

## **Corporate Governance Statement pursuant to Sections 289f, 315d of the German Commercial Code**

In the Corporate Governance Statement pursuant to Sections 289f, 315d German Commercial Code we refer to the declaration by the Board of Management and the Supervisory Board of LANXESS Aktiengesellschaft pursuant to Section 161 of the German Stock Corporation Act regarding the German Corporate Governance Code and explain the relevant management practices above and beyond the legal requirements. Furthermore, we describe the work of the Board of Management and Supervisory Board and the composition and work of the Supervisory Board committees. The Corporate Governance Statement contains also the commitments to promote the participation of women in leadership positions in accordance with Section 76 (4) and 111 (5) of the German Stock Corporation Act and a description of the diversity concept for the composition of the Board of Management and the Supervisory Board.

### **Declaration by the Board of Management and the Supervisory Board of LANXESS AG pursuant to section 161 of the German Stock Corporation Act regarding the German Corporate Governance Code**

Our current declaration is available at:

[https://lanxess.com/fileadmin/user\\_upload/Entsprechenserklaerung\\_Dezember\\_2017\\_clean\\_en.pdf](https://lanxess.com/fileadmin/user_upload/Entsprechenserklaerung_Dezember_2017_clean_en.pdf)

### **Management 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 therefore a fundamental requirement for all corporate activities. For this reason, LANXESS has established a group-wide compliance management system (CMS), which is defined in the CMS policy applicable throughout the Group.

The goal of the CSM 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 Team, which is made up of the Group Compliance Officer and a network of local compliance officers in the countries in which LANXESS has subsidiaries. The Compliance Team acts, in particular, as the central point of contact and provider of advice for all employees on compliance-related issues. The compliance function to which the global Compliance Team 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's 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 employees, so that all LANXESS employees live by and practise this compliance culture.

The aim of the LANXESS Compliance Program, which is part of the CMS, is to establish appropriate organisational measures and processes to prevent individual misconduct (prevention) or to identify misconduct in a timely manner (identification) and react with appropriate sanctions (response). The "LANXESS Code of Conduct – Code for integrity and compliance at LANXESS", which applies throughout the Group, is the cornerstone of the Compliance Program. It defines binding principles of conduct and provides employees with information and guidance on compliance. The LANXESS Code of Conduct is available on LANXESS's website under <http://www.lanxess.de/> Corporate Responsibility/Corporate Governance/Compliance. 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 responsible for developing and implementing individual compliance programs that encompass, in particular, specific Group policies, standard operating procedures and training concepts. The Compliance Team supports 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. If there are indications of compliance violations, the Integrity Line offers employees and external third parties many ways to report suspected violations – including anonymously.

LANXESS considers corporate responsibility a prerequisite to being able to operate successfully in the future and create value for all stakeholders. 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. For LANXESS, actively demonstrating corporate responsibility involves knowing and evaluating the impact of our actions – whether positive or negative – and maintaining a dialogue with stakeholders that enables us to satisfy their expectations to the best of our ability. We subscribe to globally recognised standards and frameworks such as the UN Global Compact, the standards of the International Labour Organization (ILO) and Responsible Care®. The principles of responsible conduct and sustainable development are reflected in our Corporate Policy, which comprises a total of eleven sets of guidelines defining our general corporate image and the conduct expected of every employee towards our stakeholders. An overview of the implementation of corporate responsibility at LANXESS can be viewed in the Corporate Responsibility section of our website <http://www.lanxess.de/>.

## **Work of the Board of Management and the Supervisory Board**

LANXESS AG is a stock corporation (*Aktiengesellschaft*) established under the laws of Germany. One of the fundamental principles of German stock corporation law is the dual management system with two governing bodies: the management board and the supervisory board. This system is characterized by a clear separation between the management board, the body that manages the company, and the supervisory board, the body that advises and

oversees management. The management board and the supervisory board work closely together in a relationship of mutual trust in the interests of the company.

The Board of Management of LANXESS AG currently comprises five members. Information about the members of the Board of Management is available on our website under <http://www.lanxess.de/> Investor Relations/Corporate Governance/Board of 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 direction, managing and overseeing the operating units, setting human resources policy, arranging the Group's financing and establishing an effective risk management system. The Board of Management has to ensure compliance with the law, regulatory requirements and internal policies. It is also responsible for preparing the company's quarterly and half-year financial statements, the annual financial statements of LANXESS AG, the consolidated financial statements 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 by 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 rules concerning the form of cooperation within the Board of Management, the allocation of duties and the matters requiring a resolution of the full Board of Management. The Board of Management has not established any committees. When determining the composition of the Board of Management, the Supervisory Board takes heed of its requirements with regard to professional qualifications, leadership qualities and diversity. The Supervisory Board has set an age limit for members of the Board of Management.

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 Co-determination Act of 1976 (*Mitbestimmungsgesetz*). The stockholder representatives are elected by the Annual Stockholders' Meeting, whereas the employee representatives are elected in accordance with the provisions of the Co-determination Act and its election rules. Supervisory Board members normally serve for a five-year term.

Information about the members of the Supervisory Board is available on our website under <http://www.lanxess.de/> Investor Relations/Corporate Governance/Supervisory Board.

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 annual financial statements of LANXESS AG and of the Group. The Supervisory Board makes decisions on the Board of Management's proposed appropriation of the balance sheet profits and on its report to the Annual Stockholders' Meeting. The Supervisory Board reaches its decisions by a majority of the votes cast, unless a different majority is required by law. If voting is tied and a second ballot is held on the resolution, the Chairman of the Supervisory Board may cast two votes if the second ballot also results in a tie. The German Co-determination Act contains special requirements concerning resolutions. The Chairman of

the Supervisory Board coordinates the Supervisory Board's work, 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 Supervisory Board and committee meetings in the 2017 financial year is available on the company's website under <http://www.lanxess.de/> Investor Relations/Corporate Governance/Supervisory Board.

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, establishes the processes for convening, preparing and chairing meetings as well as the procedures for adopting resolutions. The Supervisory Board has also set targets for its composition and a skills profile which are discussed in the Corporate Governance Report.

The Board of Management provides full and timely reports to the Supervisory Board about the progress 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, risks, 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.

### **Composition and work of the Supervisory Board committees**

The Supervisory Board has established a Presidial Committee, an Audit Committee, a Committee pursuant to section 27 (3) of the German Co-determination (*Mitbestimmungsgesetz*) Act and a Nominations Committee. The composition of the Supervisory Board's committees is shown on our website under <http://www.lanxess.de/> Investor Relations/Corporate Governance/Supervisory Board.

The Presidial Committee discusses key issues and prepares the meetings and resolutions of the Supervisory Board. 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 Co-determination 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.

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, the 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 Chairman of the Audit Committee is Dr Janssen,

an independent financial expert who has specialist knowledge and experience in the field of accounting acquired through his professional practice.

The Committee pursuant to section 27 (3) of the German Co-determination Act performs the tasks described in section 31 (3) of the German Co-determination Act.

The Nominations Committee solely comprises stockholder representatives. Its job is to propose candidates to the Supervisory Board for the Supervisory Board to then propose to the Annual Stockholders' Meeting as candidates for election as new members of the Supervisory Board.

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

### **Setting of targets for female representation on the Board of Management and in managerial positions pursuant to sections 76 (4) and 111 (5) of the German Stock Corporation Act**

Under the Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst*), which entered into force on 1 May 2015, certain companies in Germany are required to set targets for female representation on the supervisory board, the management board, and the next two management levels down, and to specify a deadline for meeting these targets. The law does not require targets to be set for the supervisory boards of listed and co-determined companies like LANXESS AG. Instead, a mandatory minimum quota of 30% women and 30% men applies when filling vacant supervisory board positions from 1 January 2016. Existing appointments, including appointments of alternate members, are allowed to continue until they would normally expire. There are currently two women on LANXESS AG's 12-member Supervisory Board, which is equivalent to a quota of a good 16%. New appointments in the future will comply with the statutory requirements.

In 2015, in light of the fact that the appointments and service contracts of the members of the Board of Management serving at the time the resolution was taken were valid beyond 30 June 2017, the Supervisory Board of the company resolved to maintain the status quo and set a target for female representation on LANXESS AG's Board of Management of 0% until 30 June 2017. At the time that resolution was adopted and currently, the members of LANXESS AG's Board of Management were and are all men. The Supervisory Board has now set a new target for female representation on the Board of Management for the period commencing 30 June 2017. From then until 30 June 2022, at least one member of the Board of Management must be a woman.

In light of the restructuring measures taken within the LANXESS Group, the Board of Management of LANXESS AG resolved to retain the existing female representation target as the initial target for the first and second management levels until 30 June 2017. At the time of the 2015 resolution, female representation in the first and second management levels below the Board of Management was 9.8% and 20.5% respectively. Measures initiated by LANXESS to increase the number of women in management positions led to these targets being exceeded as of the cut-off date (female representation in the first and second management levels of 11.6% and 23.9% respectively). On this basis, the Board of Management and the Supervisory Board adopted new targets to be implemented by

30 June 2022: the targets for female representation in the first and second levels of management are to be 15% and 25% 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 nationality.

The adoption of a standard age limit of 70 for Board of Management members and 80 for Supervisory Board members is designed to enable members of both bodies to contribute their professional and life experience for a sufficient length of time for the benefit to the company. The maximum length of service for members of the Supervisory Board is three full terms (15 years).

LANXESS also strongly believes that gender diversity is a key component of diversity. The company therefore promotes, for example, family friendly workplace initiatives. As already mentioned, the Supervisory Board has also set itself the target of appointing at least one woman to the Board of Management by 30 June 2022. There are currently two women on LANXESS AG's 12-member Supervisory Board, which is equivalent to a quota of a good 16%. Future appointments based on the mandatory minimum quota of 30% women and 30% men when filling vacant Supervisory Board positions will ensure that female representation on the company's Supervisory Board will increase.

LANXESS is of the firm belief that a diverse range of educational and professional backgrounds is necessary to enable the governing bodies to fulfil 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. A variety of cultural backgrounds also contributes to this. The members of the company's Board of Management have educational qualifications in business or science and diverse international management experience. LANXESS AG's Board of Management comprises members from three different countries. The members of the company's Supervisory Board also have the most varied educational, professional and cultural backgrounds. In addition to the standards expected of all Supervisory Board members such as integrity, commitment, professionalism and independence, the Supervisory Board as a whole must be composed in a way that ensures it can competently monitor and consult with or advise the Board of Management. The Supervisory Board of LANXESS AG has also developed a skills profile for the body as a whole. As currently constituted, the Supervisory Board fulfils its objectives as regards its composition and meets the skills profile. The members of the Supervisory Board as a whole are familiar with the sector in which LANXESS operates and possess the knowledge, skills and experience relevant to the company. The company's Supervisory Board includes members from four different countries. Furthermore, much of the experience and skills possessed by the members of the Supervisory Board were gained overseas or from involvement in an area of business with an international focus. You will find further information about all members of LANXESS AG's Board of Management and Supervisory Board in the curricula vitae on the company's website under <http://www.lanxess.de/> Investor Relations/Corporate Governance.