wolfgruber, Chairman (until May 24, 2024)	2/2	100	2/2	100			1/1	100	5/5	100
Ralf Sikorski, Vice Chairman	7/7	100	5/5	100					12/12	100
Birgit Bierther (until May 31, 2024)	3/3	100	2/2	100					5/5	100
Armando Dente	7/7	100			4/4	100			11/11	100
Dr. Hans-Dieter Gerriets	7/7	100			4/4	100			11/11	100
Dr. Heike Hanagarth	6/7	85.7					1/1	100	7/8	87.5
Pamela Knapp	7/7	100			4/4	100			11/11	100
Lawrence A. Rosen	6/7	85.7			4/4	100	1/1	100	11/12	91.7
Iris Schmitz	7/7	100			4/4	100			11/11	100
Manuela Strauch	7/7	100	5/5	100					12/12	100
Hans von Bylen	7/7	100	5/5	100	4/4	100			16/16	100
Dr. Rainier van Roessel (Chairman since May 24, 2024)	7/7	100	5/5	100					12/12	100
Dr. Hans-Joachim Müller (since May 24, 2024)	5/5	100	3/3	100					8/8	100
Sadik Emiroglu (since June 1, 2024)	4/4	100	2/2	100					6/6	100

preparing the topics and resolutions to be discussed at meetings of the full Supervisory Board. They also, at times, exercise decision-making powers conferred on them by the Supervisory Board.

The Presidial Committee convened five times during the reporting year to prepare the meetings of the Supervisory Board and the decisions to be reached by the full Supervisory Board at its meetings concerning human resources measures in the company's Board of Management, including particularly the further developed compensation system for the Board of Management.

The Audit Committee met four times during the year. The Audit Committee dealt in particular with the annual financial statements of LANXESS AG, the consolidated financial statements and the combined management report for fiscal year 2023, the quarterly statements issued during fiscal year 2024, and the condensed consolidated financial statements and interim management report included in the 2024 half-year financial report. It reviewed the company's risk management and internal control systems. The Audit Committee also dealt with the concept for approving non-audit services and the non-financial Group report 2023. Other topics discussed were the significant findings by the internal audit department and the presentation of the annual audit plan, corporate planning and compliance, the perception of LANXESS on the capital market, the implementation of the CSRD and the determination of the principal areas of focus for the audit of the 2024 financial statements. Utilization of production capacity was another regular topic. The Committee also learned about changes in equity, LANXESS' liquidity management, the Group's pension systems, strategies to hedge currency risks, and the recent audit of OTC derivatives contracts pursuant to Section 32 of the German Securities Trading Act. Finally, there was detailed discussion of the development of energy and raw material prices, including hedging, as well as cyber security measures. The external auditor reported on the auditing activities at two of the four Audit Committee meetings.

The Nominations Committee met once in fiscal year 2024. It prepared the Supervisory Board's nominations to the Annual Stockholders' Meeting of stockholder representatives for the Supervisory Board elections. The Committee formed pursuant to Section 27, Paragraph 3 of the German Codetermination Act did not need to convene.

The chairmen of the committees each reported on the meetings and the work of the committees at the meetings of the full Supervisory Board.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board also dealt with the company's corporate governance in the past fiscal year. The joint declaration of compliance made by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act can be viewed by stockholders at any time on the company's website. As expressed in the declaration, LANXESS AG currently complies with all the GCGC's recommendations. No conflicts of interest on the part of Supervisory Board members became known last year. Further information about corporate governance can be found in the Board of Management's declaration pursuant to Sections 289f and 315d of the German Commercial Code.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements prepared by the Board of Management of LANXESS AG in accordance with the rules of the German Commercial Code, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the combined management report for fiscal year 2024 were audited by KPMG, the auditor appointed for the first time by the Annual Stockholders' Meeting on May 24, 2023, and engaged by the Supervisory Board. The auditor issued an unqualified opinion in each case. The auditor carried out the audit in accordance with Section 317 of the German Commercial Code and Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014, on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC according to a selection procedure implemented by the company. The auditor responsible for the audit was Dr. Thorsten Hain.

The Supervisory Board convinced itself of the independence of the auditor and the persons acting on the auditor's behalf.

The audit reports and the documents relating to the financial statements were discussed at length with the Board of Management and the auditor at the Audit Committee meeting held on March 18, 2025. They were also discussed in detail on the basis of the required documents and notes at the Supervisory Board's financial statements meeting held on March 19, 2025. The responsible auditor was present for the discussions concerning the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. He reported on the scope, focus areas and significant findings of the audits and went into particular detail on the key audit matters. He was also available to the Audit Committee and full Supervisory Board to provide additional information.

Based on the recommendation of the Audit Committee as well as on its own review and in-depth discussions about the financial statements of LANXESS AG, the consolidated financial statements of the LANXESS Group, the combined management report and the proposal for appropriation of the profit, the Supervisory Board endorsed the auditor's conclusions and had no objections to raise. The Supervisory Board has approved the annual financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group, which were prepared by the Board of Management. The Supervisory Board endorsed the Board of Management's proposal for use of the distributable profit after close examination and extensive deliberations that carefully weighed the best interests of the company and the stockholders.

CHANGES ON THE SUPERVISORY BOARD

At the conclusion of the Annual Stockholders' Meeting on May 24, 2024, the Chairman and long-serving member of the Supervisory Board, Dr. Matthias L. Wolfgruber, stepped down from the Supervisory Board. The Supervisory Board thanked him for his professional leadership of our body, the trusting cooperation and his contribution to the success of our company. By way of a resolution by the Annual Stockholders' Meeting on May 24, 2024, Dr. Hans-Joachim Müller was elected to succeed him as a member of the Supervisory Board until the 2028 Annual Stockholders' Meeting. At the subsequent constituent meeting of the Supervisory Board, Dr. Rainier van Roessel was elected as its new Chairman. In addition, Birgit Bierther, the long-serving Chairwoman of the LANXESS Works Council at the Cologne site, stepped down from the Supervisory Board due to retirement with effect from May 31, 2024. Sadik Emiroglu succeeded her as a new member of the Supervisory Board and representative of the employees on June 1, 2024, through appointment by the Cologne District Court upon application by the company.

The Supervisory Board thanks the members of the Board of Management, all of the Group's employees around the world and the employee representatives for their dedication and service in what was once again a difficult fiscal year in 2024.

Cologne, March 19, 2025

The Supervisory Board

Dr. Rainier van Roessel
Chairman

COMBINED MANAGEMENT REPORT

FUNDAMENTALS OF THE GROUP

GROUP STRUCTURE

Legal Structure

LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH is a wholly owned subsidiary of LANXESS AG and in turn controls the other domestic and foreign subsidiaries and affiliates.

LANXESS AG directly or indirectly holds 100% of the shares in the following major companies:

Principal Direct or Indirect Subsidiaries of LANXESS AG

Company name and domicile	Function	Segments
LANXESS Corporation, Wilmington, U.S.	Production and sales	Consumer Protection/ Specialty Additives/ Advanced Intermediates
LANXESS Deutschland GmbH, Cologne, Germany	Production and sales	Consumer Protection/ Specialty Additives/ Advanced Intermediates
Saltigo GmbH, Leverkusen, Germany	Production and sales	Consumer Protection
LANXESS India Private Limited, Thane, India	Production and sales	Consumer Protection/ Specialty Additives/ Advanced Intermediates
LANXESS Chemical B.V., Rotterdam, Netherlands	Production and sales	Consumer Protection
LANXESS Sales Netherlands B.V., Venlo, Netherlands	Sales organization	Specialty Additives
LANXESS S.r.l., Milan, Italy	Production and sales	Consumer Protection/ Specialty Additives/ Advanced Intermediates
LANXESS Trademark GmbH & Co. KG, Leverkusen, Germany	Holding	

Management and Control Organization

LANXESS AG has a two-tier management structure consisting of the Board of Management, which manages the company, and the Supervisory Board, which oversees the Board of Management with the support of an Audit Committee formed from among its members to advise on financial matters. The Board of Management shapes Group strategy and manages resource allocation, infrastructure and organization. As the Group parent company, LANXESS AG is responsible for financing and for communication with the company's key stakeholders.

BUSINESS ACTIVITIES

Material Changes in the Business Organization and the Group Portfolio

LANXESS is counteracting the global economic weakness of the chemicals industry and the still strained economic situation with its FORWARD! action plan initiated already in 2023. Specific structural measures were initiated in order to permanently reduce costs by €150 million by the end of 2025. In addition to 870 job cuts worldwide and the refinement of business models, market access is to be improved. This is intended to strengthen the global competitiveness of LANXESS's businesses in the long term in order to increase the earnings level and permanently improve the earnings margin.

On October 3, 2024, LANXESS signed an agreement to sell the Urethane Systems business unit reported in "All other segments" to Japanese company UBE Corporation. The Urethane Systems business earmarked for divestment comprises five production sites worldwide and application development laboratories in the United States, Europe and China. UBE Corporation will take over operations with some 400 employees in total. The divestment proceeds will be used to further reduce our debt. The final outstanding approvals were issued by the responsible authorities in the first quarter of 2025. We now expect closing of the transaction in the second quarter. Through this transaction, we are now divesting the last remaining polymer business in the LANXESS portfolio. In accordance with IFRS 5, the assets and liabilities to be disposed of were already reported as held for sale in the statement of financial position as of September 30, 2024. Furthermore, the intangible assets and property, plant and equipment of the Urethane Systems business unit have not been subject to any further amortization or depreciation since the fourth quarter, and are recognized at the lower of carrying amount and fair value less costs to sell.

The Segments in Brief

The statements also include the data point ESRS 2.40 (a) i from the ESRS 2 SBM-1 reporting requirement.

LANXESS bundles its business with consumer-oriented products and the custom synthesis of specialty active ingredients in the Consumer Protection segment.

Consumer Protection	
Business Units	
	Material Protection Products
	Flavors & Fragrances
	Saltigo
	Liquid Purification Technologies
Sites	
	Jarinu, Brazil
	Bitterfeld, Dormagen, Krefeld-Uerdingen, Leverkusen, Wietmarschen, Germany
	Laval, France
	Sudbury, Hull, Widnes, Great Britain
	Jhagadia, Nagda, India
	Rotterdam/Botlek, Netherlands
	Singapore, Singapore
	Institute, Kalama, Memphis, Pittsburgh, St. Charles, U.S.
Applications	
	Agrochemicals
	Flavors and fragrances
	Disinfection, preservation and material protection products
	Products for water treatment
	Pharmaceuticals

Our solutions based on specialty additive chemicals are combined in the Specialty Additives segment.

Specialty Additives	
Business Units	
	Polymer Additives
	Lubricant Additives Business
	Rhein Chemie
Sites	
	Burzaco, Merlo, Argentina
	Antwerp, Belgium
	Porto Feliz, Brazil
	Nantong, Qingdao, China
	Brunsbüttel, Krefeld-Uerdingen, Leverkusen, Mannheim, Germany
	Epierre, France
	Deeside, Trafford Park, Great Britain
	Jhagadia, India
	Latina, Italy
	Toyohashi, Japan
	Elmira, West Hill, Canada
	Kaohsiung, Taiwan
	Bushy Park, Chardon, Charleston, East Hanover, El Dorado, Fords, Little Rock, U.S.
Applications	
	Colorants, polymer additives
	Lubricants and lubricant additives
	Phosphorous-based or brominated flame retardants

LANXESS bundles its businesses in the field of chemical intermediates for the industry and the manufacturing of chemical precursors in the Advanced Intermediates segment.

Advanced Intermediates	
Business Units	
	Advanced Industrial Intermediates
	Inorganic Pigments
Sites	
	Sydney, Australia
	Liyang, Ningbo, China
	Bergkamen, Brunsbüttel, Dormagen, Krefeld-Uerdingen, Leverkusen, Germany
	Branston, Great Britain
	Vilassar de Mar, Spain
	Baytown, Burgettstown, U.S.
Applications	
	Agrochemicals
	Automotive
	Construction
	Aromas and flavors
	Color pigments
	Semiconductors and photovoltaics

STRATEGY

LANXESS significantly improved the cost situation and earnings position in fiscal year 2024 with the FORWARD! action plan, and thus reduced the impact of the global weakness in demand for chemical products from numerous customer industries. We now intend to further refine our business model as a pure specialty chemicals company and further pursue our strategy geared toward a climate-neutral economy.

In recent years, we have consistently worked to significantly reduce dependence on the automotive market through targeted acquisitions and divestments. We have attained a balanced portfolio with regard to end markets and increased the share of end consumer-related, less cyclical markets, which offer higher profitability potential. At the same time, the portfolio changes also significantly expanded the presence of LANXESS in the important U.S. market. At the beginning of October 2024, we signed an agreement to sell the Urethane Systems business unit (reported under "All other segments") to the Japanese company UBE Corporation. We expect the sale to close in the second quarter of 2025. Thus we are divesting the last remaining polymer business in the LANXESS portfolio and will complete the transformation into a pure specialty chemicals company.

We want to further reduce our debt by generating operating cash flow and through proceeds from the sale of the Urethane Systems business unit. In line with our conservative financial policy, we continue to strive for a solid investment grade rating.

VALUE MANAGEMENT AND CONTROL SYSTEM

To achieve our strategic goals, we use indicators to measure the outcomes of our activities. The most important indicator of our financial performance – and thus the company's key controlling indicator – is EBITDA (operating earnings before depreciation, amortization, write-downs, and reversals) pre exceptionals. We view other financial performance ratios such as return on capital employed (ROCE), days of sales in inventory (DSI), days of sales outstanding (DSO) and the net financial debt ratio as company specific leading indicators or as a basis for monitoring.

In addition to these performance indicators, non-financial performance indicators relating to our sustainability targets also play an important role for us. These are also taken into account in the variable compensation of the Board of Management and the first management level below the Board of Management. Specifically, we examine the level of emissions in equivalent volumes of carbon dioxide (CO_2e) from our own processes and purchased energy (Scope 1 and Scope 2) and the lost time injury frequency rate (LTIFR) for accidents with days lost. The LTIFR is the ratio of the number of occupational accidents with calendar days lost to the number of hours worked, expressed as multiples of a million hours. It reflects the high importance of employee and site safety for LANXESS. After 1,722 thousand metric tons in the previous year, CO_2e emissions came to 1,887 thousand metric tons in fiscal year 2024, we achieved an LTIFR of 0.6 as in the previous year.

$$\text{LTIFR} = \frac{\text{Number of occupational accidents with calendar days lost}}{\text{Number of hours worked}} \times 1{,}000{,}000 \text{ hours}$$

Financial Performance Indicators

		2020	2021	2022	2023	2024
EBITDA pre exceptionals[1]	€ million	862	815	930	512	614
EBITDA margin pre exceptionals[1]	%	14.1	13.4	11.5	7.6	9.6
Capital employed[2]	€ million	5,272	7,606	8,188	6,659	6,834
ROCE	%	7.5	6.6	4.8	(0.8)	0.8
Days of sales in inventory (DSI)	Days	64.1	70.6	84.9	85.2	81.8[3]
Days of sales outstanding (DSO)	Days	44.6	45.4	39.1	38.4	39.4[3]
Net financial liabilities	€ million	1,012	2,345	3,814	2,498	2,381
Net financial debt ratio		1.2x	2.2x	4.1x	4.9x	3.9x
Investment ratio[1]	%	7.5	6.9	5.0	4.9	5.0

1) Figures from 2021 onward not including High Performance Materials business unit.
2) Capital employed adjusted as of December 31 of each year. Details can be found under "Profitability."
3) Including the figures reported for the Urethane Systems business unit in the item "Assets held for sale" of the statement of financial position, DSI would be 85.4 days and DSO would amount to 41.2 days.

Earning Power

The key indicator for steering the earning power of the LANXESS Group and the individual segments is EBITDA pre exceptionals. It is calculated from the operating result (EBIT) by adding back depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets, subtracting reversals of impairment charges on property, plant, equipment and intangible assets, and excluding exceptional items. The latter are effects that, by nature or extent, have a significant impact on the earnings position, but for which inclusion in the evaluation of business performance over several reporting periods does not seem to be appropriate. Exceptional items may include write-downs, reversals of impairment charges or the proceeds from the disposal of assets, certain expenses for strategic projects in the fields of IT and digitalization, restructuring expenses and income from the reversal of provisions established in this context, and reductions in earnings resulting from portfolio adjustments or purchase price allocations. Grants and subsidies from third parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals.

Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. As part of annual budget planning, targets are set for this benchmark of our company's success, which are then taken into account in determining variable income components for the Board of Management, senior executives and the rest of the workforce.

Simple revenue data such as net sales are not among the Group's controlling parameters because they do not permit any direct conclusions about our profitability. Volatile raw material and energy prices are a hallmark of our industry and their fluctuation throughout the year impacts our selling prices. This influences sales and, in turn, relative margins. Other than through short-term alignment effects, however, this generally has no impact on the absolute earnings contributions that are key to earning power. We therefore set sales targets for neither the short nor medium term.

The earnings margins are calculated from the ratios of the respective earnings indicators to sales. For example, the EBITDA margin (pre exceptionals) is calculated as the ratio of EBITDA (pre exceptionals) to sales and serves as an indicator to compare relative earning power at Group level and for the individual segments.

Company-Specific Leading Indicators

Leading indicators support the timely identification of material changes in the company's earnings, asset and financial position and the initiation of appropriate measures.

Our annual budget planning process delivers key values for the Group's earning power and our ability to finance operations from our own funds as the starting point for steering the company. This information is used, for example, to make financing and capital expenditure decisions. To ensure a timely response to changes in market conditions and the competitive environment, we prepare operational forecasts twice a year as the basis for updating the full-year budget and the associated key values used to control the Group. In addition, forecasts of the key values for our earning power are prepared each month in a semi-automated process.

Certain parameters used in budgets and forecasts are defined centrally and applied uniformly as they have a major influence on the key values. Strategic raw materials and energy have a crucial role in forecasting. The development of procurement prices is significant to the timely adjustment of selling prices. Even regional differences in the availability of raw materials over a specific period of time may become significant. Given the regional diversification of our production sites and customer markets, exchange rate development also affects the earning power resulting from sales and cost trends, with corresponding repercussions for pricing and hedging strategies.

Profitability

Return on capital employed (ROCE) has been implemented as a profitability ratio at Group level that indicates how efficiently we utilize our capital. This makes it an important criterion in capital expenditure decisions, for example.

$$\text{ROCE} = \frac{\text{EBIT pre exceptionals}}{\text{Capital employed}}$$

Capital employed = Total assets
Less deferred tax assets
Less interest-free liabilities

Interest-free liabilities comprise provisions (except those for pensions and other post-employment benefits), income tax liabilities, trade payables and items included under “other liabilities.” In the reporting year 2024, the ROCE was 0.8%. EBIT pre exceptionals had a positive effect of €53 million on this figure, after minus €53 million in the previous year. The capital employed of €6,834 million in the reporting period was adjusted by €1,246 million for investments accounted for using the equity method, investments in shares of money market funds that can be sold at any time, and a shareholder loan granted to Envalior GmbH in connection with the formation of Envalior. In the previous year, the ROCE was minus 0.8% and capital employed amounted to €6,654 million. Capital employed was adjusted by an amount of €1,407 million.

Cost of Capital

Borrowing costs are calculated from risk-free interest, i.e. in our case, from the return on a long-term German government bond plus a risk premium for industrial companies in the same risk category as LANXESS. The cost of equity reflects the return expected by investors from an investment in LANXESS shares. Equity investors demand a higher risk premium on risk-free interest because of the greater risk involved in acquiring shares rather than buying government bonds. This is known as a market risk premium and is calculated using the long-term excess return generated by a stock investment over an investment in government bonds and adjusted by the company-specific beta factor denoting the relative risk of an investment in LANXESS stock compared with that of the market as a whole.

Capital Employment

To optimize our working capital at the operational level, we use the key performance indicators: DSO (days of sales outstanding) and DSI (days of sales in inventory). These show receivables and inventories in relation to sales for the previous quarter. In fiscal year 2024, DSI was at 81.8 days (previous year: 85.2 days) and DSO at 39.4 days (previous year: 38.4 days). Including the figures reported for the Urethane Systems business unit in the item “Assets held for sale” of the statement of financial position, DSI would be 85.4 days and DSO would amount to 41.2 days. Expenditures for property, plant and equipment are subject to rigorous capital discipline and are systematically aligned with the product areas that show the greatest potential for success. We prioritize investment projects on the basis of financial indicators such as pay-back period, net present value and ROCE. The investment ratio is an indicator that describes cash outflows for capital expenditures divided by sales.

Debt

Net financial liabilities are the total of current and non-current financial liabilities less liabilities for accrued interest, cash, cash equivalents and near-cash assets. As of the end of the reporting year, they amounted to €2,381 million. The near-cash assets included in this item amounted to €316 million. The comparative figure as of December 31, 2023 was €2,498 million. The decline in the reporting year resulted primarily from the positive free cash flow as the difference between the cash inflows from operating activities and the cash used for capital expenditures. The net financial debt ratio, which we use solely at Group level, is defined as net financial liabilities divided by EBITDA pre exceptionals. The net financial debt ratio declined particularly because of the earnings improvement, as well as the reduction in net financial debt as of December 31, 2024 to 3.9 after a figure of 4.9 a year prior.

Net Financial Liabilities

€ million	2020	2021	2022	2023	2024
Non-current financial liabilities	2,265	2,829	3,417	2,938	2,428
Current financial liabilities	566	675	830	72	584
Less:					
Liabilities for accrued interest	(25)	(25)	(30)	(16)	(16)
Cash and cash equivalents	(271)	(643)	(324)	(146)	(299)
Near-cash assets	(1,523)	(491)	(79)	(350)	(316)
Net financial liabilities	**1,012**	**2,345**	**3,814**	**2,498**	**2,381**

At Group level, we also consider provisions for pensions and other post-employment benefits to be components of debt. Compared to the end of 2023, they declined by €69 million to €429 million. Including this additional component of debt, adjusted for related deferred tax assets of €110 million (previous year: €145 million) and reduced by the receivables relating to pension obligations of €30 million (previous year: €23 million), which were recognized under other non-current assets, the total net debt ratio in relation to EBITDA pre exceptionals was 4.3, compared to 5.5 at the previous year's reporting date.

BUSINESS PROCESSES AND EMPLOYEES

Procurement

The statements also include the data points ESRS 2.42 (a) and ESRS 2.42 (c) from the ESRS 2 SBM-1 reporting requirement.

LANXESS uses its centrally managed global procurement organization – Global Procurement & Logistics – to secure a reliable supply of raw and other materials, energy and services. "Global Categories" closely coordinate with our business units to pool LANXESS's requirements in the raw materials, packaging materials, technical goods, energy, services and logistics segments. Our worldwide procurement network facilitates purchasing synergies, so that we can move optimally in the market and exploit price advantages. We avoid delivery bottlenecks or reliance on individual suppliers using strategies like multiple sourcing. Due to a weaker world economy, the availability of logistics capacity improved partially in the reporting period.

Procuring chemical raw materials is a high priority at LANXESS. Our aim is to secure our supplies on the basis of long-term contracts. The availability of raw materials has always been a crucial factor in facility location decisions. We procure key raw materials and utilities, such as biomass, from the immediate vicinity at several of our production sites. In this way, we not only minimize the costs and environmental impact of our transportation activities, but also reduce the risk of delivery shortfalls caused by transportation issues.

Our biggest suppliers of chemical raw materials in 2024 included BASF, BP, Covestro, INEOS, Sasol, Shell and Total.

Among the most important strategic raw materials for our production operations in fiscal year 2024 were aniline, benzene, chlorine and caustic soda, cyclohexane, nitric acid and toluene. In total, strategic raw materials accounted for a procurement volume of €1.9 billion in fiscal year 2024 (previous year: €1.7 billion). This equates to around 76% of our total procurement spend for raw materials and goods in 2024, which amounted to €2.5 billion (previous year: €2.2 billion). The procurement volume was above the previous year's level in 2024. This resulted mainly from increased demand due to higher production volumes. Our total procurement spend in 2024 was €4.6 billion (previous year: €4.2 billion).

Production

LANXESS is a global producer of specialty chemicals. Our production facilities make anywhere from very small batches of custom-synthesized products to intermediates and specialty and fine chemicals in quantities of several ten thousand metric tons.

Our production facilities are organizationally assigned to individual business units. The most important production sites are located in Leverkusen, Dormagen, the Uerdingen district of Krefeld, Brunsbüttel and Bergkamen, Germany; Antwerp, Belgium; Trafford Park, Great Britain; Rotterdam/Botlek, Netherlands; Baytown, Charleston, El Dorado and Kalama, U.S.; Elmira, Canada; Porto Feliz, Brazil; Jhagadia and Nagda, India; and Nantong and Qingdao, China. For a detailed breakdown of our production sites by segment, please see "The segments in brief" in this combined management report.

Sales Organization

The statements also include the data points ESRS 2.42 (a) and ESRS 2.42 (c) from the ESRS 2 SBM-1 reporting requirement.

We sell our products globally, to several thousand customers in around 140 countries across all continents. LANXESS's long-standing customer base includes leaders in each of its user industries. We have well-established customer relationships in all sales regions.

To meet our customers' needs, we have set up flexible marketing and sales structures. We manage our sales throughout the world through 59 companies owned by LANXESS itself. In countries where we do not yet have our own company, we work with local sales partners.

To keep as close as possible to customers and support them individually, each of our business units manages its own sales organization. Another competitive advantage is derived from having 54 of our own production sites in 16 countries. Wherever possible, customers are supplied from production sites in the same region, so that they benefit from advantages in terms of time and costs.

Sales Markets

The statements also include the data points ESRS 2.40 (a) ii and ESRS 2.42 (c) from the ESRS 2 SBM-1 reporting requirement.

Because of our broad offering, we have business relationships with a large number of customers all over the world. We offer them an individualized, well-focused approach, which we are able to provide because of our sales organizations, which are managed through business units.

LANXESS serves the following industries in particular: chemicals, mobility, agriculture, animal health, nutrition, health, consumer goods, energy, natural resources, industrial applications and construction.

Shares of Sales by Industry Sector

%	2024
Energy, natural resources and industrial applications	~ 20
Nutrition, health and consumer goods	~ 20
Agriculture and animal health	~ 15
Construction	~ 15
Mobility[1]	~ 15
Chemical industry	~ 15

1) Includes sales in the automotive, aviation and shipping industries including relevant electronic components.

In fiscal year 2024 and in the previous year, our top ten customers accounted for about 21% of total sales (previous year: 22%). None of our customers accounted for more than 5% of Group sales. Particularly due to lower procurement prices for raw materials and energy, which resulted in reduced selling prices and thus lower sales, the number of customers with annual sales exceeding €20 million remained at a low level in 2024, at 50 (previous year: 46). No segment can be considered dependent on just a few customers.

Research and Development

Research and development makes an important contribution toward increasing our competitiveness and expanding our product portfolio through the development of innovative products and processes as well as the ongoing optimization of existing production processes.

Organizational focus

Our research programs are aligned with the needs of customers in the end markets. We have therefore consolidated our product innovation activities in the respective business units.

The business units focus their activities on optimizing products and product quality, as well as on developing new products.

The Global Technology & Innovation department within our Production, Technology, Safety & Environment Group function supports and complements the business units' research and development activities, with the focus on process innovation. The emphasis here is on planning new processes and integrating new technologies into existing production processes. Group-wide innovation issues are identified and coordinated by the Corporate Development Group function.

Our main research and development units are at the sites in Leverkusen, the Uerdingen district of Krefeld and Mannheim, Germany, and in Naugatuck, Kalama and Wilmington, United States. We also operate the Asian Application Development Center at the Shanghai Chemical Industry Park in China and inaugurated an additional modern application development center at the site in Thane, India in February 2025. At our research and development sites, we test new formulations for disinfectants and fragrances, innovative flame retardants, new and optimized ion exchange resins, and sustainable lubricant and plastic additives, for example.

Cost trend and employees

Research and development expenses in 2024 totaled €104 million, or 1.6% of sales (previous year: €99 million or 1.5%). The Material Protection Products, Saltigo, Lubricant Additives Business and Polymer Additives business units accounted for the largest share of these expenses. Urethane Systems, Material Protection Products, Saltigo and Liquid Purification Technologies were the business units with the highest research intensity as measured by the ratio of research and development expenses to sales.

Research and Development Expenses

	2020	2021	2022	2023	2024
Research and development expenses (€ million)	108	95	102	99	104
% of sales	1.8	1.6	1.3	1.5	1.6

Figures from 2021 onward not including High Performance Materials business unit.

At the end of 2024, 421 people – against 472 in the previous year – were employed in our research and development laboratories worldwide.

Number of Employees in Research and Development

	2020	2021	2022	2023	2024
Year end	517	456	490	472	421
% of Group employees	3.6	3.5	3.7	3.7	3.4

Figures from 2021 onward not including High Performance Materials business unit.

Fields of activity and patent strategy

We focus our research and development activities on market-driven projects with a short-to medium-term time horizon. The total number of projects in 2024 was 292 compared to 241 in the previous year, 211 (previous year: 157) of which aimed to develop new products and applications or improve existing ones. The remaining 81 projects (previous year: 84) concerned process technology issues with a view to reducing costs, increasing efficiency or improving sustainability.

The results of our innovation activities are protected by patents, where this is possible and expedient. In the course of 2024, we submitted 43 (previous year: 49) priority applications worldwide. As of December 31, 2024, the full patent portfolio included approximately 640 (previous year: 660) patent families covering around 5,260 (previous year: 5,430) property rights.

Employees

The LANXESS Group had 12,338 employees as of December 31, 2024, against 12,849 employees in the previous year. The number of employees declined in all regions, primarily due to the human resources measures carried out in the reporting period as part of the FORWARD! action plan.

Employees by Region

	2023	2024
EMEA (excluding Germany)	1,242	1,184
Germany	7,069	6,724
Americas	2,862	2,797
Asia-Pacific	1,676	1,633
	12,849	**12,338**

Personnel expenses in the reporting year decreased from €1,404 million to €1,369 million, primarily due to the lower number of employees, with wages and salaries accounting for the majority of this figure at €1,087 million.

Personnel Expenses

€ million	2023	2024
Wages and salaries	1,121	1,087
Social security contributions	191	193
Retirement benefit expenses	79	77
Social assistance benefits	13	12
	1,404	**1,369**

ECONOMIC REPORT

LEGAL ENVIRONMENT

There were no changes in the legal environment in fiscal year 2024 that would have had a material impact on the earnings, asset and financial position of the LANXESS Group or LANXESS AG.

BUSINESS CONDITIONS

The Economic Environment

Fiscal year 2024 was primarily characterized by the ongoing impact of the war in Ukraine, the Gaza war and further tensions in the Middle East. This impact was additionally exacerbated in some areas by continuing populist or protectionist tendencies and ongoing trade conflicts, especially between the U.S. and China.

The development of the world economy varied by region in 2024, but was stable overall with global growth of 2.5%. The weakest growth was recorded in the EMEA economic region (including Germany) at just 1.5%, while Germany remained in a minor recession for the second consecutive year with a 0.2% contraction. The Asia-Pacific region once again generated the biggest increase in its gross domestic product at 4.0%.

At 4.5%, global chemical production grew at a similar rate in fiscal year 2024 as in the previous year; this growth was driven mainly by an increase of 6.5% in the Asia-Pacific region, however. The growth in chemical production was much more restrained in both Europe and the Americas region.

Gross Domestic Product and Chemical Industry in 2024

Change vs. prior year in real terms (%)	Gross domestic product	Chemical industry
Americas	2.5	0.5
EMEA (incl. Germany)	1.5	1.5
Germany	(0.2)	2.5
Asia-Pacific	4.0	6.5
World	**2.5**	**4.5**

Sources: S&P Global Market Intelligence (data rounded up to 0.5%); German gross domestic product according to the Federal Statistical Office (Destatis).

One euro was worth US$1.04 at the end of 2024. The value of the U.S. currency thus increased by 6.3% from the closing price of US$1.11 at the end of 2023. The U.S. dollar was slightly weaker on average over the year at US$1.08 to the euro, as in the previous year. Due to the regional positioning of our business, a stronger U.S. dollar would tend to have a positive effect on our earnings. Centralized hedging activities limit any impact that cannot be neutralized by ensuring that production and sales take place in the same currency area.

Compared with the previous year, procurement prices for raw materials and energy and freight and logistics costs declined. The decline in freight and logistics costs in the reporting period resulted partly from lower freight rates for overseas shipping containers.

Development of Major Customer Industries

Global automobile production was down 0.5% year-on-year in the reporting year. This was chiefly attributable to the European market, which – like the German market – declined by 4.0% while the Americas market stagnated. By contrast, the Asia-Pacific region posted growth of 1.0%.

The agrochemical industry registered growth of 3.5%, driven by the Americas and Asia-Pacific regions, which gained 5.5% and 3.5%, respectively, while Germany and EMEA (including Germany) once again showed a downward trend.

Residential construction grew by 1.5% worldwide. The focus here was on the Americas and Asia-Pacific regions, at 3.5% and 2.5%, respectively. By contrast, the EMEA region (including Germany) registered negative growth of 2.5%, with residential construction declining by an even more substantial 8.5% in Germany.

The global food industry grew by 2.0% after stagnating in 2023. However, this growth was limited to the EMEA region (including Germany) at 2.5% and Asia-Pacific at 3.0%, while the Americas region stagnated.

The electrical/electronics industry registered growth of 5.0% on a global basis. This growth was driven primarily by the Asia-Pacific region at 6.5%, while the Americas region was below the global average, at 3.5%, and the EMEA region (including Germany) actually registered a downward trend of 2.5% that was attributable above all to a steep decline of 10.5% in Germany.

The industry for consumer staples grew by 4.0% worldwide, also driven by the Asia-Pacific region at 6.0% and the Americas region at 4.5%, while the EMEA region (including Germany) even declined slightly at minus 0.5%. Germany registered moderate growth of 1.5%.

Overall, the development of many major customer industries fell far short of expectations. This is also reflected in our business performance.

Development of Major Customer Industries in 2024

Change vs. prior year in real terms (%)	Automotive	Agro-chemicals[1]	Construction (residential construction)	Food	Electrical/ electronics	Consumer staples
Americas	0.0	5.5	3.5	0.0	3.5	4.5
EMEA (incl. Germany)	(4.0)	(0.5)	(2.5)	2.5	(2.5)	(0.5)
Germany	(4.0)	(2.0)	(8.5)	0.5	(10.5)	1.5
Asia-Pacific	1.0	3.5	2.5	3.0	6.5	6.0
World	**(0.5)**	**3.5**	**1.5**	**2.0**	**5.0**	**4.0**

1) Pesticides and other organic agrochemical products.
Sources: S&P Global Market Intelligence; residential construction: Oxford Economics.

KEY EVENTS INFLUENCING THE COMPANY'S BUSINESS

Business was significantly influenced by the globally weak economic environment in the chemicals industry and the still strained economic situation. Demand from agrochemical industry customers in particular was down. Sales development in all segments was impacted in the reporting year by lower selling prices that in turn were attributable especially to lower raw material and energy costs. We nonetheless posted a positive earnings performance due particularly to cost savings enabled by the FORWARD! action plan. Contributing to this performance in particular were our Advanced Intermediates and Specialty Additives segments with an improved situation for cost of sales compared with the previous year and higher capacity utilization.

Thanks to our holdings of cash and cash equivalents and liquidity reserves in the form of undrawn credit lines, we had solid liquidity as of December 31, 2024.

COMPARISON OF FORECAST AND ACTUAL BUSINESS

Comparison of Forecast and Actual Business 2024

	Forecast for 2024 in Annual Report 2023	Actual 2024
Business development: Group		
EBITDA pre exceptionals	• Moderately above the prior-year level but well below the average level of recent years • Inventory reduction among our customers completed with the exception of agrochemicals; destocking will not impact earnings to the same degree as in 2023 • Permanent cost savings from our FORWARD! action plan • Persisting challenging environment with an ongoing difficult demand situation in the first half of the year and a recovery in the second half at the earliest • Price level for the most important raw materials and energies below that of the previous year	• EBITDA pre exceptionals: €614 million (previous year: €512 million) • Persistently weak global economic environment in the chemical industry • Weak demand from the agrochemical sector • Lower procurement prices for raw materials and energy resulting in lower selling prices • Earnings performance positively impacted by cost savings from the FORWARD! action plan
Business development: segments		
Consumer Protection	• Development level with the previous year • Stable in 2023 and therefore a less pronounced recovery trend expected • Positive impact through the end of two production stoppages for suppliers • Demand recovery in this business slowed by delayed inventory reduction for agrochemical customers	• EBITDA pre exceptionals down slightly against the previous year: €286 million (previous year: €310 million) • Earnings impaired by weak demand in the agrochemicals sector • Production stoppages for a supplier continued until the end of the year
Specialty Additives	• Business performance up slightly to moderately against the previous year • Improvement primarily in the second half of the year, as the first quarter of 2023 was still at a high level	• EBITDA pre exceptionals up slightly year on year: €227 million (previous year: €209 million) • Earnings performance positively impacted by cost savings from FORWARD! action plan and improved situation for cost of sales
Advanced Intermediates	• Earnings up significantly year on year • Inventory reduction completed for us and our customers	• EBITDA pre exceptionals up significantly year on year: €210 million (previous year: €121 million) • Earnings performance positively impacted by cost savings from FORWARD! action plan and improved situation for cost of sales
All other segments	• Earnings at prior-year level	• EBITDA pre exceptionals slightly to moderately better than in the previous year: minus €109 million (previous year: minus €128 million)
Capital expenditures		
Cash outflows for capital expenditures	• Around €350 million	• €320 million (previous year: €326 million) • Reduction to strengthen free cash flow
Environment and occupational health and safety		
CO_2e emissions	• At the previous year's level	• CO_2e emissions: 1,887 thousand metric tons (previous year: 1,722 thousand metric tons)
Lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost	• Target of LTIFR below 1.0	• LTIFR: 0.6 (previous year: 0.6)

In the combined management report for fiscal year 2023, we expected EBITDA pre exceptionals to be moderately above the previous year's level in 2024. We narrowed our guidance over the course of fiscal year 2024 and anticipated EBITDA pre exceptionals of 10% to 20% above the previous year's figure of €512 million. The actually generated earnings were at the upper end of this expectation at €614 million.

We had expected net income of LANXESS AG according to German commercial law in the reporting year to be level with the previous year. Due particularly to a worsened balance of income and losses from investments in affiliated companies, which was partly offset by an improved net interest position, we registered a net loss of €91 million, compared with net income of €15 million in the reference period.

BUSINESS PERFORMANCE OF THE LANXESS GROUP

- Sale of the Urethane Systems business unit contractually agreed
- Higher sales volumes overall, but Group sales down year on year, at €6,366 million, for price reasons and due to weak demand from the agrochemical industry
- Permanent savings achieved through structural measures related to the FORWARD! action plan
- EBITDA pre exceptionals of €614 million, up against the prior-year level of €512 million, due to cost savings
- EBITDA margin pre exceptionals up from 7.6% in the previous year to 9.6%
- Net financial liabilities further reduced compared to the previous year
- Sustainability-linked long-term revolving credit facility of €800 million concluded
- Adjusted earnings per share from continuing operations of €1.58, after €0.13 in the previous year

Sales

Sales of the LANXESS Group came in at €6,366 in the reporting period, which was €348 million, or 5.2%, below the level of the previous year. In the previous year, the sales amounted to €6,714 million. Sales development was characterized in the reporting year by lower selling prices that were attributable especially to lower raw material and energy costs. Compared with the previous year, which was marked by inventory reduction, there was a positive impact on sales from higher demand and most business units registered an increase in sales volumes. However, demand from our customers in

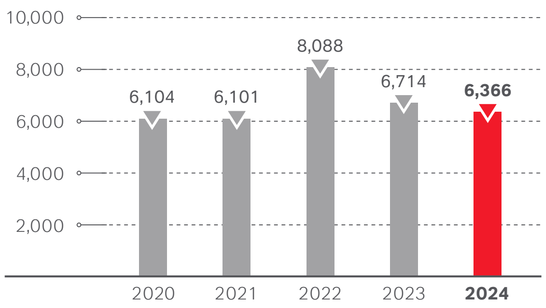
Key Financial Data

€ million	2023	2024	Change %
Sales	6,714	6,366	(5.2)
Gross profit	1,268	1,298	2.4
EBITDA pre exceptionals	512	614	19.9
EBITDA margin pre exceptionals	7.6%	9.6%	–
EBITDA	328	538	64.0
Operating result (EBIT) pre exceptionals	(53)	53	> 100
Operating result (EBIT)	(668)	(28)	95.8
EBIT margin	(9.9)%	(0.4)%	–
Financial result	(279)	(169)	39.4
Income before income taxes	(947)	(197)	79.2
Net income from continuing operations	(843)	(177)	79.0
Net income from discontinued operations	1,286	0	(100.0)
Net income	443	(177)	< (100)
Earnings per share (€)	5.13	(2.05)	< (100)
Adjusted earnings per share from continuing operations (€)	0.13	1.58	> 100

the agrochemical sector declined, and remained very weak. Shifts in exchange rates did not have a substantial impact on sales development at Group level. Adjusted for currency effects, the LANXESS Group recorded a 4.9% decrease in operational sales in fiscal year 2024.

Group Sales

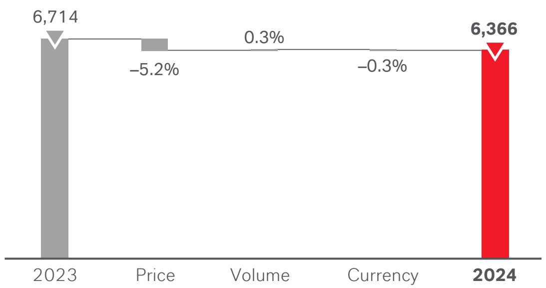
€ million



Figures from 2021 onward not including High Performance Materials business unit.

Effects on Sales

€ million/%



Effects on Sales

%	2024
Price	(5.2)
Volume	0.3
Currency	(0.3)
	(5.2)

Sales by Segment

€ million	2023	2024	Change %	Proportion of Group sales %
Consumer Protection	2,340	2,081	(11.1)	32.7
Specialty Additives	2,325	2,209	(5.0)	34.7
Advanced Intermediates	1,775	1,804	1.6	28.3
All other segments	274	272	(0.7)	4.3
	6,714	**6,366**	**(5.2)**	**100.0**

Order Book Status

Most of our business is not subject to long-term agreements on fixed volumes or prices. Instead, our business is characterized by long-standing relationships with customers and revolving master agreements. Our activities are focused on demand-driven orders with relatively short lead times, which do not provide a basis for long-term forward-looking statements about our capacity utilization or volumes. Our business is managed primarily on the basis of regular Group-wide forecasts with respect to the Group's operating target.

For additional information, please see "Company-specific leading indicators" in this management report.

Any disclosure of the Group's order book status at a given reporting date therefore would not be indicative of the Group's short- or medium-term earning power. For this reason, no such disclosure is made in this report.

Gross Profit

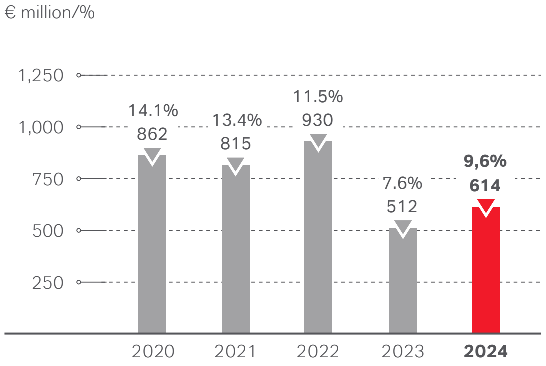
The cost of sales decreased by 6.9% year-on-year to €5,068 million. In the previous year, the cost of sales amounted to €5,446 million. The decline resulted mainly from lower procurement prices for raw materials and energies. In addition, cost savings from the FORWARD! action plan as well as an improved situation for the cost of sales led to lower manufacturing costs. This resulted among other things from an improved capacity utilization and higher costs in the previous year due to the considerable reduction in inventories through our active inventory management. Shifts in exchange rates had a slightly positive effect. Average capacity utilization for the year was 67%, up 9 percentage points over the level of the previous year.

Gross profit was €1,298 million, which was €30 million, or 2.4% above the prior-year level. The earnings performance was positively impacted especially by the cost savings achieved through the FORWARD! action plan and our improved position for the cost of sales, which resulted partly from active inventory management in the previous year and higher capacity utilization.

Lower selling prices resulted chiefly from a decline in procurement prices for raw materials and energies. Shifts in exchange rates had a negligible effect on gross profit. The gross margin of 20.4% was above the previous year's figure of 18.9%.

EBITDA Pre Exceptionals and Operating Result (EBIT)

EBITDA and EBITDA Margin Pre Exceptionals



Figures from 2021 onward not including High Performance Materials business unit.

We counteracted the weak global economic environment in the chemical industry and a persisting strained economic situation particularly with cost savings achieved through the FORWARD! action plan. The operating result before depreciation, amortization, write-downs and reversals (EBITDA) pre exceptionals increased in fiscal year 2024 by €102 million, or 19.9%, to €614 million, compared with €512 million in the previous year. The cost savings achieved through the FORWARD! action plan had a positive impact on the earnings performance in all segments. EBITDA pre exceptionals of our Advanced Intermediates and Specialty Additives segments improved year on year. There was a favorable impact on earnings from an improved cost of sales situation compared with the previous year and higher capacity utilization, both of which were negatively affected by active inventory management in the previous year. The Consumer Protection segment registered a decline in earnings overall that was almost exclusively attributable to the ongoing very difficult agrochemical industry environment and the associated weak demand. However, this effect was largely offset at the segment level through a recovery in demand in other markets. All segments registered lower procurement prices for raw materials and energies, which – like the persisting pressure on prices in some business from the Asia region – resulted in lower selling prices. Shifts in exchange rates had a negligible impact on earnings at the Group level. Details on the individual segments can be found in the table below and under "Segment Information."

EBITDA Pre Exceptionals by Segment

€ million	2023	2024	Change %
Consumer Protection	310	286	(7.7)
Specialty Additives	209	227	8.6
Advanced Intermediates	121	210	73.6
All other segments	(128)	(109)	14.8
	512	**614**	**19.9**

Cost savings through the FORWARD! action plan had a positive impact on the functional cost areas. Despite a volume-driven increase in costs, selling expenses fell by 4.6% to €890 million, due particularly to lower freight rates. Research and development expenses amounted to €104 million, after €99 million in the previous year, while general administration expenses fell to €258 million, compared with €279 million in fiscal year 2023, due to savings from the FORWARD! action plan. The EBITDA margin pre exceptionals of the Group rose to 9.6%, compared with 7.6% in the previous year.

The operating result (EBIT) of the Group improved by €640 million to minus €28 million in the reporting year, after minus €668 million in fiscal 2023. This was partly due to a significant decline in exceptional items, after in particular high write-downs on intangible assets and property, plant and equipment in the previous year, as well as to the improved operating performance in the reporting year. The write-downs had resulted particularly from the impairment testing of goodwill in the Flavors & Fragrances and Polymer Additives business units on December 31, 2023, and the adjustment of the production network of the Advanced Industrial Intermediates business unit in connection with FORWARD!. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment therefore declined by €430 million in fiscal year 2024 compared with the previous year, to € 566 million. The write-downs amounted to €7 million, of which €5 million was attributable to exceptional items. In the previous year, depreciation, amortization and write-downs of

€996 million included write-downs of €434 million, €431 million of which were exceptional items. As in the previous year, no reversals of write-downs were recognized.

The other operating result, which is the balance between other operating income and expenses, improved by €551 million to minus €74 million, after minus €625 million in fiscal year 2023. Adjusted for exceptional items, the figure was €7 million compared with minus €10 million in the previous year.

There were net negative exceptional items of €81 million in the reporting year. Of this total, €76 million impacted EBITDA; the exceptional items mainly related to expenses in connection with strategic IT projects, digitalization projects and M&A activities. In the previous year, negative exceptional items of €615 million were incurred. Most of the exceptional items related to write-downs on the goodwill from the acquisitions of the Flavors & Fragrances and Polymer Additives business units. The total exceptional items within EBITDA of €184 million in fiscal year 2023 related predominantly to expenses as part of the FORWARD! action plan and expenses in connection with digitalization projects, strategic IT projects and integration activities. Details about the exceptional items can be found under "Notes on EBIT and EBITDA (Pre Exceptionals)."

The reconciliation of EBITDA pre exceptionals to the operating result (EBIT) was as follows:

Reconciliation of EBITDA Pre Exceptionals to EBIT

€ million	2023	2024	Change %
EBITDA pre exceptionals	**512**	**614**	**19.9**
Depreciation and amortization	(996)	(566)	43.2
Exceptional items in EBITDA	(184)	(76)	58.7
Operating result (EBIT)	**(668)**	**(28)**	**95.8**

Financial Result

The financial result for fiscal year 2024 amounted to minus €169 million, compared with minus €279 million for the previous year. Income from the investments in Envalior GmbH, Cologne (Germany), and Viance LLC, Wilmington (United States), accounted for using the equity method, amounted to minus €133 million overall, after minus €172 million in the previous year. However, income from the investment in Envalior was only included in the prior-year figure after April 1, 2023. LANXESS's net interest result was minus €41 million compared with minus €60 million in the previous year. The net interest result in the previous year was impacted by interest expense from a hybrid bond and a discount in connection with its early repayment. The other financial result amounted to €5 million and was due primarily to income from the measurement of a shareholder loan granted to Envalior GmbH in connection with the founding of that company, as well as to income from investments in money market funds. The other financial result in the previous year of minus €47 million was mainly attributable to expenses in connection with the measurement of a right to offer relating to the minority interest in Envalior. Income from the measurement of the shareholder loan to Envalior GmbH had an opposing effect.

Income Before Income Taxes

Income before income taxes was minus €197 million. The prior-year figure was significantly diminished by the write-downs, and amounted to minus €947 million.

Income Taxes

We recorded tax income of €21 million in fiscal year 2024, after €105 million in the previous year. The effective tax rate was 10.7%, compared with 11.1% in the reference period. The meaningfulness of the effective tax rate is severely limited due especially to the negative income before income taxes.

Net Income

Net income in fiscal year 2024 was minus €177 million, and was attributable entirely to continuing operations. In the previous year, minus €843 million of the net income of €443 million was attributable to continuing operations, and €1,286 million was attributable to the discontinued operations of the High Performance Materials business unit. Net income and net income from discontinued operations in the previous year were considerably above the fiscal year 2024 figures, due particularly to the gain on the deconsolidation of the High Performance Materials business unit in connection with the foundation of Envalior. Net income from continuing operations in the previous year was significantly below the figure for fiscal year 2024, primarily due to the write-downs on goodwill acquired in earlier acquisitions. Non-controlling interests accounted for earnings of €1 million in fiscal year 2023 and in the previous year, which is allocable to continuing operations.

Reconciliation of EBIT to Net Income

€ million	2023	2024	Change %
Operating result (EBIT)	**(668)**	**(28)**	**95.8**
Result from investments accounted for using the equity method	(172)	(133)	22.7
Net interest expense	(60)	(41)	31.7
Other financial income and expense	(47)	5	> 100
Financial result	**(279)**	**(169)**	**39.4**
Income before income taxes	**(947)**	**(197)**	**79.2**
Income taxes	105	21	(80.0)
Income after income taxes from continuing operations	**(842)[1]**	**(176)[1]**	**79.1**
Income after income taxes from discontinued operations	**1,286**	**0**	**(100.0)**
Income after income taxes	**444**	**(176)**	**< (100)**
Income attributable to non-controlling interests	1	1	0.0
Net income from continuing operations	**(843)**	**(177)**	**79.0**
Net income from discontinued operations	**1,286**	**0**	**(100.0)**
Net income	**443**	**(177)**	**< (100)**

1) Including income attributable to non-controlling interests of €1 million.

Earnings Per Share/Adjusted Earnings Per Share from Continuing Operations

Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares outstanding during the reporting period. Earnings per share were minus €2.05, lower than the €5.13 recorded in the previous year. The fiscal year 2024 figure was entirely attributable to continuing operations, compared with minus €9.76 of the prior-year figure.

Net Income and Earnings per Share

	2023	2024
Net income (€ million)	**443**	**(177)**
from continuing operations (€ million)	(843)	(177)
from discontinued operations (€ million)	1,286	–
Weighted average number of shares outstanding	86,346,303	86,346,303
Earnings per share (€)	**5.13**	**(2.05)**
from continuing operations (€)	(9.76)	(2.05)
from discontinued operations (€)	14.89	–

We also calculate adjusted earnings per share from continuing operations, which are not defined by International Financial Reporting Standards. This value was calculated from the earnings per share from continuing operations adjusted for exceptional items, amortization of intangible assets, and attributable tax effects. As a result of our minority stakes, we do not have a controlling influence on the operational business of investments accounted for using the equity method. Therefore, we also adjust net income from continuing operations for the result from investments accounted for using the equity method.

Adjusted earnings per share from continuing operations were €1.58, after €0.13 in the previous year.

Reconciliation of Net Income from Continuing Operations to Adjusted Earnings per Share from Continuing Operations

€ million	2023	2024
Net income from continuing operations	**(843)**	**(177)**
Exceptional items[1]	615	81
Amortization of intangible assets[1]	163	159
Income taxes[1]	(96)	(60)
Result from investments accounted for using the equity method	172	133
Adjusted net income from continuing operations	**11**	**136**
Weighted average number of shares outstanding	86,346,303	86,346,303
Adjusted earnings per share from continuing operations (€)	**0.13**	**1.58**

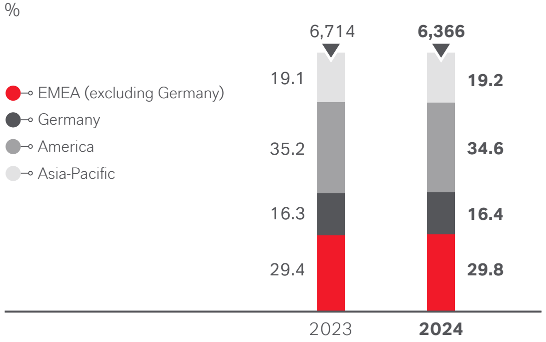
1) Excluding items attributable to non-controlling interests.

BUSINESS TRENDS BY REGION

Sales by Market

	2023		2024		Change
	€ million	%	€ million	%	%
EMEA (excluding Germany)	1,972	29.4	1,895	29.8	(3.9)
Germany	1,098	16.3	1,043	16.4	(5.0)
Americas	2,362	35.2	2,204	34.6	(6.7)
Asia-Pacific	1,282	19.1	1,224	19.2	(4.5)
	6,714	**100.0**	**6,366**	**100.0**	**(5.2)**

Sales by Market



EMEA (Excluding Germany)

Sales in the EMEA region (excluding Germany) decreased by €77 million, or 3.9%, to €1,895 million. Shifts in exchange rates did not have a relevant effect. The declining business development was related to the Consumer Protection segment, with an almost double-digit percentage decline, and the Specialty Additives segment, with a mid-single-digit percentage decline. By contrast, sales in the Advanced Intermediates segment increased by a mid-single-digit percentage. The negative development in the region resulted primarily from the business performance in Switzerland, the United Kingdom and France. An opposing positive trend was registered mainly in Belgium and Italy.

Germany

In Germany, the Group generated sales of €1,043 million, which was €55 million, or 5.0%, below the previous year. All segments were affected and recorded a sales decline of a low to mid-single-digit percentage.

Americas

Sales in this region came to €2,204 million, which was €158 million, or 6.7%, below the previous year. After adjustment for currency effects, the sales decline amounted to 6.3%. This was mainly due to the Consumer Protection segment, which posted a decline of a low double-digit percentage. The business performance of the Advanced Intermediates and Specialty Additives segments declined with a percentage decrease in sales in the low single-digit range. The development in the region was mainly driven by the United States. There was a moderately positive business performance in Brazil and Argentina.

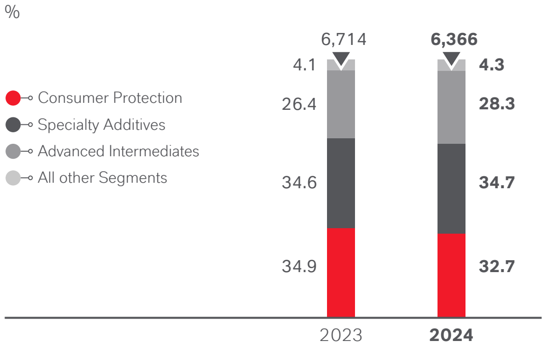
Asia-Pacific

Sales in the Asia-Pacific region decreased by €58 million, or 4.5%, to €1,224 million. After adjustment for currency effects, the decline amounted to 3.4%. The declining business performance was attributable to the Specialty Additives segment and, to a lesser extent, the Consumer Protection segment, with high and mid-single-digit percentage declines, respectively. By contrast, sales in the Advanced Intermediates segment grew by a high single-digit percentage. The primary negative impulse in the region came from China by a wide margin, followed by Singapore and India. A positive trend in South Korea, Thailand and other countries provided a modest opposing effect.

SEGMENT INFORMATION

- Consumer Protection: Weak agrochemical demand burdened by sales and earnings performance
- Specialty Additives: Improved situation for cost of sales and cost savings from the FORWARD! action plan positively impacted earnings
- Advanced Intermediates: Improved demand and cost savings from the FORWARD! action plan led to positive earnings and margin development

Sales by Segment



In our Consumer Protection segment, sales in 2024 amounted to €2,081, which was 11.1% below the previous year's figure of €2,340 million. This was attributable especially to lower sales volumes in the Saltigo business unit, which resulted mainly from persisting weak demand from our agrochemical customers. The Flavors & Fragrances business unit achieved higher sales volumes than in the previous year despite reduced capacity availability that resulted from limited steam supply due to production difficulties on the part of a supplier. Although the Material Protection Products business unit also posted higher sales volumes compared with a previous year that was characterized by inventory reduction by our customers, demand remained at a low level overall. At the segment level, lower sales volumes led to an 8.0% decline in sales. Lower procurement prices for raw materials and energies resulted in a decline in selling prices that diminished sales by 2.5% at the segment level. Shifts in exchange rates had an only insignificant effect in all business units. Sales in all regions were below the level of the previous year.

EBITDA pre exceptionals for the Consumer Protection segment was €286 million, down €24 million, or 7.7%, from the prior-year level of €310 million. The earnings performance was burdened particularly by weak agrochemical demand. This was only partly offset by the cost savings from the FORWARD! action plan, lower freight costs and the slightly higher sales volumes in other business units. Lower procurement prices for raw materials and energies were reflected in decreased selling prices. The EBITDA margin pre exceptionals increased from 13.2% to 13.7%.

The segment did not register any exceptional items in the reporting year. In the previous year, negative exceptional items of €273 million were attributable to the segment, €14 million of which impacted EBITDA. Most of the exceptional items had related to write-downs on the goodwill of the Flavors & Fragrances business unit. Further details can be found under "Notes on EBIT and EBITDA (Pre Exceptionals)."

Consumer Protection

Overview of Key Data

	2023		2024		Change
	€ million	Margin %	€ million	Margin %	%
Sales	2,340		2,081		(11.1)
EBITDA pre exceptionals	310	13.2	286	13.7	(7.7)
EBITDA	296	12.6	286	13.7	(3.4)
Operating result (EBIT) pre exceptionals	110	4.7	102	4.9	(7.3)
Operating result (EBIT)	(163)	(7.0)	102	4.9	> 100
Cash outflows for capital expenditures	87		88		1.1
Depreciation and amortization	459		184		(59.9)
Employees (as of Dec. 31)	3,555		3,439		(3.3)

Specialty Additives

Overview of Key Data

	2023		2024		Change
	€ million	Margin %	€ million	Margin %	%
Sales	2,325		2,209		(5.0)
EBITDA pre exceptionals	209	9.0	227	10.3	8.6
EBITDA	189	8.1	225	10.2	19.0
Operating result (EBIT) pre exceptionals	25	1.1	34	1.5	36.0
Operating result (EBIT)	(142)	(6.1)	32	1.4	> 100
Cash outflows for capital expenditures	122		119		(2.5)
Depreciation and amortization	331		193		(41.7)
Employees (as of Dec. 31)	2,945		2,987		1.4

Sales in our Specialty Additives segment in 2024 amounted to €2,209 million, which was 5.0% below the previous year's figure of €2,325 million. The sales development in all business units was characterized by lower selling prices, mainly due to the passing on of reduced raw material and energy prices. At the segment level, this led to a sales decline of overall 6.7%. Compared with a weak previous year, higher sales volumes in the Rhein Chemie and Lubricant Additives business units led to a 2.0% increase in sales at the segment level. However, demand in all business units remained at a low level once again in 2024, particularly for the construction industry.

Shifts in exchange rates did not have a substantial impact on sales. Sales in all regions were below the level of the previous year.

EBITDA pre exceptionals for the Specialty Additives segment was €227 million, up €18 million, or 8.6%, from the prior-year level. The earnings and margin development was positively impacted particularly by our improved position regarding the cost of sales, partly due to the absence of active inventory management that had characterized the previous year, and by the cost savings from the FORWARD! action plan and reduced freight costs. Earnings were driven by the positive development of sales volumes in a number of end markets, with the exception of the construction industry. The positive effects were largely offset by lower selling prices, which resulted mainly from the passing on of reduced raw material and energy prices in all business units. Shifts in exchange rates did not have a substantial impact on earnings. The EBITDA margin pre exceptionals was 10.3%, against 9.0% in the previous year.

The negative exceptional items within EBITDA in 2024 amounted to €2 million, and related to consulting services at the North American site. The previous year's exceptional items amounted to €167 million, of which €20 million impacted EBITDA. Most of the exceptional items in fiscal year 2023 related to write-downs on the goodwill of the Polymer Additives business unit. The exceptional items within EBITDA in the previous year primarily related to initial expenses incurred in connection with the FORWARD! action plan. Further details can be found under "Notes on EBIT and EBITDA (Pre Exceptionals)."

Advanced Intermediates

Overview of Key Data

	2023		2024		Change
	€ million	Margin %	€ million	Margin %	%
Sales	1,775		1,804		1.6
EBITDA pre exceptionals	121	6.8	210	11.6	73.6
EBITDA	88	5.0	210	11.6	> 100
Operating result (EBIT) pre exceptionals	11	0.6	95	5.3	> 100
Operating result (EBIT)	(42)	(2.4)	93	5.2	> 100
Cash outflows for capital expenditures	80		86		7.5
Depreciation and amortization	130		117		(10.0)
Employees (as of Dec. 31)	2,941		2,789		(5.2)

Our Advanced Intermediates segment posted sales of €1,804 million in fiscal year 2024, up by 1.6% on the previous year's figure. Both business units registered a positive volume sales trend. Compared with a weak previous year, there was a slight upturn in demand overall that led to a positive volume effect of 8.1% at the segment level. A persistently difficult market environment and lower procurement prices for raw materials and energies resulted in reduced selling prices in both business units of the segment, which reduced sales by 6.3% at the segment level. Shifts in exchange rates for both business units did not have a substantial impact on sales. Sales were above the level of the previous year in Asia-Pacific and EMEA (excluding Germany), but below the 2023 level in all other regions.

EBITDA pre exceptionals for the Advanced Intermediates segment, at €210 million, was up by a considerable €89 million, or 73.6%, against the prior-year level of €121 million. In particular, better capacity utilization due to higher sales volumes, cost savings from the FORWARD! action plan and lower freight costs had a positive effect on earnings and the margin compared with the previous year. A lower price level for raw materials and energy resulted in reduced selling prices. Shifts in exchange rates did not have a substantial impact. The EBITDA margin pre exceptionals rose to 11.6%, compared with 6.8% in the previous year.

In the reporting year, the segment incurred net negative exceptional items of €2 million, comprising €1 million of negative and €1 million of positive exceptional items within EBITDA as well as €2 million of write-downs. In the previous year, negative exceptional items of €53 million were incurred, €33 million of which impacted EBITDA. These primarily related to expenses as part of the FORWARD! action plan and related to human resources measures and expenses by the Advanced Industrial Intermediates business unit in connection with the planned closure of hexane oxidation production at the site in Krefeld-Uerdingen, Germany. Expenses also resulted in fiscal 2023 from the closure of the site in Mapleton, United States, which had been initiated already in 2021. Details can be found under "Notes on EBIT and EBITDA (Pre Exceptionals)."

All Other Segments

Overview of Key Data

	2023	2024	Change
	€ million	€ million	%
Sales	274	272	(0.7)
EBITDA pre exceptionals	(128)	(109)	14.8
EBITDA	(245)	(183)	25.3
Operating results (EBIT) pre exceptionals	(199)	(178)	10.6
Operating result (EBIT)	(321)	(255)	20.6
Cash outflows for capital expenditures	37	27	(27.0)
Depreciation and amortization	76	72	(5.3)
Employees (as of Dec. 31)	3,408	3,123	(8.4)

The sales reported in **"All other segments"** for the reporting year and the previous year mainly relate to the business of the Urethane Systems business unit. EBITDA pre exceptionals came to minus €109 million, compared with minus €128 million in the previous year, and resulted mainly from expenses for the activities of the corporate functions. Expenses in fiscal year 2024 were reduced particularly by cost savings from the FORWARD! action plan. Net negative exceptional items of €77 million were incurred in 2024, €74 million of which impacted EBITDA.

The exceptional items mainly related to expenses in connection with strategic IT projects, digitalization projects and M&A activities. Net negative exceptional items totaling €122 million were incurred in the previous year, €117 million of which impacted EBITDA. These resulted primarily from expenses as part of the FORWARD! action plan and expenses in connection with digitalization projects, strategic IT projects and M&A activities. Further details can be found under "Notes on EBIT and EBITDA (Pre Exceptionals)."

NOTES ON EBIT AND EBITDA (PRE EXCEPTIONALS)

In order to better assess our operational business and to steer earning power at Group level and for the individual segments, we additionally calculate the earnings indicators EBITDA, and EBITDA and EBIT pre exceptionals, none of which are defined by International Financial Reporting Standards. These indicators are viewed as supplementary to the data prepared according to IFRS; they are not a substitute.

EBITDA is calculated from the operating result (EBIT) by adding back depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets and subtracting reversals of impairment charges on property, plant, equipment and intangible assets.

EBIT pre exceptionals and *EBITDA pre exceptionals* are EBIT and EBITDA before exceptional items.

Reconciliation to EBIT/EBITDA

€ million	EBIT 2023	EBIT 2024	EBITDA 2023	EBITDA 2024
EBIT/EBITDA pre exceptionals	**(53)**	**53**	**512**	**614**
Consumer Protection	**(273)**	**0**	**(14)**	**0**
Write-downs on goodwill[1]	(259)	0	0	0
FORWARD![2]	(11)	0	(11)	0
Strategic realignment	(3)	0	(3)	0
Specialty Additives	**(167)**	**(2)**	**(20)**	**(2)**
Write-downs on goodwill[1]	(147)	0	0	0
FORWARD![2]	(17)	0	(17)	0
Strategic realignment	(2)	0	(2)	0
Adjustment of the production network	(1)	0	(1)	0
Other	0	(2)	0	(2)
Advanced Intermediates	**(53)**	**(2)**	**(33)**	**0**
FORWARD![2]	(46)	(3)	(31)	(1)
Strategic realignment	0	1	0	1
Adjustment of the production network[3]	(7)	0	(2)	0
All other segments	**(122)**	**(77)**	**(117)**	**(74)**
FORWARD![2]	(37)	(9)	(37)	(9)
Strategic realignment	(9)	0	(9)	0
Strategic IT projects (SAP S/4HANA and other IT applications)	(24)	(21)	(23)	(21)
M&A costs, digitalization and other	(52)	(47)	(48)	(44)
Total exceptional items	**(615)**	**(81)**	**(184)**	**(76)**
EBIT/EBITDA	**(668)**	**(28)**	**328**	**538**

1) The exceptional items related to write-downs on goodwill, which resulted from impairment testing in the Flavors & Fragrances and Polymer Additives business units as of December 31, 2023.
2) The exceptional items in connection with the FORWARD! action plan related particularly to human resources measures. In the previous year, expenses were also incurred in the Advanced Intermediates segment in connection with the planned closure of hexane oxidation production at the site in Krefeld-Uerdingen, Germany.
3) These exceptional items mainly related to the closure of the site in Mapleton, U.S., which was already initiated in 2021.

STATEMENT OF FINANCIAL POSITION AND FINANCIAL CONDITION

Assets and Liabilities

- Increase in current assets due to the classification of the Urethane Systems business unit as held for sale
- Reduction of net financial liabilities from €2,498 million to €2,381 million, driven by positive free cash flow
- Decline in non-current liabilities due mainly to the reclassification of a €500 million Eurobond maturing in May 2025

Structure of the Statement of Financial Position

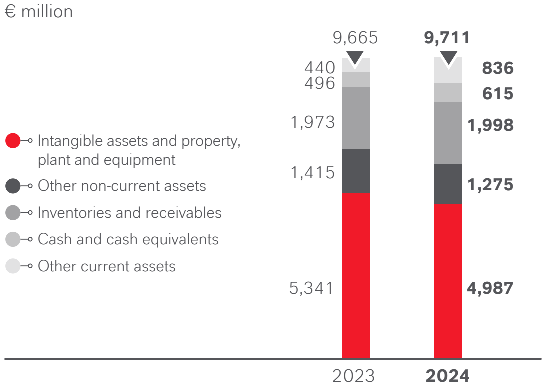
	Dec. 31, 2023		Dec. 31, 2024		Change
	€ million	%	€ million	%	%
ASSETS					
Non-current assets	6,756	69.9	6,262	64.5	(7.3)
Current assets	2,909	30.1	3,449	35.5	18.6
Total assets	**9,665**	**100.0**	**9,711**	**100.0**	**0.5**
EQUITY AND LIABILITIES					
Equity (including non-controlling interests)	4,507	46.6	4,592	47.3	1.9
Non-current liabilities	3,984	41.2	3,346	34.5	(16.0)
Current liabilities	1,174	12.1	1,773	18.3	51.0
Total equity and liabilities	**9,665**	**100.0**	**9,711**	**100.0**	**0.5**

Structure of the Statement of Financial Position

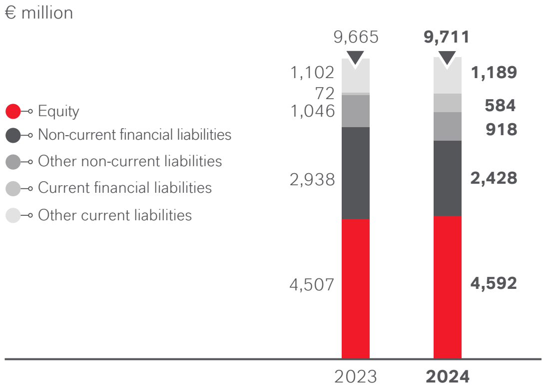
As of December 31, 2024, the LANXESS Group's total assets stood at €9,711 million, which was €46 million or 0.5% higher than at the end of the previous year. The Urethane Systems business unit has been reported under assets held for sale since the third quarter of 2024. According to IFRS 5, the assets and liabilities were reclassified to the current items "Assets held for sale" and "Liabilities related to assets held for sale."

Non-current assets fell by €494 million to €6,262 million. This decline was due particularly to the reclassification of property, plant and equipment and intangible assets of the Urethane Systems business unit to the item "Assets held for sale" and to the result of the investment in Envalior GmbH, Cologne, Germany, accounted for using the equity method. The value of this investment as of December 31, 2024, was €618 million, after €776 million a year prior. Intangible assets fell from €2,721 million to €2,531 million. Property, plant and equipment declined from €2,620 million to €2,456 million. Cash outflows for purchases of property, plant and equipment and intangible assets amounted to €320 million, compared to €326 million in the previous year. Depreciation and amortization amounted to €566 million, compared to €996 million in the previous year. However, the prior-year figure included write-downs totaling €434 million due to impairment testing and in connection with the FORWARD! action plan. Other investments decreased from €14 million to €10 million, particularly due to the performance of the share of Standard Lithium Ltd., Vancouver, Canada. Other non-current financial assets increased from €262 million to €274 million, particularly as a result of the value development of the shareholder loan to Envalior GmbH in connection with the founding of that company. Deferred tax assets, at €167 million, were roughly level with the figure of €165 million as of December 31, 2023, while other non-current assets increased by €3 million from €59 million to €62 million. The ratio of non-current assets to total assets decreased from 69.9% to 64.5%.

Structure of the Statement of Financial Position – Assets



Structure of the Statement of Financial Position – Equity and Liabilities



Current assets, at €3,449 million, rose by €540 million, or 18.6%, compared with the figure as of December 31, 2023. This increase was attributable particularly to the reclassification of non-current assets of the Urethane Systems business unit to the current item “Assets held for sale.” The €37 million, or 6.0%, increase in trade receivables, to €650 million, resulted particularly from the demand-related modest increase in sales in the final months of the year compared with the previous year, which more than offset the reclassification of trade receivables of the Urethane Systems business unit to “Assets held for sale.” At 39.4, days of sales outstanding (DSO) were slightly above the previous year’s figure of 38.4 days. Including the reclassified trade receivables of the Urethane Systems business unit, the figure was slightly higher. Inventories decreased by €12 million, or 0.9%, to €1,348, due to the reclassification of the inventories of the Urethane Systems business unit. This effect was partly offset by slightly higher inventories in preparation for anticipated strikes on the U.S. East Coast in the fourth quarter of 2024, as well as currency effects. At 81.8, days of sales in inventory (DSI) were below the previous year’s figure of 85.2 days. Including the reclassified inventories of the Urethane Systems business unit, the figure was level year on year.

Cash and cash equivalents increased from €146 million to €299 million, while near-cash assets fell from €350 million to €316 million. Other current assets fell from €171 million to €156 million due particularly to reduced miscellaneous claims for tax refunds. The ratio of current assets to total assets was 35.5%, compared with 30.1% as of December 31, 2023.

Equity increased by €85 million, or 1.9% to €4,592 million compared with December 31, 2023. The increase resulted particularly from the exchange differences on translation of operations outside the eurozone recognized in other comprehensive income and effects of the remeasurement of the net defined benefit liability. The Group net loss had an opposing effect. The ratio of equity to the Group’s total assets was 47.3% as of December 31, 2024, compared with 46.6% in the previous year.

Non-current assets fell by €638 million to €3,346 million. Provisions for pensions and other post-employment benefits fell by €69 million to €429 million. This decline resulted in particular from the higher discount rates for pension obligations and decreased inflation expectations in Germany. Other non-current provisions came to €280 million, compared with €299 million in the previous year. Other non-current financial liabilities declined, due chiefly to the reclassification of a Eurobond maturing in May 2025 to current financial liabilities. Deferred tax liabilities declined from €194 million to €168 million. The ratio of non-current liabilities to total assets was 34.5%, compared with 41.2% as of December 31, 2023.

Current liabilities amounted to €1,773 million, which was up by €599 million, or 51.0%, compared with December 31, 2023. The increase in other current financial liabilities from €72 million to €584 million was primarily attributable to the reclassification of the Eurobond maturing in May 2025. In addition, trade payables rose by €64 million overall to €648 million, due mainly to a demand-driven increase in production and to currency effects. The reclassification of trade payables of the Urethane Systems business unit to "Liabilities related to assets held for sale" had an opposing effect. Other current provisions fell by €8 million to €330 million. This decrease was largely attributable to the utilization of provisions in connection with our FORWARD! action plan initiated in the previous year. The ratio of current liabilities to total assets was 18.3% as of December 31, 2024, after 12.1% at the end of 2023.

Net financial liabilities – the total of current and non-current financial liabilities less liabilities for accrued interest, cash, cash equivalents and near-cash assets – at year end 2024 amounted to €2,381 million, which was well below the figure of €2,498 million on December 31, 2023. The Group's key ratios developed as follows:

Ratios

%		2020	2021	2022	2023	2024
Equity ratio	Equity[1] / Total assets	33.8	35.7	39.2	46.6	47.3
Non-current asset ratio	Non-current assets / Total assets	54.3	58.3	57.0	69.9	64.5
Asset coverage I	Equity[1] / Non-current assets	62.2	61.3	68.8	66.7	73.3
Asset coverage II	Equity[1] and non-current liabilities / Non-current assets	146.3	132.7	137.7	125.7	126.8
Funding structure	Current liabilities / Total liabilities	31.0	35.2	35.4	22.8	34.6

1) Equity includes non-controlling interests.

Capital Expenditures

In 2024, our capital expenditures for property, plant and equipment and intangible assets decreased from €400 million in the previous year to €367 million primarily due to the savings measures initiated as part of the FORWARD! action plan and maintained in the reporting year. Cash outflows made up €320 million of this total (previous year: €326 million). In the same period, depreciation and amortization totaled €566 million (previous year: €996 million) and included write-downs of €7 million (previous year: €434 million). The write-downs in the previous year primarily related to impairment testing and our FORWARD! action plan.

Capital expenditures in the reporting year therefore continued to focus on the following areas:

- Maintenance
- Targeted optimization and expansion of plants
- Projects to improve plant safety, enhance quality and comply with environmental protection requirements

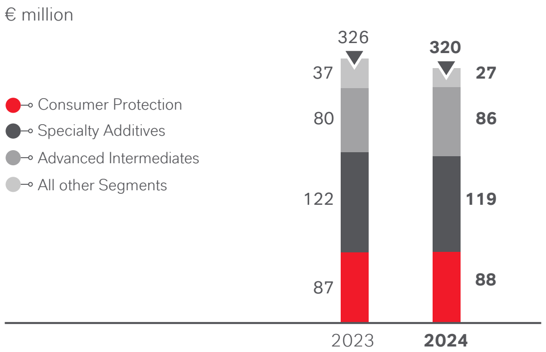
Consequently, the major portion of cash outflows for capital expenditures in 2024 went to maintain existing facilities. Only one-eighth of capital spending went toward expansion or efficiency improvement measures.

In regional terms, 47% of our capital expenditures in the reporting period were made in Germany, 32% in the Americas, 16% in the EMEA region (excluding Germany), and 5% in Asia-Pacific. Capital expenditures in Germany mostly comprised our investments in maintenance and in expansions initiated in previous years in all segments, but especially investments in the Saltigo, Advanced Industrial Intermediates and Material Protection Products business units. Capital expenditures in the North America region included investments in the production network for the Polymer Additives business unit's flame retardants and the Lubricant Additives business unit's lubricants. In EMEA (excluding Germany), they pertained, for example, to the Rhein Chemie business unit at the site in Kallo, Belgium, and the Flavors & Fragrances business unit at the site in Rotterdam/Botlek, Netherlands. Capital expenditures in the Asia-Pacific region affected the Flavors & Fragrances business unit's site in Nagda, India, among other activities.

In the Consumer Protection segment, capital expenditures came to €105 million (previous year: €112 million), €88 million (previous year: €87 million) of which were cash outflows. Depreciation and amortization declined to €184 million (previous year: €459 million). The previous year's figure included a write-down on goodwill in the Flavors & Fragrances business unit. The focus of the segment's business units lay on capital expenditures for maintenance, plant optimization and projects to implement regulatory requirements.

Capital expenditures of €130 million were made in the Specialty Additives segment (previous year: €133 million). Cash outflows made up €119 million of this total (previous year: €122 million). By contrast, depreciation and amortization stood at €193 million (previous year: €331 million). The previous year's figure included a write-down on goodwill in the Polymer Additives business unit. While the focus of the segment's capital expenditures lay on the Americas region due to the activities of the Polymer Additives and Lubricant Additives business units, capital spending in the Rhein Chemie business unit went toward measures to optimize resource efficiency at the site in Kallo, Belgium, among other activities.

Cash Outflows for Capital Expenditures by Segment



Capital expenditures in the Advanced Intermediates segment amounted to €97 million (previous year: €94 million). The cash outflows of €86 million (previous year: €80 million) compare with depreciation and amortization of €117 million (previous year: €130 million). In the previous year, there were write-downs in connection with the FORWARD! action plan in the Advanced Industrial Intermediates business unit. The capital expenditures also included cash outflows in connection with maintenance in the Advanced Industrial Intermediates and Inorganic Pigments business units at the site in Krefeld-Uerdingen, Germany.

Financial Position

- Strong operating cash flow due to improved operating performance and sustainable cost savings
- Net financial liabilities reduced by free cash flow of €188 million
- Liquidity position remains solid

The statement of cash flows shows inflows and outflows of cash and cash equivalents by type of business operation. In the indirect calculation of cash flows, the original character of assets and liabilities of the Urethane Systems business unit is taken into account prior to reclassification as held for sale.

Statement of Cash Flows

€ million	2023	2024	Change
Income before income taxes	(947)	(197)	750
Depreciation and amortization	996	566	(430)
Other items	226	139	(87)
Net cash provided by operating activities – continuing operations before change in net working capital	**275**	**508**	**233**
Change in net working capital	577	0	(577)
Net cash provided by operating activities – continuing operations	**852**	**508**	**(344)**
Net cash used in (provided by) investing activities – continuing operations	**429**	**(263)**	**(692)**
Net cash provided by (used in) financing activities – continuing operations	**(1,465)**	**(97)**	**1,368**
Change in cash and cash equivalents from continuing operations	(184)	148	332
Change in cash and cash equivalents from discontinued operations	(21)	0	21
Cash and cash equivalents as of Dec. 31	**146**	**299**	**153**
of which continuing operations	146	299	153
of which discontinued operations	0	0	0

Cash provided by operating activities, before changes in net working capital, increased by €233 million to €508 million in fiscal year 2024. Income before income taxes rose from minus €947 million to minus €197 million. This includes the result from investments accounted for using the equity method of minus €133 million, which was offset by an opposing effect in the line “Other items” (previous year: minus €172 million). Also included here were tax payments on a similar level to the previous year, at €47 million (previous year: €53 million). At €566 million, non-cash depreciation, amortization and write-downs were €430 million lower than the previous year’s figure of €996 million, primarily due to write-downs in the previous year. As currency-adjusted net working capital was unchanged overall compared with December 31, 2023, there were no cash inflows or outflows from operating activities in fiscal year 2024 due to its change. In the previous year, there was an inflow of €577 million. The small increase in inventories and trade receivables in fiscal year 2024 was offset by the increase in trade payables due to the demand-driven expansion of production compared with the previous year. Net cash provided by operating activities totaled €508 million, after €852 million in the previous year. The inflow in the previous year resulted in particular from the considerable reduction of net working capital due to active inventory management and the lower production volumes and trade receivables due to declining demand.

Investing activities resulted in a cash outflow of €263 million in fiscal year 2024, compared with a cash inflow of €429 million in the prior-year period. Cash outflows for purchases of intangible assets and property, plant and equipment amounted to €320 million, down slightly on the prior-year figure of €326 million. Cash inflows and outflows for financial and other assets held for investment purposes in fiscal year 2024 resulted mainly from sale and purchase of shares of money market funds that can be sold at any time. Interest and dividends received totaled €12 million, down €11 million from the previous year’s figure of €23 million. The cash inflow of the previous year resulted primarily from payments of €1,267 million received in connection with the contribution of the High Performance Materials business unit to Envalior.

There was cash outflow from financing activities of €97 million, compared to cash outflow of €1,465 million the year before. The cash outflow in fiscal year 2024 resulted primarily from outflows for the repayment of lease liabilities, interest paid and other financial disbursements, and the dividend payment of €9 million made to LANXESS stockholders. The cash outflow in the previous year was chiefly attributable to the repayment of various bilateral bank loans and the repayment of the hybrid bond of €500 million utilizing the first redemption option.

There was an increase of €148 million in cash and cash equivalents overall in fiscal year 2024, compared with a decrease of €184 million in the previous year. After taking into account currency related and other changes of €5 million, cash and cash equivalents at the closing date amounted to €299 million, against €146 million at the previous year’s closing date.

Free cash flow – the difference between the cash inflows from operating activities and the cash used for capital expenditures for property, plant and equipment and intangible assets – amounted to €188 million, after €526 million in the previous year.

Principles and Objectives of Financial Management

LANXESS pursues a conservative financial policy characterized by the forward-looking management of financial risks. Our aim is to be able to provide sufficient liquidity to our business operations at all times, regardless of cyclical fluctuations in the real economy or financial markets. The targeted debt level is largely aligned with the ratio systems of the leading rating agencies for investment grade companies and, along with free cash flow, is the focus of financial management. In addition to liquidity risk, financial management also covers other financial risks, such as interest and foreign exchange risks. Here too, we aim to mitigate the financial risks that arise and thereby increase planning reliability, partly by using derivative financial instruments. Detailed information about the management of these risks is contained in the "Opportunity and risk report."

LANXESS Group Ratings

Access to the capital markets and good relations with German and international commercial banks are essential for achieving our financial management objectives. Accordingly, ongoing dialog and communication with banks, investors and rating agencies are of crucial importance. The earnings decline as a result of the global economic weakness of the chemicals industry in fiscal year 2023 led to a deterioration in the indicators used by the rating agencies and to a rating of Baa3 with a negative outlook from the rating agency Moody's. The rating remained unchanged in 2024. The rating agency Scope Ratings gave LANXESS a rating of "BBB" with a negative outlook in 2024. The rating was also downgraded in February 2025 to "BBB-". The rating agencies highlight the comparatively high debt in relation to EBITDA and cash flow. At the same time, they recognize the efforts made by LANXESS to improve the rating indicators again in the future via various measures such as the FORWARD! action plan, the planned divestment of the Urethane Systems business unit, and the dividend policy.

Development of LANXESS Ratings and Rating Outlook Since 2020

	2020	2021	2022	2023	2024
Moody's Investors Service	Baa2/stable Aug. 31, 2020	Baa2/stable Jul. 28, 2021	Baa2/stable Jul. 14, 2022	Baa3/negative Nov. 17, 2023	Baa3/negative Nov. 26, 2024
Scope Ratings	BBB+/stable Mar. 12, 2020	BBB+/stable Aug. 4, 2021	BBB+/stable Jul. 7, 2022	BBB+/negative Jun. 27, 2023	BBB/negative Feb. 19, 2024

Financing Analysis

In fiscal year 2024, LANXESS retained a balanced financing structure and a solid liquidity position. The next significant maturity is for a €500 million bond in May 2025. The other bond maturities are spread very evenly over the years 2026 to 2029. The existing debt issuance program allows the flexible placement of bonds on the capital market. As of December 31, 2024, €2.8 billion of this €5.0 billion financing facility had been utilized to issue bonds and private placements. The volume of the debt issuance program can be adjusted flexibly in line with future requirements so as to ensure financial headroom. Capital market financing is a central component in LANXESS's financing mix, which is subject to regular review to ensure the adequate diversification of our financing sources and our strategic alignment.

On December 31, 2024, LANXESS had a small amount of financing items that were not reported in the statement of financial position in the form of short-term leases and leases of low-value assets.

The Group's total financial liabilities, net of accrued interest, were level with the previous year's figure of €2,994 million, at €2,996 million as of December 31, 2024.

Net financial liabilities are the total of current and non-current financial liabilities less liabilities for accrued interest, cash, cash equivalents and near-cash assets. At €2,381 million at the end of the reporting year, they were below the figure of €2,498 million as of December 31, 2023. The decline in the reporting year resulted primarily from the positive free cash flow. Cash and cash equivalents amounted to €299 million on December 31, 2024 (previous year: €146 million). As of December 31, 2024, near-cash assets of €316 million (previous year: €350 million) were held, which were invested in shares of money market funds that can be sold at any time. Of the total financial liabilities, almost 100% bear a long-term fixed interest rate over the term of the financing, which is level with the previous year.

Interest rate changes therefore do not have a material effect on the financing costs of LANXESS considering the current financing structure. The proportion of loans and bonds denominated in euros was almost 100% in the reporting year, as in the previous year. The weighted average interest rate for our financial liabilities in euros was 1.2% at year-end 2024, and thus also at the previous year's level.

The following overview shows LANXESS's financing structure as of December 31, 2024, in detail, including its principal liquidity reserves.

Financing Structure

Instrument	Amount € million	Term	Interest rate %	Financial covenants
Eurobond 2018/2025 (€500 million)	503	May 2025	1.125	No
Eurobond 2016/2026 (€500 million)	500	October 2026	1.000	No
Eurobond 2021/2027 (€500 million)	498	September 2027	0.000	No
Eurobond 2022/2028 (€600 million)	605	March 2028	1.750	No
Eurobond 2021/2029 (€600 million)	595	December 2029	0.625	No
Private placement 2012/2027 (€100 million)	103	April 2027	3.950	No
Lease liabilities	190	n/a		No
Other	18	n/a		No
Less liabilities for accrued interest	16			
Total financial liabilities	**2,996**			
Cash and cash equivalents	299	≤ 3 months		
Near-cash assets	316	≤ 3 months		
Total liquidity	**615**			
Net financial liabilities	**2,381**			

The other loans include current liabilities in connection with a factoring agreement, financial commitments to High-Tech Gründerfonds II and III and the use of bank account overdrafts in a small amount. No refinancing risks existed at the time these financial statements were prepared.

Liquidity Analysis

In addition to cash and cash equivalents of €299 million which are partly held in companies in regulated capital markets, LANXESS holds near-cash assets of €316 million in companies with no restrictions on foreign exchange and capital transfers, which comprise shares of money market funds that can be sold at any time. There are also additional liquidity reserves in the form of undrawn credit lines.

Due to our good liquidity position, our solvency was assured at all times in fiscal year 2024.

By far the most important of LANXESS's credit lines is the sustainability-linked revolving credit facility of €800 million, which was signed in September 2024 and has a basic term until September 2029 and two extension options of one year each. The terms of the credit facility are tied to ESG ("environmental, social and governance") criteria. The interest rate terms depend in part on the successful reduction of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions, as well as the increase in the proportion of women in management positions.

The credit facility remained undrawn in 2024. It is designed as an operating line of credit and to provide funds for capital investment and complies with the market standard of the European syndicated loan market for investment-grade companies with a BBB rating. None of the Group's major loan agreements contain financial covenants. In total, we had undrawn committed credit facilities of €1.55 billion as of December 31, 2024.

The total of liquid assets and undrawn credit lines gives us available liquidity of around €2.2 billion. In addition, LANXESS can utilize revocable loan commitments for short-term money market borrowings in the low three-digit millions in euros.

MANAGEMENT'S SUMMARY OF BUSINESS DEVELOPMENT AND THE FISCAL YEAR

Sales of the LANXESS Group came in at €6,366 in the reporting period, down €5.2% against the figure of €6,714 million in the previous year. The sales development was characterized by lower selling prices primarily due to the passing on of reduced raw material and energy prices. Compared with the previous year, which was marked by inventory reductions, there was a positive effect on sales from higher demand and most business units registered an increase in sales volumes. Shifts in exchange rates did not have a substantial impact on sales at the Group level.

In a globally weak economic environment in the chemicals industry and a still strained economic situation, the cost savings enabled by our FORWARD! action plan in particular had a positive impact on the earnings performance of all segments. EBITDA pre exceptionals in fiscal year 2024 increased by €102 million, from €512 million to €614 million. While EBITDA pre exceptionals of our Advanced Intermediates and Specialty Additives segments improved year on year, our Consumer Protection segment registered a decline in earnings overall that was almost exclusively attributable to the ongoing very difficult agrochemical industry environment and the associated weak demand volumes.

Net income of minus €177 million and earnings per share of minus €2.05 were entirely attributable to continuing operations in fiscal year 2024. Net income and earnings per share from continuing operations in the previous year were well below the figures for fiscal year 2024, at minus €843 million and minus €9.76, respectively, due mainly to the write-downs on goodwill acquired in earlier acquisitions.

We retained our accounting and financing policy in 2024 and, in accordance with the consistency principle, essentially applied the same measurement methods and exercised the same discretion as in the previous year. The equity ratio increased from 46.6% to 47.3%. Total assets increased from €9,665 million to €9,711 million.

Near-cash assets decreased from €350 million to €316 million due to the sale of shares of money market funds that can be sold at any time. Additional liquidity reserves in the form of undrawn credit lines are also available. Of the total financial liabilities, almost 100% bear a fixed interest rate over the term of the financing. Our material financial liabilities are free of financial covenants. Our statement of financial position shows that our liquidity position remains solid.

After deduction of short-term money market investments and securities, our net financial liabilities amounted to €2,381 million, which was lower than the previous year's figure of €2,498 million. The decline in the reporting year resulted primarily from the positive free cash flow. While the rating issued by the rating agency Moody's remained unchanged in 2024 at Baa3 with a negative outlook, Scope Ratings downgraded the creditworthiness of LANXESS in February 2024 from BBB+ to BBB, and in February 2025 to BBB-, both with a negative outlook.

In view of the globally weak economic environment, the economic situation remains strained. However, we see our economic situation as stable overall because the earnings performance improved year on year due to the cost savings enabled by our FORWARD! action plan. We aim to reduce costs by around €40 million in the current fiscal year through further measures in connection with our FORWARD! action plan, and thus partly offset the expected inflation of personnel costs. Through the sale of the Urethane Systems business, we intend to further refine our business model as a pure specialty chemicals company and further pursue our strategy geared toward a climate-neutral economy with stronger cash flow and a more competitive, more sustainable portfolio.

KEY BUSINESS DATA – MULTI-PERIOD OVERVIEW

Indicators

€ million	2020	2021	2022	2023	2024
Earnings performance					
Sales[1]	6,104	6,101	8,088	6,714	6,366
EBITDA pre exceptionals[1]	862	815	930	512	614
EBITDA margin pre exceptionals[1]	14.1%	13.4%	11.5%	7.6%	9.6%
EBITDA[1]	757	668	826	328	538
EBIT pre exceptionals[1]	396	361	389	(53)	53
EBIT[1]	253	211	280	(668)	(28)
EBIT margin[1]	4.1%	3.5%	3.5%	(9.9)%	(0.4)%
Net income	885	267	250	443	(177)
Weighted average number of shares outstanding	86,587,838	86,346,303	86,346,303	86,346,303	86,346,303
Earnings per share (€)	10.22	3.09	2.90	5.13	(2.05)
Financial position					
Cash flow from operating activities[1]	594	368	187	852	508
Depreciation and amortization/reversals of impairment charges[1]	504	457	546	996	566
Cash outflows for capital expenditures[1]	456	424	407	326	320
Net financial liabilities	1,012	2,345	3,814	2,498	2,381
Assets and liabilities					
Total assets	8,880	10,528	11,287	9,665	9,711
Non-current assets	4,823	6,139	6,437	6,756	6,262
Current assets	4,057	4,389	4,850	2,909	3,449
Net working capital	1,134	1,675	2,010	1,389	1,350
Equity (including non-controlling interests)	2,999	3,762	4,427	4,507	4,592
Provisions for pensions and other post-employment benefits	1,205	877	367	498	429
Indicators					
ROCE[2]	7.5%	6.6%	4.8%	(0.8)%	0.8%
Equity ratio	33.8%	35.7%	39.2%	46.6%	47.3%
Non-current asset ratio	54.3%	58.3%	57.0%	69.9%	64.5%
Asset coverage I	62.2%	61.3%	68.8%	66.7%	73.3%
Net working capital/sales	18.6%	22.2%	24.9%	20.7%	21.2%
Employees (as of Dec. 31)	14,309	14,866	13,126	12,849	12,338

1) Figures from 2021 onward not including High Performance Materials business unit.
2) Capital employed adjusted as of December 31 of each year. Details can be found under "Profitability."

EARNINGS, ASSET AND FINANCIAL POSITION OF LANXESS AG

LANXESS AG serves primarily as the management holding company for the LANXESS Group. The principal management functions for the entire Group are performed by the Board of Management. The Board of Management shapes Group strategy and manages resource allocation, infrastructure and organization. The Group parent company LANXESS AG is also responsible for financing and communication with the company's key stakeholders. The economic performance of LANXESS AG depends principally on the operating business entities in the LANXESS Group and on the development of the chemical industry. The balance of income and losses from investments in affiliated companies resulting from profit or loss transfers and dividends from affiliated companies is of key importance for the future ability of LANXESS AG to pay a dividend. Therefore, especially the statements made in the "Opportunity and risk report" in this management report apply in principle to LANXESS AG as well.

The financial statements of LANXESS AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Sales and Earnings of LANXESS AG

LANXESS AG Income Statement in Accordance with the German Commercial Code (HGB) – Abridged

€ million	2023	2024	Change %
Sales	**6**	**10**	**66.7**
Cost of sales	(5)	(9)	(80.0)
Gross profit	**1**	**1**	**0.0**
General administration expenses	(36)	(37)	(2.8)
Other operating income	3	2	(33.3)
Other operating expenses	(16)	(1)	93.8
Operating result	**(48)**	**(35)**	**27.1**
Income from investments in affiliated companies	(88)	(267)	< (100)
Income from other securities and loans held as financial assets	10	11	10.0
Net interest expense	151	196	29.8
Write-downs on financial assets securities classified as current assets	0	0	–
Miscellaneous financial expense and income	8	5	(37.5)
Financial result	**81**	**(55)**	**< (100)**
Income taxes	(18)	(1)	94.4
Income after income taxes	**15**	**(91)**	**< (100)**
Net income/loss	**15**	**(91)**	**< (100)**
Carryforward to new account	427	434	1.6
Addition to other retained earnings	0	0	–
Distributable profit	**442**	**343**	**(22.4)**

The earnings of LANXESS AG are largely determined by profit or loss transfers from LANXESS subsidiaries, net interest and general administration expenses.

Sales at LANXESS AG stood at €10 million, which was above the previous year. They related mainly to services provided to LANXESS Deutschland GmbH. After deducting the cost of sales, which consisted mostly of personnel expenses and appropriate shares of the general administration expenses, gross profit amounted to €1 million.

General administration expenses climbed by €1 million year on year to €37 million. Other operating expenses declined from €16 million to €1 million. The figure in the previous year was mainly attributable to expenses related to the FORWARD! action plan. In total, the operating result amounted to minus €35 million, compared with minus €48 million in the previous year.

The financial result, which comprises the balance of income and losses from investments in affiliated companies, the net interest position, income from loans included in financial non-current assets, write-downs on securities classified as current assets, and other financial income and expense, decreased from €81 million to minus €55 million. This change was largely due to the greater absorption of losses from LANXESS Deutschland GmbH. Earnings of that company were mainly impacted by a negative financial result that outweighed the improvement in the operating result. The €151 million improvement in the net interest position to €196 million is primarily attributable to the rise in the general interest rate level.

Income taxes resulted in expenses for previous years of €2 million.

The net loss for fiscal year 2024 was €91 million, after net income of €15 million in the previous year.

As of December 31, 2024, the company reported a distributable profit of €434 million taking into account the profit carryforward of €343 million. In the previous year, a distributable profit of €442 million was posted.

Asset and Capital Structure of LANXESS AG

LANXESS AG Statement of Financial Position in Accordance with the German Commercial Code (HGB) – Abridged

	Dec. 31, 2023		Dec. 31, 2024		Change
	€ million	%	€ million	%	%
ASSETS					
Financial assets	899	11.4	902	11.4	0.3
Non-current assets	**899**	**11.4**	**902**	**11.4**	**0.3**
Receivables from affiliated companies	6,569	83.1	6,442	81.3	(1.9)
Other assets	43	0.5	46	0.6	7.0
Liquid assets and securities	381	4.8	521	6.5	36.7
Current assets	**6,993**	**88.4**	**7,009**	**88.4**	**0.2**
Prepaid expenses	**17**	**0.2**	**14**	**0.2**	**(17.6)**
Total assets	**7,909**	**100.0**	**7,925**	**100.0**	**0.2**
EQUITY AND LIABILITIES					
Equity	**2,678**	**33.9**	**2,579**	**32.5**	**(3.7)**
Provisions	**160**	**2.0**	**172**	**2.2**	**7.5**
Bonds	2,800	35.4	2,800	35.3	0.0
Liabilities to banks	16	0.2	21	0.3	31.3
Payables to affiliated companies	2,254	28.5	2,349	29.6	4.2
Liabilities	1	0.0	4	0.1	> 100
Payables	**5,071**	**64.1**	**5,174**	**65.3**	**2.0**
Total equity and liabilities	**7,909**	**100.0**	**7,925**	**100.0**	**0.2**

In view of its function as a strategic holding company, the statement of financial position of LANXESS AG is dominated by financial assets and liabilities and by receivables from, and payables to, subsidiaries.

LANXESS AG had total assets of €7,925 million as of December 31, 2024, which was €16 million, or 0.2%, above the prior-year figure. Non-current assets increased slightly by €3 million to €902 million as a result of investments in the pension trust. They primarily included the carrying amount of the investment in LANXESS Deutschland GmbH, which stands at €739 million, and loans to subsidiaries of €99 million. The share of non-current assets in total assets was unchanged at 11.4%. Current assets increased by €16 million, or 0.2%, to €7,009 million and accounted for 88.4% of total assets, as in the previous year. Receivables from subsidiaries accounted for 81.3% of total assets and related principally to short-term loans and financial settlement transactions. Other receivables largely consisted of tax claims and accounted for 0.6% of total assets. The share of bank balances and securities in total assets increased from 4.8% to 6.5% or from €381 million to €521 million.

Equity fell by €99 million to €2,579 million, largely due to the net loss of €91 million for 2024 and the dividend payment for 2023 of €9 million. The equity ratio was 32.5%, after 33.9% at the end of 2023.

The provisions increased by €12 million to €172 million and related in particular to commitments to employees, statutory and contractual obligations, and income taxes. Liabilities increased by €103 million to €5,174 million. Of this figure, €95 was attributable to higher payables to affiliated companies. This development was primarily due to the greater absorption of losses from LANXESS Deutschland GmbH.

REPORT PURSUANT TO SECTIONS 289A, 315A OF THE GERMAN COMMERCIAL CODE (HGB)

Pursuant to Section 289a, Sentence 1, Nos. 1 to 9, and Section 315a, Sentence 1, Nos. 1 to 9, of the German Commercial Code, we hereby make the following declarations:

1. The capital stock of LANXESS AG amounted to €86,346,303 as of December 31, 2024, and is composed of 86,346,303 no-par bearer shares. The capital stock and the number of shares are therefore unchanged as against the end of the previous year. All shares carry the same rights and obligations. One vote is granted per share, and profit is distributed per share. The rights and obligations arising from the shares are governed by the German Stock Corporation Act (AktG).

2. We are not aware of any restrictions affecting voting rights or the transfer of shares. However, shares allocated under employee stock plans are subject to a vesting period before they may be sold.

3. On July 1, 2024, Causeway Capital Holdings LLC, based in Wilmington, Delaware, United States, notified us that its participating interest had exceeded the threshold of 10% as of June 28, 2024, and that, at that time, it held a total of 10.08% of the voting rights in the capital of LANXESS AG via indirect investments.

4. No shares carry special rights granting control authority.

5. Employees hold a direct interest in the capital of LANXESS AG through stock programs. There are no restrictions on directly exercising the voting rights arising from these shares

6. Sections 84 and 85 of the German Stock Corporation Act and Section 31 of the German Codetermination Act apply to the appointment and dismissal of Board of Management members. Under the provisions of these sections, Board of Management members are appointed by the Supervisory Board for a term not exceeding five years. Such appointment may be renewed or the term of office may be extended, provided that the term of each such renewal or extension shall not exceed five years. Appointments require a majority of at least two thirds of the Supervisory Board members' votes. Section 6, Paragraph 1 of the articles of association states that the Board of Management must consist of at least two members. The number of members of the Board of Management is determined by the Supervisory Board. The Supervisory Board may appoint a chairman of the Board of Management and a vice chairman of the Board of Management. Alternative members of the Board of Management may be appointed. The Supervisory Board may revoke the appointment of a member of the Board of Management or the appointment of a member as Chairman of the Board of Management for cause (Section 84, Paragraph 4 of the German Stock Corporation Act).

   Section 179 of the German Stock Corporation Act provides that a resolution of the Annual Stockholders' Meeting is required for any amendment to the articles of association. Pursuant to Section 17, Paragraph 2 of the articles of association, resolutions of the Annual Stockholders' Meeting require a simple majority of the votes cast and, if a capital majority is required, a simple majority of the capital stock, unless otherwise required by law or provided by the articles of association. The articles of association contain no further provisions in this regard. Section 10, Paragraph 9 of the articles of association of LANXESS AG authorizes the Supervisory Board to resolve on amendments relating solely to the form of the articles of association.

7. The Board of Management of LANXESS AG has been authorized to issue or repurchase shares as follows.

Own shares

On May 24, 2024, the Annual Stockholders' Meeting of LANXESS AG resolved to issue an authorization for the purchase and utilization of own shares by the Board of Management. The authorization allows the Board of Management until May 23, 2027 to purchase shares in the company representing up to 10% of the capital stock at the time the resolution is passed or – if this figure is lower – the capital stock existing at the time this authorization is exercised, and to utilize them for any purpose permitted by law. This authorization may also be utilized by subsidiaries of the company or by third parties on behalf of the company or its subsidiaries. At the discretion of the Board of Management, such shares may be acquired either on the market or via a public tender offer. The Board of Management is authorized to use them for any purpose permitted by law, especially the purposes listed in the authorization.

At the end of fiscal year 2024, neither the company nor dependent or majority-owned entities, or third parties acting for the account of the company or for the account of dependent or majority-owned entities, held shares in the company.

Conditional capital

The Annual Stockholders' Meeting of LANXESS AG on May 24, 2023, authorized the Board of Management until May 23, 2026, with the approval of the Supervisory Board, to issue – in one or more installments – warrant bonds and/or convertible bonds and/or income bonds or a combination of these instruments (collectively referred to as "bonds") – as either registered or bearer bonds – with a total nominal value of up to €1,000,000,000, with or without limited maturity, and to grant option rights to, or impose exercise obligations on, the holders or creditors of warrant bonds or income bonds with warrants, and/or to grant conversion rights to, or impose conversion obligations on, the holders or creditors of convertible bonds or convertible income bonds in respect of bearer shares of the company representing a total pro rata increase of up to €8,634,630 in the company's capital stock on the terms to be defined for these bonds. Pursuant to Section 4, Paragraph 5 of the articles of association, the capital stock of LANXESS AG is thus conditionally increased by up to €8,634,630 (Conditional Capital).

The conditional capital increase shall only be implemented to the extent that the holders or creditors of, or persons obligated to exercise, warrants or conversion rights pertaining to warrant bonds and/or convertible bonds and/or income bonds (or a combination of these instruments) issued by the company or a dependent company against cash contributions, or issued against cash contributions and guaranteed by the company or a dependent company, on or before May 23, 2026, on the basis of the authorization granted to the Board of Management by the Annual Stockholders' Meeting on May 24, 2023, exercise their warrants or conversion rights or, where they are obligated to do so, fulfill such obligation, or to the extent that the company elects to grant shares in the company in place of all or part of the cash amount due for payment. The conditional capital increase shall not be implemented if cash compensation is granted or if the company's own shares, shares issued out of authorized capital or shares in another listed company are used to service the warrant or conversion rights.

The Board of Management is authorized, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, which are detailed in the authorization. The Board of Management will consider other capital measures with stockholders' subscription rights disapplied in its decision to disapply stockholders' subscription rights when issuing convertible bonds and/or bonds with warrants and/or income bonds (or combinations of these instruments). The authorization to issue bonds has not yet been utilized.

Authorized Capital I

Pursuant to Section 4, Paragraph 3 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 24, 2023, authorized the Board of Management until May 23, 2026, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by issuing new no-par bearer shares against cash or contributions in kind up to a total amount of €17,269,260 (Authorized Capital I). Stockholders are generally entitled to subscription rights when Authorized Capital I is utilized. However, pursuant to Section 4, Paragraph 3 of LANXESS AG's articles of association and with the approval of the Supervisory Board, the Board of Management can exclude these subscription rights when, for example, the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock.

Authorized Capital II

Furthermore, pursuant to Section 4, Paragraph 4 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 24, 2023, authorized the Board of Management until May 23, 2025, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by issuing new no-par bearer shares against cash contributions up to a total amount of €8,634,630 (Authorized Capital II). Stockholders are generally entitled to subscription rights when Authorized Capital II is utilized. These rights can be excluded in certain cases which are defined in Section 4, Paragraph 4 of the articles of association of LANXESS AG.

Any shares issued with subscription rights disapplied on the basis of the aforementioned Authorized Capitals I and/or II may not, together with such shares issued or to be issued as part of conditional capital to service warrants or conversion rights or obligations, provided the warrants or conversion rights or obligations were granted or imposed during the term of the authorization with subscription rights disapplied, exceed 10% of the capital stock of LANXESS AG at the time the respective authorization becomes effective.

At the end of fiscal year 2024, neither Authorized Capital I nor Authorized Capital II had been utilized.

8. The service contracts between the company and the members of the Board of Management of LANXESS AG contain provisions regarding the potential departure of the members of the Board of Management in the context of a change of control due to a takeover. Such agreements, albeit with different terms, also exist between the company and members of the first level of upper management. In addition, the terms for placing bonds under the company's existing debt issuance program may contain a change-of-control clause that gives bondholders the right to redeem the bond should certain events occur that affect its rating. The terms for a private placement with a volume of €100 million made by LANXESS Finance B.V. under the debt issuance program in fiscal year 2012 contain a corresponding change-of control clause. This placement has now been taken over by LANXESS AG. Equally, the terms of the bonds with a volume of €500 million (maturity 2026) issued by LANXESS AG in fiscal year 2016 under the debt issuance program, bonds with a volume of €500 million (maturity 2025) issued by LANXESS AG in fiscal year 2018, the bonds with a volume of (i) €500 million (maturity 2027) and (ii) €600 million (maturity 2029) issued by LANXESS AG in fiscal year 2021 and the bonds with a volume of €600 million (maturity 2028) issued in fiscal year 2022 contain corresponding change-of-control clauses. The company has entered into an agreement with a syndicate of banks concerning a credit facility with a current volume of €800 million. This agreement can be terminated without notice if another company or person takes control of more than 50% of LANXESS AG. There are also change of control clauses in five bilateral agreements for credit lines of €50 million, €100 million, €100 million, €150 million and €200 million between LANXESS AG and five different banks. A further agreement for a credit line of €150 million can be terminated if the aforementioned agreement for a credit line, currently of €800 million, can be terminated on account of a change of control. Furthermore, according to agreements between the company and LANXESS Pension Trust e.V., the company is obligated to make considerable payments to LANXESS Pension Trust e.V. in the event of a change of control.

9. The service contracts between the company and the members of the Board of Management of LANXESS AG as well as between the company and members of the first and second levels of upper management of LANXESS AG contain compensation agreements applicable in the event of a change of control, as such change is more particularly described in the respective contracts.

REPORT PURSUANT TO SECTIONS 289F AND 315D OF THE GERMAN COMMERCIAL CODE (HGB)

The Board of Management and Supervisory Board have issued the corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code (HGB). This has been made available to the stockholders and can be found at https://lanxess.com/en-us/investors/corporate-governance.

REPORT ON FUTURE PERSPECTIVES, RISKS AND OPPORTUNITIES

In the economic outlook below, we describe our expectations for economic development. Following the report on future perspectives, we discuss the opportunities and risks that may result in deviations from our predictions.

ECONOMIC OUTLOOK

The world economy has proven resilient through 2024 and despite many years of mutually reinforcing crises and the persisting inflation-related tightening of the monetary policy of late, avoided a substantial downturn. In the short term, global economic growth will remain stable but restrained.

While easing inflation and some dovish monetary policies in numerous countries could stimulate overall demand, persisting conflicts and geopolitical tensions could increase the challenges on the supply side. Weaker employment market conditions and a potential increase in protectionist measures will impair the short-term growth prospects for the world economy. Furthermore, the ongoing restricted financial flexibility and progressing indebtedness of many industrialized and developing countries will further limit their ability to invest in productive capacities and stimulate global economic growth.

We foresee a slight recovery of 2.5% for the *global economy* in 2025 that will once again be driven primarily by the Asia-Pacific region. We still see China and India as the two main drivers here. Growth in the EMEA region (including Germany) is expected to be less pronounced, at 1.5%, while the development in the Americas region will presumably be only slightly below the global level at 2.0%.

We anticipate slight growth of 3.5% for the global *chemical industry* that should also be mainly driven by the Asia-Pacific region at 4.5%, while the Americas region should practically stagnate and EMEA (including Germany) is expected to be below the global level at 2%. We expect global growth of 2.0% in 2025 for the *agrochemical industry*. For the global *residential construction* sector, we foresee an increase of 2.0% in the current year. We expect global stagnation for the *automotive industry* but a varied development regionally. For the *food industry*, we expect a slight recovery versus 2024 with growth of 2.5%. For the *electrical/electronics industry*, we anticipate growth of 5.0%, driven primarily by the Americas and Asia-Pacific regions. We expect the *consumer goods industry* to grow by 3.5% on a global basis.

Expected Growth in 2025

Change vs. prior year in real terms (%)[1]	Gross domestic product	Chemical industry
Americas	2.0	0.5
EMEA (incl. Germany)	1.5	2.0
Asia-Pacific	3.5	4.5
World	**2.5**	**3.5**

1) Rounded to the nearest 0.5%.
Source: S&P Global Market Intelligence.

The following table shows the anticipated development of our *selling markets*.

Expected Development of Major Customer Industries in 2025

Change vs. prior year in real terms (%)[1]	Automotive	Agro-chemicals[2]	Construction (residential construction)	Food	Electrical/ electronics	Consumer staples
Americas	(1.5)	2.0	2.5	1.0	3.5	2.0
EMEA (incl. Germany)	(1.5)	2.0	2.0	1.5	1.5	1.5
Asia-Pacific	1.0	2.0	2.5	3.5	5.5	5.0
World	**0.0**	**2.0**	**2.0**	**2.5**	**5.0**	**3.5**

1) Rounded to the nearest 0.5%.
2) Pesticides and other organic agrochemical products.
Sources: S&P Global Market Intelligence; residential construction: Oxford Economics.

FUTURE PERSPECTIVES

Expected Development of the LANXESS Group

We expect EBITDA pre exceptionals to come in between €600 million and €650 million in 2025. This includes the earnings contribution for the first quarter of 2025 from the Urethane Systems business, the sale of which we expect to close in the second quarter of 2025. The Urethane Systems business unit achieved EBITDA pre exceptionals of about €50 million in the reporting year.

Despite the portfolio change, EBITDA pre exceptionals is thus expected to be slightly above the level of fiscal year 2024. The following effects are taken into account here:

- We expect volumes in most customer industries to develop slightly better than in the previous year despite ongoing challenging market conditions, whereas the agrochemical industry is initially expected to experience persisting demand weakness. We generally expect higher sales volumes and thus a further increase in capacity utilization, which is currently at a low level. We also anticipate continued fluctuations on the raw materials market and slightly increasing energy prices. We continue to expect to improve earnings and shore up our market position through the refinement of our business models.
- For 2025, we expect further sustainable cost savings of about €40 million from our FORWARD! action plan. These savings should partly offset the expected inflation of personnel costs.
- In the current market situation, we are confronted with several uncertainty factors that could significantly impact our business performance. This includes particularly the effects of the war in Ukraine and the conflicts in the Middle East, as well as announced trade policy measures in the United States.

Earnings performance

We expect our Consumer Protection segment to perform slightly to moderately above the level of the previous year. While we still do not see any indications of a sustained improvement in demand from our agrochemical industry customers, we expect business operations to develop positively in the other business units. This trend should be supported by the once again fully available production capacity of the Flavors & Fragrances business unit, which was available to only a limited extent in 2024 due to a production stoppage of a supplier.

The business development of our Specialty Additives segment in 2025 is expected to be slightly above the level of the previous year. While we continue to expect weak demand from the construction and automotive industries, we see demand stimulus from the segment's other end markets, such as the electrical/electronics industry.

We anticipate earnings in our Advanced Intermediates segment to also be slightly above the previous year's level in the 2025 reporting year. We expect the further stabilization of demand after the robust volumes recovery in 2024, and thus also a higher capacity utilization in our plants.

Through the sale of the Urethane Systems business, which we expect in the second quarter of 2025, we expect earnings of "All other segments" to be well below the level of the previous year.

All segments are likely to benefit from the savings achieved through our FORWARD! action plan.

The U.S. dollar will remain the key foreign currency for our businesses.

Liquidity situation

LANXESS will continue to pursue a forward-looking and conservative financial policy in the current year. With around €2.2 billion in liquidity and undrawn credit lines as of the end of 2024, as described under "Financial position" in this management report, we have a very comfortable liquidity and financing position. This ensures our corporate flexibility to implement LANXESS's strategy.

Capital Expenditures

As in fiscal year 2024, our capital expenditures will be primarily directed toward the maintenance of existing production facilities as well as efficiency improvements and the expansion of existing plants; we therefore do not anticipate that any significant capital spending for growth will be necessary in the current phase of lower capacity utilization. The available capacities are sufficient to cover the expected higher sales volumes without additional capital expenditures. This enables us to specifically deploy our financial resources while also improving profitability. We plan total cash outflows for capital expenditures of around €330 million in 2025. Up to the reporting date, orders totaling €152 million were issued for this purpose, which can be paid out of existing liquidity.

Financing measures

LANXESS is in a good position due to the long-term and balanced nature of its financing. A €500 million bond will mature in May 2025. We plan to repay this bond largely from the around €460 in net divestment proceeds of the Urethane Systems business. In this way, we will significantly reduce both gross debt and our net debt ratio. We also constantly have the option of utilizing bank loans at short notice. We will continue our efforts aimed at securing long-term funding as part of a conservative financing policy.

Environment and occupational health and safety

In fiscal year 2025, with a slight increase in the production volume, we expect CO_2e emissions to be on a par with the previous year, in which emissions amounted to 1,887 thousand metric tons.

The lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost came in at 0.6 in 2024, which was the same rate as in the previous year and once again represents a very good performance. Despite every effort, not all influencing factors can be controlled, and the LTIFR is difficult to forecast. For fiscal year 2025, we are again striving for an LTIFR less than 0.8.

Expected Earnings Position of LANXESS AG

In fiscal year 2025, we expect the annual financial statements of LANXESS AG to show a much better net result than in the previous year. The net loss in the reporting period resulted primarily from a negative balance of income and losses from investments in affiliated companies that was partly offset by a positive net interest position. In addition to the administration expenses the company incurs in performing its tasks as a strategic management holding company, net income of LANXESS AG is essentially dependent on the financial result, especially the net interest position and the balance of income and losses from investments in affiliated companies. The balance of income and losses from investments in affiliated companies and the corresponding ability of LANXESS AG to pay a dividend will significantly depend on the profit transfers and dividends paid by the other companies of the LANXESS Group.

Dividend Policy

We aim to pay a stable or increased dividend each year. For each year's proposal, we will take certain factors, such as the economic situation and our financial leverage, into consideration. We will however always pay a dividend. For fiscal year 2024, we plan to pay a dividend that is stable with the previous year because the reduction of our net debt remains our highest priority. At the Annual Stockholders' Meeting on May 22, 2025, the Board of Management and Supervisory Board will therefore propose a dividend of €0.10 per share for fiscal year 2024.

Summary of the Group's Projected Performance

We expect EBITDA pre exceptionals between €600 million and €650 million in 2025 due to the factors described above. This contains the earnings contribution from the Urethane Systems business for the first quarter of 2025. Overall, this reflects the expected growth, the systematic implementation of our strategy, and the targeted cost savings from our FORWARD! action plan.

OPPORTUNITY AND RISK REPORT

The statements also include the data points ESRS 2.36 (a), (b), (d), (e), ESRS 2.48 (f) and ESRS E1.AR8 (b) from the ESRS 2 GOV-5, ESRS 2 SBM-3 and ESRS E1 SBM-3 reporting requirements.

Opportunity and Risk Management System

Our success is significantly dependent on identifying opportunities and risks in our business activities and actively managing them. The goal of the management system is to safeguard the company's existence for the long term and ensure its successful and sustainable ongoing development by identifying opportunities and risks at an early stage and, depending on their nature, appropriately considering these in strategic and operational decisions. Opportunities and risks are understood as possible future developments or events that may result in either positive or negative deviations from forecasts or business objectives.

Our management system is based both on internal organizational workflows that are managed by way of control and monitoring mechanisms and on early warning systems that are used to closely observe changes in external conditions and systematically implement the appropriate measures. This approach applies equally to opportunities and risks.

Structural basis

The principles of our opportunity and risk management system are set forth in a Group directive. The management system, which uses the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model as the enterprise risk management framework, comprises many different elements that are incorporated into business processes via the company's organizational structure, workflows, planning, reporting, communication systems, as well as a set of detailed management policies and technical standards. The system is based on an integration concept.

In other words, the early identification of opportunities and risks is an integral part of the management system and not the object of a separate organizational structure. This is why our opportunity and risk management is based on clearly defined business processes, the precise assignment of responsibilities, and reporting systems that ensure the timely provision of the information required for decision-making for the Board of Management and the subordinate management levels.

Roles and responsibilities

The organizational structure of our opportunity and risk management system is illustrated below using the three lines of defense model.

Our operating units are the *first line of defense*. These include our business units, which conduct operations with global profit responsibility. Group functions support the business units by providing financial, legal, technical and other centralized services. Complementing this global alignment of the business units and Group functions, the country organizations ensure the required proximity to markets and the necessary organizational infrastructure. Since opportunities and risks primarily impact the operating business, they must be identified and controlled there as part of the internal control system (ICS) and the risk management system.

In line with this division of duties, we have assigned responsibilities for the following:

- Identification and assessment of opportunities and risks
- Implementation of control measures (measures taken to exploit or enhance opportunities and to avoid or minimize risks)
- Monitoring the development of opportunities and risks (e.g. on the basis of performance indicators and, perhaps also, early warning indicators)

Roles and Responsibilities in the Opportunity and Risk Management System – Three Lines of Defense Model

- Communication of the key opportunities and risks to the management committees of the business units and Group functions.

The Corporate Risk Committee, commissioned by the Board of Management and headed by the Chief Financial Officer, is responsible for the structure and implementation of the Group-wide risk management process as part of the ***second line of defense***. It is made up of representatives of selected Group functions and analyzes the principal opportunities and risks and their development from the viewpoint of the entire company. It examines existing measures to counter risks, initiates additional measures as required and instigates further analyses of individual opportunities and risks if necessary.

The Corporate Risk Committee has two subcommittees – the Financial Risk Committee and the Information Security Committee – that deal with specific risk areas in order to enable a fast and flexible response to changing situations and their impacts. Accordingly, the Financial Risk Committee, headed by the Chief Finance Officer and made up of representatives of the Treasury & Investor Relations Group function, manages transactions centrally, particularly for the transfer of financial but also operating risk (hedging transactions or insurance). On the Information Security Committee, headed by the Chief Information Security Officer (CISO) and made up of representatives from the Information Technology (IT) Group function, the Production, Technology, Safety and Environment (PTSE) Group function for Operational Technology (OT), and the Legal & Compliance Group function, as well as from Data Security, protection concepts are defined across all areas on the basis of risks.

The Corporate Controlling Group function coordinates the Group-wide risk management process for the Corporate Risk Committee and appoints a Group Risk Management Coordinator for this purpose. This coordinator is responsible for collecting and aggregating key opportunity and risk information across the Group, as well as organizing regular training measures. For example, training courses to introduce the risk management process and in the use of risk management software are offered several times a year for new employees. At least once a year, furthermore, a Group-wide risk management workshop takes place with representatives from the business units and Group functions to enable the joint exchange of information about current developments.

The Accounting Group function coordinates the Group-wide ICS self-assessment process, which is carried out once a year, for the Corporate Risk Committee and as part of the internal control system. The Accounting Group function also appoints an Internal Control Coordinator who is responsible for administering and coordinating the entire process, among other roles. For additional information, please see "Internal control system."

The Board of Management has established a central Compliance function for the LANXESS Group, which is exercised by the Group Compliance Officer. In particular, the Group Compliance Officer is responsible for professional support for the global compliance organization, which consists of regional Compliance Officers and a network of local Compliance Officers for the individual countries. Further tasks include performing compliance risk analyses, including providing advice and support to the areas of the company originally responsible for compliance, and monitoring and continuously improving the compliance management system (CMS). This system is a key component of the overarching risk management system at LANXESS and comprises all specific organizational measures and regulations that serve to reduce compliance risks. By way of the CMS, individual misconduct is intended to be prevented at an early stage (prevention) or identified in time (identification) and met with appropriate sanctions (reaction). The Group Compliance Officer reports to the Board of Management on the compliance situation in the LANXESS Group on a regular basis, or immediately in the event that he or she becomes aware of significant compliance issues requiring immediate reporting to the Board of Management.

The ***third line of defense*** is provided by the Corporate Audit Department within the Legal & Compliance Group function, which is responsible for conducting independent audits to assess the appropriateness and effectiveness of the risk management system and the internal control system. A risk-based annual audit plan is drawn up for this purpose. The Board of Management regularly receives a report on the audit findings.

The *Board of Management* bears overall responsibility for the appropriateness and effectiveness of opportunity and risk management and reports to the *Audit Committee* or *Supervisory Board* on this. At the same time, the Board of Management delegates certain tasks and authorities to lower levels of management and to central special functions (e.g. the Corporate Risk Committee). The Supervisory Board exercises control functions, including regular monitoring of the efficiency of the management systems described above by the full Supervisory Board and by its Audit Committee. The Audit Committee reviews reports about the activities and findings of the Compliance function and the Corporate Audit Department as well as the status of the risk management and internal control systems. In addition, the early warning system is evaluated by the external auditor as part of the audit of the consolidated and annual financial statements.

We have taken measures to eliminate identified weaknesses and to continuously improve our processes and systems. There are no indications overall that the internal control system or risk management system are not appropriate or effective.[1)]

1) This disclosure constitutes information extraneous to the management report, which was not subject to the audit by KPMG AG Wirtschaftsprüfungsgesellschaft.

Internal control system

The main goals of the internal control system are to ensure the effectiveness and efficiency of the company's processes and compliance with applicable legal regulations. This also includes sustainability aspects, which are continuously developed on the basis of regulatory requirements. To this end, clear organizational, control and monitoring structures have been established. Part of the standardized, structured ICS self-assessment process performed once a year includes making statements on the appropriateness and effectiveness of the internal control system for what the Group considers material organizational units or business processes. This self-assessment process is reviewed and modified on an ongoing basis in terms of efficiency and effectiveness.

The distinctive features of the chemical industry and the risk management tools we regularly use in this regard are taken into account. This also includes the (Group) accounting process in its narrower sense, the aforementioned structured budget and forecasting process, and extensive contract management.

The IT Group function ensures the integrity, confidentiality and availability of data and information and the trouble-free operation of systems using various security and monitoring tools and access restriction and authorization systems.

However, the effectiveness and reliability of the internal control system can be restricted by discretionary decisions, criminal acts, faulty controls or other circumstances. Thus, even if the system components used are applied Group-wide, the correct and timely recording of issues cannot be guaranteed with full assurance.

The internal control system we use is based on generally accepted standards (COSO model). There were no material changes to this system during the reporting period.

(Group) Accounting Aspects of the Internal Control System

The aspects of the internal control system relating to the (Group) accounting process include the principles, procedures and measures required to ensure the effectiveness, efficiency and propriety of the company's accounting, and compliance with applicable legal regulations.

The Accounting Group function, which reports to the Chief Financial Officer, is responsible for the (Group) accounting process and therefore for preparing the annual financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. It is also responsible for ensuring the uniform preparation of the financial statements of the subsidiaries that are included in the consolidated financial statements. The Board of Management prepares the annual financial statements and the consolidated financial statements, which are then forwarded to the Supervisory Board's Audit Committee without delay. Upon recommendation by the Audit Committee, the annual financial statements and the consolidated financial statements are adopted and approved by the Supervisory Board at its financial statements meeting. The Supervisory Board, and especially its Audit Committee, deals with major questions relating to LANXESS's accounting, opportunity and risk management, the audit mandate and the areas of focus for the auditor's audit of the annual financial statements.

Quarterly statements are prepared for the first and third quarters. The condensed consolidated interim financial statements as of June 30 that are also prepared are reviewed, while the annual financial statements and the consolidated financial statements are subjected to a full audit by the auditor of the company's annual financial statements and consolidated financial statements.

Our accounting in compliance with the German Commercial Code is based on a structured process with appropriate organizational structures and workflows, including the related working instructions. In addition to the segregation of duties, the dual-control principle and continual plausibility testing serve as fundamental monitoring tools during the financial statement preparation process. On the IT side, the accounting process is supplemented by an integrated IT system that is based largely on off-the-shelf software and is protected by security measures against unauthorized access. The correctness of the automatically generated postings and the master data required for them is regularly reviewed. Manual postings are based on a systematic voucher system, documented to the necessary extent and verified downstream.

The foundation for uniform and IFRS-compliant consolidated financial reporting at LANXESS is the Group Financial Statements Guideline. This governs the way the provisions of the International Financial Reporting Standards (IFRS) applicable to the Group are applied by the subsidiaries as reporting entities. Moreover, the guideline also defines the chart of accounts that is binding throughout the Group. On the IT side, the guideline is supplemented by a uniform, Group-wide delivery and consolidation system that is based largely on off-the-shelf software and is protected by security measures against unauthorized access.

By controlling and monitoring LANXESS's (Group) accounting process, we ensure that generally accepted accounting practices in line with the applicable laws and standards are applied and guarantee reliable financial reporting.

Preparation of the consolidated financial statements is based on a detailed process. A fixed component is regular reviews of the correctness and completeness of the scope of consolidation. The principle of the segregation of duties as expressed in structured authorization and approval procedures and the dual-control principle as well as continual plausibility testing on data is applied end-to-end throughout the preparation and consolidation process.

For the consolidated financial statements, all subsidiaries subject to reporting requirements transmit their Group reporting data using the above-mentioned consolidation system. Validation rules integrated into the system ensure on delivery that the data reported by the subsidiaries are consistent. The accounting departments of the subsidiaries are responsible for ensuring the correctness of the reported data content, which is also tested by the Accounting Group function. To this end, the department evaluates standardized reports in which the companies explain material facts relevant to financial reporting. After the process-based controls have been applied, consolidation including currency translation is carried out in the same system, without additional interfaces, utilizing both automated and manual procedures. The correctness of the automated consolidation steps and of the master data necessary for this purpose is reviewed regularly. Consolidation information that must be entered manually is posted separately, documented to the extent required and verified downstream. This is supplemented by validation rules that are integrated into the system. A regular exchange of information with other Group functions and operating business units assists the financial reporting process.

Reporting and assessing risks and opportunities

Opportunity and risk management is integrated into the planning and forecasting process and identifies opportunities and risks as potential deviations from planned or forecast EBITDA pre exceptionals, from cash flow or from Group net income.

All short-, medium- and long-term opportunities and risks are comprehensively recorded twice a year.

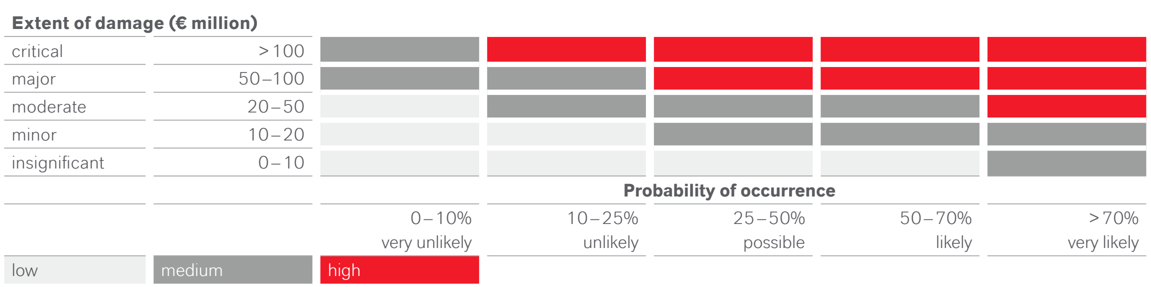
All opportunities and risks must be reported if their anticipated impact is more than €1 million following the implementation of measures. These minimum thresholds guarantee that the information gathered about opportunities and risks is comprehensive and that the collection of information is not just limited to material risks or risks that could jeopardize the future of the company as a going concern. Only then, the Corporate Controlling Group function centrally determines the top opportunities and risks.

In addition, two further reviews take place for the current fiscal year to record both changes in existing opportunities and risks and newly identified opportunities and risks.

There is also provision for immediate internal reporting on specific risk issues such as unexpected operational events with an expected impact of more than €5 million after the implementation of countermeasures.

The reported opportunities and risks are managed by means of risk management software and regularly analyzed for the Corporate Risk Committee, the Board of Management and the Supervisory Board. This ensures that when new opportunities and risks arise or when existing ones change substantially, the necessary information can be communicated promptly to the Board of Management and therefore also be specifically integrated into the general management of the company.

Matrix for Classifying Opportunities and Risks



Depending on the type of opportunity or risk, different calculation methods are applied in their assessment. Distribution opportunities and risks are identified on the basis of sensitivities in planning parameters (exchange rates, raw material prices and energy prices), as changes in these variables may result in either positive or negative deviations from planned or forecast figures.

Event-based opportunities and risks (such as the failure of a supplier) that would only impact earnings if they actually occurred are evaluated on the basis of the expected probability of their occurrence and effect on EBITDA pre exceptionals, Group net income or cash flow.

The following matrix shows how we classify opportunities and risks as high, medium and low according to their possible impact and probability of occurrence.

The overall risk position is determined within our risk management system using a Monte Carlo simulation. To assess the risk-bearing capacity, we compare it with the liquidity reserve as risk coverage potential. In addition, we analyze potential risks to the company's continued existence due to over indebtedness. This is done by comparing the overall risk position with Group equity.

Opportunity and risk assessment: result

Full identification of the LANXESS Group's opportunities and risks is performed on the basis of a catalog of eight groups. The following table shows the assessment of the opportunities and risks in the various groups for the planning horizon of one year. The highest individual risk or opportunity determines the classification of the group as a whole:

	Risks	Opportu-nities
Procurement markets	medium	medium
Human resources	low	low
Production and technology	medium	low
Safety and the environment	medium	low
IT and information security	medium	–
Business environment	medium	medium
Finance	medium	medium
Legal environment and compliance	medium	low

In the following reporting, the material opportunities and risks are described for each group that could lead to a deviation from our planned earnings in the forecast period of one year. Furthermore, additional opportunities and risks currently classified as unknown or immaterial could impact our future earnings, asset and financial position.

Procurement markets

On the procurement side, the principal opportunities and risks lie in the volatility of raw material and energy prices. An increase or decrease in the price of the materials directly results in higher or lower production costs. In addition, changes in raw material prices result in higher or lower earnings – either immediately or after a delay. We take appropriate steps to address the earnings volatility resulting from changes in raw material prices. That includes, for example, price escalation clauses anchored in the contracts on both the procurement and sales side. We also have the option of hedging this risk via derivatives transactions if liquid futures markets are available for hedging raw material and energy price risks. Further information can be found in the "Finance" section of this opportunity and risk report. By implementing these measures, we reduce the volatility in our earnings as a result of price fluctuations. Additionally, we are constantly looking for ways to use our resources more efficiently so that we can offset higher costs by raising productivity. Unfulfilled acceptance obligations may result in unscheduled costs due to fines. To guard against potential supply bottlenecks due to factors such as dependency on a single supplier or the ***failure of a supplier***, we pursue an appropriate inventory strategy and line up alternative sources of supply where possible. We endeavor to avoid supply bottlenecks or reliance on individual suppliers using strategies like multiple sourcing. If we were to be forced to utilize alternative sources of supply in the context of contingency plans, this could result in, for example, higher procurement prices or additional transportation costs.

Logistics, both of the goods and services that we purchase and of those that we provide or render, is subject to increasing complexity. The growing pressure on global supply chains and the resulting logistical bottlenecks represent an increasing risk. We counter these challenges with the coordinated management of our supply processes and can thus minimize the risk of unplanned production downtime.

Human resources

The risk of walkouts in connection with negotiations concerning future collective pay agreements cannot be ruled out. We also face increases in our personnel expenses because of future wage increases. Such personnel cost increases can diminish earnings. We counter this risk by fostering open communication with our employees and their representatives in a culture of active labor relations. Particularly with regard to the challenges in the working world from globalization and increasing digitalization, we make continuous use of existing dialog platforms such as the European Forum, which brings together the works councils in Europe. We also actively seek dialog with the representatives of our employees, the trade unions and other interest groups in the other regions in which we operate, particularly concerning the acquisition and integration of companies. We use legally sound and proven employment contracts and ensure legally secure collective agreements. When making acquisitions, we give high priority to professional project management, which encompasses detailed communication with employees, fair consolidation processes and appropriate severance packages. In the event of potential legal action, the HR department monitors the situation very closely in coordination with the Legal and Communication departments to enable appropriate measures to be taken at an early stage. With the various measures to strengthen our corporate culture and attractive offers as an employer, we promote a respectful relationship between managers and (former) employees and thus try to avert the risk of walkouts or lawsuits.

Our employees’ expert knowledge of internal processes and issues relating to their areas of specialization is a critical factor in the efficiency of our business operations. To mitigate the risk of a manpower shortage and increase employee retention, we offer our employees features such as attractive remuneration models, challenging tasks and international career opportunities, and also help them find an improved work-life balance. In addition, we deal with structured succession planning at annual HR development conferences. With our global, cross divisional and cross-hierarchical talent programs, we retain particularly high-performing employees within our company and can identify suitable successors for key positions at an early stage.

We are increasingly seeing the risk of a shortage of skilled workers in various fields. We are countering this risk by strengthening our recruitment organization, standardizing sourcing processes and investing in an attractive employer brand. We position our company as an attractive employer and seek early contact with highly talented young people at events and conferences around the world, and increasingly on social media. We cooperate closely with research institutes, universities, high schools and public institutions. In addition, regular HR development conferences help us to hone in-house skills. In addition, we continue to invest in the next generation of employees, either with a considerable number of training opportunities in various areas in Germany or through internship programs or our corporate trainee program, which is well established in terms of fostering upcoming management talents.

In terms of demographic change and the associated aging of the population, along with a shortage of qualified specialist employees, there is also the risk of health-related absence, outdated knowledge or loss of knowledge. Our strategic HR planning process enables us to identify staff shortages at an early stage and instigate appropriate measures. In order to counter the challenges of demographic change in a structured way, furthermore, workplace reintegration programs have been stepped up (reintegration after illness), workplace healthcare offerings continuously expanded, and working made more flexible. We have also been investing in our own apprenticeship and management trainee programs for years in order to cover our requirements for specialist staff chiefly from our own ranks in the future. In order to make the immense knowledge of our older employees available to subsequent generations, we introduced a knowledge transfer program in 2021. It aims to identify important departing knowledge carriers at an early stage, systematically record their often implicit knowledge, and ensure its structured transfer to subsequent generations – in both analog and digital format.

For more details on the aforementioned measures designed to help reduce the risks of manpower shortage and demographic change, see the section "S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions" in the chapter "ESRS S1 Own workforce" in the "Sustainability report of the LANXESS Group".

We see an opportunity in our engagement in the field of diversity & inclusion (D&I). We assume that this will have a positive influence both on our innovation and earnings potential and on our attractiveness as an employer. Numerous studies point to the positive effects of a diverse, inclusive corporate culture. We also see D&I as the key to an expanded talent pool and increased employee engagement. This latter factor can also have a positive impact on employee loyalty and thus also on the voluntary turnover rate. We therefore also counter the above risks with our D&I strategy.

Production and technology

A lack of plant availability due to disruptions can make it impossible for us to meet production targets and adequately service demand, resulting in a loss of marginal income. We use a comprehensive range of measures to counter this scenario. These include proactive facility maintenance, systematic training of our employees and regular audits to analyze weak points. Systematic safety appraisals and risk assessments also contribute to improving plant and process safety. Implementation and application of the various measures are subject to global compliance checks. We also counter the risk of production stoppages by manufacturing certain products at various sites worldwide.

Unlocking and exploiting operational opportunities is an important aspect of our entrepreneurial activities. We are committed to using existing products and new solutions to advance our sustainable growth and sustainably strengthen our position in global markets. Investing in new plants as well as expanding the capacities and increasing the productivity of existing ones are key elements in these efforts. The anticipated effects are taken into account in our planning or are reported as opportunities. In principle, we expect investments to yield benefits, but they are also coupled with risks. For example, the success of our investments depends partially on energy costs and subsidy programs in various countries and how these are expected to develop. The preparatory work for investments that exceed a specified significance threshold is the responsibility of the relevant business units. After review by an Investment Committee set up for this purpose, the information is presented to the Board of Management for a decision. By following this procedure, we ensure that investments are in line with our corporate strategy and satisfy our profitability and security requirements.

Safety and the environment

Although LANXESS applies high technical and safety standards to the construction, operation and maintenance of production facilities, *interruptions in operations* – including those due to external factors such as natural disasters or terrorism – cannot be ruled out entirely. These could lead to fires and explosions, the release of materials hazardous to health or accidents in which people, property or the environment are harmed. In addition to systematically monitoring compliance with quality standards in order to avoid such stoppages and accidents, we are also insured against the resulting damage to the extent usual in the industry. In addition, risk engineering professionals commissioned by the insurance companies perform regular inspections of our sites. To reflect the high importance of employee and site safety for LANXESS, the lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost is currently the non-financial performance criterion for the short-term variable compensation of the Board of Management and managers at the level below the Board of Management.

Extreme weather events such as hurricanes, heavy rains or extended heat and drought periods can impact the availability of production facilities and logistics. For example, the availability of sufficient cooling water is essential for the operation of certain plants, and a drop in river levels can limit the withdrawal of cooling water and even lead to the reduction or even stoppage of affected production facilities in extreme cases. In addition, weather-related fluctuations in river levels caused, for example, by droughts or flooding can impact the transport capacities of inland shipping. When water levels are low, shippers are forced to operate with reduced loading capacity or shift transports to alternative routes. This can result in higher costs and delivery delays. At the same time, flooding can impair the accessibility of distribution points.

Our product portfolio includes substances that are classified as hazardous to health. To prevent possible ***harm to health***, we systematically test the properties of our products and draw our customers' attention to the risks associated with their use in the context of our Responsible Care® activities. We also carry product liability insurance that is customary in our industry.

In line with our forward-looking approach, product monitoring enables us to identify and evaluate potential hazards associated with our product portfolio and initiate suitable measures if applicable.

Regulatory measures may lead to the tightening of safety, quality and environmental regulations and standards in different areas. These may result in higher costs, production bans and liability risks. Particularly noteworthy in this regard is compliance with the E.U. Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). As well as direct costs that could arise due to additional measures necessary to comply with these standards, market structures could change to our disadvantage as a result of a shift by suppliers and customers to regions outside Europe. Additional requirements imposed by ***energy and environmental policy*** such as the new emissions trading regulations, new environmental taxes, the redistribution of costs associated with the transition to green energy, rising network charges and the costs of ensuring energy security on account of the war in Ukraine could result in higher costs and in some cases substantial disadvantages in international competition.

With a view to mitigating this risk, we engage in active energy management to reduce the consumption of energy and secure energy supply at competitive prices. We are also discussing the economic consequences of increasing energy prices with the authorities and government – either directly or in cooperation with other energy-intensive companies via industry organizations.

LANXESS was and is responsible for numerous sites at which chemicals have been produced for periods that in some cases exceed 150 years. This responsibility also extends to waste disposal facilities. The possibility cannot be ruled out that ground pollution occurred during these periods that has not been identified to date. We are committed to the Responsible Care® initiative and pursue active environmental management and proactive environmental protection management. This includes constant monitoring and testing of the soil, groundwater and air as well as of various emissions. We have set up sufficient provisions for necessary measures for containment or remediation in areas with identified contamination. Additional information on our environmental provisions can be found in Note [15] "Other non-current and current provisions," to the consolidated financial statements.

IT and information security

Our IT systems are part of the value chain and support our global business activities with standardized processes. We aim to provide efficient, resilient and scalable IT services on the basis of standardized processes. We support this by developing a uniform, integrated system architecture and investing in the expansion and modernization of our IT services worldwide.

The handling of information assets, and particularly the operation and use of IT systems, entails risks. For example, networks or systems may fail, or data and information may be misused, falsified or destroyed because of operator and programming errors or external factors. In particular, we are observing a growing threat to our IT services resulting from outside attack (cyber risks), such as through the use of artificial intelligence (AI) by cyber criminals. All of this may lead to serious business interruptions, reputational damage or the violation of laws such as the General Data Protection Regulation (GDPR).

We implement proven preventive measures for our information assets to mitigate the risks, such as authorization management for entrance and access, patch management, weak point management and encryption. Due to the heightened risk situation, we invest in measures to safeguard information assets; for example, we have established a dedicated security program that further enhances the effectiveness and maturity level of our security measures and processes. This program also address the increasingly stringent requirements of cyber laws such as the second E.U. directive on network and information security (NIS 2 Directive).

Cyber risks identified are evaluated and documented as part of corporate risk management, including the measures planned and already in place. The appropriateness and implementation of the preventive measures is reviewed on a regular basis.

To support and constantly improve the measures, LANXESS has established a Chief Information Security Officer function. This function is responsible for the implemented information security management system (ISMS). The central ISMS committee is the Information Security Committee (ISC), where the necessary decisions on implementing measures are made across all areas on the basis of risks. In addition to this central committee, a separate security organization has also been established in each of the IT and PTSE Group functions, which helps define and implement the protection concepts on the ISC. The business units and Group functions have each appointed information security coordinators who support the implementation of the measures in their units.

Cyber security is anchored in the strategic objectives of the IT strategy due to its importance. Our cyber security experts regularly talk to other companies, associations and specialized service providers to identify risks at an early stage and take effective countermeasures.

Guidelines on handling information assets securely and defining security-relevant processes are available and communicated within the company. They are based on the requirements of the internationally recognized standard ISO/IEC 27001.

We provide the users of our IT systems with regular, compulsory training on IT risks and on appropriate conduct and preventive measures. We also implement various measures to increase employee awareness about current IT security topics.

The LANXESS Group's service providers demonstrate an appropriate security level by way of recognized security certificates, and their activities are regularly monitored through defined service level agreements. To protect against cyber risks, LANXESS has also concluded a cyber insurance policy and conducts regular risk dialogs with the insurer.

Business environment

Our company is inherently exposed to general ***economic developments*** and to political and geopolitical changes in the countries and regions in which we operate. In particular, the existing geopolitical conflicts between the United States and China and the possibility of renewed or increased tariffs pose a considerable uncertainty factor and can impact capital expenditure plans and growth opportunities in regionally different ways. The risk of escalating trade wars can further impair global supply chains and lead to volume and earnings risks in the short term, particularly in industries characterized by a high share of exports and complex global networking. At the same time, protectionist measures imposed by the United States such as increased tariffs on imports from China could provide opportunities including relative competitive advantages for LANXESS. On the other hand, there is an additional risk of expanded or further increased tariffs on European or Canadian shipments, which could impair growth and impact both the volume and earnings situation. Moreover, increased protectionism would limit global economic growth overall. Regional differences in economic performance and inflation, government subsidy programs and energy costs, as well as the associated demand trends, can additionally affect the Group's pricing and sales potential in its various geographical markets, and thus lead to corresponding positive or negative effects on earnings.

At the same time, geopolitical conflicts particularly in Ukraine, the Middle East and potentially in Asia could contribute to increased volatility in the global markets. Our global presence, which we are continuing to expand in growth markets, enables us to participate in favorable regional developments and, at the same time, reduce our dependence on certain regions.

The volatility and cyclicality that are typical of the global chemical markets and their dependence on developments in customer industries harbor uncertainties for our business. Additional and unplanned sales opportunities may arise through access to new markets or the acquisition of new ***customers***. In the long term, for example, we expect our value chains in the chemical industry (phosphorous, fluorine, iron) to benefit from increasing demand for electric vehicles and the lithium batteries these require. We anticipate increasing demand for sustainable products over the long term. We want to satisfy this demand by developing innovative processes and sustainable products, and thus ensure a successful long-term business alignment and help our customers to make their own business more sustainable.

In addition to being subject to these demand-side market influences, our earning power can be impacted by structural changes in markets, such as the exit of existing ***competitors*** or the entry of new ones and the availability of additional capacity, regional shifts, the migration of customers to countries with lower costs, and product substitution or market consolidation trends. Selective examples of such developments remain the consolidation of the Chinese chemical industry due to environmental factors, the exodus of chemical production from China to Southeast Asia (e.g. Vietnam) as a result of the trade war with the U.S. and the Inflation Reduction Act designed to bolster U.S. industry. We counter these developments by systematically observing the markets and competitors, and constantly adjust our product portfolio accordingly. In cooperation with other companies and industry associations, furthermore, we constantly assess the option of taking action against unfair trade practices by international competitors through anti-dumping litigation at the European level to ensure fair competitive conditions.

The forecasts for the coming fiscal year are marked by increased uncertainty due to the unclear global economic development. Further declines in end consumer demand or intensified conflicts could delay the desired economic recovery.

Finance

Financial opportunities and risks are recorded and managed centrally. Chief among these are the following:

Price changes	Liquidity and refinancing	Counterparty risks	Capital investments	Equity investments
Currencies	Availability of cash	Customers	Investments in pension assets	Earnings contributions from investments accounted for using the equity method
Interest rates	Access to multi- and bilateral capital markets	Banks		
Raw materials				
Energies				

At regular strategy meetings of the Financial Risk Committee, there are reports on the outcome of financial risk management, the current risk and further action. The aim of financial risk management is to identify and evaluate risks so that their impact can be controlled and, if necessary, limited.

Price changes

Currencies

Since the LANXESS Group undertakes transactions in various currencies, it is exposed to fluctuations in the relative value of these currencies. Associated risks are partly hedged insofar as they are cash-effective. Fixed exchange rates were used in our planning for fiscal year 2025. The development of the U.S. dollar against the euro is of particular relevance. An appreciation of the U.S. dollar compared with the exchange rate used in planning would have a positive effect on our planned EBITDA pre exceptionals (and vice versa).

Currency risks from potential declines in the value of financial instruments due to exchange rate fluctuations (transaction risks) arise mainly when receivables and payables are denominated in a currency other than the company's functional currency. Such risks are always fully hedged. Likewise, currency risks arising from financial transactions, including the interest component, are generally fully hedged through forward exchange contracts. In the short term, therefore, the appreciation or depreciation of the euro against other major currencies can have only a limited impact. In addition, translation risks exist from converting entries in the financial statements from local currencies into euros for inclusion in the LANXESS consolidated financial statements. Unlike the effects of exchange rate fluctuations in the case of the transaction risk, the translation risk has no impact on the company's cash flows in local currencies. In addition, material assets and liabilities in local currencies are subject to a long-term currency risk, which is regularly estimated and evaluated. However, hedging through forward exchange transactions is only undertaken if LANXESS is considering withdrawal from certain businesses and intends to repatriate the funds released as a result.

The opportunities and risks relating to operating activities are systematically monitored and analyzed. To this end, both sales and costs are planned in foreign currencies. In the long term, exchange rate fluctuations could adversely affect future cash flows should the LANXESS Group not be able to counter them, for example, by pricing its products in the respective local currencies. This risk is minimized by partial hedging with derivative financial instruments. Hedging is performed in line with principles determined by the Board of Management and is subject to continuous monitoring. We have already entered into hedging transactions for 2025 and 2026 to mitigate the effects of currency fluctuations.

Interest rates

Market interest rate movements can cause fluctuations in the fair value of a financial instrument. They affect both financial assets and financial liabilities.

Since the majority of financial liabilities were entered into at fixed interest rates, changes in interest rates in the coming years will have only a limited impact on the LANXESS Group.

In the context of long-term planning, LANXESS regularly decides on refinancing to cover the forecast liquidity requirement. In the case of planned refinancing, LANXESS decides on the use of hedges to limit interest rate risks as needed.

Raw materials/energy

In the course of its business operations, the LANXESS Group is exposed to changes in the market prices for energy and raw materials. These changes are generally passed on to customers. Where certain market-price risks for energy and raw materials cannot be passed on to customers in their entirety, they may be hedged on a case-by-case basis by forward commodity contracts in order to reduce the volatility of cash flows. In fiscal year 2023, LANXESS began in particular to hedge market price risks for gas as an energy source. A structured hedging concept was implemented during fiscal year 2024 to reduce energy price volatility. As of the reporting date, LANXESS had hedges for a portion of the procurement portfolio in Germany up to 2028 as well as a small number of other financial forward commodity contracts.

Liquidity and refinancing

We ensure our access to the capital markets and our solvency through a conservative financing policy and a target capital structure that is largely based on the ratio systems used by leading rating agencies. Our conservative financing policy takes into account the risk of a change to our rating and the associated effects on financial risk management, even though LANXESS has no direct influence on the assessments by independent rating agencies.

Our main liquidity reserve is an €800 million sustainability-linked revolving credit facility, signed in September 2024, which remained undrawn on the reporting date. The credit facility fully replaces the facility concluded in December 2019 and matures in September 2029. Two as yet unused extension options, each with a term of one year, exist for the credit facility. The credit facility is tied to ESG (“environmental, social and governance”) criteria. The interest rate terms depend in part on the successful reduction of Scope 1, Scope 2 and Scope 3 emissions and the increase in the proportion of women at the management levels. In addition to the sustainability-linked credit facility, there were bilateral credit lines of €750 million. The Group also had short-term liquidity reserves of €299 million in the form of cash and cash equivalents. In addition to cash and cash equivalents, LANXESS holds near-cash assets of €316 million, which are invested in shares of money market funds that can be sold at any time. Accordingly, the LANXESS Group has a solid liquidity position based on a broad range of financing instruments.

Counterparty risks

Counterparty risks (credit risks) arise from trade relationships both with customers and with banks and other financial partners, especially with regard to the financial investments and financial instrument transactions.

Customer risks are systematically identified, analyzed and managed using both internal and external information sources. Customer portfolios may be insured against credit risks, especially where the risk profile is elevated.

The objective of receivables management at LANXESS is to collect all outstanding payments punctually and in full, and thus to minimize the risk of default. Continuous monitoring is computer-assisted, based on the payment terms agreed with the customers. These are generally based on the customary payment terms for the business or country. Reminders are sent out at regular intervals if payments are overdue. The maximum risk of default on receivables, cash and cash equivalents, near-cash assets, derivatives and other financial assets is reflected in their carrying amounts in the statement of financial position (disregarding netting arrangements not reflected in the statement of financial position).

Credit risk relating to receivables from customers is covered by opening letters of credit and collection agreements in favor of the LANXESS Group for some customers and by agreeing prepayment with contractual partners. In addition, LANXESS has a contractually agreed title to goods until the contractual partner has paid the full purchase price. The vast majority of receivables relate to customers with a very high credit standing.

The creditworthiness of the counterparty is a key criterion in the financial policy and credit risk management of the LANXESS Group, especially in the selection of banks and financial partners for capital investments and transactions involving financial instruments. LANXESS therefore endeavors to undertake transactions with banks and other financial counterparties that have at least an investment-grade rating.

Credit risk management also includes global management of the counterparty risk relating to all existing relationships with banks and financial partners. The LANXESS Group pays particular attention to risk diversification to prevent any cluster risks that could jeopardize its continued existence. Through master agreements, the market values of open trading positions can be netted if a partner becomes insolvent, thereby further reducing risks.

Capital investments
Opportunities and risks associated with the investment of pension assets are monitored by the Corporate Pension Committee, which is made up of the Chief Financial Officer, the Board of Management member responsible for human resources, and representatives from the Treasury & Investor Relations, Accounting and Human Resources Group functions.

Equity investments
LANXESS holds shares in companies accounted for using the equity method. Earnings contributions from investments accounted for using the equity method can fluctuate. In addition, the shareholder loan issued to Envalior GmbH is subject to value fluctuations due to the measurement at fair value. The resulting opportunities and risks are recorded and analyzed systematically.

Legal environment and compliance

We actively pursue the strategic and sustainable optimization of the enterprise. Our efforts include ongoing efficiency enhancement, optimization of opportunities and risks, strengthening of core businesses, active portfolio management and proactive participation in industry consolidation through partnerships, divestments and acquisitions. Through this alignment, we are working to enhance our operating performance and optimize our global processes, as well as lastingly improve our cost structures. In that connection, value-focused decisions are taken on the use of artificial intelligence. In this way, we ensure that we can maintain and further increase our competitiveness despite changing market conditions.

The success of the decisions associated with these efforts is naturally subject to forecasting risk with respect to predicting future (market) developments and the feasibility of planned measures. For example, the entry into or exit from a business segment could be based on profitability or growth expectations that prove to be unrealistic over time. We mitigate this risk by carefully and systematically analyzing the information that is relevant to decision-making and regularly checking developments. During this process, the business units affected and the Board of Management receive support from departments with the requisite expertise and, if necessary, also from external consultants.

When information is gathered in the context of *acquisitions*, it is possible that certain facts required to assess an acquisition candidate's future performance or to determine the purchase price are not available or are not correctly interpreted. We address this risk by conducting well-structured due diligence analyses and, where possible, by concluding appropriate agreements with the sellers that minimize the residual risk. Insufficient *integration* of acquired companies or businesses can result in the expected value added not being generated. For this reason, we have organizations and processes in place with which full integration of acquired businesses is assured. If assumptions concerning future developments – such as the realization of synergies – do not materialize, this might result in a write-down on assets. We monitor this risk by carrying out impairment testing at least once a year. The risk of the need to carry out impairment of assets is assigned to the finance group.

Companies in the LANXESS Group are subject to *legal risks* and are parties to various litigations. The outcome of individual proceedings cannot be predicted with assurance due to the uncertainties always associated with legal disputes. To the extent necessary in light of the known circumstances in each case, we have set up risk provisions for the event that the outcome of such proceedings is unfavorable to LANXESS. Taking into account existing provisions and insurance, as well as agreements reached with third parties in respect of liability risks arising from legal disputes, it is currently estimated that none of these proceedings will materially affect our planned EBITDA pre exceptionals.

As an approach to avoiding legal risks, LANXESS has established an extensive CMS incorporating a range of preventive organizational measures. Among the material risks LANXESS has identified are those relating to antitrust legislation and plant safety/environmental protection. Within the framework of the CMS, these issues are assigned as specific responsibilities to different Group functions that have established relevant compliance programs. In the area of antitrust law, for example, regular training is provided and an e-learning course has been established as preventive measures. There is also an antitrust law standard that defines principles of conduct for matters relevant to antitrust law. In this way, our employees are informed of the risk and awareness is raised accordingly. All employees can contact the Compliance department of the Legal & Compliance Group function if they have any compliance-related questions.

Further information can be found in the “Roles and responsibilities” section of this opportunity and risk report.

Any violations of foreign trade regulations may result in prohibitions and restrictions on LANXESS’s export activities and the loss of its privileges with respect to export procedures. In individual cases, this may also result in fines, trade sanctions and loss of reputation. The LANXESS Group ensures compliance in foreign trade and export control through the global implementation and optimization of appropriate and stable control instruments and automated screening processes. By proactively monitoring trade policy developments, timely information is provided to both the operating units and the management organs concerning changes to foreign trade and the associated opportunities and risks, and appropriate recommendations for action are made.

Tax matters are subject to a degree of uncertainty in terms of their assessment by the tax authorities in Germany and other countries. Even if we believe that all circumstances have been reported correctly and in compliance with the law, the possibility cannot be ruled out that the tax authorities may come to a different conclusion in individual cases.

Summary of Overall Opportunities and Risks

As well as the impact of the ongoing war in Ukraine, global economic performance in fiscal year 2024 was also characterized by the Gaza war and the further tensions in the Middle East. In the current situation, we are confronted with several uncertainty factors that could significantly impact our business performance. Trade tensions remain high, particularly as a result of the trade policy measures in the United States, which are strengthening the populist and protectionist tendencies in the major economies. We also anticipate continued price fluctuations on the raw materials market and slightly increasing energy prices.

The global problems of our time – such as climate change, scarcity of drinking water, and feeding a growing global population – entail long-term risks and challenges. Value-based, responsible and reliable action combined with clear strategic guidelines serves as the compass with which we continuously put our strategy into practice and evolve into a sustainable company. Our primary strategic objective is to be a profitable specialty chemicals company with stable growth. With our three segments Consumer Protection, Specialty Additives and Advanced Intermediates, we are building on a well-balanced portfolio that we believe provides the right mix of resilience and flexibility to prevail in turbulent times and volatile markets in the future. At the beginning of October 2024, we signed an agreement to sell the Urethane Systems business unit (reported under “All other segments”) to the Japanese company UBE Corporation. We expect the sale to close in the second quarter of 2025. Thus we are divesting the last remaining polymer business in the LANXESS portfolio and will complete the transformation into a pure specialty chemicals company.

All planning is subject to a certain degree of forecasting risk, which could necessitate flexible adjustments to rapidly changing general economic conditions over the course of the year. This is particularly true in view of the fact that planning and forecasts in general are somewhat less reliable, for example due to the changes in our procurement and customer markets. The development of the war in Ukraine, the uncertainties in the Middle East and the announced trade policy measures in the United States with all of the knock-on effects on economic relations and the economy as a whole are major uncertainty factors for our business performance. We will continue to observe the geopolitical developments and their potential impacts on our industry in order to take proactive steps. In light of our present financing structures, our sound liquidity position and the cost saving measures initiated as part of the FORWARD! action plan, we are confident of managing any risks that may arise in the future.

In summary, the potential effects of geopolitical conflicts and macroeconomic developments are the greatest sources of uncertainty for our business performance. However, the opportunity and risk situation as a whole has not fundamentally changed.

Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any developments, sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.

SUSTAINABILITY REPORT OF THE LANXESS GROUP

GENERAL INFORMATION

ESRS 2 GENERAL DISCLOSURES

BP-1 – General Basis for Preparation of the Sustainability Report of the LANXESS Group

The Directive (EU) 2022/2464 as regards corporate sustainability reporting (Corporate Sustainability Reporting Directive, CSRD) entered into force on January 5, 2023. A first set of uniform sustainability reporting standards – the European Sustainability Reporting Standards (ESRS) – was published within the framework of the CSRD. Although the CSRD had not been implemented in national law in Germany by December 31, 2024, the LANXESS Group voluntarily and fully applied the ESRS as a framework for its Sustainability Report. The Sustainability Report of the LANXESS Group represents the non-financial statement (NFS) according to sections 315b and 315c in conjunction with sections 289c through 289e of the German Commercial Code (HGB). It also satisfies the disclosures required according to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Commission of June 18, 2020, on the establishment of a framework to facilitate sustainable investment and amend Regulation (EU) 2019/2088. This Sustainability Report pertains to the period from January 1 through December 31, 2024.

The following qualitative and quantitative disclosures in the Sustainability Report, marked with {}, were subjected to an audit in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" to achieve reasonable assurance.

The following overview shows where the contents of the NFS can be found in the combined management report of the LANXESS Group.

Content of the NFS	Chapter in the management report
Business model	Group structure
	Business activities
	Business processes and employees
	Legal environment
	Business conditions
Key non-financial performance indicators	Value management and control system
Environmental matters	ESRS E1 Climate change
	ESRS E2 Pollution
	ESRS E3 Water and marine resources
	ESRS E4 Biodiversity and ecosystems
	ESRS E5 Resource use and circular economy
Employee-related matters	ESRS S1 Own workforce
	ESRS S2 Workers in the value chain
Social matters	ESRS S4 Consumers and end-users
Respect for human rights	ESRS S1 Own workforce
	ESRS S2 Workers in the value chain
	ESRS S4 Consumers and end-users
Combating corruption and bribery	ESRS G1 Business conduct

Subsidiaries are not obligated to report according to the CSRD.

The Sustainability Report of the LANXESS Group pertains not just to the parent company LANXESS AG, but also all German and foreign affiliates included in the consolidated financial statements of LANXESS AG as of December 31, 2024. The consolidated financial statements of the LANXESS Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (E.U.) and the corresponding interpretations, together with the additional requirements of Section 315e, Paragraph 1, of the German Commercial Code (HGB). According to the ESRS, the scope of consolidation can deviate from that of the financial reporting due to the operational control criterion. No cases were identified in which financial and operational control deviated from one another.

The double materiality assessment[1)] additionally took into account all non-consolidated subsidiaries in the financial reporting. All affiliated companies were also generally included in the materiality assessment. The assessment also includes the analysis of further parties in the upstream and downstream value chain of LANXESS. The upstream and downstream value chain was taken into account here.

LANXESS did not withhold any information due to non-disclosure agreements.

1) Hereinafter, "materiality assessment" refers to the double materiality assessment according to ESRS 1.37.

BP-2 – Disclosures in Relation to Specific Circumstances

According to ESRS 1.77, the various time horizons for the reporting are divided into short, medium and long term. In addition, the long-term time horizon was divided into the time periods “six to ten years” and “more than ten years” – as with the opportunity and risk management – to enable more accurate disclosures.

Division of the time horizons:

- short-term: up to 1 year
- medium-term: between 1 and 5 years
- long-term up to 10 years: between 6 and 10 years
- long-term after 10 years: after 10 years

If material impacts, risks and opportunities (IROs) occur in more than one time horizon, they are recognized individually for each period so that they can be separately assessed. Additionally, opportunities and risks are evaluated on an annualized basis. If they occur several times, this is accounted for in the probability. Opportunities and risks that are characterized in the risk management system as “ongoing” and potentially pertain to each time horizon are classified in the Sustainability Report as short-term.

Particularly when calculating Scope 3 emissions, estimates were undertaken for emissions occurring in the value chain and indirect information sources used. For more information, see section “E1-6 – Gross Scopes 1, 2, 3 and Total GHG Emissions” in the chapter “ESRS E1 Climate Change”. Estimates were also undertaken, for example, when determining the shift bonuses applied in the calculation of the gender pay gap (see section “Remuneration Metrics (Pay Gap and Total Remuneration)” in the chapter “ESRS S1 Own Workforce”). No additional metrics take into account data from the value chain. All forward-looking disclosures are essentially subject to uncertainty as to their actual materialization.

The reporting structure and changes to individual metrics result from the voluntary application of the ESRS for the first time in the reporting year as a framework for the Sustainability Report due to the impending implementation of the CSRD in national law. No comparative data are given for new metrics or those that have been amended due to the requirements of the ESRS.

In addition to the disclosures required by the ESRS, we refer to the section “BP-1 General Basis for Preparation of the Sustainability Report of the LANXESS Group” in chapter “ESRS 2 General Disclosures” for an overview of the contents of the NFS.

Datapoints from the following disclosure requirements were included using references:

- ESRS 2.40ai, ESRS 2.42a, ESRS 2.42c
- ESRS 2.48f
- ESRS 2.36a, b, d, e
- ESRS E1.AR8b

GOV-1 – The Role of the Administrative, Management and Supervisory Bodies

Supervisory Board

The Supervisory Board of LANXESS AG currently comprises twelve members who perform non-executive duties according to the two-tier management system of a German stock corporation. It was formed according to the provisions of the German Codetermination Act of 1976 and therefore features an equal number of stockholder representatives and employee representatives (corporate codetermination). While the stockholder representatives are elected by the Annual Stockholders’ Meeting, the employee representatives are appointed in accordance with the provisions of the Codetermination Act and its electoral regulations. The next elections of employee representatives on the Supervisory Board will take place in 2025. Supervisory Board members generally serve for a five-year term. The relevant experience of the Supervisory Board members is described in the qualification matrix.

The current gender diversity ratio on the Supervisory Board of the Company is 33% / 67% (one third female/two thirds male). This composition meets the requirements of German stock corporation law as stipulated by the First Management Positions Act (FüPoG I); these requirements are currently met – independently of one another – for both the stockholder representatives and the employee representatives on the Supervisory Board (separate fulfillment principle, Section 96, Paragraph 2,

Qualification Matrix

		Stockholder representatives						Employee representatives					
		Dr. Rainier van Roessel	Hans van Bylen	Dr. Heike Hanagarth	Pamela Knapp	Lawrence A. Rosen	Dr. Hans-Joachim Müller	Sadik Emiroglu	Armando Dente	Dr. Hans-Dieter Gerriets	Ralf Sikorski	Iris Schmitz	Manuela Strauch
Membership	Member since	2022	2020	2016	2018	2015	2024	2024	2020	2014	2015	2021	2015
Personal suitability	Independence	●	●	●	●	●	●	●	●	●	●	●	●
	Not overboarded	●	●	●	●	●	●	●	●	●	●	●	●
Diversity	Gender	Male	Male	Female	Female	Male	Male	Male	Male	Male	Male	Female	Female
	Nationality	Dutch	Belgian	German	German	American	German	German	German	German	German	German	German
Professional aptitude	Management of major international companies	●	●	●	●	●	●						
	Chemical sector	●	●				●	●	●	●	●	●	●
	Production, marketing and sale of chemical products	●	●				●	●		●		●	●
	Corporate governance (compliance)	●	●	●	●	●	●				●		
	M&A	●	●	●	●	●	●						
	Corporate financing				●	●							
	Accounting		●		●	●			●	●	●	●	●
	Risk management		●		●	●			●	●	●	●	●
	Digitalization/IT/ Cybersecurity	●		●		●					●	●	●
	Sustainability/ESG	●		●			●		●	●	●		
International experience		●	●	●	●	●	●		●	●	●		

Sentence 2 of the German Stock Corporation Act (AktG)). The female members are Dr. Heike Hanagarth and Pamela Knapp on the stockholder side and Iris Schmitz and Manuela Strauch on the employee side. Further criteria in the selection of Supervisory Board members according to the applicable diversity policy include a balanced age structure, an educational and career background that corresponds with the task profile, international and cultural experiences, and ethnicity. All twelve members of the current Supervisory Board of the company are independent as defined according to the relevant criteria of the German Corporate Governance Code in its present version of April 28, 2022 (Principle C.7). The ratio of independent Supervisory Board members therefore amounts to 100%. According to the two-tier management system of a German stock corporation, only the members of the Supervisory Board are relevant as pertains to the issue of independence. The ratio of independent Supervisory Board members therefore amounts to 100%.

Board of Management

The Board of Management of LANXESS AG is currently composed of four members. According to the two-tier management system of a German stock corporation, all members of the Board of Management are appointed to conduct the business of LANXESS jointly. According to the provisions of German stock corporation law, employees or other workers are not directly represented in the executive body of the company, the Board of Management. Based on the Board of Management diversity policy, the Supervisory Board assesses which candidates are best suited to meet the requirements of an open position on the Board of Management due to their personal and professional qualifications, their experience and their career path. The members of the Board of Management have an educational background in commercial, scientific and engineering disciplines and possess diverse international management experience. The current gender diversity ratio on the Board of the Management of the company is 25%/75%. The Board of Management has one female member in Frederique van Baarle and three male members in Matthias Zachert, Dr. Hubert Fink and Oliver Stratmann. This composition satisfies the stock corporation law requirements spelled out in the Second Management Positions Act (FüPoG II). Additional criteria in the selection of Board of Management members according to the applicable diversity policy include specific specialist and personal qualifications, internationality and age structure.

Sustainability-Related Committees and Board of Management Responsibilities

Sustainability Committee
All Board of Management members

Sub-committees

Climate & Energy	Health, Safety & Environment	Value Chain Circularity & Product Stewardship	Social & Governance	Stakeholder Expectations and Reporting Standards
Dr. Hubert Fink	Dr. Hubert Fink	Frederique van Baarle	Frederique van Baarle	Oliver Stratmann

The Board of Management monitors and manages all sustainability matters. Among other actions, a committee structure was established for this purpose already in 2021. A central Sustainability Committee was formed that steers all relevant sustainability issues including the material IROs and whose membership includes, among others, all members of the Board of Management. It is chaired by the Chairman of the Board of Management, Matthias Zachert. Five sub-committees report to the Sustainability Committee, which deal with various focal points of our sustainability strategy and are each headed by a Board of Management member:

- "Climate & Energy" sub-committee – implementation of the LANXESS "Climate Neutral 2040" climate strategy
- "Health, Safety & Environment" sub-committee – development of safe and sustainable production sites
- "Value Chain Circularity & Product Stewardship" sub-committee – promotion of sustainable products and value chains
- "Social & Governance" sub-committee – coordination of issues of LANXESS's sustainable corporate governance and social responsibility
- "Stakeholder Expectations and Reporting Standards" sub-committee – fulfillment of external reporting standards and stakeholder management

The Board of Management's responsibilities as pertains to the monitoring, steering and oversight of the material IROs are oriented around the committee structure described above. Accordingly, Dr. Hubert Fink chairs the Climate & Energy and Health, Safety & Environment subcommittees, Frederique van Baarle the Value Chain Circularity & Product Stewardship and Social & Governance subcommittees, and Oliver Stratmann the Stakeholder Expectations & Reporting Standards subcommittee. The participating group functions also have experts on the respective sub-areas of sustainability management in their ranks who continuously observe relevant developments and bring in external consultants to manage the IROs if necessary. The experts on the committees are assigned by the respective Group functions. The subcommittees are responsible for the monitoring, administration and oversight of the material IROs. In the central Sustainability Committee, all subcommittees come together under the leadership of Matthias Zachert to establish targets and monitor the progress of their attainment.

According to the concept of the German Corporate Governance Code, the overall Supervisory Board under the leadership of its Chairman performs a diligent and dutiful self-assessment of the relevant expertise of individual Supervisory Board members. That also applies to the expertise of the Board of Management with regard to sustainability and the associated reporting. This expertise can have been acquired either through the members' personal career background (i.e. through personal responsibilities within the scope of their early management career) or through specific training offerings. The expertise possessed by the Board of Management and the Supervisory Board forms the basis for steering overarching sustainability topics and therefore is not limited to specific IROs.

GOV-2 – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies

The Board of Management and the Audit Committee of the Supervisory Board are notified about the material IROs, the implementation of ESG due diligence and the results of the resolved directives, actions, targets and parameters. This takes place at the meetings of the Sustainability Committee attended by all members of the Board of Management. The Sustainability Committee convenes once per quarter. The relevant subcommittees and, if necessary, supporting experts are consulted if needed. For its part, the Audit Committee of the Supervisory Board receives reports from the Board of Management. In fiscal year 2024, the focus was on the material sustainability matters and IROs. These were addressed especially at the meeting in November 2024, at which all material sustainability issues and IROs in the reporting year were also presented within the Audit Committee.

The material IROs are already addressed in the sustainability strategy or elsewhere, such as in our human resources strategy. Adjustments are also addressed in our committees. Also taken into account, for example, is CO_2 reduction and energy efficiency potential in capital expenditure decisions and within the scope of due diligence for acquisitions. Conflicts of interest can materialize with strategic decisions, and it could be necessary to weigh different interests against one another. For example, climate-neutral[1)] products that are expensive to produce compete with conventional products in terms of prices.

For more information on how opportunities and risks are accounted for in the risk management process, see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures".

The Board of Management and the Audit Committee of the Supervisory Board dealt with all material IROs. For an overview of all material IROs, see section "SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" in the chapter "ESRS 2 General Disclosures".

1) Throughout the Sustainability Report of LANXESS AG, the definition of the terms "climate-neutral" and "climate neutrality" are in line with the definition "net-zero target" of Table 2 Annex II Commission Delegated Regulation (EU) 2023/2772 of July 31, 2023, supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards.

GOV-3 – Integration of Sustainability-Related Performance in Incentive Schemes

Taking particular account of LANXESS's sustainable alignment, both the short-term variable compensation and the long-term variable compensation are based on two measurable performance criteria that are aligned with the sustainable corporate strategy. Sustainability-related performance criteria are not taken into account in the compensation components of the compensation of the Supervisory Board members.

The revised compensation system for the Board of Management, which went into effect on January 1, 2021, was approved by the Annual Stockholders' Meeting of LANXESS AG on May 19, 2021, with a majority of 94.22% of the valid votes cast. The short-term variable compensation component Annual Performance Payment (APP) includes a financial and a non-financial performance criterion. The long-term variable compensation component Long Term Incentive (LTI) consists of the stock-based Long-Term Stock Performance Plan (LTSP) and the Sustainability Performance Plan (SPP). In the event of early termination of service on the Board of Management, the severance payments must not exceed the value of two annual salaries plus the Board of Management's APP and the SPP at 100% target attainment and must never provide more compensation than the remaining term of the contract.

Short-term

The Board of Management's APP considers two measurable performance criteria:

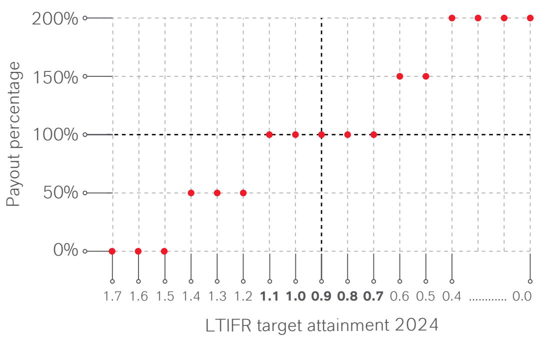
- a financial performance criterion constituting 80% of the individual APP and
- a non-financial performance criterion constituting 20% of the individual APP.

The short-term non-financial performance criterion is currently the lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost. The payment curve for the LTIFR, which is reported to one decimal place, takes a tiered approach in order to maintain the existing positive incident reporting culture. In fiscal year 2024, an LTIFR of between 0.7 and 1.1 equates to 100% target attainment and results in a payout percentage of 100% for the non-financial performance criterion. If the LTIFR is 0.5 or 0.6, this equates to a payout percentage of 150%; if the LTIFR is 0.4 or lower, this equates to a payout percentage of 200% of the Board of Management's APP for the non-financial performance criterion. If the LTIFR is 1.5 or higher, the payout percentage falls to 0%. The long-term goal is to avoid any accidents. The target set for 2024, compared with other companies in the chemical industry and in view of the past trend at LANXESS, remains a challenge.

Within the APP, there is the option to grant an ad hoc discretionary bonus. This serves to recognize special achievements or to create an additional incentive and can be granted only as part of the Board of Management's APP. It is capped at 20% of the annual base salary. The discretionary bonus can be used only in exceptional cases and requires a transparent justification from the Supervisory Board. As in the previous years, no discretionary bonus was paid in fiscal year 2024.

The maximum target attainment for the Board of Management's APP (including the discretionary bonus) is capped at 200%.

APP: Target Attainment and Payment Curve for the Non-financial Performance Criterion LTIFR



LTIFR	Payout percentage
≤ 0.4	200%
0.5 or 0.6	150%
0.7 – 1.1 (Target: 0.9)	**100%**
1.2 – 1.4	50%
≥ 1.5	0%

Actual target attainment for fiscal year 2024

LTIFR	Payout percentage
0.6	150%

Long-term

The LTI also consists of two components, which are paid out in cash and each consider one measurable performance criterion:

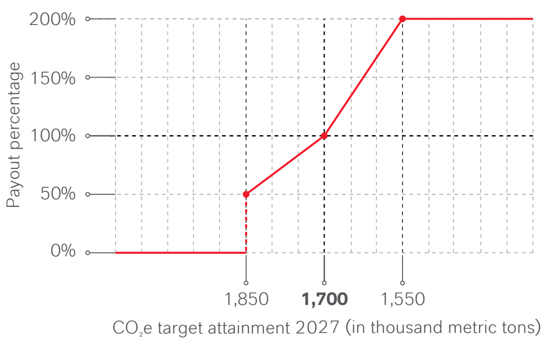
- the Long-Term Stock Performance Plan (LTSP), which is based on the stock price performance, and
- the Sustainability Performance Plan (SPP), which is measured based on a sustainability criterion.

With 100% target attainment each, the proportion of the LTSP comes to 60% and that of the SPP to 40% of the individual LTI. The SPP considers the long-term development of non-financial sustainability criteria. The assessment period for these criteria is four years. The Supervisory Board set a target for the reduction of CO_2e emissions from internal processes and from purchased energy (Scope 1 and 2) in the Group for the first time for 2024, which is included in the SPP as a performance criterion. The amount of CO_2e emissions was also defined as a measure of target attainment for 2025, 2026 and 2027. In subsequent years, a different performance criterion can be selected to reflect the company's current focus. This mechanism is intended to allow different facets of sustainability to be emphasized.

For the members of the Board of Management, 100% target attainment of the sustainability criterion corresponds to a payout of 46% of the annual base salary. For the Chairman of the Board of Management, the payout increased from 45% to 55% of his annual base salary upon his re-appointment. In the case of CO_2e emissions of 1,550 thousand metric tons or lower in 2027, the payout percentage is 200%. The maximum payment for an ordinary member of the Board of Management thus comes to 92% of the annual base salary. For the Chairman of the Board of Management, a maximum payment corresponded to 90% of the annual base salary on a pro rata basis. Since his re-appointment, it has corresponded to 110% of the annual base salary. If CO_2e emissions exceed 1,850 thousand metric tons in 2027, there is no payout.

For the 2024–2027 assessment period, the target attainment and payment curve presented and explained below apply to the financial performance criterion of the LTI:

LTI: Target Attainment and Payment Curve for the Non-financial Performance Criterion of the SPP 2027



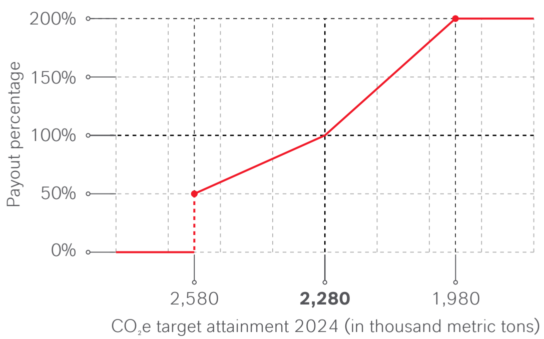
CO_2e-Emission 2027 in thousand metric tons	Payout percentage
≤ 1,550	200%
(Target) 1,700	**100%**
1,850	50%
> 1,850	0%

Actual target attainment 2024–2027

CO_2e-Emission in thousand metric tons	Payout percentage
Determination of target attainment at the end of 2027	

The amount of CO_2e emissions was also defined as a measure of target attainment for 2021–2024 assessment period. The corresponding target attainment and payment curve are depicted below:

LTI: Target Attainment and Payment Curve for the Non-financial Performance Criterion of the SPP 2024



CO_2e-Emission in thousand metric tons	Payout percentage
≤ 1,980	200%
(Target) 2,280	**100%**
2,580	50%
> 2,580	0%

Actual target attainment 2021–2024

CO_2e-Emission in thousand metric tons	Payout percentage
1,887	200%

Due to M&A transactions, the figure for 100% target attainment was adjusted from CO_2e emissions of 220 thousand metric tons to 2,280 thousand metric tons. Accordingly, CO_2e emissions of below 1,980 thousand metric tons result in a payout percentage of 200%.

The payment curve for the SPP plots a straight line between the target value of 100% and the lower or upper limit (0% and 200%). The steeper gradient of the payment curve, if the 100% target is exceeded, provides an additional financial incentive to exceed the target. On achievement of the minimum value, the payout percentage amounts to 50%.

Performance criteria, target values and payment curves for the long-term variable compensation components are defined by the Supervisory Board annually before the start of the fiscal year. Subsequent adjustments are permitted only in the case of the CO_2e targets to take M&A transactions into account.

In fiscal year 2024, EBITDA pre exceptionals of €614 million was generated and {an LTIFR of 0.6 was achieved}. This results in target attainment of 85.3% and thus a payout percentage of 51% for EBITDA pre exceptionals. {An LTIFR target attainment of 0.6} results in a payout percentage of 150%. Taking account of the proportions of the financial and the non-financial target for the Board of Management's APP, there is thus a weighted payout percentage of 70.8% for the members of the Board of Management. {CO_2e emissions amounted to 1,887 thousand metric tons in 2024.} According to the non-financial target established by the Supervisory Board for the SPP 2021–2024, this leads to target attainment of 200% and thus a payout percentage of 200%. In fiscal year 2024, the sustainability-related share of the total variable compensation expense for the members of the Board of Management amounted to 72%.

In accordance with Section 87a AktG, the Supervisory Board resolves on a clear and comprehensible compensation system for the members of the Board of Management. The Supervisory Board resolutions on the compensation system are prepared by the Presidial Committee of the Supervisory Board. The Presidial Committee also prepares the Supervisory Board's regular review of the system and the amount of compensation for the Board of Management members as well as other personnel decisions to be made by the Supervisory Board. If necessary, it advises the Supervisory Board to make changes to the system. The Chairman of the Presidial Committee is Dr. Rainier van Roessel. The other members of the Presidial Committee are Manuela Strauch, Hans van Bylen, Dr. Hans-Joachim Müller, Ralf Sikorski and Sadik Emiroglu. In accordance with Section 120a Paragraph 1 Sentence 1 AktG, the Supervisory Board presents the compensation system that it has resolved to the Annual Stockholders' Meeting for approval each time a significant change is made, or at least every four years. If the Annual Stockholders' Meeting does not approve the Board of Management compensation system put to the vote, then a revised system is presented for approval at the following Annual Stockholders' Meeting at the latest. The Board of Management compensation system to go into effect on January 1, 2026, is scheduled to be presented to the Annual Stockholders' Meeting on May 22, 2025, for annual approval.

The Supervisory Board still reserves the right to reduce the APP in the event of serious occupational safety and/or environmental problems.

E1 GOV-3 – Integration of Sustainability-Related Performance in Incentive Schemes

The basic objective of reducing greenhouse gas emissions is also accounted for in the compensation system for the Board of Management. The reduction of CO_2e emissions from internal processes and from purchased energy (Scope 1 and 2) is included in the Sustainability Performance Plan (SPP) as a performance criterion for long-term variable compensation. The assessment period is four years. Derived from the interim target for 2030, a target of 1,700 thousand metric tons was established in fiscal year 2024 for attainment in 2027. In fiscal year 2024, the variable compensation expense attributable to the SPP amounted to 32% of expenses for the total compensation of the members of the Board of Management. Climate-related performance criteria are not taken into account in the compensation components of the compensation of the Supervisory Board members.

GOV-4 – Statement on Due Diligence

Details of the process for satisfying sustainability-related due diligence are contained in the following table:

Core elements of due diligence	Sections in the Sustainability Report
a) Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2, ESRS 2 GOV-3, ESRS 2 SBM-3
b) Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2 GOV-2, ESRS 2 SBM-2, ESRS 2 IRO-1
	ESRS E1-2, ESRS E2-1, ESRS E3-1, ESRS E4-2, ESRS E5-1, ESRS S1-1, ESRS S2-1, ESRS S4-1, ESRS G1-1
	ESRS S1-2, ESRS S2-2
c) Identifying and assessing negative impacts on people and the environment	ESRS 2 IRO-1, ESRS 2 SBM-3 including the disclosures contained in ESRS E1, ESRS E2, ESRS E3, ESRS E4, ESRS E4, ESRS S1, ESRS S2, ESRS S4 and ESRS G1
d) Taking actions to address those adverse impacts	E1-1, E1-3, E2-2, E3-2, E4-3, E5-2, S1-4, S2-4, S4-4
e) Tracking the effectiveness of these efforts and communicating	ESRS E1-4, ESRS E2-3, ESRS E3-3, ESRS E4-4, ESRS E5-3, ESRS S1-5, ESRS S2-5, ESRS S4-5
	E1-5, E1-6, E1-8, E2-4, E2-5, E3-4, E4-5, E5-4, E5-5, ESRS S1-6, ESRS S1-7, ESRS S1-8, ESRS S1-9, ESRS S1-10, S1-14, S1-16, S1-17

GOV-5 – Risk Management and Internal Controls Over Sustainability Reporting

Within the internal risk and control system, the process of preparing the Sustainability Report is subject to various control and plausibility checks including the four-eyes principle. During the preparation process, qualitative information and quantitative data for sustainability reporting were systematically collected and documented. The process of preparing the Sustainability Report was monitored and controlled by the project team group and the Accounting and Corporate Controlling Group functions.

The general principles including the scope, main features and components of the processes and systems of opportunity and risk management at LANXESS, as well as the applied internal management and control system, are described in the chapter "Opportunity and Risk Report". These principles also apply to the sustainability reporting of LANXESS.

Sustainability-related risk assessments took place within the scope of the materiality assessment and the results are described in more detail in the topic standard chapters "ESRS E1 Climate Change" through "ESRS G1 Business Conduct". Experts with topic responsibility from the relevant specialist departments were largely responsible for risk identification, with the additional involvement of the business units and site managers. For further explanations on risk assessment and prioritization, see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures".

The results of the materiality assessment were subsequently presented and discussed within the Stakeholder Expectations & Reporting Standards subcommittee and the Sustainability Committee, as well as at meetings of the Audit Committee of the Supervisory Board. Material sustainability-related opportunities and risks were also presented within the Corporate Risk Committee. A report on the entire reporting process was also presented to the Board of Management by Internal Audit.

SBM-1 – Strategy, Business Model and Value Chain

LANXESS is active in chemicals production. Sales that fall under section 20.2 of Annex I of Regulation (EC) No. 1893/2006 amounted to about €440 million in fiscal year 2024.

The core of our business model – in other words, the chemical conversion of basic chemicals to specialty chemicals – is affected, but not called into question, in the current form by the IROs identified through the materiality assessment. It is not the business model that is affected, but rather the "how" – beginning with the selection of the raw materials through the impacts of production to the use of the products.

All topics identified through the materiality assessment as material are already addressed, either in the sustainability strategy or elsewhere, such as in our human resources strategy. Our sustainability strategy takes into account the perspectives of the stakeholder groups relevant for us, with whom we maintain a regular dialogue. For more information on how we account for the interests of our stakeholders, please see section "SBM-2 – Interests and Views of Stakeholders" in the chapter "ESRS 2 General Disclosures".

The primary objective of our sustainability strategy is to develop a climate-neutral product range in the long term. Climate-neutral production is one goal within this objective.

This goal applies to all applications and customer groups of the entire LANXESS product range worldwide. For more information on our most important customer groups, see section "Sales Markets" in the chapter "Business Processes and Employees".

On the path to a sustainable product range, we see a particular challenge in the varying pace at which individual countries strive to achieve climate neutrality. Climate-neutral products that are expensive to produce thus compete with conventional products in terms of prices.

The value chains of LANXESS are mainly based on basic chemicals produced from gas or oil. It is therefore of tremendous importance for our sustainability strategy that we calculate the carbon footprint of our raw materials and reduce it over the long term. For more information on our value chains and the most important participants, see the "Procurement" and "Distribution" sections of the chapter "Business Processes and Employees". Information on our downstream value chain that goes beyond the direct downstream stage is also available in section "S4 SBM-2 – Interests and Views of Stakeholders and S4 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" in the chapter "ESRS S4 Consumers and End-Users".

As regards the use of our products, the LANXESS portfolio can be divided into two categories: intermediates, whose properties change through a further chemical reaction carried out by our customers; and products available in their final chemical form that are incorporated into a material (additives) or used in a formulation, for example. In the latter category, the substance properties play a key role as pertains to sustainability aspects because a safe use by the end-user must be ensured. LANXESS does not produce and market products worldwide that are not also registered or commercialized in the E.U. or the United States. For more information on our product range, see section "S4 SBM-2 – Interests and Views of Stakeholders and S4 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" of the chapter "ESRS S4 Consumers and End-Users" and section "The Segments in Brief" of the chapter "Business Activities".

For the distribution of our employees by region, see section "S1-6 – Characteristics of the Undertaking's Employees" in the chapter "ESRS S1 Own Workforce".

SBM-2 – Interests and Views of Stakeholders

Dialogue with our stakeholders is of crucial importance to us, as it helps us to gain valuable insights and thus make sound decisions that contribute equally to business success and sustainable development.

LANXESS has numerous relevant stakeholders, such as groups, institutions or individuals with whom we maintain a direct or indirect (business) relationship. The stakeholders have an interest in the actions of our company because they are (potentially) directly or indirectly affected by these actions or require information pertaining to us for various purposes. The relevance of a stakeholder group for LANXESS also results from its influence on our company – such as through economic or legal aspects.

It is of central importance for us to comprehensively understand and adequately account for the opinions and needs of our relevant stakeholders. The stakeholder analysis of LANXESS serves this purpose and comprises both the selection of the relevant stakeholder groups and the systematic identification of (potential) impacts (according to ESRS 1.AR8) through various dialogue formats.

The selection of the relevant stakeholder groups and the entire stakeholder analysis process are coordinated with the functions participating in LANXESS's Stakeholder Engagement & Reporting Standards subcommittee and are confirmed within the Sustainability Committee. The Audit Committee of the Supervisory Board was also notified about how the views and interests of stakeholders were accounted for in the materiality assessment.

The relevant stakeholder groups of LANXESS are:

1. Customers
2. Media
3. Residents/neighbors of our sites (communities)
4. Suppliers
5. Capital market
6. Politics
7. Employees
8. Non-governmental organizations (NGOs)
9. Nature ("silent stakeholder")

Selection, assessment and prioritization of the relevant stakeholder groups

Both internal and external stakeholders are accounted for equally in the analysis for selecting stakeholder groups. Of relevance for the selection are the roles they play in the social and economic context of LANXESS, their expectations of the company and their needs, as well as the potential influence they can exert on LANXESS. Also accounted for in the analysis is nature as a "silent stakeholder."

The various stakeholder groups are assessed and prioritized based on three criteria. The first two criteria pertain to the impacts LANXESS has on the stakeholder group ("affected stakeholders" policy) and the impacts the stakeholder group has on LANXESS ("LANXESS perspective"). In addition to a description of the possible (potential) financial, social, health- or environment-related or other impacts, the assessment is conducted on a scale of 1 (very low) to 5 (very high). The third criterion is the stakeholders' information interest ("users of sustainability statements" policy) vis-à-vis LANXESS, in other words, the need for corporate information such as reporting. This interest is also assessed on a scale of 1 to 5.

The sum of the three criteria is used to select and prioritize the relevant stakeholder groups. A stakeholder group is classified as relevant above a certain threshold – currently 7. The assessment is repeated each year and continuously refined.

All stakeholders assessed as relevant were included in the analysis. Direct communication with consumers, end-users and non-customer value chain participants is not possible due to the large number of intermediate companies and process steps. Aspects of relevance to end-customers and the value chain were included in both the stakeholder analysis and the double materiality assessment.

Stakeholder group	**Important subgroups**	**LANXESS's influence on the group (on a scale of 1 low to 5 high) Perspective: affected stakeholders**	**Group's influence on LANXESS (on a scale of 1 low to 5 high) Perspective: LANXESS**	**Group's need for information (on a scale of 1 low to 5 high) Perspective: users of sustainability statements**	**Priority**
Customers	All business units and end markets	4	5	4	13
Media	Business and financial press	1	4	5	10
	Local press				
Communities	National communities	3	4	4	11
	International communities				
Suppliers	Suppliers	4	4	4	12
Capital market	Investors	4	4	5	13
	ESG investors				
	Rating agencies				
Politics	Politics (Germany)	1	4	4	9
	Politics (at the sites)				
	Politics (E.U.)				
Employees	Management/ Non-Management	5	5	4	14
	Production/ Administration				
	national/ international				
Non-governmental organizations (NGOs)	NGOs (environment)	1	3	5	9
	NGOs (social)				
Nature	Nature	5	5	0	10

Engagement strategies

We maintain regular dialogue with our stakeholders to optimally account for their expectations and concerns. Through this dialogue, we create trust and strengthen our relationships with all participants over the long term. We employ various communication channels here. The following overview shows the most important dialogue forums.

- **Customers**
  Trade fairs
  Customer visits
  Customer events
  Customer surveys
  Customer audits
- **Media**
  Press conferences and conversations
  Editorial visits
  Trade fairs
  Media days
  Annual Stockholders' Meeting
- **Residents/neighbors of the sites (communities)**
  Contact offices at the sites
  Joint advisory bodies
  Site visits with community members
  Open house events
- **Suppliers**
  Meetings and audits
  "Together for Sustainability" initiative
  Cooperation in associations
  Conferences and symposiums
- **Capital market**
  Roadshows
  Conferences
  Capital Markets Day
  Conference calls
  Annual Stockholders' Meeting
- **Politics**
  Meetings
  Cooperation in associations
  Site visits
  Discussion forums
  Workshops
- **Employees**
  Quarterly CEO information meetings
  Intranet
  Employee magazine
- **Non-governmental organizations (NGOs)**
  Round table events
  Consultation processes
  Projects at our sites
- **Nature – "silent stakeholder"**
  The needs of nature as a central, silent stakeholder are accounted for in all environment-related questions, including the latest research results and methods.

In addition to the group-specific formats, we have also established special multi-stakeholder formats:

Stakeholder surveys: Surveys can provide valuable, direct insights into sustainable development by identifying the priorities, concerns and expectations of our stakeholders.

We most recently conducted a stakeholder survey at the end of 2023/beginning of 2024. Including a customer survey conducted at the same time, we received feedback from around 1,000 stakeholders in total. This covered all relevant stakeholder groups and provided us with valuable insight into the impact of our business activity along the entire value chain. Of particular interest to our stakeholders were pollution management, the efficient use of resources and renewable energies.

The experts responsible for topic-related standards examined and assessed the (potential) impacts mentioned in the surveys and – if not already recorded – allocated them to the respective standards and assessed them according to the scoring criteria.

Stakeholder round tables: At these events, we bring together representatives from politics, science, industry and environmental organizations at one table and discuss selected sustainability issues with them. The focus for LANXESS is on inspiration and dialogue about how to balance ecology and economy.

The stakeholders' expectations are evaluated once a year – for example, for the investor stakeholder group – after which adjustments to the strategy are made, if necessary.

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

The following table lists all material IROs which – with the exception of I14 TOC wastewater pollution and I65 Damage due to accidents, I66 Risk of injury due to accidents and I67 Risk of long-term health damage due to chemical exposure/direct contact with chemicals – are fully subject to the disclosure requirements of the ESRS. Company-specific disclosures are reported for I14, I65, I66 and I67. Further information on the individual IROs is available in the sections on the topical ESRS. No year-on-year changes to the material IROs are reported due to the first-time implementation of the materiality assessment according to the ESRS.

Material IROs

ID code	Explanation
	ESRS E1 Climate change
I1, I2	Greenhouse gas emissions (Scope 1, 2 and 3)
I3	Energy consumption
I4	Energy consumption for the provision of raw materials and intermediates
O5	Increased demand for climate-friendly products
R6	Physical climate risks through flooding and heavy precipitation
	ESRS E2 Pollution
I7, I8	Pollution of air during regular operations
I9, I10	Other emissions: NOx, SOx, (excluding CO_2e)
I11, I12	Pollution of water during regular operations
I13, I14	TOC wastewater pollution
I15, I16	Pollution of water through heavy metals
I17, I18	Pollution of water through nitrogen and phosphorous
I19, I20	Pollution of water through AOXs/POPs
R21	Existing regulations for remediation of soil and water
I22, I23	Substances of concern (SoCs)
I24, I25	Substances of very high concern (SVHCs)
	ESRS E3 Water and marine resources
I26, I27	Water consumption at sites with local water risks/water stress
I28	Water consumption
I29, I30	Water withdrawals at sites with local water risks/water stress
I31	Water withdrawals
I32	Total water discharges
I33	Once-through cooling water
	ESRS E4 Biodiversity and ecosystems
I34, I35	Greenhouse gas emissions (Scope 1, 2 and 3)
I36	Biomass for energy production
I37, I38	Pollution of air during regular operations
I39	Water consumption and withdrawals
I40, I41	Pollution of water
I42	Landfilling
I43	Procurement of bio-based raw materials
I44	Product-related impact
	ESRS E5 Resource use and circular economy
I45	Negative environmental impacts through the sourcing of primary raw materials from non-renewable resources
I46	Negative environmental impacts through the sourcing of energy from non-renewable resources
I47	Greenhouse gas emissions through transport logistics
O48	Raw materials security through recycling and recovery
I49	Conservation of natural resources through the offer of Scopeblue® products
I50	Negative environmental impacts through the continued sale of unsustainable products
I51, I52	Hazardous waste in production
I53, I54	Non-hazardous waste in production
I55, I56	Landfilling of waste
I57, I58	Pollution of air through the incineration of waste
	ESRS S1 Own workforce
I59	Layoffs due to FORWARD!
R60	Risks due to demographic change and shortage of skilled workers
I61	Employment and its positive impacts on societal development
I62	Work-life balance
I63	Compensation package
I64	Social dialogue and employee representation/unions
I65	Damage due to accidents
I66	Risk of injury due to accidents
I67	Risk of long-term health damage due to chemical exposure/direct contact with chemicals
I68	Gender pay gap
I69	HR development/training/apprenticeship
I70	Equal opportunities
	ESRS S2 Workers in the value chain
I71	Child labor
I72	Forced labor
I73	Deficient health protection and deficient occupational safety
I74	Violence and harassment in the workplace
	ESRS S4 Consumers and end-users
I75, I76	Health risks due to SVHCs in end products
I77	Potential negative health impacts due to SVHCs in end products
R78-R80	Decline in sales due to phase-out of products with SVHCs
	ESRS G1 Business conduct
I81	Lack of or non-observation of corporate culture and values

The short- and medium-term material risks were accounted for in the assessment of the risk-bearing capacity. For additional information, please see chapter "Opportunity and Risk Report". In addition, for further aspects, see section "E1 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" in the chapter "ESRS E1 Climate Change".

IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities

Within the scope of our sustainability due diligence, we conducted a comprehensive materiality assessment according to the principle of double materiality anchored in the CSRD. This means that all issues are reportable that are material from either the impact or financial perspective. Our approach was based on the catalog of sustainability matters according to ESRS 1. AR16 and the possible industry- or company-specific amendments that can result from the analysis of our environment and activities.

The double materiality assessment was conducted for the first time in 2023 and 2024 for the reporting on fiscal year 2024. For subsequent fiscal years, we plan to review the results of the materiality assessment annually to identify changes. A full update of the materiality assessment is only planned in the event of material changes to the business model or structure of the LANXESS Group.

The LANXESS Group was accounted for in its entirety during the materiality assessment. No focus was placed on specific business activities, business relationships or geographic circumstances. For further information on the inclusion of subsidiaries and affiliates, please see the explanations in section "BP-1 – General Basis for Preparation of the Sustainability Report of the LANXESS Group" in the chapter "ESRS 2 General Disclosures".

It was determined whether an IRO materialized directly from our own operations or due to business relationships in the upstream or downstream value chain. If an impact pertained to both our own activities and the value chain, two separate IROs with different assessments were recorded.

The IROs identified in the stakeholder processes were accounted for in the materiality assessment of LANXESS. Through the combination of insights from established dialogue processes and systematic surveys, we ensured that we obtained a comprehensive picture of the expectations and requirements of our stakeholders.

The stakeholders were taken into consideration particularly in the identification of the material potential and actual impacts. According to our internally applied model, therefore, we recorded the most important stakeholder groups according to declining relevance and classified whether they were affected stakeholders or users of sustainability statements.

In addition to the data obtained from the stakeholder processes, we also included numerous purchased and publicly available data sources as well as existing specialist and expert know-how in the materiality assessment.

The issues were examined in the assessment from the so-called gross perspective without taking actions into account. Under certain conditions, however, already established and effective actions were taken into account in these deliberations according to EFRAG IG 1: Materiality assessment implementation guidance. The starting point for the gross perspective is therefore the proper operation of the plants according to the authorizations issued by the respective responsible authorities. The analysis also took into account geographic features by disaggregating existing IROs if the relevant assessment parameters took different forms.

Impact Materiality

To identify all potential and actual impacts on the environment and society, the materiality assessment was initially conducted on a "bottom-up" basis including the business units, Group functions and countries. In this way we ensured that the perspective of the business units and segments was covered on the one hand and that, on the other hand, site-specific issues were recorded and the overarching strategy taken into account by the Group functions. This approach also ensured that the perspectives of all LANXESS subsidiaries were taken into account. After the issues had been recorded and assessed on a bottom-up basis, the overall results were reviewed by the project team group to ensure the consistency of the assessment and the completeness of the interim results. It was also up to the project team group to appropriately cluster the decentrally supplied IROs and thus summarize them according to topics.

LANXESS experts from the relevant Group functions who have accountability for the individual ESRS topics were largely responsible for identifying and assessing all IROs.

Identification

In a first step, a distinction was made as to whether the impact was positive or negative to avoid impermissible offsetting (ESRS 1. QC 8). An impact was classified as positive if the issue achieves an objectively identifiable improvement in conditions for the environment and/or society. Positive impacts are disclosed, for example, in the following cases:

- LANXESS has an existing action or objective that is already leading to a positive impact on the environment and/or society and does not merely represent the mitigation of a negative impact (e.g. policy, Annual Report, background paper)
- LANXESS has positive impacts on the environment and/or society through its product range

An impact was classified as negative if LANXESS actually or potentially has or could have negative impacts on the environment and/or society. If an impact materialized in the current reporting year or in previous years, this was interpreted as an actual impact. Impacts that pertained in the past to business areas or sites divested by LANXESS no longer had to be taken into account if there also was no connection through the upstream or downstream value chain. A potential impact had to be disclosed if it could theoretically materialize in a realistic scenario.

Assessment

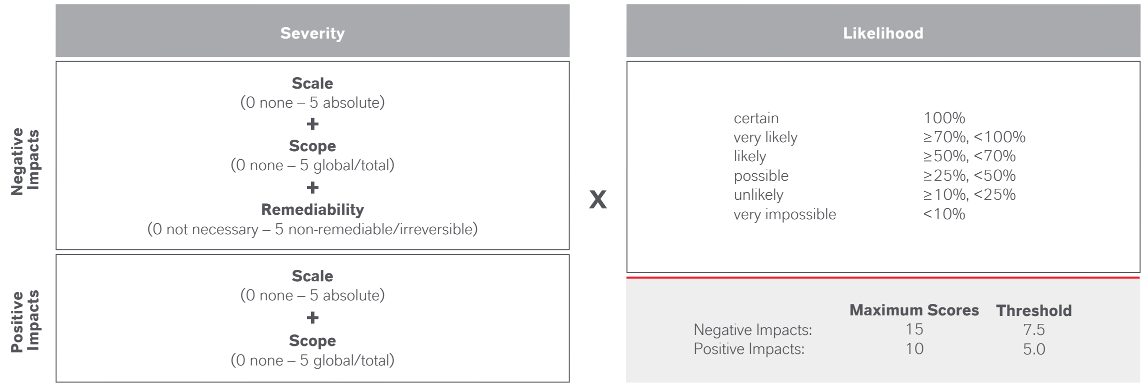
The assessment of the materiality of an impact comprised the severity and likelihood of the impact.

In the case of negative impacts, severity was composed of the criteria scale, scope and irremediability. The criterion of irremediability did not apply in the case of positive impacts. This assessment was undertaken by each expert responsible for the topic from the perspective of the respective affected stakeholder. A scale of 0 to 5 was established for all components, whereby it was also possible to issue a score with a decimal figure.

The likelihood of occurrence was then assessed. Where available, the exact likelihood of occurrence was applied. If this information was not available, the likelihood of occurrence was assigned to a range. In general, if a likelihood range is established, the median value of the scale is used for multiplication by severity. Irrespective of the likelihood of occurrence, furthermore, all negative impacts carrying the maximum value of 5 in one of the three dimensions of severity were once again assessed by the responsible experts in a second evaluation.

In addition, it was taken into account for negative human rights impacts that severity takes precedence over its likelihood. In this respect, a minimum likelihood of occurrence was established above which only severity determines the materiality of the negative impact. All human-rights-related negative impacts that did not meet the minimum likelihood of occurrence were also subjected to a second evaluation by the expert with topic responsibility.

Impact materiality – scoring



Prioritization

It was possible to attain a maximum value of 15 for negative impacts and 10 for positive impacts. An impact was considered material if its assessment was above or equal to the median value on the scale, in other words, greater than or equal to 7.5 for negative impacts and greater than or equal to 5 for positive impacts.

Oversight

The results were subsequently presented within the Stakeholder Expectations & Reporting Standards subcommittee and the Sustainability Committee, as well as at meetings of the Audit Committee of the Supervisory Board.

Financial Materiality

The assessment of financial materiality looked at opportunities and risks that could materialize as a result of sustainability matters at LANXESS.

Identification

Identification was based on the opportunities and risks reported within the existing risk management system, which were examined with regard to their pertinence to sustainability issues and included in the materiality assessment if this was deemed to be the case. Additionally, the impacts identified in the impact materiality analysis were considered and it was assessed whether they were associated with financial opportunities and risks. If several risks or opportunities were thematically related, pertained to the same areas (own operations, upstream or downstream value chain) and the time horizons and geographic classification did not diverge, the financial effect of these risks or opportunities as defined in ESRS 1.92 were aggregated and multiplied by the average likelihood of the aggregated risks or opportunities.

Many of the identified opportunities and risks with pertinence to sustainability were already recorded within the risk management process. Following the materiality assessment, new material opportunities and risks were transferred to the risk management system, in which sustainability-related opportunities and risks were not given priority over other opportunities and risks.

Assessment

The assessment took into consideration an estimation of the possible financial impacts on the LANXESS Group and the likelihood of occurrence. The Group's key controlling indicator is EBITDA (operating earnings before depreciation, amortization, write-downs, and reversals) pre exceptionals. The financial impact therefore refers to this financial performance indicator. Due to the overlaps with the existing opportunity and risk management system in the LANXESS Group, identical clusters were selected for the likelihood of occurrence and the scope of the financial impacts.

The heat map below shows the clusters for the financial impacts.

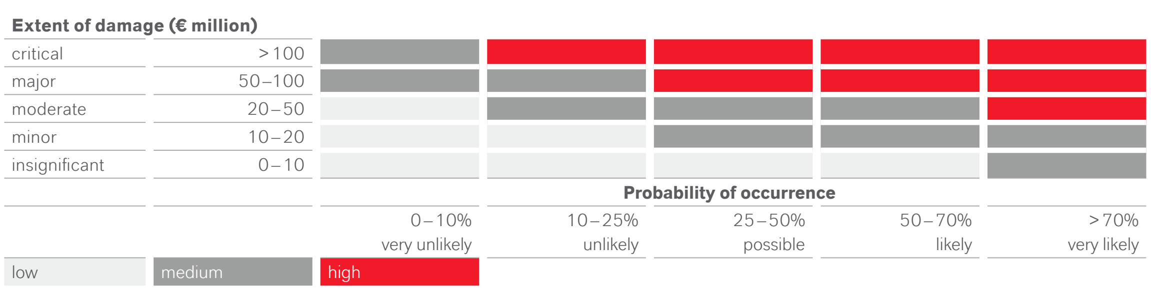
The likelihoods of occurrence for the financial materiality and impact materiality were essentially handled the same way, the only difference being that – by contrast with impact materiality – a likelihood of occurrence of 100% was excluded by definition. The likelihoods were based on scenario analyses and forecasts derived from the risk management system and in upstream stages, e.g. for climate risks, from a data package purchased from an insurance company.

Prioritization

For opportunities and risks, the financial impacts together with the likelihood of occurrence led to an assessment of materiality. The internal opportunity and risk management system was also applied here. The assessment took place within a so-called heat map. An opportunity or risk was considered material on this heat map as soon as it was located in the area classified as red.

This classification is consistent with the internal reporting on opportunities and risks.

Matrix for Classifying Opportunities and Risks



Oversight

The results were subsequently presented within the Stakeholder Expectations & Reporting Standards subcommittee and the Sustainability Committee, as well as at meetings of the Audit Committee of the Supervisory Board. Material sustainability-related opportunities and risks were also presented within the Corporate Risk Committee. For more information on the decision-making process and the internal management and control system for sustainability reporting including the materiality assessment, see sections "GOV-1 – The Role of the Administrative, Management and Supervisory Bodies" and "GOV-5 – Risk Management and Internal Controls over Sustainability Reporting" in the chapter "ESRS 2 General Disclosures".

The management of opportunities and risks with relevance to sustainability is integrated into the regular risk management process. The possible financial impacts are accounted for in the reporting and the aggregation of the opportunities and risks, and thus included in the risk profile.

E1 IRO-1 – Description of the Processes to Identify and Assess Material Climate-Related Impacts, Risks and Opportunities

Climate scenario analysis

Climate change can result in consequences for the future business activities of a global company like LANXESS. We therefore conducted an opportunity and risk analysis based on various climate scenarios both for physical climate risks and transitional opportunities and risks. This analysis encompasses all production sites of LANXESS worldwide and generally assesses the climate-related risks that could materialize in the short, medium and long term. The Group-wide opportunity and risk management process includes the identification of climate-related opportunities and risks as well as their analysis and assessment. For more general information on this process, please see sections "GOV-5 – Risk Management and Internal Controls over Sustainability Reporting" and "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures". For more information on the process for identifying climate-related impacts, please see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures". The SAP ARIBA risk tool – which integrates, for example, the EcoVadis supplier assessment and EcoVadis IQ+ – was used to assess IROs in the value chain.

Physical climate risks

Physical risks include both acute and chronic physical risks. They result from nature-related or physical conditions (extreme weather events) and lead to potential damage. LANXESS pursues an integrative approach according to which physical climate risks are recorded and processed both centrally and locally at the sites. In this connection, we commissioned a natural hazards portfolio analysis with an international insurance company. This data set contains a comprehensive climate risk analysis of the potential climate-related hazards of all sites that takes into account both short-term and long-term risks until 2050 (time horizon after 10 years). As we did not yet have any data for the medium-term analysis in this reporting year, the results of the short-term analysis were used for this purpose. The time horizons on which the climate risk analysis was based can exceed the estimated useful life of our assets and our planning horizon. Other assumptions can also diverge from those stated in the consolidated financial statements.

The analysis focused on acute climate-related hazards that can be allocated to the following categories according to the E.U. taxonomy classification system (Delegated Regulation (EU) 2021/2139 of the European Commission): temperature-related (heat waves, cold waves), wind-related (strong winds, hail and thunderstorms, tornadoes), water-related (flooding, storm surges, heavy precipitation). Sites in geographically similar regions were assessed on an aggregated basis. Assessed were the likelihood of occurrence and the severity of climate-related hazards at the sites, as well as the sites' vulnerability in the event of a climate-related hazard. The climate-projections are based on site-specific coordinates and include local forecasts. The financial assessment includes both potential property damage and the potential costs of a production interruption (insurance values). The SSP5-8.5 scenario of the IPCC (Intergovernmental Panel on Climate Change) – a state-of-the-art scenario that forecasts a global temperature rise of more than 4°C by 2100, which would lead to substantial physical climate risks – was applied here. SSP5-8.5 thus represents the most serious potential climate impacts among the possible development paths. A decentralized identification of physical climate-related hazards by our business units takes place parallel to this process. The business units independently identify climate-related physical risks in their respective areas of responsibility and also report their findings via the risk management system.

Transitional opportunities and risks

LANXESS takes into account both physical climate risks and transitional opportunities and risks. According to the Task Force on Climate-related Financial Disclosures (TCFD), climate-related transitional opportunities and risks can be classified, for example, within the categories policy and legal, market and reputation. They result from the transition to a low-emissions economy.

Transitional opportunities and risks in the category policy and legal

LANXESS continuously assesses the development of country-specific regulatory requirements and analyzes their direct or indirect financial impacts on the sites, production, the value chain, and the products, and derives suitable actions from this information. Regulatory risks were once again assessed based on a comprehensive scenario analysis in the reporting year that encompassed all sites and assessed short-, medium- and long-term regulatory risks (until 2030 and 2050). In the scenario analysis, the climate scenarios of the International Energy Agency (IEA) – Net Zero Emissions by 2050, Announced Pledges and Stated Policies – were applied. The Stated Policies Scenario is based on currently adopted political regulations. The Announced Pledges Scenario encompasses all climate protection pledges made to date by governments and industry worldwide. The Net Zero Emissions by 2050 Scenario of the IEA applies to the energy sector and corresponds to the targets of the Paris Agreement. By applying these scenarios, LANXESS concludes that all plausible risks and uncertainties are covered.

Transitional opportunities and risks in the category market

As a specialty chemicals company, we participate in long value chains and produce starting materials for downstream production processes. We constantly identify, analyze, assess and manage future developments in the area of sustainability and climate-neutral technologies in downstream markets. The introduction of the European Green Deal in particular could significantly alter our sales markets, for example, as regards recycling.

Transitional opportunities and risks in the category reputation

For each identified opportunity or each identified risk, a potential impact on our reputation has to be additionally assessed in our risk management system. The classification is qualitative and assesses, for example, the impacts on the trust of our stakeholders. It is expected, for example, that LANXESS, as a global specialty chemicals company, proactively works to reduce its carbon footprint. The company's reputation can be jeopardized if we do not consistently develop our business activities toward sustainability and climate neutrality. That could result in declining sales and lower market valuations.

E2 IRO-1 – Description of the Processes to Identify and Assess Material Pollution-Related Impacts, Risks and Opportunities

For information on our materiality assessment, including particularly the process for identifying material impacts, risks and opportunities, please see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures". For details on how we account for the interests of stakeholders, please see section "SBM-2 – Interests and Views of Stakeholders" in the chapter "ESRS 2 General Disclosures".

E3 IRO-1 – Description of the Processes to Identify and Assess Material Water and Marine Resources-Related Impacts, Risks and Opportunities

LANXESS maintains an active dialogue with stakeholders at both the company and local level as regards the issue of water availability, for instance. Within the Water Stewardship Program in place at the water risk sites, residents are integrated into the dialogue and extensive information is obtained about local circumstances. For information on conducting the materiality assessment and the associated stakeholder survey, see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures".

As part of the Water Stewardship Program, LANXESS also systematically works to better understand the impacts of water use along the value chain (e.g. in connection with product sales), the amount of water used and the context in which it is used. LANXESS therefore works with its partners along the upstream value chain to assess and review their water management, and exchanges experiences and best practices. Within the Together for Sustainability (TfS) industry initiative, LANXESS cooperates with other chemical companies to improve the performance of the chemical industry supply chains as regards environmental, social and governance aspects. The TfS program is based on the principles of the UN Global Compact and the Responsible Care® initiative.

E4 IRO-1 – Description of the Processes to Identify and Assess Material Biodiversity and Ecosystem-Related Impacts, Risks and Opportunities

As a specialty chemicals company, LANXESS recognizes how important ecosystem services such as clean water, energy and natural protection from landslides and flooding are as regards the company's business activities.

The biodiversity assessment provides a central foundation for identifying the impacts, opportunities and risks in connection with biodiversity and their relevance for the business model and corporate strategy. This approach enables LANXESS to focus its efforts, develop site-specific actions and contribute to the preservation of ecosystems.

LANXESS conducted a materiality assessment to better understand the impacts, opportunities and risks of our business activities on biodiversity. That also involved the participation of local community members within the context of stakeholder surveys on biodiversity-relevant issues. This analysis was supplemented and validated with a sector-specific assessment using the analysis tool ENCORE (Exploring Natural Capital Opportunities, Risks and Exposures), which is regarded as the industry standard for assessing biodiversity. The identified impacts are shown in the following table and described below.

E5 IRO-1 – Description of the Processes to Identify and Assess Material Resource Use and Circular Economy-Related Impacts, Risks and Opportunities

For information on our materiality assessment, especially on the process for identifying the material IROs, please see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures". Details on how we account for the interests of stakeholders can be found in section "SBM-2 – Interests and Views of Stakeholders" in the chapter "ESRS 2 General Disclosures".

G1 IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities

The success of LANXESS is based on the personal commitment and performance of each employee and his or her value-based, responsible and legally compliant action in accordance with the company culture. As a global company, we bear a global responsibility for ensuring that our employees conduct themselves in compliance with our values, rules and the law.

Through our Group-wide compliance management system – an essential component of our corporate culture – the company works to ensure compliance with all binding legal conditions and internal rules that apply to the LANXESS Group and its employees. We also feel obligated to observe the internationally recognized basic principles of entrepreneurial activity as established in the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the United Nations Convention Against Corruption. LANXESS also expects its business partners along the value chain to comply with legal provisions and the aforementioned guidelines. This includes the principles of the Responsible Care® Global Charter, the labor standards of the ILO and the principles of the United Nations Global Compact.

LANXESS regards systematic and effective risk and opportunity management as an integral element of its value-oriented corporate governance. A systematic process is established that encompasses the entire LANXESS Group and helps the Board of Management identify, assess and manage opportunities and risks. In addition, a compliance risk assessment most recently conducted in 2023 provided an in-depth look at potential company- and business-specific compliance risks. Within the scope of the Group-wide assessment, the risk and potential damage is analyzed for relevant risk fields so as to determine risks and potential impacts on the company. The intention is to achieve a further reduction in compliance risks by subsequently deriving specific actions.

IRO-2 – Disclosure Requirements in ESRS Covered by the Undertaking's Sustainability Report

The following table shows which disclosure requirements are satisfied and in which section they can be found.

Disclosure requirement in the ESRS	Section in the Sustainability Report
ESRS 2 BP-1	ESRS 2 BP-1
ESRS 2 BP-2	ESRS 2 BP-2
ESRS 2 GOV-1	ESRS 2 GOV-1
ESRS 2 GOV-2	ESRS 2 GOV-2
ESRS 2 GOV-3	ESRS 2 GOV-3
ESRS 2 GOV-4	ESRS 2 GOV-4
ESRS 2 GOV-5	ESRS 2 GOV-5
ESRS 2 SBM-1	ESRS 2 SBM-1
ESRS 2 SBM-2	ESRS 2 SBM-2
ESRS 2 SBM-3	ESRS 2 SBM-3, E1 SBM-3, E2 SBM-3, E3 SBM-3, E4 SBM-3, E5 SBM-3, S1 SBM-3, S2 SBM-3, S4 SBM-3, G1 SBM-3 Tables at the beginning of each chapter
ESRS 2 IRO-1	ESRS 2 IRO-1
ESRS 2 IRO-2	ESRS 2 IRO-2
ESRS 2 MDR-P	E1-2, E2-1, E3-1, E4-2, E5-1, S1-1, S2-1, S4-1, G1-1
ESRS 2 MDR-A	E1-1, E1-3, E2-2, E3-2, E4-3, E5-2, S1-4, S2-4, S4-4
ESRS 2 MDR-T	E1-4, E2-3, E3-3, E4-4, E5-3, S1-5, S2-5, S4-5
ESRS E1 GOV-3	E1-3
ESRS E1-1	E1-1
ESRS E1 SBM-3	E1 SBM-3
ESRS E1 IRO-1	ESRS 2 IRO-1
ESRS E1-2	E1-2
ESRS E1-3	E1-3
ESRS E1-4	E1-4
ESRS E1-5	E1-5
ESRS E1-6	E1-6
ESRS E1-7	E1-7
ESRS E1-8	E1-8
ESRS E1-9	–
ESRS E2 IRO-1	ESRS 2 IRO-1, ESRS 2 SBM-2
ESRS E2-1	E2-1

Disclosure requirement in the ESRS	Section in the Sustainability Report
ESRS E2-2	E2-2
ESRS E2-3	E2-3
ESRS E2-4	E2-4
ESRS E2-5	E2-5
ESRS E2-6	–
ESRS E3 IRO-1	ESRS 2 IRO-1, ESRS 2 SBM-2
ESRS E3-1	E3-1
ESRS E3-2	E3-2
ESRS E3-3	E3-3
ESRS E3-4	E3-4
ESRS E3-5	–
ESRS E4-1	E4 SBM-3, E4-2, E4-3
ESRS E4 SBM-3	E4 SBM-3
ESRS E4-2	E4-2
ESRS E4 IRO-1	ESRS 2 IRO-1
ESRS E4-3	E4-3, E4-4
ESRS E4-4	E4-3, E4-4
ESRS E4-5	E4-5
ESRS E4-6	–
ESRS E5 IRO-1	ESRS 2 IRO-1
ESRS E5-1	E5-1
ESRS E5-2	E5-2
ESRS E5-3	E5-3
ESRS E5-4	E5-4
ESRS E5-5	E5-5
ESRS E5-6	–
ESRS S1 SBM-2	S1 SBM-2
ESRS S1 SBM-3	S1 SBM-3
ESRS S1-1	S1-1
ESRS S1-2	S1-2
ESRS S1-3	S1-3
ESRS S1-4	S1-4
ESRS S1-5	S1-5
ESRS S1-6	S1-6
ESRS S1-7	–
ESRS S1-8	S1-8
ESRS S1-9	S1-9

Disclosure requirement in the ESRS	Section in the Sustainability Report
ESRS S1-10	S1-10
ESRS S1-11	–
ESRS S1-12	–
ESRS S1-13	–
ESRS S1-14	S1-14
ESRS S1-15	–
ESRS S1-16	S1-16
ESRS S1-17	–
ESRS S2 SBM-2	S2 SBM-2
ESRS S2 SBM-3	S2 SBM-3
ESRS S2-1	ESRS S2-1
ESRS S2-2	ESRS S2-2
ESRS S2-3	ESRS S2-3
ESRS S2-4	ESRS S2-4
ESRS S2-5	–
ESRS S3 SBM-2	–
ESRS S3 SBM-3	–
ESRS S3-1	–
ESRS S3-2	–
ESRS S3-3	–
ESRS S3-4	–
ESRS S3-5	–
ESRS S4 SBM-2	S4 SBM-2
ESRS S4 SBM-3	S4 SBM-3
ESRS S4-1	S4-1
ESRS S4-2	S4-2
ESRS S4-3	S4-3
ESRS S4-4	S4-4
ESRS S4-5	S4-5
ESRS G1 GOV-1	G1-1
ESRS G1 IRO-1	ESRS 2 IRO-1
ESRS G1-1	G1-1
ESRS G1-2	–
ESRS G1-3	–
ESRS G1-4	–
ESRS G1-5	–
ESRS G1-6	–

The following overview shows in which section of the Sustainability Report the datapoints can be found that result from other E.U. legislation.

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	E.U. Climate Law reference	Section in the Sustainability Report
ESRS 2 GOV-1 Gender diversity Board's gender diversity paragraph 21 (d)	Indicator number 13 Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2 GOV-1
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2 GOV-1
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				ESRS 2 GOV-4
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		not applicable
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2 SBM-1
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		not applicable
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		not applicable
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	ESRS E1-3

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	E.U. Climate Law reference	Section in the Sustainability Report
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2		not material
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics			ESRS E1-4
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator number 5 Table #2 of Annex 1				ESRS E1-5
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				ESRS E1-5
ESRS E1-5 E Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				ESRS E1-5
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		ESRS E1-6
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics			ESRS E1-6

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	E.U. Climate Law reference	Section in the Sustainability Report
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	ESRS E1-7
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		not material
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk.			not material
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2:Banking book – Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			not material
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		not material
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1, Indicator number 2 Table #2 of Annex 1, Indicator number 1 Table #2 of Annex 1, Indicator number 3 Table #2 of Annex 1				ESRS E2-4
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table #2 of Annex 1				not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				not material

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	E.U. Climate Law reference	Section in the Sustainability Report
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				ESRS E3-4
ESRS E3-4 Total water consumption in m^3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				ESRS E3-4
ESRS 2 – IRO-1 – E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				ESRS E4 SBM–3
ESRS 2 – IRO-1 – E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				ESRS E4 SBM–3
ESRS 2 – IRO-1 – E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				ESRS E4 SBM–3
ESRS E4-2 Sustainable land/agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				ESRS E4–2
ESRS E4-2 Sustainable oceans/seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				ESRS E4–2
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				ESRS E4–2
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				ESRS E5–5
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				ESRS E5–5
ESRS 2 SBM3 – S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				not material
ESRS 2 SBM3 – S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				not material
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				ESRS S1–1
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		ESRS S1–1
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				ESRS S1–1
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				ESRS S1–1

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	E.U. Climate Law reference	Section in the Sustainability Report
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				ESRS S1–3
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		ESRS S1-14
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				not material
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		S1-16
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				S1-16
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				not material
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		not material
ESRS 2 SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				ESRS S2 SBM-3
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				ESRS S2-1
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				ESRS S2-1
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		ESRS S2-1
ESRS S2-1 Due diligence policies on issues addressed by thefundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		not material

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	E.U. Climate Law reference	Section in the Sustainability Report
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				ESRS S2-4
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				not material
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		not material
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				not material
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				ESRS S4-1
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		ESRS S4-1
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				ESRS S4-4
SRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				not material
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				not material
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		not material
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				not material

The transition of the material sustainability matters and associated IROs from the materiality assessment to the disclosure requirements was based on an allocation according to the EFRAG Implementation Guidance 3 and EFRAG ID 177 – "Links between AR16 and Disclosure requirements." With this procedure, LANXESS made the rebuttable presumption for each datapoints that the datapoints is also relevant for LANXESS provided the sustainability issue allocated by EFRAG for the datapoints is material. This means it was first assumed that the condition of ESRS 1.31(a) or (b) and thus of ESRS 1.34(a) is met. The respective experts with topic responsibility assessed the materiality of those datapoints for which an allocation by EFRAG was not available.

In a second step, the respective experts with topic responsibility also assessed whether – contrary to the assumed materiality presumption – the datapoints was irrelevant for LANXESS according to the criteria of ESRS 1.31 or ESRS 1.34. The experts with topic responsibility stated a justification for these cases.

ENVIRONMENTAL INFORMATION (INCLUDING DISCLOSURES PURSUANT TO ARTICLE 8 OF REGULATION (EU) 2020/852)

DISCLOSURES PURSUANT TO ARTICLE 8 OF REGULATION (EU) 2020/852 (TAXONOMY REGULATION)

INTRODUCTION

A central element in the European Union's Green Deal is the strategy for sustainable financing. It aims to channel financing flows into investments that support sustainable development in the future. In this context, a classification system for economic activities – the EU taxonomy (Regulation (EU) 2020/852) – is to help investors assess whether investments contribute to political targets or obligations such as the Paris Agreement on climate change at the same time as meeting specified environmental and social standards. To this end, the EU has defined six categories, or objectives:

1. Climate change mitigation (CCM)
2. Climate change adaptation (CCA)
3. Sustainable use and protection of water and marine resources (WTR)
4. Transition to a circular economy (CE)
5. Pollution prevention and control (PPC)
6. Protection and restoration of biodiversity and ecosystems (BIO)

The relevance of an economic activity for one of these environmental objectives depends on how the activity influences the respective environmental objective.

In order to assess an economic activity, a two-step analysis must be performed with regard to eligibility and alignment. According to the EU Taxonomy Regulation, economic activities are taxonomy-eligible if they match the activity descriptions in the delegated acts of the Taxonomy Regulation and potentially contribute to the achievement of one of the six environmental objectives. To determine alignment, it must be assessed for each activity whether all technical screening criteria of an EU taxonomy objective are met. A substantial contribution must therefore be made to an environmental objective while doing no significant harm (DNSH) to any of the other objectives. Moreover, minimum safeguards for compliance with human rights including labor and consumer rights and in the fields of bribery and corruption prevention, taxation and fair competition must be guaranteed for each activity. For each of the six environmental objectives, the European Commission issued delegated acts with technical screening criteria for relevant economic activities. The initial focus was on the climate objectives (climate change mitigation, climate change adaptation). The criteria for the remaining four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems) were defined in 2023. The Climate Delegated Act was also amended in 2023. As part of this amendment, new economic activities were included and selective changes made to technical screening criteria for existing economic activities.

LANXESS took into account the following legal acts in its taxonomy reporting: Delegated Regulation (EU) 2021/2139 of June 4, 2021, Delegated Regulation (EU) 2021/2178 of June 6, 2021, Delegated Regulation (EU) 2022/1214 of March 9, 2022, Delegated Regulation (EU) 2023/2486 of June 27, 2023, Delegated Regulation (EU) 2023/2485 of June 27, 2023.

REPORTABLE METRICS

Companies that fall within the scope of the EU taxonomy must disclose the defined KPIs sales, capital expenditures (CapEx) and operating expenditures (OpEx) for their share of taxonomy-eligible or taxonomy-aligned economic activities. These ratios must be itemized according to the respective taxonomy-eligible or taxonomy-aligned economic activity. The disclosures must specify the environmental objective to which this activity contributes and whether it is a transitional or enabling economic activity. Climate-related environmental objectives (climate change mitigation, climate change adaptation) have been subject to taxonomy eligibility and alignment reporting requirements since 2022. For the other four environmental objectives and the newly included activities in the Climate Delegated Act, only taxonomy eligibility reporting was required for fiscal year 2023; taxonomy alignment reporting is additionally required for fiscal year 2024. There were no changes compared with the previous year in the calculation of the metrics.

Sales

The metric relating to the relative share of sales with taxonomy-eligible or taxonomy-aligned products consists of two sales figures: The numerator is the sum of all sales that we have generated in the reporting year with taxonomy-eligible or taxonomy-aligned activities. The denominator is the value of the external sales as reported under “Sales” in the income statement of our consolidated financial statements (Note [21] in the notes to the consolidated financial statements) pursuant to the relevant IFRS requirements as presented in the notes to the consolidated financial statements. The sales result from production, the company’s main business activity. These are external sales.

Capital expenditures and operational expenditures

We report the proportion of expenditures and expenses incurred in connection with the operation of our plants in order to manufacture taxonomy-eligible or taxonomy-aligned products as taxonomy-eligible or taxonomy-aligned capital expenditures and operational expenditures. The relevant value chain begins with the manufacture of products that are taxonomy-eligible according to the Taxonomy Regulation.

On the one hand, relevant capital expenditures comprise our capital expenditures to maintain our production plants for taxonomy-eligible or taxonomy-aligned products, including production plants added via business acquisitions.

On the other, relevant expenditures and expenses for non-sales-generating activities are also to be taken into account and are described in the delegated acts.

The numerator is the share of additions from investments and business acquisitions that relate to taxonomy-eligible or taxonomy-aligned activities. The denominator of the ratio is the sum of additions to property, plant and equipment and intangible assets from investments and acquisitions, adjusted for acquired goodwill, which can be found in the notes to the consolidated financial statements (Note (1)). The recognition criteria and measurement methods as presented in the notes to the consolidated financial statements apply accordingly.

Relevant operating expenditures are direct non-capitalized costs relating to research and development, building renovation measures, short-term leases, maintenance and repair. These must be covered by the ratio's denominator. Any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company itself or by third parties must also be included.

There were no changes in the calculation of the metrics compared to the previous year.

At LANXESS, operational expenditures comprise all non-capitalized costs incurred in the reporting period in connection with research and development and the maintenance of our plants and buildings. According to a Group directive, these also include direct expenditures relating to day-to-day servicing, through which we ensure the continued and effective functioning of such assets. Short-term leases or leases of low-value assets are not of material importance for LANXESS and therefore not included in the denominator (see Note (36) in the notes to the consolidated financial statements).

The operational expenditures in connection with research, development and patents include for example costs for our scientific departments and laboratories. These expenditures are reported in the in the notes to the consolidated financial statements (Note (24)) in accordance with IAS 38.126 et seq. Maintenance includes all operating expenses for maintenance measures, overhauls of production plants, the implementation of legal requirements and plant downtimes in the relevant reporting period, which according to our accounting guidelines cannot be capitalized and are therefore not a component of capital expenditures. This also includes direct expenses for maintenance materials as well as external and internal maintenance services. Costs for building modernization that cannot be capitalized are immaterial and are not reported separately.

The ratio's numerator covers those expenses for fiscal year 2024 that relate to taxonomy-eligible or taxonomy-aligned activities. The denominator covers all non-capitalizable expenses for research, development and maintenance.

TAXONOMY-ELIGIBLE ACTIVITIES

With regard to the environmental objectives "climate change mitigation" and "climate change adaptation," the Taxonomy Regulation covers activities of selected economic sectors that have the greatest potential for helping to significantly reduce greenhouse gas emissions. These activities are described as "taxonomy-eligible." With regard to the "climate change mitigation" objective, the chemical industry is a "transformative industry" because, among other things, basic chemicals and plastics that are produced in very large quantities are labeled as transitional activities. This means that the activities make a relevant contribution to the EU's greenhouse gas emissions and thus have significant reduction potential. LANXESS's focus as a specialty chemicals company does not lie on the production of products (or economic activities) that contribute significantly to greenhouse gas emissions. Therefore, only a small part of our portfolio is taxonomy-eligible.

In terms of the other four environmental objectives (the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems), the activities covered by the Taxonomy Regulation relate to the chemical industry only to a very limited extent. These are essentially activities that do not generate sales, such as remediation measures. In order to identify the taxonomy-eligible economic activities at LANXESS, we analyzed all economic activities at central level. The respective products and activities were assigned to the activity descriptions in the delegated acts on the climate objectives and the other four environmental objectives. The sales, operating and capital expenditures for the corresponding products and activities were able to be directly allocated to an economic activity. The data-gathering process likewise took place centrally on the basis of consolidated data. A unique category from the statistical classification of economic activities in the EU (NACE) is allocated to each product. No allocation keys are used. In addition, each capital expenditure and operating expenditure item is allocated to only a single economic activity. In this way, we ruled out the double counting of sales, capital expenditures and operational expenditures.

Economic activities that LANXESS classifies as taxonomy-eligible:

- CCM 3.17. "Manufacture of plastics in primary form": LANXESS produces high-quality plastics for a broad range of applications – from water treatment to the electrical/electronics industries.
- CCM 3.14. "Manufacture of other organic basic chemicals": This activity covers our adipic acid. It is a precursor that is in high demand in the plastics industry, for example, to produce polyamides or polyurethanes.
- CCM 3.4. "Manufacture of batteries": LANXESS produces components for battery manufacturing that are used in electric vehicles.

As well as the sales-generating activities, the following economic activities are also taxonomy-eligible:

- CCM 6.5. "Transport by motorbikes, passenger cars and light commercial vehicles"
- CCM 7.7. "Acquisition and ownership of buildings".

TAXONOMY-ALIGNED ACTIVITIES

Since fiscal year 2022, LANXESS has also been required to report on the taxonomy alignment of its economic activities. We analyze whether they make a substantial contribution to the achievement of one or more environmental objectives while doing no significant harm (DNSH) to other environmental objectives and also whether they provide the minimum social safeguards according to Article 18 of the Taxonomy Regulation. The 2023 review related only to the activities defined as part of the climate objectives. A compliance review is required for the first time in fiscal year 2024 for activities covered by environmental objectives three to six.

For fiscal year 2024, LANXESS examined activities classified as taxonomy-eligible to determine their taxonomy alignment based on the screening criteria described in the current legal acts. Analyses pertaining to taxonomy eligibility and alignment are carried out annually.

The business activities of LANXESS contribute exclusively to the environmental objective climate change mitigation. With regard to the second environmental objective, climate change adaptation, we do not disclose any taxonomy-eligible activities because we do not generate any sales from enabling activities in this regard. No separate capital expenditure or operating expenditure was identified in the reporting year that is attributable to projects that contribute to climate change adaptation.

In fiscal year 2023, LANXESS reported the following economic activities as taxonomy-aligned:

- CCM 3.4. "Manufacture of batteries": At its Leverkusen site, LANXESS manufactures components for batteries that are mainly used for electric cars.
- CCM 3.17. "Manufacture of plastics in primary form": As part of this, LANXESS produces plastics at the Leverkusen site for which green caustic soda is used.

Due to an amended interpretation of the criteria for a substantial contribution to at least one environmental objective, LANXESS reports the economic activity CCM 3.17. in fiscal year 2024 as taxonomy-eligible only. We did not provide the full verifications of the fulfillment of all DNSH criteria for the economic activity CCM 3.4. because their share of sales is immaterial at 0.2%. The economic activity CCM 3.4. therefore is only reported as taxonomy-eligible as well.

Furthermore, LANXESS makes a contribution to climate change mitigation by reducing its carbon footprint through the use of green caustic soda in the production of plastics at the Leverkusen site and the production of battery components for electric cars.

The capital expenditure for a water treatment plant in Leverkusen in fiscal year 2023 in connection with activity CCM 5.4 (renewal of water collection, treatment and supply systems), which was reported as taxonomy-aligned and led to significant energy savings, no longer applies in 2024 as the project has been completed.

RESULTS

Sales

In fiscal year 2024, LANXESS generated 8.3% of its external sales with products allocable to taxonomy-eligible activities. The remaining 91.7% of sales relate to products that are not included in the taxonomy's activity categories. There were no material changes in the share of taxonomy-eligible sales compared with 2023. The sales result from production, the company's main business activity.

As LANXESS's taxonomy-eligible sales result exclusively from production, the company's main business activity, we disclose the figures at Group level and do not otherwise present them in clusters. In the reporting year, LANXESS generated total sales of €529 million classified as taxonomy-eligible.

Capital expenditures

The share of taxonomy-eligible capital expenditures in the fiscal year was 8.9%. The capital expenditures were attributable to additions from property, plant and equipment, internally generated intangible assets and capitalized right-of-use assets. Capital expenditures were lower than in the previous year due to reduced capital expenditures for buildings. The share of taxonomy-non-eligible activities in our capital expenditures was 91.1%.

Operational expenditures

In the reporting year, the share of operational expenditures for taxonomy-eligible products amounted to 10.1% of the total operating expenditures. Therefore, the share of taxonomy-non-eligible operating expenditures is 89.9%. Operating expenditure comprised expenses for maintenance measures and for research and development.

Sales

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ("do no significant harm") (h)									
Economic Activities (1)	**Code (a) (2)**	**Sales (3)**	**Proportion of Sales 2024 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Sales 2023 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Sales of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**€0**	**0.0%**	**0.0%**	N/EL	N/EL	N/EL	N/EL	N/EL	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.0%**		
of which Enabling		€0	0.0%	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	
of which Transitional		€0	0.0%	0.0%													0.0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
3.4. Manufacture of batteries	CCM 3.4.	€14,980,996	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
3.14. Manufacture of other organic basic chemicals	CCM 3.14.	€54,297,311	0.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.8%		
3.17. Manufacture of plastics in primary form	CCM 3.17.	€459,345,627	7.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7.1%		
Sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**€528,623,934**	**8.3%**	**8.3%**													**8.2%**		
A. Sales of Taxonomy-eligible activities (A.1 + A.2)		**€528,623,934**	**8.3%**	**8.3%**													**8.2%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Sales of Taxonomy-non-eligible activities		**€5,837,376,066**	**91.7%**																
Total		**€6,366,000,000**	**100%**																

Proportion of Sales/Total Sales

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	8.3%
CCA	–	–
WTR	–	–
PPC	–	–
CE	–	–
BIO	–	–

Gas and nuclear activities are not relevant for LANXESS.
Due to an amended interpretation of the criteria for a substantial contribution to at least one environmental objective, LANXESS reports the economic activity CCM 3.17. as taxonomy-eligible only.
Full verifications of the fulfillment of all DNSH criteria for the economic activity CCM 3.4. were not provided because their share of sales is immaterial at 0.2%.

Y Yes: activity is taxonomy-eligible and taxonomy-aligned with the relevant environmental objective
N No, activity is taxonomy-eligible but not taxonomy-aligned with the relevant environmental objective
EL Activity is eligible for the relevant environmental objective
N/EL Activity is not eligible for the relevant environmental objective

CapEx

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ("do no significant harm") (h)									
Economic Activities (1)	Code (a) (2)	CapEx (3)	Proportion of CapEx 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
5.4. Renewal of water collection, treatment and supply systems	CCM 5.4.	€0	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**€0**	**0.0%**	**0.0%**	N/EL	N/EL	N/EL	N/EL	N/EL	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.1%**		
of which Enabling		€0	0.0%	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	
of which Transitional		€0	0.0%	0.0%													0.0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
3.4. Manufacture of batteries	CCM 3.4.	€0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
3.14. Manufacture of other organic basic chemicals	CCM 3.14.	€2,636,182	0.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.6%		
3.17. Manufacture of plastics in primary form	CCM 3.17.	€15,041,395	4.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.6%		
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	€3,567,730	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.4%		
7.7 Acquisition and ownership of buildings	CCM 7.7.	€11,533,479	3.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5.4%		
2.4. Remediation of contaminated sites and areas	PPC 2.4.	€0	0.0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.6%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**€32,778,786**	**8.9%**	**8.9%**			**0.0%**										**12.6%**		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		**€32,778,786**	**8.9%**	**8.9%**			**0.0%**										**12.7%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**€334,311,024**	**91.1%**																
Total		**€367,089,810**	**100%**																

Proportion of CapEx/Total CapEx

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	8.9%
CCA	–	–
WTR	–	–
PPC	–	0.0%
CE	–	–
BIO	–	–

Gas and nuclear activities are not relevant for LANXESS.
Due to an amended interpretation of the assessment criteria, LANXESS does not report any taxonomy-aligned CapEx for the economic activity 3.17.
Other changes compared with the previous year arise from capital expenditure projects that fall under the economic activities CCM 3.4 and CCM 5.4, were completed in 2023.

Y Yes: activity is taxonomy-eligible and taxonomy-aligned with the relevant environmental objective
N No, activity is taxonomy-eligible but not taxonomy-aligned with the relevant environmental objective
EL Activity is eligible for the relevant environmental objective
N/EL Activity is not eligible for the relevant environmental objective

OpEx

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria (“do no significant harm”) (h)									
Economic Activities (1)	**Code (a) (2)**	**OpEx (3)**	**Proportion of OpEx 2024 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx 2023 (18)**	**Category enabling activity (19)**	**Category transitional activity (20)**
		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**€0**	**0.0%**	**0.0%**	N/EL	N/EL	N/EL	N/EL	N/EL	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.0%**		
of which Enabling		€0	0.0%	0.0%	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	
of which Transitional		€0	0.0%	0.0%													0.0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
3.14. Manufacture of other organic basic chemicals	CCM 3.14.	€3,420,499	0.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.8%		
3.17. Manufacture of plastics in primary form	CCM 3.17.	€32,110,331	8.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7.8%		
7.7. Acquisition and ownership of buildings	CCM 7.7.	€3,829,813	1.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.1%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**€39,360,643**	**10.1%**	**10.1%**													**9.7%**		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		**€39,360,643**	**10.1%**	**10.1%**													**9.7%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**€350,773,634**	**89.9%**																
Total		**€390,134,277**	**100%**																

Proportion of OpEx/Total OpEx

	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	0.0%	10.1%
CCA	–	–
WTR	–	–
PPC	–	–
CE	–	–
BIO	–	–

Gas and nuclear activities are not relevant for LANXESS.
Due to an amended interpretation of the assessment criteria, LANXESS does not report any taxonomy-aligned OpEx.

Y Yes: activity is taxonomy-eligible and taxonomy-aligned with the relevant environmental objective
N No, activity is taxonomy-eligible but not taxonomy-aligned with the relevant environmental objective
EL Activity is eligible for the relevant environmental objective
N/EL Activity is not eligible for the relevant environmental objective

Gas and nuclear activity

Line	Nuclear energy activities	
1.	The company is active in the research, development, demonstration and use of innovative power generation plants that produce energy from nuclear processes with minimum waste from the fuel cycle, finances such activities or holds risk positions in connection with these activities.	NO
2.	The company is active in the construction and safe operation of new nuclear energy plants for the production of electricity or process heat – including for the supply of districting heating or industrial processes such as hydrogen production – and in their safety-related improvement using the best available technologies, finances such activities or holds risk positions in connection with these activities.	NO
3.	The company is active in the safe operation of existing nuclear energy plants for the production of electricity or process heat – including for the supply of districting heating or industrial processes such as hydrogen production – and in their safety-related improvement, finances such activities or holds risk positions in connection with these activities.	NO
	Fossil gas activities	
4.	The company is active in the construction or operation of plants for the production of electricity from fossil gaseous fuels, finances such activities or holds risk positions in connection with these activities.	NO
5.	The company is active in the construction, modernization and operation of plants for combined heat/cooling and power processes using fossil gaseous fuels, finances such activities or holds risk positions in connection with these activities.	NO
6.	The company is active in the construction, modernization and operation of plants for heat generation that produce heat/cooling from fossil gaseous fuels, finances such activities or holds risk positions in connection with these activities.	NO

ESRS E1 CLIMATE CHANGE

The material impacts, risks and opportunities (IROs) of LANXESS were identified through the double materiality assessment. These IROs are shown in the following table and allocated to the associated policies, actions and targets.

Material Impacts, Risks and Opportunities Related to Climate Change

							Policies				
Impacts, risks and opportunities[1]	**actual/ potential**	**negative/ positive**	**Value chain**	**Time horizon**	**Targets**	**Actions**	**LANXESS Corporate Policy**	**Systematic Energy Management**	**Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS**	**Environmental Protection Management**	**"Climate" Background Paper**
CLIMATE PROTECTION AND ENERGY CONSUMPTION											
I1: Impact Greenhouse gas emissions (Scope 1 and Scope 2)	actual	negative	Own operations	< 1 year	Climate neutrality for the entire Group by 2040 42% reduction of Scope 1 and 2 emissions by 2030 (base year 2021)	Climate Neutral 2040 strategy (Scope 1 and 2)	×		×	×	×
I2: Impact Greenhouse gas emissions (Scope 3)	actual	negative	Upstream value chain, Downstream value chain	< 1 year	Climate neutrality for the value chain by 2050 25% reduction of Scope 3 emissions by 2030 (base year 2021)	Net Zero Value Chain strategy (Scope 3)			×		×
I3: Impact Energy consumption	actual	negative	Own operations	< 1 year	Climate neutrality for the entire Group by 2040 42% reduction of Scope 1 and 2 emissions by 2030 (base year 2021)	Climate Neutral 2040 strategy (Scope 1 and 2)	×	×	×		×
I4: Impact Energy consumption for the provision of raw materials and intermediates	actual	negative	Upstream value chain	< 1 year	Climate neutrality for the value chain by 2050 25% reduction of Scope 3 emissions by 2030 (base year 2021)	Net Zero Value Chain strategy (Scope 3)					×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material Impacts, Risks and Opportunities Related to Climate Change

							Policies				
Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	LANXESS Corporate Policy	Systematic Energy Management	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Environmental Protection Management	"Climate" Background Paper
O5: **Opportunity** Increased demand for climate-friendly products			△ ▀ ▽	▷▷▶▷	Climate neutrality for the value chain by 2050 25% reduction of Scope 3 emissions by 2030 (base year 2021)	Net Zero Value Chain strategy (Scope 3)	×				×
CLIMATE CHANGE ADAPTATION											
R6: **Risk** Physical climate risks Flooding and heavy precipitation			△ ▀ ▽	▷▷▷▶							×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- ▲ Upstream value chain
- ▀ Own operations
- ▼ Downstream value chain

Time horizon
- ▶▷▷▷ < 1 year (short term)
- ▷▶▷▷ 1 – 5 years (medium term)
- ▷▷▶▷ 6 – 10 years (long term)
- ▷▷▷▶ > 10 years (long term)

With the Paris Climate Agreement, the international community committed to limiting global warming ideally to 1.5°C above the pre-industrial level.

LANXESS records its Scope 1 and Scope 2 emissions, reports transparently on them and has defined science-based reduction targets in compliance with the Science Based Targets initiative (SBTi). Actions are also implemented to reduce our emissions to net zero by 2040. Furthermore, LANXESS calculates, reports and manages emissions that occur in the upstream and downstream value chain (Scope 3 emissions). There is an ambitious reduction target for these emissions as well: net zero by 2050.

In a world impacted by climate change, LANXESS assesses both physical and transitional climate risks for its production sites to identify any potential risks at an early stage and take precautions if necessary.

E1 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

Energy consumption and greenhouse gas emissions

This section deals with the impacts I1 to I4. In line with the chemical industry as a whole, also LANXESS consumes energy in order to produce its products. Like the use of resources, this energy consumption has negative environmental impacts when energy production results in greenhouse gas emissions and air pollutants. LANXESS is aware that its own production and energy supply (Scope 1 and 2) and the upstream and downstream value chain (Scope 3) currently contribute to global greenhouse gas emissions and is actively working to reduce these emissions through targeted actions and innovations. By implementing its climate strategy with the "Climate Neutral 2040" and "Net Zero Value Chain 2050" initiatives, the company counteracts the negative impacts through emissions reduction (see section "E1-3 – Actions and Resources in Relation to Climate Change Policies" in the chapter "E1 Climate Change"). The climate strategy also involves energy efficiency projects and the further development of the energy management system to reduce energy consumption and emissions. Energy management systems help to reduce negative environmental impacts by contributing to both a reduction in total energy consumption and the increased alignment of the energy mix toward low-carbon or non-fossil energy sources. The optimization of energy consumption not only reduces negative environmental impacts, but also improves economic efficiency. LANXESS emphasizes a cost-efficient and reliable energy supply, whereby the standardized management of energy procurement and consumption are of crucial importance. Globally, we base our actions on the international standards ISO 9001 and ISO 14001 for quality and environmental management and on ISO 50001 for energy management in Germany and Belgium. In this way, LANXESS strategically integrates this issue into all its business processes in a standardized manner.

Climate-friendly products

This section deals with opportunity O5. "Sustainable chemistry" is a key to limiting climate change. It encompasses various aspects such as reducing the use of hazardous chemicals or lowering the carbon footprint of chemical products. One opportunity identified by LANXESS in this context is rising demand for sustainable chemicals with a smaller carbon footprint than conventional alternatives. LANXESS develops sustainable product alternatives under the label Scopeblue®[1]. With climate-friendly and circular products from our Scopeblue® series, we are steadily evolving our portfolio and will also do so in the future to reduce raw material input and the size of our product carbon footprint (PCF). The Scopeblue® product range clearly shows how our own production activities and those in the value chain go hand in hand to improve the carbon footprint of our products. LANXESS has identified a time horizon of six to ten years for the realization of this opportunity and the increase in sales of Scopeblue® products.

1) See criteria for Scopeblue® products in section "E5 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" of the chapter "ESRS E5 – Resource Use and Circular Economy."

Physical climate risks

This section deals with risk R6. Physical climate risks can lead to material financial risks at the global sites of LANXESS due to changes in the climate and their consequences. The materialization of physical climate risks can lead to production interruptions or infrastructure damage, which is consequently associated with a financial risk within our own activities. The analysis of the physical climate risks for the long-term period until 2050 found that we regard flooding and heavy precipitation as material risks for our operations. Within the scope of our risk management, we continuously monitor potential risks and implement targeted actions to minimize them where needed. Risks of this type are currently covered by insurance.

Resilience analysis

LANXESS used the assessments of the physical and transitional climate risks undertaken during the scenario analysis (see section "E1 IRO-1 – Description of the Processes to Identify and Assess Material Climate-Related Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures",) as a basis for a resilience analysis.

With the resilience analysis, we review how resilient the strategies and business model of LANXESS are with regard to the impacts of climate change and describe how we manage them. We conducted this analysis once again in 2024. The analysis was based on the same assumptions as the climate scenario analysis (see section "IRO-1 – Description of the Processes to Identify and Assess Material Impacts, Risks and Opportunities" in the chapter "ESRS 2 General Disclosures").

The focus as regards the transitional risks lies particularly on the development of carbon pricing in the countries in which LANXESS operates. This centers around the prices per emitted metric ton of CO_2 and the introduction, tightening, amendment or discontinuation of carbon pricing systems at the global level. LANXESS compares its own global Scope 1 and Scope 2 carbon emissions with the existing carbon pricing systems. For emissions that are currently not subject to pricing, LANXESS uses the carbon prices forecast by the International Energy Agency (IEA) for 2030. Here LANXESS takes into account the "Stated Policies," "Announced Pledges" and "Net Zero Emissions by 2050" scenarios. The critical assumptions as to how the transition to a lower-carbon and more resilient economy impact the surrounding macroeconomic trends, energy consumption and the energy mix, and the technology deployment assumptions are described there and were not amended by LANXESS. The scenario analysis encompasses all global sites and assesses risks on a short-, medium and long-term basis (until 2030 and 2050). The analysis of the transitional risks did not yield any material risks that exceeded the materiality thresholds of the materiality assessment.

The physical climate risk analysis includes both short-term and long-term physical risks for the sites of LANXESS to obtain a comprehensive picture of the potential challenges. Our value chain was not included in the analysis due to its complexity. The time horizon until 2050 was selected for the assessment of long-term climate risks, whereby the SSP5-8.5 scenario of the IPCC (Intergovernmental Panel on Climate Change) was applied. This scenario forecasts a global temperature increase of more than 4°C by 2100, which leads to significant physical climate risks. SSP5-8.5 thus represents the most serious potential climate impacts among the possible development paths. The analysis identified the climate-related physical risks flooding and heavy precipitation as material risks for the evaluated LANXESS sites worldwide. The results of this analysis also help LANXESS to identify, assess and mitigate physical climate-related risks at the sites and adapt the company to current and future climate risks.

Uncertainties associated with the resilience analysis include the future development of carbon pricing, political measures to reduce emissions, technological breakthroughs and market conditions. These factors are taken into account in the definition of the LANXESS strategy and in capital expenditure decisions. Within the scope of its sustainability strategy, LANXESS has comprehensively analyzed the impacts of its greenhouse gas emissions and defined clear reduction targets (see section "E1-4 – Targets Related to Climate Change Mitigation and Adaptation" in the chapter "ESRS E1 Climate Change"). In this way, LANXESS addresses the identified risks of climate change and actively helps to mitigate its causes. Current and planned mitigation actions such as energy efficiency programs and the intensified use of renewable energies are aimed at strengthening resilience and addressing the risks of climate change. LANXESS has thus taken actions to adapt its strategy and business model in the short and medium term if necessary. That includes adapting the time schedules and priorities for climate protection initiatives such as energy efficiency programs through the ongoing refinement of the Climate Transition Plan, the expanded sourcing of climate-neutral energies and emissions reduction at the company level.

To counter the financial risks climate change presents for the company, LANXESS focuses on financial hedging measures such as the conclusion of suitable insurance coverage to safeguard against damage through climate-related events. Although short-term climate risks are covered by insurance, we cannot make any statements about future coverage (e.g. 2050) as such coverage depends on continuously changing external framework conditions. LANXESS also adapts its strategies to regulatory and market-driven changes where necessary. The Stakeholder Expectations and Reporting Standards and the Value Chain Circularity and Product Stewardship subcommittees are especially but not exclusively responsible for monitoring and processing market-related and regulatory conditions, and present them to the Sustainability Committee for a decision if needed. These actions strengthen LANXESS's ability to avoid and specifically mitigate potential risks at an early stage, which ensures the company's resilience in a rapidly changing environment.

Due to our diversified product range and global market presence, LANXESS is less dependent on developments in specific regions or segments. This diversification enables LANXESS to react flexibly to external challenges and safeguard its long-term resilience. The climate risk analysis integrates carbon pricing into the business plans in order to effectively mitigate risks and set strategic priorities in carbon reduction. LANXESS lastingly strengthens the resilience of its business model by identifying especially at-risk regions and developing suitable actions.

LANXESS also assesses its climate risks through the risk-bearing capacity analysis (see chapter "Opportunity and Risk Report"). Based on the current findings of the risk management process, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that could jeopardize the continued existence of LANXESS.

E1-2 – Policies Related to Climate Change Mitigation and Adaptation

All general information on our policies according to ESRS 2.65 is provided in section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

Internal directives

The Recording and Reporting of HSE Performance Data and Performance Indicators within LANXESS directive ensures the systematic capture and availability of reliable health, safety and environment (HSE) performance data and performance indicators for the organizations and executive management of LANXESS based on the business units at each site. It comprises, for example, process descriptions for collecting data and obtaining climate-change- and energy-relevant metrics, and defines the responsibilities of the individual organizational units. The directive was produced on the basis of the Global Reporting Initiative (GRI) 300 and with the participation of the affected business units and Group functions.

The Systematic Energy Management directive describes the minimum standards for energy management at LANXESS and the processes for ensuring energy and economic efficiency, which contribute to the company's sustainable development worldwide. This helps us to identify and assess efficiency potential and the implementation of energy efficiency measures. In this way, LANXESS implements the requirements of the ISO 50001:2018 standard for energy management systems together with the processes and structures of the integrated management system.

The Environmental Protection Management directive describes the environmental protection management system of LANXESS and the minimum requirements for the processes with which the fulfillment of the environmental protection targets throughout the Group is lastingly ensured worldwide. Environmental protection management is geared toward meeting statutory requirements, preventing environmental incidents and minimizing the impacts when an incident occurs. The Environmental Protection Management directive is in place to ensure the implementation of the requirements of the ISO 14001 standard. The aim is to improve the company's environmental performance. In addition to the careful handling of waste and emissions, environmental protection management at LANXESS is aimed at minimizing waste and the emission of pollutants.

Corporate policy

In the LANXESS Corporate Policy directive, LANXESS commits to pursuing both climate protection targets and the objective of decoupling organic growth from energy consumption by continuously improving energy efficiency.

Background papers

In its "Climate" Background Paper, LANXESS has defined its climate strategy and greenhouse gas management both within the company and along the upstream and downstream value chain. In this paper, LANXESS refers to requirements such as the TCFD, the Greenhouse Gas Protocol, the SBTi, the Paris Climate Agreement, the Sustainable Development Goals (SDGs), as well as ISO 50001 and the ISCC (International Sustainability and Carbon Certification). The paper describes the net zero climate protection targets for Scope 1 and 2 by 2040 and for Scope 3 by 2050. It also describes LANXESS's commitment to developing together with its customers the chemical products needed to better adapt to climate change and mitigate its consequences. It explains the need to make production processes more efficient and to more rapidly transition to renewable energies. The strategy for a climate-neutral value chain highlights the importance of sustainable raw materials and climate-neutral products, with recycling in particular playing a supporting role. The background paper also describes the approach to dealing with physical and transitional climate risks.

E1-3 – Actions and Resources in Relation to Climate Change Policies

Initiatives for our journey to climate neutrality

"Climate Neutral 2040" (Scope 1 + 2)

- Implement climate protection projects that generate major reductions.
- Decouple growth and emissions.
- Strengthen process and technological innovations.
- Offset remaining emissions.

"Net Zero Value Chain" (Scope 3)

- Purchase sustainable raw materials.
- Transition to green logistics.
- Offer more climate-neutral products and solutions with a lower carbon footprint.

"Climate Neutral 2040" (Scope 1 and Scope 2): clear strategy for reducing emissions

Through a clear strategy and targeted climate protection projects, LANXESS wants to transition its own operations to climate neutrality by 2040, thus focusing on Scope 1 and Scope 2 emissions. To achieve its objective, LANXESS is concentrating on three defossilization levers for Scope 1 and Scope 2 emissions and developing targeted actions and projects to effectively implement its goals and fulfill its strategic requirements. There were no individual actions in the 2024 reporting year with significant (> €3 million) capital or operating expenditures. In the 2024 reporting year, LANXESS began to further refine its climate strategy with a Climate Transition Plan. The refined plan is scheduled to be completed by LANXESS in 2025, and will help the company to further optimize the sequence and type of its actions. In addition, the Climate Transition Plan makes it possible to more accurately assess costs, optimize the planning of budgets that will be necessary in the future and allocate them to the individual defossilization levers. This will enable even better management and more targeted tracking of emissions reduction. We expected greenhouse gas emissions in the 2024 reporting year to be at or above the level of the previous year due to the improving economic situation and the associated increase in production volumes, and therefore did not anticipate visible effects from the defossilization levers. That was indeed the case, as Scope 1 and Scope 2 emissions were above the levels of the previous year.

Defossilization lever 1: implement climate protection projects that generate major reductions

LANXESS places a priority on strategic and technical projects with a major impact on emissions. The company prioritizes projects that reduce the CO_2e emissions particularly rapidly and have a positive impact on the business. For example, LANXESS is working to phase out coal as an energy source. In this connection, LANXESS is converting its energy supply at the Indian production sites to a mix of biomass and solar energy, which is expected to reduce CO_2e emissions by 150,000 metric tons annually. The degree of conversion for example at the site in Nagda, India, had reached over 80% already by the reporting date. Direct land use change (LUC) and indirect land use change (iLUC) emissions currently are not taken into account. In the reporting year, LANXESS also expanded the share of low-carbon energy we source from suppliers at production sites around the world (such as El Dorado, United States). Implementation of the actions depends on whether sufficient resources will be available to implement these climate protection projects. At our three major network sites in Leverkusen, Dormagen and Krefeld-Uerdingen, Germany, the conversion from coal to gas depends on the implementation of projects by our chemical park operator Currenta. We expect to be able to reduce the Scope 2 emissions and about half of the Scope 1 emissions earmarked for reduction with this defossilization lever.

Defossilization lever 2: decouple growth and emissions

LANXESS strives to reduce emissions of greenhouse gases in its individual business units independently of production volumes. In addition to technological efficiency, changed management instruments play a significant role in growth projects: a company's carbon footprint is becoming an investment criterion that impacts organic growth and acquisitions. As a result, business units that reduce their greenhouse gas emissions above average have a direct financial advantage in the allocation of capital expenditure budgets. The basic objective of reducing greenhouse gas emissions is also accounted for in the compensation system for the Board of Management. The reduction of CO_2e emissions from internal processes and from purchased energy (Scope 1 and 2) is included in the Sustainability Performance Plan (SPP) as a performance criterion for long-term variable compensation. The assessment period is four years. Derived from the interim target for 2030, a target of 1,700 thousand metric tons was established in fiscal year 2024 for attainment in 2027. In fiscal year 2024, the variable compensation expense attributable to the SPP amounted to 32% of total compensation expenses for the members of the Board of Management. Climate-related performance criteria are not taken into account in the compensation components of the compensation of the members of the Supervisory Board. The ability to implement the actions depends particularly on the availability of funds and manpower to drive forward product development, energy efficiency and the conversion to green energies. We expect that with this defossilization lever, mainly through energy efficiency programs, we can fully offset the increase in Scope 1 and Scope 2 emissions due to growth in volumes.

Defossilization lever 3: strengthen process and technological innovations

To become climate-neutral by 2040, LANXESS is revising existing production processes and plans to further improve its network structures, e.g. when it comes to heat exchange between plants and air purification. Technological efficiency measures – such as the recycling of waste heat, the replacement of machinery (such as motors) through more energy-efficient equipment or the insulation of plants and buildings – are aimed at achieving lower energy consumption and thus reducing the associated emissions. However, further procedures must first be developed on a large industrial scale. We therefore plan to focus our research activities more closely on climate-neutral process and technological innovation. The ability to implement the actions depends particularly on the availability of resources to fund product and process development. We expect that we can reduce about half of Scope 1 emissions with this defossilization lever.

With these actions, LANXESS aims to reduce its annual emissions to 220 thousand metric tons of CO_2e by 2040. LANXESS plans to offset the residual emissions through compensation measures. Due to the complex situation in the compensation market, we have not yet chosen a business partner or action, but plan to evaluate the options. In this way, we will contribute to climate protection in the coming years.

“Net Zero Value Chain” (Scope 3): clear strategy to lower indirect emissions

LANXESS established the “Net Zero Value Chain” strategy already in 2022 to lower indirect emissions from the entire value chain (Scope 3). These emissions, for example from purchased raw materials or generated in logistics and when producing end products, are to be cut to 11.0 million metric tons of CO_2e by 2030. This corresponds to a 25% reduction compared with the base year 2021 (14.745 million metric tons). It is also planned to reduce indirect emissions in the entire value chain (Scope 3) to net zero by 2050. Specifically, this means that LANXESS plans to achieve a 90% reduction in absolute Scope 3 greenhouse gas emission by 2050 relative to the base year 2021. The remaining 10% will be compensated through actions such as offsetting and investment in permanent carbon removal. There were no individual actions in the 2024 reporting year with significant (> €3 million) capital or operating expenditures. LANXESS is focusing on three different defossilization levers to attain its Scope 3 target:

Defossilization lever 4: sustainable raw materials

LANXESS is adjusting its raw materials purchasing and is increasingly sourcing sustainable raw materials that are bio-based, originate from a recycling process or are produced with renewable energy. Current examples include BAYFERROX® iron oxide pigments, which are made of more than 90% recycled raw materials, or ion exchange resins made partly of sustainable raw materials in accordance with the mass balance approach. Implementation of the actions depends on whether we and our customers have adequate resources to bear the higher price level for environmentally friendly raw materials and promote partnerships for sustainable raw materials. We expect that with this defossilization lever, we can significantly reduce Scope 3 emissions in the categories 1 (Purchased Goods and Services), 5 (Waste Generated in Operations), 11 (Use of Sold Products) and 12 (End-of-Life Treatment of Sold Products) compared with the base year of the associated target, and thus attain our Scope 3 targets. We had already reduced CO_2e emissions by 3,726 thousand metric tons in the affected categories by the reporting date compared with the base year 2021.

Defossilization lever 5: green logistics

LANXESS uses various modes of transport to ship its products. Here the company gives greater weighting to the carbon footprint of modes of transportation than before. In this connection, LANXESS also strives to use innovative solutions such as “green” lake and ocean logistics with sustainable drive types. An additional aim is to improve freight capacity utilization, optimize cooperation between different carriers and reduce transport requirements through improved logistics planning. The ability to implement the actions depends particularly on the availability of “green” transportation modes, funding and manpower to pay the price premium for green transportation. We expect that with this defossilization lever, we can significantly reduce Scope 3 transportation emissions in the categories 4 (Upstream Transportation and Distribution) and 9 (Downstream Transportation and Distribution) compared with the base year of the associated target, and thus attain our Scope 3 targets. We have reduced CO_2e emissions by 269 thousand metric tons so far.

Defossilization lever 6: climate-neutral products

LANXESS is expanding its range of Scopeblue® products and solutions with a small carbon footprint. Our calculations here are based on the ISO 14067 standard and the IPCC AR6 Report. These products have featured the Scopeblue® brand label since the fall of 2021. In the medium term, LANXESS plans to offer lower-emissions and climate-neutral variations of all its products. LANXESS strives to have an exclusively climate-neutral range of products based mainly on sustainable raw materials by 2050. The attained reduction therefore applies equally to the defossilization levers 4 and 6. CO_2e emissions had already been reduced by 3,726 thousand metric tons in the affected categories by the reporting date compared with the base year 2021. The ability to implement the actions depends particularly on the availability of climate-neutral raw materials, funding and manpower to pay the price premium and advance partnerships for climate-neutral products. We expect that with this defossilization lever, we can lower the residual Scope 3 emissions targeted for reduction.

E1-4 – Targets Related to Climate Change Mitigation and Adaptation

Within its climate neutrality strategy, LANXESS has established medium- and long-term climate targets for greenhouse gas management both within the company (Scope 1 and Scope 2 emissions) and along the upstream and downstream value chain (Scope 3 emissions). Through this package of targets for the reduction of greenhouse gases, we are preparing our strategy for the transition to a sustainable economy.

LANXESS's targets are oriented around the SBTi requirements to ensure compliance with the Paris Agreement and the 1.5°C path. This means the average global temperature should not be more than 1.5°C higher in 2100 than the average of the period 1850 until 1900. Our targets were most recently validated at the end of 2023. The SBTi-validated targets are identical to those described in this section "E1-4 – Targets Related to Climate Change Mitigation and Adaptation" of the chapter "E1 Climate Change". The validation of the LANXESS climate targets ensures the broad approval of our stakeholders and underscores our ambitions and the credibility of our targets. Our investors and a number of our customers in particular have demanded scientifically sound climate targets.

The SBTi is a collaboration between the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute (WRI) and the WWF. The SBTi validates climate targets on the basis of the most recent scientific fundamentals with regard to their conformity with the 1.5°C path of the Paris Agreement. LANXESS's climate targets are oriented around the general path of the SBTi, whereby all targets are validated by the SBTi and based on the cross-sector emissions paths of the IPCC, which serve as the foundation for the SBTi methodology and are therefore based on acknowledged scientific findings. The methodology is regularly revised and adapted to new findings on the progression of climate change. This applies particularly to the forward-looking emission paths, which are designed to ensure the attainment of the 1.5°C target. The ambition level of these paths and thus also of our targets (through new validations) is regularly reviewed and adjusted if necessary to ensure 1.5°C conformity. The specific defossilization path for the chemical industry is currently being developed by a group of experts in cooperation with the SBTi. LANXESS also participates in this expert advisory group and actively supports the development of the reduction paths.

The scenario analysis took into consideration, for example, scenarios pertaining to the limitation of global warming to 1.5°C and 2°C. According to the SBTi methodology, targets must be adjusted as soon as the underlying baseline changes by more than 5%. Contributing the High Performance Materials business unit to Envalior necessitated an adjustment that LANXESS made in 2023. The figures for 2021 were adjusted to the current portfolio – in other words, the High Performance Materials business unit was excluded while the acquisitions of the Microbial Control business of U.S. company International Flavors & Fragrances Inc. and of Emerald Kalama Chemical were taken into account. Accordingly, the targets for Scope 1, Scope 2 and Scope 3 were updated in line with the adjusted base year 2021, which led especially to a reduction of the target value of 2030. The fundamental logic of the targets remains unchanged and there have been no significant changes to the strategy. The emissions measurement methodology was not amended, and the targets are regularly reviewed. Should portfolio changes lead to shifts of more than 5% in emissions of the base year, the base year and targets are adjusted accordingly.

Changes in the sales volume are included in the absolute targets. As LANXESS has several thousand products that are frequently used in numerous end applications, changes in supply and demand as well as in regulatory requirements will of course occur in many areas that cannot currently be fully estimated due to their large number. These effects are accounted for in LANXESS's targets without any restrictions and are offset by reduction measures if necessary.

The net zero targets consist of a 90% reduction in emissions and the subsequent compensation of the remaining 10% (relative to the base year 2021). The base year data for the targets are updated at least every five years according to the SBTi guidelines. The base year 2021 is representative for LANXESS with a plant capacity utilization rate normal for the chemical industry. The 2021 emissions were not further modified. Scope 2 emissions are calculated according to the market-based approach, and the target thresholds fully cover all reported greenhouse gas emissions in Scopes 1, 2 and 3 without deviating from the values published in the Annual Report.

The Sustainability Committee is responsible for climate- and energy-related matters. The Climate & Energy subcommittee is responsible for Scope 1 and Scope 2 targets, while the Value Chain Circularity & Product Stewardship committee is responsible for Scope 3 targets. The subcommittees prepare decisions and then forward these for approval to the Sustainability Committee, on which all members of the Board of Management are represented. All targets were approved by the Sustainability Committee and the Board of Management of LANXESS and are reviewed annually by the respective subcommittees to gauge their progress so that targeted adjustments to the actions can be made if needed. The Scope 1, Scope 2 and Scope 3 targets pertain to 100% of the numbers published in the Annual Report. In Scope 3, we report the values for all categories apart from Category 10, as the intermediates of LANXESS can be used for numerous applications with various GHG emissions profiles, which rules out a meaningful derivation of values.

LANXESS monitors the attainment of its climate targets using its environmental metrics. The underlying data for the Scope 1, Scope 2 and Scope 3 targets are shown in the tables contained in section "E1-6 – Gross Scopes 1, 2, 3 and Total GHG Emissions" in the chapter "ESRS E1 Climate Change". Information on the data collection frequency, underlying assumptions and applied methodology is given in the same section.

Climate Neutral 2040: climate neutrality for the entire Group

LANXESS aims to achieve Scope 1 and 2 climate neutrality by 2040. We have developed a clear strategy in this regard and already initiated major projects. With the target newly established in 2023, LANXESS is building on its existing, successful commitment to climate protection. The portfolio-adjusted figure of approximately 2,200 thousand metric tons of CO_2e from 2021 was established as a base value. Here we strive to reduce absolute Scope 1 and 2 emissions to 220 thousand metric tons of CO_2e by 2040, representing a 90% reduction relative to the base year. The remaining volume of no more than 220 thousand metric tons of CO_2e will be offset through compensation measures. We have decided to establish a joint target for Scopes 1 and 2 as a separate approach does not seem expedient.

Shifts between these scopes are possible – such as when emissions-reduced steam is not available at certain sites and we have to produce it ourselves. In this case, emissions would shift from Scope 2 to Scope 1. This depends on the further development of our processes and especially on the cost of climate-neutral solutions. We anticipate that our Scope 2 emissions will decline more significantly than our Scope 1 emissions by 2030, as many of our current measures are primarily targeted at reducing Scope 2. The share of emissions attributable to Scope 2 will likely have been reduced to nearly zero by 2040, as the remaining, unavoidable emissions will mainly be allocated to Scope 1. The targets comprise all emissions from our own operating activities in Scope 1 and 2. Within this assessment, Scope 2 emissions are calculated at LANXESS according to a market-based approach. To attain the target, LANXESS employs different defossilization levers (see section "E1-3 – Actions and Resources in Relation to Climate Change Policies" in the chapter "ESRS E1 Climate Change") and has established the following interim target:

Interim target for 2030: 42% reduction in CO_2e emissions relative to 2021

LANXESS has specified the absolute interim target of a 42% reduction in Scope 1 and Scope 2 CO_2e emissions to 1,300 thousand metric tons of CO_2e by 2030 relative to the base year 2021 (approximately 2,200 thousand metric tons of CO_2e). This figure is based on the emission paths of the Intergovernmental Panel on Climate Change (IPCC), which also serve as a basis for the SBTi methodology, and is thus scientifically established. The portfolio-adjusted figure of approximately 2,200 thousand metric tons of CO_2e from 2021 serves as a base value. The target applies for all operating activities worldwide within Scopes 1 and 2 and pertains exclusively to our own operating emissions. The base year 2021 and the target were adjusted and validated by the SBTi once again following the divestment of the High Performance Materials business unit. {Scope 1 and Scope 2 emissions in the 2024 reporting year amounted to 1,887 thousand metric tons of CO_2e.} We have therefore reduced our emissions by 14.2% since the base year 2021.

Net Zero Value Chain: climate neutrality for the value chain by 2050

LANXESS also strives to achieve net zero status in its entire value chain by 2050. The net zero target encompasses the reduction of Scope 3 emissions, which include all indirectly generated emissions – and especially those from purchased raw materials, logistics and the use and disposal of our end products. The target for climate neutrality in the entire value chain is measured in thousand metric tons of CO_2e. The portfolio-adjusted figure of 14,745 thousand metric tons CO_2e from 2021 was established as the base value. The scope of application comprises all Scope 3 emissions from our value chain worldwide. The target is in line with the requirements of the SBTi and conforms with the 1.5°C target of the Paris Agreement by reducing Scope 3 emissions in the upstream and downstream value chain to 1,475 thousand metric tons CO_2e by 2050, corresponding to a 90% reduction relative to the base year 2021. The target is based on the emission paths of the Intergovernmental Panel on Climate Change (IPCC), which also serve as a basis for the SBTi methodology, and is thus scientifically based. We have set the following interim target in order to achieve our target:

Interim target 2030: 25% reduction in Scope 3 CO_2e emissions relative to 2021

LANXESS's interim target for 2030, which also conforms with the SBTi methodology, supports the international climate goals by reducing Scope 3 emissions in the upstream and downstream value chain. The target aims for a reduction in absolute Scope 3 emissions to 11,000 thousand metric tons of CO_2e, corresponding to a 25% reduction relative to the base year. We strive to attain the target by 2030. The portfolio-adjusted figure of approximately 14,745 thousand metric tons CO_2e from 2021 serves as a starting value. The target is based on the emission paths of the Intergovernmental Panel on Climate Change (IPCC), which also serve as a basis for the SBTi methodology, and is thus scientifically based. The 2030 reduction target is based on a "well below 2°C" scenario and is validated by the SBTi.[1] The difference in the underlying scenarios compared with the target for 2050 results from the direct dependency of the reduction paths on participating partners in the value chain. A Scope 3 reduction compliant with the 1.5°C goal cannot be ensured at the global level through our sphere of influence but is expected due to increasing pressure to act by 2050. Scope 3 emissions in the 2024 reporting year amounted to 10,372 thousand metric tons of CO_2e. We have therefore reduced our emissions by 29.7% since the base year 2021.

1) The LANXESS 2030 Scope 3 reduction target is not compliant with the 1.5°C goal, but the 2050 Scope 3 reduction target is.

{E1-5 – Energy Consumption and Mix

Energy consumption, energy mix, energy production and energy intensity

in MWh	2024
Total energy consumption related to own operations	**8,312,779**
Total energy consumption from fossil sources	**7,270,199**
Fuel consumption from coal and coal products	29,885
Fuel consumption from crude oil and petroleum products	373,124
Fuel consumption from natural gas	2,236,977
Fuel consumption from other fossil sources	–
Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources	4,630,213
Share of non-renewable sources in total energy consumption (%)	87.5
Total energy consumption from nuclear sources	**117,051**
Share of nuclear sources in total energy consumption (%)	1.4
Total energy consumption from renewable sources	**925,529**
Fuel consumption from renewable sources (including biomass)	820,989
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	104,072
Consumption of self-generated non-fuel renewable energy	468
Share of renewable sources in total energy consumption (%)	11.1
Production of non-renewable energy	348,860
Production of energy from renewable sources	468
Energy intensity in connection with activities in high climate impact sectors (MWh/€ million)	1,306
Net revenue from activities in high climate impact sectors (€ million)	6,366
Net revenue from activities not taking place in high climate impact sectors (€ million)	–

Methodology description E1-5

To systematically record key data worldwide in the area of energy, LANXESS uses an electronic data-entry system that enables us to determine a comprehensive range of health, safety and environment (HSE) performance data for each business unit, site and plant. The information is collected on a quarterly basis, whereby it is possible to distinguish between measured, calculated and estimated values. The measurement methods are not validated by an external third party. Our reporting takes place on the basis that all our economic activities can be allocated to high climate impact sectors. Specific energy consumption is calculated as the ratio of net sales (in €) to total energy consumption (in MWh).

Energy consumption is determined for processes owned or controlled by the company; the same scope of validity as for Scope 1 and 2 greenhouse gas emissions is applied. The reports exclude raw materials and fuels that are not used for energy purposes. Energy data are uniformly stated in MWh (megawatt hours). Data available in units such as Million British Thermal Units (MMbtu) or weight and volume units are uniformly converted. The quantitative energy-related information refers to the upper heating value. We use the GHG Protocol method to convert this information into the lower heating value. We want to ensure all quantitative energy-related information is reported as final energy consumption, referring to the amount of energy the undertaking actually consumes. We strive to avoid the duplicate ascertainment of energy consumption, particularly in the case of self-generated energy. In chemical parks and network structures, internally passed on energy is not counted as "purchased." Waste heat from third parties is accounted for as "purchased" energy. Renewable hydrogen is reported as a renewable energy source, while non-renewable hydrogen is reported as energy from fossil fuels. Energy is reported as renewable if its origin can be verified through contracts or certificates (e.g. Guarantee of Origins). The calculation of energy intensity is based on the formula total energy consumption (Mwh)/net revenue (in €).}

E1-6 – Gross Scopes 1, 2, 3 and Total GHG Emissions

Greenhouse gas intensity in the LANXESS Group

in tons CO_2e/€ million	2024
Greenhouse gas intensity (location-based)	1,967
Greenhouse gas intensity (market-based)	1,926

Methodology description E1-6

LANXESS collects and reports Scope 3 data for all categories apart from Category 10. To systematically record greenhouse gas emissions, LANXESS uses an electronic data-entry system in the respective suitable process steps. In this context, information is collected on an annual basis, with a distinction made between measured, calculated and estimated values. The calculation of greenhouse gas emissions is site-based and comprises Scope 1, Scope 2 and Scope 3. LANXESS reports greenhouse gas emissions according to the requirements of the ESRS and in compliance with the Greenhouse Gas (GHG) Protocol Corporate Standards, utilizing the concept of financial and operational control.

Gross Scopes 1, 2, 3 and Total GHG emissions

	Retrospective		Milestones and target years		
in thousand metric tons CO_2e	Base year	2024	2030	2040	2050
{Scope 1 and Scope 2 GHG emissions					
Gross Scope 1 GHG emissions and market-based gross Scope 2 GHG emissions	2,203	1,887	1,300	220 (Net zero)	
Scope 1 GHG emissions					
Gross Scope 1 GHG emissions	939	854			
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)		45			
Scope 2 GHG emissions					
Location-based gross Scope 2 GHG emissions	1,514	1,296			
Market-based gross Scope 2 GHG emissions	1,264	1,033			}
Significant Scope 3 GHG emissions					
Total indirect gross (Scope 3) GHG emissions	14,745	10,372	11,000		1,475 (Net zero)
Cat. 1 Purchased goods and services	6,398	4,209			
Cat. 12 End-of-life treatment of sold products	6,161	4,880			
Share of Scope 3 GHG emissions based on primary data (%)		8			
Total GHG emissions					
Total GHG emissions (location-based)	**17,198**	**12,522**			
Total GHG emissions (market-based)	**16,948**	**12,259**	**12,300**	**220**	**1,475**

The measurement methods are not validated by an external third party. Total emissions were calculated according to established formulas, separated according to location- and market-based emissions, and include Scope 1 to Scope 3 emissions. Greenhouse gas intensity is calculated by dividing greenhouse gas emissions in metric tons of CO_2e by net revenue in euros. Greenhouse gas intensity describes the ratio of emissions to net sales. The net revenue on which the calculation is based corresponds to the item sales in the income statement of the consolidated financial statements of the LANXESS Group, which is stated in millions of euros. Scope 1 greenhouse gas emissions of 843 thousand metric tons CO_2e and Scope 2 greenhouse gas emissions of 981 thousand metric tons CO_2e were attributable to LANXESS AG and its fully consolidated subsidiaries. Scope 1 greenhouse gas emissions of 11 thousand metric tons CO_2e and Scope 2 greenhouse gas emissions of 52 thousand metric tons CO_2e were attributable to interests in companies such as associates, joint ventures and non-consolidated subsidiaries over which LANXESS AG exerts operational control.

{Biogenic Scope 1 emissions amounted to 279 thousand metric tons CO_2 in absolute terms in the 2024 reporting year and are disclosed separately from total Scope 1 emissions. We do not currently have any information on the relevant biogenic emissions volumes of our suppliers (Scope 2 emissions).} If this changes in the future, we will report these volumes separately. Biogenic emissions indirectly generated in the value chain amounted to 97 thousand metric tons CO_2 in absolute terms in the reporting year and are disclosed separately from total Scope 3 emissions.

Scope 1 emissions are reported according to consistent factors of IPCC (Intergovernmental Panel on Climate Change) Assessment Report 6. They are calculated with GWP (global warming potential) factors on the basis of a 100 years time horizon. All seven relevant greenhouse gases (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3) are recorded.

Scope 2 emissions are calculated according to the location-based method based on indirect energy consumption. Whenever possible, we use factors from local authorities or – if these are not available – apply factors from the International Energy Agency (IEA). In addition to indirect energy consumption, the respective energy providers' factors are used for the calculation according to the "market-based" method. Contractual instruments with "green" attributes in the 2024 reporting year accounted for a 1.3% share of total energy consumption.

Scope 3 emissions are calculated on the basis of data from the LANXESS enterprise resource planning system (SAP) or HSE data, supplemented with factors from the Carbon Minds database, the GABI database or the tables of the U.K. Department for Environment, Food & Rural Affairs (DEFRA). Based on the Scope 3 emissions, it becomes clear that categories 1 (Purchased Goods and Services) and 12 (End-of-Life Treatment of Sold Products) are significant for LANXESS because they account for most of the emissions. Here the reporting thresholds are identical to the scope of consolidation described in the statements on ESRS 2. Both activity-based and hybrid methods (several different activity-based methods) were used for the calculation in Category 1. A method specific for the type of waste was applied for Category 12. All calculations were carried out with standard tools. Carbon capture, traded carbon credits and emissions allowances are excluded from the Scope 3 emissions. Wherever possible, we used data based on the specific activities of our suppliers and partners for the calculation. Utilized third-party data (emissions factors) can be based on the GWP factors of IPCC AR6, as well as possibly factors of earlier assessment reports.

E1-7 – GHG Removals and GHG Mitigation Projects Financed through Carbon Credits

LANXESS is currently analyzing the potential and possibilities of carbon capture and storage (CCS) but does not presently participate in any such projects particularly due to the complex situation in the compensation market. LANXESS also is not currently involved in any projects to purchase carbon credits (often referred to as CO_2 certificates). In conformity with the rules of the SBTi, LANXESS will achieve the first at least 90% of CO_2 reduction relative to the base year without carbon credits and will use these at most for the remaining 10% of the reduction. As LANXESS does not currently use carbon credits and does not plan to amend this in the short term, we do not currently believe it is necessary to analyze the credibility of the various credits.

E1-8 – Internal Carbon Pricing

Carbon pricing is taken into account in the internal assessment of major capital expenditure projects (such as carbon reduction and energy efficiency measures) and M&A projects within the framework of a structured process. In this connection, both the base case for the project and alternative scenarios are assessed. In this way, it directly impacts the assessment of the economic viability of capital expenditures. The carbon shadow price pertains to Scope 1 and Scope 2 emissions worldwide for all units and activities. 100% of our Scope 1 and Scope 2 greenhouse gas emissions are covered by our internal carbon shadow price, while Scope 3 emissions are not covered. It is proposed by Energy Procurement, approved by the Board of Management and communicated by the Corporate Controlling Group function during the annual target setting process. The E.U.'s Emissions Trading System (ETS) price and carbon taxes are accounted for equally in the establishment of the targets. The E.U.'s ETS prices result from trading on the market. LANXESS's internal shadow price is determined on the basis of estimated energy purchases with regard to market development. The prices are set with regional and time differences while accounting for the IEA's Net Zero Emissions (NZE) by 2050 scenario. Scenarios accounting for prices of €0 and €150 per metric ton and scientifically sound prices according to the IEA's NZE -2050 scenario are calculated. The bases of the IEA's NZE 2050 scenario are also used to specify the critical assumptions and methodology. The carbon price is stated in euros, which is the same currency reported in the consolidated financial statements. As our plants produce numerous products for numerous end industries, it is not possible to determine the net effect of opportunities and risks on the basis of carbon pricing for the Group as a whole. The metric is not validated by an external third party. However, it was assessed within the scope of the Corporate Sustainability Analysis (CSA) of Standard & Poor's and by the CDP.

ESRS E2 POLLUTION

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to pollution

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Central Product Surveillance	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Product Safety Management at LANXESS	Environmental Protection Management	"Value Chain Responsibility" Background Paper	"Water" Background Paper	"Product Portfolio" Background Paper
POLLUTION OF AIR														
I7: Impact Pollution of air during regular operations	actual	negative	Own operations	< 1 year (short term)	Reduction of emissions of non-methane volatile organic compounds (NMVOC) by 25% (base year 2015) by 2025		x		x	x	x	x		
I8: Impact Pollution of air during r egular operations	actual	negative	Upstream value chain, Downstream value chain	< 1 year (short term)						x				
I9: Impact Other emissions: NOx, SOx, (excluding CO_2e)	actual	negative	Own operations	< 1 year (short term)			x		x	x	x	x		
I10: Impact Other emissions: NOx, SOx, (excluding CO_2e)	actual	negative	Upstream value chain, Downstream value chain	< 1 year (short term)						x				
POLLUTION OF WATER														
I11: Impact Pollution of water during regular operations	actual	negative	Own operations	< 1 year (short term)	Reduction of specific Total Organic Carbon (TOC) by 2% per year	Water treatment	x		x		x		x	
I12: Impact Pollution of water during regular operations	actual	negative	Upstream value chain, Downstream value chain	< 1 year (short term)		Water treatment				x				

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material impacts, risks and opportunities related to pollution

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Central Product Surveillance	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Product Safety Management at LANXESS	Environmental Protection Management	"Value Chain Responsibility" Background Paper	"Water" Background Paper	"Product Portfolio" Background Paper
I13: **Impact** TOC wastewater pollution	actual	negative	Own operations	< 1 year	Reduction of specific Total Organic Carbon (TOC) by 2% per year		x		x		x		x	
I14: **Impact** TOC wastewater pollution	actual	negative	Upstream value chain, Downstream value chain	< 1 year						x				
I15: **Impact** Pollution of water through heavy metals	actual	negative	Own operations	> 10 years			x		x		x		x	
I16: **Impact** Pollution of water through heavy metals	actual	negative	Upstream value chain, Downstream value chain	> 10 years						x				
I17: **Impact** Pollution of water through nitrogen and phosphorous	actual	negative	Own operations	< 1 year			x		x		x		x	
I18: **Impact** Pollution of water through nitrogen and phosphorous	actual	negative	Upstream value chain, Downstream value chain	< 1 year						x				
I19: **Impact** Pollution of water through AOXs / POPs	actual	negative	Own operations	< 1 year			x		x		x		x	
I20: **Impact** Pollution of water through AOXs / POPs	actual	negative	Upstream value chain, Downstream value chain	< 1 year						x				
POLLUTION OF SOIL AND WATER														
R21: **Risk** Existing regulations for soil and water remediation			Own operations	< 1 year			x				x			

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material impacts, risks and opportunities related to pollution

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Central Product Surveillance	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Product Safety Management at LANXESS	Environmental Protection Management	"Value Chain Responsibility" Background Paper	"Water" Background Paper	"Product Portfolio" Background Paper
SUBSTANCES OF CONCERN														
I22: **Impact** Substances of concern (SoCs)	potential	negative	Own operations	< 1 year (short term)		LANXESS Product Sustainability Monitor	×	×		×				×
I23: **Impact** Substances of concern (SoCs)	potential	negative	Upstream value chain; Downstream value chain	< 1 year (short term)		LANXESS Product Sustainability Monitor	×	×		×				×
SUBSTANCES OF VERY HIGH CONCERN														
I24: **Impact** Substances of very high concern (SVHCs)	potential	negative	Own operations	< 1 year (short term)	Roadmap 2024–2026 development of action plans for all chemical end-products newly identified in 2023 that contain more than 0.1% substances of very high concern (SVHCs) Implementation of the 2021–2023 roadmap	LANXESS Product Sustainability Monitor	×	×		×				×
I25: **Impact** Substances of very high concern (SVHCs)	potential	negative	Upstream value chain; Downstream value chain	< 1 year (short term)	Roadmap 2024–2026 development of action plans for all chemical end-products newly identified in 2023 that contain more than 0.1% substances of very high concern (SVHCs) Implementation of the 2021–2023 roadmap	LANXESS Product Sustainability Monitor	×	×		×				×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Protecting the environment and conserving our protected natural resources of water, air and soil are important topics for LANXESS.

Our wide range of products requires the use of many different chemical and technical processes. Group-wide directives and uniform standards for planning, building and operating plants ensure a high level of process, plant and occupational safety. Experts examine the implementation of LANXESS directives and local regulations for the safe operation of our plants. The frequency of audits including on-site targeted spot checks is geared toward the respective risk profile. Nevertheless, handling chemical substances and working with technical equipment involves potential hazards. LANXESS uses an electronic reporting system to record accidents and incidents worldwide in accordance with uniform regulations and reports a summary of the impacts in the sustainability report.

E2 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

LANXESS is aware of the impacts of its operational emissions and is committed to continuous global compliance with high standards. We regulate and monitor emissions to air, water and soil in accordance with local legal requirements and the requirements of operating licenses. The results are reported both locally and in the Pollutant Release and Transfer Register (PRTR) reporting. For us as a specialty chemicals company, the identified impacts and risk are of importance for all sites and business activities. We also consider potential environmental impacts in our upstream value chain and address these through our Supplier Code of Conduct, which defines clear requirements for environmental standards.

Pollution of air

This paragraph relates to the impacts I7 to I10: The emission of pollutants from chemical plants, such as nitrogen oxides (NOx), sulfur oxides (SOx) or volatile organic compounds (VOCs), has an impact on the air quality in surrounding areas from a certain level. In such a case, this has a negative impact on human health and local ecosystems. As part of our mitigation policies, LANXESS, as one of the pioneers in the industry, has set the VOC target of reducing emissions of non-methane volatile organic compounds (NMVOCs) by 25% by the end of 2025 compared with the base year of 2015.

Pollution of water

This paragraph relates to the impacts I11 to I20: The discharge of pollutants from chemical plants, such as total organic carbon (TOC), heavy metals, nitrogen, phosphorus, adsorbable organic halides (AOX) and persistent organic pollutants (POPs), affects local water quality from a certain level. Any such discharge has a negative impact on human health and aquatic ecosystems. Our efforts to reduce these impacts include the operation of our own waste water treatment plants or connection to external plants. A core component of our policy to reduce water emissions is our target of decreasing specific total organic carbon (TOC) by 2% each year.

Existing regulations on remediation of soils and water

This paragraph relates to the risk R21: LANXESS recognizes provisions for obligations of uncertain amount or timing. The existing provisions for environmental remediation costs largely concern contaminated sites and re-cultivation and water-protection actions. Remediation actions help to restore and thus sustainably improve environmental conditions. The provisions for environmental remediation costs are stated at the present value of the expected commitments where environmental assessments or clean-ups are probable, the costs can be reasonably estimated and no future economic benefit is expected to arise from these actions. The cost estimates take account of, for example, past experience in similar cases, environmental assessments, current costs, new developments affecting costs, and current environmental laws and regulations. It is, however, difficult to estimate the future costs of environmental protection and remediation particularly because of many uncertainties concerning the legal requirements and the information available about conditions in the various countries and at specific sites. LANXESS believes the existing provisions to be sufficient based on the information currently available. However, the possibility that additional costs may arise beyond the amounts already accrued cannot be ruled out. LANXESS nevertheless estimates that such additional costs, should they occur, would not materially impact the Group's earnings, asset and financial position. Changes in the level of the provisions arose in the financial year. Provisions for environmental protection totaled €167 million as of December 31, 2024.

Critical substances

This paragraph relates to the impacts I22 to I25: Substances of concern (SoC) and substances of very high concern (SVHC) may pollute air, water and soil and have negative impacts on ecosystems and society. LANXESS purchases, uses or sells products and raw materials containing amounts of substances of concern and substances of very high concern. However, these substances are not released into the environment in the course of standard operations but remain in the approved state within closed facilities and are chemically converted into products with other properties under strictly controlled conditions. In order to specifically address the substances, we use the LANXESS Product Sustainability Monitor, in which we divide our portfolio into five categories: energizer, performer, transitioner, 2024–2026 roadmap and phase-out. The "roadmap" category covers products containing substances of concern (SoC) or substances of very high concern (SVHC) in excess of 0.1%. LANXESS is reviewing whether critical substances can be replaced by sustainable alternatives in these products. The Group does not bring new products with an SoC or SVHC content in excess of 0.1% to market. The "phase-out" category encompasses products that are to be removed from the market by 2026 or replaced by sustainable alternatives by 2030. LANXESS also purchases raw materials for production that may contain substances in the SoC or SVHC categories. The Group's roadmap process also includes the review and optimization of this raw material sourcing. LANXESS monitors the sourcing, production and sale of all products or raw materials that currently contain substances of concern. For further information, see the chapter "ESRS S4 Consumers and End-Users".

E2-1 – Policies Related to Pollution

All general information on our policies pursuant to ESRS 2.65 can be found in section "G1-1 Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

Corporate Policy

Our "LANXESS Corporate Policy" reaffirms our commitment to continuously reducing emissions to air, water and soil and comprehensively protecting the environment. In addition, our research and development activities target the development of environmentally friendly products and processes and thus the avoidance of a negative environmental impact. Responsibility for our products means the ongoing improvement of product safety for people and the environment. To this end, we monitor the health, social and environmental impact of our product portfolio worldwide in order to gradually replace critical products and promote safe alternatives. We also use management systems in accordance with ISO 9001 and ISO 14001 to achieve continuous improvements in quality and environmental performance. LANXESS promotes and demands compliance with strict safety, health and environmental directives worldwide and strengthens its employees' sense of responsibility through targeted training. The highest level of responsibility for implementing our "LANXESS Corporate Policy" is held by the LANXESS AG Board of Management. The document is accessible to all and can be viewed on the LANXESS website.

Internal directives

The "Environmental Protection Management" directive concentrates on four targets: meeting legal requirements, avoiding environmental incidents (wastewater, exhaust air, other emissions, waste), minimizing damage in the event of an environmental incident, and improving environmental performance. The directive defines responsibilities and describes the minimum standards for the processes we use to ensure that the targets are met worldwide on an ongoing basis. This includes dealing with wastewater, exhaust air and other emissions, improving environmental performance, avoiding environmental incidents, minimizing environmental risks, and limiting damage in the event of an environmental incident. Further information on our “Environmental Protection Management” directive can be found in section “E1-2 – Policies Related to Climate Change Mitigation and Adaptation” of the chapter “ESRS E1 Climate Change”.

The “Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS” directive stipulates the systematic recording and provision of HSE information across the Group. The directive defines the processes for recording and collecting data on metrics relevant to environmental protection and the responsibilities of the units involved in the process.

The aim of the “Product Safety Management at LANXESS” directive is to ensure that the relevant laws and regulations are complied with at all stages of the product life cycle (R&D, production, storage, transportation, marketing, use and disposal), that relevant obligations are derived and implemented, and that compliance with these is monitored. This directive describes the binding standard for all processes at LANXESS in the context of global product safety management. Classification in accordance with hazardous substance legislation and determination of the labeling is carried out centrally at country level by the HSEQ department (health, safety, environment, quality) within the Production, Technology, Safety and Environment Group function in accordance with applicable national and local legislation. This action is intended to ensure that risks for people and the environment are avoided during sourcing, production, transportation, storage, use and disposal. LANXESS is required by law to prepare a safety data sheet for any hazardous substances and mixtures. In accordance with the chemical industry’s voluntary commitment, we also prepare safety data sheets for all non-hazardous substances and mixtures. The directive is intended to ensure that the Group only places products on the market if their safety can be guaranteed, taking into account all available scientific and technological information. This applies to all the products we sell. The directive refers to the following agreements:

- the Montreal Protocol on Substances That Deplete the Ozone Layer
- the Rotterdam Convention on the prior informed consent (PIC) procedure for certain hazardous chemicals and pesticides in international trade
- the Stockholm Convention (on Persistent Organic Pollutants, POPs) with the ban on or restriction of persistent, environmentally damaging substances
- the Responsible Care® Global Charter
- the Global Product Strategy of the ICCA (International Council of Chemical Associations)

In the “Central Product Surveillance” directive, we commit to carefully investigating and assessing the risks of health or environmental hazards that may arise as a result of our products or consumer products made from them and, where necessary, taking appropriate precautionary measures. In the event of an incident caused by a LANXESS product, corrective actions and steps are taken that are set out in another directive and are intended to ensure that the incident does not recur. The guidelines on quality assurance management pursuant to ISO 9001 include that all LANXESS employees are required to report incidents. They also regulate actions such as product recalls. Incidents in which a health hazard or harmful effects on the environment can be assumed are subject to central product surveillance.

Background Papers

The “Value Chain Responsibility” Background Paper underscores our commitment to responsible action along the value chains and the associated management approaches. These include actions to prevent or control the negative impacts from air, water and soil pollution but also actions intended to help to prevent incidents and emergencies or limit their impact on people and the environment. With regard to the content, the Group makes reference to the UN Global Compact, the Sustainable Development Goals (SDGs) and the Responsible Care® initiative.

The “Product Portfolio” Background Paper describes our target of improving our product portfolio’s sustainability performance, replacing critical products and developing safe alternatives. By continually making our product portfolio more sustainable, climate-neutral and circular, we aim to counteract negative environmental impacts such as pollution of air, water and soil and the use of critical substances. Of the stakeholders concerned (LANXESS business units, the Production, Technology, Safety and Environment, and Global Procurement and Logistics Group functions and customers, suppliers and NGOs) the internal stakeholders were involved in developing the paper through the Sustainability Committee and the Value Chain Circularity & Product Stewardship subcommittee. In the directive, we refer to:

- the Sustainable Development Goals
- the 14067, 14026, 14040 and 14044 ISO standards
- the Responsible Care® initiative
- the EU REACH Regulation
- the Montreal Protocol
- the Stockholm and Rotterdam conventions
- the ChemSec Substitute-It-Now (SIN) List
- the International Agency for Research on Cancer (IARC) Monographs
- the UN's SAICM List (Strategic Approach to International Chemicals Management) on endocrine disrupters
- the WBCSD's Portfolio Sustainability Assessment (PSA)
- the 12 Principles of Green Chemistry
- the UBA's recommendations in the Guide on Sustainable Chemicals
- the Aqueduct Water Risk Atlas tool of the World Resources Institute (WRI)
- the American Chemistry Council's Prioritization Screening Method
- the UN's Globally Harmonized System (GHS) for classifying and labeling chemicals

The "Water" Background Paper with reference to SDG 6 "Clean water and sanitation for all" explains our three-step water program. One step describes the clear regulatory framework and transparent reporting, the development of metrics, and targets for water quantity and quality. It explains the handling and monitoring of wastewater pollution as well as the loads of discharged water quantities at all our sites. Further information on the Water Background Paper can be found in section "E3-1 – Policies Related to Water and Marine Resources" of the chapter "ESRS E3 Water and Marine Resources".

E2-2 – Actions and Resources Related to Pollution

LANXESS Product Sustainability Monitor

The LANXESS Product Sustainability Monitor is the strategic management tool that LANXESS uses to align its portfolio with sustainability. In this way, we aim to have a positive effect on the impacts I22 and I24. The Group started the LANXESS Product Sustainability Monitor in 2016 and continues to develop it. It enables LANXESS to analyze risks and potential for improvement and to systematically improve its sustainability performance, taking account of environmental, social and economic impacts. The Group uses the LANXESS Product Sustainability Monitor to divide its portfolio into five categories: energizer, performer, transitioner, 2024–2026 roadmap and phase-out. LANXESS continuously improves its product portfolio and invests in product innovations. There were no individual actions in the 2024 financial year with significant (> €3 million) capital or operating expenditures. For further information on the LANXESS Product Sustainability Monitor see section "S4 SBM-2 – Interests and Views of Stakeholders and S4 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" of the chapter "ESRS S4 Consumers and End-Users".

Water treatment

LANXESS has equipped the first mobile water treatment plant with its Lewatit® TP 108 DW ion exchange resin. The aim is to increase water quality and reduce the contamination of drinking water. It has been in operation since May 2024 and is planned to be used for at least two years. LANXESS will then look into switching to alternative water sources. The plant uses the specially developed Lewatit® TP 108 DW ion exchange resin, which is used, in particular, for reducing PFAS in circulation. During the two-year project, LANXESS will provide advice on and support for the pilot project, continuously record the performance data and support the optimization of the processing. Initial results on the reduction and the effectiveness of the technology are expected after the first few months of the project and will be documented. There were no individual actions in the 2024 financial year with significant (> €3 million) capital or operating expenditures.

E2-3 – Targets Related to Pollution

We monitor the effectiveness of our policy and actions by regularly measuring and evaluating our environmental indicators in the area of pollution and the targets we have set in the areas of pollution of water and air and critical substances.

Reduction of specific Total Organic Carbon (TOC) by 2% per year

LANXESS aims to continuously reduce its wastewater load with the aim of decreasing the specific total organic carbon (TOC) originating from its own activities and operations by 2% each year until 2025. The unit of measurement for this target is kilograms per thousand euros of net sales, in which the TOC value is considered in relation to net sales. The base year is always the previous year and is being continually updated until 2025, so that a continuous year-on-year reduction is targeted. Accordingly, the base value for the calculation is the TOC value for the previous year of 2023: 0.13 kg/thousand euros. No intermediate targets have been set. The target achievement is based on the calculation of the TOC using the HSE indicator collection process in accordance with the "Recording and Reporting of HSE Performance Data and Performance Indicators within LANXESS" directive. The key assumptions here are efficiency gains and continuous improvements in production standards and the economic situation. The target is not based on specific frameworks and is not legally binding. Internal stakeholders, particularly employees from the business units and Group functions, were involved in developing this target. For the reporting period, the specific TOC value was 0.14 kilograms/thousand euros. Therefore, the target was not achieved.

Reduction of emissions of non-methane volatile organic compounds (NMVOCs) by 25% by 2025 compared to base year 2015

As a globally active specialty chemicals company, LANXESS believes it has a responsibility to actively reduce air pollutants and has set a clear target for reducing emissions of non-methane volatile organic compounds (NMVOCs) originating from its own activities and operations. LANXESS measures the progress using absolute NMVOC emissions expressed in thousand metric tons and is targeting a reduction of 25% compared with the base year of 2015. The base year of 2015, having a baseline value of 5.4 thousand metric tons, forms the basis for this target. The target will remain in place until the end of 2025 and no intermediate targets have been defined. The NMVOC values are calculated using the HSE indicator collection process in accordance with the "Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS" directive. This target is not based on specific frameworks and is voluntary – in other words, not legally binding. In order to advance the reduction of NMVOC emissions, internal stakeholders, in particular employees, were involved in developing the targets. In particular, changes in the product portfolio and increasing specialization and profiling as a specialty chemicals company have already made a significant contribution to reducing NMVOC emissions. For the financial year, this resulted in a reduction of 88.9% compared to the base year.

LANXESS has committed to continuously improving its product portfolio's sustainability performance, eliminating critical substances and developing safer alternatives. To achieve this, the Group has developed a roadmap process and set the following targets. These are described in detail in section "S4-5 – Targets Related to Managing Material Negative Impacts, Advancing Positive Impacts, and Managing Material Risks and Opportunities" of the chapter "ESRS S4 Consumers and End-Users":

- 2024–2026 roadmap target: developing action plans for all newly identified chemical end products (identified in 2023) that include more than 0.1% substances of very high concern (SVHCs).
- Implementation of the 2021–2023 roadmap

E2-4 – Pollution of Air, Water and Soil

Pollution of air, water and soil

in kg	Air	Water	Soil	Total in 2024
1,2-dichloroethane (EDC)	1,102	15	14	**1,131**
Arsenic and compounds (as As)	–	28	–	**28**
Benzene	2,858	–	–	**2,858**
Cadmium and compounds (as Cd)	–	–	–	**–**
Carbon dioxide (CO_2)	597,083,780	*	*	**597,083,780**
Carbon monoxide (CO)	1,262,270	*	*	**1,262,270**
Chlorides (as total Cl)	*	126,256,070	–	**126,256,070**
Chlorine and inorganic compounds (as HCl)	10,367	*	*	**10,367**
Chlorofluorocarbons (CFCs)	3	*	*	**3**
Chromium and compounds (as Cr)	–	–	–	**–**
Copper and compounds (as Cu)	–	63	–	**63**
Dichloromethane (DCM)	32,657	–	–	**32,657**
Fluorine and inorganic compounds (as HF)	6,405	*	*	**6,405**
Halogenated organic compounds (as AOX)	–	12,236	–	**12,236**
Halons	55	*	*	**55**
Hydrochlorofluorocarbons (HCFCs)	1,382	*	*	**1,382**
Hydro-fluorocarbons (HFCs)	22,420	*	*	**22,420**
Lead and compounds (as Pb)	–	–	–	**–**
Naphthalene	133	–	–	**133**
Nickel and compounds (as Ni)	380	249	–	**629**
Nitrogen oxide (NO_x/NO_2)	290,570	*	*	**290,570**
Nitrous oxide (N_2O)	29,080	*	*	**29,080**
Particulate matter (PM_{10})	69,081	*	*	**69,081**
Phenols (as total C)	*	84	–	**84**
Polycyclic aromatic hydrocarbons (PAH)	741	–	–	**741**
Total nitrogen	*	231,774	–	**231,774**
Total organic carbon (TOC) (as total C or CSB/3)	*	600,343	*	**600,343**
Total phosphorous	*	25,940	–	**25,940**
Zinc and compounds (as Zn)	–	267	–	**267**

An asterisk * indicates that the parameter and medium in question do not trigger a reporting requirement in accordance with Annex II to Regulation (EC) No. 166/2006.

In its reporting, this year LANXESS is guided for the first time by the requirements of Regulation (EC) No 166/2006 (PRTR), in particular Annex II, which contains a comprehensive list of potential pollutants. This list was provided to all sites worldwide to ensure consistent data collection. The sites first identify the pollutants relevant to their operations and the release points in question (air, water, soil). The total annual emissions per pollutant are then recorded and reported. At Group level, the reported values per company and site are combined and compared with the limits in Annex II. Pollutant emissions that exceed the defined limits are included in the LANXESS Group reporting and published in consolidated form. As this is the first year of reporting, it is not yet possible to draw on historical reference figures. Emissions are measured at facility level in accordance with the approved, facility-specific measurement plan, which is defined individually for each pollutant. The measurement plan defines the sampling locations, the frequency of measurements and the extrapolation methods used, where these are required. The measurement of the metrics depends on the respective license and must comply with legal requirements that specify the frequency of measurement, possible extrapolations, etc. Every metric can be measured or calculated or estimated. In the various countries, different types of pollution are regularly monitored by local and national authorities in accordance with the legal requirements there. In the EU, for example, pollution levels are reported to the Pollutant Release and Transfer Register (PRTR) and reviewed by the relevant authorities.

E2-5 – Substances of Concern and Substances of Very High Concern

Substances of Concern by Main Hazard Class

	Main hazard classes									
in t	chronic hazard to the aquatic environment categories 1 to 4	carcinogenicity categories 1 and 2	germ cell mutagenicity categories 1 and 2	hazardous to the ozone layer	reproductive toxicity categories 1 and 2	respiratory sensitisation category 1	skin sensitisation category 1	specific target organ toxicity, repeated exposure categories 1 and 2	specific target organ toxicity, single exposure categories 1 and 2	**Total[1] in 2024**
Total amounts of substances of concern	**747,635**	**734,667**	**450,512**	**7,909**	**462,886**	**326,505**	**695,055**	**1,306,235**	**67,506**	**2,437,974**
that were procured	165,308	200,743	175,161	49	379,031	18,492	82,714	488,798	56,774	**810,116**
that were generated	426,692	445,500	240,383	4,120	78,239	154,473	381,363	580,367	10,264	**1,158,638**
that left the facilities	155,635	88,424	34,968	3,740	5,616	153,541	230,978	237,070	469	**469,220**
as emissions	0	37	2	0	1	–	1	2	0	**37**
as products	154,575	87,225	34,764	3,739	5,436	152,102	229,081	235,245	105	**465,537**
as parts of products	1,060	1,162	202	1	179	1,439	1,896	1,823	364	**3,646**

1) A single substance may belong to one or mulitple hazard classes. To avoid double counting our total is the amount of substances and not the sum of all the hazard classes.

Substances of Very High Concern by Main Hazard Class

	Main hazard classes									
in t	chronic hazard to the aquatic environment categories 1 to 4	carcinogenicity categories 1 and 2	endocrine disruption for the environment	endocrine disruption for human health	germ cell mutagenicity categories 1 and 2	Persistent, bioaccumulative and toxic (PBT) or very persistent, very bioaccumulative properties (vPvB)	reproductive toxicity categories 1 and 2	respiratory sensitisation category 1	specific target organ toxicity, single exposure categories 1 and 2	**Total[1] in 2024**
Total amounts of substances of very high concern	**286**	**125,050**	**7,886**	**503**	**24,946**	**44**	**34,261**	**40,689**	**286**	**190,167**
that were procured	78	30,372	3,726	467	24,714	3	23,500	1,595	78	**41,264**
that were generated	175	60,602	2,915	0	213	2	4,045	20,227	175	**87,964**
that left the facilities	32	34,076	1,245	36	19	40	6,715	18,866	32	**60,939**
as emissions	–	2	–	–	1	1	0	–	–	**2**
as products	32	34,062	1,206	33	6	35	6,631	18,866	32	**60,799**
as parts of products	0	12	39	3	12	4	84	–	0	**138**

1) A single substance may belong to one or mulitple hazard classes. To avoid double counting our total is the amount of substances and not the sum of all the hazard classes.

Substances of concern/very high concern

LANXESS carries products and raw materials containing amounts of substances of concern and substances of very high concern. LANXESS uses the ECHA's harmonized data sources, such as the SVHC list and Annex VI of the CLP Regulation for reporting the amounts of substances of concern (SoC) and substances of very high concern (SVHC). These are regularly updated, imported into our central database and made available for reporting via standardized views. The reporting distinguishes between amounts purchased, produced and sold. Purchased substances are recorded in the ERP systems and compared with the relevant lists. Amounts produced and sold are analyzed using the substance compositions from SAP EHS and further processed in SAP BW. The parameters are not validated by external bodies.

Substances of concern/very high concern as emissions

To determine the amounts of substances of concern (SoC) and substances of very high concern (SVHC) as emissions, a comparison was made with the emissions registered in the Pollutant Release and Transfer Register (PRTR). All substances on the PRTR list were systematically assessed and reviewed for their classification as an SoC or SVHC. In addition, our global sites were surveyed on whether other SoCs or SVHCs were released into the air, water or soil in addition to the emissions already recorded in PRTR reporting. The results from the comparison and the site survey were consolidated into a total amount. The total emissions were reported separately by SoCs and SVHCs. The parameters are not validated by external bodies.

ESRS E3 WATER AND MARINE RESOURCES

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to water and marine resources

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Policies: Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Policies: Environmental Protection Management	Policies: "Water" Background Paper
WATER										
WATER CONSUMPTION										
I26: **Impact** Water consumption at sites with local water risks/water stress	actual	negative	🏭	➤▷▷▷	Reassessment of the Water Stewardship Program at water risk sites by 2028 Implementation of the WASH pledge actions by 2028 (WASH4Work)	Water Stewardship Program	×	×		×
I27: **Impact** Water consumption at sites with local water risks/water stress	actual	negative	▲ ▼	➤▷▷▷			×	×		×
I28: **Impact** Water consumption	actual	negative	🏭	➤▷▷▷	Reduction of specific water consumption by 2% per year	Water Stewardship Program	×	×		×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- ▲ Upstream value chain
- 🏭 Own operations
- ▼ Downstream value chain

Time horizon
- ➤▷▷▷ < 1 year (short term)
- ▷➤▷▷ 1 – 5 years (medium term)
- ▷▷➤▷ 6 – 10 years (long term)
- ▷▷▷➤ > 10 years (long term)

Material impacts, risks and opportunities related to water and marine resources

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Policies: Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Policies: Environmental Protection Management	Policies: "Water" Background Paper
WATER WITHDRAWALS										
I29: **Impact** Water withdrawals at sites with local water risks/water stress	actual	negative	Own operations	< 1 year	9% absolute reduction of water withdrawals at sites with water stress and water risks by 2028 (base year 2019) Reassessment of the Water Stewardship Program at water risk sites by 2028		×	×		×
I30: **Impact** Water withdrawals at sites with local water risks/water stress	actual	negative	Upstream value chain, Downstream value chain	< 1 year			×	×		×
I31: **Impact** Water withdrawals	actual	negative	Own operations	< 1 year			×	×		×
WATER DISCHARGES										
I32: **Impact** Total water discharges	actual	negative	Own operations	< 1 year	Reduction of specific Total Organic Carbon (TOC) by 2% per year	Water treatment	×	×	×	×
I33: **Impact** Once-through cooling water	actual	negative	Own operations	< 1 year				×		

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

For LANXESS as a specialty chemicals company, water is a resource for production and is mainly used for cooling (79%), in chemical processes (18%) or in the form of steam (3%). In addition, rivers are an important mode of transportation. LANXESS is aware of water's ecological and social significance beyond its importance as an economic resource. Water availability and quality are global challenges that we can and must address locally. LANXESS is therefore committed to the responsible use of water, particularly in areas with extremely high water stress. Water stress refers to the ability (or lack thereof) to meet human and ecological demand for fresh water. In our own operations and along the downstream value chain, we use our water treatment products to advance SDG 6 "clean water and sanitation for all," which we recognize as a human right.

E3 SBM–3 Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

LANXESS is committed to the responsible use of water. At our production sites, we systematically record and monitor water withdrawal, consumption and the discharge of wastewater. In the process, we meet high standards and consistently adhere to the limits specified in the operating licenses. Depending on where water is extracted and consumed – for instance, water-stress areas – different impacts on society and the aquatic ecosystems result.

Water consumption in general (including water withdrawal and discharge)

This paragraph relates to impacts I28, I31 and I32 to I33. The chemical industry relies on the withdrawal of water from surface waters, groundwater or on provision by third parties. As a company in the chemical industry, LANXESS primarily uses water for once-through cooling, which makes up around 80% of the water withdrawn. This water is returned to the water cycle after use. Thus, it is not consumed. We understand water consumption to refer to the share of water that is withdrawn but not returned. This includes evaporation losses through the use of cooling systems, integration into products and other processes. This has negative impacts on aquatic ecosystems and society. If water is not consumed, it is returned to the environment after use in compliance with legal requirements, local thresholds, and high standards. While the discharge of inadequately treated wastewater introduces pollutants into bodies of water, thus impairing water quality, once-through cooling water remains chemically unchanged but results in thermal pollution due to the change in temperature. In order to break the link between growth and water consumption, LANXESS has set a target at Group level of reducing specific water consumption by 2% each year.

Water withdrawal and discharge in stress and risk areas

This paragraph relates to the impacts I26, I27, I29, I30: LANXESS evaluates water stress and sites with water risks. Water stress is a direct consequence of climate change and the increasing demand for water overall. The water risk analysis carried out at all LANXESS production sites, including the Aqueduct Water Risk Atlas tool of the World Resources Institute, showed that in 2024, ten of the production sites were situated in water stress areas. Due to our business activities, chemicals companies also withdraw and consume water at these sites for cooling and process purposes. From a certain level, these activities are associated with negative impacts on the local environment and society. Excessive water consumption in stress and risk areas depletes local water sources, exacerbates water scarcity and reduces the availability of water for other users. To counter this impact, LANXESS has committed to reducing absolute water withdrawal at these sites by 9% by 2028 compared with 2019.

E3-1 – Policies Related to Water and Marine Resources

The regulations specified below apply to all LANXESS sites. This also includes all production sites in water stress areas. All general information on our policies pursuant to ESRS 2.65 can be found in section "G1-1 Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

Corporate Policy

Our "LANXESS Corporate Policy" reflects our responsible approach to the use of water resources. With it, we recognize the right to water and sanitation as a fundamental human right and commit to the responsible use of water. We work together with other stakeholders here, particularly in the context of local water stewardship programs. We are aware of our responsibility to contribute to water security and are committed to the responsible use of this resource.

Directives

The basis for recording environmental indicators is our "Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS" directive. It also describes processes for recording and collecting data for metrics relevant to water protection and documents target achievement. LANXESS records metrics on water withdrawal, water discharge and parameters on the pollution of water. Further information on this directive can be found in section "E1-2 – Policies Related to Climate Change Mitigation and Adaptation" of the chapter "ESRS E1 Climate Change".

The protection of water resources is regulated as one of several environmental aspects in the "Environmental Protection Management" directive. It describes the minimum process requirements for handling contaminated and uncontaminated wastewater and stipulates that wastewater specifications with all parameters and the associated limits must be monitored. Further information on our "Environmental Protection Management" directive can be found in section "E1-2 – Policies Related to Climate Change Mitigation and Adaptation" of the chapter "ESRS E1 Climate Change".

"Water" Background Paper

The Water Background Paper describes our three-step water program. The first two steps relate to the Group's own operations, while step three also takes the value chain into account. The background paper describes how water withdrawals and discharges are regulated, what risk-based approach we have chosen for analyses of the sites (water risk analysis) and what targets we are pursuing. The water withdrawals are subject to strict regulatory requirements. To reduce the pollution of water, we operate treatment plants directly at the sites, or the sites are connected to an appropriate external treatment plant. We are also pursuing water reuse and water recycling projects with the aim of breaking the link between our economic growth and water consumption. Sustainable water management requires a risk-based and local approach, which we pursue through our water stewardship activities and through the specific targets that we have set for sites in water stress areas. Our water stewardship framework is based on the requirements of the Alliance for Water Stewardship (AWS) standards.

E3-2 – Actions and Resources Related to Water and Marine Resources

Water risk analysis

We conduct the LANXESS water risk analysis in order to estimate site-specific water risks more accurately. The interplay of current and future water stress and the water withdrawal rates turned out to be the most important benchmarks here. LANXESS uses this approach to identify its water risk sites. For fiscal year 2024, a total of four locations were identified as water risk sites: Jhagadia and Nagda (India); Latina (Italy); and Qingdao (China). These locations have been affected by water stress since the start of the LANXESS water program and the focus of our actions. Two of the water risk sites, Nagda and Jhagadia, are in India. Nagda is in the basin of the Chambal River (Madhya Pradesh), and Jhagadia is in the Narmada area (Gujarat). The current water stress is extremely high in both regions, and in a pessimistic scenario – with higher population growth and a lower rate of urbanization – the situation remains critical for 2030. Latina is in the basin of the Rio Martino river (Latium) in Italy. The region is exposed to extremely high water stress and the water reserves will continue to decrease up to 2030 in the pessimistic scenario. Of the four locations, Qingdao in China has by far the lowest water withdrawal. The city is on the Dagu River (Shandong) in a region with extremely high water stress. In the pessimistic scenario for 2030, although the water reserve will increase slightly, demand will rise even more sharply. A reassessment of the sites with the water risk analysis is planned in 2025 with internal resources due to the update of the Aqueduct Water Risk Atlas.

Water stewardship program

The water stewardship program is part of the LANXESS water program (step 2: "Local water stewardship") and is aimed at the Group's water risk sites. These are production sites that are affected by extremely high water stress both currently and in a pessimistic scenario up to 2030. We have developed a specific framework: the LANXESS water stewardship framework. Questions on water quality, water quantity, the WASH (Water for Sanitation and Hygiene) situation, best practice approaches and water costs are answered for each site and river basin. The assessment also includes regulatory and reputational risks. The information provided is then used to develop action plans for each site individually. These are intended to bring about concrete improvements and give employees at water risk sites a systematic understanding of the local water situation and how their activities impact it.

LANXESS achieved its target of introducing site-specific water stewardship programs at the water risk sites by the end of 2023. In order to continue our commitment to water stewardship, we have set ourselves a follow-up target and are aiming to reassess and review our water stewardship activities by 2028. This enables us to fulfill our role as a local water manager at risk sites. Following a kickoff with all the water risk sites, we will conduct a gap analysis and develop site-specific action plans in 2025 with the aid of the LANXESS water stewardship framework. A LANXESS team supports the sites and will ensure that all the requirements are met and the defined site targets are achieved. A subsequent review and assessment of the target achievement will take place at the end of 2028. LANXESS's main aim with its local water stewardship efforts is to reduce water withdrawal at the four water risk sites. Reductions have already been achieved through various projects in initial water stewardship implementation (target year 2023). LANXESS maintains an active dialogue with stakeholders at both the company and local level as regards the issue of water availability. The water stewardship program at the water risk sites involves local residents and obtains extensive information on local characteristics. Information on the preparation of the materiality assessment and the associated stakeholder survey can be found in section "IRO-1 – Description of the Process to Identify and Assess Material Impacts, Risks and Opportunities" of the chapter "ESRS 2 General Disclosures".

Through the water stewardship program, LANXESS systematically works on better understanding the impact of water use along the value chain (for example, in the context of the sale of products), the volume of water used, and the context in which the water is being used. LANXESS works with its partners along its upstream value chain on evaluating and auditing their use of water, and shares lessons learned and best practices. In the context of the industry initiative "Together for Sustainability" (TfS), LANXESS collaborates with other chemicals companies to enhance the environmental, social and business conduct performance of chemical supply chains. The TfS program is based on the principles of the UN Global Compact and Responsible Care® initiative.

WASH pledge actions

LANXESS plans to implement the WASH Pledge actions at its own production sites by 2028. The term WASH encompasses all activities that go beyond the mere management of water quality and quantity and focus on people. As a company in the chemical industry, LANXESS is bound by strict regulations on the use of water in production, but also the use of sanitary water and wastewater. Adequate sanitary facilities and access to clean drinking water form the foundation for the health and safety of our employees and neighboring communities. With our commitment to WASH, we not only want to reach our own employees but also have a positive impact on society. Making a contribution to the challenges in this area can contribute to stability and social justice in these regions in the long term. By signing the WASH Pledge, LANXESS is underlining the relevance of this issue and also making its efforts transparent and verifiable. LANXESS will provide a comprehensive survey and an evaluation model of the WASH4Work initiative for the implementation of WASH. An initial gap analysis is scheduled to be carried out in fiscal year 2025. If gaps are identified, actions will be defined and the sites will be required to close these gaps by 2028 to meet the requirements necessary for the WASH Pledge. Accordingly, LANXESS will conduct a final evaluation of the implementation in the second half of the target year of 2028. The implementation primarily requires human resources.

There were no individual actions in the 2024 financial year with significant (> €3 million) capital or operating expenditures.

E3-3 – Targets Related to Water and Marine Resources

Handling scarce water resources in a conscious and careful manner at the LANXESS production sites is an investment in the future. In order to break the link between economic growth and water consumption and potential stresses from wastewater discharge, LANXESS has set targets at Group level that the company will continue to monitor in the future.

Reduction of specific water consumption by 2% per year

LANXESS wants to reduce the whole Group's specific water consumption by 2% per year. This target is measured on the basis of water consumption in cubic meters per thousand euros of net sales. Progress is measured on an ongoing basis, with the previous year's water consumption serving as a baseline to show the reduction compared with the previous year. No intermediate targets or milestones have been defined. The target is part of the LANXESS water program (first step) and contributes to breaking the link between water consumption and economic growth through efficiency increases – for example, through using withdrawn water multiple times. In order to implement a realistic savings target, the individual sites were asked about their potential for savings. This resulted in a figure of 2%. We regard a 2% increase in efficiency per year as ambitious and yet realistic. The target is not based on specific frameworks; however, internal stakeholders were involved in the process. In this case, this concerns the business units and the whole Board of Management. Following extensive discussions in the Health, Safety & Environment subcommittee, they adopted the target in the Sustainability Committee. The target is ongoing and is rolled forward annually. It applies to all the production sites around the world, including sites with increased water stress and water risks. Efficiency increases such as the use of closed-circuit cooling help to reduce water withdrawal. One example of this is the Nagda site, which, as a wastewater free site, does not produce any wastewater. LANXESS also uses alternative water sources to conserve groundwater resources. This target is voluntary and not legally binding. LANXESS did not achieve its target of reducing specific water consumption by at least 2% in fiscal year 2024.

9% absolute reduction of water withdrawal at water stress and water risk sites by 2028 (base year 2019)

The target for the absolute reduction of water withdrawal at water stress and water risk sites is 9% by 2028 (base year 2019). It is a core component of the LANXESS water program (second step). This target is measured in terms of absolute water withdrawal in cubic meters. The deadline set for achieving the target is 2028. For the base year, LANXESS is using 2019, when the baseline value for water withdrawal was 5.7 million m^3. We have decided not to define any intermediate targets or milestones. The LANXESS water risk analysis is used to identify water stress and water risk sites. The water stress sites comprise all the sites with a water stress baseline of high or extremely high (according to the

World Resource Institute’s Aqueduct tool). To assess future water risks LANXESS uses the same classification, albeit in a pessimistic scenario up to 2030. To determine the target, all identified water stress and water risk sites were sorted according to their water withdrawal and asked about possible savings projects. Based on this information, a 9% reduction in water withdrawal by 2028 was derived as a realistic and simultaneously ambitious target. LANXESS aspires to break the link between water withdrawal and economic growth. Wherever possible, the Group uses withdrawn water multiple times, either in the same process (recycling) or in another process within the company (reuse). Our target is based on the ESRS and the World Resource Institute’s Aqueduct Water Risk Atlas. When setting this target, LANXESS actively involved the relevant stakeholders, particularly the local production sites, to ensure a transparent and integrative approach. The target is specifically aimed at sites with a current water stress rating of high or extremely high, which includes water risk sites. Unlike with CO_2 emissions, the local context is highly relevant when it comes to water. LANXESS’s efforts therefore focus primarily, but not exclusively, on sites in water stress areas and its water risk sites. By reducing water withdrawal at the affected sites, we are helping to relieve the pressure on river basins and prevent a further exacerbation of water stress resulting from increasing withdrawals. We strive to protect the river basins in which we operate through our water stewardship activities at risk sites. The target is voluntary and not legally binding. Absolute water withdrawal for the financial year reduced by 43.9% at water risk sites compared with the base year 2019.

Reassessment of the water stewardship programs at water risk sites by 2028

The target of reassessing the water stewardship program at water risk sites by 2028 is also a core component of the LANXESS water program (second step). The target is measured based on the number of reassessments and reviews of water stewardship activities at the water risk sites. The target is relative and covers 100% of the water risk sites. This target must be achieved by 2028, which demonstrates LANXESS’s time-bound commitment. The base year for the target is 2024, with a base value of 0 reassessments. No milestones or intermediate targets were defined. In order to achieve the target, the existing LANXESS water stewardship framework comes into play, which includes specific action plans and collaborative water projects to address risks and best water use practices on site. The framework is based on recognized standards and sound frameworks, particularly the Alliance for Water Stewardship (AWS) and European Water Stewardship (EWS) standards. Relevant stakeholders were involved in the process of setting the target. These primarily comprise the staff at the sites and, for the approval of the targets, the relevant heads of the business units and the whole Board of Management. The target exclusively relates to sites with an assessed water risk and concerns four LANXESS production sites. The water stewardship program has already been successfully implemented once with the target year 2023. In order to maintain the commitment to the water stewardship program, LANXESS has set a follow-up target and is aiming to reassess the water stewardship program at water risk sites by 2028. The target is voluntary and not legally binding.

Implementation of the WASH Pledge actions by 2028 (WASH4Work)

As a company in the chemical industry, LANXESS is bound by strict regulations regarding the use of water for production, but also sanitary water and wastewater. With its commitment to WASH, LANXESS wants to achieve a positive impact on its employees and thus contribute to stability and social justice in society. We have set ourselves the target of implementing the WASH Pledge actions by 2028 (WASH4Work). Implementation may also help to reduce water consumption through more efficient use and increased awareness. Signing the WASH Pledge underlines the importance of this issue and will make our efforts verifiable. The WASH4Work initiative has developed a self-assessment process, which LANXESS follows with the aim of implementing the actions necessary by 2028. In an initial gap analysis, all sites will undertake a self-assessment and eliminate all the gaps identified by 2028 in order to meet the minimum standards. The target will be achieved when all LANXESS production sites have implemented the minimum standards. As we only set ourselves the target at the end of 2023, we are not yet able to report on developments. The target is voluntary and not legally binding.

In addition to the targets described above, we have set ourselves a further target specifically addressing water quality: the annual reduction of specific total organic carbon (TOC) by 2%. This target contributes to improving our environmental impacts, particularly on water quality. However, due to its relevance for pollution, we do not list this target of the chapter "ESRS E3 Water and Marine Resources" but of the chapter "ESRS E2 Pollution".

E3-4 – Water Consumption

Water use

in m^3	2024
Total water consumption	10,565,594
Water consumption in water risk areas incl. water stress areas	1,290,351
Recycled and reused water	303,444,399
Water intensity (in m^3/€ million)	1,660
Total water withdrawals	167,668,095
Total water withdrawals in water risk areas incl. water stress areas	3,198,825
Total water withdrawals outside water risk areas, incl. water stress areas	164,469,270
Total water discharges	158,489,588

To record key data on water systematically worldwide, LANXESS uses an electronic data-entry system. This enables the Group to calculate a wide range of HSE (health, safety, environment) metrics for each business unit, site and operation worldwide. To calculate these, information is collected quarterly or annually, and a distinction can be made here between measured, calculated or estimated values. The water metrics are regularly monitored in the various countries by local and national authorities in accordance with the legal requirements there.

In line with the ESRS definition based on the GRI, **total water consumption** comprises the difference between water withdrawal, including purchased steam, and water discharge, including once-through cooling water, and water supplied to third parties. Water withdrawal versus water discharge is accounted for at business unit/location level. The metric is referred to as total water consumption in m^3.

The total water withdrawal and the water consumption in water stress areas incl. water risk areas is calculated for sites that have been classified as regions with high or extremely high water stress according to the assessment by the World Resources Institute (WIR) Aqueduct tool (as of 2023). Ten water stress sites were identified in the 2024 financial year. The methodology is based on the annual analysis of these sites and is applied by analogy to total water consumption. The metric is referred to as “Total water withdrawal in water risk areas incl. water stress areas in m³” and “Water consumption in water stress areas incl. water risk areas in m³”.

LANXESS defines **recycled and reused water** in accordance with the definitions of ESRS E3 based on the GRI as water that has been recycled or reused within the plant or has been supplied to another plant for use after its first use. This refers to water and wastewater (treated or untreated) that has been used more than once before being discharged, so that water withdrawal is reduced. This may be the same process (recycling) or the water may be used in another process within the same plant or in another LANXESS plant (reuse). Closed-circuit cooling water volumes are also regarded as reused water. The data is recorded quarterly through the global system. The metric is referred to as “recycled and reused water in m³.”

The calculation is based on total water consumption and net sales in the financial year. The metric is defined as “Water intensity in m³ per million euros of net sales.”

ESRS E4 BIODIVERSITY AND ECOSYSTEMS

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to biodiversity and ecosystems

Impacts, risks and opportunities[1)]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Central Product Surveillance	Product Safety Management at LANXESS	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Environmental Protection Management	Procurement of Goods and Services in the LANXESS Group	"Biodiversity" Background Paper	"Climate" Background Paper	"Water" Background Paper
DIRECT IMPACT DRIVERS OF BIODIVERSITY LOSS															
CLIMATE CHANGE															
I34: Impact Greenhouse gas emissions (Scope 1 and Scope 2)	actual	negative	Own operations	< 1 year (short term)	Climate neutrality for the entire Group by 2040 42% reduction of Scope 1 and 2 emissions by 2030 (base year 2021)	Climate Neutral 2040 strategy (Scope 1 and 2)				×	×		×	×	
I35: Impact Greenhouse gas emissions (Scope 3)	actual	negative	Upstream value chain, Downstream value chain	< 1 year (short term)	Climate neutrality for the value chain by 2050 25% reduction of Scope 3 emissions by 2030 (base year 2021)	Net Zero Value Chain strategy (Scope 3)				×			×	×	
I36: Impact Biomass for energy production	actual	negative	Upstream value chain	< 1 year (short term)											
I37: Impact Pollution of air during regular operations	actual	negative	Own operations	< 1 year (short term)	25% reduction of emissions of non-methane volatile organic compounds (NMVOC) by 2025 (base year 2015)				×		×	×	×		

1) I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material impacts, risks and opportunities related to biodiversity and ecosystems

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	LANXESS Corporate Policy	Central Product Surveillance	Product Safety Management at LANXESS	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Environmental Protection Management	Procurement of Goods and Services in the LANXESS Group	"Biodiversity" Background Paper	"Climate" Background Paper	"Water" Background Paper
							Policies								
I38: Impact Pollution of air during regular operations	actual	negative	Upstream value chain, Downstream value chain	< 1 year (short term)					×			×	×		
LAND-USE CHANGE, FRESH WATER-USE CHANGE AND SEA-USE CHANGE															
I39: Impact Water consumption and withdrawals	actual	negative	Own operations	< 1 year (short term)	Reduction of specific water consumption by 2% per year	Water Stewardship Program				×			×		×
I40: Impact Pollution of water	actual	negative	Own operations	< 1 year (short term)	Reduction of specific Total Organic Carbon (TOC) by 2% per year	Water treatment	×		×		×	×	×		×
I41: Impact Pollution of water	actual	negative	Upstream value chain, Downstream value chain	< 1 year (short term)					×			×	×		
I42: Impact Landfilling	actual	negative	Own operations	< 1 year (short term)	50% reduction of total landfilled waste by 2030 (base year: 2021) Implementation of an expanded waste management system by 2028	Optimize substance streams	×			×	×		×		
I43: Impact Procurement of bio-based raw materials	actual	negative	Upstream value chain	1 – 5 years (medium term)									×		

[1] I = impact, R = risk and O = opportunity

Location of the value chain
Upstream value chain
Own operations
Downstream value chain

Time horizon
< 1 year (short term)
1 – 5 years (medium term)
6 – 10 years (long term)
> 10 years (long term)

Material impacts, risks and opportunities related to biodiversity and ecosystems

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Central Product Surveillance	Product Safety Management at LANXESS	Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Environmental Protection Management	Procurement of Goods and Services in the LANXESS Group	"Biodiversity" Background Paper	"Climate" Background Paper	"Water" Background Paper
IMPACTS ON THE STATE OF SPECIES															
I44: **Impact** Product-related impact	actual	negative			2024–2026 roadmap: development of action plans for all chemical end products newly identified in 2023 that contain more than 0.1% substances of very high concern (SVHCs) Implementation of the 2021–2023 roadmap	LANXESS Product Sustainability Monitor		×			×		×		

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Biodiversity refers to the diversity of life forms on Earth, including all species of plants, animals, fungi and microorganisms, and the ecosystems they collectively form. The protection of these ecosystems is essential for the well-being of humans, animals and plants, as set out in the Global Biodiversity Framework at the 15th UN Biodiversity Conference. As a specialty chemicals company, LANXESS acknowledges the importance of ecosystem services such as clean water, energy and natural protection against landslides and floods for its operations. However, LANXESS is aware that some of its operations affect biodiversity and therefore places importance on implementing responsible practices to minimize these impacts.

E4 SBM-3 Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

The biodiversity assessment forms a central basis for identifying impacts, opportunities and risks in connection with biodiversity and its relevance for the business model and corporate strategy. This approach enables LANXESS to focus its efforts, develop site-specific actions and contribute to the conservation of ecosystems. In the following, LANXESS sets out the positive and negative impacts and dependencies of its operations and the upstream and downstream value chains on biodiversity and the condition of ecosystems. For us as a chemicals company, these are of importance for all sites and business activities. The biodiversity risks and opportunities that arise for LANXESS's business performance, earnings, asset and financial position are also described. As this is the first time that IROs have been collected and measured in accordance with the rules of double materiality, no compari-son with the previous financial year is possible.

Assessment of biodiversity

LANXESS has carried out a materiality assessment to better understand the impacts, opportunities and risks of its operations on biodiversity. That also involved the participation of local community members within the context of stakeholder surveys on biodiversity-relevant issues. This assessment was supplemented and validated by a sector-specific assessment with the analysis tool ENCORE (Exploring Natural Capital Opportunities, Risks and Exposures). ENCORE is considered the industry standard for the assessment of biodiversity.

Impacts

This paragraph relates to the impacts I34, I35 and I37 to I42. As part of the materiality assessment and the ENCORE tool's evaluation, material negative impacts were identified that are already covered in depth in other topic standards and are therefore not listed here in detail again. These are: greenhouse gas emissions (see “ESRS E1 Climate Change”), pollution of air and water (see ESRS E2 Pollution), water consumption and withdrawal (see “ESRS E3 Water and Marine Resources“) and raw material sourcing and waste (see “ESRS E5 Resource Use and Circular Economy“). For us as a specialty chemicals company, the identified impacts, risks and opportunities are of importance for all sites and business activities. A description of the impacts, risks and opportunities and associated policies, also in relation to biodiversity, can be found in the respective standards. Furthermore, impacts were identified as material in this standard and are set out in more detail below:

Sourcing of bio-based raw materials and biomass for energy production

The paragraph relates to impacts I36 and I43. LANXESS relies on a circular and sustainable sourcing policy to minimize the carbon footprint and other environmental impacts of raw material sourcing. The use of biomass for energy production provides an opportunity to replace fossil fuels and thus help to reduce CO_2. Biomass is successfully used at three LANXESS sites (Jhagadia (India), Nagda (India) and Porto Feliz (Brazil)). In particular, using waste products as biomass has the advantage that no additional farmland is required and natural habitats are preserved. At the same time, the cultivation and use of bio-based raw materials can lead to challenges, such as the conversion of natural habitats and deforestation, particularly in the upstream value chain.

LANXESS has committed to using secondary (circular) raw materials to promote and ensure compliance with recognized sustainability standards in the use of renewable raw materials.

Product-related impact

The paragraph relates to impact I44. Pesticides, fungicides and herbicides play an important role for our customers in the crop protection industry, as they effectively control pests, fungi and weeds and thus help to ensure yields and the quality of crops. At the same time, it is common knowledge that the use of such chemicals can have a negative impact on biodiversity, particularly through changes in ecosystems. LANXESS produces products that can be used to manufacture these substances and are thus part of the downstream value chain. LANXESS uses the Product Sustainability Monitor, which addresses the parts of products that cause a sustainability impact, to align its portfolio with sustainability requirements, and has set itself the target of developing action plans for all newly identified products with an SVHC content in excess of 0.1% by 2026 with, among other things, the 2024-2026 roadmap.

Proximity of Group sites to biodiversity-sensitive areas and protected areas

The WWF (World Wide Fund For Nature) Biodiversity Risk Filter assesses site-specific biodiversity risks in various sectors, including the production of chemicals and materials. LANXESS has used this analysis tool to assess biodiversity risks at all its sites. The assessment is based on 33 biodiversity-related indicators that take account of both the condition of the ecosystems and the industry's impacts and dependencies. We take account of the "Protected/Conserved Areas", "Key Biodiversity Areas", "Land, Freshwater and Sea Use Change Indicator" and "Range Rarity Indicator" categories.

In accordance with the WWF guidelines, LANXESS reports on all high and very high risks identified. We acknowledge the responsibility, in particular in the areas affected by our activities. While most of our production sites are located in industrialized regions, few are near Key Biodiversity Areas (KBAs). KBAs are important areas for species and their habitats and underscore the importance of conserving these regions. LANXESS has also analyzed the proximity of its sites to protected areas[1] that are legally protected due to their importance for the preservation of biodiversity. These areas include national parks, nature reserves and wildlife sanctuaries, whose protection status varies depending on the legal regulations. The proximity of a production site to protected areas or KBAs does not automatically mean negative environmental impacts on this area. Further information on our analysis and the results can be found in section "E4-5 – Impact Metrics Related to Biodiversity and Ecosystems Change" of the chapter "ESRS E4 Biodiversity and Ecosystems".

1) IUCN categories I–IV for protected areas.

Assessing the condition of ecosystems is critical to understanding whether the natural environment around LANXESS sites remains intact and connected – a key factor in supporting biodiversity. The analysis, which is based on the WWF Risk Filter indicators and the indicators for land-use change, freshwater-use change and sea-use change, has confirmed that LANXESS's business activities do not materially contribute to the destruction or fragmentation of habitats. These results show that LANXESS sites are not exposed to high risks from activities such as agricultural expansion, river fragmentation or pressures on marine environments, which ensures minimal impacts on the integrity of ecosystems.

Furthermore, the protection of endemic species is of vital importance, as these are often particularly vulnerable to changes in their habitats. The range rarity indicator assesses the risk for these species based on their degree of endemicity at production sites. The analysis did not reveal any sites with very high or high risk assessments. This indicates that the activities at the assessed sites do not pose a threat to endemic species.

According to the ENCORE framework, the chemical industry has a low materiality assessment for land use, as it operates predominantly in established industrial areas. This means that hardly any land conversion is necessary, and significant environmental consequences such as degradation of soils or soil sealing are largely avoided. For this reason, LANXESS does not have any relevant metrics relating to land-use change.

Opportunities and risks

In addition to our impacts and dependencies, we have also analyzed risks and opportunities associated with biodiversity. As part of our double materiality assessment, we performed an outside-in analysis (financial materiality) and did not identify any material biodiversity risks or opportunities for the short, medium or long term. The double materiality assessment process is described in section "IRO-1 Description of the Process to Identify and Assess Material Impacts, Risks and Opportunities" of the chapter "ESRS 2 General Disclosures".

In addition to our IROs, we have also analyzed our dependencies:

Dependencies

As a specialty chemicals company, our business activities are based on a number of ecosystem services. Ecosystem services include provisioning services (for example, food, water), regulating services (for example, climate regulation, flood protection), supporting services (for example, pollination, soil formation) and cultural services (for example, recreation, spiritual values). To obtain a comprehensive understanding of the specific dependencies of the chemical industry and thus of our value chain, LANXESS uses the ENCORE tool, which was specially developed for sector-specific assessments. The tool rates dependencies according to their materiality (very high, high, medium, low, very low) and makes it easier to identify and prioritize critical ecosystem services.

LANXESS's analysis focuses on dependencies with a rating of medium or higher, particularly with regard to the chemical manufacturing sector (International Standard Industrial Classification, Division: Manufacture of chemicals and chemical products). This assessment provided valuable insights into material ecosystem services that support the Group's activities. The results show that LANXESS's dependencies on ecosystem services are generally in the lower range and are classified as medium at most. This makes it clear that LANXESS's business activities are supported by these services without any critical dependencies.

Furthermore, LANXESS carried out a site-specific risk analysis on biodiversity in the financial year. The focus here was on assessing the proximity of our sites to biodiversity-sensitive areas and national and international protected areas.

E4-2 – Policies Related to Biodiversity and Ecosystems

LANXESS's approach to environmental responsibility

By integrating the key drivers of biodiversity loss – climate change, pollution, water and resource use – into our management approach, we address the complex, interlinked challenges of ecological conservation. This not only strengthens the ability to achieve sustainability objectives but should also increase the resilience of global value chains and contribute to the well-being of communities. Protecting biodiversity thus remains an important aspect of our commitment to a sustainable future. Our efforts to protect biodiversity are in line with the Sustainable Development Goals (SDGs), in particular SDG 14 (life below water) and SDG 15 (life on land), which emphasize the protection of aquatic and terrestrial ecosystems. We use the LANXESS Product Sustainability Monitor to align our portfolio with our sustainability goals and emphasize action on climate change, pollution, water and resource use, and, specifically, the protection of biodiversity at our production sites. To this end, we use the WWF Biodiversity Risk Filter to analyze the proximity of the sites to vulnerable areas. The results are used for monitoring and reporting in order to systematically track changes in biodiversity. The "Biodiversity" Background Paper describes LANXESS's management approach:

Our Biodiversity Background Paper reinforces our commitment to the responsible stewardship of ecosystems along our value chain and explains the associated management approaches. We are guided by global and regional biodiversity frameworks, such as the Kunming-Montreal Global Biodiversity Framework and the EU Biodiversity Strategy for 2030, and we use tools such as ENCORE and the WWF Risk Filter to assess dependencies and impacts. The paper describes our biodiversity impact and dependency assessment, our expectations of environmental stewardship and the associated management approach. We consider climate change, freshwater-use change, sea-use change and pollution to be the main categories, although there is no current focus on specific actions regarding land use and deforestation. We also provide an overview of our sustainability objectives and actions, initiatives and the progress we have made on environmental issues that impact biodiversity. We combine our biodiversity strategy with social matters by taking actions such as using Lewatit® resins to ensure clean water, which both benefits people and protects endangered habitats.

E4-3 – Actions and Resources Related to Biodiversity and Ecosystems and E4-4 – Targets Related to Biodiversity and Ecosystems

LANXESS monitors its dependencies and impacts on biodiversity. At the same time, LANXESS also addresses the upstream value chain through active supplier management and the downstream value chain through its commitment to product responsibility. Clear objectives also help to systematically identify material areas of influence and minimize negative effects. As the identified impacts can largely be found in the other environmental standards, the following overview provides references to the relevant standards where the details can be found.

- Impacts I34, I35: chapter "ESRS E1 Climate Change"
- Impacts I37, I38, I40, I41: chapter "ESRS E2 Pollution"
- Impact I39: chapter "ESRS E3 Water and Marine Resources"
- Impact I42: chapter "ESRS E5 Resource Use and Circular Economy"

Sourcing bio-based raw materials

LANXESS endeavors to contribute to a resource-efficient, climate-neutral society by producing products with a reduced carbon footprint and developing climate-neutral products. LANXESS promotes low-carbon solutions in order to reduce emissions from purchased goods (Scope 3.1). The plans include the transition from fossil to bio-based, recycled or power-to-X materials that use renewable energy to convert CO_2 or water into chemicals. The switch from conventional, often fossil raw materials to bio-based and circular resources not only results in a greenhouse gas emission reduction but also makes value chains less dependent on limited resources. However, the use of bio-based organic raw materials entails challenges and potential conflicts, such as competition with food production or impact on biodiversity. LANXESS takes these factors into account in strategic decisions on the use of raw materials. When it comes to the production of biomass for LANXESS's own purposes, the Group works with its suppliers to ensure that the biomass used is renewable, does not compete with food production, and does not cause biodiversity loss or deforestation. In addition, when it uses sustainable raw materials, LANXESS utilizes ISCC+ certification (International Sustainability and Carbon Certification) to ensure raw materials have a sustainable origin.

LANXESS supports the use of circular raw materials from all recycling options, including open and closed loop recycling, and is committed to promoting both mechanical and chemical recycling.

Product-related impact

LANXESS is committed to minimizing risks to human health and the environment throughout the entire life cycle of its products. This commitment encompasses safe practices for sourcing, production, storage, logistics, use and disposal. The continuous improvement of product safety is a core component of our "LANXESS Corporate Policy" in order to enshrine these measures deeply in our operating processes and to constantly develop them further. The main tool for aligning the portfolio with sustainability goals is the LANXESS Product Sustainability Monitor. This tool enables LANXESS to assess risks and identify potential for improvement by taking environmental, social and economic impacts into account. In addition to indirect factors such as climate change, water consumption and waste management, the Group also assesses direct environmental impacts such as the aquatic and ecological toxicity of chemical end products.

Antidegradants such as the Vulkanox® product line play a key role in the protection of vulcanizates (mainly tires) from external damage, thus preventing premature aging. However, tire abrasion can release these substances into the environment, which makes it necessary to address their environmental impact. When LANXESS identified that the previous product 6PPD may be contaminating groundwater due to tire abrasion and could negatively impact the environment, LANXESS invested considerable resources in developing a safer alternative and initiated the gradual phase-out of the old product.

The new test product, Vulkanox® 4060, has several decisive advantages:

- Improved biodegradability: It breaks down significantly more efficiently than conventional antioxidants, thus minimizing its environmental footprint in the long term.
- Reduced toxicity: Unlike traditional antioxidants, the degradation products of CCPD are not acutely toxic to aquatic life, meaning vulnerable species are protected and ecosystems are conserved.
- Improved durability: Vulkanox® 4060 provides superior protection against oxidation and ozone, extending the life of rubber products, reducing waste and decreasing the need for frequent replacement.

LANXESS develops products that are designed to be sustainable from the start. The holistic approach of "sustainability by design" encompasses safety, circular economy, energy efficiency and functionality. The work on closed loops and avoiding waste and pollution, for example, through plastic loss or solid waste, is not only crucial for climate change mitigation but also for protecting ecosystems and biodiversity as a whole.

We did not set any biodiversity-specific targets or initiate any actions in the 2024 financial year. However, LANXESS has set targets for its primary environmental impacts and initiated actions that are already included in the other environmental standards (see the chapters "ESRS E1 Climate Change," "ESRS E2 Pollution," "ESRS E3 Water and Marine Resources" and ESRS E5 Resource Use and Circular Economy"). We thus already comprehensively address our impact on biodiversity elsewhere. Our background paper is updated annually to take account of the material impacts on biodiversity and to present progress.

E4-5 – Impact Metrics Related to Biodiversity and Ecosystems Change

To identify all the sites near protected areas or Key Biodiversity Areas, all global production sites were analyzed using the WWF Biodiversity Risk Filter (WWF BRF). All the sites with a high or very high risk in the categories "Key Biodiversity Areas" and "Protected Areas" were evaluated separately using a geoinformation system and data sets on protected areas. A buffer zone with a radius of three kilometers was defined, and an investigation of whether there were any overlaps between the buffer zone and protected areas was carried out. All protected areas corresponding to IUCN categories I–IV[1] were included. The metric was not externally validated. The analysis is reviewed each year to check whether the data is up to date and is adjusted if necessary. Disclosure of the data is voluntary and not required by law. Our metrics on biodiversity show a section of our commitment, which we align with relevant international frameworks – such as the Kunming-Montreal Global Biodiversity Framework and the EU Biodiversity Strategy for 2030. Globally, seven production sites with a total area of 103.95 ha were identified that are near protected areas (IUCN categories I–IV) and meet the criteria of our methodology. A breakdown of the sites is shown in the table below. The condition of the areas at these sites was also analyzed using the WWF Risk Filter, with a "very low risk" indicating a largely intact ecosystem. The assessment revealed a very low risk for Krefeld-Uerdingen, a low risk for Baxenden, Bergkamen, Dormagen, Leverkusen and Mannheim and a medium risk for Sydney.

Overview of biodiversity-sensitive areas near our production sites

Site	Name of the protected area	IUCN category
Baxenden	West Pennine Moors	IV
	Conservation area wetland complex between Landwehrstrasse and Datteln-Hamm Canal	IV
Bergkamen	NSG Lippeaue von Werne bis Heil	IV
Dormagen	NSG Rheinufer Monheim	IV
	NSG Rheinaue Ehingen	IV
Krefeld-Uerdingen	NSG Rheinaue Friemersheim	IV
	NSG Rheinaue Langel-Merkenich	IV
	NSG Flittarder Rheinaue	IV
Leverkusen	NSG Am Gruenen Kuhweg	IV
	Backofen-Riedwiesen	IV
Mannheim	Horreninsel	IV
Sydney	Newington	Ia

At present, the Group refrains from using biodiversity offsets and instead concentrates on direct, site-specific actions to minimize negative environmental impacts in a targeted and effective manner. LANXESS does not have any relevant metrics relating to land-use change.

1) Category IV protected areas were included where the overlap was greater than one square kilometer.

ESRS E5 RESOURCE USE AND CIRCULAR ECONOMY

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to resource use and circular economy

							Policies					
Impacts, risks and opportunities[1]	**actual/ potential**	**negative/ positive**	**Value chain**	**Time horizon**	**Targets**	**Actions**	**LANXESS Corporate Policy**	**Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS**	**Product Safety Management at LANXESS**	**Environmental Protection Management**	**Procurement of Goods and Services in the LANXESS Group**	**"Value Chain Responsibility" Background Paper**
RESOURCE INFLOWS, INCLUDING RESOURCE USE												
I45: Impact Negative environmental impacts through the procurement of primary raw materials from renewable resources	actual	negative	Own operations	> 10 years	30% reduction of Scope 3.1 emissions by 2030 (base year 2021) Climate neutrality for the value chain by 2050 25% reduction of Scope 3 emissions by 2030 (base year 2021)	Selected procurement actions to reduce Scope 3 emissions Net Zero Value Chain strategy (Scope 3)	x				x	
I46: Impact Negative environmental impacts through the procurement of energy from renewable sources	actual	negative	Own operations	> 10 years	Climate neutrality for the entire Group by 2040 42% reduction of Scope 1 and 2 emissions by 2030 (base year 2021)	Selected procurement measures to reduce Scope 2 emissions Climate Neutral 2040 strategy (Scope 1 and 2)						
I47: Impact Emission of greenhouse gases through transport logistics	actual	negative	Own operations	1 – 5 years	Climate neutrality for the value chain by 2050 25% reduction of Scope 3 emissions by 2030 (base year 2021)	Selected procurement measures in connection with green logistic solutions Net Zero Value Chain strategy (Scope 3)					x	

[1] I = impact, R = risk and O = opportunity
[2] Total LANXESS waste reported under incineration, landfilling, recycling or other forms of disposal

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material impacts, risks and opportunities related to resource use and circular economy

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Policies: Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Policies: Product Safety Management at LANXESS	Policies: Environmental Protection Management	Policies: Procurement of Goods and Services in the LANXESS Group	Policies: "Value Chain Responsibility" Background Paper
O48: Opportunity Raw material security through recycling and recovery				6–10 years (long term)								
RESOURCE OUTFLOWS RELATED TO PRODUCTS AND SERVICES												
I49: Impact Conservation of natural resources through the offer of Scopeblue® products	actual	positive	Own operations	< 1 year (short term)		Further development of the product range with regard to climate-neutral and circular solutions	×		×			×
I50: Impact Negative environmental impacts through the continued sale of unsustainable products	actual	negative	Own operations	< 1 year (short term)		Further development of the product range with regard to climate-neutral and circular solutions	×		×			×
WASTE												
I51: Impact Hazardous waste in production	actual	negative	Own operations	< 1 year (short term)	10% reduction of absolute total waste[2] by 2030 (base year: 2021) Implementation of an expanded waste management system by 2028	Optimize substance streams	×	×		×		×
I52: Impact Hazardous waste in production	actual	negative	Upstream, Downstream	< 1 year (short term)			×					

[1] I = impact, R = risk and O = opportunity
[2] Total LANXESS waste reported under incineration, landfilling, recycling or other forms of disposal

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material impacts, risks and opportunities related to resource use and circular economy

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Policies: Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS	Policies: Product Safety Management at LANXESS	Policies: Environmental Protection Management	Policies: Procurement of Goods and Services in the LANXESS Group	Policies: "Value Chain Responsibility" Background Paper
I53: Impact Non-hazardous waste in production	actual	negative	Own operations	< 1 year (short term)	10% reduction of absolute total waste[2] by 2030 (base year: 2021) Implementation of an expanded waste management system by 2028	Optimize substance streams	×	×		×		×
I54: Impact Non-hazardous waste in production	actual	negative	Upstream value chain; Downstream value chain	< 1 year (short term)			×					
I55: Impact Landfilling of waste	actual	negative	Own operations	< 1 year (short term)	50% reduction of total landfilled waste by 2030 (base year: 2021) Implementation of an expanded waste management system by 2028	Optimize substance streams	×	×		×		×
I56: Impact Landfilling of waste	actual	negative	Upstream value chain; Downstream value chain	< 1 year (short term)			×					
I57: Impact Pollution of air through the incineration of waste	actual	negative	Own operations	< 1 year (short term)	Implementation of an expanded waste management system by 2028	Optimize substance streams	×	×		×		×
I58: Impact Pollution of air through the incineration of waste	actual	negative	Upstream value chain; Downstream value chain	< 1 year (short term)			×					

[1] I = impact, R = risk and O = opportunity
[2] Total LANXESS waste reported under incineration, landfilling, recycling or other forms of disposal

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

E5 SBM-3 Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

The transition to a circular economy, which replaces linear production processes, requires a fundamental transformation of the entire value creation system to ensure a sustainable future.

We present the positive and negative impacts on resources and the circular economy, both for our own operations and for the upstream and downstream value chain. For us as a specialty chemicals company, these are of importance for all sites and business activities. We also describe an opportunity for our business that arises from the circular economy. Currently and due to the new requirement, there is no relevant impact on the business model and strategy.

The IROs shown in the table above are divided into the following topic clusters: resource inflows and resource outflows including waste.

Resource inflows

Purchasing raw materials (impact I45) and energy (impact I46) from non-renewable sources has a negative impact on the environment. The extraction of these resources is often associated with the destruction of natural habitats and pollution, thus contributing to climate change. Because our resource inflows largely consist of the raw materials and energy we procure, the focus is on the upstream areas of our value chain, where resource use, risks and impacts are concentrated.

The sourcing of raw materials is particularly important for our efforts to become climate-neutral in terms of our Scope 3 emissions by 2050. This is because their procurement is responsible for a relevant share of these emissions. We are therefore working to reduce the proportion of raw materials from non-renewable sources.

All of our Scope 2 emissions originate in the procurement of energy. The level of these emissions is due to the fact that we primarily purchase energy from non-renewable sources. This means that the way we purchase our energy is a key factor in achieving our climate targets.

LANXESS ships more than 222,000 metric tons of products every month through various modes of transport. Negative environmental impacts due to greenhouse gas emissions occur if the means of transportation are powered by fossil fuels (impact I47). In order to achieve our Scope 3 climate neutrality target, we have identified the transition to sustainable logistics as a building block for and contribution to this.

Recycling and recovery promote sustainable circular processes and raw material security

LANXESS has identified an opportunity (O48) that is geared toward strengthening the circular economy and promoting the sustainable use of resources. In battery recycling, we want to recover valuable components from lithium-ion batteries, such as lithium, and return them to the recycling loop. This process makes the production of electrolytes and solvents much more sustainable and efficient. Another strategic project is the recovery of phosphorus from waste streams, particularly sewage sludge. This initiative supports independence in the supply of critical raw materials and creates the basis for an economically attractive business model.

Resource outflows

Products

Under the Scopeblue® brand, we offer products that enable climate-friendly solutions and contribute to a circular economy and thus have a positive impact on the environment (impact I49). These products must meet at least one of the following two criteria:

1. They consist of at least 50% circular raw materials and have a carbon footprint that is at least 10% lower.
2. The carbon footprint is at least 50% lower than for conventional products.

The Scopeblue® products are still being developed and currently make up only a small proportion of the product portfolio. We intend to develop them further and increase the proportion.

We continue to sell products that do not meet the criteria for the Scopeblue® range and therefore have a greater impact on the environment (impact I50). This is in line with the plans to develop sustainable alternatives for chemical end products containing substances of very high concern by 2030.

Our conventional products differ from Scopeblue® products in that the Scopeblue® products are more sustainable. This means that they consume fewer resources, generate less waste or have lower CO_2 emissions than conventional products.

Sustainable products may be safer for people because they do not involve harmful chemicals or materials that could be hazardous to health.

They enable climate-friendly solutions, are a major step toward a circular economy and offer our customers a tangible sustainability benefit. Scopeblue® products support a resource-efficient and carbon-neutral economy and meet the requirements of customers and regulatory authorities. Further information on the process can be found in section "E5-5 – Resource Outflows" of the chapter "ESRS E5 Resource Use and Circular Economy".

Waste

The following statements relate to impacts I51 to I58. The topic of waste also plays an important role in the holistic view of our sustainable positioning. Chemical production generates waste that has a negative impact on the environment if discharged. Through the introduction of an expanded global waste management system by 2028 and our reduction targets, we recognize our responsibility as a production company. The HSE performance data we collect as part of this global waste monitoring ensures that disposal data is recorded, monitored and communicated transparently.

The release of pollutants into the air, soil and water not only has an environmental impact but also an impact on society. We have identified the waste categories of hazardous and non-hazardous waste and the disposal methods of landfilling and incineration as having a negative impact. In addition to consistently complying with legal requirements, we are guided by the waste hierarchy within the circular economy: avoid, recycle, dispose. We want to make an important contribution to this through our measures to optimize material flows.

E5-1 – Policies Related to Resource Use and Circular Economy

All general information on our policies according to ESRS 2.65 is provided in section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct". Our policies do not yet cover topics such as prioritizing waste prevention and minimization over waste treatment.

Corporate Policy

Our highest-level policy, the "LANXESS Corporate Policy", also deals with the topic of the circular economy. It requires the reduction of waste, the promotion of waste recycling and the avoidance of hazardous waste emissions as far as possible. In this key policy, we also affirm our support for the transformation to a sustainable, resource-efficient, climate-neutral and circular economy. The "LANXESS Corporate Policy" has a particular focus on the use of secondary (circular) or renewable raw materials. Care must be taken to comply with recognized sustainability standards when using renewable raw materials.

Directives

Our "Procurement of Goods and Services in the LANXESS Group" directive serves as a guideline for procurement in our upstream value chain. The directive calls for sustainable procurement, the assessment of environmentally friendly alternatives for materials, the reduction of resource and energy consumption, the consideration of the environmental impact of logistics processes and the creation of environmentally friendly disposal options for materials that are no longer required. The directive was developed by the Global Procurement & Logistics and Legal & Compliance Group functions with the involvement of the Board of Management. It does not expressly refer to specific standards or initiatives and is taught as part of our purchasing training. The directive addresses central purchasing requirements but does not include any specific requirements on the topic of waste.

One focus of the "Environmental Protection Management" directive is on requirements for the safe disposal of waste and for its prevention and reduction. Further information on our "Environmental Protection Management" directive can be found in section "E1-2 – Policies Related to Climate Change Mitigation and Adaptation" of the chapter "ESRS E1 Climate Change".

The basis for recording environmental indicators is the "Recording and Reporting HSE Performance Data & Performance Indicators within LANXESS" directive. We use the waste indicators to monitor the continuous improvement and effectiveness of our actions and the achievement of our targets. The metrics that we collect on the basis of the directive cover various levels of the waste hierarchy, but above all the metrics on recovery operations (preparation for reuse, recycling and other recovery operations) and waste disposal (landfilling, incineration and other types of disposal). Further information on this directive can be found in section "E1-2 – Policies Related to Climate Change Mitigation and Adaptation" of the chapter "ESRS E1 Climate Change".

The aim of the "Product Safety Management at LANXESS" directive is to ensure that environmental protection and the safe handling of all chemical products and processes are clearly regulated. We are aware of our responsibility for the products we handle and set binding standards aimed at maximum product safety. The directive ensures that the relevant laws and regulations are complied with at all stages of the product life cycle (research and development, production, storage, shipment, marketing, use and disposal), that relevant obligations are derived from these and implemented, and that compliance with these requirements is monitored. Further information on our "Product Safety Management at LANXESS" directive can be found in section "E2-1 – Policies Related to Pollution" of the chapter "ESRS E2 Pollution".

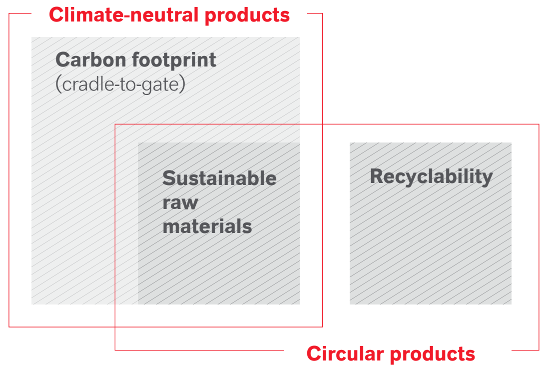
The Background Paper "Value Chain Responsibility" underscores our commitment to acting responsibly along our value chains and sets out the associated management approaches. They include our policies on how we minimize negative environmental impacts from our resource use and reduce waste. Further information on our Background Paper "Value Chain Responsibility" can be found in section "E2-1 – Policies Related to Pollution" of the chapter "ESRS E2 Pollution".

E5-2 – Actions and Resources in Relation to Resource Use and Circular Economy

Circular products

We want to help transform the entire value creation system into a resource-efficient and climate-neutral society. We divide the path to climate-neutral and circular products into three partially overlapping action areas: carbon footprint, sustainable raw materials and recyclability.

Three elements for climate-neutral circular products



We sell most of our products to industrial customers. Only they or customers even further downstream use them to produce end products for a wide range of markets. Even chemical end products, which remain chemically unchanged in the further value chain, are first processed by our customers before being turned into final products. With regard to completing cycles, this means that there may be very long periods between production and the end of our products' lifecycles. In the first step, it is important to ensure the recyclability of all our products and to understand what function they have in their final use and in which cycles (biological or technical) they circulate.

In our "Net Zero Value Chain" strategy, which aims for climate neutrality along the entire value chain, we want to promote the procurement of sustainable raw materials, the use of green logistics solutions and the development of climate-neutral products. We are therefore realigning our procurement of raw materials and increasingly source sustainable raw materials that originate from a recycling process, are plant-based or are produced with renewable energy. Since 2022, we have used a calculation tool to monitor the proportion of bio-based, circular, renewable and recycled raw materials and to identify room for improvement.

Procurement of raw materials with a low carbon footprint reduces our CO_2 emissions. This impacts the end products' carbon footprint and brings us closer to our Net Zero Value Chain target.

Allocation of LANXESS products to cycles according to their use (examples)

Materials	Additives	Active ingredients
Plastics or **intermediates** for the manufacture of plastics that can be used in diverse ways. They return to technical cycles and are essential for a functioning circular economy.	**Antioxidants** or **pigments** that are added to products and determine their physical characteristics. When used in paints, plastics or other materials, they are part of technical cycles. If they are contained in cosmetics or food, they are added to the biological cycle via wastewater.	**Fertilizers, pesticides, insect repellents, disinfectants, additions to animal feed or flavorings.** These substances are used in agriculture or food production. They are degraded naturally when used and enter the biological cycle.
Aim: Recyclable materials, suitable for return to technical cycles.	**Aim:** Additives that are suitable for their relevant cycles.	**Aim:** Degradable active ingredients that enter the biological cycle when used

Technical cycle | **Biological cycle**

Further information on our "Net Zero Value Chain" strategy is provided in section "E1-3 Actions and Resources in Relation to Climate Change Policies" of the chapter "ESRS E1 Climate Change".

Sustainable Products

For a functioning circular economy, it is alternative raw materials and environmentally friendly recycling at the end of the lifecycle that are important. Products are also required that help materials to be used for longer or enable materials to be reused at all. In particular, appropriate additives can extend the product life cycle of plastics. When renewable materials such as wood are used, material protection solutions can extend their useful life. If products have reached the end of their life cycle, it is important that they can be recycled in an environmentally friendly way.

The manufacture, transportation and distribution of new products are major contributors to greenhouse gas emissions. Extending product life reduces the need for production, lowers overall carbon emissions and contributes to our carbon neutrality targets.

The new product Lewatit S 1567 Scopeblue® expands our portfolio of sustainably produced ion exchange resins. The strongly acidic cation exchange resin, produced in a solvent-free process, softens drinking water in industrial plants and in standard household filter cartridges.

The monomer used in Lewatit S 1567 Scopeblue® is styrene, which is derived from renewable or waste-based feedstocks, namely tall oil fatty acids. This makes it possible to replace more than 90% of fossil raw materials and reduce the carbon footprint by up to 76% compared with conventionally produced resins.

We have developed UltraPure 1296 MD PLUS for semiconductor production, a new mixed-bed resin for ultra-pure water with a far lower content of metals such as iron, zinc and sodium compared to standard products.

Optimizing material flows

LANXESS is taking various actions to prevent both hazardous and non-hazardous waste and break the link between economic growth and waste production. We are currently developing a concrete action plan.

Our business units and sites are constantly working on preventing and reducing waste. Rigorous material-flow management from raw material input to finished product is aimed at ensuring that resources are used as efficiently as possible and waste volumes are minimized. In turn, the networked sites, particularly in Germany, enable us to reuse many by-products as a raw material directly in neighboring plants – both our own as well as those of other chemicals companies – to create closed loops and thus avoid waste. We are also active beyond our networked sites. Examples of our material flow management that affect both our own production and the downstream value chain can be found at our sites in Bergkamen and Krefeld-Uerdingen:

Our site in Bergkamen is conducting a partially publicly funded research project to convert a significant waste stream into a valuable sales product. If successful on the market, this will significantly reduce the site's carbon footprint and the consumption of raw materials. These actions encompass the Group's own production. The research project was launched in 2024 and is expected to be completed in 2027.

The Inorganic Pigments business unit produces iron oxides at the Uerdingen site in accordance with the Laux process. Here, iron raw materials, mainly cast iron filings, are reacted with nitrobenzene in an acidic medium to produce aniline and iron oxide pigments. Due to the reaction process, excess iron raw material needs to be used. At the end of the reaction, the unreacted iron is separated from the reaction products aniline and iron oxide. Its chemical-physical properties mean that the unreacted iron can no longer be returned to the production process and, in the past, was disposed of as waste. In recent years, the Inorganic Pigments business unit has opened up recovery routes in the metal industry so that up to 75% of the iron produced no longer had to be sent to landfill but could be returned to the raw material cycle. The project was launched in 2022 and is ongoing.

The "optimizing material flows" measure supports the "LANXESS Corporate Policy" by using resources more efficiently and helping to reduce waste, which directly supports our strategic targets of reducing total waste. There were no individual actions in the 2024 financial year with significant (> €3 million) capital or operating expenditures.

LANXESS is also involved in intensive discussions on the major transformation topic of the circular economy and actively contributes to dialog and cooperation formats through its membership of associations and initiatives. For example, we are one of only a few founding members of the Circular Economy initiative of the Federation of German Industries (BDI), a platform for dialog between business, politics, science and society, in order to develop the market for recycled raw materials and unlock potential for waste prevention. In addition, at our networked sites we work in close collaboration with the chemical park operators and other companies to continuously develop these processes.

In order to bundle the measures more closely and embed them in a defined framework, we set ourselves a comprehensive set of waste targets for the first time in the 2024 financial year.

E5-3 – Targets Related to Resource Use and Circular Economy

Reduction of Scope 3.1 emissions by 30% by 2030 (base year 2021)

One of our most important targets is to become climate neutral for Scope 1 and 2 emissions by 2040 and by 2050 for Scope 3[1]. Scope 3.1 includes greenhouse gas emissions that are caused by our purchased raw materials and thus significantly contribute to our total Scope 3 emissions. Reducing Scope 3.1 emissions by 30% by 2030 compared with the base year 2021 will make a major contribution to reducing our total Scope 3 emissions. We set this target at the end of 2024, so monitoring and evaluation have not yet been completed. Figures on target achievement are not yet available. This target is in line with the "LANXESS Corporate Policy" and the "Procurement of Goods and Services in the LANXESS Group" directive and contributes to supporting the transition to a sustainable, resource-efficient, climate-neutral circular economy.

The SBTi target validation team has determined that the LANXESS short-term emission targets (by 2030) for production and energy procurement (Scope 1 and 2) are in line with the 1.5°C reduction pathway. The long-term target (by 2050) for the entire value chain (Scopes 1, 2 and 3) are in line with the ambitious 1.5°C target according to the SBTi.

The affected stakeholders were involved in setting the targets in a working team in which representatives of all stakeholder groups participated.

To further reduce our Scope 3 levels, we want to reduce our Scope 3.1 emissions by 30% by 2030 (base year 2021). We achieve this by improving our raw material basis, for example, by replacing primary raw materials with circular, bio-based or renewable raw materials.

We have not set a target for material impact I50.

Waste targets

In the 2024 financial year, we defined concrete waste targets for the first time in order to further advance our strategy and continue to reduce environmental impacts in connection with waste disposal. This is how we will further develop our waste management, record our waste streams even better and report on the outcome. In addition, we have set ourselves the targets of reducing the total amount of waste overall and, in particular, significantly decreasing waste that is disposed of in landfills. In this way, we contribute to our policies of using raw materials efficiently, conserving natural resources and avoiding emissions and waste as part of our environmental responsibility. We have set ourselves the targets voluntarily, and they are not tied to any legal requirements.

Implementation of an expanded waste management system by 2028

In addition to our waste management, LANXESS has set itself the target of implementing an expanded waste management system at 100% of our own production sites by 2028. We measure the progress of implementation based on the coverage of the expanded system. 2024 is the base year with coverage of 0%, and the target year is 2028 is defined with 100% coverage. No intermediate targets or milestones have been defined. No significant assumptions were made for the development of this target, nor is it based on specific frameworks. Employees were involved in developing the target. It was presented both in the Health, Safety & Environment subcommittee and in the Sustainability Committee and adopted by the Board of Management. The target relates to all levels of the waste hierarchy and covers prevention, reduction, recycling and disposal of waste.

Reduction of total waste by 10% in absolute terms by 2030 compared with base year 2021

LANXESS has set itself the target of reducing total waste (measured in metric tons) at its sites by 10% by 2030, based on the baseline of 2021. The relative target is based on the upper levels of the waste hierarchy and focuses on preventing and reducing waste. All waste categories reported under incineration, landfilling, recycling, or other disposal methods are affected. The target is outcome-oriented and defined in absolute terms. The target is to be achieved by 2030. 2021 was used as

1) without category 10. See also restriction in section "E1-4 – Targets Related to Climate Change Mitigation and Adaptation" of the chapter "E1 Climate Change".

the base year for calculating progress, with a baseline of 207.9 thousand metric tons. No specific milestones or intermediate targets have been defined for the target of reducing the total amount of waste, as the focus is on achieving the final reduction target by 2030. To save waste, LANXESS relies on various waste reduction actions, which it continuously further develops. These include approaches such as material flow management or recycling. Our reduction target is not based on a specific framework but was defined by internal policies and actions. Relevant stakeholders, particularly the various business units, were actively involved in developing the target. It was adopted by the Board of Management both in the Health, Safety & Environment subcommittee and in the Sustainability Committee.

Reduction of total landfilled waste by 50% by 2030 compared with base year 2021

LANXESS has set itself the target of reducing landfilled waste at its sites by 50% by 2030 compared with the base year 2021, when 50.8 thousand metric tons of waste was landfilled. This target is measured in metric tons to ensure clear and transparent monitoring of progress. The target is outcome-oriented and focuses on an absolute reduction of total landfilled waste. The date targeted for full implementation of the target is 2030. No specific milestones or intermediate targets have been defined, as the focus is on achieving the final target by 2030. To make progress, we use projects to reduce waste, reuse and recycle. Relevant stakeholders, particularly the various business units, were actively involved in setting the target. The target was adopted by the Board of Management both in the Health, Safety & Environment subcommittee and in the Sustainability Committee. The target is based on the waste hierarchy and focuses on reducing and preventing waste. Targets are set voluntarily and are not based on a specific framework.

Because LANXESS first published its waste targets in the 2024 financial year, it was not yet possible to make disclosures on changes and progress in 2024. Monitoring is initially carried out via environmental indicator reporting. In the future, LANXESS will provide information on developments in progress in order to make target achievement more transparent.

E5-4 – Resource Inflows

	Weight in t	Proportion of total raw materials (%)
Secondary reused or recycled components	136,000	4
Secondary intermediary products	0	0
Secondary materials	0	0

Our raw materials are divided into organic and inorganic raw materials. Organic raw materials originate from natural sources such as plants, animals and microorganisms and are obtained through agriculture, harvesting and biotechnological processes. These materials include essential oils, natural fibers and bio-based and petroleum-based chemicals. Inorganic raw materials that come from minerals, ores and chemical compounds are obtained through mining, quarrying and synthetic production methods. Examples of these products include metals, salts and industrial chemicals.

In fiscal year 2024, LANXESS procured a total of 3,408,311 metric tons of raw materials. Of this amount, 12,120 metric tons (0.36% of the total amount) was classifiable as biodegradable, sustainable material.

In addition, within the amounts we procured, we used a total of 136,000 metric tons of secondary scrap for production in our Inorganic Pigments business unit.

E5-5 – Resource Outflows

Methodology

LANXESS has developed an internal tool for calculating the raw material Scope 3 emissions, which can be used to track and report all raw materials purchased from suppliers. The main aim is to manage the product carbon footprint (PCF) of the procured raw materials and, in this context, to classify and categorize the purchased raw materials as organic, circular or renewable according to their origin. The tool has clear structures, and products can only be classified in the organic, circular or renewable categories described to avoid overlaps or double counting.

The tool always takes account of primary data if an actual PCF figure for the procured raw material is available from our suppliers. If this is not the case, our purchased items and quantities are compared with databases from third-party providers (for example, Gabi or Carbon Minds) to calculate a PCF for the procured raw material.

The information in this tool is a fundamental datapoint for calculating our Scope 3 figures. Our calculation method and the calculations for the tool are certified by TÜV Rheinland.

PTSE HSEQ created the LANXESS Product Sustainability Monitor as a strategic management tool to systemically evaluate and improve the LANXESS product portfolio's sustainability performance. Further information on the LANXESS Product Sustainability Monitor is available in the sections "S4 SBM-2 – Interests and Views of Stakeholders and S4 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model" of the chapter "ESRS S4 Consumers and End-Users". Only products with a sustainability performance that have a very low or low environmental impact and contribute to at least one sustainable development goal (SDG) are approved in this pre-selection process for products with the Scopeblue® label.

LANXESS promotes the circular economy through recyclable products, chemical recycling and additives such as Baynox®, Bayferrox® 303T and Aktiplast® 79, which give materials a longer life, improve recyclability and enable their return to cycles.

Waste indicators

in thousand metric tons	EU	Non-EU	Total in 2024
Total amount of waste	**138.7**	**584.2**	**722.9**
Total amount of hazardous waste	**109.6**	**535.1**	**644.7**
Total amount of waste generated that is diverted before disposal	10.2	8.8	**19.0**
Preparation for reuse	–	–	**–**
Recycling	10.2	8.8	**19.0**
Other recovery operations	–	0.0	**0.0**
Total amount of waste generated that is destined for disposal	99.4	526.3	**625.7**
Incineration	63.6	13.6	**77.2**
Landfilling	0.7	10.8	**11.5**
Other disposal operations	35.1	501.9	**537.0**
Radioactive waste	–	–	**–**
Total amount of non-hazardous waste	**29.1**	**49.1**	**78.2**
Total amount of waste generated that is diverted before disposal	8.5	13.2	**21.7**
Preparation for reuse	–	–	**–**
Recycling	8.5	13.2	**21.7**
Other recovery operations.	–	–	**–**
Total amount of waste generated that is destined for disposal	20.6	35.9	**56.5**
Incineration	8.1	8.2	**16.3**
Landfilling	6.2	15.2	**21.4**
Other disposal operations	6.3	12.5	**18.8**

Our waste is largely aqueous waste or waste from chemical processes, such as filtration residues, salts, solvents or the like. These waste streams are generated continuously, depending on the capacity utilization of the plants. However, other waste streams, such as products that do not meet the standards or quality requirements, or construction waste from maintenance, inspection or demolition activities, tend to occur as one-off effects. We specify the waste indicators for all the sites worldwide. LANXESS divides waste into the following categories: waste for material recovery (preparation for reuse, recycling, other recovery operations) and for waste treatment (incineration, landfilling and other disposal), each subdivided into hazardous and non-hazardous waste.

The distinction between hazardous and non-hazardous is initially made in line with national/regional legislation. This is due to country-specific approval processes. This assessment is made based on the composition and associated chemical-physical and toxicological properties of the waste streams. Each country/region specifies which physical, chemical or toxicological properties result in the waste being classified as hazardous. In the EU, for example, this is governed by the European Waste Framework Directive. Depending on the classification of the waste, specific disposal processes may be stipulated by the authorities and laid down in the relevant operating licenses. Taking a broader view than the local/national perspective, we examined whether, due to potential divergence between local/national definitions and the EU level, material adjustments needed to be made in the classification between hazardous and non-hazardous waste. This was not the case.

LANXESS is committed to lawful waste disposal that is organized locally and in line with the national requirements. The metrics are collected as part of the HSE indicator reporting and undergo a standardized collection, review and approval process. As the source of the raw data is generally invoices from disposal companies, most data – other than calculations and estimates – can be regarded as direct measurements. The waste data reported by LANXESS is audited by public institutions in various countries. For example, in Germany, the country with the largest LANXESS sites, the entire disposal process, from registration to final disposal, is monitored by the relevant environment agencies. In the U.S., for example, all hazardous waste is reported to the Environmental Protection Agency (EPA) and may be audited by the authority.

SOCIAL INFORMATION

ESRS S1 OWN WORKFORCE

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to the company's own workforce

							Policies								
Impacts, risks and opportunities[1]	**actual/ potential**	**negative/ positive**	**Value chain**	**Time horizon**	**Targets**	**Actions**	**LANXESS Corporate Policy**	**Code of Conduct**	**Declaration of Principles on Respect for Human Rights and Related Environmental Standards**	**Working Conditions and Equal Treatment of Employees**	**Occupational Safety Management**	**Occupational Health and Safety at LANXESS**	**Xwork Flexibility Principles**	**Process and Plant Safety**	**"Working at LANXESS" Background Paper**
WORKING CONDITIONS															
SECURE EMPLOYMENT															
I59: Impact Layoffs due to FORWARD!	actual	negative	△ ■ ▽	➤▷▷▷		FORWARD! action plan	×								
R60: Risk Risks due to demographic change and shortage of skilled workers			△ ■ ▽	➤▷▷▷	Greater employee retention: turnover rate on the basis of resignations below 4.5% annually by 2026	Recruiting HR development Compensation and benefits Working conditions and benefits Diversity and inclusion									×
I61: Impact Employment and its positive impacts on societal development	actual	positive	△ ■ ▽	➤▷▷▷		Recruiting HR development Compensation and benefits									×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- ▲ Upstream value chain
- ■ Own operations
- ▼ Downstream value chain

Time horizon
- ➤▷▷▷ < 1 year (short term)
- ▷➤▷▷ 1 – 5 years (medium term)
- ▷▷➤▷ 6 – 10 years (long term)
- ▷▷▷➤ > 10 years (long term)

Material impacts, risks and opportunities related to the company's own workforce

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Code of Conduct	Declaration of Principles on Respect for Human Rights and Related Environmental Standards	Working Conditions and Equal Treatment of Employees	Occupational Safety Management	Occupational Health and Safety at LANXESS	Xwork Flexibility Principles	Process and Plant Safety	"Working at LANXESS" Background Paper
WORKING TIME, WORK-LIFE BALANCE															
I62: **Impact** Work-life balance	actual	positive	Own operations	< 1 year (short term)		Working conditions and benefits			×				×		×
ADEQUATE WAGES															
I63: **Impact** Compensation package	actual	positive	Own operations	< 1 year (short term)		Compensation and benefits	×		×						×
SOCIAL DIALOGUE, FREEDOM OF ASSOCIATION, EXISTENCE OF WORKS COUNCILS, CO-DETERMINATION AND COLLECTIVE BARGAINING															
I64: **Impact** Social dialogue and employee representation/unions	actual	positive	Own operations	< 1 year (short term)		Employee co-determination, corporate co-determination	×	×	×						×
HEALTH AND SAFETY															
I65: **Impact** Damage due to accidents	actual	negative	Own operations	< 1 year (short term)	Continuous decrease in the LTIFR by > 50% by 2025 (2016 reference value: LTIFR 2.0); absolute LTIFR ≤ 0.9 by 2024; absolute RIR ≤ 0.7 by 2024	Occupational health and safety	×				×	×		×	×
I66: **Impact** Risk of injury due to accidents	potential	negative	Own operations	< 1 year (short term)	Continuous decrease in the LTIFR by > 50% by 2025 (2016 reference value: LTIFR 2.0); absolute LTIFR ≤ 0.9 by 2024; absolute RIR ≤ 0.7 by 2024	Occupational health and safety					×	×		×	

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

Material impacts, risks and opportunities related to the company's own workforce

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Code of Conduct	Declaration of Principles on Respect for Human Rights and Related Environ-mental Standards	Working Conditions and Equal Treatment of Employees	Occupational Safety Management	Occupational Health and Safety at LANXESS	Xwork Flexibility Principles	Process and Plant Safety	"Working at LANXESS" Background Paper
I67: **Impact** Risk of long-term health damage due to chemical exposure/direct contact with chemicals	potential	negative			Continuous decrease in the LTIFR by > 50% by 2025 (2016 reference value: LTIFR 2.0); absolute LTIFR ≤ 0.9 by 2024; absolute RIR ≤ 0.7 by 2024	Occupational health and safety					×	×		×	
EQUAL TREATMENT AND OPPORTUNITIES FOR ALL															
GENDER EQUALITY AND EQUAL PAY FOR WORK OF EQUAL VALUE															
I68: **Impact** Gender pay gap	actual	negative				Compensation and benefits									×
TRAINING AND SKILLS DEVELOPMENT															
I69: **Impact** HR development/training/ apprenticeship	actual	positive			Proportion of apprentices hired in Germany of least 80% annually (continuous through 2026)	Recruiting HR development Vocational training	×								×
DIVERSITY AND EMPLOYMENT & INCLUSION OF PEOPLE WITH DISABILITIES															
I70: **Impact** Equal opportunities	potential	positive			Increase in the proportion of women at the first and second management levels below the Board of Management to 25% and 28%, respectively, by 2027 Increase in the proportion of women in management to 30% by 2030	Diversity and inclusion	×	×	×	×					×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

S1 SBM-2 – Interests and Views of Stakeholders

Dialog with chemicals social partners – works councils, trade unions and employer associations alike – as a principle of consultation in action is the global practice at LANXESS. As part of this, we also respect the freedom of association of our employees in accordance with the International Labour Organization (ILO) and the Global Compact and comply with collective bargaining agreements. We regularly seek dialog with employee representative committees in Germany, Europe and worldwide, provide information on our corporate objectives and involve them in organizational changes at an early stage.

The LANXESS Supervisory Board includes workers' representatives and representatives of the trade union, ensuring that their perspectives can be taken into account.

As part of the quarterly information meeting (QIM), all employees can address questions to the Board of Management. Furthermore, the Chairman of the Board of Management participates in the business units' and Group functions' management team meetings each year.

In our view, LANXESS's strategy and business model can have both positive and negative significant material impacts for our own workforce because where, for example, we identify (potentially) negative impacts on our own workforce, we attempt to mitigate these. By working on issues with a significant material impact on our own workforce, we can not only mitigate (potentially) negative impacts on our employees (for example, health damages due to accidents) and create and/or strengthen (potentially) positive impacts but also increase our competitiveness (for example, through healthier, more satisfied, more motivated and ultimately more productive employees). For example, particular attention must be paid to the topics of employee development and diversity & inclusion in our People Strategy and also our HR strategy (which was derived from the People Strategy). We firstly want to achieve or further strengthen positive impacts for our employees and, at the same time, also use the potentially positive impacts on (for example) innovation, employee loyalty, performance and employer attractiveness.

S1 SBM–3 Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

We anticipate that the positive impacts on our workforce (for example, work-life balance, compensation package, social dialogue, freedom of association, co-determination and collective bargaining or employee development/training/education) will also have a positive impact on our business model and strategy, in as much as all these aspects can contribute to a positive employer brand (for example, in terms of family-friendliness as a company), employee willingness to work, employee satisfaction and potentially greater motivation and performance. We believe that this also benefits our power of innovation and competitiveness as a Group.

Just as the aforementioned positive impacts on the workforce can have a positive impact on the business model and strategy, the negative impacts and risks, such as I59 (layoffs due to FORWARD!) and R60 (demographic change and shortage of skilled workers), have a potentially negative impact on, for example, our employer brand, employee motivation, satisfaction and willingness to work and thus, ultimately, also possibly on our innovation and competitiveness. This year, we have therefore, for example, revised the People Strategy and the human resources (HR) strategy derived from it. I65 (damage due to an accident) and I66 (risk of injury due to an accident) and I67 (long-term health damage due to chemical exposure) are part of the Group's strategic direction. The safety performance of the individual plants and their improvement are regularly reviewed and evaluated.

However, we consider our strategy and business model to be resilient enough to overcome the aforementioned negative impacts (I59: layoffs due to FORWARD!, I68: gender pay gap). This is evidenced by our low voluntary turnover rate, an indicator of employee satisfaction and loyalty, which, despite the cost savings program and the associated job cuts, remains low and is below the 4.5% threshold set as part of our material corporate targets. We also currently regard our strategy and business model as resilient enough in relation to the risk R60 (demographic change and shortage of skilled workers). Here too, the low voluntary turnover rate is good evidence that we continue to be viewed as an attractive employer and are still currently able to hold our ground in the competition for skilled staff. Moreover, our metrics on recruitment do not reveal any sign of problems with (re-)filling vacancies. We also consider our strategy and business model to be resilient in respect of I65 (damage due to an accident) and I66 and I67 (risk of injury due to an accident and risk of long-term health damage due to chemical exposure). The rate of incidents has been kept stable at a low level in the last few years by means of existing measures and ongoing initiatives. This is reflected in a low number of accidents with days lost and a low number of incidents that require recording. Based on the results of audits and site inspections, discussions are held on possible improvements and implementation options.

Job cuts as a result of FORWARD! (I59)

The continuing weak economic situation and challenging market conditions mean our sector and thus also LANXESS and our employees face major challenges. The job cuts in our own workforce, which began in 2023 and continued in 2024 as part of the FORWARD! action plan, resulted in lower job security for our employees in the fiscal year and, as a consequence, potentially in lower employee satisfaction, motivation and performance.

Demographic change and shortage of skilled workers (R60)

We see the following risks as a result of demographic change and a shortage of skilled workers: As a result of demographic change in combination with the increasing shortage of skilled employees, we see a risk of increased competition for employees in the next few years. There is a risk that it will become more difficult not only to retain employees but also to recruit new employees. It is highly likely that the cost of loss per employee will rise in the future and, as a consequence, so will the risk of loss of knowledge and productivity.

The action plan could further intensify this risk: As a result of the job cuts as part of the FORWARD! action plan, it may become more difficult to fill vacancies internally. In addition, the challenging business situation together with the resulting savings measures in the area of personnel could lead to an increase in voluntary staff turnover and thus further increase the risk of a shortage of skilled workers.

In addition, the shortage of skilled workers could make it impossible to fill vacancies quickly. In the non-production area, this could make the use of consultants and free-lancers increasingly necessary, causing higher costs. In the worst case scenario, there could even be short-term plant shutdowns in the production area. The countries hit particularly hard by demographic change include Germany, countries in the EMEA region, the U.S. and Canada.

The risk of health-related absences and outdated knowledge or lack of knowledge is growing in importance, particularly in light of demographic change and the increasing average age of employees at LANXESS (which is currently 45). Health-related absences cause costs for LANXESS – for example, in Germany for the period of continued payment of wages. There is a risk that short-term cover will be needed for the period of the absence, which may result in double costs for the Group for the absence.

Employment and its positive impacts on social development (I61)

For us, sustainable corporate development also means tackling existing and future challenges such as the general shortage of skilled workers. For example, we contribute to UN Sustainable Development Goal 4 “Quality Education” through our in-house training and a wide range of further training and development programs.

Work-life balance (I62)

Our flexible working time models (such as flextime or part-time) facilitate a work-life balance for our employees (for example, in connection with returning to work after parental leave) and thus contribute to UN Sustainable Development Goal 3 “Good Health and Well-Being”.

Our options for working remotely contributes to a better work-life balance for our employees and thus also to UN Sustainable Development Goal 3 "Good Health and Well-Being".

Maternity and paternity leave, parental leave and leave to care for relatives are by no means standard around the world. Through the options we provide, we want to live up to our social responsibility and, in view of the increasing shortage of skilled workers and demographic change, increase our attractiveness as an employer and boost our competitiveness. In countries with increasing demographic change, such as Germany, the average age continues to rise and with it the number of people needing care. This means that more and more employees have to act as a carer for a person in their personal environment. We as an employer want to provide support for this.

Compensation package (I63)

By providing remuneration that is high by industry standards, we contribute to the Sustainable Development Goal No. 8 "Decent Work and Economic Growth" of the United Nations. Collective agreements on remuneration cover more than half of our employees worldwide.

We share the company's success with our employees and reward their performance through attractive bonus systems that are aligned with the long-term success of the company. In doing so, we contribute to an appreciative corporate culture and well-paid work.

We believe that attractive performance incentives aligned with long-term company success will not only enhance our appeal as an employer, facilitating recruitment and improving employee retention, it will also boost motivation and foster a strong focus on sustainable corporate growth within our workforce.

Through our company pension schemes, which are tailored to each country's state pension system, we aim to address potential gaps in retirement provision. Other offerings, such as the long-term account and supplementary long-term care insurance in Germany, facilitate the transition to retirement and provide extra protection against the risks and burdens of long-term care. These extend beyond statutory coverage, benefiting employees and their families.

Social dialogue and employee representation/unions (I64)

Through regular dialogue with employees and their representatives about goals, organizational changes and working conditions, we strengthen trust in business conduct, boost the acceptance of changes, and strengthen satisfaction, motivation and commitment in our own workforce.

The presence of works councils, serving as a link between the workforce and company management, fosters conflict prevention and resolution and thereby contributes to a more harmonious working environment. Employee codetermination in important company issues fosters greater involvement in decision-making processes, which can strengthen their commitment and loyalty to our company. We currently have works councils only in countries where they are required by law (such as in Germany and some European countries); however, in some cases, we inform and/or involve the works councils in these countries about company situations beyond what is required by law. In accordance with various globally applicable directives, we are committed to upholding the freedom of association for our employees worldwide.

Consultation with employee representatives can lead to more informed decision-making, helps to prevent conflicts (by identifying potential issues at an early stage) and fosters a better working atmosphere by including different perspectives and experiences. We adhere to the legal requirements and exceed them in some cases. In Germany, for example, regular meetings are held between members of the Board of Management and heads of the employee representative bodies; this would not be required by law, but is aligned with our aim of exchanging ideas on an equal footing.

Fair and transparent collective bargaining agreements can help to prevent conflicts and contribute to a positive working atmosphere. Through our various company agreements and regular wage increases (particularly in Germany, but also at various sites in other countries such as Brazil and Argentina), we aim to further improve the working conditions of our employees (focusing on areas such as remuneration, health, social protection and work-life balance). We adhere to the legal requirements and exceed them in some cases. In Germany, for example, we also extend the benefits of collective bargaining agreements to non-union members. This also applies in part to other countries such as Brazil or Argentina.

Damage due to actual accidents (I65)

As a specialty chemicals company, it is our responsibility to provide our employees with a safe and healthy working environment. Protecting the health of our employees is a top priority at LANXESS, extending beyond the handling of hazardous substances. In addition to the personal well-being of employees, this also encompasses impacts on the immediate environment and the overall social responsibility, including the strain on the healthcare system. Safety is one of our values and an integral part of our corporate culture.

Risk of injury due to an accident (I66)

Accidents can occur in the course of daily work, leading to employee injuries. This risk is generally higher in production than in administration. However, the health and safety of employees is always our top priority. Nevertheless, accidents can occur that result in significant health impairments and long-term injuries, as well as substantial financial implications for the company. These include direct costs for medical care and compensation, along with potential reputational damage.

Long-term health damage due to direct contact with chemicals (I67)

Given the use of hazardous chemicals in production, there is a risk of long-term health damage for production employees due to chemical exposure. This includes possible long-term health damage to employees as well as direct costs for medical care and compensation, along with reputational damage. Due to a range of measures designed to prevent direct contact, for example through unintentional releases, along with hazard-related monitoring of potential exposure, the risk of actual harm is considered to be low despite our measures.

In accordance with the safety directives at LANXESS, every organizational unit, for example, a plant, is required to carry out regular risk assessments and define suitable actions to protect against potential hazards. Employees are trained accordingly, and the training and the actions are checked regularly. We thus meet the legal requirements and protect employees, contractual partners and visitors to the plant alike. Through additional actions such as our Xact safety initiative, we aim to raise safety awareness and identify health and safety risks, with the goal of minimizing hazards for all employees, particularly those in production areas (see section “S1-4 – Taking Action on Material Impacts on Own Workforce, and Approaches to Mitigating Material Risks and Pursuing Material Opportunities Related to Own Workforce, and Effectiveness of those Actions” of the chapter “ESRS S1 Own Workforce”).

Gender pay gap (I68)

Another important aspect for LANXESS is equal opportunities for all, regardless of gender. Women’s employment histories are often marked by fewer working years on average compared to men. This not only results in a lower income, but also raises the likelihood of experiencing poverty in old age. A gender pay gap can further exacerbate this problem. It can negatively affect the sense of fairness among those impacted, fostering feelings of discrimination, lowering self-esteem, and ultimately diminishing motivation, satisfaction, and performance at work. A gender pay gap thus also reduces the incentive to work or increase one’s efforts. Our goal is to eliminate the gender pay gap entirely. Through our actions in the areas of diversity and inclusion, and compensation and benefits (see section “S1-4 – Taking Action on Material Impacts on Own

Workforce, and Approaches to Mitigating Material Risks and Pursuing Material Opportunities Related to Own Workforce, and Effectiveness of those Actions” of the chapter “ESRS S1 Own Workforce”), we want to promote greater equality of opportunity and are working to prevent gender-related pay gaps in our own workforce. We are confident that equal opportunities have a positive impact on the satisfaction, motivation and performance of our employees, and thereby strengthen our competitiveness. Our measures also contribute to the United Nations Sustainable Development Goal No. 8.5 “(…) equal pay for work of equal value (…)” and to Sustainable Development Goal No. 5 “Gender Equality”.

Personnel development/training/education (I69)

The increasing average age of our employees in conjunction with the scarcity of young talent in some regions means that the competition for qualified employees is growing fiercer. Despite the challenging situation at present, we are continuing to work on retaining young staff at our company. Accordingly, we offer a wide range of development opportunities that help us to attract, retain and develop the potential of motivated and talented employees, close knowledge gaps and optimize work results. Our global talent programs allow us to support particularly high-performing employees, retain them in our company and identify successors for key positions at an early stage. We thus offer our employees a wide range of opportunities to identify, promote and develop their own skills and talents, which boost both their own satisfaction and their self-esteem.

By training young people, LANXESS is safeguarding the future of the company by securing the next generation of employees and making a contribution to society. In particular, our extensive company training program in Germany supports the United Nations Sustainable Development Goal No. 4 “Quality Education”. The program also helps address the growing challenges of recruiting and retaining skilled workers, driven by demographic changes and the ongoing shortage of skilled workers.

Equal opportunities (I70)

Diversity, equal opportunities and inclusion are very important to LANXESS. By creating an inclusive environment for people with disabilities to thrive and reach their full potential (such as providing special screens for people with visual impairments), we contribute to the UN’s Sustainable Development Goal No. 10 “Reduce Inequalities”. We thereby promote an open, appreciative and non-discriminatory culture, which we believe enhances employee satisfaction, motivation and performance, ultimately contributing to our long-term success as a company.

A corporate culture that is open equally to all people helps us to become more innovative and efficient and to attract and retain promising talents. To achieve a healthy corporate culture, it is important to provide all employees with a safe space ensuring they have the best conditions to fully develop their abilities. LANXESS is firmly committed to fostering tolerance and inclusion within its own workforce. Respect is one of the five key values of our culture of success, promoting positive and considerate interactions, and helping to break down prejudices and stereotypes. This mindset among our employees not only shapes how we treat each other as colleagues, but also has a positive impact on society as a whole beyond company boundaries. Our measures also support the United Nations Sustainable Development Goal No. 10 “Reduce Inequalities”.

We value diversity and regard it as a strategic advantage, driving greater satisfaction, motivation, and commitment within our own workforce. This, in turn, fosters increased innovation and competitiveness for our company. We are committed to further developing diversity at LANXESS and utilizing its positive impact for both our company and our employees. Recognizing and valuing diversity is firmly anchored in our values and in our principles of action and leadership (see section “S1-1 – Policies” of the chapter “ESRS S1 Own workforce”). We have set specific targets for the promotion of gender diversity in the company and pursue them consistently with our “Diversity & Inclusion” (D&I) strategy (see section “S1-4 – Taking Action on Material Impacts on Own Workforce, and Approaches to Mitigating Material Risks and Pursuing Material Opportunities Related to Own Workforce, and Effectiveness of those Actions” of the chapter “ESRS S1 Own Workforce”). The proportion of women at both the first and second level below the Board of Management has increased significantly over the last five years. By working to gradually improve gender diversity within the company and giving women the same career opportunities as men (for example, by integrating D&I into all personnel processes; see section “S1-4 – Taking Action on Material Impacts on Own Workforce, and Approaches to Mitigating Material Risks and Pursuing Material Opportunities Related to Own Workforce, and Effectiveness of those Actions” of the chapter “ESRS S1 Own Workforce”), we contribute to the United Nations Sustainable Development Goal No. 5 “Gender Equality”.

Our materiality analysis considered the entire LANXESS workforce.

The majority of our workforce is employed on full-time or part-time permanent contracts. Less than 10% of employees work on the basis of temporary contracts. There are no non-guaranteed hours employees at LANXESS without an agreed basic salary (see section “S1-6 – Characteristics of the Company’s Employees” of the chapter “ESRS S1 Own workforce”).

Through regular dialogue with our employees, works councils, employee representatives and various stakeholders from politics, research, business, and society, we are aware that certain groups of employees are exposed to an increased risk of harm. Regular analyses of the composition of our workforce (such as contract type, gender, region, age or nationality) and the collection of key metrics (such as diversity, turnover) have also highlighted potential disadvantages and imbalances. For example, employees in production areas are exposed to a higher health and safety risk than employees in administration. We try to minimize health and safety risk for production employees as much as possible through a wide range of health and safety measures, such as our Xact safety initiative. Other potentially disadvantaged groups are female employees or employees with disabilities, who are exposed to a greater risk of discrimination in terms of pay or employment. We strive to prevent this through our actions in the area of Diversity & Inclusion (see section “S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions” of the chapter “ESRS S1 Own workforce”).

The negative impacts I59, I65 and I68 concern individual incidents that are not systemic or widespread.

The positive impacts I61, I62, I63 and I64 concern direct employees and the positive impacts I69, I70 concern both direct and indirect employees.

Presently, we have no material impacts on the workforce resulting from transition plans aimed at reducing negative environmental impacts and achieving a more environmentally friendly and carbon-neutral operation.

Fulfilling our responsibility for the well-being of our employees is one of our top priorities. Accordingly, none of our operations, regardless of type or geographic area, pose a significant risk of forced labor or child labor. LANXESS has implemented appropriate internal processes and control systems to regularly review this.

S1-1 – Policies Related to Own Workforce

As a global company with 12,338 employees worldwide, LANXESS holds significant responsibility. We are committed to creating the best possible working conditions for all of our employees. To achieve this, we have developed various directives that outline our actions as a responsible employer and define the development, opportunities and scope for action of our employees.

We have set out these guidelines for our actions in the "LANXESS Corporate Policy", which reflects our values, highlights the importance of employees to the company, and provides guidance on key topics such as working conditions, safety, health, and diversity. The general information on the "LANXESS Corporate Policy" according to ESRS 2.65 is provided in section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

In our "Declaration of Principles on Respect for Human Rights and Related Environmental Standards", we state our Group commitment to respecting human rights, in particular: Prohibition of child and forced labor and all forms of slavery including human trafficking, compliance with occupational health and safety, right to fair remuneration, respect for freedom of association, right to collective bargaining, protection against discrimination. The contents of the "Declaration of Principles on Respect for Human Rights and Related Environmental Standards" is reviewed at least once a year. The document is used for internal and external communication worldwide. It is overseen by the Board of Management. The policy is based on established guidelines and standards such as the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the principles of the United Nations Global Compact (UN Global Compact), the Responsible Care© Global Charter of the International Council of Chemical Associations (ICCA) and the United Nations Women's Empowerment Principles. The main departments responsible for the topics are involved in coordinating the content. The valid "Declaration of Principles on Respect for Human Rights and Related Environmental Standards" is publicly available on our website.

Our Group-wide "Code of Conduct" requires all employees to act with integrity and in compliance with the rules. It is issued to all new employees with their employment contract or at the start of their employment. General information on the Code of Conduct in accordance with ESRS 2.65 are outlined in section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

In conjunction with the Group directive, the "Process and Plant Safety" directive regulates procedures for risk management in plants and chemical processes. The goal is to maintain a consistently high level of safety within the LANXESS Group, continuously improve safety and update existing plants to include technical advancements where necessary. LANXESS is committed to safety and environmental protection by meeting the requirements of the directive. Compliance is verified by means of audits (see the statements in section "S1-3 – Processes to Remediate Negative Impacts and Channels for Own Workers to Raise Concerns" of the chapter "ESRS S1 Own workforce"). In addition, we regulate the basic requirements for occupational health and safety at LANXESS through the "Occupational Health and Safety Management" directive. This directive aims to prevent accidents, health hazards and occupational illnesses. With this directive we also meet local statutory occupational health and safety requirements. Both are part of the global integrated management system. Accident prevention is addressed operationally through risk assessments, followed by the implementation of the derived technical, organizational, and personal safeguards. Relevant instructions are set out in the "Occupational Health and Safety at LANXESS" standard. The internal directives and the standard on occupational safety are the responsibility of the Board of Management; they are valid for all employees and can be obtained via Xdirect. The risk assessment and safeguards are monitored by operations management in accordance with the directive "Plant Management at LANXESS". They are then monitored by the Production & Technology

(P&T) managers of the business units. The process is reviewed as part of our compliance checks. Business units, safety experts and employee representatives were involved in development of the directives.

The Human Resources directive on "Working Conditions and Equal Treatment of Employees" regulates the basic requirements relating to working time, minimum age, diversity, equal opportunities and inclusion, including the employment of persons with disabilities as a particularly vulnerable group. The aim of the regulations is to establish a uniform minimum standard for all LANXESS companies and employees. If local legislation set forth stricter requirements and/or higher standards that conflict with this HR standard, the local legislation will take precedence. The directive is particularly relevant for impacts I63 and I70. Through this standard, LANXESS once again underscores its commitment to compliance with national and international standards, in particular the ILO (International Labor Organization) conventions on human and labor rights, the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles) and the International Bill of Human Rights. The following discriminatory bases are specifically addressed in the directive: race and ethnic origin, skin color, gender, sexual orientation, gender identity, disability, age, religion, political opinion, national origin or social origin. The needs of the stakeholders were thereby included in the directive. This HR standard is the responsibility of the Human Resources Group function and is approved by its head. The HR standard is valid for all employees and is freely accessible to them via the global document management system Xdirect. The standard was adopted in 2024 and is reviewed every three years by the Human Resources Group function to ensure it is up to date. The Human Resources Group function has established various actions as part of the Diversity & Inclusion Strategy to promote diversity, equal opportunities and inclusion in accordance with the HR standard and to prevent discrimination. The Legal and Compliance Group function has established processes to report cases of discrimination and to respond appropriately as an organization see section "S1-3 – Processes to Remediate Negative Impacts and Channels for Own Workers to Raise Concerns" of the chapter "ESRS S1 Own Workforce").

The Background Paper "Working at LANXESS" contains more detailed information on human resources-related topics and addresses almost all material impacts, opportunities and risks regarding the company's own workforce (the remainder are addressed by at least one of the other directives mentioned here). General information on the background paper document type in accordance with ESRS 2.65 are outlined in section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

We also have a global directive on flexible working. In line with our office-based employees' desire for more flexible working and working-time models, we introduced "Xwork – Flexible Work" and global flexibility principles five years ago. These were developed by the Human Resources Group function and approved by the Labor Director. They are accessible to all employees worldwide via our intranet site. The central focus is the ability to work from any location. The past few years have demonstrated that many of our employees' office-related activities can be carried out from home. At the same time, being present at the office is essential for creative activities and teamwork to ensure the joint success and well-being of employees. Accordingly, a decision by the Board of Management allows an average of up to eight days of mobile working per month in addition to office-based work – provided that the activity is suitable for mobile working. Relevant local guidelines have been adopted based on this overarching directive from the Board of Management.

In addition, our "Business Partner Code of Conduct" contains provisions relating to the safety of workers, hazardous employment, human trafficking, forced labor and child labor. General information on the "Business Partner Code of Conduct" in accordance with ESRS 2.65 are outlined in section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct".

LANXESS also implements local directives; for example, in Germany this includes various company agreements on topics such as occupational pensions, corporate integration management, the APP (Annual Performance

Payment) and IPP (Individual Performance Payment) bonus systems, mobile working, flextime, caring for relatives and work-life balance. Similar local directives exist in almost all countries in which we operate.

S1-2 – Processes for Engaging with Own Workforce and Workers' Representatives about Impacts

LANXESS collects the perspectives and opinions of employees through various initiatives, measures and working groups, tailored to the topic, to actively involve them in defining and developing solutions. In Germany, for example, there is a representative body for persons with severe disabilities. This dialogue generally takes place via the employee representative bodies (see section "S1 SBM-2 – Interests and views of stakeholders" of the chapter "ESRS S1 Own workforce"). In addition, the Board of Management and senior leadership regularly provide opportunities for employees to engage in direct discussions during the quarterly information meeting (QIM), site visits or works meetings. Depending on the format, employees can participate in these events either in person or online. Recordings of the events can be accessed on the intranet. In addition, our global women's network WInX, sponsored by our Labor Director, provides LANXESS with the opportunity to engage with women and gain deeper insights into their perspectives. The women's network organizes global, regional and local events on a regular basis, often with participation from management representatives. In the USA, there are also other network groups such as X-arise (Against Racial Injustice and Social Exclusion). In addition to the actions mentioned above, these networks help us to gain insights into the views of employee groups that may be particularly vulnerable to impacts and/or marginalized.

Dialogue between the employees and their representatives – which can be used for information, consultation or co-determination purposes – is offered several times a month in Germany. Across Europe, the dialogue takes place on a quarterly basis. In addition, a major conference, the Europe Forum, is held once a year. In India and China, employees or their representatives meet as required for various topics. In the USA and Canada, meetings are held as required or on a monthly basis.

For co-determination topics (such as the FORWARD! action plan or IT agreements), agreements are concluded with the workers' representatives and must be published via our document management system Xdirect.

The activities for participation occur at all organizational levels, depending on the topics and the individuals or groups involved. The works councils report on ongoing activities at the works meetings.

LANXESS covers the costs associated with the activities of the works council. The company provides the necessary rooms, material resources, information and communication technology, and office staff for meetings, consultation hours and ongoing management.

The Human Resources Group function ensures that co-determination processes are carried out effectively, fostering dialogue between employer and employee representatives to achieve the best possible solutions and results. The ultimate responsibility lies with our Labor Director.

We have established various agreements with workers' representatives, grounded in our commitment to respecting the human rights of our workforce. Regarding fair remuneration for our employees, we have a collective wage agreement in Germany as well as a federal collective wage agreement. For appropriate working hours, we also have the framework collective agreement (which includes provisions such as the 37.5-hour week for employees covered by collective agreements or vacation entitlement). Additionally, various works agreements are in place, such as flextime agreements at the sites and the general works agreement on the new 5-shift system. The workers' representatives communicate the views of the workforce in discussions with the employer, which are then incorporated in the final agreements. In addition, the quarterly information meetings (QIM) for employees and works meetings in particular provide an opportunity to gain insights into the perspectives of our own workforce.

The large number of company and Group works agreements, particularly in Germany, is evidence of our close and regular dialogue and successful cooperation between LANXESS and the workers' representatives. New agreements were also concluded in 2024. This involved an open, focused dialogue aimed at establishing agreements on various topics in a timely manner. Therefore, we measure the effectiveness of the dialogue primarily by the extent to which agreements are reached in a focused and timely manner.

S1-3 – Processes to Remediate Negative Impacts and Channels for Own Workers to Raise Concerns

An internal control system and appropriate monitoring activities, along with audits from Group Internal Audit and from areas with special compliance responsibilities, are designed to ensure that requirements are met. Our Compliance department is available to our employees and external persons in the event that violations or complaints are suspected. The external whistleblower platform "SpeakUp" (speakupfeedback.eu) gives our employees and external persons the ability to submit information (anonymously if desired) by telephone or online, around the clock, in over 70 languages. The information is sent to our Compliance department in encrypted form. Information or grievances about potential misconduct, violations of legal provisions, internationally recognized basic principles, LANXESS directives such as our "Code of Conduct" or other internal LANXESS regulations can be submitted through the aforementioned channels. Concerns pertaining to issues such as compliance with human rights, occupational health and safety or occupational and plant safety can also be communicated to us in this way. Suspected violations by direct or indirect business partners of LANXESS can also be reported. Incoming information or grievances are processed by the Compliance department, if necessary in cooperation with the relevant specialist departments. The "LANXESS Complaints Procedure" contains further information on the process and is available on our website. Employees and their workers' representatives have access to at least one of the above-mentioned channels for submitting complaints.

S1-4 – Taking Action on Material Impacts on Own Workforce, and Approaches to Mitigating Material Risks and Pursuing Material Opportunities Related to Own Workforce, and Effectiveness of those Actions

We have taken various actions to prevent or mitigate material negative impacts on our own workforce. Actions to mitigate the negative impact on employees due to job cuts as part of the FORWARD! action plan can be found in this section under the notes on the "FORWARD! Action Plan" (for example, socially responsible downsizing). Under "Personnel development" in this section, we also discuss how we support our employees with their personal and professional development. In doing so, we strengthen the position of our employees in the labor market, even in uncertain times, and boost their satisfaction, motivation and willingness to perform. We aim to prevent negative impacts from a gender pay gap through measures in the area of "Compensation and benefits" and indirectly through our actions in the area of "Diversity and inclusion". We aim to prevent negative impacts from accidents through our measures in the area of "Occupational health and safety".

We have also put various actions and initiatives in place with the primary aim of creating a positive impact on our own workforce. We are confident that this will ultimately have a positive impact on our company. In particular, these include our measures in the areas of diversity and inclusion and working conditions and benefits, which are described in detail below. Additionally, we decided at the end of 2024 to introduce AI-based skills management software, which will be rolled out in 2025 and 2026. We expect this to significantly improve the recruitment process, for example by enhancing the candidate experience through use of a chatbot on the careers page, or by raising the internal staffing rate by automatically sending suitable vacancies to internal employees. The software also facilitates the automatic creation of career paths, the delivery of personalized learning recommendations to address skill gaps, the identification of suitable candidates for succession planning, as well as skills-based workforce planning and learning needs analysis. We are confident that our employees will benefit greatly from the launch of this software, particularly in terms of personal and professional development, and with regard to their satisfaction, motivation and performance.

In order to determine appropriate actions with respect to actual negative impacts (job cuts due to the FORWARD! action plan, damage due to actual accidents and gender-specific pay gaps), we obtained input from our technical experts, including employees from the Human Resources Group function and the Production, Technology, Safety and Environment Group function. Their suggestions for topics subject to co-determination were discussed with the workers' representatives so that we could obtain final approval from the respective business unit or heads of the relevant Group function and, if necessary, approval of the Board of Management.

Action plan FORWARD!

To stay competitive in a persistently challenging economic environment, LANXESS introduced the FORWARD! action plan in 2023. Through global job cuts and a hiring freeze in Europe, we have achieved significant cost savings. A total of around 870 jobs are supposed to be cut worldwide. Over 90% of these were cut by the end of 2024. The remaining jobs will be eliminated in 2025 and 2026, as these are mainly pension-related departures. The hiring freeze in Europe, which also began in 2023, continued in the financial year. LANXESS only filled business-critical positions that could not be filled internally with new hires. The precise structure of the downsizing program was closely coordinated with the various workers' representative bodies. LANXESS always took care to ensure that the job cuts were done in a socially responsible manner that minimized the negative impacts on our employees.

In addition, we implemented immediate cost-cutting measures in 2024 as part of FORWARD! These included postponing the global salary adjustment from April to July 2024. The demography payment for employees covered by collective agreements in Germany was canceled and the Individual Performance Payment (IPP) was reduced to 50%. The cancellation of the demography payment for 2024 was negotiated with the workers' representatives in 2023 and jointly approved. The Board of Management resolved to postpone the annual salary (adjustment) round and reduce the IPP at the end of 2023. It was implemented in April 2024. In 2024, the payment of the key performance-based remuneration component, the Annual Performance Payment (APP), was significantly reduced worldwide, since the agreed business objectives linked to EBITDA for the 2023 financial year were not met in most areas.

As part of the FORWARD! action plan, we regularly review the implemented measures with a focus on cost savings and long-term cost base reduction. However, this does not imply a future reduction of the APP and IPP bonus systems as well. The plan is to maintain the APP and IPP in the future, as in previous years, to continue offering employees additional remuneration components. The adjustments made in 2024 under the FORWARD! action plan are an exception, reflecting the particularly challenging business situation of that year.

Diversity and inclusion

D&I (Diversity & Inclusion)
Leverage diversity to improve business results

WInX (Women Initiative LANXESS)
Promote gender equality

Attraction and retention
- Attract female talents
- Retain workforce and knowledge

Advancement
- Let role models guide the path
- Upskill and coach women

Awareness
- Increase transparency through KPIs
- Reduce unconscious biases

Allyship
- Foster gender equality with male allies
- Get leaders to actively support women

We continued to follow our strategic "Diversity & Inclusion" (D&I) concept for promoting diversity, equal opportunities and inclusion in 2024. We are working steadily to make all HR processes D&I-compliant. We take a holistic view of D&I, focusing on aspects such as gender, nationality, age, disability and sexual orientation.

Promoting gender diversity

Gender diversity remains an important focus topic for us – with the clear target of increasing the proportion of women in the company. In addition, the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector commits us to set targets in Germany for aspects such as increasing the share of women at the two management levels below the Board of Management. Accordingly, in April 2022 LANXESS set the Group-wide target of increasing the proportion of female employees to at least 25% at the first level and 28% at the second level below the Board of Management by June 30, 2027. In the financial year, women made up 24.4% (previous year 23.1%) of the first management level below the Board of Management and 27.5% (previous year 28.4%) of the second level below the Board of Management. The targets underscore our commitment to gender diversity, which are set out in the Human Resources Policy on "Working Conditions and Equal Treatment of Employees" (as described above), among other things. Through these targets, we are also making a contribution to the UN's Sustainable Development Goals. The targets were established by those responsible for Diversity & Inclusion, taking into account our directives, internal data on gender diversity, external benchmarks, recent studies and international standards. External data was included to ensure the targets are ambitious. Internal data on gender diversity, including historical data, was also analyzed to ensure that the targets were not unrealistic though. The Board of Management approved the final targets. Employees and their representatives were not directly involved in setting the targets. Since being established, no changes have been made to the targets, their calculation method, underlying assumptions or data collection processes.

Target and target achievement pertaining to the proportion of women on the Board of Management and at top management levels

Proportion of women	2020	2021	2022	2023	2024	Target	Target date
First level below the Board of Management	16.7%	18.2%	22.5%	23.1%	24.4%	25%	June 30, 2027
Second level below the Board of Management	23.4%	25.7%	24.8%	28.4%	27.5%	28%	June 30, 2027
Board of Management (number of women)	1	1	0	1	1	n.a.	n.a.

Distribution of employees at top management level[1)]by gender (absolute and percentage)

	Female	Male
Number of employees at top management level	60	163
Proportion of employees at top management level	27.0%	73.0%

1) Proportion of women at the 1st and 2nd management levels below the Board of Management

Promoting gender diversity is a clear business objective, firmly embedded in our "LANXESS Corporate Policy", and we have therefore set targets that exceed the legal requirements. By the end of 2030, we aim to fill at least 30% of management positions across the Group worldwide with women. At the end of 2024, the proportion was 26.1% (previous year: 26.1%). The quota is continuously tracked and reported to the Board of Management and managers twice a year through the internal HR management report ("HR dashboard"). The targets were established by those responsible for Diversity & Inclusion, taking into account internal data on gender diversity, external benchmarks, recent studies and international standards. Through these targets, we are making a contribution to the UN's Sustainable Development Goals, among other things. The Board of Management approved the final targets. Employees and their representatives were not directly involved in setting the target.

Target and target achievement pertaining to the proportion of women in management

	2023	2024	Target	Target date
Proportion of women in management	26.1%	26.1%	30%	2030

Networks can make an important contribution to the promotion of diversity, equal opportunities and inclusion. WInX – our global "Women Initiative LANXESS" – has been connecting women at LANXESS across national borders since 2021. With three "Male Ally Workshops" to date, the German women's network showed that the engagement of male employees is also important for gender diversity and equality. The "HeForWInX" network group offers workshop alumni a space for dialogue. We plan to continue these actions.

Anti-discrimination and anti-harassment e-learning

LANXESS's corporate culture is based on five central values: respect, ownership, trust, professionalism and integrity. These values apply always and everywhere and to all employees. We seek to foster a corporate culture in which responsible and morally irreproachable actions and striving for performance complement each other.

An environment that is free from discrimination and harassment, and is characterized by respectful and fair treatment, forms the foundation of our commitment to diversity and inclusion. Prohibition of discrimination and harassment is also a core element of our "Code of Conduct". To raise employees awareness of anti-discrimination and anti-harassment issues, we launched an e-learning course in 2024 that is available worldwide via the central learning platform and supplemented by local training initiatives. The e-learning program was rolled out and communicated in the second half of 2024. There is no time limit to the action.

Embedding D&I in HR processes

We have further embedded diversity and inclusion in our HR processes. In 2024, D&I was integrated into our "Start to Lead" management development program in Germany and the Americas region. We have also included D&I in our global and regional onboarding processes, as well as in performance dialogue initiatives. In the coming years, we will continue to strengthen D&I within our HR processes (with no time limitation). This includes efforts to prevent or address potential negative impacts on employee satisfaction, motivation, and performance arising from salary disparities between men and women (gender pay gap); if negative impacts are already present, we aim to remedy them. We use a combination of external studies and our own data analyses to identify appropriate actions.

We regularly assess the progress and effectiveness of our D&I initiatives through ongoing data analysis, such as in our HR dashboard, which is presented and discussed during Board of Management meetings.

Employment and inclusion of people with disabilities

Diversity and inclusion are very important to us. As part of this commitment, we aim to create the necessary framework conditions at all our locations to ensure that people with disabilities can work with us and realize their full potential. This can include special equipment, such as special screens for people with visual impairments. In 2024, we set out this (minimum) requirement in the newly adopted HR Policy on "Working Conditions and Equal Treatment of Employees" (as described above), which is valid worldwide.

Recruiting

Even in challenging times, we invest in a clear employer brand in order to highlight the advantages of LANXESS as a global and socially responsible employer. Our employer brand centers on authenticity, diversity and, increasingly, sustainability which we communicate on social media.

Digital onboarding

The recruitment process at LANXESS is highly digitalized. A software platform covers all processes from recruiting to onboarding to the signing of employment contracts. The software platform enables extensive usage analyses, which we can use to analyze the effectiveness of the recruiting and onboarding process. A seamless recruiting and onboarding process that ensures a positive user experience helps us maintain – or, if necessary, restore – a favorable perception of our employer brand. This is particularly important, as the FORWARD! action plan could potentially negatively impact public perception and our competitiveness in attracting skilled talent.

Trainee program

Our annual international trainee program is designed to secure young talent in Germany. Master's graduates are prepared for specialist and management roles, with opportunities to gain both national and international experience. LANXESS offers entry-level opportunities to graduates from various disciplines through its trainee program. Our junior employees receive practical learning opportunities and opportunities to network internally. In 2024, we were able to recruit 17 young talents. It remains our goal to take them on after they have successfully completed their management training and develop them into management positions in the medium to long term. LANXESS also offers its employees trainee programs in other countries, such as the USA. We plan to continue this program in the future.

Vocational training

By training young people, LANXESS safeguards the future of the company while making a contribution to our social obligations. It is our aim to retain at least 80% of our apprentices at LANXESS in Germany after successful completion of their training. We have pursued this target continuously since 2017. Since being established, no changes have been made to the target, its calculation method, underlying assumptions or data collection process. Due to the difficult economic conditions and structural changes, we once again fell short of this target in the financial year at 71% (previous year: 79%). The target was defined by the Human Resources Group function, taking into account internal training data and external benchmarks. The Board of Management approved the final targets. No stakeholders other than the technical experts were involved in the target-setting process. The target has since been calculated once per year and reported to the Board of Management. Through this target, we are also making a contribution to the UN's Sustainable Development Goals.

Retention rate of trainees and dual Bachelor students at LANXESS

	2023	2024	Target	Target date
Retention rate of trainees and dual Bachelor students at LANXESS (in Germany) in %	79%	71%	at least 80%	continuously until 2027 (p.a.)

164 apprentices on seven technical and scientific career paths and young talents in four dual-study programs started their apprenticeships at LANXESS Deutschland GmbH on September 1, 2024. Taking the new intake into account, 592 apprentices are employed at LANXESS Deutschland GmbH. We invested around €22 million in the vocational training of young talents in 2024. We plan to continue this program in the future.

In order to ensure the effectiveness of the programs, our HR program managers are in close contact with the trainees and apprentices and with the specialist departments where they are deployed.

HR development

HR conferences

The increasing average age of our employees in conjunction with the scarcity of young talent in some regions means that the competition for qualified employees is growing fiercer. Despite the challenging situation at present, we are continuing to work on retaining young staff at our company. Accordingly, we offer a wide range of development opportunities. The HR conferences that took place in all Business Units and at top management in 2024 play an important role in this. The annual HR conferences for the production and technology (P&T) workforce introduced in 2020 have proven effective as a planning tool and are aimed at strengthening employee rotation and supporting their further development. There are currently no plans to end this action.

Transfer of knowledge

To pass on the knowledge of our employees entering retirement to subsequent generations, we successfully rolled out a knowledge transfer program in 2021. It is aimed at production and technology staff in German companies and in the Americas region. The program identifies departing knowledge carriers at an early stage, systematically records their implicit knowledge, and ensures its structured transfer to subsequent generations. There are currently no plans to end this action.

"Start to Lead" manager development program

Strategic manager development again played a central role last year. Our development programs promote the key skills required in a constantly changing business world. The year-round management development program "Start to Lead" is aimed at employees taking on a management role for the first time or with up to two years of management experience. The aim of our programs is to embed our leadership principles more deeply worldwide and to strengthen our leadership culture. There are currently no plans to end this action.

"compass" and "eXplorer" talent programs

With our global, cross-divisional and cross-hierarchical "compass" and "eXplorer" talent programs, we support particularly high-performing employees, retain them within the company and identify suitable successors for key positions at an early stage. "compass" for employees at the start of their career offers guidance for their future career path. The format encourages development measures. "eXplorer" is aimed at employees who have the potential to develop toward leadership roles at LANXESS in the next few years. Key topics include dealing with complexity, new forms of collaboration and digital and agile leadership principles. A new "eXplorer" group was launched in 2024. There are currently no plans to discontinue these formats.

LinkedIn Learning

In 2021, our digital learning platform "LinkedIn Learning" was rolled out worldwide, and its usage has since grown steadily. All employees worldwide can register for LinkedIn Learning and benefit from more than 20,000 digital learning opportunities for professional and interdisciplinary development and to build future skills. In addition, our internal LinkedIn Learning curators create customized learning paths to enhance the quality of digital learning. There are currently no plans to end this measure.

The effectiveness of the personnel development programs is regularly evaluated by the relevant department through corresponding data analyses.

Compensation and benefits

Our remuneration policy provides highly competitive pay worldwide, exceeding industry standards. Compensation is determined based on relevant external benchmarks, professional experience, and work quality – regardless of the employee's gender. We regularly reassess the fixed annual salary of our non-pay-scale employees on the basis of these factors in our annual salary review. Salary increases for our pay-scale employees follow the applicable collective agreements. The market conformity of our salaries and the pay ratio between women and men are regularly reviewed.

Gender equality

The annual determination of the gender pay gap serves as the foundation for ensuring a fair and non-discriminatory remuneration system. In the financial year, the difference across all employees was 3.9% (see section "S1-16 – Remuneration Parameters" of the chapter "ESRS S1 Own Workforce"). These salary differences are influenced by further, non-gender-specific variables – such as position level, professional experience, salary differences due to geography or function, or differing work histories. The aim of our HR policy is to prevent pay differences based on gender. Our Diversity & Inclusion measures also contribute to this.

Bonus systems

As part of the transparent remuneration in line with market conditions, LANXESS offers most of its employees bonus systems geared toward the company's long-term success. In total, 95.0% (previous year: 92.3%) of LANXESS employees worldwide participated in our variable compensation systems in 2024.

The central performance-based remuneration component is the Annual Performance Payment (APP). We offer this bonus to non-pay-scale employees and, in most countries, also to pay-scale employees. The APP is provided in addition to a fixed salary and is contingent on the Group achieving a defined EBITDA pre exceptionals target. Further individual targets in areas such as safety and sustainability additionally apply to top management.

In April 2024, we shared around €4 million of our profits for fiscal year 2023 with our employees worldwide (2022: €68 million). This was therefore once again far lower than in the previous year, reflecting the extremely strained business performance in 2023.

With the Individual Performance Payment (IPP), managers can also reward employees' extraordinary individual achievements during the year in a prompt and unbureaucratic way. About 91% of our employees worldwide are entitled to receive the IPP. Around €6.8 million was awarded in fiscal year 2024. To reward the special commitment of employees even in a challenging economic environment, a higher amount was allocated in 2024 than in 2023. However, it was lower than in other previous years.

In addition, we offer a long-term incentive program for our managers in Germany. There are similar programs in the U.S. and India. The Long-Term Stock Performance Plan (LTSP) consists of four tranches commenced each year and tracks the performance of the LANXESS share compared with FTSEurofirst 300 Eurozone Chemicals Index, over a period of four years in each case. In addition, there is a Share Ownership Guideline (SOG) for the Board of Management and our top-level managers in order to emphasize trust in the strategy and long-term success of LANXESS.

Senior executives (heads of Business Units and Group functions) who report directly to the Board of Management also participate in the Sustainability Performance Plan (SPP), which takes into account a non-financial sustainability criterion. Starting in 2024, for the assessment period of 2025 and 2026, the Supervisory Board and the Board of Management have established CO_2 emissions from own processes and purchased energy (Scope 1 and 2) as a performance criterion for the SPP.

All of the variable bonus systems described above will continue in the future. There are currently no plans to end these actions.

Company pension plan

Another core element of our offering is the company pension plan for plugging potential gaps in provision in old age. The design of the company pension plan differs from country to country depending on the state pension system. LANXESS's pension commitments often go beyond what is required by law. They are funded by employer and/or employee contributions. In Germany, employees can voluntarily increase their pension and receive an additional grant from LANXESS. Other offerings facilitate the transition into retirement, such as the long-term account for pay-scale employees in Germany. There are currently no plans to end the actions.

The effectiveness of the above actions pertaining to pensions and remuneration is regularly reviewed by the relevant department through appropriate data analyses.

Working conditions and benefits

Flexi part-time/flextime

In Germany, the aim of our "Flexi part-time" model is to enable non-pay-scale employees at various management levels to work part-time. In the Flexi-95 model, the level of employment is reduced to 95% with a corresponding adjustment to remuneration, meaning that a full-time worker is entitled to 13 additional days off per year. Models with levels of employment of 90% and 85% are also possible. Flextime has been available to all non-pay-scale employees since the beginning of 2021. There are currently no plans to end this action.

Balancing family and career

LANXESS is addressing demographic change and the growing shortage of skilled workers, along with the associated risks, through forward-looking initiatives across six key areas of the "You Matter – You Are Important to Us" program: Family & Health, Flexible Working, Financial Security, Remuneration, Learning and Development, and Other Benefits. The voluntary turnover rate (in other words, turnover on the basis of resignations) serves as an indicator of our attractiveness as an employer. It is an important indicator of our employee satisfaction and helps us assess the overall attractiveness and effectiveness of our initiatives and offerings. As a company, we have established a target to maintain the voluntary turnover rate below 4.5% every year until the end of 2026. This target is linked to our goal of being an attractive employer, which we have set out in our "LANXESS Corporate Policy". A voluntary turnover rate target has been in place since 2017. Until last year, however, the threshold was 3.5%. As part of this year's reassessment of the target, we concluded that a voluntary turnover rate of up to 4.5% can be considered healthy for the Group, given the more challenging economic and social conditions. No changes have been made to the calculation method, the underlying assumptions or the data collection process. In the financial year, the global voluntary turnover rate was 3.6% (previous year: 3.9%), meaning that we met our target for this year. The targets were established by the Human Resources Group function, taking into account internal data on employee turnover, external benchmarks and studies. Employees and their representatives were not directly involved in setting the target. The Board of Management approved the final targets. The target is calculated once per year and reported to the Board of Management.

Turnover on the basis of resignations

	2023	2024	Target	Target date
Turnover on the basis of resignations in %	3.9%	3.6%	below 4.5%	continuously until 2026 (p.a.)

The legal framework for maternity and parental leave taken for granted in Germany and similar models in the European Union are by no means standard worldwide. We regularly review possibility of introducing or expanding country-specific models for our employees at non-European locations, with no planned end date for the review. In Brazil and the U.S., for example, we offer parental leave programs that go beyond the respective legal requirements and allow our employees to spend time with their children on full pay.

Against a backdrop of demographic change, care is a major issue in Germany. The centerpiece of the LANXESS care model is caregiver leave. It allows our employees to reduce their working hours by more than their pay while caregiving for relatives. They can make up the working hours commensurate with the pay received after their return.

In addition, employees in Germany can obtain CareFlex supplementary long-term care insurance. This offers additional protection against the risks and strains that arise for those affected and their families when care is required but are not covered by statutory long-term care insurance. The costs of the additional insurance cover are borne entirely by LANXESS.

The effectiveness of the above actions in terms of working conditions and benefits is regularly reviewed by the specialist department through appropriate data analyses.

There are currently no plans to end the actions described.

Occupational health and safety

Health management

Our occupational health management is intended to create a safe and healthy working environment, to raise all employees' awareness of their own health and to motivate them to act on their own initiative and adopt healthy behaviors in their professional and private lives. It is structured differently in each country.

In Germany, occupational health management (OHM) works in three action areas:

- Occupational health promotion (OHP) with offerings for all employees,
- Company integration management (CIM) for employees with long-term illnesses,
- Division-specific OHM for plants and departments.

For example, as part of a (OHP) campaign week centered around "World Day for Safety and Health at Work" in April 2024, LANXESS presented various events on the topics of healthy eating and habits, along with addiction prevention. During the "Mental Health Action Week" in October, various events were held to raise awareness of emotional challenges and mental health. In addition, the seminar program for senior executives, "Leading yourself and others in a healthy way", set up in 2023, was continued.

In company integration management (CIM), LANXESS continued in the financial year to collaborate with an external service provider for case management. We are pursuing our goal of establishing uniform quality standards at all LANXESS sites throughout Germany. We also want to provide timely guidance and lasting reintegration for the growing number of employees who return to work after an illness.

In 2024, we also expanded our site-specific OHM. The goal here is to enhance prevention and health-promoting working conditions and to firmly establish appropriate working behavior. These tasks were carried out in particular by internal health groups, whose role involves training employees as health promoters. There were also measures aimed at improving ergonomics in company-specific activities and enhancing mental health in the workplace.

There are currently no plans to end the actions in these areas.

The effectiveness of the health measures is regularly reviewed by the specialist department through appropriate data analyses.

Xact safety initiative

LANXESS addresses the topic of occupational safety with its global safety initiative Xact. It pursues the goal of gradually lifting the safety culture of LANXESS to a higher level. Starting with top management, all employees are expected to work together to improve safety in the Group. We are doing this because we firmly believe that all industrial accidents are avoidable. We will continue to drive this initiative forward with determination, with no time limit, as safety remains a top priority for us at all times. This commitment is embedded in our "LANXESS Corporate Policy", and we have set various targets to strengthen occupational safety.

As a specific target for occupational safety, we aim to reduce the lost time injury frequency rate (LTIFR), in other words, the number of accidents with days lost per million hours worked, by more than half by the end of 2025 compared to the reference year of 2016 (LTIFR 2.0). {In 2024, the rate was 0.6%} (previous year: 0.6%). We established this target for the first time in 2017. We have since reported our progress yearly in the annual report. At the time, the targets were defined by the HSEQ (Health, Safety, Environment, Quality) managers, taking into account internal HSEQ data and external benchmarks (American Chemistry Council, ACC). The Board of Management approved the final targets.

Employees and their representatives were not directly involved in setting the target. Through these targets, we are making a contribution to the UN's Sustainable Development Goals, among other things. Since being established, no changes have been made to the target, its calculation method, underlying assumptions or data collection process.

In addition, we have established annual targets related to safety, for both LTIFR and the Recordable Incident Rate (RIR) according to OSHA (Occupational Safety and Health Administration). In 2024, the number of accidents with days lost per million hours worked (LTIFR) should be a maximum of 0.9 in absolute terms. The recordable incident rate according to OSHA per 200,000 working hours (RIR) should be a maximum of 0.7 in absolute terms. {In financial year 2024, the figures were 0.6 (LTIFR)} and 0.5 (RIR) respectively, meaning that we achieved all of our targets.

The global HSEQ targets are determined in the Health, Safety & Environment subcommittee with representatives from the business units and the Board of Management, and then approved by the Sustainability Committee. The targets are part of the global HSEQ targets and posted on the LANXESS intranet. No changes have been made to the calculation method, the underlying assumptions or the data collection process since these annual LTIFR and RIR targets were first set. All of the above occupational safety targets refer to the company's own workforce.

Employees and their representatives were not directly involved in setting the target.

In 2024, there were no fatal accidents worldwide. The number of incidents resulting in time lost remained at the same level as in 2023, while recordable incidents under OSHA regulations continued to decline.

Incidents leading to time lost:

- 2022: 17
- 2023: 16
- 2024: 16

Recordable incidents according to OSHA regulations:

- 2022: 94
- 2023: 80
- 2024: 66

Development of safety culture

The work of the Xact team also focused in 2024 on stabilizing and fostering a positive culture of safety and greater alignment toward behavior-based safety. In 2019, LANXESS launched the Safety Culture Development Process (SCD Process) worldwide to support this. The six-stage process is centered on a full-day, focus group workshop led by the Xact team, at which representatives of all hierarchy levels engage in an in-depth discussion on the safety culture in their own plant. A follow-up workshop will be held several months later to discuss how the measures have been implemented at the company.

The Xact team evaluates the results centrally in order to determine global, regional or departmentspecific trends. Internal communication, training and useful processes and tools are the aspects with the greatest potential for improvement.

The SCD process for operating units was largely completed in 2024. Of the 122 operating units reported, 112 had completed workshops by the end of the year. We will complete the process in 2025. An SCD process for local headquarters and administrative areas was piloted in Mexico City at the beginning of 2024. In the next few years, we will implement a global roll-out with workshops bringing the topic of safety culture to the administrative areas. In addition to Mexico, workshops were also held in China, South Korea, Japan and Turkey in 2024.

An interim assessment showed that the greatest potential for improvement lies in addressing the cultural and behavioral factors contributing to unsafe behavior. The characteristics that define our LANXESS safety culture play a fundamental role here. These are:

- Leadership – role model for safety
- Attitude to safety/taking responsibility
- Learning and sharing/error culture
- Mindfulness/vigilance
- Positive reinforcement of safe behavior
- Communication/feedback culture

Digital Xact learning pathway: "How to Make Safety Culture Observable?"

The Xact initiative has summarized these six cornerstones in a guidebook called "How to Make Safety Culture Observable?". It was introduced worldwide in six languages in early 2021 and is a key element of our communication about safety. In order to make the content of the Xact guidebook more visual, the global Xact-Community developed digital flashcards in which employees presented their own examples and experiences in video messages. Knowledge is imparted and consolidated in interactive exercises. All six digital flashcards have already been created and are available to employees in eleven languages on local e-learning platforms. More than 6,000 employees have already used this learning opportunity. There are currently no plans to discontinue the e-learning course.

CEO Safety Award

The safety of our employees, facilities and processes is our top priority. With the international CEO Safety Award, which was bestowed for the sixth time in the financial year, we recognize particularly successful initiatives and contributions to occupational safety at LANXESS.

A team from the Polymer Additives business unit in Leverkusen received the award in 2024.

The effectiveness of our safety measures is regularly reviewed by the specialist department through audits, including on-site compliance checks.

The Human Resources Group function, with over 200 employees worldwide, is primarily dedicated to managing the impact on the workforce. Additionally, the PTSE (Production, Technology, Safety, Environment) Group function, particularly the HSEQ (Health, Safety, Environment, Quality) team, plays a vital role in occupational safety and health management across plants, with over 100 employees globally. Within PTSE, a four-person team from the Xact safety initiative is also dedicated to the advancement of our "safety culture". The team also draws on a global network, the "Xact community", to provide and maintain initiative. It is made up of representatives from the Group functions, business units and regions.

All of the actions described refer to the company's own workforce.

All of the aforementioned risks affecting our own workforce are documented in our Group-wide risk management system and reviewed twice yearly to ensure the accuracy of their assessment and the effectiveness of relevant actions.

S1-5 – Targets Related to Managing Material Negative Impacts, Advancing Positive Impacts, and Managing Material Risks and Opportunities

Stakeholders were indirectly involved in the target agreements on gender diversity, training and voluntary turnover. HR subject matter experts, familiar with the interests of various stakeholders, including employees, society, legislators, non-governmental organizations, proposed targets that were reviewed and approved by the head of HR and ultimately by the Board of Management.

For occupational safety targets (LTIFR/RIR), the Sustainability subcommittee, responsible for HSEQ topics, adopted the proposals. This committee includes representatives from various Group functions and business units, bringing diverse perspectives and insights into stakeholder interests, enriching the target-setting discussions. Ultimately, the Board of Management also approved the occupational safety targets.

Progress toward all targets is assessed at least once a year and reported to the Board of Management. In this process, detailed analyses are conducted to serve as a basis for discussions, providing insights and informing the development of further measures.

S1-6 – Characteristics of the Undertaking's Employees

Employee distribution by gender

Gender	Number of employees (head count)
Male	9,666
Female	2,672
Other	0
Not specified	0
Total number of employees	**12,338**

Distribution of employees by country (for countries with more than 50 employees representing at least 10% of the total workforce)

Country	Number of employees (head count)
Germany	6,724
U.S.	1,871

Distribution of employees by type of employment and gender

Reporting year 2024	Female	Male	Other	Not specified	Total
Number of employees	**2,839**	**10,433**	**0**	**0**	**13,272**
Number of permanent employees	2,672	9,666	0	0	12,338
Number of temporary employees	167	767	0	0	934
Number of employees with non-guaranteed working hours	0	0	0	0	0

Distribution of employees by type of employment and regions

Reporting year 2024	Americas	APAC	EMEA excluding Germany	Germany	Total
Number of employees	**2,851**	**1,710**	**1,216**	**7,495**	**13,272**
Number of permanent employees	2,797	1,633	1,184	6,724	12,338
Number of temporary employees	54	77	32	771	934
Number of employees with non-guaranteed working hours	0	0	0	0	0

Fluctuation in absolute terms (number of departures) and as a percentage

Fluctuation (in %) and number of departures (absolute)	2024
absolute	1,178
in %	9.5%

The data provided is based on the global LANXESS HR reporting system. The figures show the headcount at the end of the reporting period (December 31). Unless otherwise noted, the analyses refer to the company's core workforce (employees with an active employment relationship and permanent contract).

The number of departures was calculated by aggregating all departures within the respective year. Calculation of total turnover was based on the average number of employees in the four quarterly financial statements (March 31, June 30, September 30, December 31). Overall turnover is higher than in previous years due to job cuts as part of the FORWARD! action plan (see section "S1-4 – Taking actions to address significant impacts on the company's workforce and approaches to managing significant risks and capitalizing on significant opportunities relating to the company's workforce and the effectiveness of these actions" of the chapter "ESRS S1 Company Workforce"). As described above, the voluntary turnover rate (turnover based on resignations), which is particularly relevant for us, remains below our target of less than 4.5% p.a. at 3.6%.

Germany and the U.S. have the largest number of employees and are the most significant for key financial data (for example, sales).

Unless otherwise noted, the numbers refer to the company's core workforce (employees with an active employment relationship and permanent contract). Temporary employees (in other words, employees with an active employment relationship and a temporary contract) are not included in most of the key figures, as their inclusion would negatively impact the accuracy and historical comparability of the data.

S1-8 – Collective Bargaining Coverage and Social Dialogue

Collective bargaining coverage and social dialogue

	Collective bargaining coverage	Social Dialogue
	Employees – EEA (for countries with >50 employees representing >10% total employees	Workplace representation (EEA only) (for countries with >50 employees representing >10% total employees)
Coverage Rate		
0–19%	U.S.	
20–39%		
40–59%		
60–79%		
80–100%	Germany	Germany

There is workers' representation at European level (European Forum), which is based on relevant internal agreements with the workers' representatives.

The analyses refer to the company's core workforce (in other words, employees with an active employment relationship and permanent contract). This provides more informative value and historical comparability with previously published data.

S1-9 – Diversity Metrics

Distribution of employees by age group (absolute and as a percentage)

Employees by Age Group	absolute	%
< 30	1,351	11%
30–49	5,956	48%
≥ 50	5,031	41%
Total	12,338	100%

The analyses refer to the company's core workforce (in other words, employees with an active employment relationship and permanent contract). This provides more informative value and historical comparability with previously published data.

S1-10 – Adequate Wages

We offer all employees worldwide adequate wages in line with locally applicable benchmarks.

ESRS defines an "adequate wage" as a wage that provides for the satisfaction of the needs of the workers and their family in the light of national economic and social conditions.

The annual salary as at December 31, 2024 was used to assess the adequate wages and, depending on the benchmark, it was calculated based on weekly working hours and 52 weeks per year, either to an hourly wage or a full-time monthly salary. A subsequent review was conducted to ensure all values exceeded the locally applicable minimum reference thresholds.

Employees from two companies, whose compensation data is not available in the global system, as well as employees on international assignments, were not included in the analysis due to their special compensation packages. These employees make up less than 1% of the workforce.

S1-14 – Health and Safety Metrics

100% of employees are covered by the company's health and safety management system, in accordance with legal requirements and/or recognized standards or guidelines (based on headcount analysis).

There were no fatalities in the company's own workforce due to work-related injuries or work-related illnesses.

Number and rate of reportable workplace accidents: We collect the Recordable Incident Rate (RIR), the number of work-related accidents reportable in accordance with Occupational Safety and Health Administration (OSHA) regulations (per 200,000 working hours). In the reporting year, there were 66 recordable work-related incidents in the company's own workforce; this results in a rate of 0.5 based on 200,000 hours worked.

{The LTIFR (lost time injury frequency rate) is an additional key figure. The LTIFR is the ratio of the number of occupational accidents with days lost to the number of hours worked, expressed as multiples of a million hours. In the financial year, there were 16 incidents with days lost by our own employees. The resulting LTIFR is 0.6.}

To record key data on safety and environmental protection systematically worldwide, we use an electronic data-entry system. The LTIFR and RIR occupational safety key figures take into account all sites in which we hold an investment stake of at least 50%.

S1-16 – Remuneration Metrics (Pay Gap and Total Remuneration)

At LANXESS worldwide, the gender pay gap, the percentage difference between the average income of female and male employees relative to the average male employee income, is 3.9%, considering all remuneration components across all employee groups.

The total remuneration of the highest-paid employee is 56 times the median remuneration of all employees worldwide, excluding the highest-paid individual.

The total remuneration figures were calculated using the annual salary as of December 31, 2024, supplemented by short-term bonus payments made in 2024, long-term bonus payments granted in 2024 at fair value at the time of allocation, and an estimated premium for benefits in kind and retirement benefits (amounting to less than 10% of total remuneration). Shift allowances were also estimated, and the result was converted to an hourly wage based on weekly working hours and 52 weeks per year.

Employees from two companies, whose compensation data is not available in the global system, as well as employees on international assignments, were not included in the analysis due to their special compensation packages. These employees make up less than 1% of the workforce.

The gender pay gap has already been reported in previous annual reports. However, the methodology has now been adapted to the requirements of the ESRS, meaning that this year's figure is not comparable with the previous year's figures. It's important to note that including shift allowances can distort the results, as the majority of production employees are men, meaning they receive a larger share of these allowances; however, shift allowances are granted based on the working time model and are not influenced by gender.

ESRS S2 WORKERS IN THE VALUE CHAIN

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to value chain workers

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: Business Partner Code of Conduct	Policies: Procurement of Goods and Services in the LANXESS Group
WORKERS IN THE VALUE CHAIN								
I71: **Impact** Child labor	potential	negative	▲	▷▶▷▷	No child labor cases	Annual human rights risk assessment Supplier selection process Training measures Supplier visits	×	×
I72: **Impact** Forced labor	potential	negative	▲	▷▶▷▷	No forced labor cases	Annual human rights risk assessment Supplier selection process Training measures Supplier visits	×	×
I73: **Impact** Deficient health protection and deficient occupational safety	potential	negative	▲	▷▶▷▷	No cases of deficient health protection and deficient occupational safety	Annual human rights risk assessment Supplier selection process Training measures Supplier visits	×	×
I74: **Impact** Violence and harassment in the workplace	potential	negative	▲	▷▶▷▷	No cases of violence and harassment at the workplace	Annual human rights risk assessment Supplier selection process Training measures Supplier visits	×	×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- ▲ Upstream value chain
- Own operations
- ▼ Downstream value chain

Time horizon
- ▶▷▷▷ < 1 year (short term)
- ▷▶▷▷ 1 – 5 years (medium term)
- ▷▷▶▷ 6 – 10 years (long term)
- ▷▷▷▶ > 10 years (long term)

S2 SBM-2 – Interests and Views of Stakeholders and SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

LANXESS is a specialty chemicals company present in over 30 countries, with customer and supplier relationships in over 150 countries. We produce and sell chemical intermediates, additives, specialty chemicals and consumer protection products. We source our raw materials from over 10.000 suppliers.

11.94% of our suppliers are based in countries in South America, Africa and Asia and employ workers in the following industrial sectors in particular: Extraction of raw materials and precursors, services (such as assembly and maintenance), logistics services (transportation, packaging, repackaging and filling) as well as cleaning and disposal activities.

In alignment with our values and operational guidelines such as the "Code of Conduct", and our "LANXESS Corporate Policy", we are committed to upholding human rights across our markets and supply chains. We consistently work to prevent all forms of child and forced labor, workplace discrimination or violence, and health and occupational safety risks. At LANXESS, human rights and ethical principles apply without restriction, even if they are not stipulated in the legislation of individual countries. LANXESS carefully selects its business partners and conducts regular, ad hoc analyses to ensure compliance with key human and environmental rights for employees of business partners (see also section "S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions" of the chapter "ESRS S2 Workers in the value chain").

As part of the materiality assessment process carried out in 2023 and 2024 to determine the IROs that are material for us in connection with "ESRS S2 Workers in the value chain", we have identified the potential environmental and social impacts described below in connection with our global supply chains.

Child and forced labor (I71, I72)

Child and forced labor represent a serious violation of human rights with immediate and long-term consequences for those affected and for society. These practices not only violate human dignity, they also contribute to health risks, significant educational risks and a decline in societal development in the respective country. In its "Business Partner Code of Conduct", LANXESS has therefore included regulations against child and/or forced labor in its supply chain.

Occupational health and safety (I73)

In addition to safeguarding these very important human rights, LANXESS also prioritizes occupational health and safety for workers in the upstream value chain. Violations or non-compliance with applicable laws and regulations for occupational health and safety can lead to accidents, fatalities or environmental pollution and have far-reaching immediate and long-term consequences for those affected and for society. LANXESS is therefore committed to continuously improving occupational health and safety not only for workers in the upstream value chain, but also for our service providers (contractors and external specialists), and integrates these processes in our safety culture.

Violence and discrimination (I74)

All forms of violence and/or discrimination in the workplace cause psychological stress such as anxiety, depression and low self-esteem in those affected, often accompanied by stress-related illnesses. They impair job performance, increase absenteeism and increase social isolation. On a company level, they negatively impact the working atmosphere and foster mistrust and conflict. LANXESS is dedicated to maintaining a supply chain free of violence and discrimination and is committed to ensuring high standards of decent working conditions along the entire value chain.

Because our global purchasing activities also involve procurement of goods from high-risk countries in Asia, Africa and South America, among others, there is the possibility that human rights of workers in the upstream value chain could be affected in terms of child and forced labor, occupational safety, and violence and harassment in the workplace. In general, cases of child and forced labor occur more frequently in these regions than in Europe, and not every country has high standards for occupational health and safety measures and working conditions.

Because of the industry in which LANXESS operates, where chemical production processes often involve the handling of toxic, explosive or otherwise hazardous substances, occupational safety also plays an important role in our value chain. Inadequate safety standards in the value chain can result in accidents with negative impacts for employees. Because of our global business activities, particularly in the upstream value chain in risk countries, such as in Asia, Africa or South America, there may be potential environmental and social impacts in the aforementioned areas (see also section "S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions" of the chapter "ESRS S2 Workers in the value chain").

LANXESS has therefore established a Group-wide risk management system that also covers serious human rights risks, among other things. Its systems and processes are implemented throughout the Group to identify and assess relevant human rights risks (chapter "ESRS S2 Workers in the value chain", section "S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action").

To uphold our values and human rights standards, we conduct annual and ad hoc risk analyses across our own operations and direct suppliers. Based on the risk analyses, we develop actions that are incorporated into relevant business processes, particularly our supplier management system.

For example, we have implemented the principle of "select, train, support and evaluate" for our service providers at our German sites and plants. We require our partners to provide evidence of a safety management system and proof that the employees who work for us have received safety training. Regardless of this, we regularly provide personal safety briefings at our partner companies.

If we become aware of human rights violations, we develop a corrective action plan based on the severity of the potential or actual violation. This is implemented and monitored together with the business partner. In cases of severe violations, cooperation with the business partner is terminated.

In 2024, we were not made aware of any cases of child or forced labor, systematic discrimination or violence in the workplace, or systematic violations in occupational health and safety that would have resulted in the immediate termination of the business relationship.

S2-1 – Policies Related to Value Chain Workers

As a globally active specialty chemicals company, LANXESS recognizes its responsibility to conduct business ethically and safeguard people and the environment throughout our value chain.

To fulfill this commitment, we align our business activities with the following international conventions and basic principles:

- United Nations Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles)

- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- Principles of the United Nations Global Compact (UN Global Compact)
- United Nations Sustainable Development Goals (SDGs)
- Responsible Care© Global Charter of the International Council of Chemical Associations (ICCA)
- Women's Empowerment Principles of the United Nations
- Minamata Convention on Mercury of October 10, 2013 (Minamata Convention)
- Stockholm Convention of May 23, 2001 on Persistent Organic Pollutants (POPs Convention)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal of March 22, 1989 (Basel Convention)

The principles outlined here apply to all our employees and business partners and are set out in Group-wide directives. General information on the documents below in accordance with ESRS 2.65 are outlined in section "G1-1 – Corporate Culture and Business Conduct policies" of the chapter "ESRS G1 Business Conduct".

The "LANXESS Corporate Policy" lays out principles of responsible business operations and sustainable development and defines our general corporate philosophy and the expected conduct of all employees relation to our stakeholders. Our "Code of Conduct" includes unambiguous instructions regarding the respect of human rights. Respect for human rights is a binding element in our global "Procurement of Goods and Services in the LANXESS Group" directive for supplier selection and development. We have summarized our commitment and the measures established across the Group to respect human rights in the policy "Statement on Respect for Human Rights and Related Environmental Standards" and published it on our website.

We also expect our business partners, including for example suppliers, customers, and sales partners, to conduct their business responsibly and to uphold human and environmental rights.

These expectations are clearly outlined in our "Business Partner Code of Conduct". Our business partners commit to compliance with the principles outlined in the Code when working with LANXESS. They are also expected to communicate these principles or equivalent standards to the partners they engage while working with LANXESS and to promote compliance with them. The "Business Partner Code of Conduct" also explicitly addresses the prevention of any form of child or forced labor, human trafficking, violence or discrimination in the workplace and mandates compliance with occupational health and safety regulations. This primarily centers on employees of direct suppliers, customers and other business partners, such as service providers including contractors, logistics companies and distributors. Employees of business partners are directly addressed, especially those working at our sites as external staff. Indirect coverage, such as workers along the indirect value chain, is also considered, since non-compliance by indirect contractual partners can impact the respective direct business partner. We regularly review our risk assessment in alignment with requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains and our internal risk analyses.

S2-2 – Processes for Engaging with Value Chain Workers about Impacts

We implement various ongoing procedures to engage with our own employees and those along the value chains. In addition to direct communication, such as through employees in the Global Procurement & Logistics Group function, this also includes incorporating external data sources through our involvement in the Together for Sustainability (TfS) initiative[1]. TfS is a global initiative by chemical companies whose goal is to support and coordinate the assessment of sustainability performance across the chemical industry and its supply chains. The results are provided to all TfS members.

1) The assessments carried out by the external company EcoVadis SAS, the Together for Sustainability AISBL and the European Chemical Industry Council (Cefic) were not in the scope of the audit conducted by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

The TfS sustainability assessment is also incorporated into our strategy process, which must be applied to every contract negotiation or renewal with a purchasing volume of more than €5 million. This process is known as XCORE. As well as the XCORE strategy process, we use the SCORE process, which is similar to the XCORE process but geared toward purchasing volumes between €1 million and €5 million or over €250,000 in regions outside Europe.

With an average EcoVadis sustainability score of 57.8 points, our suppliers are above the EcoVadis benchmark[1] of 47.7 points. The analysis also addresses environmental and social issues. We have described the relevant procedures and communication channels for inclusion in detail in section "S2-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions" of the chapter "ESRS S2 Own workforce".

1) The assessments carried out by the external company EcoVadis SAS, the Together for Sustainability AISBL and the European Chemical Industry Council (Cefic) were not in the scope of the audit conducted by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

We also offer direct communication channels by providing a global SpeakUp hotline and access to the central compliance helpdesk for workers along our value chains; this is described below.

S2-3 – Processes to Remediate Negative Impacts and Channels for Value Chain Workers to Raise Concerns

All LANXESS employees, as well as workers of suppliers and customers within our value chain, have access to various channels to report concerns or grievances. Our global whistleblowing hotline "SpeakUp" is available 24/7 throughout the year and supports over 70 languages. Reports can be submitted to the LANXESS Compliance Helpdesk via the LANXESS website, or individuals can directly contact Global Procurement & Logistics or the purchasing staff in their respective countries.

Information on these reporting channels is freely accessible and actively communicated to our employees, customers, suppliers and other partners. One way it is communicated is through our "Business Partner Code of Conduct", which is included in all supplier contracts. LANXESS has included regulations in our "Code of Conduct" to protect whistleblowers from possible retaliation when a report is made in good faith. The whistleblower or reporter of the grievance will be protected against retaliation to the greatest extent possible.

Grievances or indications of violations, particularly those related to human rights abuses in our value chain, are received by the LANXESS Compliance Department and processed through a coordinated procedure following the requirements of the "LANXESS Complaints Procedure" rules. The relevant steps and principles are posted in the above-mentioned document on our website.

The whistleblower platform "SpeakUp" and the established procedure for reports/grievances at LANXESS are reviewed at least once a year or as needed to ensure they are functional and effective.

S2-4 – Taking Action on Material Impacts on Value Chain Workers, and Approaches to Managing Material Risks and Pursuing Material Opportunities Related to Value Chain Workers, and Effectiveness of those Actions

By taking the actions described below, we commit to ensuring that there are no breaches of human rights in all areas which LANXESS can influence. Direct responsibility for ensuring that human rights and associated environmental rights are respected lies with the respective management at our sites. Our corporate compliance organization (supported by the regional and local compliance officers) and Group functions – especially Global Procurement & Logistics and Production, Technology, Safety & Environment – provide assistance with implementing the actions.

Annual risk analysis

We carry out human rights risk analyses on an annual and ad hoc basis across the Group to ensure compliance with human rights due diligence obligations. These take full account of the requirements of the German Act on Corporate Due Diligence in Supply Chains.

In our annual risk analysis, we first perform an abstract risk analysis of our direct suppliers with the aid of a supplier risk management system, drawing on external data sources. The second step entails a more detailed analysis and assessment of the remaining suppliers (for example using information from the existing supply relationship). The outcome will determine any further steps to be taken. These may involve obtaining voluntary information from the suppliers themselves, carrying out site visits or having our Global Procurement & Logistics Group function perform on-site audits.

Where a direct supplier has violated a human rights-related or environmental obligation, or where such a violation is imminent, we will take appropriate remedial action without delay. Such action encompasses all suitable measures for prompt rectification of the identified violation. These will be agreed with the supplier concerned and their implementation will be subsequently followed up.

Supplier screening and training

Our Global Procurement & Logistics Group function takes into account the protection of human rights, among other things, when sourcing goods and services by drawing up guidelines for the supplier screening process. These are laid down in our global "Procurement of Goods and Services in the LANXESS Group" directive. The supplier screening process is supported by the connection of external databases, which have a significant influence on the selection and evaluation of suppliers. In addition to that only suppliers who have accepted our "Business Partner Code of Conduct" or have introduced their own comparable regulation and associated management systems in accordance with the U.N. Global Compact or have issued corresponding compliance declarations will be selected. We reserve the right to verify compliance with our "Business Partner Code of Conduct". In addition, we use extended contractual assurances to obligate our direct suppliers to comply with internationally recognized human and environmental rights, and to ensure that they appropriately address compliance with these rights throughout their supply chain.

The "ProTrain" training program informs our strategic buyers about our "Business Partner Code of Conduct" and other guidelines. In addition to the supplier information questionnaire, we currently use a detailed sustainability risk analysis as an additional check. For this purpose, we have introduced a Group-wide IT system that includes a strategic assessment of our suppliers' economic, regulatory, environmental and social performance in order to identify potential risks at an early stage. Based on more than 600,000 data sources, the tool prepares individual supplier risk profiles.[1)] By the end of 2024, we had integrated over 26,000 suppliers into the risk system and are continuing to work on adding more suppliers.

Our supplier screening is based not only on the data mentioned above, but also directly on detailed TfS reports. The TfS sustainability assessment is incorporated into our strategy process, which must be

1) The assessments carried out by the external company EcoVadis SAS, the Together for Sustainability AISBL and the European Chemical Industry Council (Cefic) were not in the scope of the audit conducted by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

applied to every contract negotiation or renewal with a purchasing volume of more than €5 million. This is known as XCORE. The TfS assessments include environmental, social, business conduct as well as business-related aspects. The TfS assessment covers all of the above-mentioned impacts, in addition to a large number of other human rights, for example the right to collective bargaining.[1] The methodology for supplier screening includes country-specific, sector-specific and commodity-specific risks.[1]

The TfS audits review ad hoc criteria in the areas of management, environment, health, safety, labor and human rights, and business conduct. If the TfS audits detect anomalies, the suppliers develop corrective action plans, and implementation of these is re-reviewed by the auditor within 12 months in the case of important or critical findings.[1] In addition, training for the company's buyers and/or internal stakeholders is supported by the TfS Academy. The TfS Academy provides hundreds of multilingual training modules to Together for Sustainability (TfS) members and their suppliers across all aspects of sustainability, procurement, assessment and audit, as well as a corrective action plan.[1] In this way, information and training courses on the company's ESG programs, processes and requirements are delivered and suppliers receive assistance in implementing corrective action plans. Furthermore, these training options provide in-depth technical support programs to build capacity and ESG performance.[1]

In the 2024 fiscal year, we carried out 20 supplier site visits. The visits did not reveal any serious violations of the aforementioned IROs. There were also no reports of serious problems or incidents involving human rights within the value chain.

S2-5 – Targets Related to Managing Material Negative Impacts, Advancing Positive Impacts, and Managing Material Risks and Opportunities

LANXESS endeavors to avoid the potential negative impacts in our existing and future global value chain listed in the IRO overview at all times and thus to prevent such cases from occurring at all.

The goal for our value chain in this respect is in line with the principles defined in our "LANXESS Corporate Policy" and with the Group directive "Procurement of Goods and Services in the LANXESS Group" adopted by the Group Board of Management. This is why LANXESS is a founding member of the "Together for Sustainability" initiative (TfS).[1] TfS has established itself in the chemicals industry as a frequently applied sector standard for sustainable supply chains. The focus here is on environmental protection, workers' rights and human rights including the prevention of child labor, labor standards, occupational safety, business ethics and sustainable procurement practices.

Internationally recognized frameworks such as the United Nations Sustainable Development Goals (SDGs), the OECD Guidelines for Multinational Enterprises and the principles of the U.N. Global Compact have been taken into account when setting targets. Targets are formulated based on the assumption that economic and environmental sustainability can only be achieved if social standards are also upheld. Local conditions and industry-specific risks are considered in the process. Corresponding risk scenarios are based, for example, on reports and studies by NGOs, which are also a suitable data source for setting targets. Targets are set based on international standards and the provisions of national and EU-wide legal requirements, such as the German Act on Corporate Due Diligence in Supply Chains.

When targets are being defined, stakeholders' interests are considered by providing them with direct reporting channels to LANXESS.

Although LANXESS did not identify any indications of significant human rights violations in its value chain via the reporting channels or by other means, such as audits, during the reporting period, it continues to pursue its stated goal of avoiding the potential negative impacts listed in the IRO overview and such cases.

1) The assessments carried out by the external company EcoVadis SAS, the Together for Sustainability AISBL and the European chemicals industry Council (Cefic) were not in the scope of the audit conducted by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

ESRS S4 CONSUMERS AND END-USERS

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to consumers and end-users

							Policies		
Impacts, risks and opportunities[1]	**actual/ potential**	**negative/ positive**	**Value chain**	**Time horizon**	**Targets**	**Actions**	**Central Product Surveillance**	**Product Safety Management at LANXESS**	**"Product Portfolio" Background Paper**
CONSUMERS AND END-USERS									
PERSONAL SAFETY OF CONSUMERS AND/OR END-USERS									
I75: **Impact** Health risks due to SVHCs in end products	actual	negative	Downstream value chain	< 1 year (short term)	Phase-out of critical products	Implementation of the action plans developed within the 2021–2023 product roadmap	×	×	×
I76: **Impact** Health risks through SVHCs in end products	actual	negative	Downstream value chain	< 1 year (short term)	Phase-out of critical products	Development of action plans for the 2024–2026 product roadmap	×	×	×
I77: **Impact** Potential negative health impacts due to SVHCs in end products	potential	negative	Downstream value chain	< 1 year (short term)	Monitoring of possibly critical products	Annual monitoring of transitional products and possible phase-out planning	×	×	×
R78: **Risk** Sales decline due to phase-out of products with SVHCs			Downstream value chain	1–5 years (medium term)					
R79: **Risk** Sales decline due to phase-out of products with SVHCs			Downstream value chain	6–10 years (long term)					
R80: **Risk** Sales decline due to phase-out of products with SVHCs			Downstream value chain	> 10 years (long term)					

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

S4 SBM-2 – Interests and Views of Stakeholders and S4 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

Health risks due to SVHCs in end products (I75)

LANXESS precursors containing substances of very high concern (SVHCs) are processed in the downstream value chain by our customers as components of end products. The usage of these end products poses a health risk to consumers and end users because they are carcinogenic, mutagenic or reprotoxic, for example. LANXESS will therefore discontinue the distribution of these precursors.

Health risks due to SVHCs in end products (I76)

LANXESS precursors containing substances of very high concern (SVHCs) are processed in the downstream value chain by its customers as components of end products. The usage of these end products poses a health risk to consumers and end-users because they are carcinogenic, mutagenic or reprotoxic for example. Over the next three years, LANXESS will draw up action plans to develop alternative precursors with lower hazard potential that are not identified as SVHCs.

Potential negative health impacts arising from SVHCs in end products (I77)

Precursors containing substances suspected of having properties of substances of very high concern (SVHCs) may be used by LANXESS customers in the downstream value chain as components of products for consumers and end-users. They pose a potential health risk to this user group if confirmed to be carcinogenic, mutagenic or reprotoxic, for example, which is why they are monitored as part of the annual product portfolio assessment process.

Sales decline due to phase-out of products with SVHCs (R78-80)

Financial risks arising from a decline in sales of products from the 2024–2026 roadmap that will be taken off the market.

Our products are processed by production employees from the chemical industry who receive information on how to use them safely (product safety data sheets). Consequently, it is not possible to incorporate the interests and views of end-users and consumers into our strategic considerations because the downstream value chain for us as a specialty chemicals company is excessively complex and multifaceted. The large number of intermediaries makes it impossible to consider this group directly. LANXESS has committed to continuously improving its product portfolio's sustainability performance, eliminating critical substances and developing safer alternatives. With this goal in mind, LANXESS has developed an action plan for dealing with critical products. LANXESS is developing healthier alternatives for products sold by the company that are particularly hazardous to health and are processed in the downstream value chain into products used by consumers and end-users, thereby posing a potential risk to these users. If sustainable alternatives cannot be used and if our scientists or the regulatory authorities consider the concerns or risks to be beyond an acceptable level, we will stop using the products in question.

The LANXESS Product Sustainability Monitor is the strategic management tool that LANXESS uses to align its portfolio with sustainability. The tool enables us to analyze risks and potential for improvement. This in turn facilitates systematic improvement of sustainability performance, taking environmental, social and economic impacts into account. The continuously optimized system analyzes the benefits and impact of LANXESS's products based on nine criteria with relevance for LANXESS and society. LANXESS assesses its entire product portfolio based on these criteria (climate change, water use and water risk, waste efficiency, environmental risk, human health risk, product benefit, demand trend, profitability, legislative and reputational risk). LANXESS divides its portfolio into five categories: energizer, performer, transitioner, 2024–2026 roadmap and phase-out.

2024–2026 roadmap

This category covers products with serious sustainability concerns. These are chemical end products containing substances with at least one of the following properties of substances of very high concern (SVHC): carcinogenic (cat. 1A and 1B), mutagenic (cat. 1A and 1B), toxic to reproduction (cat. 1A and 1B), persistent, bioaccumulative and toxic, very persistent and very bioaccumulative or comparable substances of high concern (for example, endocrine-disrupting or ozone-depleting). LANXESS manages these products in its roadmap process, in which it examines in particular whether critical substances in the chemical end products concerned could be replaced with safe and sustainable alternatives. LANXESS does not market new chemical end products in this category.

Phase-out

This includes roadmap products for which action plans were established between 2021 and 2023 with the target of replacing them with sustainable alternatives by 2030. If using sustainable alternatives is not possible, LANXESS will withdraw the products from the market by 2026 and not replace them.

LANXESS has established internal directives and processes aimed at preventing violations of global, regional and local regulations governing controls on chemicals. Necessary information on safe handling and processing of our products is communicated by way of safety data sheets.

S4-1 – Policies Related to Consumers and End-Users

Our products are an elementary part of our customers' products. Living up to their expectations, as well as their customers' expectations, is of the utmost importance to us.

With this aim, LANXESS's "Product Portfolio" Background Paper lays out the company's obligation, along with processes and targets, to improve the sustainability performance of the product portfolio, to substitute critical products and to develop safe alternatives. To this end, annual monitoring takes place under the direction of the head of the Value Chain Circularity & Product Stewardship sub-committee. The "Product Portfolio" Background Paper applies to the entire Group and the Group's own operations. It is relevant not only to the LANXESS business units and the Production, Technology, Safety & Environment and Global Procurement & Logistics Group functions, but also to external stakeholders such as customers, suppliers and non-governmental organizations (NGOs). During its development, the internal stakeholders were engaged through the Sustainability Committee and the Value Circularity and Product Stewardship sub-committee. The "Product Portfolio" Background Paper is publicly available on the LANXESS website and has been communicated over the intranet, on the website, at stakeholder meetings and in press releases.

The "Product Safety Management at LANXESS" directive stipulates how product stewardship is to be implemented throughout the Group. This directive, which is intended for the entire Group, describes the binding standard for all internal processes in global product safety management. It is accessible to all employees via the Xdirect document management system available throughout the Group. The heads of the business units or legal entities are responsible for implementing and ensuring compliance with the legal regulations and internal guidelines on product safety worldwide in collaboration with the Group functions, which were also involved in coordinating the content.

The constant improvement of product safety, which is enshrined as a core aspect of our corporate policy and in the Group-wide management system, is part of our product stewardship. Examples of this include the creation of safety data sheets even for substances not subject to labeling requirements, which are communicated in the value chain, and our product roadmaps for a sustainable product portfolio.

Safe handling of LANXESS products is a key component of the Company's product stewardship. LANXESS is committed to monitoring and assessing potential risks to human health and the environment that could arise from its products (this is regulated in the "Central Product Surveillance" directive). The Production, Technology, Safety & Environment Group function records and evaluates all information regarding the potential hazards of LANXESS products. Continuous product monitoring includes ongoing research and evaluation of scientific, toxicological and environmental information (study data). This also includes timely updating of registration dossiers, updating and distribution of relevant safety data sheets and customer information, monitoring of LANXESS products and their uses in the market, and tracking of information on hazards (for example, from the press, consumer organizations or industry associations) that become known in connection with the products distributed by LANXESS. The safe use of LANXESS products, along both its own and the downstream value chains, is an essential part of the company's product stewardship. LANXESS is committed to upholding internationally recognized principles such as the principles of the Responsible Care® Global Charter, the United Nations Guiding Principles on Business and Human Rights and the ILO (International Labour Organization) labor standards and has been a member of the United Nations Global Compact since 2011 (see section "G1-1 – Corporate Culture and Business Conduct Policies" of the chapter "ESRS G1 Business Conduct"). No human rights violations have been reported. Our products are processed by workers from the chemical industry. Safety data sheets are used to communicate with the users of our products. Product stewardship actions such as assessing possible health and safety risks associated with our products and providing up-to-date safety information and instructions for correct use can prevent accidents, injuries and illnesses, thus helping to uphold the human rights of those who use our products.

S4-2 – Processes for Engaging with Consumers and End-Users about Impacts and S4-3 – Processes to Remediate Negative Impacts and Channels for Consumers and End-Users to Raise Concerns

As described above, all of LANXESS's customers are industrial companies. Our products are processed by production employees from the chemical industry. The company's downstream value chain is complex and multifaceted. Due to the large number of intermediary companies and products, direct communication with consumers and end-users is not possible. For this reason, LANXESS does not have general processes in place for direct cooperation with consumers and end-users.

S4-4 – Taking Action on Material Impacts on Consumers and End-Users, and Approaches to Managing Material Risks and Pursuing Material Opportunities Related to Consumers and End-Users, and Effectiveness of those Actions

Constant improvement of product safety is part of our product stewardship. To ensure the safe handling of LANXESS products, we provide information (product safety data sheets) for the safe use of our products within the supply chain. As part of a voluntary self-commitment, LANXESS also supplies safety data sheets for non-hazardous products. LANXESS's key actions for achieving a more sustainable and safer product portfolio take the form of the 2021–2023 and 2024–2026 product roadmaps. Action plans for chemical end products containing substances of very high concern were developed with the 2021–2023 product roadmap. LANXESS intends to develop sustainable alternatives for these products by 2030. If this proves impossible, the corresponding products will be taken off the market by 2026 without replacement. The Sustainability Committee is regularly briefed on the phase-out status. Based on the reference year 2021, LANXESS plans to stop marketing for 21% of sales generated with products from the 2021–2023 roadmap by 2026 and offer non-critical alternatives for a further 69% by 2030. For the remaining 10% of sales of roadmap products that LANXESS is currently unable to replace, the analysis has shown that they are only used under controlled and safe conditions.

Examples of implemented actions from the 2021–2023 roadmap

Substitution of Vulkanox® 4020/6PPD (N-1,3-dimethylbutyl-N'-phenyl-p-phenylenediamine)

6PPD is used as a polymer additive and is so far considered the industrial standard and a key product in the manufacture of vehicle tires.

This reprotoxic substance has been linked to mass salmon deaths in the U.S.

Vulkanox® 4020, N,N'-Dicyclohexyl-p-phenylendiamin (CCPD) has been developed as an alternative substance with a much better hazard profile and one that is not classified as a substance of very high concern.

Phase-out of BAYOWET® C4 in 2023

Potassium perfluorobutane sulfonate, the active ingredient in LANXESS product BAYOWET® C4, a flame retardant for transparent plastics, was added to the EU Candidate List of Substances of Very High Concern in 2020 due to its high persistence, high mobility and endocrine-disrupting properties. Production and distribution of BAYOWET® C4 were discontinued at the end of 2023.

Phase-out of Bis(2,6-diisopropylphenyl) carbodiimide in 2023

Bis(2,6-diisopropylphenyl)carbodiimide, the active ingredient in the product Stabaxol® I, which is used as a hydrolysis stabilizer in plastics, has been identified as a substance of very high concern due to its reprotoxic properties. LANXESS developed sustainable alternatives such as Stabaxol® L, which is based on a differently substituted carbodiimide with a much better hazard profile and has not been identified as a substance of very high concern.

Phase-out of imidazolidin-2-thione in 2023

Imidazolidine-2-thione is an active ingredient in LANXESS's RHENOGRAN®/RHENOSLAB ETU® products, which are used as vulcanization accelerators for rubber. Imidazolidine-2-thione has been identified as a substance of very high concern due to its reprotoxic properties. LANXESS developed substitutes Rhenocure CRV/LG, Rhenogran MTT-80 (based on 3-methylthiazolidine-2-thione) and Rhenocure DR/S based on sodium aluminum silicate, which have a significantly better hazard profile and have not been identified as substances of very high concern.

Phase-out of azodicarbonamides (ADCA) in 2023

ADCA was classified as a substance of very high concern due to its respiratory sensitizing properties.

Azodicarbonamide was also an active ingredient of the product RHENOFIT® EC(ADC), which is used as a blowing agent for rubber foams. In 2023, LANXESS developed the substitute Rhenofit EC (OBSH) based on phosphorus p-oxybis(benzenesulfonyl)hydrazide, which does not show respiratory sensitizing properties and is not classified as a substance of very high concern.

At the end of 2023, other chemical end products which contain substances of very high concern were identified in the portfolio. LANXESS will develop action plans for possible substitution of these products by the end of 2026. In 2024, specific strategy plans were developed for as many as a third of these roadmap products (2024–2026). The relevant phase-out is also defined when the substitution plans are being developed. This information is therefore not yet available.

Initiatives designed to make an additional contribution to better social outcomes for consumers and/or end-users are not relevant to LANXESS's business model, as the company has only industrial companies as its customers.

LANXESS maintains continuous dialogue with important non-governmental organizations (NGOs) such as the International Chemical Secretariat (ChemSec) and takes their feedback into consideration. ChemSec has made it its mission to accelerate the replacement of hazardous chemical substances. With this purpose in mind, ChemSec publishes the Substitute It Now (SIN) list, a directory of all substances that products should not contain according to ChemSec's evaluation. This assessment influences the selection of LANXESS's roadmap products, for which the company is working to find alternatives. LANXESS has reduced the number of critical substances on the SIN list by half over the last three years. The product safety data sheets distributed to our customers point out the actual and potential hazards of our products. LANXESS also regularly exchanges ideas with its main stakeholders and incorporates their feedback into its actions. Details on the stakeholder surveys are provided in section “SBM-2 – Interests and views of stakeholders” of the chapter “ESRS 2 General disclosures”.

In our product roadmap process we look into developing safe and sustainable alternatives for critical products in the portfolio and do not switch to other substances that experts believe could have comparable hazardous properties but are not yet subject to regulatory restrictions. No new products are developed with properties of substances of very high concern. When developing products, we are guided by the European Commission’s Safe and Sustainable by Design framework.

Financial risks resulting from the phase-out of critical products are accepted if this helps to prevent health risks.

No serious problems or incidents connected to human rights violations were reported.

The actions are coordinated by four employees from the HSEQ department within the Production, Technology, Safety & Environment Group function.

In the 2024 financial year, there was no single action with significant (> €3 million) capital or operational expenditures.

S4-5 – Targets Related to Managing Material Negative Impacts, Advancing Positive Impacts, and Managing Material Risks and Opportunities

The development of a sustainable product portfolio meets the expectations of LANXESS’s stakeholders. The main stakeholders with whom LANXESS most frequently comes into contact include employees, customers, capital market representatives, suppliers, the media, communities around LANXESS sites, politicians and authorities, as well as NGOs. Dialogue with these is of vital importance for our company, because these stakeholders have a stake in the company’s activities. At stakeholder round tables, LANXESS brings together representatives from politics, science, the business community and environmental organizations to discuss selected sustainability topics. As the above-mentioned stakeholder survey also revealed, the round tables frequently show that product safety and critical substances are of particular relevance to the stakeholders present. LANXESS’s targets for eliminating critical substances and developing safe alternatives are based on the outcomes of these discussions. More information

Name	Measure	Quantitative target	Target year	Base year	Base value	Engagement of stakeholders concerned	Methodology and assumptions about the target
Implementation of the action plans from the 2021–2023 product roadmap	Sales of phase-out products (€ m)	90%	Up to 2030 (or 2026) if no substitutes can be developed	2024	Product Sustainability Monitor: sales from phase-out products in 2024	Yes, through the Sustainability Committee	Target achievement is documented in the LANXESS Product Sustainability Monitor.
Development of action plans for the 2024–2026 product roadmap	Number of completed action plans from the 2024–2026 product roadmap	100%	Up to 2026	2023	Number of products from the 2024–2026 product roadmap	Yes, through the Sustainability Committee	Target achievement is documented in the LANXESS Product Sustainability Monitor.

on stakeholder engagement can be found in section "SBM-2 – Interests and Views of Stakeholders" of the chapter "ESRS 2 General Disclosures".

As all of LANXESS's customers are industrial companies, it has had no direct contact with consumers or end-users to date.

There were no changes to targets or related metrics in the reporting period.

The targets were defined based on reliable scientific data, namely substituting products that have at least one of the following properties of substances of very high concern (SVHC): carcinogenic (cat. 1A and 1B), mutagenic (cat. 1A and 1B), reprotoxic (cat. 1A and 1B), persistent, bioaccumulative and toxic, very persistent and very bioaccumulative or comparable substances of high concern (for example, endocrine-disrupting or ozone-depleting).

The downstream value chain is analyzed in a global consideration of critical products from the LANXESS portfolio.

Our policies create the framework for achieving our targets.

No targets have been set in relation to our financial risks.

As no positive impacts were identified in the materiality assessment, no targets can be set in relation to positive impacts.

Implementing the goal of substituting critical products with uncritical alternatives will reduce the number of critical products in the portfolio and consequently lower their negative impacts.

Our policies contain ambitions, guidelines and instructions designed to achieve our targets. As part of our product roadmap process, we examine the development of safe and sustainable alternatives for critical products in the portfolio and set targets for these. The LANXESS Background Paper "Product Portfolio" lays out the company's obligation, along with the process and targets, to improve the sustainability performance of the product portfolio, to substitute critical products and to develop safe alternatives.

GOVERNANCE INFORMATION

ESRS G1 BUSINESS CONDUCT

LANXESS's material impacts, risks and opportunities (IROs) were identified as part of a double materiality assessment. They are shown in the table below and allocated to the corresponding policies, actions and targets.

Material impacts, risks and opportunities related to business conduct

Impacts, risks and opportunities[1]	actual/ potential	negative/ positive	Value chain	Time horizon	Targets	Actions	Policies: LANXESS Corporate Policy	Policies: Code of Conduct	Policies: LANXESS Compliance Management System
CORPORATE CULTURE									
I81: **Impact** Lack of or non-observation of company culture and values	potential	negative	Own operations	1–5 years (medium term)	Corporate culture and value-compliant conduct	Compliance management system Compliance culture Compliance organization Compliance help desk Channels for reporting tips or violations Compliance training	×	×	×

[1] I = impact, R = risk and O = opportunity

Location of the value chain
- Upstream value chain
- Own operations
- Downstream value chain

Time horizon
- < 1 year (short term)
- 1 – 5 years (medium term)
- 6 – 10 years (long term)
- > 10 years (long term)

G1 SBM-3 – Material Impacts, Risks and Opportunities and their Interaction with Strategy and Business Model

The lack of a corporate culture, or a corporate culture that is not practiced, is considered a potential negative impact for our own global operations that may lead to a lack of orientation and values for employees, fostering problematic behavior. Without a practiced culture, uncertainty could arise as to which behavior is acceptable and which is not. In a worst-case scenario, this may lead to conflicts, harassment and bullying, as well as to fraud and unethical conduct. In addition to formulating values and directives, LANXESS puts the onus on its senior executives in particular to lead by example and to act in a responsible and compliant manner. The LANXESS "Code of Conduct" provides guidance on this matter, and the compliance organization's advisory services and reporting channels are available to employees Group-wide.

LANXESS's success is based on the personal commitment and performance of each individual employee as well as their values-based, responsible and lawful behavior in line with the corporate culture. As a multinational enterprise, we have global responsibility for ensuring that our employees behave ethically and in compliance with laws and regulations.

Through our Group-wide compliance management system, which is an integral part of our corporate culture, the company is committed to ensuring compliance with all binding legal requirements and internal rules concerning the LANXESS Group and its employees. Moreover, we are committed to the internationally recognized principles of business activity as set out in the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the United Nations Convention against Corruption. LANXESS also expects its business partners along the value chain to comply with the legal requirements and the specified directives. Along with the principles of the Responsible Care® Global Charter, these include the ILO labor standards and the Ten Principles of the United Nations Global Compact.

LANXESS sees systematic and effective risk and opportunity management as an integral component of its value-driven business conduct. A systematic, Group-wide process has been put in place that helps the Board of Management to identify, assess and manage risks and opportunities. In addition, a compliance risk assessment, which was last performed in 2023, is used to take an in-depth look at potential company- and business-specific compliance risks. As part of the Group-wide assessment, the risk and potential losses are considered for relevant risk areas to identify hazards and the potential impact on the company. Specific actions are then developed to further reduce compliance risks.

G1-1 – Corporate Culture and Business Conduct Policies

LANXESS's corporate culture is based on five central values: respect, ownership, trust, professionalism and integrity. These values apply to all employees. They and corresponding guidelines concerning compliance are set out in the "Code of Conduct". The "Working at LANXESS" Background Paper also comprises actions and mechanisms that promote values, such as the performance dialog.

LANXESS's central values, supplemented by operational guidelines and organizational structures, enable its employees to act responsibly in their day-to-day work.

At LANXESS, this is manifested in a values-based corporate culture, management systems and a commitment to internationally recognized principles of responsible business conduct, such as the principles of the U.N. Global Compact. LANXESS also ensures responsible business conduct with the committee structure geared towards sustainability management (see section "GOV-1 – The Role of the Administrative, Management and Supervisory Bodies" of the chapter "ESRS 2 General Disclosures") and with the integrated management system that provides for the necessary global structures in all business processes and business relationships. Globally, we base our actions on the international standards ISO 9001 and ISO 14001 for quality and environmental management and ISO 50001 for energy management. Confirmation of compliance with the standards ISO 9001 and ISO 14001 is provided in global matrix certificates.

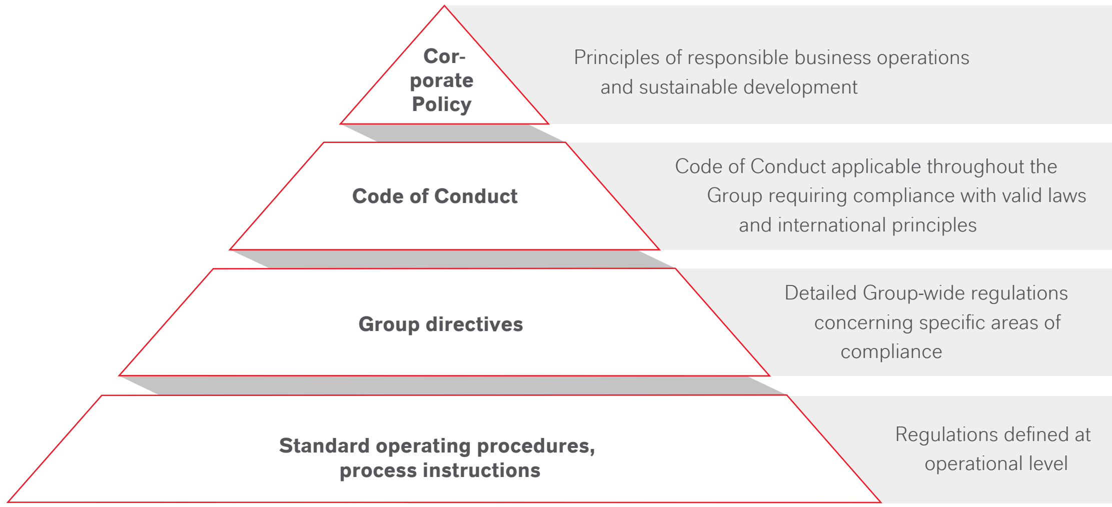
The Board of Management is responsible for the LANXESS "Code of Conduct" and, in signing it, commits to adhering to the regulations. These define the expectation of responsible and compliant behavior by management as the basis of our compliance culture.

The corresponding Board of Management expertise is described in section "GOV-1 – The Role of the Administrative, Management and Supervisory Bodies" of the chapter "ESRS 2 General Disclosures".

Internal guidelines and regulations

The "LANXESS Corporate Policy" lays down principles of responsible conduct and sustainable development for the benefit of employees, business partners, shareholders, society and the environment. It defines the general corporate philosophy and the expected conduct of all employees in relation to stakeholders. The positions set out in the "LANXESS Corporate Policy" are in line with the corporate strategy. They apply to all of our business activities, from purchasing to production, distribution and maintenance right up to research and new projects. They cover ESG topics, describe the basis of our action to promote the corporate culture and define our collaboration with partners such as contract manufacturers, service providers, and in joint ventures. They are a basis

Clear Rules Provide Guidance



for evaluation in the event of structural change in the company, for example as a result of acquisitions (due diligence).

The content of the document must be reviewed at least every three years. The "LANXESS Corporate Policy" applies to all employees of the LANXESS Group worldwide. Responsibility for the "LANXESS Corporate Policy" lies with the Board of Management. The "LANXESS Corporate Policy" makes reference to established guidelines and standards such as the Responsible Care® initiative, the United Nations Sustainable Development Goals, the standards ISO 9001 and ISO 14001, and the ILO (International Labour Organisation) Convention. The main departments responsible for the topics are involved in coordinating the content. The valid "LANXESS Corporate Policy" is accessible to all employees via the Xdirect document management system available throughout the Group and is publicly available on the LANXESS website.

Our "Code of Conduct" requires all employees – across all organizational units, regions and hierarchy levels of the company – to behave lawfully and with integrity. Through appropriate conduct, each employee is responsible for helping to prevent harm to LANXESS and increase the company's value over the long term. The Code covers topics such as human rights, antitrust law, anti-corruption, bribery, data protection, occupational, product and plant safety, and environmental protection, and calls for respectful and fair treatment of employees in order to promote the corporate culture.

The content of the document must be reviewed at least every three years. The "Code of Conduct" applies to all LANXESS Group employees worldwide. Responsibility for the "Code of Conduct" rests with the Board of Management. It makes reference to established guidelines and standards such as the principles of the Responsible Care® Global Charter, the ILO labor standards and the Ten Principles of the United Nations Global Compact. The main departments responsible for the topics are involved in coordinating the content. The "Code of Conduct" is accessible to all employees via the Xdirect document management system available throughout the Group and can be downloaded from our website. All new employees also receive it with their employment contract.

Group directives, supplemented in some cases by Group-wide standards, such as the anti-corruption standard, elaborate on the individual principles set out in the "LANXESS Corporate Policy" and the compliance areas specified in the "Code of Conduct". The organizational measures and regulations for setting up the compliance management system are defined in the "LANXESS Compliance Management System" Group directive, with allocation of responsibilities for the implementation, support and continuous monitoring of the system.

The content of the Group directives must be reviewed at least every three years. The documents apply to all employees of the LANXESS Group worldwide. Responsibility for these documents rests with the Board of Management. The Group directives make reference to established regulations and standards, depending on the subject area. The main departments responsible for the topics are involved in coordinating the content. The valid Group directives are accessible to all employees via the Xdirect document management system available throughout the Group.

On the basis of these LANXESS Group directives, more detailed regulations are defined at the operational level in standard operating procedures and process instructions, among other things.

Our Background Papers provide a deep dive into selected ESG topics and detailed information on established processes, actions and systems for ensuring our sustainability performance.

Background Papers are subject to annual review, coordinated by Investor Relations. These documents are used for internal and external communication worldwide. Responsibility for these documents rests with the Board of Management. The Background Papers make reference to established regulations and standards, depending on the subject area. The main departments responsible for the topics under the direction of the topic-specific sub-committee of the Sustainability Committee are involved in coordinating the content. The Background Papers are publicly available on our website.

The "Business Partner Code of Conduct" contains requirements that are consistent with the "Code of Conduct" on the topics of anti-corruption, bribery, fair competition, human rights, environmental protection, information security and data protection. LANXESS requires its business partners to ensure compliance with the principles contained in this "Business Partner Code of Conduct" as well as with all applicable laws and regulations along their supply chain wherever they operate.

The Code is regularly reviewed by the relevant Group functions. It is applicable to all of our business partners worldwide. By accepting the Code, the business partner also undertakes to communicate these principles or equivalent ones to its own business partners that it engages in the context of its business relationship with LANXESS and to promote compliance with them. Responsibility for the "Business Partner Code of Conduct" rests with the Board of Management. It makes reference to established guidelines and standards, such as the U.N. Sustainable Development Goals, the global Responsible Care® program of the chemical industry, the Universal Declaration of Human Rights, the U.N. Global Compact and the core labor standards of the International Labour Organization (ILO). Along with Purchasing, the main departments responsible for the topics are involved in coordinating the content. The “Business Partner Code of Conduct” is publicly available on our website.

For LANXESS, responsible business conduct particularly implies compliance with legal and internal standards and ethical principles to which all employees must adhere. To help our employees comply with guidelines, we have set up a global compliance management system (CMS) and defined a Group directive for it. One of the fundamental elements of the CMS is a compliance culture based on the five corporate values. It is shaped by the clear commitment and dedication of the LANXESS Board of Management and the Supervisory Board. All senior executives at LANXESS have a duty to not only communicate this compliance culture to the workforce but also embody it, so that all LANXESS employees live by this compliance culture. To this end, our employees and senior executives receive regular training and further information, for example via our intranet.

Compliance organization

The global compliance organization – comprising the Group Compliance Officer, the Compliance Group function, the regional Compliance Officers, and a network of local Compliance Officers – supports all areas of the company in implementing appropriate measures to counter unlawful or unethical conduct within the LANXESS Group at an early stage and to prevent misconduct. For appointing local and regional Compliance Officers, LANXESS has developed a specific profile of requirements that is used to assess the suitability of candidates. Newly appointed Compliance Officers are given an extensive job description and take part in specialized training that includes instruction on the global whistleblowing system.

The compliance organization is available as a contact for all employees – but also for external partners and stakeholders – on all compliance-related issues. One of the main tasks of the compliance organization is to ensure that reporting channels are set up for employees and external third parties to get in contact with the organization. Where indications of compliance violations exist, the Compliance Helpdesk and the global whistleblowing platform “SpeakUp” allow reports about suspected violations to be made (anonymously if desired). “SpeakUp” is available in 70 languages. Irrespective of the reporting channel, any reports received are investigated by the compliance organization in line with the established process for dealing with tip-offs.

The “Complaints Procedure” document, for which the global compliance organization is responsible, clearly describes how reports and complaints can be submitted in accordance with the German Whistleblower Protection Act, which reporting channels are available, and how complaints and reports are processed promptly, independently and objectively. Our reporting platform “SpeakUp” is available online for this purpose. As set out in our “Complaints Procedure”, the compliance organization strives to conduct the investigation of the report/complaint quickly. LANXESS places great importance on ensuring that both the person providing information and employees who are affected by an allegation are treated fairly, while also ensuring that each party’s legitimate interests are protected. The document is publicly available on the company’s website.

The reporting channels and the associated processes are communicated transparently over the “Xnet” intranet and through a global campaign. Information on reporting channels is also included in the “Code of Conduct”, which forms part of training courses and is given to new employees with their employment contract. In addition, all business partners receive the necessary information on how to submit reports in an accessible and anonymous manner via the aforementioned “Business Partner Code of Conduct”.

To enhance employees’ awareness of these rules of conduct, the regulations of our “Code of Conduct” are covered by compliance training. Furthermore, we hold specific anti-corruption training aimed at exposed countries and professional groups such as Purchasing, Marketing or Sales. In the financial year, LANXESS recorded more than 6,000 participations in compliance training sessions worldwide.

The actions mentioned do not require significant capital or operational expenditure.

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position
LANXESS Group

€ million	Note	Dec. 31, 2023	Dec. 31, 2024
ASSETS			
Intangible assets	(1)	2,721	2,531
Property, plant and equipment	(1)	2,620	2,456
Investments accounted for using the equity method	(2)	845	696
Investments in other affiliated companies	(3)	14	10
Non-current derivative assets	(4)	10	1
Other non-current financial assets	(5)	262	274
Non-current income tax receivables	(6)	60	65
Other non-current assets	(7)	59	62
Deferred taxes	(29)	165	167
Non-current assets		**6,756**	**6,262**
Inventories	(8)	1,360	1,348
Trade receivables	(9)	613	650
Cash and cash equivalents	(38)	146	299
Near-cash assets	(10)	350	316
Current derivative assets	(4)	13	15
Other current financial assets	(5)	215	215
Current income tax receivables	(6)	41	39
Other current assets	(11)	171	156
Assets held for sale	(12)	–	411
Current assets		**2,909**	**3,449**
Total assets		**9,665**	**9,711**

€ million	Note	Dec. 31, 2023	Dec. 31, 2024
EQUITY AND LIABILITIES			
Capital stock and capital reserves		1,317	1,317
Other reserves		3,027	3,533
Net income		443	(177)
Other equity components		(286)	(87)
Equity attributable to LANXESS AG stockholders		**4,501**	**4,586**
Equity attributable to non-controlling interests		6	6
Equity	(13)	**4,507**	**4,592**
Provisions for pensions and other post-employment benefits	(14)	498	429
Other non-current provisions	(15)	299	280
Non-current derivative liabilities	(4)	0	2
Other non-current financial liabilities	(16)	2,938	2,428
Non-current income tax liabilities	(17)	17	5
Other non-current liabilities	(18)	38	34
Deferred taxes	(29)	194	168
Non-current liabilities		**3,984**	**3,346**
Other current provisions	(15)	338	330
Trade payables	(19)	584	648
Current derivative liabilities	(4)	17	13
Other current financial liabilities	(16)	72	584
Current income tax liabilities	(17)	42	48
Other current liabilities	(18)	121	119
Liabilities related to assets held for sale	(12)	–	31
Current liabilities		**1,174**	**1,773**
Total equity and liabilities		**9,665**	**9,711**

Income Statement
LANXESS Group

€ million	Note	2023	2024
Sales	(21)	**6,714**	**6,366**
Cost of sales	(22)	(5,446)	(5,068)
Gross profit		**1,268**	**1,298**
Selling expenses	(23)	(933)	(890)
Research and development expenses	(24)	(99)	(104)
General administration expenses	(25)	(279)	(258)
Other operating income	(26)	78	81
Other operating expenses	(27)	(703)	(155)
Operating result (EBIT)		**(668)**	**(28)**
Result from investments accounted for using the equity method	(2)	(172)	(133)
Interest income		10	6
Interest expense		(70)	(47)
Other financial income and expense		(47)	5
Financial result	(28)	**(279)**	**(169)**
Income before income taxes		**(947)**	**(197)**
Income taxes	(29)	105	21
Income after income taxes from continuing operations		**(842)**	**(176)**
Income after income taxes from discontinued operations		**1,286**	**–**
Income after income taxes		**444**	**(176)**
of which attributable to non-controlling interests		1	1
of which attributable to LANXESS AG stockholders (net income)		443	(177)
Earnings per share (basic/diluted) (€)	(30)		
from continuing operations		(9.76)	(2.05)
from discontinued operations		14.89	–
from continuing and discontinued operations		5.13	(2.05)

Statement of Comprehensive Income
LANXESS Group

€ million	2023	2024
Income after income taxes	**444**	**(176)**
Remeasurements of the net defined benefit liability for post-employment benefit plans	(118)	100
Financial instruments fair value measurement	(5)	(3)
Other comprehensive income (net of income tax) attributable to investments accounted for using the equity method	(3)	0
Income taxes	35	(28)
Items that will not be reclassified subsequently to profit or loss	**(91)**	**69**
Exchange differences on translation of operations outside the eurozone	(173)	223
Financial instruments fair value measurement	(1)	(13)
Financial instruments cost of hedging	1	(1)
Other comprehensive income (net of income tax) attributable to investments accounted for using the equity method	(39)	(15)
Income taxes	0	4
Items that may be reclassified subsequently to profit or loss if specific conditions are met	**(212)**	**198**
Other comprehensive income, net of income tax	**(303)**	**267**
Total comprehensive income	**141**	**91**
of which attributable to non-controlling interests	0	0
of which attributable to LANXESS AG stockholders	141	91
from continuing operations	(1,152)	91
from discontinued operations	1,293	–

Statement of Changes in Equity
LANXESS Group

Note (13) € million	Capital stock	Capital reserves	Other reserves	Net income (loss)	Other equity components			Equity attributable to LANXESS AG stockholders	Equity attributable to non-controlling interests	Equity
					Currency translation adjustment	Financial instruments				
						Fair value measure-ment	Cost of hedging			
Dec. 31, 2022	**86**	**1,231**	**2,955**	**250**	**(103)**	**3**	**(1)**	**4,421**	**6**	**4,427**
Allocations to retained earnings			250	(250)				0		0
Dividend payments			(91)					(91)	0	(91)
Total comprehensive income			(87)	443	(211)	(5)	1	141	0	141
Income after income taxes				*443*				*443*	*1*	*444*
Other comprehensive income, net of income tax			*(87)*		*(211)*	*(5)*	*1*	*(302)*	*(1)*	*(303)*
Other changes			0		27	3		30		30
Dec. 31, 2023	**86**	**1,231**	**3,027**	**443**	**(287)**	**1**	**0**	**4,501**	**6**	**4,507**
Allocations to retained earnings			443	(443)				0		0
Dividend payments			(9)					(9)	0	(9)
Total comprehensive income			72	(177)	208	(11)	(1)	91	0	91
Income after income taxes				*(177)*				*(177)*	*1*	*(176)*
Other comprehensive income, net of income tax			*72*		*208*	*(11)*	*(1)*	*268*	*(1)*	*267*
Other changes			0		0	3		3		3
Dec. 31, 2024	**86**	**1,231**	**3,533**	**(177)**	**(79)**	**(7)**	**(1)**	**4,586**	**6**	**4,592**

Statement of Cash Flows
LANXESS Group

€ million	Note	2023	2024
Income before income taxes		**(947)**	**(197)**
Amortization, depreciation and write-downs of intangible assets and property, plant and equipment		996	566
Losses/gains on disposals of intangible assets and property, plant and equipment		(2)	(1)
Result from investments accounted for using the equity method		172	133
Financial losses (gains)		92	16
Income taxes refunded/paid		(53)	(47)
Changes in inventories		465	(19)
Changes in trade receivables		230	(54)
Changes in trade payables		(118)	73
Changes in other assets and liabilities		17	38
Net cash provided by operating activities – continuing operations	(38)	**852**	**508**
Net cash used in operating activities – discontinued operations		**(14)**	**–**
Net cash provided by operating activities – total		**838**	**508**
Cash outflows for purchases of intangible assets and property, plant and equipment		(326)	(320)
Cash inflows from sales of intangible assets and property, plant and equipment		3	2
Cash outflows for financial and other assets held for investment purposes		(1,823)	(301)
Cash inflows from financial and other assets held for investment purposes		1,358	344
Cash inflows from the sale of subsidiaries and other businesses, less divested cash and cash equivalents		1,194	–
Interest and dividends received		23	12
Net cash used in (provided by) investing activities – continuing operations	(38)	**429**	**(263)**
Net cash used in investing activities – discontinued operations		**(6)**	**–**
Net cash used in (provided by) investing activities – total		**423**	**(263)**
Proceeds from borrowings		383	20
Repayments of borrowings		(1,686)	(66)
Interest paid and other financial disbursements		(71)	(42)
Dividend payments		(91)	(9)
Net cash used in financing activities – continuing operations	(38)	**(1,465)**	**(97)**
Net cash used in financing activities – discontinued operations		**(1)**	**–**
Net cash used in financing activities – total		**(1,466)**	**(97)**
Change in cash and cash equivalents – continuing operations		**(184)**	**148**
Change in cash and cash equivalents – discontinued operations		**(21)**	**–**
Change in cash and cash equivalents – total		**(205)**	**148**
Cash and cash equivalents as of Jan. 1		360	146
Exchange differences and other changes in cash and cash equivalents – total		(9)	5
Cash and cash equivalents as of Dec. 31	(38)	**146**	**299**

Note to the Consolidated Financial Statements

GENERAL INFORMATION

LANXESS AG is entered as a stock corporation in the Commercial Register of the Cologne District Court under HRB 53652. Its registered office is at Kennedyplatz 1, 50569 Cologne, Germany.

The annual financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group, together with the respective auditor's reports of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, are published electronically in the business register.

The consolidated financial statements of the LANXESS Group for fiscal year 2024 were prepared by the Board of Management of LANXESS AG on a going concern basis and authorized for submission to the Supervisory Board on March 5, 2025. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and declare whether it approves them.

STRUCTURE AND COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes, which include the segment information.

The consolidated financial statements were prepared in euro (€). Amounts are stated in millions of euro (€ million) except where otherwise indicated. Assets and liabilities are classified in the statement of financial position as current or non-current. Further details of their maturities are provided in the notes in certain cases.

The consolidated financial statements were prepared on the basis of historical acquisition, construction or production costs of the assets. Where different valuation principles are prescribed, these are used and explained separately in the sections on accounting policies and valuation principles and on estimation uncertainties and the exercise of discretion.

The income statement was prepared using the cost-of-sales method.

The fiscal year for these consolidated financial statements is the calendar year.

FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS APPLIED

The consolidated financial statements of the LANXESS Group as of December 31, 2024, were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (E.U.) and the corresponding interpretations, together with the additional requirements of Section 315e, Paragraph 1, of the German Commercial Code (HGB).

The mandatory first-time application of the following financial reporting standards in fiscal year 2024 currently has no impact, or no material impact, on the LANXESS Group:

Standard	
IAS 1	Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
IFRS 16	Amendments to IFRS 16 – Lease-Liability in a Sale and Leaseback
IAS 7, IFRS 7	Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements

FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET MANDATORY

In fiscal year 2024, the International Accounting Standards Board (IASB) issued financial reporting standards whose application was not yet mandatory for that year and which the LANXESS Group thus did not yet apply. The application of these standards and interpretations is in some cases contingent upon their endorsement by the E.U. It is therefore possible that the dates for mandatory application may ultimately be later than indicated below.

With the exception of IFRS 18, the effects of which are still being examined, the company currently believes that the following financial reporting standards have no impact, or no material impact, on the LANXESS Group:

Standard		Date of publication	Mandatory for LANXESS as of fiscal year	Endorsed by the E.U.
IAS 21	Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates	Aug. 15, 2023	2025	Yes
IFRS 9, IFRS 7	Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	May 30, 2024	2026	No
Various IAS and IFRS	Annual Improvements to IFRS – Volume 11	Jul. 18, 2024	2026	No
IFRS 9, IFRS 7	Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity	Dec. 18, 2024	2026	No
IFRS 18	Presentation and Disclosure in Financial Statements	Apr. 9, 2024	2027	No
IFRS 19	Subsidiaries without Public Accountability: Disclosures	May 9, 2024	2027	No

CONSOLIDATION

The financial statements of the consolidated companies were prepared using uniform accounting policies and valuation principles.

If the reporting year of a consolidated company does not end on December 31, interim financial statements are prepared for the purpose of consolidation.

Intra-Group profits or losses, sales, income and expenses as well as receivables and payables between consolidated companies are eliminated.

Scope of consolidation

The consolidated financial statements of the LANXESS Group include LANXESS AG and all subsidiaries under the control of LANXESS AG. Control exists if LANXESS AG is exposed to variable returns from the relationship with a company and has power over the company. Power means that LANXESS AG has existing rights that give it the current ability to direct the relevant activities of the company and thus exert a significant influence over the variable returns. The ability to control another company generally derives from direct or indirect ownership of a majority of the voting rights. A company is consolidated as of the date from which LANXESS AG is able to exercise control and deconsolidated when this is no longer the case.

Interests in joint ventures and interests in associates in which a significant influence is exerted by the LANXESS Group, generally through an ownership interest between 20% and 50%, are accounted for using the equity method.

In the case of jointly controlled entities, the LANXESS Group usually holds 50% of the shares and exercises joint control. These entities are recognized in the consolidated financial statements as joint operations.

Entities that are in aggregate immaterial to the Group's earnings, asset and financial position are not consolidated, but are included in the consolidated financial statements at amortized cost.

Fully consolidated companies

Business combinations are accounted for using the acquisition method. The cost of a business combination is stated as the aggregate of the fair values, at the date of acquisition, of the assets transferred, liabilities incurred or assumed, and any equity instruments issued in exchange for control of the acquiree. The fair values of assets and liabilities resulting from contingent consideration contracts are also taken into account.

For the first-time consolidation, the assets, liabilities and contingent liabilities identified in the course of the acquisition are measured at fair value as of the acquisition date.

For each business combination, there is an option to include any shares not acquired either at their fair value or at the pro rata share of the fair value of the acquiree's net assets. They are reported in the statement of financial position as equity attributable to non-controlling interests.

Acquisition-related costs – except those incurred to issue debt or equity securities – are recognized in profit or loss.

Goodwill is measured as of the acquisition date as the excess of the consideration transferred, the amount of any non-controlling interests and the fair value of any previously held equity interest over the fair value of the net assets acquired. Negative goodwill is recognized in the income statement if the appropriate conditions are in place.

Investments accounted for using the equity method

The cost of acquisition of an entity accounted for using the equity method is adjusted annually by the percentage of any change in its equity corresponding to LANXESS's percentage interest in the entity. If any decline in value exceeds the carrying amount of the entity, write-downs are recognized on the associated non-current assets.

Differences arising from the first-time accounting for investments using the equity method are determined according to the same principles as for consolidated subsidiaries. Any goodwill is included in the carrying amount of the entity. The measurement period provided by IFRS 3 for the finalization of the first-time measurement or purchase price adjustment of business combinations applies analogously.

Joint operations

Joint operations are arrangements in which the parties that exercise joint control have rights to the assets and obligations for the liabilities relating to the arrangement. LANXESS accounts for its share of the joint assets and joint liabilities of such joint operations and its share of the revenues and expenses, including its share of jointly incurred expenses.

Transactions with owners

Transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions between shareholders of the LANXESS Group. Changes in ownership interests are accounted for by adjusting the carrying amounts of the controlling and non-controlling interests. Differences between the adjustment to the carrying amount of the non-controlling interests and the fair value of the consideration paid or received are recognized immediately in other reserves and thus assigned to the equity attributable to the stockholders of LANXESS AG.

CURRENCY TRANSLATION

In the financial statements of the individual consolidated companies that form the basis for the consolidated financial statements of the LANXESS Group, all foreign currency assets and liabilities are translated at closing rates, irrespective of whether they are hedged. Forward contracts serving as economic hedges against fluctuations in exchange rates are carried at fair value. Exchange differences resulting from currency translation are reported in profit or loss in the net exchange result within other financial income and expense.

The financial statements of each foreign entity are valued on the basis of the currency of the primary economic environment in which the entity operates (functional currency concept). For the vast majority of affiliated companies, the functional currency is the respective local currency. The assets and liabilities of these companies are translated at closing rates, while income and expense items are translated at average rates for the year.

Goodwill arising on the acquisition of a foreign entity is recognized in the currency of the acquired entity and translated at the closing rate, irrespective of the date on which it arose.

Equity is translated at historical rates, while income, expenses and other changes during the year are translated at average rates. The differences between the resulting amounts and those obtained by translating at closing rates are reported separately in other comprehensive income as exchange differences on translation of operations outside the eurozone.

If material, foreign currency transactions for which advance consideration has been paid or received are translated at the exchange rate of the advance consideration paid or received up to the amount of the advance consideration paid or received.

If a company is deconsolidated, the relevant exchange differences are reversed and recognized in profit or loss.

IAS 29 for financial reporting in hyperinflationary economies has been applicable to the subsidiary LANXESS S.A., Buenos Aires, Argentina, since fiscal year 2018. Non-monetary items in the statement of financial position, components of equity and items of the statement of comprehensive income are adjusted to the actual price level using the price index published by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) at the end of each reporting period, and subsequently translated at the closing rate at the end of the reporting period. The retail consumer price index (IPC Nacional – INDEC) is used for inflation. The price index was at 3,533.19 points at the start of the fiscal year and 7,708.65 points at the end of the fiscal year.

For accounting purposes, the Republic of Türkiye has been classified as a hyperinflationary economy since fiscal year 2022. An adjustment of non-monetary items in the statement of financial position, components of equity and items of the statement of comprehensive income to the actual price level using an appropriate price index is not made in the consolidated financial statements for reasons of materiality. This will be reassessed at the next reporting date.

The principal exchange rates used for currency translation in the LANXESS Group were:

Exchange Rates

		Closing rate		Average rate	
1 euro		Dec. 31, 2023	Dec. 31, 2024	2023	2024
Argentina	ARS	893.39	1,071.10	319.94	990.33
Brazil	BRL	5.35	6.43	5.40	5.82
China	CNY	7.85	7.58	7.66	7.79
Great Britain	GBP	0.87	0.83	0.87	0.85
India	INR	91.90	88.93	89.35	90.54
Japan	JPY	156.33	163.06	151.95	163.83
U.S.	USD	1.11	1.04	1.08	1.08

ACCOUNTING POLICIES AND VALUATION PRINCIPLES AND ESTIMATION UNCERTAINTIES AND THE EXERCISE OF DISCRETION

The accounting policies and valuation principles are the same as those used in the previous fiscal year and have been consistently applied. However, certain changes have resulted from the mandatory first-time application in fiscal year 2024 of new or amended financial reporting standards and interpretations. These changes are explained under “Financial Reporting Standards and Interpretations Applied.”

Estimation uncertainties and the exercise of discretion

The preparation of consolidated financial statements in accordance with IFRS entails the selection of accounting policies and valuation principles and the use of forward looking assumptions and estimates that may affect the measurement of assets and liabilities, income and expenses, contingent liabilities, and other financial commitments.

The following table contains the material discretionary decisions that were taken when the accounting standards were applied and that can materially impact the financial statements:

Material Discretionary Decisions

Topic	Note	Discretionary decision
Impairment testing	1	Definition of cash-generating units, assumptions for determining the weighted average cost of capital and assessment of the need for an impairment.
At equity investments	2	Assessment by the management of the reliability of the financial information used for subsequent measurement of at equity investments, which in some cases are still provisional and undergoing the audit of the consolidated financial statements.
Assets held for sale and discontinued operations	12	Classification of non-current assets or disposal groups as held for sale.
Leases	36	Determining the term of leases while assessing whether the exercise of renewal or extension options is reasonably certain.

The following table contains an overview of the areas in which material assumptions and estimates are applied:

Material Assumptions and Estimation Uncertainties

Topic	Note	Assumptions and estimation uncertainties
Impairment testing	1	Material assumptions to derive the attainable amount and the weighted average cost of capital.
Taxes	6/17/29	Recognition and measurement of income taxes and assessment of the intrinsic value of deferred tax assets with regard to expected future taxable income. Recognition and measurement of tax items with inherent uncertainty due to possible deviating earnings/estimates by the tax authorities.
Provisions for pensions and other post-employment benefits	14	Determination of the actuarial assumptions and the discount rate in connection with defined benefit pension plans.
Other provisions and contingent liabilities	15	Material assumptions as to the probability of utilization, timing, the underlying discount rate and the absolute level of risk, and as to the outflow of resources within the scope of the recognition and measurement of provisions (e.g. for litigations, termination benefits, other taxes, and environmental protection and remediation measures).
Sales	21	Material assumptions when measuring revenue in connection with long-term sales contracts with contractually defined minimum purchase requirements.
Financial instruments	37	Material assumptions regarding the recognition and measurement of financial instruments and the determination of corresponding notes in the financial statements.

All assumptions and estimates made in the consolidated financial statements are based on management's expectations and take into account the information and knowledge available as of the time of preparing the consolidated financial statements. Information that could alter these estimates is reviewed continually and may result in adjustments to the carrying amounts of the respective assets and liabilities.

Climate-related impact

Global climate change and the transition to a low-carbon economy can also entail potential uncertainties for LANXESS. For example, national, international and independent measures to combat climate change, as well as altered customer behavior, can affect the nature and scope of the intended use as well as the intrinsic value of non-current assets. Moreover, such measures can also result in increasing volatility of energy prices or generally hamper the availability of goods, raw materials and energies. The increase in extreme weather events can have an adverse impact on LANXESS's global supply chains. This can result in rising transport and logistics costs as well as disruption to goods flows. The uncertainties caused by climate change with regard to the predictability of certain revenue and cost components in financial planning can affect the determination of the various values stated in the consolidated financial statements.

The effects of climate change thus present uncertainty factors for the company's business development. It can therefore not be ruled out that the assumptions and estimates made in these consolidated financial statements may have to be adjusted in the future and that these adjustments may have an impact on the financial position or results of operations. The management sees no indications that the assumptions and estimates made do not appropriately reflect the situation as of the time of preparing the consolidated financial statements.

Intangible assets

Intangible assets comprise goodwill and other intangible assets such as software, concessions, industrial property rights, similar rights and assets, and licenses to such rights and assets. Acquired intangible assets with a definite useful life are recognized at cost. They are amortized in line with their respective useful lives. Amortization of intangible assets other than goodwill is recognized on a straight-line basis over three to 20 years. Amortization in the reporting year is allocated to the respective functional areas. Any further decline in value is recognized by means of a write-down. Write-downs are reversed accordingly if the reasons no longer exist, provided that this does not cause the carrying amount of the assets to exceed either the amortized cost at which they would have been carried if they had not been written down or their current recoverable amount. The lower of these two amounts is recognized. Goodwill is not amortized, but tested annually for impairment – or more frequently if events or changes in circumstances otherwise indicate a possible impairment. Any impairment charges are recognized in other operating expenses. Impairment charges on goodwill are not reversed.

The costs incurred for in-house software development at the application development stage are capitalized. For development costs to be capitalized, it must be sufficiently certain that the development activity will generate future economic benefits. These costs are amortized over the expected useful life of the software from the date it is completed.

Emissions rights are recognized at cost. Rights allocated free of charge by the German Emissions Trading Authority (DEHSt) or comparable authorities in other European countries are accordingly capitalized at a value of zero.

Property, plant and equipment

Property, plant and equipment is carried at the cost of acquisition or construction less usage-based depreciation. Write-downs are recognized for any reduction in value that goes beyond ordinary depreciation. In compliance with IAS 36, impairment charges are measured by comparing the carrying amount with the discounted cash flows expected to be generated by the assets in the future. Where it is not possible to allocate future cash flows to specific assets, the impairment charge is assessed on the basis of the discounted cash flows for the cash-generating unit to which the asset belongs. Write-downs are reversed accordingly if the reasons no longer apply, provided that this does not cause the carrying amount of the assets to exceed either the amortized cost at which they would have been recognized if they had not been written down or their current recoverable amount.

The cost of self-constructed property, plant and equipment comprises the direct costs, as well as an appropriate share of the necessary material and manufacturing overheads. It also includes the shares of depreciation as well as of expenses for company pension plans and discretionary employee benefits that are attributable to production.

Where an obligation exists to shut down or dismantle assets at the end of their useful life or to restore a site to its original condition, the present value of the obligation is capitalized along with the cost of acquisition or construction and a provision in the same amount is recognized.

If the construction phase of property, plant or equipment extends over a long period, the directly attributable borrowing costs incurred up to the date of completion are capitalized as part of the cost of acquisition or construction.

Expenses for current maintenance and repairs are in general recognized directly in profit or loss. Subsequent acquisition or construction costs are capitalized if they will result in future economic benefits and can be reliably determined.

Expenses for general overhauls of major large-scale plants are recognized separately at the cost of the overhaul as part of the related assets and depreciated over the period between one general overhaul and the next using the straight-line method.

Where assets comprise material components with different purposes, properties or useful lives, the components are capitalized individually and depreciated over their useful lives.

Assets are depreciated using the straight-line method based in general on the following useful lives:

Useful Lives	
Land and buildings	0 to 50 years
Technical equipment and machinery	3 to 20 years
Other fixtures, fittings and equipment	3 to 25 years

There are currently no known effects of climate-related issues that would lead to a change in the assumed useful lives of the specified asset classes.

When property, plant or equipment is sold, the difference between the net proceeds and the carrying amount is recognized as a gain or loss in other operating income or expenses.

Leases

Lessees generally recognize all leases as a right-of-use asset and a lease liability in the statement of financial position on the basis of the present value of the lease payments.

Lease liabilities are recognized as financial liabilities and include in general the fixed lease payments. Variable payments that depend on an index or a rate and expected residual value payments or residual value guarantees are also included. In conjunction with accounting for leases, estimates are made in particular to determine the term of leases. The information available as of the end of the reporting period concerning the economic incentives of exercising or not exercising renewal or extension options is taken into account. If the exercise of a purchase option or the exercise of an extension option is reasonably certain, the exercise price or the corresponding lease payments are included in the calculation of the lease liabilities. Penalties for the termination of the lease are included if their utilization is reasonably certain. The present value is generally calculated at the interest rate implicit in the lease. If there is no such interest rate, discounting is performed at the incremental borrowing rate. The incremental borrowing rate is calculated by using yields with matching maturities on government bonds for the respective country in question in the respective currency, adding credit risk premiums, and derived on a straight-line basis with regard to maturity ranges. Interest on the lease liability is recognized in the interest expense of the financial result. Lease liabilities are remeasured when specified events occur (e.g. change in the term of the lease or change in future lease payments resulting from a change in an index). In general, remeasurements of lease liabilities result in an adjustment of the carrying amount of the right-of-use asset.

Right-of-use assets are measured at cost and reported in property, plant and equipment. Cost includes the present value of the aforementioned lease liabilities, advance lease payments made, initial direct costs and asset retirement obligations. Right-of-use assets are generally depreciated on a straight-line basis over the expected term of the lease. If the exercise of a purchase option is deemed to be reasonably certain, the right-of-use asset is depreciated on a straight-line basis over the asset's useful life. Right-of-use assets fall within the scope of IAS 36, Impairment of Assets.

They are subsequently measured at amortized cost.

Costs of short-term leases and leases for low-value assets are recognized as current expenses. The option to apply the financial reporting standards for leases to leases for intangible assets has not been exercised. Lease and non-lease components are generally separated provided they are clearly identifiable and distinct.

Lease assets for which the lessee does not have substantially all the risks and rewards (operating leases) are reported at amortized cost under property, plant and equipment. The lease payments received in the period are recognized in sales. If substantially all the risks and rewards are transferred to the lessee (finance leases), the asset concerned is derecognized and a lease receivable is recognized at an amount equal to the net investment in the lease.

Leasing arrangements may be embedded in other contracts. Where IFRS stipulates separation of the embedded leasing arrangement, the components of the contract are recognized and measured separately.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Firstly, these include primary financial instruments such as trade receivables and payables or financial receivables and liabilities. Secondly, they also include derivative financial instruments used to hedge the risks of changes in exchange rates, raw material and energy prices, and interest rates.

Financial instruments are recognized as soon as the LANXESS Group becomes the contracting party to them. Financial assets are derecognized when the contractual rights to receive payments expire or the financial assets are transferred together with all significant risks and rewards. Financial liabilities are derecognized when the contractual obligations are met or canceled, or when they expire.

In the case of regular-way purchases and sales, the settlement date is the relevant date for first-time recognition or derecognition of financial assets in the financial statements.

Financial assets are initially recognized at fair value. For subsequent measurement, depending on their classification, they are recognized at amortized cost using the effective interest method or at fair value in other comprehensive income or the income statement. Classification is determined by the business model and the characteristics of the cash flows. The possible classifications are as follows:

Under the “hold to collect” business model, financial instruments are held until maturity. They are measured at amortized cost if the cash flows are solely for payments of principal and interest, or otherwise at fair value through profit or loss. The Group does not use the option for measurement at fair value through profit and loss. Financial instruments not recognized at fair value through profit or loss are reduced by expected credit losses. Both historical loss experience and future expected losses are used to calculate expected credit losses. A three-stage assessment is generally applied to the expected credit loss. In the first stage, the expected credit loss over the next twelve months is assessed and the expected loss is recognized. If the credit risk increases over the term of the financial instrument, the potential credit loss over the entire term of the financial instrument is assessed and the expected loss is increased on the basis of this measurement (second stage). In the event of a default, the expected default amount is recognized (third stage) and an expected loss is also taken into account for any residual amount of the financial instrument. The effective interest method is then only applied to the residual amount. For trade receivables and contract assets, the simplified model for the entire term is used to calculate the expected risk of default, and the expected loss over the entire term of the financial instrument is measured and recognized. Expected losses on trade receivables and contract assets are recognized in other operating expenses, taking into account reversals of any loss allowances established in prior periods. For all other financial instruments not recognized at fair value through profit or loss, the expected loss is recognized under “Other financial result.”

Under the “hold to collect and sell” business model, an entity intends both to hold financial instruments until the end of their term and collect the cash flows and to resell the financial instruments during their term after a certain holding period. Such financial instruments are measured at fair value. Gains or losses on subsequent measurement are recognized in other comprehensive income if the cash flows are solely for payments of principal and interest, or otherwise at fair value through profit or loss.

Financial instruments that are not measured at amortized cost or at fair value in other comprehensive income are recognized at fair value in the income statement.

Trade receivables and other financial receivables in the “hold to collect” business model are initially recognized at the transaction price according to IFRS 15 and subsequently accounted for at amortized cost using the effective interest method. In the “hold to collect and sell” business model, trade receivables are measured at fair value. Because of their short holding period, the risk of default is the primary factor that determines their value. Since this risk is extremely small, the fair value corresponds to amortized cost. Gains or losses on subsequent measurement are recognized in other comprehensive income. For both business models, the expected loss is calculated using the simplified model for the entire term on the basis of a past due matrix and taking into account historical loss experience and future expected losses. Both expected and incurred losses are recognized in profit or loss through separate allowance accounts.

Other current and non-current financial receivables that are accounted for under the “hold to collect” business model are initially recognized at fair value and subsequently accounted for at amortized cost using the effective interest method. These include financial assets whose cash flows are solely for payments of principal and interest, contract assets and other financial receivables. The expected loss is calculated according to the counterparty’s future expected loss. Other current and non-current financial receivables that are accounted for under the “hold to collect” business model are measured at fair value. Depending on whether they can be assigned to the “hold to collect and sell” business model, the gains or losses on subsequent measurement are recognized through other comprehensive income, or otherwise through profit or loss.

Equity instruments are recognized at fair value. For subsequent measurement, it is determined irrevocably at the level of the individual equity instrument whether gains or losses and the gains on disposal are recognized through other comprehensive income or through profit or loss.

This does not include equity investments, which are accounted for using the equity method, or entities in which LANXESS holds a majority of the shares, and which are not fully consolidated for lack of materiality. Investments in companies accounted for using the equity method are recognized at the amounts corresponding to LANXESS's shares in their equity in accordance with IAS 28. Equity investments in which LANXESS holds a majority of the shares, and which are not fully consolidated for lack of materiality, are recognized at amortized cost. Where objective evidence exists that such assets may be impaired, an impairment loss is recognized on the basis of an impairment test.

Primary financial liabilities are initially recognized at fair value less any transaction costs. They are subsequently measured at amortized cost using the effective interest method. LANXESS does not utilize the option of designating financial instruments as at fair value on initial recognition and recognizing changes in their value in profit or loss.

Derivative financial instruments and hedging transactions

The LANXESS Group recognizes derivative financial instruments as assets or liabilities at their fair value on the closing date. Changes in fair or market value are generally recognized in profit or loss. Where foreign currency derivatives or forward commodity contracts used to hedge future cash flows from pending business or forecast transactions qualify for hedge accounting under the relevant financial reporting standard, the changes in value or hedging costs of such instruments are recognized separately in other comprehensive income until the underlying transactions are realized. The amounts recognized here for currency derivatives are subsequently reclassified to other operating income or cost of sales, as appropriate, when the hedged transaction is recognized in profit or loss. For forward commodity contracts, the carrying amount of the hedged products on acquisition is adjusted by the amounts recognized in other comprehensive income and recognized in the cost of sales on processing or sale of the same. Any portion of the change in fair or market value of such derivatives deemed to be ineffective with regard to the hedged risk is recognized directly in profit or loss. Changes in the fair or market value and hedging costs of interest rate derivatives used to hedge long-term liabilities with variable interest rates – provided such derivatives qualify for cash flow hedge accounting – are recognized in other comprehensive income and subsequently reclassified to profit or loss as interest income or expense at the same time as the income from the hedged transaction is recognized in profit or loss.

Contracts concluded for the purpose of receiving or delivering non-financial items based on expected purchases, sales or utilization and held for this purpose are recognized not as financial derivatives but as pending transactions. If the contracts contain embedded derivatives, the derivatives are accounted for separately from the host contract, provided that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

Determination of fair value

The key methods and assumptions used in measuring the fair value of financial instruments are outlined below:

Trade receivables, other receivables and cash and cash equivalents are generally due within one year. Their carrying amount is therefore their fair value. Receivables due in more than one year are discounted using current interest rates to determine their fair value.

LANXESS has the possibility to sell the shares in Envalior GmbH, Cologne, Germany, to Advent for the first time three years after the foundation of Envalior under certain conditions (right to offer). The fair value of the right to offer is determined using an appropriate measurement model. See Note [37] for further information on the measurement of the right to offer.

Contract assets are carried at nominal amount. If contract assets contain significant financing components, they are discounted using current interest rates. The fair values accordingly correspond to the carrying amounts.

The fair value of financial assets is determined from their market price on the closing date, disregarding transaction costs.

The fair value of loans and liabilities to banks is calculated on the basis of discounted future payments of principal and interest.

The bonds are generally traded on an active, liquid market. Their fair values are the prices determined and published by the market. If no liquid market price is available for a bond, its fair value is determined on the basis of observable inputs, using a risk-related discount rate.

The fair value of trade payables and other primary financial liabilities due within one year is generally equal to their carrying amount. The fair value of other liabilities is determined by discounting to present value where feasible.

The fair values of receivables and liabilities relating to leases are the present values of the net lease payments calculated using the market rate for comparable lease agreements.

The derivative financial instruments used by LANXESS are generally traded on an active, liquid market. The fair values as of the end of the reporting period predominantly relate to forward exchange contracts and forward commodity contracts. In the case of hedge accounting, the hedging transactions are designated based on forward rates. The approach selected for non-designated cross-currency interest rate swaps is to recognize them as costs of hedging. Where no market price is available, values are determined using recognized capital market pricing methods based on observable market data. In determining the fair values, adjustments for LANXESS's own credit risk and counterparty credit risk are made on the basis of the respective net positions.

In certain cases, generally accepted measurement methodologies are used to calculate the fair values of financial instruments for Level 2 and Level 3 of the fair value hierarchy.

Cash and cash equivalents

Cash and cash equivalents represent financial instruments that are allocated to the "hold to collect" business model and recognized at amortized cost. The risk of default relating to cash and cash equivalents is calculated taking into account the counterparty's future expected loss applying the three-stage model and recognized under "Other financial result." Cash and cash equivalents comprise checks, cash and balances with banks. Securities with maturities of up to three months from the date of acquisition are recognized in cash and cash equivalents due to their high liquidity.

Near-cash assets

Near-cash assets are assigned to the "hold to collect and sell" business model. They essentially consist of investments in money market funds whose cash flows are not solely payments of principal and interest. They are measured at fair value based on market prices at the end of the reporting period. Transaction costs are not taken into account in their measurement. Changes in fair value are recognized in the financial result.

Inventories

Inventories encompass assets held for sale in the ordinary course of business (finished goods and merchandise), assets in the process of being manufactured for sale (work in progress) and assets used in the production process (raw materials and supplies). They are valued by the weighted-average method and recognized at the lower of cost and their respective net realizable value, which is the estimated selling price in the ordinary course of business less the estimated remaining production costs and selling expenses.

The cost of production comprises the direct cost of materials, direct manufacturing expenses and appropriate allocations of fixed and variable material and manufacturing overheads at normal capacity utilization, when attributable to production.

It also includes expenses for company pension plans, social services and voluntary social benefits that can be allocated to production. Administrative costs are included where they are attributable to production.

Borrowing costs incurred in the course of production are not included in the acquisition or production cost of inventories as the products are not manufactured within long-term production processes.

Given the production and distribution circumstances of the LANXESS Group, work in process and finished goods are grouped together.

Provisions

Provisions are recognized and measured in accordance with IAS 37 and, where appropriate, IAS 19 and IFRS 2, using the best estimates of the amounts of the obligations. Material assumptions pertain to the probability of utilization, timing, the underlying discount rate and the absolute level of risk. Non-current portions of material provisions due in more than one year are discounted to present value if the extent and timing of the obligation can be assessed with reasonable certainty. The change in the provision resulting from approaching the due date (interest effect) is expensed in the other financial result.

If the projected obligation declines as a result of a change in the estimate, the provision is reversed by the corresponding amount and the effect is recognized in the functions in which the provision was originally recognized.

Provisions for pensions and other post-employment benefits are established for defined benefit pension plans. The provision is measured according to the actuarial present value of the obligation, calculated using the projected unit credit method. This takes into account not only the known pensions and pension entitlements as of the closing date, but also expected future salary and benefit increases. Further information on the assumptions regarding the valuation parameters on which the actuarial calculations and estimates were based can be found under "Provisions for Pensions and Other Post-Employment Benefits." This section also contains sensitivity analyses relating to provisions for pensions and other post-employment benefits (see Note [14]). Remeasurements of the net defined benefit liability are fully recognized in other comprehensive income in the corresponding period and not reclassified to profit or loss in subsequent periods.

Personnel-related provisions mainly include those for annual bonus payments, payments under multi-year compensation programs and other personnel costs.

The stock-based employee compensation programs (Long-Term Stock Performance Plan – LTSP) provide for cash settlement. Provisions are recognized for the obligations entered into under such programs on the basis of the proportionate fair value of the rights allocated to employees. The fair value is determined using the Monte Carlo method, in which future price developments are simulated and the expected payment is calculated from the value of the rights based on a two-dimensional standard distribution of yields. The fair value of the rights is recognized in a pro rata provision during the vesting period.

Restructuring provisions are recognized if there is a legal or constructive obligation on the basis of a detailed restructuring plan adopted by authorized management, and the employees affected or their representatives have been informed. Such provisions contain the expenses that are directly attributable to the restructuring and that are necessary to implement these measures and do not relate to the future operating business. If provisions for restructuring later become liabilities or provisions for pensions and other post-employment benefits, they are reclassified to the corresponding items of the statement of financial position.

The LANXESS Group is affected by legal disputes. As an international chemicals group, LANXESS is exposed to administrative or court proceedings in the normal course of business and may be again in the future. Administrative and (arbitration) court proceedings generally involve complex technical and legal issues and are therefore subject to a number of imponderables. The LANXESS Group recognizes provisions for current or pending legal proceedings where the resulting expenses can be reasonably estimated. These provisions include all estimated fees and legal costs and the cost of potential settlements. However, litigation expenses are only included if it is assumed that they will have to be borne by LANXESS. The amounts of such provisions are based on information and cost estimates provided by LANXESS's legal advisers. LANXESS regularly reviews and adjusts such provisions. Nevertheless, the outcomes of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal judgments could give rise to expenses that are not covered, or not fully covered, by recognized provisions or equivalent insurance and that could materially affect the business operations, revenues, earnings or cash flows of the LANXESS Group.

Contingent liabilities

Contingent liabilities are potential obligations to third parties or existing commitments, the extent of which cannot be reasonably estimated or which are unlikely to lead to an outflow of resources. They are not recognized in the statement of financial position unless they have been entered into in connection with a business combination.

Liabilities

Other current liabilities are recognized at repayment or settlement amounts. Other non-current liabilities are recognized at amortized cost.

Grants received from third parties for the acquisition or construction of property, plant and equipment are reported in other liabilities and released to the respective functional area of profit or loss over the underlying period or expected useful life of the assets to which they relate.

Contract liabilities are also reported in other liabilities and represent advance consideration paid by the customer for outstanding performance obligations.

Financial reporting in hyperinflationary economies

A country must be classified as a hyperinflationary economy if, in addition to other criteria, the cumulative inflation rate over the past three years approaches or exceeds 100%. On classification as a hyperinflationary economy, in that country non-monetary items in the statement of financial position, components of equity and items in the statement of comprehensive income are restated to the current price level using a suitable price index. Restatements to the current price level that are attributable to prior reporting periods lead to a difference between the prior-year equity and the opening balance of equity of the reporting period. These equity differences are shown in other comprehensive income in the currency translation adjustments from the translation of operations outside the eurozone. The changes are recognized in the reporting period of the first assessment of the country as a hyperinflationary economy. Changes relating to the current reporting period are recognized as monetary gains or losses under "Other financial result."

In the statement of financial position, this applies in particular to non-monetary assets and liabilities that are recognized at amortized cost and therefore not at the current price level. These are essentially intangible assets, property, plant and equipment, inventories and advance consideration paid and received. The restatement of prices is calculated from the date of the asset's historical acquisition or production to the end of the reporting period. Equity components, except retained earnings, are restated to the current price level from the date of contribution. Statement of comprehensive income items are restated from the dates when the items of income and expenses were initially recorded in the financial statements.

Non-current assets and liabilities held for sale and discontinued operations

Material assets are reported as held for sale if they can be sold in their current condition and a sale is highly probable. Such assets may be individual non-current assets, groups of assets (disposal groups) or complete business entities. A disposal group may also include liabilities if these are to be divested together with the assets as part of the transaction.

The assets and liabilities in question are each reported in a separate line item in the statement of financial position. Intangible assets and property, plant and equipment held for sale are not subject to any further amortization or depreciation, and are recognized at the lower of carrying amount at the time of classification as held for sale and fair value less costs to sell. In some cases, estimates were made to calculate the values recognized. These estimates are based on the information available at the closing date, so changes may arise as a result of new information or final sale agreements.

Intra-Group receivables and liabilities are eliminated in full. The previous year's figures are not restated.

Presentation in the income statement focuses on the profit or loss from continuing operations and also includes the profit or loss from assets and liabilities held for sale. By contrast, earnings from discontinued operations are shown under "Income after income taxes from discontinued operations." The elimination entries as part of the consolidation of expense and income are assigned fully to discontinued operations. The prior-year period in the income statement is restated when a discontinued operation is reported for the first time.

The gain or loss on deconsolidation is recognized under discontinued operations.

The notes to items of the statement of financial position provide details of the reconciliation from values at the start of the year to values at the end of the year. The presentation of the reconciliations focuses on continuing operations. Non-current assets and liabilities held for sale and discontinued operations are reported under "Adjustments in accordance with IFRS 5." They include the reclassification of the carrying amounts for discontinued operations and for the non-current assets and liabilities held for sale as of the reclassification date in accordance with IFRS 5.

Sales and other revenues

Sales in the course of ordinary activities are recognized in revenue. These are essentially sales of internally generated chemical products or from tolling agreements for such products. In addition, research and development work, sales- and product-related services and other long-term services are also recognized in revenue. Services that do not relate to ordinary activities and that are temporary are reported in other operating income.

Revenue is recognized depending on the transfer of control over products or services to the customer. Control can be transferred either at a point in time or over time. Control has been transferred when the customer has obtained the ability to direct the use of, and obtain the remaining benefits from, the asset. There are typically no rights of return.

Depending on the terms and conditions of delivery, revenue from the sale of chemical products is typically recognized when the customer or a third party commissioned by the customer receives the products. At this time, the risks and rewards have been transferred to the customer, the customer has physically received the goods and, normally, there are no longer any outstanding performance obligations preventing the customer's acceptance of the product. The time at which the right to receive payment and the time when legal title passes are governed by individual regulations and are referenced in determining the timing of revenue. Revenue is measured at the invoice amount after deducting transfer taxes and sales deductions.

Under the business model of manufacturing products on the basis of long-term sales contracts with contractually defined minimum purchase requirements, revenue is recognized when the customer receives the goods. Revenue is measured by estimating the total revenue expected in the future from the sale of minimum amounts over the full term of the contract and allocated to the individual deliveries. Rebates and material rights to procure expected additional purchase quantities are taken into account in the total revenue from the sale.

Estimates are based on the current planning for forecast future sales prices and quantities. In particular, sales prices can change over the term of a contract as a result of mechanisms for adjusting prices (e.g. formula prices for production factors, bulk prices, rebate agreements), hence deviations from current estimates may arise in the future. Differences from the invoice price arising as a result of average pricing are recognized as contract assets or liabilities that are reversed over the term of the contract.

Under the business model of manufacturing customer-specific products on the basis of long-term supply agreements with a contractually defined minimum purchase requirement, within the meaning of the rules of IFRS 15, the LANXESS Group has no alternative use for the products manufactured under these contracts. Moreover, it has a contractually enforceable right to payment for the minimum amount under the purchase requirement. Revenue for finished goods and work in progress, and for advance consideration paid by the customer, is recognized over the manufacturing period. Revenue is recognized using the input method and taking into account production costs incurred to date and a pro rata margin for the end product (see remarks on inventories in this section for notes on the calculation of production costs). The total revenue expected in the future from the sale of minimum amounts over the full term of the contract is estimated and allocated to the individual production units. Rebates and material rights to procure expected additional purchase quantities are taken into account in the total revenue from the sale. Estimates are based on the current planning for forecast future sales prices and quantities. In particular, sales prices can change over the term of a contract as a result of mechanisms for adjusting prices (e.g. formula prices for production factors, bulk prices, rebate agreements), hence deviations from current estimates may arise in the future. Contract assets are recognized for the corresponding claims until the products are delivered. When the products are delivered or the corresponding revenue recognized, the contract assets are reversed and trade receivables are recognized.

Under the business model sale of products including organizing freight services, control transfers to the customer on the basis of the agreed terms and conditions of delivery, essentially at the end of the freight service. Thus, revenue is measured and recognized at the invoice amount after deducting transfer taxes and sales deductions. The freight service is not treated as a separate performance obligation.

Tolling agreements for chemical products, research and development work, sales and product-related services and other long-term services are recognized in revenue over the performance period and at the invoice amount after deducting transfer taxes and sales deductions.

Customer rebates that are not attributable to the business models of manufacturing products or customer-specific products on the basis of long-term sales contracts with contractually defined minimum purchase requirements are recognized in the period in which the revenue is recognized.

Research and development expenses

Costs are incurred in the research and development activities of the LANXESS Group. Research costs are recognized as expenses. Development costs are only capitalized if they meet the recognition criteria of IAS 38. Development costs must be capitalized if, for example, it is sufficiently certain that the development activity will generate future economic benefits which will also cover the associated development costs. However, since the development and optimization of products and processes frequently involves uncertainty with regard to the ability to realize future economic benefits, the conditions for capitalization of development costs are generally not met.

Income and expenses classified as ***exceptional items*** are reported under other operating income and other operating expenses, respectively.

Income taxes

This item comprises the income taxes paid or accrued in the individual countries, plus deferred taxes. Income taxes are computed on the basis of local tax rates.

Income tax receivables and liabilities relate to both the respective reporting year and previous years. They are assessed on the basis of the applicable legislation, taking into account present legal practice judgments and prevailing expert opinion. Uncertain income tax items are recognized provided that payment or reimbursement is considered probable. They are measured individually at the most probable amount or the expected value, depending on which measurement provides the best estimate of the uncertain tax item in question.

There is also uncertainty surrounding the assessment of certain *tax situations* by the tax authorities. Although the LANXESS Group believes it has presented all tax-relevant information correctly and in compliance with the law, it is possible that the tax authorities may occasionally reach different conclusions. Risk provisions have been established where changes in tax assessments are probable. In addition, charges from tax risks from previous years are not considered to be likely. When assessing uncertain tax positions, it is assumed that the tax authorities have full knowledge of all related information when making their examinations. The calculations are principally based on experience of the outcome of previous tax audits and their impact on the subsequent periods and the applicable legislation, taking into account present legal practice and prevailing expert opinion. This could result in deviations from the current estimates in the future.

In accordance with IAS 12, deferred taxes are calculated for temporary differences between the carrying amounts of assets or liabilities in the statement of financial position and the tax base and for differences arising from consolidation measures or realizable tax loss carryforwards. The calculations are based on tax planning calculations and customary and realizable tax strategies. Deferred taxes are calculated at the rates which are expected to apply in the individual countries at the time of realization, taking into account the period for which deferred taxes may be used and any constraints on the utilization of loss carryforwards. These are based on the statutory regulations in force, or already enacted in relation to future periods, as of the closing date.

Deferred tax assets are reviewed at each closing date and only the amount likely to be realizable due to future taxable income is recognized. Deferred tax assets from loss carryforwards are recognized if it is probable that the carryforwards can be utilized.

Deferred tax assets and liabilities are netted if they relate to income taxes levied by the same tax authorities.

Business acquisitions and divestments

Business acquisitions are accounted for using the acquisition method and taking into account estimates and assessments made on the date of acquisition. At the time of initial control, the acquired assets and liabilities are measured at fair value. The measurement is essentially based on expected future cash inflows and outflows. Further estimates pertain to the determination of the useful lives of acquired intangible assets and property, plant and equipment. Deviations between the actual cash inflows and outflows and those assumed at the acquisition date can significantly influence future net income. Purchase price allocation is generally performed in consultation with external experts. For smaller acquisitions, the purchase price allocation is essentially based on the Group's own estimates and measurements. The estimates and measurements are based on knowledge available on and immediately after the acquisition date. They can be adjusted within one year of the date of acquisition to reflect new information and findings. The incidental acquisition costs associated with the business acquisition are recognized as an expense in the period in which they are incurred.

Divestments of shares in subsidiaries resulting in the loss of control are generally recognized in profit or loss. In the case of successive share disposals without loss of control, the decline in the majority share is recognized through other comprehensive income and results in an increase in non-controlling interests in equity. If significant influence continues to be exerted after loss of control, an interest in an associate accounted for using the equity method is recognized. As soon as there is no longer a significant influence on financial and business policy, the remaining interest is classified as a financial asset and changes in its value are recognized at fair value in other comprehensive income or in profit or loss

Statement of cash flows

The statement of cash flows shows how cash inflows and outflows during the reporting year affected the cash and cash equivalents of the LANXESS Group. Cash flows are classified by operating, investing and financing activities in accordance with IAS 7. The liquidity reported in the statement of cash flows comprises cash and cash equivalents.

The cash flows of continuing operations are reported separately from the cash flows of discontinued operations. The cash flows of discontinued operations are shown combined in one line per area. When a discontinued operation is recognized for the first time, the previous year's figures are restated accordingly.

The cash flows from operating activities are calculated using the indirect method. This involves eliminating the effects of currency translation, of the initial application of financial reporting standards and of changes in the consolidated group from the changes recognized in the items in the statement of financial position.

Therefore, the cash flows calculated by the indirect method cannot be directly derived from the statement of financial position. Disbursements for the acquisition of property, plant and equipment are included in the cash flows for investing activities after deducting any third-party subsidies. Investments involving leases, along with capitalized borrowing costs, are not included. Comparison therefore should not be made between these items and the capital expenditures shown in the schedule of changes in property, plant and equipment.

Disbursements made under leases where LANXESS is the lessee are recognized as cash outflows for financing activities, while cash inflows under finance leases where LANXESS is the lessor are recognized as cash inflows from investing activities. Payments for short-term leases and leases for low-value assets are included in cash flows from operating activities. Cash inflows from operating leases where LANXESS is the lessee are also attributed to operating activities.

Cash flows relating to the financing of pension obligations where future pension payments will be made directly out of external plan assets are allocated to cash flows for operating activities.

Cash outflows in connection with contractual trust arrangements (CTA) relating to the financing of pension obligations are allocated to cash flows for operating activities, analogously to pension payments made. Resulting reimbursements of pension payments made by LANXESS are reported in the cash flow statement as cash flows from operating activities.

Cash inflows from financial assets or other assets held for investment purposes are shown under investing activities, analogously to cash outflows.

Purchase prices paid or received in connection with acquisitions or divestments of subsidiaries or other business entities are included in the investing cash flows of continuing operations after deducting cash and cash equivalents acquired or divested. They also include purchase price payments for discontinued operations.

Interest and dividends received are also included in investing cash flows, while interest and dividends paid as well as incoming and outgoing payments from interest rate hedges are reported in financing cash flows.

COMPANIES CONSOLIDATED

The consolidated financial statements of the LANXESS Group include the parent company LANXESS AG and all domestic and foreign affiliates.

	EMEA (excluding Germany)	Germany	Americas	Asia-Pacific	**Total**
Fully consolidated companies (incl. parent company)					
Jan. 1, 2024	40	10	16	28	94
Additions	–	1	3	–	4
Retirements	(5)	–	(1)	(4)	(10)
Mergers	(2)	–	–	(1)	(3)
Dec. 31, 2024	**33**	**11**	**18**	**23**	**85**
Associates and joint operations					
Jan. 1, 2024	0	1	2	0	3
Additions	–	–	–	–	0
Retirements	–	–	–	–	0
Mergers	–	–	–	–	0
Dec. 31, 2024	**0**	**1**	**2**	**0**	**3**
Non-consolidated companies					
Jan. 1, 2024	3	2	3	3	11
Additions	–	–	–	–	0
Retirements	(1)	–	(2)	–	(3)
Mergers	–	–	–	–	0
Dec. 31, 2024	**2**	**2**	**1**	**3**	**8**
Total					
Jan. 1, 2024	43	13	21	31	108
Additions	–	1	3	–	4
Retirements	(6)	–	(3)	(4)	(13)
Mergers	(2)	–	–	(1)	(3)
Dec. 31, 2024	**35**	**14**	**21**	**26**	**96**

The decline in fully consolidated companies in the reporting year resulted primarily from the integration of companies acquired in 2022 in the acquisitions of the Microbial Control business of the U.S. company International Flavors & Fragrances Inc.

Four new companies were formed in the current fiscal year in preparation for the sale of the Urethane Systems business.

LANXESS and the private equity investor Advent International ("Advent") completed the foundation of Envalior as of April 1, 2023. Envalior GmbH, Cologne, Germany, is included in the LANXESS consolidated financial statements as an associate accounted for using the equity method (see Note [2]). LANXESS's share in its capital is 40.94%. Envalior produces high-performance engineering polymers for numerous industries.

In addition, Viance LLC, Wilmington, U.S., is accounted for as an associate in the consolidated financial statements using the equity method (see Note [2]). LANXESS's share in its capital is 49.99%. The company provides wood treatment technologies and services to the wood preservation industry.

Rubicon LLC, Salt Lake City, U.S., is included in the consolidated financial statements as a joint operation in accordance with IFRS 11 on a pro rata basis because the partners exercise joint control and purchase all of its output. LANXESS's share in its capital is 50%. The purpose of the company is essentially to produce aniline, diphenylamines, methylene diphenyl isocyanates and polyols for the joint owners and their affiliated companies. This business relationship does not involve any material risks for LANXESS.

Non-consolidated companies are immaterial to the LANXESS Group's earnings, asset and financial position, since together they account for around 0.1% of Group sales and around 0.1% of Group equity.

Assets held for sale

On October 3, 2024, LANXESS signed an agreement to sell the Urethane Systems business unit reported in "All other segments" to the Japanese company UBE Corporation. The Urethane Systems business to be divested comprises five production sites worldwide and application development laboratories in the United States, Europe and China. UBE Corporation will take over operations with some 400 employees in total. The outstanding approvals were issued by the responsible authorities in the first quarter of 2025, and the transaction is expected to close in the second quarter of 2025. The business held for sale was classified as a disposal group as of September 30, 2024. In accordance with IFRS 5, the assets and liabilities to be disposed of are already reported as held for sale in the statement of financial position as of December 31, 2024. The intangible assets and property, plant and equipment of the Urethane Systems business unit have not been subject to any further amortization or depreciation since the fourth quarter of 2024, and are recognized at the lower of carrying amount and fair value less costs to sell.

Assets held for sale comprise intangible assets and property, plant and equipment of €321 million, inventories and trade receivables of €85 million, and other current assets of €5 million. Liabilities related to assets held for sale include non-current liabilities of €6 million and current liabilities of €25 million.

The other comprehensive income to be allocated to the Urethane Systems business within other equity components amounted to around €17 million as of December 31, 2024.

Discontinued operation and transition to investment accounted for using the equity method in the previous year

High Performance Materials business unit

On May 31, 2022, LANXESS and Advent agreed on a strategic alliance. In addition to signing an agreement to acquire the engineering materials business of the Dutch group Royal DSM, LANXESS agreed to contribute its High Performance Materials business unit to the strategic alliance with Advent.

From June 1, 2022, the High Performance Materials business unit was reported as a discontinued operation in accordance with IFRS 5. Under IFRS 5, intangible assets and property, plant and equipment of the High Performance Materials business unit were not subject to further depreciation or amortization and were recognized at the lower of carrying amount as of June 1, 2022, and fair value less costs to sell. Intra-Group receivables and liabilities between LANXESS companies and the discontinued operation were eliminated in full.

As a result of the deconsolidation of the High Performance Materials business unit as of April 1, 2023, the sales recognized in the income statement from discontinued operations for fiscal year 2023 relate exclusively to the first quarter of fiscal year 2023. The gain on the deconsolidation of the High Performance Materials business unit is included under “Other income and expenses.”

In the statement of cash flows, the cash flows of continuing operations are reported separately from the cash flows of the High Performance Materials business unit. The cash flows of the High Performance Materials business unit are shown combined in one line per area.

The carrying amounts of the assets and liabilities of the High Performance Materials business unit disposed of are shown in the following table:

Carrying Amounts of Assets and Liabilities Disposed Of

€ million	Apr. 1, 2023
Property, plant and equipment and intangible assets	556
Inventories and trade receivables	610
Other assets	159
Total assets	**1,325**
Provisions	98
Trade payables	173
Other liabilities	128
Total liabilities	**399**

In detail, earnings from discontinued operations are as follows:

Income Statement from Discontinued Operations

€ million	2023
Sales	**396**
Other income and expenses	987
Income before income taxes	**1,383**
Income taxes	(89)
Income after income taxes	**1,294**

As part of the transaction, LANXESS received a payment of €1,267 million on March 31, 2023. The cash and cash equivalents disposed of in this context amounted to €74 million. The expense from income taxes to be considered at the time of the transition to an investment accounted for using the equity method amounted to €7 million. In total, an income tax expense of €98 million was incurred in connection with the transaction. Further information on the shareholder loan issued in connection with the foundation of Envalior and the possibility to sell the shares in Envalior GmbH, Cologne, Germany, to Advent can be found in Note [37].

Gain on the Disposal

€ million	2023
Total consideration received	1,267
Net assets disposed	(926)
Other effects	32
Fair value of the minority interest in Envalior	999
Gain on the disposal before income taxes	**1,372**
Income taxes	(7)
Gain on the disposal	**1,365**

The transaction resulted in a gain of €1,365 million. It is reported in the LANXESS Group income statement under “Income after income taxes from discontinued operations.” The gain on the disposal is recognized in “income from discontinued operations” in the statement of comprehensive income.

As of December 31, 2024, LANXESS held a minority interest of 40.94% in Envalior GmbH, Cologne, Germany. The investment is included in the LANXESS consolidated financial statements using the equity method (see Note [2]).

Other information on companies consolidated

The following table lists the affiliated companies in accordance with Section 313, Paragraph 2 of the German Commercial Code:

Company Name and Domicile	Interest held in %
Fully consolidated companies	
Germany	
LANXESS AG, Cologne	–
CheMondis GmbH, Cologne	100
Elfte LXS GmbH, Cologne	100
IAB Ionenaustauscher GmbH Bitterfeld, Bitterfeld-Wolfen	100
IMD Natural Solutions GmbH, Dortmund	100
LANXESS Deutschland GmbH, Cologne	100
LANXESS Financial Services GmbH, Leverkusen	100
LANXESS Organometallics GmbH, Bergkamen	100
LANXESS Trademark GmbH & Co. KG, Leverkusen	100
Saltigo GmbH, Leverkusen	100
THESEO Deutschland GmbH, Wietmarschen	100
EMEA (excluding Germany)	
Anderol B.V., Venlo, Netherlands	100
Antec International Ltd., Sudbury, Suffolk, Great Britain	100
BIOLINK LIMITED, Hull, Great Britain	100
Chemtura France S.A.S., Fitz James, France	100
LANXESS Chemical B.V., KH Botlek, Rotterdam, Netherlands	100
LANXESS Chemical Ltd., Widnes, Great Britain	100

Company Name and Domicile	Interest held in %
EUROPIGMENTS, S.L., Barcelona, Spain	52
Great Lakes Holding S.A.S., Fitz James, France	100
LANXESS (Pty) Ltd., Modderfontein, South Africa	100
LANXESS Belgium NV, Kallo, Belgium	100
LANXESS Central Eastern Europe s.r.o., Bratislava, Slovakia	100
LANXESS Chemicals S.L., Barcelona, Spain	100
LANXESS Epierre SAS, Epierre, France	100
LANXESS Holding UK Unlimited, Manchester, Great Britain	100
LANXESS Investments Netherlands B.V., Venlo, Netherlands	100
LANXESS Kimya Ticaret Limited Şirketi, Istanbul, Türkiye	100
LANXESS Limited, Manchester, Great Britain	100
LANXESS Manufacturing Netherlands B.V., Venlo, Netherlands	100
LANXESS S.A.S., Courbevoie, France	100
LANXESS S.r.l., Milan, Italy	100
LANXESS Sales Netherlands B.V., Venlo, Netherlands	100
LANXESS Solutions Italy S.r.L., Latina, Italy	100
LANXESS Solutions UK Ltd., Manchester, Great Britain	100
LANXESS Switzerland GmbH, Frauenfeld, Switzerland	100
LANXESS Urethanes UK Ltd., Baxenden NR Accrington, Great Britain	100
MC (Netherlands) 1 B.V., Leiden, Netherlands	100
MC Turkey Teknoloji Ltd. Şirketi, Istanbul, Türkiye	100
Microbial Control (Switzerland) GmbH, Frauenfeld, Switzerland	100
N&H International Holding 3 B.V., Oegstgeest, Netherlands	100

Company Name and Domicile	Interest held in %
Specialty Products FZE, Dubai, UAE	100
Sybron Chemical Industries Nederland B.V., Ede, Netherlands	100
Sybron Chemicals International Holdings Ltd., Manchester, Great Britain	100
THESEO FRANCE SAS, Laval, France	100
Americas	
Chemtura Corporation Mexico, S. de R.L. de C.V., Mexico City, Mexico	100
IPEL-Itibanyl Produtos Especiais Ltda., Jarinu, Brazil	100
LANXESS Canada Co./Cie, Halifax, Canada	100
LANXESS Corporation, Wilmington, U.S.	100
LANXESS Indústria de Produtos Quimicos e Plásticos Ltda., São Paulo, Brazil	100
LANXESS S.A. de C.V., Mexico City, Mexico	100
LANXESS S.A., Buenos Aires, Argentina	100
LANXESS Services US LLC, Wilmington, U.S.	100
MC (US) 3 LLC, Wilmington, U.S.	100
Nutrition & Biosciences Canada Company, Halifax, Canada	100
Nutrition & Biosciences Colombia S.A.S., Bogotá D.C., Colombia	100
Nutrition & Biosciences Mexico S. de R.L. de C.V., Mexico City, Mexico	100
Nutrition & Biosciences USA 2, LLC, Wilmington, U.S.	100
Rohm and Haas Wood Treatment LLC, Wilmington, U.S.	100
SISTEMAS DE URETANOS DO BRASIL LTDA., São Paulo, Brazil	100
Sybron Chemical Holdings Inc., Wilmington, U.S.	100
Urethane Systems Canada Ltd., Halifax, Canada	100
Urethane Systems USA LLC, Wilmington, U.S.	100

Company Name and Domicile	Interest held in %
Asia-Pacific	
Chemtura China Holding Co. Ltd., Shanghai, China	100
Danisco Nutrition & Biosciences Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100
Danisco Nutrition & Biosciences Taiwan Limited, Kaohsiung, Taiwan	100
LANXESS (Liyang) Polyols Co., Ltd., Liyang, China	100
LANXESS (Ningbo) Pigments Co., Ltd., Ningbo City, China	100
LANXESS Additives Taiwan Ltd., Kaohsiung, Taiwan	100
LANXESS Advanced Materials (Nantong) Co., Ltd., Nantong, China	100
LANXESS Chemical (China) Co., Ltd., Shanghai, China	100
LANXESS Hong Kong Limited, Hong Kong, Hong Kong	100
LANXESS India Private Ltd., Thane, India	100
LANXESS K.K., Tokyo, Japan	100
LANXESS Korea Limited, Seoul, Republic of Korea	100
LANXESS Pte. Ltd., Singapore, Singapore	100
LANXESS Pty. Ltd., Granville, Australia	100
LANXESS Solutions Australia Pty. Ltd., West Gosford, Australia	100
LANXESS Solutions India Private Ltd., Thane, India	100
LANXESS Solutions Japan Ltd., Tokyo, Japan	100
LANXESS Specialty Chemicals Co., Ltd., Shanghai, China	100

Company Name and Domicile	Interest held in %
Microbial Control (Hong Kong) Ltd., Hong Kong, Hong Kong	100
Microbial Control (Thailand) Co., Ltd., Bangkok, Thailand	100
Microbial Control Technologies (Shanghai) Co., Ltd., Shanghai, China	100
PT Blue Cube Indonesia, Jakarta, Indonesia	100
Rhein Chemie (Qingdao), Ltd., Qingdao, China	90
Joint operations	
Americas	
Rubicon LLC, Salt Lake City, U.S.	50
Associates accounted for using the equity method	
Germany	
Envalior GmbH, Cologne	40.94
Americas	
Viance LLC, Wilmington, U.S.	49.99
Immaterial non-consolidated subsidiaries	
Germany	
LANXESS Trademark Management GmbH, Leverkusen	100
Neunte LXS GmbH, Cologne	100
EMEA (excluding Germany)	
Gulf Stabilizers Industries Sales FZCO, Dubai, UAE	52
W. Hawley & Son Ltd., Manchester, Great Britain	100

Company Name and Domicile	Interest held in %
Americas	
Comercial Andinas Ltda., Santiago de Chile, Chile	100
Asia-Pacific	
LANXESS Thai Co., Ltd., Bangkok, Thailand	100
LANXESS Vietnam Co., Ltd., Ho Chi Minh City, Vietnam	100
PCTS Specialty Chemicals Malaysia (M) Sdn. Bhd., Kuala Lumpur, Malaysia	100

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 | Non-Current Assets

Intangible Assets

Changes in intangible assets were as follows:

Changes in Intangible Assets in 2023

€ million	Acquired goodwill	Other intangible assets	Advance payments	**Total**
Cost of acquisition or generation, Dec. 31, 2022	1,857	2,071	88	4,016
Adjustments according to IFRS 5	–	(1)	0	(1)
Capital expenditures	–	22	26	48
Disposals	–	(2)	0	(2)
Reclassifications	–	19	(19)	0
Adjustments in accordance with IAS 29	–	1	–	1
Exchange differences	(58)	(39)	(1)	(98)
Cost of acquisition or generation, Dec. 31, 2023	**1,799**	**2,071**	**94**	**3,964**
Accumulated amortization and write-downs, Dec. 31, 2022	(8)	(679)	2	(685)
Adjustments according to IFRS 5	–	1	–	1
Amortization in 2023	(406)	(168)	–	(574)
of which write-downs	(406)	–	–	(406)
Disposals	–	2	–	2
Reclassifications	–	–	–	–
Adjustments in accordance with IAS 29	–	(1)	–	(1)
Exchange differences	0	14	–	14
Accumulated amortization and write-downs, Dec. 31, 2023	**(414)**	**(831)**	**2**	**(1,243)**
Carrying amounts, Dec. 31, 2023	**1,385**	**1,240**	**96**	**2,721**

Changes in Intangible Assets in 2024

€ million	Acquired goodwill	Other intangible assets	Advance payments	**Total**
Cost of acquisition or generation, Dec. 31, 2023	1,799	2,071	94	3,964
Capital expenditures	–	10	29	39
Disposals	–	(3)	0	(3)
Reclassifications	–	29	(22)	7
Adjustments in accordance with IAS 29	–	1	0	1
Exchange differences	105	71	3	179
Adjustments according to IFRS 5	(164)	(73)	(1)	(238)
Cost of acquisition or construction, Dec. 31, 2024	**1,740**	**2,106**	**103**	**3,949**
Accumulated amortization and write-downs, Dec. 31, 2023	(414)	(831)	2	(1,243)
Amortization in 2024	–	(162)	–	(162)
of which write-downs	–	0	–	0
Disposals	–	4	–	4
Adjustments in accordance with IAS 29	–	(1)	–	(1)
Exchange differences	(28)	(30)	(2)	(60)
Adjustments according to IFRS 5	–	44	–	44
Accumulated amortization and write-downs, Dec. 31, 2024	**(442)**	**(976)**	**0**	**(1,418)**
Carrying amounts, Dec. 31, 2024	**1,298**	**1,130**	**103**	**2,531**

Other intangible assets mainly include customer lists and trademark rights from purchase price allocations. This item also includes software and other rights.

In the previous year, the write-downs on goodwill resulted from the impairment test of the cash-generating units as of December 31, 2023, and were attributable to the Flavors & Fragrances and Polymer Additives business units. Further information on impairment testing can be found in the "Impairment Testing" section.

Property, Plant and Equipment

Changes in property, plant and equipment were as follows:

Changes in Property, Plant and Equipment in 2023

€ million	Land and buildings	Technical equipment and machinery	Other fixtures, fittings and equipment	Advance payments and assets under construction	**Total**
Cost of acquisition or construction, Dec. 31, 2022	1,459	5,642	355	436	7,892
Adjustments according to IFRS 5	(4)	(4)	(6)	0	(14)
Changes in companies consolidated	(2)	(1)	0	0	(3)
Capital expenditures	35	109	21	187	352
Disposals	(16)	(83)	(20)	0	(119)
Reclassifications	34	231	13	(278)	0
Adjustments in accordance with IAS 29	8	6	2	0	16
Exchange differences	(36)	(61)	(9)	(3)	(109)
Cost of acquisition or construction, Dec. 31, 2023	**1,478**	**5,839**	**356**	**342**	**8,015**
Accumulated depreciation and write-downs, Dec. 31, 2022	(819)	(4,049)	(272)	(2)	(5,142)
Adjustments according to IFRS 5	2	3	5	–	10
Changes in companies consolidated	2	1	0	0	3
Depreciation in 2023	(70)	(315)	(33)	(4)	(422)
of which write-downs	(3)	(20)	(1)	(4)	(28)
Reversals of write-downs	–	–	0	–	0
Disposals	13	74	20	–	107
Adjustments in accordance with IAS 29	(5)	(3)	(2)	–	(10)
Exchange differences	18	34	7	0	59
Accumulated depreciation and write-downs, Dec. 31, 2023	**(859)**	**(4,255)**	**(275)**	**(6)**	**(5,395)**
Carrying amounts, Dec. 31, 2023	**619**	**1,584**	**81**	**336**	**2,620**

Changes in Property, Plant and Equipment in 2024

€ million	Land and buildings	Technical equipment and machinery	Other fixtures, fittings and equipment	Advance payments and assets under construction	**Total**
Cost of acquisition or construction,Dec. 31, 2023	1,478	5,839	356	342	8,015
Capital expenditures	21	80	21	206	328
Disposals	(13)	(83)	(34)	(6)	(136)
Reclassifications	25	175	10	(217)	(7)
Adjustments in accordance with IAS 29	12	10	3	0	25
Exchange differences	20	73	8	2	103
Adjustments according to IFRS 5	(72)	(114)	(6)	(10)	(202)
Cost of acquisition or construction, Dec. 31, 2024	**1,471**	**5,980**	**358**	**317**	**8,126**
Accumulated depreciation and write-downs, Dec. 31, 2023	(859)	(4,255)	(275)	(6)	(5,395)
Depreciation in 2024	(64)	(307)	(32)	(1)	(404)
of which write-downs	0	(5)	0	(1)	(6)
Disposals	12	77	31	2	122
Reclassifications	0	(2)	0	2	0
Adjustments in accordance with IAS 29	(8)	(5)	(3)	–	(16)
Exchange differences	(5)	(42)	(7)	2	(52)
Adjustments according to IFRS 5	20	51	4	–	75
Accumulated depreciation and write-downs, Dec. 31, 2024	**(904)**	**(4,483)**	**(282)**	**(1)**	**(5,670)**
Carrying amounts, Dec. 31, 2024	**567**	**1,497**	**76**	**316**	**2,456**

In the current fiscal year, write-downs are primarily attributable to individual value-decreasing events. In the previous year, write-downs were recognized due among other things to measures in connection with the FORWARD! action plan, which particularly relate to the decommissioning and closure of operating facilities.

Directly attributable borrowing costs of €0 million (previous year: €1 million) were capitalized. An annual average cost of debt for the LANXESS Group of 1.0% (previous year: 1.4%) was used for capitalization.

Impairment Testing

If there are indications that impairment charges need to be recognized on individual non-current assets or previously recognized impairment charges reversed on assets that are not classified as goodwill, impairment testing is carried out for these assets. Here the remaining carrying amount of the assets is compared with the respective recoverable amount and, if necessary, an impairment loss or impairment loss reversal recognized in profit or loss.

In addition to the impairment testing of individual non-current assets, central impairment testing is carried out at the level of the cash-generating units if there are indications of an impairment. The LANXESS Group generally defines its business units as cash-generating units. Goodwill is reviewed for impairment at least once a year in the fourth quarter at the level of the cash-generating units based on the carrying amounts as of September 30. Cash-generating units that have acquired goodwill in the reporting year are also tested for impairment at the end of the reporting period.

During impairment testing, the carrying amount of each cash-generating unit, including the goodwill allocated to it, is compared against its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and the value in use. The fair value less costs of disposal – which represents the best estimate of the potential sale proceeds at the time of the respective impairment test – is the amount obtainable from the sale of a cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The value in use is defined as the present value of future cash flows based on the continuing use of the asset and its retirement at the end of its useful life. The first step in assessing whether to recognize or reverse an impairment charge is to determine the fair value less costs of disposal. If this is lower than the carrying amount of the cash-generating unit, the value in use is then determined.

The fair value less costs of disposal is generally calculated using a net present value method which is allocated to Level 3 of the fair value hierarchy (see under "Fair value measurement" in Note [37]). Here the expected net cash inflows are discounted using a weighted cost of capital that is derived from capital market models, taking into account the capital structure and business risks specific to the chemical industry based on a peer group.

Determination of the recoverable amount based on the fair value less costs of disposal generally relies on a forecast of future net cash flows. This is based on the planning approved by the management of LANXESS AG. The forecast also contains estimates of expected market conditions and other factors such as future raw material and energy prices, functional costs, exchange rates and capital expenditures. The interactions between these factors are reflected in the expected net cash flows. The planned EBITDA margins are based on the following sales and earnings expectations: average sales growth of 3% was assumed for the cash-generating units of the Consumer Protection segment to which material goodwill has been allocated. Sales growth of 4% and 2%, respectively is assumed for the Specialty Additives and Advanced Intermediates segments. EBITDA of the Lubricant Additives Business cash-generating unit was assumed to be slightly disproportionate to sales growth while that of the other cash-generating units to which goodwill is allocated was assumed to be significantly disproportionate to sales growth.

The estimates of future market developments on which detailed planning is based are dependent on the respective customer industries and draw on management's past experience, taking account of internal and external economic and industry-specific sources of information. Capacity expansions, reorganization projects and the resulting synergies, provided these can also be used by a third party, are reflected in future net cash flows through estimates. Group functional area costs are included if a potential acquirer would have to bear them.

Determination of the value in use is based on a corresponding forecast of future net cash flows. However, cash inflows and outflows relating to expansion projects that have not yet commenced, restructuring that is planned but has not yet been sufficiently specified, and the associated synergies are not taken into account.

The forecasts used to calculate the fair value less costs of disposal and to determine the value in use cover a five-year period. For the Flavors & Fragrances business unit, there is an expectation of long-term market potential through organic growth and significantly stronger growth in the end markets, especially personal and home care and flavors and fragrances. Furthermore, it is assumed that the "Green Products" sector will become much more important in the future. Ten-year planning was therefore used to derive the fair value less costs of disposal.

The perpetual annuity calculation is generally based on the last year in the planning period. Due to the general inflation expectations, a growth rate of 1% is accounted for in the perpetual annuity. Where necessary, adjustments are made to reflect the so-called steady state of the perpetual annuity.

The residual carrying amounts of the respective cash generating unit include the right-of-use assets from leases as part of property, plant and equipment. Lease liabilities as financial liabilities are not included. When deriving the net cash flows, cash flows are increased by depreciation of right-of-use assets but decreased by replacement investments in right-of-use assets and lease payments for short-term leases and leases of low-value assets.

If a need for impairment is determined as part of the impairment test, an impairment charge is first recognized for any goodwill assigned to the respective cash-generating unit. A remaining impairment amount is allocated among the other non-current assets in proportion to the carrying amounts of the respective cash-generating unit on which the impairment test was based. The recoverable amount of any non-current assets below the level of the cash-generating unit is assessed and the loss is allocated, but only up to the recoverable amount of these assets. Any further impairment charge that would have been allocated to these assets is allocated proportionately to the other assets in the cash-generating unit.

Impairment charges are fully recognized in the income statement under other operating expenses and reported in the expenses of the respective segments in segment reporting. If the impairment test on the cash-generating units indicates a need to reverse impairment charges recognized on assets in previous years because the reasons for the impairment no longer exist or have changed, the impairment charge is reversed only up to the amount that would have existed after depreciation or amortization if the impairment had not been recognized. Impairment charges on goodwill are not reversed. Reversals of impairment charges are fully recognized in the income statement under other operating income and reflected in the segment reporting in the reversals of write-downs.

The annual ***goodwill impairment*** test is based on a discount rate after taxes of 7.3% (previous year: 8.4%). This annual goodwill impairment test did not indicate any need for the recognition of impairment charges.

In the previous year, the assets of all cash-generating units were tested for impairment again as of December 31, 2023, as a result of adjusted earnings forecasts and the persistently weak demand situation. This test was based on a discount rate after taxes of 7.6%. The impairment test resulted in the need to recognize an impairment charge of €259 million in the Flavors & Fragrances cash-generating unit in the Consumer Protection segment and an impairment charge of €147 million in the Polymer Additives cash-generating unit in the Specialty Additives segment.

The following table shows the goodwill for each cash-generating unit. All goodwill items are carried in local currency. The changes compared to the previous year result from currency effects and the classification of the Urethane Systems business unit as a disposal group according to IFRS 5.

Goodwill (€ million)

Cash-generating unit	Segment	Dec. 31, 2023	Dec. 31, 2024
Material Protection Products	Consumer Protection	638	669
Lubricant Additives	Specialty Additives	212	226
Polymer Additives	Specialty Additives	184	195
Flavors & Fragrances	Consumer Protection	182	193
Advanced Industrial Intermediates	Advanced Intermediates	8	8
Rhein Chemie	Specialty Additives	7	7
Urethane Systems	All Other Segments	154	–
		1,385	**1,298**

Potential deviations from significant measurement assumptions were assessed in a *sensitivity analysis* conducted for the cash-generating units to which material goodwill has been allocated. With the exception of the Flavors & Fragrances business unit, these potential deviations would not cause the carrying amounts of the cash-generating units to exceed their recoverable amounts.

The recoverable amount of the Flavors & Fragrances cash-generating unit exceeded the carrying amount by €34 million as of the annual measurement date. The recoverable amount would correspond to the carrying amount of the cash-generating unit if the weighted costs of capital were 0.2 percentage points higher or the long-term growth rate 0.4 percentage points lower, or if the EBITDA margin of the last detailed planning year as the basis for determining the terminal value were 0.8 percentage points lower. In the current planning an EBITDA margin of 21.7% was assumed.

2 | Investments Accounted for Using the Equity Method

LANXESS accounts for associates using the equity method. This includes the investment in Envalior GmbH, Cologne, Germany, and the investment in Viance LLC, Wilmington, United States.

The following tables show the main items of the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position of Envalior:

Data from the Consolidated Income Statement and Consolidated Statement of Comprehensive Income of Envalior

€ million	Apr. – Dec. 2023	2024
Sales	2,007	2,814
Operating result (EBIT)	(132)	165
Income after income taxes	(442)	(337)
Other comprehensive income, net of income tax	(103)	(45)
Total comprehensive income	**(545)**	**(382)**

Data from the Consolidated Statement of Financial Position of Envalior

€ million	Dec. 31, 2023	Dec. 31, 2024
Non-current assets	5,611	5,722
Current assets	1,405	1,213
Total assets	**7,016**	**6,935**
Non-current liabilities	4,352	4,611
Current liabilities	769	814
Total liabilities	**5,121**	**5,425**
Net assets	**1,895**	**1,510**

The table below shows the reconciliation to the recognized carrying amount of the investment in Envalior GmbH, Cologne, Germany:

Reconciliation to the Carrying Amount of the Investment in Envalior GmbH

€ million	Dec. 31, 2023	Dec. 31, 2024
Net assets as of Jan. 1 (previous year: Apr. 1)	2,440	1,895
Total comprehensive income	(545)	(382)
Adjustments	–	(3)
Net assets as of Dec. 31	**1,895**	**1,510**
LANXESS share in %	40.94	40.94
LANXESS share	776	618
Carrying amount as of Dec. 31	**776**	**618**

Both the initial recognition and the subsequent measurement of the investment in Envalior GmbH, Cologne, Germany, are based on financial information that as of the date of preparation of the LANXESS consolidated financial statements represents preliminary information that is still being audited by the auditor of the consolidated financial statements of Envalior GmbH. There are therefore uncertainties over the carrying amounts recognized and the subsequent measurement during the year. As a result, it cannot be ruled out that the underlying financial information of Envalior GmbH will be adjusted in the future due to new information and findings, and that these adjustments may have an impact on the financial position or results of operations of the LANXESS Group.

The following tables show the main items of the income statement, statement of comprehensive income and statement of financial position Viance LLC, Wilmington, U.S., adjusted for effects from the purchase price allocation and subsequent measurement:

Data from the Income Statement and Statement of Comprehensive Income of Viance LLC

€ million	2023	2024
Sales	128	121
Operating result (EBIT)	16	18
Income after income taxes	17	19
Other comprehensive income, net of income tax	–	–
Total comprehensive income	**17**	**19**

Data from the Statement of Financial Position of Viance LLC

€ million	Dec. 31, 2023	Dec. 31, 2024
Non-current assets[1]	59	57
Current assets	22	27
Total assets[1]	**81**	**84**
Non-current liabilities[1]	16	15
Current liabilities	17	11
Total liabilities[1]	**33**	**26**
Net assets[1]	**48**	**58**

1) Prior-year figures restated.

The table below shows the reconciliation to the recognized carrying amount of the investment in Viance LLC, Wilmington, U.S.:

Reconciliation to the Carrying Amount of the Investment in Viance LLC

€ million	Dec. 31, 2023	Dec. 31, 2024
Net assets as of Jan. 1[1]	48	48
Total comprehensive income	17	19
Dividend payments	(17)	(12)
Currency translation	0	3
Net assets as of Dec. 31[1]	**48**	**58**
LANXESS share in %	49.99	49.99
LANXESS share[1]	24	29
Goodwill[1]	45	49
Carrying amount as of Dec. 31	**69**	**78**

1) Prior-year figures restated.

3 | Investments in Other Affiliated Companies

Investments in other affiliated companies of €10 million (previous year: €14 million) include shares in the listed company Standard Lithium Ltd., Vancouver, Canada, of €9 million (previous year: €11 million). In addition, this item contains interests in additional affiliated companies totaling €1 million (previous year: €3 million).

4 | Derivative Financial Instruments

The derivative financial instruments held by the LANXESS Group comprise forward exchange and forward commodity contracts as well as derivatives not designated as hedging instruments. At LANXESS, derivative financial instruments are chiefly used to hedge items of the statement of financial position and to hedge future sales and purchases of raw materials and energies.

As of the reporting date, derivative assets are capitalized in the consolidated financial statements for fiscal year 2024 at a total fair value of €16 million (previous year: €23 million). Instruments with a negative fair value totaling €15 million (previous year: €17 million) are recognized as derivative liabilities.

Derivative Financial Instruments

	Dec. 31, 2023		
€ million	Nominal amount	Positive fair values	Negative fair values
Current forward exchange contracts	1,471	10	(10)
Current forward commodity contracts	36	–	(7)
Current derivatives not designated as hedging instruments	–	3	–
Non-current forward exchange contracts	115	5	0
Non-current forward commodity contracts	4	–	0
Non-current derivatives not designated as hedging instruments	–	5	–
	1,626	**23**	**(17)**

Derivative Financial Instruments

	Dec. 31, 2024		
€ million	Nominal amount	Positive fair values	Negative fair values
Current forward exchange contracts	1,361	9	(13)
Current forward commodity contracts	27	6	0
Current derivatives not designated as hedging instruments	–	–	–
Non-current forward exchange contracts	53	1	(2)
Non-current forward commodity contracts	7	–	0
Non-current derivatives not designated as hedging instruments	–	0	–
	1,448	**16**	**(15)**

In the previous year, current derivatives not designated as hedging instruments included options of €3 million for shares in the company Standard Lithium Ltd., Vancouver, Canada. These were derecognized in profit and loss in fiscal year 2024.

The non-current derivatives not designated as hedging instruments of €0 million (previous year: €5 million) recognized as of December 31, 2024, relate to a right to offer in connection with the minority interest in Envalior GmbH, Cologne, Germany. Further information on the right to offer can be found under “Financial Instruments” in the “Fair value measurement” section.

The remarks below relate exclusively to transactions that qualify for hedge accounting and are recognized accordingly:

Currency hedges

Currency hedges in the form of forward exchange contracts are used for the future revenue of companies of the LANXESS Group when the currency in which the planned revenue is denominated differs from the company’s functional currency and significant foreign currency positions are expected. Set hedging ratios have been defined for subsequent years. The hedges are due to mature in the respective planning months. The hedges could become ineffective as a result of revenue possibly deferred to other periods. There are currently no cases of changes in the timing of revenue in excess of the hedged volume.

Forward commodity contracts

Price hedges can be used for future purchases of raw materials and energies by the companies of the LANXESS Group where planned procurement volumes are based on existing procurement agreements. The hedges are forward commodity contracts and based on a monthly planned procurement volume. Unscheduled production facility shutdowns could reduce procurement volumes and cause the hedges to become ineffective. LANXESS is not currently aware of any production facility shutdowns that could cause a reduction in procurement volumes beyond the hedged volume.

Forward interest rate contracts

Interest rate risks for future refinancing of the LANXESS Group can be hedged with interest rate swaps. For this purpose, the hedging instruments are concluded with matching maturities on the basis of a planned refinancing requirement. The hedges can generally become ineffective if the refinancing date is moved. The forward interest rate contracts from fiscal year 2017 were recognized in other comprehensive income on the issue of a new bond in May 2018. The amounts recognized in other comprehensive income was reclassified to profit or loss until May 2024.

The forward interest rate contracts from fiscal year 2021 were recognized in other comprehensive income on the issue of a new bond in December 2021. The amounts recognized in other comprehensive income will be reclassified to profit or loss until December 2029.

Forward Exchange and Forward Commodity Contracts in 2023

€ million	Nominal amount	Carrying amount		Line item in statement of financial position	Change in value of hedged item[1]	Change in value of hedging instrument[1]
		Positive fair values	Negative fair values			
Forward exchange contracts						
EUR/USD	296	8	0	Current and non-current derivative assets/liabilities	(9)	9
Forward commodity contracts						
Kerosene	6	–	0	Current derivative liabilities	0	0
Gas	17	–	(7)	Current and non-current derivative liabilities	7	(7)
	319	**8**	**(7)**		**(2)**	**2**

1) Changes in value are changes in the hedged component in the period.

Forward Exchange and Forward Commodity Contracts in 2024

€ million	Nominal amount	Carrying amount		Line item in statement of financial position	Change in value of hedged item[1]	Change in value of hedging instrument[1]
		Positive fair values	Negative fair values			
Forward exchange contracts						
EUR/USD	205	0	(9)	Current and non-current derivative assets/liabilities	8	(8)
Forward commodity contracts						
Kerosene	5	0	–	Current derivative assets	0	0
Gas	28	6	0	Current and non-current derivative assets/liabilities	(6)	6
	238	**6**	**(9)**		**2**	**(2)**

1) Changes in value are changes in the hedged component in the period.

Maturities and Average Prices 2023

	2024		> 2024	
	Nominal amount € million	Average rate[1] €	Nominal amount € million	Average rate[1] €
Forward exchange contracts				
EUR/USD	181	1.09	115	1.09
Forward commodity contracts				
Kerosene	6	735.35	–	–
Gas	13	55.13	4	34.40
	200		**119**	

1) For forward commodity contracts, the average hedging rate corresponds to the fixed side of the contract.

Maturities and Average Prices 2024

	2025		> 2025	
	Nominal amount € million	Average rate[1] €	Nominal amount € million	Average rate[1] €
Forward exchange contracts				
EUR/USD	152	1.09	53	1.09
Forward commodity contracts				
Kerosene	5	658.96	0	–
Gas	22	38.81	6	35.36
	179		**59**	

1) For forward commodity contracts, the average hedging rate corresponds to the fixed side of the contract.

The hedged cash flows will be realized within the next two fiscal years for the forward exchange contracts and within the next three fiscal years for the forward commodity contracts.

Hedge Accounting Reconciliation Other Comprehensive Income (Before Taxes) 2023

€ million	Cash flow hedges				Cost of hedging			Sum other comprehensive income
	Currency hedging contracts	Forward commodity contracts	Forward interest rate contracts	Total	Forward-to-Forward	Spot-to-Spot	Total	
Jan. 1	4	0	0	**4**	(1)	0	**(1)**	**3**
Changes other comprehensive income	9	(11)	1	**(1)**	1	0	**1**	**0**
of which reclassification to profit or loss	3	–	0	**3**	–	–	**–**	**3**
Dec. 31	**13**	**(11)**	**1**	**3**	**0**	**–**	**0**	**3**

Hedge Accounting Reconciliation Other Comprehensive Income (Before Taxes) 2024

€ million	Cash flow hedges				Cost of hedging			Sum other comprehensive income
	Currency hedging contracts	Forward commodity contracts	Forward interest rate contracts	Total	Forward-to-Forward	Spot-to-Spot	Total	
Jan. 1	13	(11)	1	**3**	0	–	**0**	**3**
Changes other comprehensive income	(20)	7	(1)	**(14)**	(1)	–	**(1)**	**(15)**
of which reclassification to profit or loss	(3)	–	0	**(3)**	–	–	**–**	**(3)**
Dec. 31	**(7)**	**(4)**	**0**	**(11)**	**(1)**	**–**	**(1)**	**(12)**

The adjustments to the carrying amounts of the hedged item (basis adjustment) necessary in connection with hedges on the prices of raw material and energy purchases increase equity by €5 million (previous year: €5 million) and are included in other changes in equity outside other comprehensive income.

The LANXESS Group expects that, of the unrealized losses on currency hedges recognized in other comprehensive income up to the reporting date, €6 million in fiscal year 2025 and €2 million in fiscal year 2026 will be reclassified from equity to profit or loss (previous year: reclassification of unrealized gains of €4 million in fiscal year 2024, €5 million in fiscal year 2025 and €0 million in fiscal year 2026).

In fiscal year 2023, some hedges for planned sales were settled. The €4 million de-hedging gain was reclassified from other comprehensive income to profit or loss in fiscal year 2024.

The unrealized gains of €0 million recognized on interest rate hedges as of the reporting date will be reclassified to profit or loss by fiscal year 2029.

Information on the maturity structure of derivative assets and liabilities is given in Note [37].

5 | Other Non-Current and Current Financial Assets

Other non-current and current financial assets break down as follows:

Other Financial Assetse

€ million	Dec. 31, 2023 Non-current	Current	Total
Contract assets	46	201	247
Shareholder loan Envalior GmbH	207	–	207
Other financial receivables	9	14	23
	262	**215**	**477**

Other Financial Assets

€ million	Dec. 31, 2024 Non-current	Current	Total
Contract assets	34	205	239
Shareholder loan Envalior GmbH	232	–	232
Other financial receivables	8	10	18
	274	**215**	**489**

Other non-current financial assets include €232 million (previous year: €207 million) for a shareholder loan granted to Envalior GmbH, Cologne, Germany, in connection with the foundation of Envalior.

Miscellaneous other financial receivables include claims from transactions that do not result directly from the sale of chemical products and services in normal operations. These include investments in High-Tech Gründerfonds and other financial receivables.

The non-current contract assets relate to revenue measured at the average contract price for the manufacture of products with contractually defined minimum purchase requirements. Differences between average pricing and the invoice prices are shown as contract assets and reversed over the remaining term of the contract. Current contract assets essentially relate to revenue recognized at the average contract price for the manufacture of customer-specific products with contractually defined minimum purchase requirements as of the production date that are not expected to be delivered to the customer until the next reporting year. The development compared with the previous year was attributable to selling price adjustments as a result of volatile raw material and energy costs.

Change in Contract Assets

€ million	2023	2024
Jan. 1	223	247
Cumulative catch-up adjustments to revenues	(5)	(11)
Additions	187	93
Reclassifications to trade receivables	(158)	(90)
Exchange differences	0	0
Dec. 31	**247**	**239**

Minus €8 million (previous year: €6 million) of the cumulative catch-up adjustments to revenues relate to earlier periods. The additions essentially relate to the business model of manufacturing customer-specific products on the basis of long-term supply agreements with contractually defined minimum purchase requirements. They comprise revenue already recognized in the reporting year as of the production date. When the manufactured customer-specific products are delivered, the amounts recognized as contract assets are reclassified as trade receivables. In addition, the reclassifications to trade receivables include the recognition of the values for the quantities delivered in the reporting year from the business model of manufacturing products on the basis of long-term supply agreements with a contractually defined minimum purchase requirement, which are included in the opening balance.

6 | Non-Current and Current Income Tax Receivables

The non-current income tax receivables of €65 million (previous year: €60 million) essentially comprise uncertain tax positions where reimbursement is considered probable.

The current income tax receivables of €39 million (previous year: €41 million) essentially include tax prepayments.

7 | Other Non-Current Assets

Other non-current assets of €62 million (previous year: €59 million) essentially include receivables in connection with pension obligations, periodic accruals and other reimbursement claims.

Other non-current assets are generally carried at amortized cost less any write-downs. In contrast, receivables in connection with pension obligations are measured at fair value through other comprehensive income. As in the previous year, no write-downs were made in fiscal year 2024.

8 | Inventories

The inventories of the LANXESS Group comprise:

Inventories

€ million	Dec. 31, 2023	Dec. 31, 2024
Raw materials and supplies	279	266
Work in progress, finished goods and merchandise	1,081	1,082
	1,360	**1,348**

Inventories of €197 million (previous year: €168 million) are recognized at net realizable value. The decline in inventories is due to the Urethane Systems business unit being classified as a disposal group according to IFRS 5.

The changes in write-downs of inventories were as follows:

Write-Downs of Inventories

€ million	2023	2024
Jan. 1	(102)	(97)
Additions charged as expenses	(22)	(9)
Reversals/utilization	25	30
Exchange differences	2	(1)
Adjustments according to IFRS 5	–	3
Dec. 31	**(97)**	**(74)**

9 | Trade Receivables

All trade receivables – totaling €650 million (previous year: €613 million) – are due within one year.

LANXESS has been a contractual partner to a factoring agreement for the revolving sale of trade receivables up to a maximum volume of €150 million and US$60 million. LANXESS can freely decide to what extent the nominal volume is utilized. The relevant risks for the disposal of the receivables are credit risk and the risk of late payment. As part of the program, the credit risk is fully and the late payment risk partially transferred. As of December 31, 2024, this allocation of opportunities and risks resulted in a recognized continuing involvement of €4 million (previous year: €3 million). In connection with the factoring agreement, LANXESS recognized expenses of €3 million (previous year: €3 million) in fiscal year 2024. As of December 31, 2024, receivables of €148 million (previous year: €128 million) had been sold under the factoring agreement. Taking into account the recognized continuing involvement, factoring has a total effect on receivables of €144 million (previous year: €125 million).

Loss allowances of €12 million were recognized as of the end of the reporting period (previous year: €12 million). Further information on the loss allowance for trade receivables and the maturity structure classes for the loss allowance in fiscal years 2023 and 2024 can be found under “Credit risk management” in Note [37].

10 | Near-Cash Assets

Near-cash assets include shares of money market funds that can be sold at any time in the amount of €316 million (previous year: €350 million).

11 | Other Current Assets

Other current assets totaling €156 million (previous year: €171 million) are carried at amortized cost less any write-downs. The other current assets essentially comprise miscellaneous claims for tax refunds, mainly for VAT, of €106 million (previous year: €115 million). €80 million (previous year: €92 million) of this amount is expected to be refunded within one year and €26 million (previous year: €23 million) at a later date. Furthermore, there are other reimbursement claims of €33 million (previous year: €40 million). This item included write-downs of €1 million (previous year: €2 million) as of December 31, 2024.

12 | Assets and Liabilities Held for Sale

The Urethane Systems business unit is reported in the current fiscal year under assets held for sale. Further information can be found under “Companies consolidated.”

13 | Equity

Capital stock

The capital stock of LANXESS AG amounts to €86,346,303 as of December 31, 2024, and is composed of 86,346,303 no-par bearer shares. The capital stock and the number of shares are therefore unchanged as against the end of the previous year. All shares carry the same rights and obligations. One vote is granted per share, and profit is distributed per share.

Authorized Capital I

Pursuant to Section 4, Paragraph 3 of LANXESS AG’s articles of association, the Annual Stockholders’ Meeting on May 24, 2023, authorized the Board of Management until May 23, 2026, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by issuing new no-par bearer shares against cash or contributions in kind up to a total amount of €17,269,260 (Authorized Capital I). Stockholders are generally entitled to subscription rights when Authorized Capital I is utilized. These rights can be excluded in certain cases which are defined in Section 4, Paragraph 3 of the articles of association of LANXESS AG. Authorized Capital I has not yet been utilized.

Authorized Capital II

Furthermore, pursuant to Section 4, Paragraph 4 of LANXESS AG’s articles of association, the Annual Stockholders’ Meeting on May 24, 2023, authorized the Board of Management until May 23, 2025, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by issuing new no-par bearer shares against cash contributions up to a total amount of €8,634,630 (Authorized Capital II). Stockholders are generally entitled to subscription rights when Authorized Capital II is utilized. These rights can be excluded in certain cases which are defined in Section 4, Paragraph 4 of the articles of association of LANXESS AG. Authorized Capital II has likewise not yet been utilized.

Conditional capital

Conditional capital was composed as follows as of December 31, 2024:

The Annual Stockholders’ Meeting of LANXESS AG on May 24, 2023, authorized the Board of Management until May 23, 2026, with the approval of the Supervisory Board, to issue – in one or more installments – warrant bonds and/or convertible bonds and/or income bonds or a combination of these instruments (collectively referred to as “bonds”) – as either registered or bearer bonds – with a total nominal value of up to €1,000,000,000, with or without limited maturity, and to grant option rights to, or impose exercise obligations on, the holders or creditors of warrant bonds or income bonds with warrants, and/or to grant conversion rights to, or impose conversion obligations on, the holders or creditors of convertible bonds or convertible income bonds in respect of bearer shares of the company representing a total pro rata increase of up to €8,634,630 in the company's capital stock on the terms to be defined for these bonds. Pursuant to Section 4, Paragraph 5 of the articles of association, the capital stock of LANXESS AG is thus conditionally increased by up to €8,634,630 (Conditional Capital). The Board of Management is authorized, with the approval of the Supervisory Board, to exclude subscription rights in certain cases which are detailed in the authorization. The Board of Management will consider other capital measures with stockholders' subscription rights disapplied in its decision to disapply stockholders' subscription rights when issuing convertible bonds and/or bonds with warrants and/or income bonds (or combinations of these instruments). The authorization to issue bonds has not yet been utilized.

Any shares issued with subscription rights disapplied on the basis of the aforementioned Authorized Capitals I and/or II may not, together with such shares issued or to be issued as part of conditional capital to service warrants or conversion rights or obligations, provided the warrants or conversion rights or obligations were granted or imposed during the term of the authorization with subscription rights disapplied, exceed 10% of the capital stock of LANXESS AG at the time the respective authorization becomes effective.

Treasury shares and their purchase and utilization

As of December 31, 2024, neither the company nor dependent or majority-owned entities, or third parties acting for the account of the company or for the account of dependent or majority-owned entities, held shares in the company or had taken shares in the company as a pledge. On May 24, 2024, the Annual Stockholders' Meeting of LANXESS AG resolved to issue an authorization for the purchase and utilization of own shares by the Board of Management. The authorization allows the Board of Management until May 23, 2027 to purchase shares in the company representing up to 10% of the capital stock at the time the resolution is passed or – if this figure is lower – the capital stock existing at the time this authorization is exercised, and to utilize them for any purpose permitted by law. This authorization may also be utilized by subsidiaries of the company or by third parties on behalf of the company or its subsidiaries. The Board of Management had not made use of this authorization as of year end 2024.

Capital reserves

The capital reserves of LANXESS AG are unchanged year-on-year at €1,230,828,913.

Other reserves

The €506 million increase in other reserves to €3,533 million is mainly due to the increase in retained earnings from €2,869 million to €3,375 million.

Retained earnings comprise prior years' undistributed income of companies included in the consolidated financial statements. They also contain remeasurements of the net defined benefit liability from post-employment benefit plans and the related tax effects. In addition, the earnings remaining in other equity components from equity instruments measured through other comprehensive income are transferred to retained earnings on their disposal or liquidation.

The effects of the remeasurement of the net defined benefit liability amounted to €100 million in fiscal year 2024 (previous year: minus €118 million). The tax effects to be taken into account amounted to minus €29 million (previous year: €34 million), resulting in a net effect of €71 million for the reporting year. Net effects from the remeasurement of the net defined benefit liability at investments accounted for using the equity method of €0 million (previous year: minus €3 million) were also taken into account.

Other equity components

The other equity components mainly comprise exchange differences from the translation of operations outside the eurozone, remeasurements of derivatives for purposes of cash flow hedge accounting and the corresponding hedging costs.

Capital management

The main purpose of capital management in the LANXESS Group is to maintain the long-term viability of the business operations and achieve an attractive return on capital compared with the chemical industry average. LANXESS's financial policy defines an additional condition for capital management, which is to maintain an investment-grade rating. To achieve this goal, the Group has to meet indicators set by the rating agencies. These are essentially calculated from the statement of financial position, the income statement or the statement of cash flows. Capital management in the LANXESS Group entails decisions by the relevant internal bodies on the capital structure shown on the statement of financial position, the appropriateness of the company's equity, the use of the distributable profit, the amount of the dividend, the financing of capital expenditures, and thus on issuances or repayments of debt. The articles of association of LANXESS AG do not contain any specific capital requirements.

The net financial debt ratio, defined as the ratio of net debt to EBITDA pre exceptionals, is used as a financial performance indicator at the Group level. Further information can be found under "Value Management and Control System" in the combined management report for fiscal year 2024.

€ million	2020	2021	2022	2023	2024
Non-current financial liabilities	2,265	2,829	3,417	2,938	2,428
Current financial liabilities	566	675	830	72	584
Less:					
Liabilities for accrued interest	(25)	(25)	(30)	(16)	(16)
Cash and cash equivalents	(271)	(643)	(324)	(146)	(299)
Near-cash assets	(1,523)	(491)	(79)	(350)	(316)
Net financial liabilities	**1,012**	**2,345**	**3,814**	**2,498**	**2,381**

14 | Provisions for Pensions and Other Post-Employment Benefits

Most employees in the LANXESS Group are entitled to retirement benefits on the basis of contractual agreements or statutory regulations. These are provided through defined contribution or defined benefit plans.

Defined contribution plans

Under defined contribution plans, the company pays contributions into separate pension funds. These contributions are included in the functional cost items as expenses for the respective year, and thus in the operating result. Once the contributions have been paid, the company has no further payment obligations. Payments to defined contribution plans in fiscal year 2024 totaled €42 million (previous year: €42 million)

Multi-employer plans

The pension plan in Germany financed through Bayer-Pensionskasse is also accounted for in the consolidated financial statements as a defined contribution plan. The above amounts include contributions of €18 million (previous year: €18 million) to Bayer-Pensionskasse. Contributions of about the same amount are expected for fiscal year 2025.

Bayer-Pensionskasse is a legally independent private insurance company and is therefore subject to the German Insurance Supervision Act. As the obligations of the participating entities are not confined to payment of the contributions for the respective fiscal year, Bayer-Pensionskasse constitutes a defined benefit multi-employer plan and therefore would generally have to be accounted for pro rata as a defined benefit plan.

Bayer-Pensionskasse is financed not on the principle of coverage for individual benefit entitlements, but on the actuarial equivalence principle, based on totals for the whole plan. This means that the sum of existing plan assets and the present value of future contributions must be at least equal to the present value of the future benefits payable under the plan. The LANXESS Group is therefore exposed to the actuarial risks of the other entities participating in Bayer-Pensionskasse. Thus no consistent or reliable basis exists for allocating the benefit obligation, plan assets and costs that would enable LANXESS to account for Bayer-Pensionskasse as a defined benefit plan in accordance with IAS 19. As contributions are based on future coverage of the total obligation, all participating entities pay contributions at the same rates based on the employee income levels on which social security contributions are payable. Bayer-Pensionskasse is therefore accounted for as a defined contribution plan and not as a defined benefit plan.

There are no minimum funding requirements, nor is there any information that could be used to estimate the future contributions on the basis of current under- or overfunding. The statutes do not provide for the sharing of any surplus or shortfall in the event that

Bayer-Pensionskasse is dissolved or LANXESS ceases to participate.

LANXESS's share of the total contributions to Bayer-Pensionskasse is 15% (previous year: 15%). Bayer-Pensionskasse has been closed to new members since January 1, 2005.

Defined benefit plans

The global post-employment benefit obligations are calculated at regular intervals by an independent actuary using the projected unit credit method. A period of three years is not exceeded. Comprehensive actuarial valuations are generally undertaken annually for all major post-employment benefit plans.

Contractually based defined benefit pension plans exist primarily in Germany, the U.S., and Great Britain.

The defined benefit pension obligations in Germany mainly relate to lifelong benefits payable in the event of death or disability or when the employee reaches retirement age. Benefits are determined on the basis of the total annual pension increments earned during the period of employment and vary according to employees' individual salaries. Additional pension entitlements exist that are related to salary components set aside by employees and are payable when they reach retirement age. Alongside direct commitments, the pension adjustment obligation assumed by Bayer-Pensionskasse is accounted for in a separate defined benefit plan in accordance with Section 16 of the German Occupational Pensions Improvement Act (BetrAVG). A new pension plan was agreed for employees joining from fiscal year 2017 in the form of a congruently defined benefit scheme which is funded on the basis of life insurance policies. The employer's obligation is fulfilled by the payment of the contribution to the covering life insurance policies. The covering life insurance policies are carried as plan assets via a CTA.

In the U.S. and Great Britain, the defined benefit obligations comprise, in particular, lifelong pension benefits, which are payable in the event of disability or death or when the employee reaches retirement age. The level of these benefits is determined from the total annual pension increments earned during the period of employment, depending on the employee's individual salary and the actual date of retirement. The existing defined benefit pension plans are closed to new employees. In some of the closed pension plans, no new pension entitlements are accrued and the employees are transferred to a defined contribution plan.

Only limited defined benefit pension obligations exist on the basis of statutory regulations. These principally comprise obligations to make a lump-sum payment if employment is terminated. The amount of this payment mainly depends on years of service and final salary.

The other post-employment benefit obligations primarily relate to the reimbursement of retirees' healthcare costs in North and South America. The other post-employment benefit obligations in Germany comprise other long-term benefits payable to employees and benefits payable upon termination of employment. These are mainly early-retirement benefits and collectively agreed salary components granted in the form of pension benefits. They are included in pension provisions as they are by nature pension entitlements.

Financing of the defined benefit pension obligations is achieved both internally through provisions and externally through legally independent pension funds. The pension obligations in Germany are partly covered on a voluntary basis via LANXESS Pension Trust e.V., Leverkusen, Germany. The allocation of funds to the LANXESS Pension Trust e.V. is dependent on future decisions by the company. In the U.S. and Great Britain, it is mandatory to primarily finance pension obligations through pension funds. Allocations to pension funds in the U.S. and Great Britain are determined by the regulatory environments and the need to comply with funding regulations. Contributions are paid mainly by the employer. The investment strategy is determined principally by the LANXESS Corporate Pension Committee and is designed to protect the capital, optimally manage risks, take into account changes in pension obligations and ensure the timely availability of pension assets. At the regional level, the strategy is generally directly coordinated and monitored by representatives of LANXESS via the relevant committees of the pension funds or of LANXESS Pension Trust e.V., taking regulatory requirements into account. On the basis of local regulations, the pension assets in Great Britain are managed by external trustees in close coordination with LANXESS.

Funding surpluses from defined benefit plans are recognized as receivables relating to pension obligations to the extent that they can be used to reduce future contributions, taking into account the asset ceiling. Defined benefit pension plans with *asset ceilings* essentially exist in the U.S. and Great Britain. The respective calculations are based on actuarial valuations. *Minimum funding* requirements for defined benefit plans may exist in Great Britain and other countries. These depend on the local regulatory framework and are recognized as additional pension provisions.

In fiscal year 2024, total expenses of €51 million (previous year: €51 million) for defined benefit plans were recognized in profit or loss and are split between the operating result and the financial result as follows:

Expenses for Defined Benefit Plans

	Pension plans		Other post-employment benefit plans	
€ million	2023	2024	2023	2024
Operating result				
Current service cost	30	30	1	1
Past service cost	3	0	–	0
Administration expenses/taxes	2	2	0	0
Actuarial gains and losses	–	–	0	0
Financial result				
Net interest	10	13	5	5
Amounts recognized in profit or loss	**45**	**45**	**6**	**6**

Administration expenses in the operating result contain expenses from the investment of assets that are not directly attributable to the earning of income on plan assets. The costs of managing the plan assets that are directly attributable to the earning of income on plan assets are recognized in other comprehensive income.

The actuarial gains and losses relate to other non-current employee benefits or termination benefits that are reported under other post-employment benefits on account of their nature as retirement benefits.

The net interest is the balance of the interest expense from compounding the defined benefit obligation, the interest expense from changes in the effects of the asset ceiling, and interest income from plan assets.

The table shows the amounts recognized in other comprehensive income rather than profit or loss in the reporting year:

Amounts Recognized in Other Comprehensive Income

	Pension plans		Other post-employment benefit plans	
€ million	2023	2024	2023	2024
Return on plan assets excluding amounts included in interest	87	27	4	4
Actuarial gains/losses from changes in demographic assumptions	7	0	(1)	0
Actuarial gains/losses from changes in financial assumptions	(184)	99	(2)	4
Actuarial gains/losses from experience adjustments	(24)	(29)	0	1
Changes in effects of the asset ceiling	1	0	(5)	(6)
Amounts recognized in other comprehensive income	**(113)**	**97**	**(4)**	**3**

The change in the net defined benefit liability for post-employment benefit plans is shown in the following table:

Changes in Net Defined Benefit Liability

€ million	Pension plans 2023	Pension plans 2024	Other post-employment benefit plans 2023	Other post-employment benefit plans 2024
Net defined benefit liability, Jan. 1	257	391	86	84
Amounts recognized in profit or loss	45	45	6	6
Amounts recognized in other comprehensive income	113	(97)	4	(3)
Employer contributions	(16)	(15)	0	(1)
Benefits paid	(6)	(7)	(10)	(8)
Other addition	0	6	0	0
Exchange differences	(2)	1	(2)	(1)
Adjustments according to IFRS 5	–	0	–	(2)
Net defined benefit liability, Dec. 31	**391**	**324**	**84**	**75**
Amounts recognized in the statement of financial position				
Receivables from pension obligations and other post-employment benefits	(23)	(30)	0	0
Provisions for pensions and other post-employment benefits	414	354	84	75
Net defined benefit liability, Dec. 31	**391**	**324**	**84**	**75**

The expected cash outflows for employer contributions and benefit payments in fiscal year 2025 are €16 million and €15 million, respectively, based on year-end 2024 exchange rates. In the previous year, the expected cash outflows for employer contributions and benefit payments in fiscal year 2024 were €15 million and €17 million, respectively, based on exchange rates at the end of fiscal year 2023.

The components of the reconciliation of the net recognized liability are explained in the following tables, which show the development of the defined benefit obligation, the external plan assets and the effects of the asset ceiling and explain the major changes.

The defined benefit obligation developed as follows:

Changes in Defined Benefit Obligation

€ million	Pension plans 2023	Pension plans 2024	Other post-employment benefit plans 2023	Other post-employment benefit plans 2024
Defined benefit obligation for pension commitments				
Defined benefit obligation, Jan. 1	1,812	2,019	96	93
Adjustment	–	(6)	–	–
Current service cost	30	30	1	1
Interest expense	72	70	6	5
Actuarial gains/losses from changes in demographic assumptions	(7)	0	1	0
Actuarial gains/losses from changes in financial assumptions	184	(99)	2	(4)
Actuarial gains/losses from experience adjustments	24	29	0	(1)
Past service cost	3	0	–	0
Settlements paid	(16)	(27)	–	–
Benefits paid	(75)	(84)	(11)	(9)
Other additions/disposals	(4)	6	–	–
Administration expenses/taxes	0	0	0	0
Exchange differences	(4)	17	(2)	0
Adjustments according to IFRS 5	–	(47)	–	(2)
Defined benefit obligation, Dec. 31	**2,019**	**1,908**	**93**	**83**

The adjustment results from an updated defined benefit obligation based on an individual assessment of headcount in the United Kingdom at the beginning of the year.

Of the defined benefit obligation for pensions, Germany accounts for 83% (previous year: 79%), the United States for 9% (previous year: 10%) and the United Kingdom for 6% (previous year: 9%).

The other post-employment benefit obligations comprise €66 million (previous year: €75 million) for the reimbursement of health care costs and €17 million (previous year: €18 million) for miscellaneous other benefit commitments.

Actuarial gains and losses from changes in demographic assumptions for pension obligations resulted in the previous year from the updated demographic assumptions due to the application of the adopted CMI 2022 mortality improvement tables in the United Kingdom. The adopted CMI 2023 mortality improvement tables were applied in the United Kingdom in fiscal year 2024.

In the previous year, actuarial gains from changes in demographic assumptions for other post-employment benefits resulted primarily from the updated demographic assumptions in Brazil.

Remeasurements of the defined benefit liability due to changes in actuarial gains and losses resulting from changes in financial assumptions are mainly attributable to changes in the discount rates for defined benefit obligations in the main countries of relevance for LANXESS and the adjustment of interest rates for inflation.

In both the reporting year and the previous year, the actuarial gains/losses from experience adjustments in the defined benefit plans primarily include losses from the adjustments of the pension trend for inflation that has already occurred in excess of the assumed pension increase rate. There were additional effects in the previous year from the update of capitalization factors between annuity and single payments in Germany. In contrast, actuarial gains resulted in the previous year from experience adjustments in the United Kingdom.

In fiscal year 2023, the past service cost for pension obligations resulted from the defined benefit plans in Germany.

The settlements paid for defined benefit pension obligations relate primarily to one plan in the United States in fiscal year 2024 and two Canadian plans in the previous year.

Other additions in fiscal year 2024 pertained to reclassifications from restructuring provisions to defined benefit pension obligations.

The exchange differences pertaining to defined benefit obligations mainly resulted from changes in the exchange rates for the U.S. dollar and the British pound.

The change in external plan assets is shown in the following table:

Changes in External Plan Assets

	Pension plans		Other post-employment benefit plans	
€ million	2023	2024	2023	2024
Plan assets at fair value				
Plan assets, Jan. 1	1,564	1,636	36	40
Adjustment	–	(6)	–	–
Interest income	62	57	2	2
Return on plan assets excluding amounts included in interest	87	27	4	4
Settlements paid	(16)	(27)	–	–
Employer contributions	16	15	0	1
Benefits paid	(69)	(77)	(1)	(1)
Other disposals	(4)	–	–	0
Administration expenses/taxes	(2)	(2)	0	0
Exchange differences	(2)	16	(1)	3
Adjustments according to IFRS 5	–	(54)	–	–
Plan assets, Dec. 31	**1,636**	**1,585**	**40**	**49**

The adjustment results from an updated defined benefit obligation based on an individual assessment of headcount in the United Kingdom at the beginning of the year.

Of the plan assets, Germany accounted for 81% (previous year: 76%), the United States for 9% (previous year: 10%) and the United Kingdom for 8% (previous year: 12%).

The settlements paid for defined benefit pension plans in fiscal year 2024 relate mainly to a plan in the United States.

In the previous year, settlements were paid for two defined benefit pension plans in Canada.

Employer contributions are used both for external funding of pension obligations where LANXESS is eligible for reimbursements of pension payments and for external funding of pension obligations where subsequent pension payments will be made directly out of external plan assets.

External funding where subsequent pension payments are made directly out of external plan assets totaled €15 million (previous year: €16 million). External funding where LANXESS can assert reimbursement claims mainly pertains to LANXESS Pension Trust e.V.

The exchange differences pertaining to plan assets mainly resulted from changes in the exchange rates for the U.S. dollar and the British pound.

Changes in the effects of the asset ceiling are shown in the following table:

Changes in effects of the asset ceiling

	Pension plans		Other post-employment benefit plans	
€ million	2023	2024	2023	2024
Jan. 1	9	8	26	31
Interest expense	0	0	1	2
Additions (+)/reversals (–)	(1)	–	5	6
Exchange differences	0	0	(1)	2
Adjustments according to IFRS 5	0	(7)	–	–
Dec. 31	**8**	**1**	**31**	**41**

Changes in the effects of the asset ceiling essentially relate to the British defined benefit pension plans and the North American defined benefit obligations for other post-employment benefits.

Minimum funding requirements

There were no minimum funding requirements for defined benefit plans in fiscal year 2024, as in the previous year, and there were no effects from minimum funding requirements.

The fair value of plan assets comprises:

Breakdown of Plan Assets as of December 31

€ million	2023	2024
Cash and cash equivalents	25	42
of which quoted in an active market	25	42
Equity instruments	466	240
of which quoted in an active market	466	240
Government bonds	164	349
of which quoted in an active market	164	349
Corporate bonds	592	548
of which quoted in an active market	592	548
Investment funds	186	229
of which quoted in an active market	47	3
Real estate	14	10
of which quoted in an active market	14	10
Insurance contracts	216	209
of which quoted in an active market	130	115
Other	13	7
of which quoted in an active market	13	18
	1,676	**1,634**

The plan assets do not include any real estate used by the company. As in the previous year, no share of the plan assets is attributable to financial instruments owned by the company. Index products could conceivably include LANXESS securities.

€7 million of the fair value of plan assets is attributable to "Other," comprising assets of €18 million traded on the active market and inflation swaps of minus €11 million.

The following weighted discount rates were used to calculate the defined benefit obligation and determine the pension expense:

Discount Rates as of December 31

	Pension plans		Other post-employment benefit plans	
in %	2023	2024	2023	2024
Discount rate	3.55	3.74	5.83	6.30
Germany	3.20	3.40	3.20	3.40
U.S.	5.20	5.44	5.13	5.39
Great Britain	4.50	5.50	–	–

The following weighted measurement assumptions were used for the other parameters:

Valuation Assumptions as of December 31

	Pension plans		Other post-employment benefit plans	
in %	2023	2024	2023	2024
Expected salary increases	2.6	2.6	5.4	5.8
Expected benefit increases	2.3	2.2	–	–
Expected increases in medical costs	–	–	6.7	6.7
Expected long-term increases in medical costs	–	–	5.3	5.3

The assumptions are weighted on the basis of the defined benefit obligation at year end. The discount rates used for Germany, the United States and the United Kingdom are derived from high-quality fixed-interest corporate bonds with the same maturities.

As in the previous year, the long-term cost increase for medical care is expected to take place within five years.

The 2018 G Heubeck mortality tables form the biometric basis for the computation of pension obligations in Germany. Current national biometric assumptions are used to compute benefit obligations at other Group companies.

A change in the principal valuation parameters would result in the following percentage changes in the defined benefit obligation:

Sensitivities of Defined Benefit Obligations as of December 31

	Pension plans		Other post-employment benefit plans	
in %	2023	2024	2023	2024
Discount rate				
+0.5% pt	(6.7)	(6.4)	(4.0)	(3.8)
–0.5% pt	7.5	7.2	4.3	4.1
Expected salary increases				
+0.25% pt	0.1	0.1	0.4	0.4
–0.25% pt	(0.1)	(0.1)	(0.3)	(0.4)
Expected benefit increases				
+0.25% pt	3.9	4.1	–	–
–0.25% pt	(3.8)	(3.9)	–	–
Mortality				
–10%	3.4	3.5	2.9	2.5
Expected increases in medical costs				
+1% pt	–	–	4.9	4.2
–1% pt	–	–	(4.1)	(3.5)

Sensitivity is calculated by altering one parameter while leaving all the others unchanged. The method used is the same as for the actuarial valuation of benefit obligations. However, sensitivity calculations depend on interest rate effects and the absolute change in the parameter.

Moreover, it is unlikely in practice that only one parameter would change, so the change in a parameter could correlate with other assumptions. Where the expected development of the parameter used in the sensitivity calculation was based on a different variation in the parameter, the stated change in the benefit obligation was approximated using the straight-line method.

The sensitivity of the mortality rates was calculated for the countries with material pension obligations. A reduction in mortality increases the individual life expectancy of beneficiaries. A 10% reduction would increase the average life expectancy of employees of retirement age in the countries of importance for LANXESS by about one year.

The weighted average duration of defined benefit pension obligations was 15 years (previous year: 15 years). This figure was based on weighted average durations of 16 years (previous year: 16 years) for Germany, 8 years (previous year: 7 years) for the U.S. and 11 years (previous year: 13 years) for Great Britain. The weighted average duration of the defined benefit obligations for other post-employment benefits was 9 years (previous year: 9 years).

The funded status is reported in the following table as the underfunding or overfunding of the defined benefit obligation after deduction of plan assets, without taking into account changes in the effects of the asset ceiling or minimum funding requirements:

Funded Status, December 31

€ million	Pension plans 2023	Pension plans 2024	Other post-employment benefit plans 2023	Other post-employment benefit plans 2024
Funded status				
Defined benefit obligation for funded plans	1,911	1,805	12	12
External plan assets	(1,636)	(1,585)	(40)	(49)
Underfunding/ overfunding of funded plans	**275**	**220**	**(28)**	**(37)**
Defined benefit obligation for unfunded plans	108	103	81	71
Funded status, Dec. 31	**383**	**323**	**53**	**34**

Other Provisions

€ million	Dec. 31, 2023 Up to 1 year	Dec. 31, 2023 1 to 5 years	Dec. 31, 2023 Over 5 years	Dec. 31, 2023 Total	Dec. 31, 2024 Up to 1 year	Dec. 31, 2024 1 to 5 years	Dec. 31, 2024 Over 5 years	Dec. 31, 2024 Total
Personnel	66	19	18	103	102	22	14	138
Environmental protection	28	40	101	169	36	46	85	167
Trade-related commitments	125	1	–	126	95	1	–	96
Asset retirement obligations	9	11	54	74	10	11	52	73
Restructuring	44	23	1	68	16	19	2	37
Miscellaneous	66	18	13	97	71	17	11	99
	338	**112**	**187**	**637**	**330**	**116**	**164**	**610**

15 | Other Non-Current and Current Provisions

On December 31, 2024, the LANXESS Group had other current provisions of €330 million (previous year: €338 million) and other non-current provisions of €280 million (previous year: €299 million). The maturity structure of other provisions is shown in the following table:

In total, other provisions decreased from €637 million to €610 million in fiscal year 2024. The changes in other provisions were as follows:

Changes in Other Provisions in 2024

€ million	Jan. 1, 2024	Addition	Interest effect	Utilization	Release	Exchange differences, reclassifica-tions	Adjust-ments according to IFRS 5	Dec. 31, 2024
Personnel	103	103	1	(61)	(8)	1	(1)	138
Environmental protection	169	9	7	(17)	(8)	8	(1)	167
Trade-related commitments	126	81	0	(90)	(22)	1	0	96
Asset retirement obligations	74	2	2	(3)	(5)	3	0	73
Restructuring	68	4	0	(20)	(8)	(7)	–	37
Miscellaneous	97	28	1	(18)	(7)	(2)	0	99
	637	**227**	**11**	**(209)**	**(58)**	**4**	**(2)**	**610**

Personnel-related provisions

Personnel-related provisions pertain particularly to one-year performance-related compensation and the multi-year compensation programs.

Multi-year compensation programs

Stock-based compensation

LANXESS AG offers a stock-based compensation program to members of the Board of Management and top-level managers. The program provides for cash settlement. The existing Long-Term Stock Performance Plans (LTSP) were introduced in fiscal years 2018 and 2022.

LTSP 2018–2021 was introduced in Germany and the U.S. in fiscal year 2018. The tranche has a total term of four years and corresponds to the vesting period. The issue date for the rights granted and still outstanding is January 1 of each year. For each year during the term of the LTSP plan, the basic price of the company's stock is calculated from the average closing prices for the stock in Xetra® trading on the Frankfurt Stock Exchange. To calculate the average, for each tranche year the closing prices of the last ten trading days in the calendar month of December of the previous year and the closing prices for the first ten trading days of the calendar month of January of the current tranche year are calculated. The value of a right is dependent on the average performance of LANXESS stock relative to the MSCI World Chemicals

Index during the vesting period. The performance relative to the index is calculated individually for each of the four years of the vesting period. The values for the four fiscal years falling in the respective tranche are then added together and averaged. Rights are exercised automatically at the end of the vesting period. If the stock outperforms the index by 85 percentage points or more, at least €0.50/US$0.50 is paid out. An additional €0.03/US$0.03 is paid out for each percentage point up to a performance of 100 percentage points. If the stock outperforms the index by between 100 and 115 percentage points, a further €0.06/US$0.06 will be paid per percentage point, resulting in a maximum possible payment of €2.00/US$2.00.

The LTSP 2022–2025 program introduced in fiscal year 2022 is essentially identical to the LTSP 2018–2021. Unlike the previous compensation program, awards under LTSP 2022–2025 are based on the performance of LANXESS stock relative to the FTSEurofirst 300 Eurozone Chemicals.

Obligations arising from the stock-based compensation are valued on the basis of the following principal parameters:

Principal Parameters as of December 31

in %	2023	2024
Expected share price volatility	42.0	39.0
Expected dividend payment	2.0	2.0
Expected volatility of MSCI World Chemicals Index	20.0	14.0
Correlation between LANXESS stock and MSCI World Chemicals Index	64.0	53.0
Expected volatility of FTSEurofirst 300 Eurozone Chemicals Index	22.0	17.0
Correlation between LANXESS stock and FTSEurofirst 300 Eurozone Chemicals Index	73.0	65.0

The relevant risk-free interest rate in the reporting year was 2.17% (previous year: 1.91%).

The expected volatilities of the share and the correlation with the index are based on the prices and index values of the past four years.

The following table provides information on the tranches outstanding:

Long-Term Stock Performance Plan

	LTSP 2018–2021		LTSP 2022–2025		
	2020 tranche	2021 tranche	2022 tranche	2023 tranche	2024 tranche
Duration	4 years	4 years	4 years	4 years	4 years
Vesting period	4 years	4 years	4 years	4 years	4 years
Initial LANXESS share price	€59.39	€63.01	€55.30	€40.10	€27.61
Initial MSCI World Chemicals Index price	326.83 points	376.38 points	–	–	–
Initial FTSEurofirst 300 Eurozone Chemicals Index price	–	–	4,907.86 points	4,152.40 points	4,720.19 points
Fair value per right as of Dec. 31, 2023	€0.00[1]	€0.15[1]	€0.36[1]	€0.48[1]	–
Fair value per right as of Dec. 31, 2024	–	€0.00[1]	€0.25[1]	€0.40[1]	€0.83[1]
Change in number of outstanding rights					
Outstanding rights as of Dec. 31, 2023	10,470,717	11,447,083	12,778,011	14,440,485	–
Rights granted	–	–	–	–	14,903,850
Rights exercised	–	–	–	–	–
Rights compensated	–	–	(1,020,427)	(997,173)	(526,110)
Rights forfeited	(10,470,717)	(1,236,467)	(281,293)	(339,022)	(372,295)
Outstanding rights as of December 31, 2024	**0**	**10,210,616**	**11,476,291**	**13,104,290**	**14,005,445**

1) The same payment amount in USD applies to the tranches of the U.S. plans.

LANXESS shares were trading at €23.58 (previous year: €28.37) as of the end of 2024. The MSCI World Chemicals benchmark index stood at 397.82 points (previous year: 415.26) while FTSEurofirst 300 Eurozone Chemicals was at 4,419.33 points (previous year: 4,795.58).

Due to the performance of the LANXESS share relative to the benchmark and to the granting, settlement or forfeiture of rights, the net expense in fiscal year 2024 was €3 million (previous year: net income of €3 million). A provision of €8 million existed as of December 31, 2024 (previous year: €5 million). In the current reporting year, as in the previous year, the rights exercisable as of the end of the reporting period had an intrinsic value of €0 million.

Environmental provisions

The LANXESS Group's activities are subject to extensive legal requirements in the jurisdictions in which it does business. Compliance with environmental laws may require LANXESS to remove or mitigate the effects of the release or disposal of chemical substances at various sites. Under some of these laws, a current or previous site owner or plant operator may be held liable for the costs of removing hazardous substances from the soil or groundwater on its property or neighboring areas, or rendering them harmless, without regard to whether the owner or operator knew of or caused the presence of the contaminants, and often regardless of whether the practices that resulted in the contamination were legal at the time they occurred. As many of LANXESS's production sites have a long history of industrial use, it is not always possible to accurately predict the effects such situations may have on the LANXESS Group in the future.

As LANXESS is a chemical company, the possibility therefore cannot be excluded that soil or groundwater contamination may have occurred at its locations in the past. Claims in this regard could be brought by government agencies, private organizations or individuals. Such claims would then relate to the remediation of sites or areas of land owned by the LANXESS Group where products were manufactured by third parties under contract manufacturing agreements or where waste from production facilities operated by the LANXESS Group was treated, stored or disposed of.

The existing provisions for environmental remediation costs relate primarily to the rehabilitation of contaminated sites, recultivation of landfills, and redevelopment and water protection measures. The provisions for environmental remediation costs are stated at the present value of the expected commitments where environmental assessments or clean-ups are probable, the costs can be reasonably estimated and no future economic benefit is expected to arise from these measures. Costs are estimated based on significant factors such as previous experience in similar cases, environmental assessments, current cost levels and new circumstances affecting costs, current environmental laws and regulations, the number of other potentially responsible parties at each site and the identity and financial position of such parties in light of the joint and several nature of the liability, and the remediation methods likely to be employed.

It is difficult to estimate the future costs of environmental protection and remediation particularly because of many uncertainties concerning the legal requirements and the information available about conditions in the various countries and at specific sites. This is especially true because global climate change and the transition to a low-carbon economy mean that new legal requirements to protect the environment and combat climate change can be introduced at any time. Subject to these factors, but taking into consideration experience gained to date with matters of a similar nature, LANXESS believes the provisions to be adequate based upon currently available information. However, the possibility that additional costs could be incurred beyond the amounts accrued cannot be ruled out. LANXESS nevertheless estimates that such additional costs, should they occur, would not materially impact the Group’s earnings, asset and financial position.

Provisions for trade-related commitments

The provisions essentially relate to energy services not yet invoiced and outstanding invoices for performance completed to date. They also comprise provisions for impending losses and onerous contracts.

Asset retirement obligations

The provisions pertain to expected charges for the dismantling of existing plants and buildings.

Provisions for restructuring

Provisions for restructuring totaled €37 million (previous year: €68 million) as of December 31, 2024 comprising €26 million (previous year: €51 million) for human resources measures, €10 million (previous year: €16 million) for environmental protection measures and €1 million (previous year: €1 million) for other restructuring provisions.

Miscellaneous provisions

Miscellaneous provisions comprise provisions for legal disputes and for other obligations.

Sensitivity analysis

The LANXESS Group performed sensitivity analyses on provisions for the 2024 consolidated financial statements, as required by IFRS. These involved calculating the impact of isolated variations in the parameters used, especially the forecast probability of occurrence, discount rate and absolute level of risk. The outcome of these sensitivity analyses shows that variations in the assumptions described above would not have a material impact on the level of other provisions reported in the consolidated financial statements of the LANXESS Group.

16 | Other Non-Current and Current Financial Liabilities

The following tables show the structure and maturities of other financial liabilities:

Other Financial Liabilities as of December 31, 2023

€ million	Current 2024	Non-current 2025	2026	2027	2028	> 2028	Total non-current
Bonds	**16**	498	498	596	597	594	**2,783**
Liabilities to banks	**2**	–	–	–	–	–	**–**
Lease liabilities	**50**	41	34	25	11	43	**154**
Other primary financial liabilities	**4**	0	0	–	–	1	**1**
	72	**539**	**532**	**621**	**608**	**638**	**2,938**

Other Financial Liabilities as of December 31, 2024

€ million	Current 2025	Non-current 2026	2027	2028	2029	> 2029	Total non-current
Bonds	**516**	499	597	597	595	–	**2,288**
Liabilities to banks	**5**	–	–	–	–	–	**–**
Lease liabilities	**51**	44	32	16	8	39	**139**
Other primary financial liabilities	**12**	–	–	–	–	1	**1**
	584	**543**	**629**	**613**	**603**	**40**	**2,428**

Lease installments of €212 million (previous year: €227 million) are payable to the respective lessors in subsequent years. The interest component included amounts to €22 million (previous year: €23 million).

In the LANXESS Group, the following bonds were outstanding on December 31, 2024:

Bonds

Issuance	Nominal amount € million	Carrying amount € million	Interest rate %	Maturity
April 2012	100	103	3.950	April 2027
October 2016	500	500	1.000	October 2026
May 2018	500	503	1.125	May 2025
September 2021	500	498	0.000	September 2027
December 2021	600	595	0.625	December 2029
March 2022	600	605	1.750	March 2028

Accrued interest amounts to €16 million (previous year: €16 million) and is included in the carrying amounts of the bonds.

Information on the fair values of financial liabilities and the contractually agreed payments, especially interest payments, is given in Note [37].

17 | Non-Current and Current Income Tax Liabilities

The non-current income tax liabilities of €5 million (previous year: €17 million) essentially comprise uncertain tax positions for ongoing tax proceedings. The decrease resulted primarily from completed audits.

Current income tax liabilities of €48 million (previous year: €42 million) essentially include taxes incurred for the fiscal year but not yet paid.

18 | Other Non-Current and Current Liabilities

Other non-current liabilities break down as follows at the end of the reporting period:

Other Non-Current Liabilities

€ million	Dec. 31, 2023	Dec. 31, 2024
Contract liabilities	12	14
Asset subsidies granted by third parties	12	8
Social security liabilities	7	5
Miscellaneous liabilities	7	7
	38	**34**

The asset subsidies granted by third parties include government grants that are contingent upon the maintenance of employment or the use of assets for the company's own production purposes over defined periods of time.

Other Current Liabilities

€ million	Dec. 31, 2023	Dec. 31, 2024
Other tax liabilities	41	34
Payroll liabilities	25	20
Contract liabilities	18	20
Social security liabilities	15	14
Miscellaneous liabilities	22	31
	121	**119**

Other tax liabilities include not only Group companies' own tax liabilities, but also taxes withheld for payment to the authorities on behalf of third parties. Payroll liabilities relate to obligations to employees. Social security liabilities include, in particular, social insurance contributions that had not been paid by the closing date. Miscellaneous liabilities essentially comprise accruals for outstanding invoices relating to the reporting period.

Contract liabilities are recognized in accordance with IFRS 15 primarily for advance consideration received for which performance has not yet been rendered.

Contract Liabilities

€ million	2023	2024
Jan. 1	22	30
Cumulative catch-up adjustments to revenues	2	(5)
Additions	23	27
Revenue recognized that was included in the beginning balance	(16)	(18)
Changes to companies consolidated	(1)	–
Exchange differences	0	0
Dec. 31	**30**	**34**

€11 million (previous year: minus €8 million) of the cumulative catch-up adjustments to revenues relate to earlier periods. The additions essentially relate to advance payments from customers for outstanding performance obligations. The revenue recognized from the opening balance mainly relates to prior-year payments from customers and the recognition of the values for the quantities delivered in the reporting year from the business model of manufacturing products on the basis of long-term supply agreements with a contractually defined minimum purchase requirement, which are included in the opening balance.

19 | Trade Payables

In fiscal year 2024, trade payables amounted to €648 million (previous year: €584 million) and were due within one year, as in the previous year. The increase resulted primarily from the demand-driven expansion of production and from currency effects.

20 | Further Information on Liabilities

€46 million of total liabilities (previous year: €647 million) have maturities of more than five years. The year-on-year decline resulted primarily from a bond with a nominal volume of €600 million switching maturity band to less than five years.

NOTES TO THE INCOME STATEMENT

21 | Sales

Sales, which amount to €6,366 million (previous year: €6,714 million), mainly comprise sales of internally generated chemical products less discounts and rebates. The services relate to sales- and product-related services, tolling agreements and other long-term services. The decline in sales from the sale of products resulted primarily from lower selling prices driven by raw material and energy prices. A breakdown of sales and the change in sales by segment and region is given in the segment information (see Note [39]).

Type of Revenues

€ million	2023	2024
Sales of goods	6,603	6,274
Services	111	92
	6,714	**6,366**

Revenue Recognition

€ million	2023	2024
Point in time	6,075	5,960
Over time	639	406
	6,714	**6,366**

The sales recognized over time relate to the business model of manufacturing customer-specific products on the basis of long-term sales contracts with contractually defined minimum purchase requirements of €314 million (previous year: €528 million) and to services rendered over time of €92 million (previous year: €111 million).

For information on the effects of changes in contract assets and contract liabilities on sales, please refer to the respective reconciliations in Notes [5] and [18].

Under the business models of manufacturing products or customer-specific products on the basis of long-term sales contracts with contractually defined minimum purchase requirements, there were unfulfilled performance obligations of €2,014 million as of December 31, 2024 (previous year: €2,064 million). The associated sales are expected to be as follows:

Maturity Structure of Revenues

€ million	2023	2024
Up to 1 year	620	666
1 to 2 years	419	524
2 to 3 years	329	338
3 to 4 years	248	192
4 to 5 years	156	87
Over 5 years	292	207
	2,064	**2,014**

22 | Cost of Sales

The cost of sales breaks down as follows:

Cost of Sales

€ million	2023	2024
Expenses for raw materials and merchandise	2,993	2,680
Direct manufacturing and other production costs	2,453	2,388
	5,446	**5,068**

The manufacturing costs include, among other costs, those for personnel, depreciation, amortization, write downs, energies, and goods and services procured. The other production costs particularly comprise inventory valuation effects.

The decline was chiefly attributable to lower procurement prices for raw materials and energies, as well as savings from the FORWARD! action plan. As in the previous year, emissions rights were also sold to compensate for high energy costs.

23 | Selling Expenses

The breakdown of selling expenses is as follows:

Selling Expenses

€ million	2023	2024
Marketing costs	583	584
Outward freight charges and other selling expenses	350	306
	933	**890**

The selling expenses essentially comprise those for the internal and external marketing and sales organization, freight charges, warehousing, packaging and the provision of advice to customers.

24 | Research and Development Expenses

The research and development expenses of €104 million (previous year: €99 million) mainly include the costs incurred to gain new scientific and technical knowledge, expenses relating to the search for alternative products and production processes, and costs for applying the results of research.

25 | General Administration Expenses

The general administration expenses, amounting to €258 million (previous year: €279 million), comprise costs not directly related to operational business processes and the costs for the country organizations.

26 | Other Operating Income

Other operating income breaks down as follows:

Other Operating Income

€ million	2023	2024
Income from non-core business	35	49
Income from the reversal of provisions	3	3
Income from hedging with derivative financial instruments	0	3
Exceptional items	1	1
Miscellaneous operating income	39	25
	78	**81**

Income from non-core business primarily includes income in connection with administrative services performed for Envalior.

Exceptional items include income from the reversal of provisions recognized as exceptional items in previous years. Based on economic relevance, they comprise €1 million allocated to the cost of sales. In the previous year, €1 million was allocated to general administration expenses.

27 | Other Operating Expenses

Other operating expenses break down as follows:

Other Operating Expenses

€ million	2023	2024
Exceptional items	616	82
Expenses for non-core business	35	45
Expenses for hedging with derivative financial instruments	3	–
Miscellaneous operating expenses	49	28
	703	**155**

The exceptional items in fiscal year 2024 comprised expenses of €21 million for strategic IT projects, €12 million in connection with the FORWARD! action plan, and €49 million for M&A activities, digitalization and other measures.

Of the exceptional items of €82 million (previous year: €616 million) in fiscal year 2024, based on economic relevance, €74 million (previous year: €177 million) related to general administration expenses, €8 million (previous year: €33 million) related to the cost of sales and €0 million (previous year: €406 million) related to other operating expenses.

In the previous year, the exceptional items included the write-downs on the goodwill of the Flavors & Fragrances and Polymer Additives business units of €406 million resulting from the impairment testing of cash-generating units as of December 31, 2023. Further information on the background and scope of the impairment can be found in the "Impairment Testing" section (see Note [1]). In addition, exceptional items included expenses of €111 million in connection with the FORWARD! action plan. Furthermore, there were exceptional items of €25 million for strategic IT projects and of €14 million for the strategic realignment. There were also exceptional items of €8 million for restructuring measures to adapt the production network and of €52 million for M&A activities, digitalization and other measures.

Expenses for non-core business primarily include expenses in connection with administrative services performed for Envalior.

28 | Financial Result

The financial result breaks down as follows:

Financial Result

€ million	2023	2024
Result from investments accounted for using the equity method	**(172)**	**(133)**
Interest income	10	6
Interest expense	(70)	(47)
Net interest expense	**(60)**	**(41)**
Interest expense from compounding interest-bearing provisions	(26)	(29)
Net exchange gain/loss	11	15
Miscellaneous financial expense and income	(32)	20
Dividends and income from other affiliated companies	0	(1)
Other financial income and expense	**(47)**	**5**
Financial result	**(279)**	**(169)**

The result from investments accounted for using the equity method of minus €133 million (previous year: minus €172 million) is attributable to the subsequent measurement of the investment in Envalior GmbH, Cologne, Germany, and of the investment in Viance LLC, Wilmington, United States.

Interest expense includes in particular payments of bond interest adjusted for capitalized borrowing costs of €0 million (previous year: €1 million). Interest expense also includes the interest portion of the lease payments under leases, amounting to €6 million (previous year: €5 million).

Other financial expenses and income include income of €25 million (previous year: €33 million) resulting from the measurement of a shareholder loan to Envalior GmbH at fair value. The shareholder loan with a nominal amount of €200 million was granted in connection with the foundation of Envalior. The measurement of a right to offer in connection with the minority interest in Envalior resulted in expenses of €5 million (previous year: €68 million). Further information on the right to offer can be found under "Financial Instruments" in the "Fair value measurement" section. Other financial expenses and income also include expenses of €3 million (previous year: €3 million) from the measurement of financial instruments in connection with the company Standard Lithium Ltd., Vancouver, Canada. In addition, this item includes income of €9 million (previous year: €6 million) from the measurement of near-cash financial assets at fair value and the monetary loss of €5 million (previous year: €1 million) from restating the price level in the context of financial reporting in hyperinflationary economies.

29 | Income Taxes

This item comprises the income taxes paid or accrued in the individual countries, plus deferred taxes. Income taxes are computed on the basis of local tax rates.

The breakdown of income taxes by origin is as follows:

Income Taxes by Origin

€ million	2023	2024
Current taxes	(18)	(40)
Deferred taxes		
temporary differences	83	9
statutory changes in tax rates	0	0
loss carryforwards	40	52
Income taxes	**105**	**21**

The actual tax income for fiscal year 2024 was €21 million (previous year: tax income of €105 million). This was €36 million (previous year: €170 million) less than the expected tax income of €57 million (previous year: tax income of €275 million).

Current taxes included tax income of €4 million (previous year: tax income of €6 million) for previous years and tax expense resulting from global minimum taxation requirements.

The OECD Base Erosion and Profit Shifting (BEPS) Pillar Two requirements were codified in German law (Minimum Tax Act) for the first time at the end of 2023 and went into effect on January 1, 2024. These rules are applicable to the LANXESS Group.

As of the closing date, LANXESS carried out an analysis to determine the impact and the jurisdictions from which the LANXESS Group is exposed to possible effects in connection with a Pillar Two Income Inclusion Rule. First it was checked whether the country-by-country reporting (CbCR) safe harbor regulations were applicable. If a country was not excluded from the Pillar Two calculation after checking the CbCR safe harbor regulations, the effective tax rate was calculated on a simplified basis. Some countries are not subject to the CbCR safe harbor rules.

On this basis, BEPS Pillar Two resulted in expected tax expense of about €2 million that is recognized in actual tax expense for the LANXESS Group at the level of LANXESS AG as the parent company.

LANXESS applies the exception in IAS 12 according to which an entity does not recognize or disclose information on deferred tax assets and liabilities related to the OECD Pillar Two income taxes.

In calculating the expected tax expense for the LANXESS Group, the aggregated tax rate of 29.0% (previous year: 29.0%) for the income tax group of LANXESS AG was applied. This comprises a corporation tax rate of 15.0%, plus the solidarity surcharge (5.5% of corporation tax) and trade tax.

The reconciliation of the expected tax result to the actual tax result is as follows:

Reconciliation to Actual Tax Result

€ million	2023	2024
Income before income taxes	(947)	(197)
Aggregated income tax rate of LANXESS AG (tax group)	29.0%	29.0%
Expected tax result	275	57
Tax difference due to differences between local tax rates and the hypothetical tax rate	(7)	12
Reduction in taxes due to tax-free income and reduction of tax bases	13	20
Increase in taxes due to		
non-tax-deductible expenses	(125)	(18)
unrecognized deferred taxes on tax losses and temporary differences	(19)	(17)
Taxes for previous years	16	(4)
At equity accounting	(50)	(39)
Other tax effects	2	10
Actual tax result	**105**	**21**
Effective tax rate	11.1%	10.7%

In the previous year, the non-tax-deductible expenses primarily related to impairment on the goodwill of the Flavors & Fragrances and Polymer Additives cash-generating units. Further information on impairment testing can be found in the “Impairment Testing” section (see Note [1]).

The other tax effects of €10 million (previous year: €2 million) resulted mainly from the use of loss carryforwards for which no deferred tax assets were recognized.

The deferred tax assets and liabilities are allocable to the various items of the statement of financial position as follows:

Deferred Taxes

	Dec. 31, 2023		Dec. 31, 2024	
€ million	Less deferred tax assets	Deferred tax liabilities	Less deferred tax assets	Deferred tax liabilities
Intangible assets	6	209	6	211
Property, plant and equipment	4	211	4	209
Inventories	52	6	60	19
Receivables and other assets	49	91	83	107
Pension provisions	145	–	110	–
Other provisions	75	2	65	0
Liabilities	35	0	41	1
Loss carryforwards	124	–	177	–
	490	**519**	**546**	**547**
of which non-current	279	425	297	428
Set-off	(325)	(325)	(379)	(379)
	165	**194**	**167**	**168**

The change in deferred taxes is calculated as follows:

Changes in Deferred Taxes

€ million	Jan. 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Adjustments according to IFRS 5	Dec. 31, 2024
Intangible assets	(203)	5	–	(7)	–	(205)
Property, plant and equipment	(207)	10	–	(10)	2	(205)
Inventories	46	(6)	–	1	–	41
Receivables and other assets	(42)	29	(10)	(1)	–	(24)
Pension provisions	145	(19)	(16)	–	–	110
Other provisions	73	(10)	–	2	–	65
Liabilities	35	4	1	–	–	40
Loss carryforwards	124	48	–	5	–	177
	(29)	**61**	**(25)**	**(10)**	**2**	**(1)**

The deferred taxes recognized in other comprehensive income comprised minus €28 million (previous year: €35 million) relating to remeasurements of the net defined benefit liability for post-employment benefit plans and €3 million (previous year: €1 million) relating to financial instruments. In addition, other comprehensive income contains current taxes of €1 million (previous year: minus €1 million).

Deferred tax assets of €138 million (previous year: €140 million), which exceed the reversal of taxable temporary differences, relate to tax jurisdictions in which losses were incurred in fiscal year 2024 or the previous year. Deferred taxes assets of €136 million (previous year: €134 million) are attributable to the German tax group, which primarily result from the different tax valuation of pension provisions. In addition, deferred tax assets exceeding the earnings effects from the reversal of taxable temporary differences include €130 million (previous year: €81 million) in deferred taxes on loss carryforwards. Based on tax planning calculations and strategies, and on measures already undertaken such as the FORWARD! action plan and further steps to strengthen long-term competitiveness, LANXESS assumes that it will generate sufficient taxable income in the future to realize the deferred tax assets.

Based on tax planning calculations and strategies, deferred tax assets of €177 million (previous year: €124 million) were recognized on the €585 million (previous year: €396 million) in tax loss carryforwards that represent income likely to be realized in the future. This amount included deferred taxes of €140 million (previous year: €87 million) on loss carryforwards with an unlimited carryforward period.

Deferred taxes were not recognized for €220 million (previous year: €249 million) of tax loss carryforwards. Of this amount, €129 million (previous year: €107 million) can theoretically be used over more than five years. No deferred tax assets were recognized in fiscal year 2024 for tax-deductible temporary differences of €74 million (previous year: €82 million). Accordingly, deferred taxes on loss carryforwards of €61 million (previous year: €67 million) and deferred tax assets on tax-deductible temporary differences of €19 million (previous year: €21 million) were not recognized.

30 | Earnings and Dividend per Share

Earnings per share in fiscal year 2024 were minus €2.05, and were attributable entirely to continuing operations. Earnings per share in the previous year amounted to minus €9.76 from continuing operations and €14.89 from discontinued operations. The values were calculated by dividing net income by the weighted average number of LANXESS shares outstanding during the reporting period. As of December 31, 2024, a total of 86,346,303 shares were outstanding. Since there are currently no equity instruments in issue that could dilute earnings per share, basic and diluted earnings per share are identical. Further information on equity instruments that could dilute earnings per share in the future is contained in Note [13].

Earnings per Share

	2023	2024
Net income (€ million)	443	(177)
from continuing operations	(843)	(177)
from discontinued operations	1,286	–
Weighted average number of shares outstanding	86,346,303	86,346,303
Earnings per share (basic/diluted) (€)	**5.13**	**(2.05)**
from continuing operations	(9.76)	(2.05)
from discontinued operations	14.89	–

LANXESS AG reported a distributable profit of €343 million for fiscal year 2024 (previous year: €442 million). The dividend payment made to stockholders of LANXESS AG for fiscal year 2023 amounted to €0.10 per share (previous year: €1.05 per share).

31 | Personnel Expenses

The breakdown of personnel expenses is as follows:

Personnel Expenses

€ million	2023	2024
Wages and salaries	1,121	1,087
Social security contributions	191	193
Retirement benefit expenses	79	77
Social assistance benefits	13	12
	1,404	**1,369**

The decline in personnel expenses in fiscal year 2024 is primarily attributable to reduced headcount in connection the FORWARD! action plan. Higher performance-related compensation and pay adjustments had an opposing effect. The personnel expenses shown here do not contain the interest expenses for compounding personnel-related provisions, especially pension provisions, which is reflected in the financial result (see Note [28]).

OTHER INFORMATION

32 | Employees

The average number of employees in the LANXESS Group in 2024 was 12,451 (previous year: 13,030). The decline in headcount compared with the previous year resulted mainly from measures undertaken within the scope of the FORWARD! action plan. The breakdown of employees is as follows:

Employees by Function

	2023	2024
Production	9,155	8,855
Administration	1,925	1,829
Marketing and sales	1,470	1,335
Research and development	480	432
	13,030	**12,451**

33 | Contingent Liabilities and Other Financial Commitments

Contingent liabilities result from guarantees and similar instruments assumed on behalf of third parties. They represent potential future commitments in cases where the occurrence of certain events would create an obligation that was uncertain as of the closing date. An obligation to perform under such contingent liabilities arises in the event of delayed settlement or insolvency of the debtor.

As in the previous year, there were no contingent liabilities to third parties as of December 31, 2024.

Financial commitments resulting from orders already placed under purchase agreements relating to planned or ongoing capital expenditure projects in the area of property, plant and equipment and intangible assets totaled €152 million (previous year: €130 million). All of these payments are due in fiscal year 2025. In fiscal year 2024, €135 million of this total was attributable to property, plant and equipment (previous year: €112 million) and €17 million to intangible assets (previous year: €18 million).

Description of the master agreement

Under the master agreement concluded between Bayer AG and LANXESS AG together with the Spin-Off and Takeover Agreement, Bayer AG and LANXESS AG agreed, among other things, on commitments regarding mutual indemnification for liabilities in line with the respective asset allocation and on special arrangements allocating responsibility to deal with claims in the areas of product liability, environmental contamination and antitrust violations. The master agreement also contains arrangements for the allocation of tax effects relating to the spin-off and to the preceding measures to create the subgroup that was subsequently spun off. Possible claims from the agreement with the exception of environmental contamination have expired under the statute of limitations. Should specific risks resulting from claims based on the agreement be identified, provisions will be established for this purpose. There are no further contingent liabilities.

34 | Related Parties

In the course of its operations, the LANXESS Group sources materials, inventories and services from a large number of business partners around the world. These include companies in which LANXESS AG has a direct or indirect interest (see “Companies consolidated”). Transactions with these companies are carried out on an arm’s length basis.

The LANXESS Group generated sales of €90 million (previous year: €56 million) and other operating income of €40 million (previous year: €36 million) from transactions with affiliated companies, of which sales of €61 million (previous year: €25 million) and other operating income of €40 million (previous year: €36 million) are attributable to relationships with Envalior GmbH and its affiliated companies. The services purchased by LANXESS in 2024 in the amount of €10 million (previous year: €8 million) are based on trade relationships with Envalior GmbH and its affiliated companies.

As of December 31, 2024, these trade relationships as well as leasing, financing, and other transactions resulted in receivables of €250 million (previous year: €235 million) and liabilities of €6 million (previous year: €4 million). These comprise receivables of €246 million (previous year: €224 million) and liabilities of €6 million (previous year: €4 million) from transactions with Envalior GmbH and its affiliated companies.

Since Envalior was founded as of April 1, 2023, Envalior GmbH, Cologne, Germany, has been included in the LANXESS consolidated financial statements using the equity method. In connection with the foundation of Envalior, Envalior GmbH received a shareholder loan at a nominal amount of €200 million from LANXESS.

In addition, members of the Board of Management and the Supervisory Board as well as their close family members were identified as related parties. As in the previous year, there were no business transactions subject to reporting requirements in fiscal year 2024. Information on the compensation of the Board of Management and Supervisory Board can be found in the next section.

35 | Compensation of the Board of Management and the Supervisory Board

In addition to the fixed compensation, compensation for Board of Management members also comprises short-term and long-term variable compensation components. The two variable compensation components – the Annual Performance Payment (APP) for the Board of Management and the Long-Term Incentive (LTI) – are linked to LANXESS's annual performance and performance over a number of years and thus reward the sustainable, value-oriented development of the company. The short-term variable compensation component APP includes a financial and a non-financial performance criterion. Currently, the financial performance criterion is EBITDA (operating earnings before depreciation, amortization, write-downs and reversals) pre exceptionals and the non-financial performance criterion is the lost time injury frequency rate (LTIFR: accidents per million hours worked) for accidents with days lost. The long-term variable compensation component consists of the Sustainability Performance Plan (SPP), which replaces the Long-Term Performance Bonus (LTPB) that ended on December 31, 2023, and the Long-Term Stock Performance Plan (LTSP). The SPP considers a non-financial sustainability criterion, which for the 2021–2024, 2022–2025, 2023–2026 and 2024–2027 assessment periods is the amount of CO_2e emissions. The LTSP is based on the price performance of the LANXESS stock against a reference index.

For fiscal year 2024, total compensation in accordance with Section 314 Paragraph 1 No. 6a) HGB of €9,365 thousand (previous year: €6,778 thousand) was paid to the members of the Board of Management of LANXESS AG, comprising €5,212 thousand (previous year: €4,442 thousand) in short-term compensation (fixed annual salary, APP, benefits in kind and other) and other long-term compensation components of €2,241 thousand (previous year (LTPB): €160 thousand) as part of the SPP. The total also includes compensation paid under the LTSP. A total of 2,172,722 (previous year: 2,501,042) compensation rights were granted to the members of the Board of Management in fiscal year 2024. The fair value of these rights at the grant date was €1,912 thousand (previous year: €2,176 thousand). In fiscal year 2024, the LTSP resulted in expense of €406 thousand (previous year: income of €437 thousand).

In addition, service costs of €1,531 thousand (previous year: €1,593 thousand) relating to defined benefit pension plans were incurred in fiscal year 2024 for members of the Board of Management in office as of December 31, 2024, as part of their compensation package. The present value of the defined benefit obligation was €21,738 thousand as of December 31, 2024 (previous year: €19,847 thousand).

In accordance with IAS 24, the total net expense for the compensation of the members of the Board of Management in fiscal year 2024 was €10,452 thousand (previous year: €6,392 thousand). The balances outstanding to members of the Board of Management as of December 31, 2024, totaled €7,336 thousand (previous year: €4,919 thousand), comprising provisions of €2,072 thousand (previous year: €1,117 thousand) for the APP, €4,272 thousand (previous year: €1,441 thousand (SPP); €1,468 thousand (LTPB)) for the SPP and €992 thousand (previous year: €893 thousand) for the LTSP.

Payments in accordance with Section 314 Paragraph 1 No. 6b) HGB totaling €2,882 thousand (previous year: €1,560 thousand) and relating to pension benefits were made to former members of the Board of Management in fiscal year 2024, €1,500 thousand (previous year: €318 thousand) of which related to one-time capital payments. The total pension obligation toward former members of the Board of Management as of December 31, 2024, was €36,076 thousand (previous year: €37,949 thousand) according to IFRS and €43,958 thousand (previous year: €45,669 thousand) according to HGB.

The total compensation of the Supervisory Board members in fiscal year 2024 included fixed annual compensation and compensation for work on committees and totaled €1,991 thousand (previous year: €1,905 thousand), including attendance allowances. It is paid at the start of the following year.

In addition, the employee representatives on the Supervisory Board who are on LANXESS's payroll received remuneration under their employment contracts. The amounts of these salaries represented appropriate compensation for the employees' functions and tasks within the Group.

In accordance with the contractual agreements, parts of Frederique van Baarle's compensation were paid by the U.S. subsidiary LANXESS Corporation. In the past fiscal year, no other member of the Board of Management received benefits or assurances of benefits from third parties with respect to their duties as members of the Board of Management.

No loans were granted to members of the Board of Management or the Supervisory Board in fiscal year 2024 or the previous year.

36 | Leases

The LANXESS Group rents land, office buildings and warehouses for its business activities. In addition, rail tankers and tank containers are leased to transport raw materials and goods. The right-of-use assets recognized in this context developed as follows:

Change in Right-of-Use Assets from Leases 2023

€ million	Land and buildings	Technical equipment and machinery	Other fixtures, fittings and equipment	**Total**
Cost of acquisition or construction, Dec. 31, 2022	249	76	75	400
Adjustments according to IFRS 5	1	(1)	0	0
Additions	24	35	15	74
Retirements	(8)	(8)	(8)	(24)
Exchange differences	(4)	0	(2)	(6)
Cost of acquisition or construction, Dec. 31, 2023	**262**	**102**	**80**	**444**
Accumulated depreciation and write-downs, Dec. 31, 2022	(94)	(48)	(45)	(187)
Adjustments according to IFRS 5	(1)	1	0	0
Depreciation in 2023	(30)	(17)	(14)	(61)
Retirements	7	8	8	23
Exchange differences	1	0	1	2
Accumulated depreciation and write-downs, Dec. 31, 2023	**(117)**	**(56)**	**(50)**	**(223)**
Carrying amounts, Dec. 31, 2023	**145**	**46**	**30**	**221**

Change in Right-of-Use Assets from Leases 2024

€ million	Land and buildings	Technical equipment and machinery	Other fixtures, fittings and equipment	**Total**
Cost of acquisition or construction, Dec. 31, 2023	262	102	80	444
Additions	12	18	17	47
Retirements	(8)	(18)	(24)	(50)
Exchange differences	4	1	2	7
Adjustments according to IFRS 5	0	(1)	(1)	(2)
Cost of acquisition or construction, Dec. 31, 2024	**270**	**102**	**74**	**446**
Accumulated depreciation and write-downs, Dec. 31, 2023	(117)	(56)	(50)	(223)
Depreciation in 2024	(29)	(19)	(14)	(62)
Retirements	7	18	20	45
Exchange differences	(1)	(1)	(1)	(3)
Adjustments according to IFRS 5	0	0	1	1
Accumulated depreciation and write-downs, Dec. 31, 2024	**(140)**	**(58)**	**(44)**	**(242)**
Carrying amounts, Dec. 31, 2024	**130**	**44**	**30**	**204**

In fiscal year 2024, interest expenses for lease liabilities of €6 million (previous year: €5 million) were recognized in the income statement. The expected future payments for lease liabilities amount to €212 million (previous year: €227 million). Information on agreed undiscounted cash flows and the division of these cash flows into payments of principal and interest is given in Note [37]. Disclosures regarding the remaining terms and maturities of the lease liabilities can be found in Note [16].

In fiscal year 2024, expenses for short-term leases amounted to €8 million (previous year: €6 million) and expenses for leases for low-value assets amounted to €5 million (previous year: €5 million). This essentially equals the payments made for these leases. Disbursements made under leases totaled €76 million in the reporting year (previous year: €72 million).

The leases in the LANXESS Group may contain options to extend or terminate the lease in order to ensure the greatest possible operational flexibility. Leases are negotiated individually and contain differing terms and conditions. Extension options are included in the calculation of the lease liability if they are reasonably certain to be exercised. Potential future lease payments from extension options whose exercise is not reasonably certain amount to €184 million (previous year: €185 million). They essentially relate to the global leasing of office buildings and land. For leases of indefinite duration (evergreen leases), the next extension option was accounted for in each instance.

In fiscal year 2024, leases with a volume of €2 million were concluded that will commence in later fiscal years. As in the previous year, there were no sale and leaseback transactions.

The LANXESS Group is the lessor in financial leases to a limited extent. Income of €7 million from operating leases in which LANXESS is the lessor was recognized in the reporting year (previous year: €8 million). Lease payments of €5 million are expected in the following year (previous year: €6 million), of €4 million from 2026 to 2029 (previous year: €5 million from 2025 to 2028) and €13 million after 2029 (previous year: €13 million after 2027).

37 | Financial Instruments

The "Report on Future Perspectives, Risks and Opportunities" in the combined management report outlines the LANXESS Group's risk management system, including its objectives, methods and processes, and the material financial risks such as currency, interest rate, counterparty, liquidity and raw material and energy price risks.

LANXESS mitigates liquidity risks through a conservative financing policy and a target capital structure that ensures access to the capital markets at all times and thus solvency. In addition to cash and cash equivalents of €299 million, LANXESS holds near-cash assets of €316 million, which comprise shares of money market funds that can be sold at any time. As of December 31, 2024, there were also other liquidity reserves in the form of undrawn credit lines without financial covenants of €1,550 million. Accordingly, the LANXESS Group has a solid liquidity position based on a broad range of financial instruments.

The risk that the fair value or the future cash flows of a financial instrument could change due to fluctuations in market prices is described below for the three market risks:

Currency risks

A hypothetical appreciation or depreciation of 5% in the exchange rate of the euro against the hedged currencies as of the reporting date would have altered the fair value of derivatives by €10 million (previous year: €13 million). This would mainly have affected other comprehensive income by increasing or reducing the reported gain correspondingly. This effect mainly relates to the U.S. dollar. Because of the risk strategy, there were also no or only immaterial risks for the income statement. Further information can be found under "Report on Future Perspectives, Risks and Opportunities" in the combined management report for fiscal year 2024.

Interest rate risks
As of the reporting date, variable-rate financial instruments are recognized almost exclusively in the form of money market investments from available liquidity. In contrast, borrowings mainly related to fixed-rate bonds. Due to this relationship, the LANXESS Group's net interest position would improve if interest rates were to rise. A general change of one percentage point in interest rates as of December 31, 2024, would have altered the financial result by €4 million (previous year: €4 million).

Raw material and energy price risks
A hypothetical increase or reduction in the hedged commodity and energy prices of 10% as of the reporting date would have increased or decreased other operating income by €0 million (previous year: €1 million) as a result of changes in the fair value of hedging instruments.

The following tables show the contractually agreed (undiscounted) cash flows for primary financial liabilities, the interest components thereof and derivative financial instruments:

As of December 31, 2023

€ million	2024	2025	2026	2027	2028	> 2028
Bonds	**(29)**	**(529)**	**(523)**	**(618)**	**(614)**	**(604)**
of which interest	(29)	(29)	(23)	(18)	(14)	(4)
Liabilities to banks	**(2)**	**–**	**–**	**–**	**–**	**–**
of which interest	0	–	–	–	–	–
Trade payables	**(584)**	**–**	**–**	**–**	**–**	**–**
of which interest	–	–	–	–	–	–
Lease liabilities	**(55)**	**(45)**	**(36)**	**(27)**	**(12)**	**(52)**
of which interest	(5)	(4)	(2)	(2)	(1)	(9)
Other primary financial liabilities	**(4)**	**0**	**–**	**–**	**–**	**(1)**
of which interest	–	–	–	–	–	–
Derivative liabilities						
Hedging instruments that qualify for hedge accounting						
Disbursements	(24)	–	0	0	0	–
Receipts	17	–	–	–	–	–
Other hedging instruments						
Disbursements	(832)	–	–	–	–	–
Receipts	822	–	–	–	–	–
Derivative assets						
Hedging instruments that qualify for hedge accounting						
Disbursements	(162)	(94)	(19)	–	–	–
Receipts	164	97	19	–	–	–
Other hedging instruments						
Disbursements	(433)	–	–	–	–	–
Receipts	439	–	–	–	–	–

As of December 31, 2024

€ million	2025	2026	2027	2028	2029	> 2029
Bonds	**(529)**	**(523)**	**(618)**	**(614)**	**(604)**	**–**
of which interest	(29)	(23)	(18)	(14)	(4)	–
Liabilities to banks	**(5)**	**–**	**–**	**–**	**–**	**–**
of which interest	0	–	–	–	–	–
Trade payables	**(648)**	**–**	**–**	**–**	**–**	**–**
of which interest	–	–	–	–	–	–
Lease liabilities	**(57)**	**(46)**	**(35)**	**(18)**	**(10)**	**(46)**
of which interest	(6)	(2)	(3)	(2)	(2)	(7)
Other primary financial liabilities	**(12)**	**0**	**–**	**–**	**–**	**(1)**
of which interest	–	–	–	–	–	–
Derivative liabilities						
Hedging instruments that qualify for hedge accounting						
Disbursements	(107)	(57)	–	0	–	–
Receipts	99	53	–	–	–	–
Other hedging instruments						
Disbursements	(436)	–	–	–	–	–
Receipts	432	–	–	–	–	–
Derivative assets						
Hedging instruments that qualify for hedge accounting						
Disbursements	(53)	–	–	–	–	–
Receipts	59	0	0	–	–	–
Other hedging instruments						
Disbursements	(729)	–	–	–	–	–
Receipts	738	–	–	–	–	–

Carrying amounts, measurement and fair values of financial instruments

The following tables show the carrying amounts of the individual classes of financial assets and liabilities and their fair values. The basis of measurement is also shown:

Carrying Amounts, Measurement and Fair Values of Financial Instruments as of December 31, 2023

€ million	IFRS 9 measurement category	Carrying amount Dec. 31, 2023	Measurement according to IFRS 9			Measurement according to IFRS 16	Fair value Dec. 31, 2023
			Amortized cost	Fair value (other comprehensive income)	Fair value (profit or loss)		
Financial assets							
Trade receivables	AC	593	593	–	–	–	593
Trade receivables	FV OCI	20	–	20	–	–	20
Other financial receivables							
Other financial receivables	AC	15	15	–	–	–	15
Other financial receivables	FV P&L	212	–	–	212	–	212
Lease receivables	–	3	–	–	–	3	–
Near-cash assets	FV P&L	350	–	–	350	–	350
Cash and cash equivalents	AC	146	146	–	–	–	146
Equity instruments measured at fair value through other comprehensive income	FV OCI	11	–	11	–	–	11
Derivative assets							
Hedging instruments that qualify for hedge accounting	–	8	–	8	–	–	8
Other hedging instruments	FV P&L	7	–	–	7	–	7
Derivatives not designated as hedging instruments	FV P&L	8	–	–	8	–	8
Financial liabilities							
Bonds	AC	(2,799)	(2,799)	–	–	–	(2,553)
Liabilities to banks	AC	(2)	(2)	–	–	–	(2)
Trade payables	AC	(584)	(584)	–	–	–	(584)
Lease liabilities	–	(204)	–	–	–	(204)	–
Other primary financial liabilities	AC	(5)	(5)	–	–	–	(5)
Derivative liabilities							
Hedging instruments that qualify for hedge accounting	–	(7)	–	(7)	–	–	(7)
Other hedging instruments	FV P&L	(10)	–	–	(10)	–	(10)

AC Financial assets/liabilities at amortized cost
FV OCI Financial assets at fair value through other comprehensive income
FV P&L Financial assets/liabilities at fair value through profit and loss

Carrying Amounts, Measurement and Fair Values of Financial Instruments as of December 31, 2024

€ million	IFRS 9 measurement category	Carrying amount Dec. 31, 2024	Measurement according to IFRS 9			Measurement according to IFRS 16	Fair value Dec. 31, 2024
			Amortized cost	Fair value (other comprehensive income)	Fair value (profit or loss)		
Financial assets							
Trade receivables	AC	270	270	–	–	–	270
Trade receivables	FV OCI	380	–	380	–	–	380
Other financial receivables							
Other financial receivables	AC	11	11	–	–	–	11
Other financial receivables	FV P&L	236	–	–	236	–	236
Lease receivables	–	3	–	–	–	3	–
Near-cash assets	FV P&L	316	–	–	316	–	316
Cash and cash equivalents	AC	299	299	–	–	–	299
Equity instruments measured at fair value through other comprehensive income	FV OCI	9	–	9	–	–	9
Derivative assets							
Hedging instruments that qualify for hedge accounting	–	6	–	6	–	–	6
Other hedging instruments	FV P&L	10	–	–	10	–	10
Derivatives not designated as hedging instruments	FV P&L	0	–	–	0	–	0
Financial liabilities							
Bonds	AC	(2,804)	(2,804)	–	–	–	(2,661)
Liabilities to banks	AC	(5)	(5)	–	–	–	(5)
Trade payables	AC	(648)	(648)	–	–	–	(648)
Lease liabilities	–	(190)	–	–	–	(190)	–
Other primary financial liabilities	AC	(13)	(13)	–	–	–	(13)
Derivative liabilities							
Hedging instruments that qualify for hedge accounting	–	(9)	–	(9)	–	–	(9)
Other hedging instruments	FV P&L	(6)	–	–	(6)	–	(6)

AC Financial assets/liabilities at amortized cost
FV OCI Financial assets at fair value through other comprehensive income
FV P&L Financial assets/liabilities at fair value through profit and loss

Fair value measurement of the bonds is allocated to Level 1 of the hierarchy outlined under “Fair value measurement.” However, one bond with a fair value of €112 million (previous year: €108 million) is allocated to Level 2 of the hierarchy as there is no liquid market for it. The fair value of liabilities allocated to Level 2 is calculated using discounted cash flows, taking observed market interest rates into account.

Carrying Amounts by Measurement Category

€ million	Dec. 31, 2023	Dec. 31, 2024
Financial assets measured at amortized cost[1]	754	580
Financial assets measured at fair value through other comprehensive income (debt instruments)	20	380
Equity instruments measured at fair value through other comprehensive income	11	9
Financial assets required to be measured at fair value through profit or loss	577	562
Financial assets	**1,362**	**1,531**
Financial liabilities measured at amortized cost	(3,390)	(3,470)
Financial liabilities required to be measured at fair value through profit or loss	(10)	(6)
Financial liabilities	**(3,400)**	**(3,476)**

1) Prior-year figures restated.

Fair value measurement

The measurement of fair value is based on a hierarchy reflecting the significance of the measurement inputs. The fair value measurement hierarchy for an asset or liability comprises three levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Unobservable inputs for the asset or liability

The following tables show the volumes of assets and liabilities that were measured at fair value on a recurring basis as of the end of the reporting period and the levels of the fair value hierarchy into which the measurement inputs were categorized. Reclassification between the levels is reviewed as of each reporting date. As in the previous year, there were no reclassifications in fiscal year 2024. Assets and liabilities measured at fair value break down as follows:

Assets and Liabilities Measured at Fair Value

	Dec. 31, 2023		
€ million	Level 1	Level 2	Level 3
Non-current assets			
Investments in other affiliated companies	11	–	–
Non-current derivative assets	–	5	5
Other non-current financial assets	–	208	4
Current assets			
Current derivative assets	–	13	–
Other current financial assets	–	–	–
Trade receivables	–	–	20
Near-cash assets	350	–	–
Non-current liabilities			
Non-current derivative liabilities	–	0	–
Current liabilities			
Current derivative liabilities	–	17	–

Assets and Liabilities Measured at Fair Value

	Dec. 31, 2024		
€ million	Level 1	Level 2	Level 3
Non-current assets			
Investments in other affiliated companies	9	–	–
Non-current derivative assets	–	1	0
Other non-current financial assets	–	233	2
Current assets			
Current derivative assets	–	15	–
Other current financial assets	–	–	1
Trade receivables	–	–	380
Near-cash assets	316	–	–
Non-current liabilities			
Non-current derivative liabilities	–	2	–
Current liabilities			
Current derivative liabilities	–	13	–

Level 1 of the fair value hierarchy includes near-cash assets of €316 million (previous year: €350 million). These relate to shares of money market funds that can be sold at any time.

Investments in other affiliated companies of €9 million (previous year: €11 million), which are assigned to Level 1 of the measurement hierarchy, relate to shares in the listed company Standard Lithium Ltd., Vancouver, Canada. In accordance with the exercise of the option, the shares are recognized at fair value through other comprehensive income. The corresponding measurements, disregarding currency effects, reduced other comprehensive income in the past fiscal year by €3 million (previous year: €5 million).

The amount of €3 million in options for shares in the company Standard Lithium Ltd., Vancouver, Canada, recognized under the current derivative assets at Level 2 of the measurement hierarchy, was derecognized in profit and loss in fiscal year 2024.

Other non-current financial assets at Level 2 of the measurement hierarchy include €232 million (previous year: €207 million) for a shareholder loan granted to Envalior GmbH, Cologne, Germany, in fiscal year 2023 in connection with the foundation of Envalior. The fair value is calculated using estimated cash flows that are discounted while taking into account observable, currency-specific (EURIBOR) market interest rates. To account for the individual credit risk of the contracting party, the assessment utilized rating-equivalent interest structure curves for corporate bonds with a comparable rating. The unobservable calculation parameters contain a calibration of the individual credit risk that is reduced on a straight-line basis over time according to the assumptions. Without a reduction, the fair value of the loan would have been €8 million lower. The nominal amount of the loan is €200 million. The subsequent measurement as of December 31, 2024, resulted in income of €25 million (previous year: €33 million), which is part of the other financial result.

In addition to the purchase price payment, LANXESS also received a minority interest of 40.94% in Envalior GmbH, Cologne, Germany, in connection with the formation of the joint company. LANXESS has the possibility to sell the minority interest to Advent for the first time three years after the foundation of Envalior under certain conditions. The right to offer, which is recognized in non-current derivative assets, is measured at fair value and assigned to Level 3 of the fair value hierarchy.

A value can be attributed to the right to offer if LANXESS is better off under the contractual agreement than it would be in a comparable arm's length transaction at customary conditions based on fair value. The main factor affecting the valuation is the further business performance of Envalior in the coming years. The fair value of the right to offer is determined with a measurement model using a Monte Carlo simulation. The result of the valuation is materially determined by basic parameters underlying the model, such as business plan, capital costs, volatility, and composition of the peer group. Envalior's enterprise value is calculated using the discounted cash flow (DCF) method and is based on estimated future cash flows, which are discounted using the weighted average cost of capital (WACC). There are therefore uncertainties resulting in particular from the assumptions made as of the reporting date and the management's expectations in the determination of the basic parameters. Corresponding changes to these assumptions result in a future fair value adjustment. As of December 31, 2024, the fair value amounted to €0 million (previous year: €5 million). However, the final selling price will depend on Envalior's EBITDA of the last twelve months when LANXESS utilizes its possibility to offer its shares in Envalior to Advent to purchase after three years. Therefore, neither the accounting measurement of the investment accounted for using the equity method nor that of LANXESS's possibility to offer the shares for sale is decisive for the amount of the selling price actually achievable. The change of €5 million is exclusively due to valuation adjustments and is recognized under the other financial result.

A sensitivity analysis for the fair value of the right to offer simulated a change in EBITDA, the relevant factor for the future cash flows, by 10% per year. A 10% increase in Envalior's annual EBITDA figures would have resulted in a fair value of €0 million as of December 31, 2024. A corresponding decrease would have resulted in a fair value of €0 million.

A further sensitivity analysis for the fair value of the right to offer simulated a 10% change in the annual growth rate of the EBITDA figures. A 10% increase in the annual EBITDA growth rate would have resulted in a fair value of €0 million as of December 31, 2024. A corresponding decrease would have resulted in a fair value of €0 million.

The trade receivables of €380 million (previous year: €20 million) at Level 3 of the measurement hierarchy are receivables potentially available for sale on the basis of a factoring agreement.

Likewise at Level 3 of the measurement hierarchy, other non-current and current financial assets also include investments in High-Tech Gründerfonds, which are measured based on the amount of the equity interests held. The fair values amount to €3 million (previous year: €4 million).

Credit risk management

On initial recognition of financial assets measured at amortized cost or fair value through other comprehensive income, the Group calculates a loss allowance on the basis of probabilities of default. During the fiscal year, factors are observed that could indicate a significant increase in the risk of default. In order to assess whether there has been a significant increase in the risk of default, the risk of default at the end of the reporting period is compared to the risk of default on initial recognition. The indicators used include internal and external credit ratings, internal and external probabilities of default, material changes in business, financial and economic circumstances and material changes in operating earnings.

For ***cash and cash equivalents and other financial receivables,*** expected defaults for the next twelve months are used to calculate loss allowances provided there is no increased risk of default on contractual payments.

If contractual payments are more than 30 days past due, the loss allowance is based on the expected defaults for the entire term. An event of default occurs when contractual payments are more than 180 days past due. These are then written down to the expected repayment amount. Legal action is initiated over impaired assets in order to achieve full or partial repayment. Receivables are written down in full if insolvency proceedings are opened.

No increased risk of default was ascertained for the financial assets listed. Thus, their risk of default was generally calculated based on the next twelve months.

Carrying Amounts and Loss Allowances

	Dec. 31, 2023			Dec. 31, 2024		
€ million	Gross carrying amount	Loss allowances	Net carrying amount	Gross carrying amount	Loss allowances	Net carrying amount
Cash and cash equivalents	146	0	146	299	0	299
Other financial assets	18	0	18	13	0	13

The simplified model based on the lifetime expected credit losses is applied to *trade receivables* and *contract assets.*

Trade receivables are considered to have been defaulted on if they are more than 120 days past due, and are generally written down with an individual default rate amounting to 50% on average. Receivables are written down in full after 180 days upon the opening of insolvency proceedings. In addition, loss allowances are calculated based on a past due matrix that takes into account historical loss rates for certain maturity structure classes and future probabilities of default on the basis of credit default swaps.

The maturity structure of unimpaired trade receivables and their respective probabilities of default for each maturity class are as follows:

Aging Structure and Loss Allowances (Simplified Model) December 31, 2023

€ million	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	>90 days past due	**Total**
Net carrying amount of trade receivables	499	87	18	4	5	**613**
Default rates calculated	**0.0%**	**0.2%**	**1.6%**	**4.9%**	**9.6%**	

Aging Structure and Loss Allowances (Simplified Model) December 31, 2024

€ million	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	>90 days past due	**Total**
Net carrying amount of trade receivables	569	64	10	4	3	**650**
Default rates calculated	**0.0%**	**0.1%**	**0.8%**	**2.1%**	**3.5%**	

The total carrying amounts and loss allowances for trade receivables and contract assets are as follows:

Carrying Amounts and Loss Allowances

	Dec. 31, 2023			**Dec. 31, 2024**		
€ million	Gross carrying amount	Loss allowances	Net carrying amount	Gross carrying amount	Loss allowances	Net carrying amount
Trade receivables	625	(12)	613	662	(12)	650
Contract assets	248	(1)	247	240	(1)	239

The following tables show the development of loss allowances for all financial assets from their opening value to the end of the reporting period for fiscal years 2023 and 2024:

Reconciliation Loss Allowance 2023

€ million	Expected loss allowance for cash and cash equivalents and other financial receivables[1] – 12 months	Expected loss allowance for trade receivables and contract assets – Lifetime – simplified model	Expected loss allowance for credit-impaired assets at acquisition	Total
Jan. 1	5	11	3	**19**
Newly acquired financial assets	0	4	–	**4**
Release	0	(3)	(1)	**(4)**
Financial assets derecognized in the period – sale, repayment, modification	(5)	(1)	0	**(6)**
Currency or other differences	0	0	0	**0**
Dec. 31	**0**	**11**	**2**	**13**

1) Cash and cash equivalents and other financial receivables are not presented separately for reasons of materiality.

Reconciliation Loss Allowance 2024

€ million	Expected loss allowance for cash and cash equivalents and other financial receivables[1] 12 months	Expected loss allowance for trade receivables and contract assets Lifetime – simplified model	Expected loss allowance for credit-impaired assets at acquisition	Total
Jan. 1	0	11	2	**13**
Newly acquired financial assets	0	5	–	**5**
Release	0	(3)	(1)	**(4)**
Financial assets derecognized in the period – sale, repayment, modification	0	(1)	0	**(1)**
Currency or other differences	0	0	0	**0**
Dec. 31	**0**	**12**	**1**	**13**

1) Cash and cash equivalents and other financial receivables are not presented separately for reasons of materiality.

The acquired, impaired financial assets relate to trade receivables acquired in the acquisition of the Microbial Control business from U.S. corporation International Flavors & Fragrances Inc. The change in the expected credit losses for trade receivables and contract assets results from ordinary operations. Due to a large and diversified customer structure, there is no material credit risk for trade receivables.

Offsetting of financial assets and financial liabilities

Offsetting was not used for the financial assets and financial liabilities recognized in the statement of financial position. The following tables show how legally enforceable netting arrangements impact, or could impact, the Group's financial position:

Offsetting of Financial Assets and Financial Liabilities as of December 31, 2023

€ million	Carrying amount of financial instruments	Related amounts not offset in the statement of financial position		Net amount
		Financial instruments	Financial collateral	
Financial assets				
Trade receivables[1]	613	–	–	613
Derivative assets	23	(5)	–	18
Financial liabilities				
Trade payables	(584)	–	–	(584)
Derivative liabilities	(17)	5	–	(12)

1) Prior-year figure restated.

Offsetting of Financial Assets and Financial Liabilities as of December 31, 2024

€ million	Carrying amount of financial instruments	Related amounts not offset in the statement of financial position		Net amount
		Financial instruments	Financial collateral	
Financial assets				
Trade receivables	650	–	–	650
Derivative assets	16	(7)	–	9
Financial liabilities				
Trade payables	(648)	–	–	(648)
Derivative liabilities	(15)	7	–	(8)

Either contracting party may offset on a net basis the positive and negative fair values arising from past-due derivative asset or liability contracts with the same counterparty.

Net results by measurement category

The following table provides an overview of the net results based on the measurement categories according to IFRS 9:

Net Results by Measurement Category

€ million	2023	2024
Financial assets measured at amortized cost	10	(6)
Financial assets and liabilities required to be measured at fair value through profit or loss	(23)	59
Equity instruments measured at fair value through other comprehensive income	0	(1)
Financial liabilities measured at amortized cost	(62)	(43)
	(75)	**9**

Net gains and losses essentially comprise interest income and expense, results from fair value measurement, and realized and unrealized exchange gains and losses. Total interest revenue for financial assets that are measured at amortized cost amounts to €5 million (previous year: €8 million); the total interest expense for financial liabilities that are not measured at fair value through profit or loss is €36 million (previous year: €66 million).

Fees of €10 million (previous year: €8 million) were incurred in connection with financial instruments. These are likewise not included in the amounts presented by measurement category.

Collateralization of financial liabilities

There were no financial liabilities collateralized by mortgages or by other property claims in fiscal year 2024 or the previous year.

Mezzanine financing

Mezzanine instruments such as profit participation rights, convertible bonds or warrant bonds have not been issued. Information on the possible issuance of such instruments is given in Note [13].

38 | Notes to the Statement of Cash Flows

Explanation of the method used to calculate and present cash flows

For a general explanation, please see the comments on the statement of cash flows under “Accounting policies and valuation principles.”

Net cash provided by operating activities

The net cash flows from operating activities are determined by deducting the financial result, depreciation, amortization, write-downs, reversals of write-downs and non-cash items from income before income taxes. A further adjustment is made for the change in other assets and liabilities. Income before income taxes, which is the starting point for the statement of cash flows, amounted to minus €197 million in the reporting year (previous year: minus €947 million). Income before income taxes contains depreciation and amortization of €566 million (previous year: €996 million). It also includes expenses from investments accounted for using the equity method of €133 million (previous year: €172 million), which in fiscal year 2024 primarily related to the investment in Envalior GmbH, Cologne, Germany. Income taxes of €47 million were paid (previous year: €53 million). The change in net working capital did not impact cash inflows or outflows in fiscal year 2024 (previous year: inflows of €577 million). The sale of trade receivables under a factoring agreement was €19 million higher than the level of the previous year. Taking into account the change in other assets and liabilities of €38 million (previous year: minus €17 million), cash inflows provided by operating activities amounted to €508 million in fiscal year 2024 (previous year: €852 million).

Net cash provided by investing activities

Purchases of property, plant and equipment and intangible assets led to cash outflows of €320 million in fiscal year 2024 (previous year: €326 million). There was a €12 million inflow from interest and dividends received (previous year: €23 million). The net cash outflow from investing activities in fiscal year 2024 was €263 million (previous year: inflow of €429 million).

Net cash used in financing activities

Net repayment of €46 million (previous year: net repayment of €1,303 million) was attributable to financial liabilities as follows:

Reconciliation of Borrowings 2023

€ million	Dec. 31, 2022	Cash changes	Non-cash changes			Dec. 31, 2023
			Lease liabilities new additions	Exchange differences	Interest effect from compounding, accrued interest and other changes	
Bonds	3,297	(500)	–	–	2	**2,799**
Liabilities to banks	741	(736)	–	(3)	0	**2**
Lease liabilities	192	(56)	71	(2)	(1)	**204**
Other primary financial liabilities	17	(11)	–	0	(1)	**5**
	4,247	**(1,303)**	**71**	**(5)**	**0**	**3,010**

Reconciliation of Borrowings 2024

€ million	Dec. 31, 2023	Cash changes	Non-cash changes			Dec. 31, 2024
			Lease liabilities new additions	Exchange differences	Interest effect from compounding, accrued interest and other changes	
Bonds	2,799	–	–	–	5	**2,804**
Liabilities to banks	2	3	–	0	0	**5**
Lease liabilities	204	(57)	45	3	(5)	**190**
Other primary financial liabilities	5	8	–	0	0	**13**
	3,010	**(46)**	**45**	**3**	**0**	**3,012**

Interest payments and other financial disbursements led to cash outflows of €42 million (previous year: €71 million). Dividend payments in fiscal year 2024 totaled €9 million (previous year: €91 million). There was therefore a total cash outflow of €97 million (previous year: €1,465 million) from financing activities.

Cash and cash equivalents

Cash and cash equivalents, which comprise cash, checks and bank balances, amounted to €299 million (previous year: €146 million). Balances with banks account for the most significant portion of cash and cash equivalents. In accordance with IAS 7, this item also includes securities with maturities of up to three months from the date of acquisition. Cash and cash equivalents are not subject to any material restrictions.

In addition to cash and cash equivalents, LANXESS holds near-cash assets of €316 million (previous year: €350 million), which comprise shares of money market funds that can be sold at any time. As of December 31, 2024, there were also other liquidity reserves in the form of undrawn credit lines without financial covenants of €1,550 million.

39 | Segment Reporting

The tables below contain the key data by segment and region:

Key Data by Segment

€ million	Consumer Protection 2023	Consumer Protection 2024	Specialty Additives 2023	Specialty Additives 2024	Advanced Intermediates 2023	Advanced Intermediates 2024	All other segments 2023	All other segments 2024	LANXESS 2023	LANXESS 2024
External sales	2,340	2,081	2,325	2,209	1,775	1,804	274	272	6,714	6,366
Inter-segment sales	75	78	18	9	42	109	(135)	(196)	–	–
Segment/Group sales	2,415	2,159	2,343	2,218	1,817	1,913	139	76	6,714	6,366
Segment result/EBITDA pre exceptionals	310	286	209	227	121	210	(128)	(109)	512	614
Exceptional items affecting EBITDA	(14)	0	(20)	(2)	(33)	0	(117)	(74)	(184)	(76)
Segment assets	3,129	3,145	2,615	2,661	1,182	1,198	1,477	905	8,403	7,909
Segment capital expenditures	112	105	133	130	94	97	61	35	400	367
Depreciation and amortization	197	184	182	191	109	113	74	72	562	560
Write-downs	262	0	149	2	21	4	2	0	434	6
Segment liabilities	429	424	380	445	404	440	665	531	1,878	1,840
Employees – as of Dec. 31	3,555	3,439	2,945	2,987	2,941	2,789	3,408	3,123	12,849	12,338
Employees – average for the year	3,579	3,473	2,973	3,014	3,006	2,828	3,472	3,136	13,030	12,451

Key Data by Region

€ million	EMEA (excluding Germany) 2023	EMEA (excluding Germany) 2024	Germany 2023	Germany 2024	Americas 2023	Americas 2024	Asia-Pacific 2023	Asia-Pacific 2024	LANXESS 2023	LANXESS 2024
External sales by market	1,972	1,895	1,098	1,043	2,362	2,204	1,282	1,224	6,714	6,366
Non-current assets	892	852	1,395	1,383	2,834	2,646	257	204	5,378	5,085
Capital expenditures	62	60	204	171	110	116	24	20	400	367
Employees – as of Dec. 31	1,242	1,184	7,069	6,724	2,862	2,797	1,676	1,633	12,849	12,338

Segment reporting

The segment reporting is in line with the internal management of operating business by the Board of Management of LANXESS AG as the chief operating decision maker and the internal reporting structure of the LANXESS Group. In total, segment reporting comprises three reporting segments and "All other segments." The reporting segments are identified based on the type of products and production processes, the type of customer groups and sales methods. The "All other segments" category primarily comprises the Urethane Systems business unit, the business activities of the corporate functions and the effects of consolidation.

On December 31, 2024, the LANXESS Group comprised the following reporting segments:

Segments	Activities
Consumer Protection	In the Consumer Protection segment, consumer protection products are manufactured through chemical production processes. The products are subject to high regulatory requirements and are highly variable with options for configuration or are manufactured especially for individual customers in campaigns, batches, or specific chemical production processes. The products essentially comprise disinfectant, hygiene and preservative solutions, flavors and fragrances, technologies for the treatment of water and other liquids, and precursors and intermediates for the agrochemicals, pharmaceuticals and specialty chemicals industries.
Specialty Additives	In the Specialty Additives segment, additives are manufactured through chemical production processes. The product portfolio includes additives for the rubber, plastic and paint industries, construction and electrical/ electronics industry, such as lubricants, flame retardants, plasticizers and bromine derivatives for a variety of applications.
Advanced Intermediates	In the Advanced Intermediates segment, standardized and high-volume products are manufactured through capital-intensive and predominantly continuous production processes. The products manufactured essentially comprise basic and fine chemicals, organometallics, and inorganic pigments for the coloring of construction materials as well as paints and coatings.

The valuation principles applied in segment reporting correspond to the uniform accounting policies and valuation principles used for the consolidated financial statements prepared in accordance with IFRS.

The "All other segments" category eliminates inter-segment sales and reflects assets, liabilities and results not allocable to the core segments including, in particular, those pertaining to the Corporate Center and the Urethane Systems business unit.

The transfer prices used for inter-segment business transactions are calculated using the OECD rules as if they had been agreed between independent third parties in comparable circumstances (arm's length principle).

The majority of employees in the "All other segments" category provide services for more than one segment.

For reporting by region, the countries are allocated to the following reporting regions in the LANXESS Group: EMEA (Europe excluding Germany, Middle East, Africa), Germany, the Americas and Asia-Pacific. The vast majority of sales and a significant portion of non-current assets in the Americas region result from the activities in the United States. Regional sales are calculated according to the recipient's place of business. In fiscal year 2024, no individual customer of the LANXESS Group accounted for 10% or more of Group sales.

The earnings indicator used for internal management purposes in the LANXESS Group is the operating result before depreciation and amortization (EBITDA) pre exceptionals (see "Value Management and Control System" in the combined management report for fiscal year 2024). This is disclosed as the "segment result." The starting point for calculating EBITDA pre exceptionals is the operating result (EBIT), which comprises gross profit, selling expenses, general administration expenses, research and development expenses and other operating income and expenses. EBIT and EBITDA are alternative key financial ratios not defined according to the International Financial Reporting Standards (IFRS). These are viewed as supplementary and not a substitute to the data prepared according to IFRS. EBITDA pre exceptionals is calculated from EBIT before depreciation/reversals of property, plant and equipment, amortization and impairments of intangible assets, disregarding exceptional items. The latter are effects that, by nature or extent, have a significant impact on the earnings position, but for which inclusion in the evaluation of business performance over several reporting periods does not seem to be appropriate. Exceptional items may include write-downs, reversals of write-downs or the proceeds from the disposal of assets, certain IT expenses, restructuring expenses and income from the reversal of provisions established in this context and reductions in earnings resulting from portfolio adjustments or purchase price allocations.

Segment sales include €407 million (previous year: €639 million) of sales recognized over time. Of these, €322 million (previous year: €537 million) relate to the Consumer Protection segment, €11 million (previous year: €6 million) to the Specialty Additives segment, €59 million (previous year: €70 million) to the Advanced Intermediates segment and €15 million (previous year: €26 million) to "All other segments." All other sales are recognized at a point in time. Please see Note [21] for further information.

In view of the Group's central financial management, interest income and expense and income tax income and expense are not reported at segment level.

The write-downs recognized in fiscal year 2023 in the Consumer Protection and Specialty Additives segments resulted primarily from the impairment test of the cash-generating units as of December 31, 2023, and were attributable to the Flavors & Fragrances and Polymer Additives business units. Further information can be found in the "Impairment Testing" section (see Note [1]).

The negative exceptional items within EBITDA in fiscal year 2024 of €77 million (previous year: €185 million) include expenses for strategic IT projects. Exceptional items were also recognized for expenses in connection with the FORWARD! action plan and for M&A activities, digitalization and other measures. They are offset by positive exceptional items of €1 million (previous year: €1 million), which relate to income from the reversal of provisions recognized as exceptional items in previous years.

Capital expenditures made by the segments comprise additions to intangible assets, property, plant and equipment.

All depreciation, amortization and write-downs were recognized directly in profit or loss.

The reconciliation of segment sales is as follows:

Reconciliation of Segment Sales

€ million	2023	2024
Total segment sales	**6,575**	**6,290**
Other	274	272
Consolidation	(135)	(196)
Group sales	**6,714**	**6,366**

The reconciliation of segment results is as follows:

Reconciliation of Segment Results

€ million	2023	2024
Total segment results	**640**	**723**
Depreciation and amortization	(996)	(566)
Exceptional items affecting EBITDA	(184)	(76)
Other financial income and expense	(47)	5
Net interest expense	(60)	(41)
Result from investments accounted for using the equity method	(172)	(133)
Other	(128)	(109)
Income before income taxes	**(947)**	**(197)**

The reconciliation of segment results to income before income taxes contains total exceptional items comprising net charges of €81 million (previous year: €615 million) (see Notes [26] and [27]). These include exceptional items within EBITDA of €76 million (previous year: €184 million) and write-downs of €5 million (previous year: €431 million).

The reconciliation of segment assets is as follows:

Reconciliation of Segment Assets

€ million	Dec. 31, 2023	Dec. 31, 2024
Total segment assets	**6,926**	**7,004**
Derivative assets	23	16
Other financial assets	477	489
Income tax receivables	101	104
Deferred taxes	165	167
Cash and cash equivalents	146	299
Near-cash assets	350	316
Other	1,477	905
Adjustments according to IFRS 5	–	411
Group assets	**9,665**	**9,711**

Segment assets essentially comprise intangible assets, property, plant and equipment including right-of-use assets from leases, inventories and trade receivables. They do not include items such as cash and cash equivalents and deferred taxes. Other assets essentially include the carrying amount of the investment in Envalior GmbH, Cologne, Germany, accounted for using the equity method.

The reconciliation of segment liabilities is as follows:

Reconciliation of Segment Liabilities

€ million	Dec. 31, 2023	Dec. 31, 2024
Total segment liabilities	**1,213**	**1,309**
Derivative liabilities	17	15
Other financial liabilities	3,010	3,012
Income tax liabilities	59	53
Deferred taxes	194	168
Other	665	531
Adjustments according to IFRS 5	–	31
Group liabilities	**5,158**	**5,119**

Segment liabilities essentially comprise provisions, trade payables and other liabilities. The “Other” line essentially contains pension and other provisions that are attributable to the Corporate Center. They do not include income tax liabilities in particular, as well as derivative and other financial liabilities.

40 | Audit Fees

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was mandated for the first time as the auditor of the consolidated financial statements of the LANXESS Group for fiscal year 2024. In fiscal year 2024, total audit fees of €4,308 thousand for the auditor of the consolidated financial statements of the LANXESS Group were recognized as expenses. The total amount includes €2,807 thousand for audit services related to the financial statements. These services pertain to the audit of LANXESS AG's annual financial statements including the risk early warning system and of the consolidated financial statements of LANXESS AG and its domestic subsidiaries, as well as to the review of the condensed consolidated interim financial statements. €1,124 thousand relates to other assurance services. This included services pertaining to the audit of the Sustainability Report of the LANXESS Group as well as energy management assurance services and the compensation report. The miscellaneous services of €377 thousand included project-related consulting services related to the modification of the business portfolio and other permissible consulting services. The fees for audit services pertaining to the financial statements comprise all fees, including incidental expenses, paid or to be paid.

41 | Declaration of Compliance Pursuant to Section 161 of the Stock Corporation Act

The Declaration of Compliance with the German Corporate Governance Code has been issued by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act (AktG) and made available to stockholders on the LANXESS website.

42 | Utilization of Disclosure Exemptions

In fiscal year 2024, the following German subsidiaries made use of disclosure exemptions pursuant to Section 264, Paragraph 3 of the German Commercial Code (HGB):

- CheMondis GmbH, Cologne
- IAB Ionenaustauscher GmbH Bitterfeld, Greppin
- IMD Natural Solutions GmbH, Dortmund
- LANXESS Deutschland GmbH, Cologne
- LANXESS Financial Services GmbH, Cologne
- LANXESS Organometallics GmbH, Bergkamen
- Neunte LXS GmbH, Cologne
- Saltigo GmbH, Leverkusen
- THESEO Deutschland GmbH, Wietmarschen

In addition, the following German subsidiary made use of the disclosure exemption pursuant to Section 264b in conjunction with Section 264, Paragraph 3 of the German Commercial Code (HGB) in fiscal year 2024:

- LANXESS Trademark GmbH & Co. KG, Leverkusen

43 | Events after the Reporting Period

No events of particular significance took place after December 31, 2024, that could be expected to have a material effect on the earnings, asset and financial position of the LANXESS Group or LANXESS AG.

Cologne, March 5, 2025
LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert	Frederique van Baarle
Dr. Hubert Fink	Oliver Stratmann

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the earnings, asset and financial position of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the LANXESS Group and LANXESS AG, together with a description of the principal opportunities and risks associated with the expected development of the LANXESS Group and LANXESS AG.

Cologne, March 5, 2025
LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert	Frederique van Baarle
Dr. Hubert Fink	Oliver Stratmann

Independent auditor's report

"To LANXESS Aktiengesellschaft, Cologne

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of LANXESS Aktiengesellschaft, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2024, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including significant information on the accounting policies. In addition, we have audited the combined management report of the Company and the Group of LANXESS Aktiengesellschaft for the financial year from January 1 to December 31, 2024.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (hereinafter referred to as "IFRS Accounting Standards") as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2024, and of its financial performance for the financial year from January 1 to December 31, 2024, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the

EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of goodwill

For the presentation of goodwill and impairment testing, please refer to Section “Estimation uncertainties and the exercise of discretion” and Section “(1) Intangible assets” of the notes to the consolidated financial statements.

The Financial Statement Risk

Goodwill amounted to EUR 1,298 million as of December 31, 2024, and is mainly attributable to the Material Protection Products (MPP) business unit in an amount of EUR 669 million, the Lubricant Additives Business (LAB) business unit in an amount of EUR 226 million, the Polymer Additives (PLA) business unit in an amount of EUR 195 million and the Flavors & Fragrances (F&F) business unit in an amount of EUR 193 million. Goodwill amounts to 28% of group equity and has a considerable significance on net assets.

Goodwill is tested for impairment annually at business unit level as a cash-generating unit, irrespective of any events or changes in circumstances, unless events or changes in circumstances indicate that an impairment may have already occurred. For goodwill impairment testing, the carrying amount is compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. For the impairment test, the Company primarily determines the fair value less costs to sell and compares this with the respective carrying amount. If the value is below the carrying amount of the cash-generating unit, an assessment of the value in use is also carried out. The date of the impairment test was September 30, 2024.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgment. These include the EBITDA margin, the assumed long-term growth rate and the discount rate used.

Based on the impairment tests conducted, the Company did not identify any need to recognize impairment losses. However, the Company’s sensitivity calculations showed that a reasonably possible change of an increase in the discount rate by 0.2 percentage points, a reduction in the long-term growth rate of 0.5 percentage points or a reduction in the EBITDA margin of the last detailed planning year of 0.8 percentage points for the Flavors & Fragrances (F&F) business units would cause the carrying amount to equal the recoverable amount.

There is the risk for the consolidated financial statements that an existing need to recognize impairment losses was not identified. There is also the risk that the related disclosures in the notes are not appropriate.

Our Audit Approach

With the involvement of our valuation experts, among other things we assessed the appropriateness of the Company’s significant assumptions and calculation method for the material goodwill of the LAB, PLA, F&F and MPP business units. To this end, we discussed the expected development of business and earnings as well as the assumed long-term growth rates with those responsible for planning. We also reconciled this information with internally available forecasts, e.g. for tax purposes, as well as the budget prepared by management and approved by the Supervisory Board. We additionally assessed the consistency of the assumptions with external market forecasts.

We also verified the accuracy of the Company’s previous forecasts by comparing the budgets of previous financial years with actual results and analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To evaluate the methodically and mathematically correct implementation of the valuation method, we verified the measurement made by the Company using our own calculations and analyzed deviations.

In order to take account of the existing forecast uncertainty and the early cut-off date for impairment testing, we investigated the impact of possible changes in the discount rate, EBITDA and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes regarding recoverability of goodwill are appropriate. This also included an assessment of the appropriateness of the disclosures pursuant to IAS 36.134(f) on sensitivities in the event of a reasonably possible change in key assumptions underlying the evaluation.

Our Observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and data used for measurement are appropriate overall.

The related disclosures in the notes are appropriate.

Measurement of the post-employment benefit obligations

For the presentation of post-employment benefit obligations, please refer to Section "Estimation uncertainties and the exercise of discretion" and Section "(14) Provisions for pensions and other post-employment benefits" of the notes to the consolidated financial statements.

The Financial Statement Risk

Provisions for pensions and other post-employment benefit obligations are offset against plan assets and presented on a net basis in the statement of financial position. As of December 31, 2024, the net liability amounted to EUR 399 million. The gross presentation of the provisions for pensions and other post-employment benefits amounts to EUR 1,991 million. The majority of this is attributable to defined benefit obligations for pensions in Germany (83%) and the USA (9%).

Pension obligations are measured using the projected unit credit method in accordance with IAS 19. The actuarial calculation of pension obligations is complex and is based on actuarial assumptions requiring judgment, in particular the expected pension trend and the discount rate used in connection with defined benefit plans. The discount rate at the reporting date is derived from the yield on high-quality fixed-interest corporate bonds with matching maturities. Due to the lack of sufficient long-term corporate bonds, extrapolations have to be made regularly. In particular, the assumption of the discount rate and the expected pension trend are of significant importance for the amount of the pension provision. Due to the high total amount of pension obligations, even small changes in actuarial assumptions can have a significant impact on the amount of the pension provisions.

There is the risk for the consolidated financial statements that the pension obligations have been measured inaccurately. There is also the risk that the related disclosures in the notes are not appropriate.

Our Audit Approach

With the involvement of our actuaries, we assessed the actuarial reports obtained from LANXESS AG, LANXESS Deutschland GmbH, Saltigo GmbH and LANXESS Corporation (USA) and evaluated the competence, professional skills and impartiality of the external experts. Our audit procedures included, among other things, assessing the appropriateness of the valuation method applied and the assumptions and data used. We also verified the computational accuracy of the resulting obligation amounts on the basis of randomly selected samples of promised benefits. For the most significant German sub-entities, the development of the obligation and the expense components was analyzed and checked for plausibility in accordance with the actuarial report against the background of the changes that have occurred in the measurement parameters and in the numerical data.

We also assessed whether the related disclosures in the notes are appropriate.

Our Observations

The calculation method used for the pension obligations is appropriate and consistent with the accounting policies to be applied. The assumptions and data used for measurement of the post-employment benefit obligations are appropriate. The related disclosures in the notes are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the sustainability report of the LANXESS Group, including the Group's non-financial statement, contained in the combined management report,
- the combined corporate governance statement for the Company and the Group referred to in the combined management report, and
- information extraneous to management reports and marked as unaudited.

The other information include the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with our engagement letter, we conducted a separate assurance engagement of the sustainability report of the LANXESS Group, including the Group's non-financial statement. Please refer to our assurance report dated March 10, 2025, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control or of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management

report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business segments within the Group to provide a basis for our opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file LXS_AG_KA+LB_ESEF-2024-12-31.zip (SHA256-Hashvalue: 053152a84f9c3b148ed70b-1983b3ae48d03f0d1367c039e46e36ddfba9fb49ea) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2024, contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1) (09.2022).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's management is responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements at the Annual Stockholders' Meeting on May 24, 2023. We were engaged by the Supervisory Board on October 11, 2024. We have been the auditor of the consolidated financial statements of LANXESS Aktiengesellschaft without interruption since financial year 2024.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the German Company Register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Thorsten Hain.

Cologne, March 10, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:

Dr. Hain	Coir
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]"

Assurance report of the independent German Public Auditor on an assurance engagement to obtain limited and reasonable assurance in relation to the Sustainability Report of the LANXESS Group

"To the LANXESS AG

Assurance Conclusion and Opinion

We have conducted a limited assurance engagement on the "Sustainability Report of the LANXESS Group", taking into account, as set forth in the subsequent paragraph, the reasonable assurance engagement on disclosures marked with "{}" in the Sustainability Report of the LANXESS Group included in section "Sustainability Report of the LANXESS Group" of the combined management report of the LANXESS Group and LANXESS AG for the financial year from 1 January 2024 to 31 December 2024. The Sustainability Report of the LANXESS Group was prepared to fulfil the requirements of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 (Corporate Sustainability Reporting Directive, CSRD) and Article 8 of Regulation (EU) 2020/852 as well as Sections 315b and 315c of the HGB [Handelsgesetzbuch: German Commercial Code] for a consolidated non-financial statement.

Based on the particular engagement, we have conducted a reasonable assurance engagement on the disclosures marked with "{}" in the Sustainability Report of the LANXESS Group. A reasonable assurance engagement on these disclosures fulfils the requirements for a limited assurance engagement and, in accordance with Recital 60 to the CSRD, thereby complies with the requirements of the CSRD relating to assurance of the Sustainability Report of the LANXESS Group.

Based on the procedures performed and the evidence obtained as part of our limited assurance engagement, nothing has come to our attention that causes us to believe that the accompanying Sustainability Report of the LANXESS Group, taking into account the disclosures in the Sustainability Report of the LANXESS Group marked with "{}" and subject to a reasonable assurance engagement, is not prepared, in all material respects, in accordance with the requirements of the CSRD and Article 8 of Regulation (EU) 2020/852, Sections 315b and 315c HGB for a consolidated non-financial statement and the supplementary criteria presented by the executive directors of the Company.

This assurance conclusion includes that nothing has come to our attention that causes us to believe that:

- the accompanying Sustainability Report of the LANXESS Group does not comply, in all material respects, with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the entity to identify information to be included in the Sustainability Report of the LANXESS Group (the materiality assessment) is not, in all material respects, in accordance with the description set out in section "Description of the process to identify and assess material impacts, risks and opportunities" of the Sustainability Report of the LANXESS Group, or

- the disclosures in section "Reporting on the EU taxonomy" of the Sustainability Report of the LANXESS Group do not comply, in all material respects, with Article 8 of Regulation (EU) 2020/852.

In our opinion, on the basis of our reasonable assurance engagement, the disclosures marked with “{}” in the Sustainability Report of the LANXESS Group were prepared, in all material respects, in accordance with the requirements applicable to these disclosures and the supplementary criteria presented by the executive directors of the Company.

Basis for the Assurance Conclusion and Opinion

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements(ISAE) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB).

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under ISAE 3000 (Revised) are further described in the section “German Public Auditor’s Responsibilities for the Assurance Engagement on the Sustainability Report of the LANXESS Group”.

We are independent of the entity in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Our audit firm has applied the requirements for a system of quality control as set forth in the IDW Quality Management Standard issued by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW): Requirements for Quality Management in the Audit Firm and International Standard on Quality Management (ISQM) 1 issued by the IAASB.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion and opinion.

Responsibilities of the Executive Directors and the Supervisory Board for the Sustainability Report of the LANXESS Group

The executive directors are responsible for the preparation of the Sustainability Report of the LANXESS Group in accordance with the requirements of the CSRD and the applicable German legal and other European requirements as well as with the supplementary criteria presented by the executive directors of the Company and for designing, implementing and maintaining such internal control that they have considered necessary to enable the preparation of the Sustainability Report of the LANXESS Group in accordance with these requirements that is free from material misstatement, whether due to fraud (i.e., fraudulent sustainability reporting in the Sustainability Report of the LANXESS Group) or error.

This responsibility of the executive directors includes establishing and maintaining the materiality assessment process, selecting and applying appropriate reporting policies for preparing the Consolidated Sustainability Statement, as well as making assumptions and estimates and ascertaining forward-looking information for individual sustainability-related disclosures.

The Supervisory Board is responsible for overseeing the process for the preparation of the Sustainability Report of the LANXESS Group.

Inherent Limitations in Preparing the Sustainability Report of the LANXESS Group

The CSRD and the applicable German legal and other European requirements contain wording and terms that are subject to considerable interpretation uncertainties and for which no authoritative, comprehensive interpretations have yet been published. As such wording and terms may be interpreted differently by regulators or courts, the legality of measurements or evaluations of sustainability matters based on these interpretations is uncertain.

These inherent limitations also affect the assurance engagement on the Sustainability Report of the LANXESS Group.

German Public Auditor’s Responsibilities for the Assurance Engagement on the Sustainability Report of the LANXESS Group

Our objectives are

a) to express a limited assurance conclusion, based on the assurance engagement we have conducted, on whether any matters have come to our attention that cause us to believe that the Sustainability Report of the LANXESS Group, taking into account the disclosures in the Sustainability Report of the LANXESS Group marked with “{}” and subject to a reasonable assurance engagement, has not been prepared, in all material respects, in accordance with the CSRD, the applicable German legal and other European requirements and the supplementary criteria presented by the company's executive directors, and to issue an assurance report that includes our assurance conclusion on the Sustainability Report of the LANXESS Group, taking into account the disclosures in the Sustainability Report of the LANXESS Group marked with "{}" and subject to a reasonable assurance engagement.

b) to express a reasonable assurance opinion, based on the assurance engagement we have conducted on whether the disclosures marked with "{}" in the Sustainability Report of the LANXESS Group are prepared, in all material respects, in accordance with the requirements applicable to these disclosures and the supplementary criteria presented by the executive directors of the Company.

As part of an assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgment and maintain professional skepticism.

We also:

a) for the limited assurance engagement

- obtain an understanding of the process used to prepare the Sustainability Report of the LANXESS Group, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Sustainability Report of the LANXESS Group.
- identify disclosures where a material misstatement due to fraud or error is likely to arise, design and perform procedures to address these disclosures and obtain limited assurance to support the assurance conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. In addition, the risk of not detecting a material misstatement in information obtained from sources not within entity's control (value chain information) is ordinarily higher than the risk of not detecting a material misstatement in information obtained from sources within the entity's control, as both the entity's executive directors and we as practitioners are ordinarily subject to restrictions on direct access to the sources of the value chain information.
- consider the forward-looking information, including the appropriateness of the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

b) for the reasonable assurance engagement

- perform risk assessment procedures, including obtaining an understanding of the internal controls that are relevant to the assurance engagement on the disclosures marked "{}" in the Sustainability Report of the LANXESS Group in order to identify and assess the risks of material misstatement at the assertion level due to fraud or error, but not for the purpose of expressing an assurance opinion on the effectiveness of these internal controls of the Company. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. In addition, the risk of not detecting a material misstatement in information obtained from sources in the value chain not within the entity's control (value chain information) is ordinarily higher than the risk of not detecting a material misstatement in information obtained from sources within the entity's control, as both the entity's executive directors and we as practitioners are ordinarily subject to restrictions on direct access to the sources of the value chain information.

– evaluate the appropriate derivation of the forward-looking disclosures from the significant assumptions and the appropriateness of these assumptions. We do not express a separate assurance opinion either on the forward-looking disclosures nor on the assumptions on which they are based. There is a substantial unavoidable risk that future events will differ materially from the forward-looking disclosures.

Summary of the Procedures Performed for the Limited Assurance Engagement by the German Public Auditor

A limited assurance engagement involves the performance of procedures to obtain evidence about the sustainability information. The nature, timing and extent of the selected procedures are subject to our professional judgment.

In performing our limited assurance engagement, we:

› evaluated the suitability of the criteria as a whole presented by the executive directors in the Sustainability Report of the LANXESS Group
› inquired of the executive directors and relevant employees involved in the preparation of the Sustainability Report of the LANXESS Group about the preparation process, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Sustainability Report of the LANXESS Group, and about the internal controls relating to this process
› evaluated the reporting policies used by the executive directors to prepare the Sustainability Report of the LANXESS Group
› evaluated the reasonableness of the estimates and related information provided by the executive directors. If, in accordance with the ESRS, the executive directors estimate the value chain information to be reported for a case in which the executive directors are unable to obtain the information from the value chain despite making reasonable efforts, our assurance engagement is limited to evaluating whether the executive directors have undertaken these estimates in accordance with the ESRS and assessing the reasonableness of these estimates, but does not include identifying information in the value chain that the executive directors were unable to obtain
› performed analytical procedures and made inquiries in relation to selected information in the Sustainability Report of the LANXESS Group
› conducted site visits
› considered the presentation of the information in the Sustainability Report of the LANXESS Group
› considered the process for identifying taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Report of the LANXESS Group.

Restriction of Use/Clause on General Engagement Term

This assurance report is solely addressed to LANXESS AG].

The engagement, in the performance of which we have provided the services described above on behalf of LANXESS AG, was carried out on the basis of the General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) dated as of January 1, 2024 (www.kpmg.de/AAB_2024). By taking note of and using the information as contained in our report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations of EUR 4 million specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Düsseldorf, 10 March 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Brandt	Fielenbach
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]”

FURTHER INFORMATION

About this Report

REPORTING METHODOLOGY

This report comprises the financial and sustainability reporting by the LANXESS Group. It is aligned to national and international standards for financial and sustainability reporting, especially the International Financial Reporting Standards (IFRS), German accounting standards (DRS) and the principles of the U.N. Global Compact. Although the Directive (EU) 2022/2464 as regards corporate sustainability reporting (Corporate Sustainability Reporting Directive, CSRD) had not been implemented in national law in Germany by December 31, 2024, we voluntarily and fully applied the European Sustainability Reporting Standards (ESRS) as a framework for the Sustainability Report of the LANXESS Group. In addition, the contents of the report are mapped against the requirements of the GRI Standards. A corresponding index with reference to GRI can be found as of page 327.

LANXESS follows the recommendations for effective climate-related reporting of the Task Force on Climate-related Financial Disclosures (TCFD). Accordingly, we will publish detailed information on the handling of climate-related opportunities and risks in a TCFD Index. You can download the TCFD Index on our website under Investors in April 2025.

The Sustainability Accounting Standards Board (SASB) has published 77 industry standards to enable businesses to communicate financially material sustainability information to their investors. We will publish an SASB Index in alignment with the Chemicals Standard (Version 2018-10) on our website under Investors in April 2025.

This report contains information according to the transparency requirements of the U.K. Modern Slavery Act. "Slavery and human trafficking statement". Reporting is performed annually.

The last report for fiscal year 2023 was published in March 2024.

NON-FINANCIAL REPORTING

The Sustainability Report of the LANXESS Group is the non-financial statement (NFS) according to sections 315b and 315c in conjunction with sections 289c through 289e of the German Commercial Code (HGB). With this report, we also satisfy the disclosures required according to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Commission of June 18, 2020, on the establishment of a framework to facilitate sustainable investment and amend Regulation (EU) 2019/2088. This Sustainability Report pertains to the period from January 1 through December 31, 2024.

The Sustainability Report of the LANXESS Group was prepared by the Board of Management as part of the combined management report and approved by the Supervisory Board of LANXESS AG. An overview on page 87 shows where the contents of the NFS can be found in the combined management report of the LANXESS Group. The sustainability report of the LANXESS Group and the associated data collection processes were subjected to a review with limited assurance in line with the auditing standard ISAE 3000 (revised) by KPMG AG Wirtschaftsprüfungsgesellschaft on behalf of the Supervisory Board. The audit report can be found on page 320. The reporting year is 2024. Key non-financial performance indicators are an integral component of the combined management report and subject to the audit of the consolidated financial statements and of the combined management report.

Information on provisions for environmental protection of €167 million can be found in Note [15] of the consolidated financial statements.

DATA COLLECTION

In compiling the data, we applied the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

For disclosure of HR key figures, LANXESS uses a global reporting system that contains the key data for almost the entire Group.

To record key data on safety and environmental protection systematically worldwide, we use an electronic data-entry system. The two performance indicators we use to measure occupational safety – the lost time injury frequency rate (LTIFR, known as MAQ in Germany) and the recordable incident rate (RIR) – apply to all sites. Environmental protection data are gathered at those production sites in which the company has a holding of at least 50%. With regard to the collection of emissions data, we have taken into account the recommendations of the Greenhouse Gas Protocol (GHG Protocol) and the International Energy Agency (IEA). To ensure the quality of data, KPMG AG Wirtschaftsprüfungsgesellschaft has audited selected qualitative and quantitative disclosures with reasonable assurance. These are identified in the report with {}.

GRI Index

LANXESS has reported in accordance with the GRI Standards for the period from 1 January 2024 to 31 December 20204.

GRI Standards		Location
GRI 1 used	GRI 1: Foundation 2021	
GRI 2: General Disclosures 2021		
2-1	Organizational details	page 90 f.
2-2	Entities included in the organization's sustainability reporting	page 87
2-3	Reporting period, frequency and contact point	page 87
2-4	Restatements of information	page 88
2-5	External assurance	page 87
2-6	Activities, value chain and other business relationships	page 96 f.
2-7	Employees	page 96 f., page 202 f.
2-9	Governance structure and composition	page 88 ff., page 221 ff.
2-10	Nomination and selection of the highest governance body	page 15
2-11	Chair of the highest governance body	page 15
2-12	Role of the highest governance body in overseeing the management of impacts	page 88 ff., page 221 ff.
2-13	Delegation of responsibility for managing impacts	page 88 ff.,
2-14	Role of the highest governance body in sustainability reporting	page 95 f.
2-15	Conflicts of interest	page 19
2-16	Communication of critical concerns	page 90
2-17	Collective knowledge of the highest governance body	page 88 ff.,
2-18	Evaluation of the performance of the highest governance body	page 13
2-19	Remuneration policies	page 92 ff.
2-20	Process to determine remuneration	page 95
2-21	Annual total compensation ratio	page 205

GRI Standards		Location
2-22	Statement on sustainable development strategy	page 96 f.
2-23	Policy commitments	page 95, page 189, page 208, page 215, page 221 ff.
2-24	Embedding policy commitments	page 91, page 192, page 211 f., page 216, page 221 ff.
2-25	Processes to remediate negative impacts	page 192, page 210, page 216, page 221 ff.
2-26	Mechanisms for seeking advice and raising concerns	page 210, page 216, page 221 ff.
2-27	Compliance with laws and regulations	page 100 f, page 147, page 224
2-28	Membership associations	page 330
2-29	Approach to stakeholder engagement	page 97 ff., page 189 ff., page 208 f., page 214 f.
2-30	Collective bargaining agreements	page 204
3-1	Process to determine material topics	page 87, page 101 ff.
3-2	List of material topics	page 100
GRI 201: Economic Performance 2016		
201-2	Financial implications and other risks and opportunities due to climate change	page 126, page 129 f.
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	page 204 f.

GRI Standards		Location
GRI 203: Indirect Economic Impacts 2016		
203-2	Significant indirect economic impacts	page 192 ff., page 211 f.
GRI 205: Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	page 221 ff.
205-2	Communication and training about anti-corruption policies and procedures	page 221 ff.
GRI 301: Materials 2016		
301-1	Materials used by weight or volume	page 177
301-2	Recycled input materials usede	page 177
301-3	Reclaimed products and their packaging materials	page 178
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	page 135
302-3	Energy intensity	page 135
302-4	Reduction of energy consumption	page 128 ff.
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	page 100 f., page 150 ff., page 153 ff.
303-2	Management of water discharge- related impacts	page 143 ff.
303-5	Water consumption	page 157 ff.
GRI 304: Biodiversity 2016		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	page 166 f.

GRI Standards		Location
304-2	Significant impacts of activities, products and services on biodiversity	page 166 f.
304-3	Habitats protected or restored	page 165 f.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	page 166 f.
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	page 132 ff., page 136 ff.
305-2	Energy indirect (Scope 2) GHG emissions	page 132 ff., page 136 ff.
305-3	Other indirect (Scope 3) GHG emissions	page 132 ff., page 136 ff.
305-4	GHG emissions intensity	page 136 ff.
305-5	Reduction of GHG emissions	page 129 ff., page 137
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	page 147
GRI 306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	page 100 f., page 177
306-2	Management of significant waste-related impacts	page 173 ff., page 178 f.
306-3	Waste generated	page 178 f.
306-4	Waste diverted from disposal	page 178 f.
306-5	Waste directed to disposal	page 178 f.
GRI 308: Supplier Environmental Assessment 2016		
308-2	Negative environmental impacts in the supply chain and actions taken	page 100 f.
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	page 203 f.
401-3	Parental leave	page 184 f.
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	page 189 ff.
403-2	Hazard identification, risk assessment, and incident investigation	page 192
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	page 211 f.

GRI Standards		Location
403-8	Workers covered by an occupational health and safety management system	page 204
403-9	Work-related injuries	page 192 ff.
403-10	Work-related ill health	page 192 ff.
GRI 404: Training and Education 2016		
404-2	Programs for upgrading employee skills and transition assistance programs	page 189 ff.
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	page 88 ff., page 202 f., page 204
405-2	Ratio of basic salary and remuneration of women to men	page 205
GRI 408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	page 180 ff., page 189 ff., page 206, page 208 f.
GRI 409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	page 180 ff., page 189 ff., page 206, page 208 f.
GRI 416: Customer Health and Safety 2016		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	page 216 ff.
GRI 417: Marketing and Labeling 2016		
417-2	Incidents of non-compliance concerning product and service information and labeling	page 216 ff.
417-3	Incidents of non-compliance concerning marketing communications	page 216 ff.
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 216 ff.

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unglobalcompact.org

responsible-care.de

chemiehochdrei.de

wbcsd.org

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tfs-initiative.com

sdgs.un.org

LANXESS stock in the sustainability indices

MEMBER OF

DAX 30 ESG

stoxx.com/index/dax3esgg

MEMBER OF

Dow Jones Best-in-Class Indices

spglobal.com/spdji/en

Financial Calendar 2025

MAY

MAY 8

Quarterly Statement
Q1 2025
Conference Call

MAY 22

Annual Stockholders' Meeting

AUG.

AUGUST 14

Half-Year Financial Report
H1 2025
Conference Call

NOV.

NOVEMBER 6

Quarterly Statement
Q3 2025
Conference Call

JAN. FEB. MARCH APRIL JUNE JULY SEP. OCT. DEC.

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