Planet Tracker

ENGAGEMENT SHEET

LyondellBasell (LYB)
Climate Transition Analysis

Questions for investors and lenders to ask management

Recommended Questions

Q.1 **What are the company's plans to introduce long-term remuneration incentives specifically linked to achieving its climate transition targets?**

Background: Short-term ESG performance metrics are included in management compensation, but the lack of long-term incentives could limit the effectiveness of LyondellBasell's sustainability strategy.

Best Practice: Introduce long-term climate transition-linked remuneration for senior management to align their incentives with the company's long-term climate goals.

Q.2 **Will LyondellBasell provide more transparency regarding its affiliations with trade associations and the steps taken to mitigate misalignments with climate policy?**

Background: The company maintains affiliations with trade associations that have taken positions at odds with climate policy. Greater transparency is needed to ensure these relationships do not undermine LyondellBasell's climate ambitions.

Best Practice: Increase transparency around the company's influence and alignment with trade associations, ensuring that these affiliations support LyondellBasell's climate transition objectives and the broader transition to Net Zero.

Q.3 **How does LyondellBasell plan to enhance its engagement with customers to support and advance its climate transition goals?**

Background: The assessment highlights limited customer engagement related to the company's climate transition strategy. This conclusion comes due to a lack of quantification of these initiatives; e.g., number of customers engaged, expected emissions mitigated, and timeframe are missing. Strengthening this area is crucial for driving downstream emissions reductions.

Best Practice: Have a sustainability-related customer engagement by establishing quantified mechanisms that ultimately support its broader emissions reduction goals.

Report Key Takeaways

- LyondellBasell targets carbon neutrality by 2050 with significant reductions in Scope 1, 2, and 3 emissions by 2030. However, overall emissions increased by 3% from 2020 to 2023, indicating potential challenges in meeting the 1.5°C target.
- The company is investing USD 1 billion in energy efficiency, renewable energy, hydrogen, and CCS, aiming for considerable emissions reductions in operating emissions, together with the exit from refining by 2025 expected to cut Scope 3 emissions by 37%.
- LyondellBasell faces potential cost increases of USD 88–332 million annually due to EU regulations but lacks comprehensive financial transparency on other climate-related risks.
- While strong on supplier engagement, limited customer involvement, conflicting trade associations, and no long-term climate-linked incentives could hinder the company's transition goals, which at the moment seems to be trending towards a 1.5°C pathway alignment.

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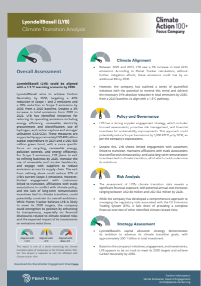

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