

Separate Non-Financial Consolidated Report

20

17

CONTENTS

02	Introduction
02	Systematically Prioritizing Sustainability
06	Good Corporate Governance
06	Committees and Functions
08	Integrated Management System
08	Operational Guidelines
09	Company Guidelines and Regulations
09	Values and Culture
11	Employee Concerns
11	Employee Commitment – a Key Success Factor
11	Developing Skilled Workers within our Own Ranks
11	Xact: Global Initiative for Greater Safety
13	Environmental Concerns
13	Safe and Sustainable Sites
17	Climate Action and Energy Efficiency
20	Resilient Sourcing
22	Independent Practitioner's Report

INTRODUCTION

This separate non-financial consolidated report by the LANXESS Group contains the non-financial disclosures required by Section 315c in conjunction with Section 289c of the German Commercial Code. It was compiled by the Board of Management and reviewed by the Supervisory Board of LANXESS AG. The Supervisory Board engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to audit the non-financial report and the associated data recording processes with limited assurance according to the audit standard ISAE 3000 (Revised). The auditor's report can be found on page 22 of this report.

The reporting period for this first non-financial consolidated report is the year 2017. It covers the Group companies that are included in the consolidated financial statements. Unless indicated otherwise, the information provided applies to the entire Group. References to information outside the Group management report or the consolidated financial statements constitute further information and are not part of the non-financial consolidated report.

Within this non-financial report, LANXESS took the G4 Guidelines of the Global Reporting Initiative (GRI) as a framework for the materiality analysis and for the reporting of management approaches and specific standard disclosures.

Information on our business model can be found in the combined management report of the LANXESS Group and LANXESS AG on page 63 of the 2017 Annual Report.

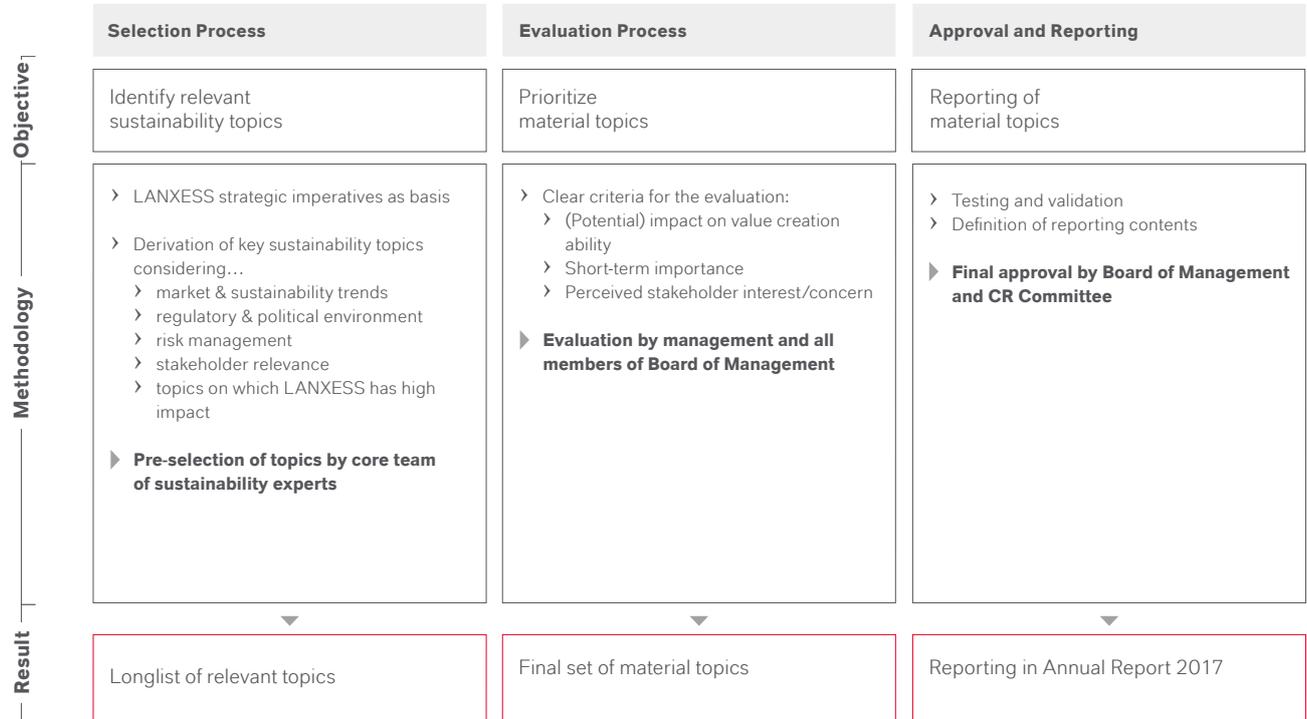
Information on environmental provisions can be found in the section headed other non-current and current provisions (see note [15] to the consolidated financial statements for fiscal 2017).

SYSTEMATICALLY PRIORITIZING SUSTAINABILITY

Identifying the main effects of our business operations and taking our stakeholders' concerns into account in our strategy forms the basis of our sustainability management. Against this background, we again performed a materiality analysis that complied with the requirements of the Global Reporting Initiative (GRI) in the reporting year. This is an important tool that enables us to systematically prioritize the various areas of activity and deploy resources as effectively as possible. The materiality analysis is based on four principles: sustainability context, materiality, completeness and stakeholder inclusiveness.

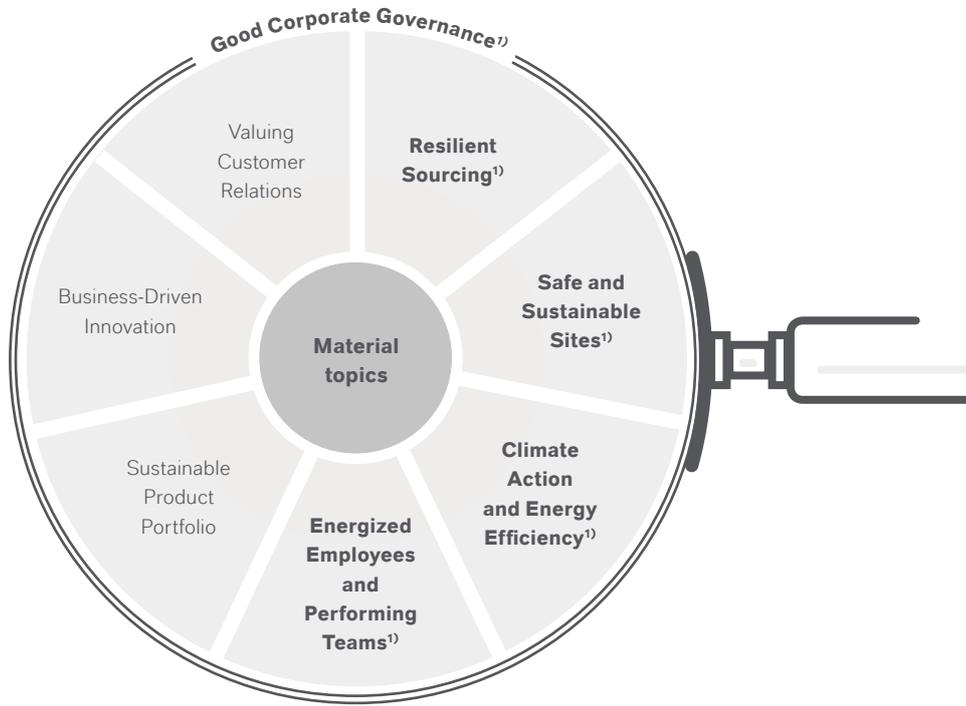
In 2016, a team of sustainability experts from various segments started laying the foundations for an extensive overhaul of our key issues and deriving core aspects from our strategic guidelines (see p. 4). The results were finalized in our in-house evaluation in 2017.

Process of Materiality at LANXESS



As a result of our materiality analysis, we defined seven key sustainability issues that were confirmed by the Board of Management and the Corporate Responsibility Committee. The issue of “good corporate governance” constitutes the framework in which our overall business activities are carried out.

Material Topics



1) These topics will be explained on the following pages.

LANXESS then defined materiality for this separate non-financial consolidated report in accordance with the provisions of Section 289c, Paragraph 3, Sentence 1 of the German Commercial code. The information relevant for reporting in the separate non-financial consolidated report is the information required to understand the Group's business development, business results and position as well as the effects of our activities on non-financial aspects. For us, this is information on environmental concerns, employee concerns, human rights and anti-corruption. We have identified societal concerns as immaterial for the understanding of the business development, business results and position, and LANXESS poses no material risks with regard to this aspect following risk-reduction measures.

We have formulated specific targets for all key issues. Their common aim is to generate added value for our stakeholders through our operating activities while improving the quality of life for present and future generations. Consequently, one element of the variable compensation for the first and second management levels below the Board of Management is the extent to which certain targets are attained.

LANXESS Sustainability Targets

Area	Target	Indicator	Target Date	Status Quo 2017
 Good Corporate Governance Good corporate governance is the foundation ensuring that LANXESS creates sustainable value in alignment with stakeholder expectations. At LANXESS this is expressed in a value-based performance and safety culture, effective risk management processes and our commitment to recognized governing principles such as the UN global compact.				
Anti-corruption	No corruption cases	Number of participants in compliance training in the reporting year	Continuous	Over 2,000 employees took part in compliance training. There was a low single-digit number of cases of passive corruption.
Human rights	No human rights violations	Percentage of the procurement spend placed with TfS-audited suppliers	Continuous	TfS-audited suppliers account for 70% (previous year: 60%) of our relevant procurement spend.
 Resilient Sourcing Our value chains start from a diverse, sustainable raw material portfolio. We engage with our suppliers and relevant stakeholders to improve the working and environmental conditions in the global supply chains.				
Suppliers' sustainability standards	Continuous increase in the percentage of TfS-audited suppliers	Percentage of the procurement spend placed with TfS-audited suppliers	Continuous	TfS-audited suppliers account for 70% (previous year: 60%) of our relevant procurement spend. The relevant procurement spend includes all suppliers from which we buy goods or services amounting to more than €20,000 each year.
 Safe and Sustainable Sites We manufacture sustainable products at competitive and sustainable chemical sites. Continuous process improvements and investments are fundamental for our sustained success. We care about the community.				
Global standards and processes	Integration of all locations (except Rustenburg) in the global matrix certificate	Degree of coverage in relation to sites	Continuous	Our matrix certificate covered 49 certifiable companies with 81 sites in 23 countries. This is equivalent to coverage of 84% (incl. Chemtura).
Global process safety	Continuous reduction in incidents relating to plant and process safety	Number of reportable incidents relating to plant and process safety	Continuous	Eight incidents relating to plant and process safety
	Continuous reduction in environmental incidents	Number of reportable environmental incidents	Continuous	One environmental incident
	Continuous reduction in transport incidents	Number of reportable transport incidents	Continuous	One transport incident
 Climate Action and Energy Efficiency Climate action based on efficient energy use is the right thing to do for society and also a key to delivering financial performance in the long-term.				
Emissions ¹⁾	Reduction in specific Scope 1 CO ₂ e emissions by 25% for the LANXESS Group	Specific Scope 1 CO ₂ e emissions	End of 2025	The acquisition of Chemtura led to an increase in specific Scope 1 emissions.
	Reduction in specific Scope 2 CO ₂ e emissions by 25% for the LANXESS Group	Specific Scope 2 CO ₂ e emissions	End of 2025	Specific Scope 2 emissions increased slightly compared to the previous year.
	Reduction in emissions of volatile organic compounds (NMVOC) by 25%	Emissions of volatile organic compounds (NMVOC)	End of 2025	Specific VOC emissions were maintained at a stable, low level. An improvement can therefore be reported compared to the base year 2015.
Energy consumption ¹⁾	Reduction in specific energy consumption by 25% for the LANXESS Group	Specific energy consumption	End of 2025	The acquisition of Chemtura led to a year-on-year increase in both absolute and specific energy consumption. There has been progress since the base year 2015.

Area	Target	Indicator	Target Date	Status Quo 2017
 Energized Employees and Performing Teams We create a motivating, energetic and health-preserving working environment for all employees, striving for high engagement and impact. We nurture and promote a value-based, performance-orientated culture. We aim to be an attractive employer and to develop peoples' full potential throughout their professional life.				
Employee retention	High retention in all regions	Turnover resulting from voluntary resignations	2018 onward	Turnover resulting from voluntary resignations continued to fall to 2.34%.
Training	Hire rate of at least 80% on completion of apprenticeship	Hire rate of apprentices in Germany	2018 onward	The number of apprentices increased by around 20% compared to 2016. 80% of apprentices were hired.
Occupational safety	Continuous reduction of reportable accidents by >50% (as against LTIFR 2.0 in 2016)	LTIFR	By end of 2025	The LTIFR was 1.7 and thus considerably below the figure from 2016.

1) Basis: Dec. 31, 2015

The LANXESS Group has implemented risk-mitigation measures as part of its management of opportunities and risks. With regard to non-financial aspects of the CSR Directive Implementation Act defined as relevant for this consolidated report and to the aspect of societal concerns, the subsequent net analysis of risks reveals no material risks linked to the Group's own operations or to business relationships, products and services that very probably have or will have a severe negative impact.

Extensive information on our opportunity and risk management system can be found in the combined management report of the LANXESS Group and LANXESS AG on page 106 of the 2017 Annual Report.

GOOD CORPORATE GOVERNANCE

Only appropriate values, operational guidelines and organizational structures – summed up as good corporate governance – enable our employees to act responsibly in their day-to-day work and thus turn a relatively abstract concept into a specific corporate success factor. At LANXESS, good corporate governance is embodied by a values-based and safety-conscious corporate culture, effective management systems and a commitment to internationally recognized principles of responsible management such as the U.N. Global Compact.

Committees and functions

As part of our Group strategy, sustainability is regularly the subject of decision-making processes in the Board of Management. We have established various committees below Board of Management and Supervisory Board level to ensure compliance with and the ongoing optimization of our strategy as well as our rules and standards.

Responsibilities at Board Level

Supervisory Board			
Matthias Zachert CEO	Michael Pontzen CFO	Rainer van Roessel Board	Hubert Fink Board
Compliance Organization	Corporate Risk Committee	CR¹⁾ Committee	HSEQ²⁾ Committee
Group Compliance Officers and local Compliance Officers	Senior executives	Representatives from business units and Group functions	Senior executives
<ul style="list-style-type: none"> › Administering the CMS³⁾ › Supporting the organization regarding compliance › Developing preventive activities 	<ul style="list-style-type: none"> › Reviewing and monitoring overall risk profile › Analyzing material risks and opportunities incl. sustainability topics 	<ul style="list-style-type: none"> › Interdisciplinary advising the Board of Management on matters relating to sustainability 	<ul style="list-style-type: none"> › Defining the global HSEQ²⁾ guidelines, strategies and programs › Setting and monitoring the HSEQ²⁾ goals
Continuous development of the sustainability strategy as part of the Corporate Strategy			

1) Corporate Responsibility
 2) Health, Safety, Environment and Quality
 3) Compliance Management System

Compliance organization

The global compliance organization is the central point of contact for all employees on compliance-related issues. It also works with the organizational units to develop measures intended to counter illegal or unethical conduct by LANXESS employees at an early stage and to prevent improprieties.

Corporate Risk Committee

The Corporate Risk Committee examines and monitors the Group's risk profile as well as regularly analyzes the key opportunities, risks and corresponding preventive measures relating to sustainability. Our opportunity and risk management system is described in detail in the combined management report starting on page 63 of our Annual Report.

Corporate Responsibility (CR) Committee

The members of this committee represent all LANXESS business units and ensure that all LANXESS's CR activities within the Group are in line with our strategy. As an interdisciplinary competence center, the committee advises both the Board of Management and the business units on all matters relating to sustainability. It is also responsible for collecting and maintaining reliable data that comply with current market standards for use in our external CR communications.

HSEQ Committee

As one of the leading senior committee of LANXESS the HSEQ Committee ensures worldwide compliance with uniformly high quality management, safety, environmental, energy and climate protection standards. It has responsibility for initiating and monitoring the global implementation of all necessary HSEQ guidelines, strategies and programs as well as for defining our HSEQ objectives and monitoring their achievement. It also defines the global strategy for our integrated quality and environmental management system and our energy management system.

Integrated management system

At LANXESS, a central management system provides the necessary global structures in all business processes to ensure responsible commercial practices. Worldwide, we apply the ISO 9001 and ISO 14001 international standards for quality and environmental management and ISO 50001 for energy management.

Confirmation of our compliance with ISO 9001 and ISO 14001 takes the form of a global matrix certificate. This certificate brings with it a number of advantages:

- › A high degree of process standardization
- › Uniform company directives and operating procedures
- › Transparent, efficient and effective procedures and controls
- › Substantially reduced external effort for maintaining and optimizing the management system, for integrating other management systems (e.g. ISO 50001, sustainability standards) and for integrating new locations or business entities

External, independent experts regularly audit the progress of integrating new sites into our management system and the performance of our management system worldwide. No new sites were included in the matrix certificate in the reporting year. We have now sold the Kingstown site. With just a few exceptions, the sites gained with the acquisition of Chemtura are already certified according to ISO 9001, and mostly also according to ISO 14001.

As of December 31, 2017, our matrix certificate covered 49 certifiable companies (companies with employees and in which LANXESS has a holding of more than 50%, as well as ARLANXEO companies) with a total of 81 sites in 23 countries. Excluding Chemtura, this equates to coverage of 98% in relation to production sites and national headquarters. Taking into account the changed Group portfolio, coverage has fallen to 84%. We plan to successively integrate the new sites into the LANXESS management system over a three-year timescale. Once this integration process is complete, we will again be very close to fulfilling our aim of covering all certifiable sites in our matrix certificate.

In addition, since 2012, we have successively obtained ISO 50001 certification for energy management for LANXESS AG and all Group companies in Germany. As of December 31, 2017, our certification coverage for energy management in Germany

stood at 100% in relation to headcount. The purchased former Chemtura site in Bergkamen holds its own certificate. In the Netherlands, companies must carry out energy audits and implement cross-company efficiency measures as part of an energy policy agreement. Our subsidiary LANXESS N.V. in Zwijndrecht, Belgium, was certified and included in the matrix certificate in the reporting year. In Great Britain, energy audits will be required for all sites in the future due to the following the acquisition of Chemtura. They must be conducted by the end of 2018.

Additionally, LANXESS operates other specific management systems and has further certifications, such as EMAS, RC14001 (RC = Responsible Care®), OHSAS 18001 and KTA 1401 (German Nuclear Safety Standards Commission). The status of our certificates can be viewed at any time in the Corporate Responsibility section of our website.

Operational guidelines

Commitment to international standards and frameworks

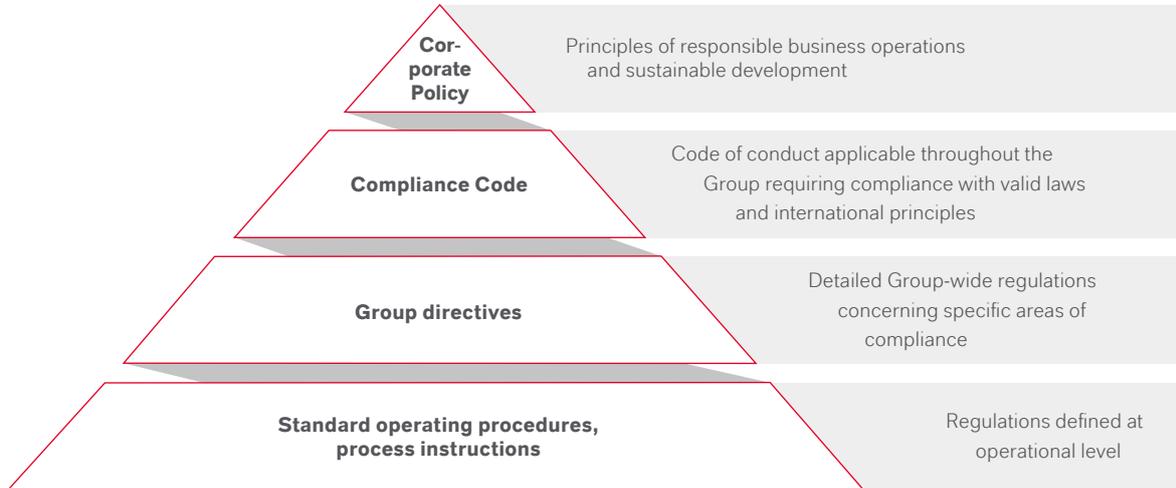
The U.N. Global Compact is the world's biggest and most important initiative for responsible corporate governance. On the basis of ten universal principles, it pursues the vision of an inclusive and sustainable global economy that benefits all people, communities and markets. As a signatory, we acknowledge these principles to be an inalienable right. We again renewed our commitment to the U.N. Global Compact for the 2017 reporting year.

Responsible Care® is the name of the chemical industry's initiative to achieve progress in safety and environmental protection independently of legal requirements. By signing the Responsible Care® Global Charter, we have documented our commitment to the visions and ethical principles of this initiative launched by the International Council of Chemical Associations (ICCA). Our corporate directives ensure that the principles of the charter are integrated into our management principles and corporate strategy.

Among the internationally recognized principles of business activity to which we are committed are the employment standards of the International Labour Organization, an agency of the United Nations. These are aimed at ensuring compliance with globally recognized social standards and thereby improving the employment and living conditions of all people.

Company guidelines and regulations

Clear Rules Provide Guidance



The principles of responsible business operations and sustainable development are expressed in our Corporate Policy, which defines our general corporate philosophy and the conduct expected of every single employee in relation to our stakeholders in a total of eleven guidelines.

The “Code of conduct – Code for integrity and compliance at LANXESS,” which is applicable throughout the Group, requires all our employees – across all organizational units, regions and hierarchy levels – to behave lawfully and with integrity. Through correct and proper conduct, each employee is required to contribute to preventing harm to LANXESS and increasing the company’s value over the long term. The code covers issues such as human rights, anticompetitive behavior, anti-corruption, data protection, occupational, product and plant safety, and environmental protection.

Other Group directives, such as the HSE directives and the guideline on incentives, define the specific application of regulations in the individual areas of compliance covered by the code and are binding on all employees throughout the Group. On the basis of these LANXESS directives, more detailed regulations that also take account of local requirements are defined at the operational level in standard operating procedures and process instructions, etc. The applicable directives, standard operating procedures and guidelines are accessible to all employees. Employees are also regularly informed of new and updated regulations relevant to them.

We expect our suppliers to commit to our values and rules, especially the U.N. Global Compact, the ILO Labor Standards and the upholding and promotion of fundamental rights of employees, and to establish adequate systems for ensuring legally compliant and responsible behavior. The LANXESS Supplier Code of Conduct is part of our communication with suppliers. When selecting suppliers, we insist that they recognize the principles set

out in the code or have established their own comparable rules and management systems in line with the U.N. Global Compact. In addition, we promote responsible action in the supply chain with our involvement in the Together for Sustainability initiative, which we operate jointly with 20 other international chemical companies (see page 21).

Values and culture

LANXESS’s identity 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 do not contradict but complement each other.

Human rights

In line with our values and operational guidelines, we are committed in all our markets and supply chains to promoting respect for human rights at all times and systematically preventing child and forced labor, for example. At LANXESS, human rights and ethical principles apply without restriction, even if they are not stipulated in the legislation of individual countries. Our target is formulated with corresponding clarity: in all areas over which LANXESS has control, there should be no breaches of human rights.

The respective site management, supported by our global compliance organization and local compliance officers, is directly responsible for ensuring the observance of human rights at all times. At Group level, human rights are subject to regular evaluation as part of our risk management system. Furthermore, all organizational units at LANXESS and their business activities are subject to regular internal and external audits. It goes without saying that these activities also include monitoring respect for human rights and – if necessary – the introduction of suitable measures to guarantee this. In fiscal year 2017, internal audits were performed in 50% of our country organizations worldwide.

Our Code of Conduct includes unambiguous instructions regarding the respect of human rights. The code, which every new employee receives with their employment contract, is also an aspect of general training measures. In addition, we hold training sessions geared towards specific selected human rights issues such as occupational safety. If there are suspected human rights violations, the Integrity Line and Compliance Helpdesk offer our employees and external third parties various ways to notify the compliance organization – also anonymously if they wish. For the time being, the Resource Line is also still available to the former Chemtura companies.

We have no reports or knowledge of any systematic discrimination against LANXESS employees. This includes discrimination on the basis of race, skin color, age, gender, sexual orientation, origin, religion, disability, trade union membership or political opinion. In individual cases, misconduct by employees in respect of colleagues or third parties was reported. We will not tolerate verified misconduct and it will result in appropriate disciplinary measures up to and including dismissal.

All acquisitions of companies or interests in companies are subject to a careful due diligence process to ensure that human rights are also respected by the target company. Significant suppliers of goods and services are regularly the subject of supplier assessments in the context of TfS audits that include aspects such as compliance with our Supplier Code of Conduct. The audits also cover compliance with human rights, including with regard to child labor and forced labor. In fiscal 2017, we received no reports or other indications of human rights violations by our suppliers. The same applies to child labor and forced labor.

We have also established the requisite processes in our sales activities to ensure that we fulfill our responsibility. These particularly include our processes for central product monitoring and trade compliance, especially regulations to prevent dual use. Furthermore, we systematically examine the impacts of our products on the society in the context of our portfolio analysis.

Anti-corruption

By signing the U.N. Global Compact, we have undertaken to actively counter all forms of corruption. Here too, our target is no incidents. Prevention of corruption is part of our general compliance management system. Organizational measures and regulations for setting up the compliance management system as well as responsibilities for implementation, support and continuous monitoring of the system are defined in a guideline applicable throughout the Group. The respective site management, supported here too by our global compliance organization and local country compliance officers, is responsible for preventing instances of corruption at all times.

A Group-wide directive provides our employees with clear guidance regarding incentives. Our employees are prohibited, either directly or in connection with their professional duties, from offering personal advantages to the employees of other companies – in particular when initiating, awarding or handling an order or assignment. Our employees are likewise prohibited from accepting such advantages or requesting them for themselves. Exceptions may be made for customary occasional or promotional gifts that are symbolic in nature and of low value. If an employee is offered such gifts, they must immediately notify their supervisor or the compliance organization.

LANXESS may not grant advantages of any kind to public servants or other officials in Germany or abroad. When commissioning service providers who have contact with officials on behalf of LANXESS, employees must likewise ensure compliance with the prohibition on corruption. As a basic principle, we do not provide financial support to political groupings or parties. LANXESS is involved in large industrial associations, which we regard as fundamental to representing our interests. We disclose contributions and spending on political activities transparently; details can be found at www.lanxess.com, Corporate Responsibility, Stakeholder Dialog at any time.

All donations require approval from a member of the Board of Management after prior consultation with the compliance organization.

To enhance our employees' awareness of these rules of conduct, the issue of corruption is regularly covered by compliance training. In addition, we hold specific corruption training aimed at exposed professional groups and countries. In total, over 2,000 employees took part in the compliance training sessions in the reporting year. If there are indications of compliance violations, our employees and external third parties can contact the compliance organization via the established reporting channels – also anonymously if they wish.

The Corporate Audit function examines and monitors implementation of our measures to prevent corruption. It applies various analytical approaches and scopes here:

- › Assessment of the risk of exposure to corruption as part of annual audit planning, and general monitoring of the internal control system: all business units
- › Transaction monitoring to ensure compliance with company regulations with an influence on the prevention of corruption in the standard SAP system: at least 80% of all transactions (LANXESS subsidiaries excluding Chemtura)

In fiscal year 2017, we received no reports or other indications of cases of active corruption by LANXESS employees. Verified cases of corruption of LANXESS employees (passive corruption) lead to appropriate disciplinary action up to dismissals and consideration of further legal action. In fiscal year 2017, we recorded a low single-digit number of cases of passive corruption, which had no further significant effects for LANXESS.

EMPLOYEE CONCERNS

Employee commitment – a key success factor

Committed employees are key to strong company performance, successful change and, ultimately, lasting corporate success. Accordingly, we aim to put even more emphasis on encouraging commitment of our employees in the future through leadership skills, performance management and our intended corporate culture. Organizational responsibility for leadership and performance management lies with the Global Talent Management department, which reports directly to the Head of Human Resources. Global Talent Management works closely with the Corporate Culture unit, which is also assigned to the HR department.

We regard the turnover resulting from voluntary resignations as a key indicator of our employees' commitment. This figure continued to fall in the reporting year and is now 2.34% (previous year: 2.45%). In Germany, the rate was 0.7% (previous year: 1.03%).

The percentage of employees who left our company of their own accord within three years of being hired stood at an average of 0.91% worldwide in the reporting year.

Developing skilled workers within our own ranks

We have always given priority to training young people as a means of safeguarding the company's future and as an element of our social responsibility. Vocational training is the foundation of our strategy to develop our own skilled workers for our German sites. To manage our training centrally, we have established a department in Leverkusen that is based in the Career Management division and indirectly reports to the Head of HR Services in Germany. It supports the scientific, technical and commercial apprentices as well as our students on combined work and study courses.

Training remains a key pillar of our HR policy for the years ahead. Against a backdrop of demographic change and our constant need for qualified new talents, we plan to hire approx. 200 apprentices in each of the coming years. In addition, our stated aim is to take on at least 80% of our apprentices after they have successfully completed their training. We reached this target again in the reporting year with a hire rate of 80% (previous year: 81%).

Xact: Global initiative for greater safety

Our global safety initiative "Xact" is aimed at gradually lifting the safety culture of LANXESS to a higher level. Starting with senior management, all employees are to work together to improve safety throughout the company. This is driven by our firm belief that every industrial accident is avoidable. We have set ourselves the target by 2025 of reducing the number of accidents by more than half compared to 2016.

Six "Xact" safety regulations, the central principles of safe working at LANXESS, address the main areas in which every employee – whether they are employed in production or administration and irrespective of their function or position in the hierarchy – can actively contribute to their own safety and that of their colleagues. They are derived from the Xact "guidelines and principles" – the global key pillars for the alignment of our safety culture. We revised these guidelines and principles in 2017 in the context of a global workshop. By way of preparation, the Xact team set up within the Production, Technology, Safety & Environment (PTSE) Group function conducted interviews with employees across all hierarchy levels in order to gauge opinion on the future direction of the initiative.

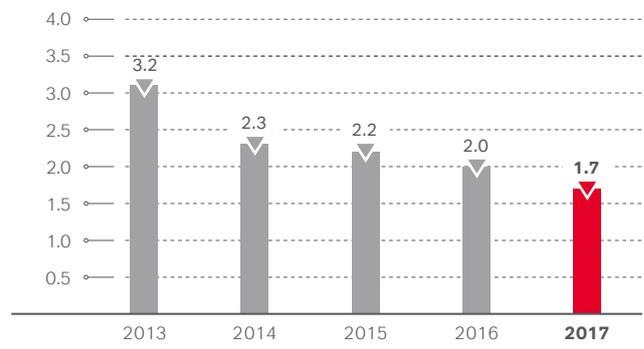
In the future, Xact will be focused on constantly developing a positive safety culture and concentrating more fully on conduct-based safety. This is also reflected in the priority projects undertaken in 2017. For instance, we instigated a project at our site in Liyang, China, to stabilize work processes, strengthen managerial responsibility and achieve even greater awareness of safety issues among employees. This was done in close cooperation with the German sister facility in Uerdingen. We marked the “World Day for Health and Safety at Work” on April 28, 2017, under the slogan “We believe that every accident is avoidable.” All over the world, we organized petitions and held accompanying events at our sites to convey this belief to our employees.

In matters of safety, we generally attach great importance to active and continuous communication. One important tool is the Pulse Check survey, which we conduct each year among all LANXESS employees. This gives them the opportunity to describe their personal experience of key safety aspects at LANXESS. Among other things, the anonymous survey seeks to establish whether individual employees feel involved in safety activities – as we would like – and whether they receive positive feedback for working safely. In 2017, for the first time, the Pulse Check survey asked how much improvement our employees had noticed recently in terms of safety in their day-to-day work. The gratifying result: Some 90% of employees stated that they had experienced positive changes in their environment, with almost 60% even noting very positive changes. We regard this as a clear indication that we are heading in the right direction with Xact.

We are also seeking to achieve an improved mutual understanding of occupational safety with our providers of technical services, for example, and are therefore integrating them into our safety culture. Here, we apply the principle of “select, train, support and evaluate.” Among other things, our partners must provide verification of their own safety management system and that their employees who work for us have received certain safety training. Independent of this, we give employees of our partner companies individual safety briefings as a matter of course.

An indicator for the assessment of occupational safety at LANXESS is the lost time injury frequency rate (LTIFR).

Work-Related Injuries to LANXESS Employees Resulting in Absence from Work (LTIFR)



The LTIFR was 1.7 in 2017, lower than the level of 2.0 recorded in 2016. This positive development is due not least to a range of safety projects, especially in Germany, which made it possible to reduce the number of lost time injuries. As in the previous years, there were no fatal accidents in 2017.

ENVIRONMENTAL CONCERNS

Safe and sustainable sites

Today, more than ever before, sustainable conduct by the chemical industry means taking responsibility for products and production processes. Globally, we are seeing a convergence of environmental and production standards at a high level. What were once competitive advantages in the area of sustainability will soon be fundamental requirements worldwide for companies producing and selling chemical products. However, we would be failing to live up to our commitment to quality if we sought merely to fulfill standards – even if those standards are more stringent than they were in the past. Instead, we are committed to making our production safe and sustainable in every respect and therefore consistently competitive.

Our PTSE Group function, the head of which reports directly to Board of Management member Dr. Hubert Fink, is responsible for this. PTSE develops and updates company-wide standards that ensure responsible handling of chemicals at LANXESS. They define requirements and govern responsibilities for health and environmental protection, the handling of chemicals, plant safety and workplace safety precautions. Through the ongoing training of our employees and regular auditing of our health, safety and environmental management, we ensure that the requirements are systematically and sustainably implemented in our processes.

Uniform standards in production

LANXESS operates a total of 75 production sites and is represented in 25 countries (sites in which it holds an interest of more than 50% and ARLANXEO sites as of December 31, 2017). The diversity of the company's product portfolio necessitates the use of many different chemical and technical processes. Uniform standards for planning, engineering and operating facilities are applied to ensure a high level of process, plant and occupational safety.

Handling chemical substances and working with technical equipment fundamentally involve health and safety risks. Wherever in the world we operate, we systematically identify these risks and the hazard potential – both for existing and new facilities – and minimize them by implementing defined preventive and protective measures. To ensure compliance with LANXESS directives and local regulations for the safe operation of facilities, experts on-site conduct audits based on targeted spot checks that are carried out with a frequency appropriate to the relevant risk profile. At each facility across the globe, compliance with the safety standards must be certified regularly. A total of 37 production facilities (previous year: 43), 17 of them in Germany (previous year: 17), were audited in the context of HSE (Health, Safety, Environment) compliance checks in 2017. The result of the audits in the reporting year showed further improvements against previous years. In addition, we performed gap analyses at 19 plants acquired from Chemtura and Chemours in order to identify differences in relation to LANXESS HSEQ standards.

Thanks to our electronic Incident Reporting System (IRS), we are able to record accidents and incidents worldwide using standardized procedures. We document accidents involving people, transport accidents, near accidents, safety-relevant incidents, thefts, environmental incidents and instances of damage. Each incident is carefully analyzed to draw conclusions as to how we can avoid comparable incidents in the future.

All measures contribute towards our target of continuously reducing the number of incidents relating to inadequate plant and process safety.

In 2017, a few significant reportable incidents occurred. No people were injured in any incident.

Global dangerous goods and transport safety management

Through our global dangerous goods and transport safety management system, we ensure the minimization or total avoidance of hazardous situations. We have a dedicated department to centrally coordinate, monitor and review the implementation of relevant dangerous goods and transport safety regulations and internal company guidelines.

The central classification of our products ensures uniform interpretation of international, regional and local dangerous goods regulations while at the same time respecting regional and local specifics. Classification determines, among other things, the form of encapsulation (packaging and tanks), marking and labeling, permitted modes of transport and transport routes and the measures that emergency services must take in the event of a transport incident. The corresponding classification data are archived in LANXESS's safety data system for chemicals. In recent years, we have successively integrated growing numbers of countries and LANXESS Group companies into this system, and we rigorously continued this process in 2017 by integrating the Indian sites. We also aim to integrate the as yet unconnected sites in Argentina, Australia, Japan and Russia as well as the former Chemtura sites into the system in the medium term.

In the reporting year, deficiencies in load securing of bulk goods in freight containers were increasingly identified in internal and external checks. As an immediate countermeasure, we initiated numerous training sessions in all regions, which were also attended by representatives of external shipment service providers. In addition, we plan to introduce a load securing standard for LANXESS in 2018.

The overall number of major transportation incidents at LANXESS is decreasing. Measures such as vehicle inspections, GPS tracking, a night-time driving ban and driver training sessions have proved to be effective and are bringing us closer to our target of continuously reducing transportation incidents. Nevertheless, an accident involving a fuel tanker occurred on November 3 around 150 kilometers from our Indian site in Nagda. Five metric tons of toluene were released. The driver sustained minor injuries.

Storage management

Following the acquisition of Chemtura, we have around 480 warehouses worldwide, operation of which is split roughly 50:50 between us and external service providers. We select warehouses – both our own and those operated by external service providers – according to logistics, safety and security, environmental protection and cost-effectiveness aspects. We apply a globally standardized warehouse concept that takes into account the substances stored and meets fire protection and occupational health and safety requirements.

Environmental responsibility

As LANXESS sees it, conserving natural resources – for example, through the most efficient possible use of raw materials and energies – and identifying further potential for reducing emissions and waste are an ongoing mission and an inherent part of our ecological responsibility to which we must apply our expertise. While taking account of local requirements, we equip all new production sites with state-of-the-art technology that is also in line with environmental standards.

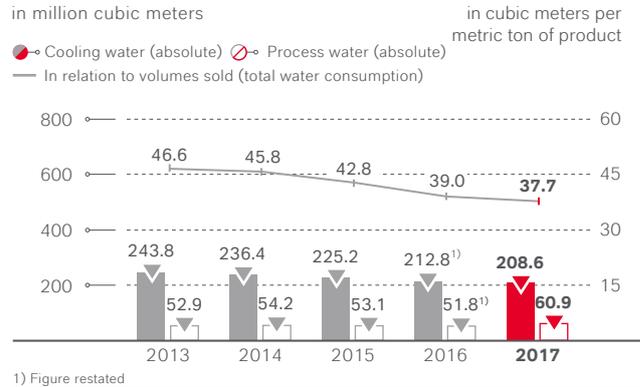
Responsible use of water resources

Access to clean water is not only crucial to the health and nutrition of a constantly growing world population, it is also an important economic factor. This is why the various facets of the issue of water are also illustrated in detail in the context of the Sustainable Development Goals. Focal points here are wastewater reduction, water efficiency and water management. Careful use of this scarce resource is therefore securing our future – particularly at sites in water-stressed areas. In these areas, there are problems with water availability, quality and/or access.

At our sites, all wastewater and surface water discharges are subject to legal and permitting requirements. We use both technical (wastewater treatment) and organizational (monitoring) measures to comply with these requirements. Before the authorities issue an operating permit, an assessment is carried out on the potential economic, social and environmental impact of water extraction on the surrounding area. At all LANXESS sites, this takes place under approved conditions.

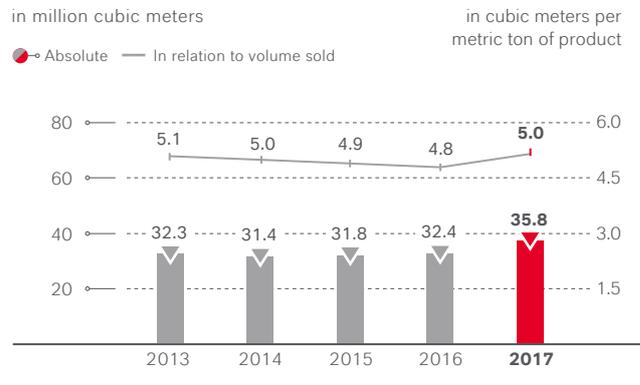
In 2016, as part of our ongoing efforts to improve our water management, we conducted a comprehensive risk analysis based on the geographical location of our sites. In addition to water extraction, we considered other physical and regulatory indicators as well as reputational risks. Analysis of LANXESS's sites on the basis of the Water Risk Map from the World Wide Fund for Nature (WWF) shows that most of our sites are located outside water-stressed areas. We carried out individual risk evaluations at the few sites in water-stressed areas in 2017. To conduct the analysis, we used an internationally recognized risk evaluation tool – the Water Risk Filter from the WWF.

Water Consumption



Compared with the previous year, water consumption increased in 2017. This is chiefly attributable to a higher volume of process water, which was added by the new Chemtura sites. In contrast, the amount of cooling water was further reduced as in the previous year. Overall, water consumption again increased at a lower rate than production in 2017, so specific water consumption was further reduced in a continuation of the positive trend of recent years.

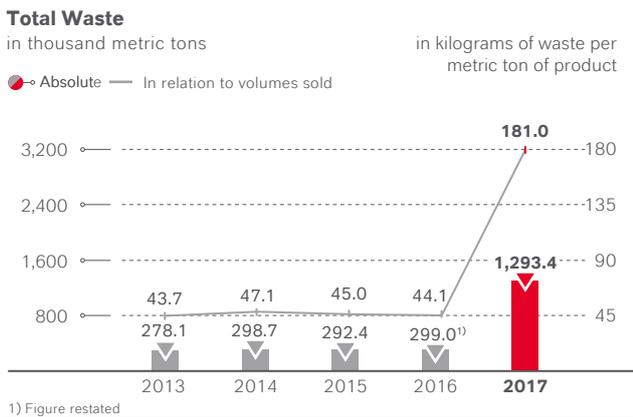
Production Wastewater



The positive trend of recent years was not continued for wastewater. The acquisition of Chemtura led to an expansion and change in the product portfolio and production processes. This resulted in an increase in the volume of wastewater both in absolute terms and in the specific value per metric ton of product sold.

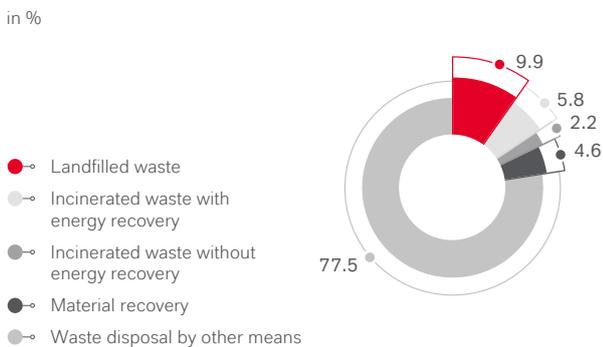
Sustainable waste management

The company aims to employ a consistent material flow management process – from the use of raw materials to the manufacture of the final product – so as to deploy resources as efficiently as possible and minimize the amount of waste we produce. Where it is impossible to prevent waste, we try to use or sell it as secondary raw materials or energy sources. In order to minimize the amount of waste requiring disposal, we make various efforts to continuously improve the yields achieved in our production processes.



Compared with the previous year, the total amount of waste generated increased considerably. This is primarily attributable to the first-time inclusion of the new Chemtura production sites. This increase was due in particular to wastewater at our El Dorado site in the U.S., which had to be declared as waste. Not including Chemtura, both our absolute and specific waste generation continue to decrease. The new sites also have a significant influence on the percentage distribution of disposal methods.

Waste for Disposal



The handling of plastic pellets is an excellent example of how we are continuously optimizing our material flow management. These plastic pellets may be inadvertently released into the marine environment at various stages of the value chain. They themselves do not react chemically but may have an undesired impact on account of their small size and volume. The central aim of the Society of the Plastics Industry's international program Operation Clean Sweep (OCS) is to prevent plastic particles from entering the marine environment. By joining this program in 2016, we made a commitment to train relevant employees, to implement and continue measures to prevent the release of pellets at our facilities and to require our business partners to also take active steps to prevent pellet emissions.

In previous years, our most strongly affected business unit – High Performance Materials – developed and introduced a self-assessment process to identify the sources and circumstances of possible pellet emissions at our plants and to define corresponding countermeasures. In 2017, this process was extended to plants of other business units in which release of polymer particles is possible, albeit to a lesser extent. Our goal is to systematically integrate the OCS program's requirements into LANXESS's management system and to implement them across the company.

Systematic recording of key performance indicators

We use an electronic data capture system for the systematic global recording of key performance indicators (KPIs) in the areas of safety and environmental protection. This system enables us to define a broad range of HSE performance data for each business unit and site worldwide. These provide a valid basis for strategic decision-making and for internal and external reporting. The data also map the progress we are making toward achieving our globally applicable sustainability targets (see table on page 5). Data is gathered only at production sites in which the company has a holding of more than 50%. As LANXESS has an interest of exactly 50% in ARLANXEO and the latter continues to be reflected in the LANXESS consolidated financial statements and is fully consolidated, the environmental and safety data pertaining to the ARLANXEO sites will continue to be included in our key data for this period. Data on the acquired Chemtura sites is taken into account for the period from April 21, 2017, to the reporting date.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited our HSE indicators since 2012 and the necessary data recording processes with "limited assurance."

Environmental and Safety Performance Data*

	2015	2016	2017
Safety			
Occupational injuries to LANXESS employees resulting in at least one day's absence (per million hours worked) (MAQ ¹⁾)	2.2	2.0	1.7
Volume sold²⁾ in thousand metric tons/year	6,496	6,781³⁾	7,145
Energy in petajoules (10 ¹⁵ joules) ³⁾ (G4-EN3)	48.3	48.4	52.2
Direct energy sources			
Non-renewable	12.2	12.6	14.9
Renewable	0	0	0
Indirect energy sources			
Non-renewable	33.9	33.8	35.3
Other direct energy sources			
From biomass	2.2	2.0	2.0
Water in million cubic meters			
Total water consumption (G4-EN8)	278.3	264.6	269.5
Surface water	107.0	92.1	82.9
Groundwater	6.8	6.8	8.8
Rainwater	0.3	0.4	0.4
Wastewater	1.2	1.0	1.2
Other water sources	163.0	164.3	176.2
Cooling water in total water consumption⁵⁾	225.2	212.8⁶⁾	208.6
Process water in total water consumption	53.1	51.8⁶⁾	60.9
Atmospheric emissions in thousand metric tons			
Total greenhouse gas emissions CO₂e (G4-EN15, G4-EN16)	4,641⁸⁾	4,818⁸⁾	5,273
Direct (Scope 1) ⁸⁾	1,643	1,741	1,975
Indirect (Scope 2) ⁷⁾	2,998 ⁹⁾	3,077 ⁹⁾	3,298
Ozone-depleting substances (G4-EN20)	0.00113	0.00182	0.00989
NO_x, SO_x and other emissions (G4-EN21)			
NO _x ⁸⁾	2.8	2.6	2.7
SO ₂ ⁹⁾	1.0	1.1	1.0
CO	2.2	2.0	2.2
NH ₃	0.1	0.1	0.1
NMVO _C ¹⁰⁾	5.4	4.7	4.9
Wastewater in million cubic meters			
Total wastewater discharge (G4-EN22)	257.0	245.2⁶⁾	244.4
Cooling water (uncontaminated, without treatment) ⁵⁾	225.2	212.8 ⁶⁾	208.6
Production wastewater (with treatment)	31.8	32.4	35.8
Emissions in wastewater (after treatment) in thousand metric tons			
Total nitrogen	0.51 ⁹⁾	0.54	0.55
Total organic carbon (TOC)	1.5 ⁹⁾	1.7 ⁹⁾	1.8
Heavy metals ¹¹⁾	0.0059	0.0049	0.0054
Waste in thousand metric tons			
Total weight of waste (G4-EN23)	292.4	299.0⁶⁾	1,293.4
Incineration with energy recovery	84.0	81.2	75.4
Incineration without energy recovery	30.3	31.1	27.8
Landfilling	93.4	112.1	128.5
Material recovery	59.7	53.1	60.0
Other forms of disposal	25.0	21.5 ⁶⁾	1,001.7
Type of waste			
Hazardous	188.4	196.7 ⁶⁾	573.1
Non-hazardous	104	102.3	720.3

Environmental and Safety Performance Data*

Explanations concerning our environmental and safety performance data

* The aggregate data refer to all LANXESS production sites in which the company holds an interest of more than 50%.

As LANXESS has an interest of exactly 50% in ARLANXEO, the latter continues to be reflected in the LANXESS consolidated financial statements and will be fully consolidated from 2016 to 2018, the environmental data pertaining to the ARLANXEO sites will also continue to be included in our key data for this period.

The new production sites due to the acquisition of Chemtura Corporation were included in the environmental data from April 21, 2017.

This LTIFR took account of all Chemtura Corporation events from April 21, 2017.

2015/2016/2017: Some of the data are based on estimates and projections.

- 1) LTIFR: accident rate per million hours worked resulting in one workday or more lost following the day of the accident, calculated for all employees (including temporary workers) at all sites
- 2) Volume sold of goods manufactured by LANXESS and sold internally to another LANXESS company or externally (excluding commercial products)
- 3) The energy volumes given were calculated on the basis of simplified assumptions and typical substance values. They do not include other forms of imported energy (e.g. the energy contained in raw materials).
- 4) Indirect energy sources are shown in the form of a balance sheet. The volume of energy sold is subtracted from the volume of energy purchased.
- 5) Equivalent to circulating cooling water
- 6) The emission factors used for fossil fuels are based on calculations by the U.S. EPA (AP-42 from 1998) and on the IPCC Guidelines for National Greenhouse Gas Inventories (2006). In accordance with the GHG Protocol (2004), the factors for calculating CO₂e are based on the global warming potential (time horizon: 100 years) defined in the IPCC Second Assessment Report (SAR 1995).
All Scope 1 greenhouse gases are calculated as CO₂e. In accordance with the GHG Protocol, the CO₂ emissions from the combustion of biomass are shown separately and are not included in the Scope 1 emissions. The following emissions were produced during the reporting period: 2013: 223 kt CO₂, 2014: 217 kt CO₂, 2015: 236 kt CO₂, 2016: 212 kt CO₂, 2017: 215 kt CO₂
- 7) All Scope 2 greenhouse gases are calculated as CO₂e. The conversion factors used were provided by the energy producers for 2008 or 2009. Where these were not available, factors from the IEA (International Energy Agency) for 2013 were used for fiscal year 2015, factors from 2014 were used for fiscal year 2016 and factors from 2015 were used for fiscal year 2017.
The Scope 2 CO₂e emissions are calculated using the market-based method in accordance with the GHG Protocol. Using the location-based method, Scope 2 CO₂e emissions for 2017 amounted to 4,176 kt.
- 8) Nitrogen oxide (NO_x) calculated as NO₂ (excluding N₂O – nitrous oxide)
- 9) Sulfur dioxide (SO₂) + SO₃ calculated as SO₂
- 10) Total VOC (volatile organic compounds) excluding methane and acetone
- 11) Heavy metals (arsenic, cadmium, chromium, copper, mercury, nickel, lead, tin, zinc)
 - a) Values restated due to supplementary notifications or change in calculation method

Climate action and energy efficiency

With the Paris Agreement, which entered into force in November 2016, the international community committed itself to the goal of limiting global warming to less than two degrees Celsius above pre-industrial levels. This goal is achievable only if global greenhouse gas emissions are radically reduced in the decades ahead. All the signatory nations have correspondingly set themselves ambitious reduction targets. Germany's Climate Action Plan 2050, also launched in November 2016, has an interim target of cutting greenhouse gas emissions by at least 55% through 2030 compared with the base year in 1990. Industry is expected to contribute with a reduction of between 49% and 51%.

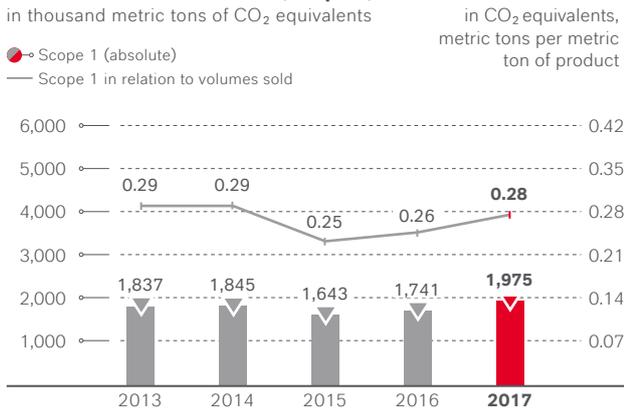
In common with many other European chemical companies, LANXESS had already made an express commitment before the Paris Conference to protect the climate and fulfill the obligations that it entails. Since our company was established, we have been working continually to reduce climate gas emissions – and with considerable success. In the past ten years, we have cut our Scope 1 emissions worldwide by more than half. Our sites in Germany have already satisfied the national reduction requirement set for 2030.

Nevertheless, we are continuing to work hard across the Group to cut our CO₂ emissions. In 2016, we set new long-term targets for CO₂ and VOC emissions and for energy consumption. By 2025, we aim to cut our specific CO₂ and VOC emissions by 25% (base year: 2015). We also aim to reduce specific energy consumption by 25% through 2025.

One of the most important measures at the moment is the creation of a shared steam plant in the port of Antwerp (Belgium), which we will be using with other chemical companies based there. The first pipes were laid at the beginning of February 2017. After scheduled completion in 2018, the pipeline, over five kilometers in length, will help us to reduce our energy costs and save around 10,000 metric tons a year in CO₂ emissions. Across all participating companies, CO₂ emissions will be cut by as much as 100,000 metric tons per year.

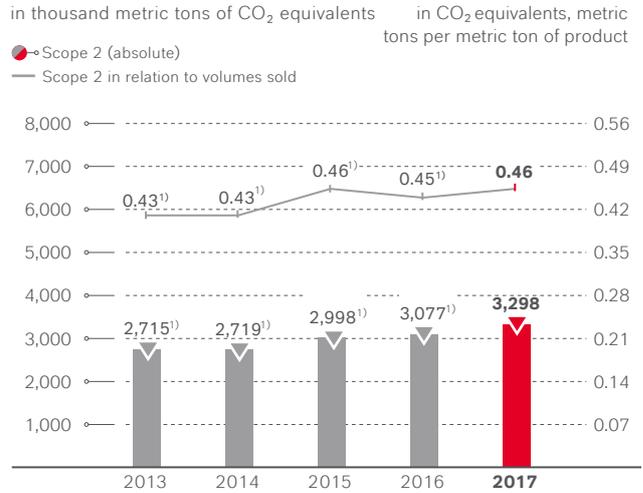
In Europe, 17 facilities and sites (including 5 of ARLANXEO) are subject to the European Emissions Trading System. Trading in CO₂ emission rights – or allowances – is a cost-effective way of reducing harmful CO₂ emissions. Since all our facilities that are eligible for emissions trading are at the cutting edge of technology and compete on the international market, we expect to receive an adequate number of free allowances up to the end of the third trading period in 2020 to cover our anticipated CO₂ emissions.

Greenhouse Gas Emissions (Scope 1)



Because of the increased production volumes in 2017, absolute Scope 1 emissions also increased. The new Chemtura sites' contribution to this increase was roughly double the contribution from the sites from 2016. Our specific Scope 1 emissions increased accordingly.

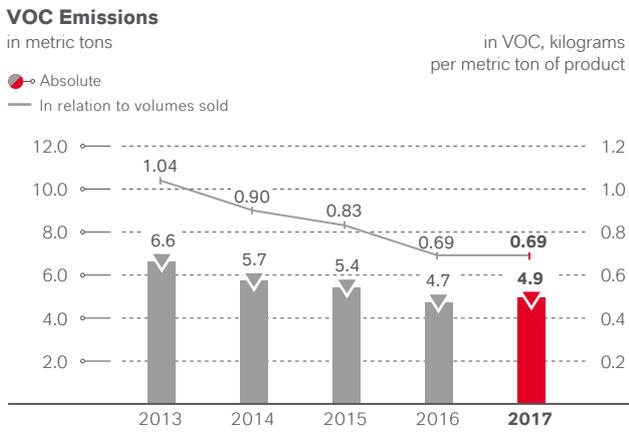
Greenhouse Gas Emissions (Scope 2)



In 2017, we calculated the balance of our Scope 2 emissions in the same way as the energy balance for the first time. In this calculation, the steam (waste heat) generated from process heat at the sites in Leverkusen and Uerdingen, Germany, and Baytown, U.S., is in large part deducted from the amount of steam used for production and offset on the basis of the Scope 2 emissions. Despite the balancing, specific Scope 2 emissions increased slightly compared to 2016. This increase is partly attributable to the increase production volume and the associated rise in the energy requirement.

For more than a decade, we have been participating in the international climate protection initiative CDP (formerly the Carbon Disclosure Project), each year sharing data and information on climate protection and the reduction of emissions. In the assessment for 2017, we again achieved the highest score. LANXESS therefore continues to be listed in the "Climate A List" of the CDP. With this list, the CDP recognizes efforts by companies to reduce emissions, decrease climate risks and make progress towards a low-emission economy. As part of the "Climate A List," LANXESS is among the top 5% of more than 6,300 companies examined by the initiative in 2017. These gratifying results gave us encouragement to continue systematically pursuing our climate protection strategy.

Other atmospheric emissions



Specific VOC emissions were maintained at a stable, low level in the reporting year. In absolute terms, there was a small increase as a result of the change in the portfolio. With regard to the attainment of the 2025 target, however, an improvement was achieved in both specific and absolute terms compared to the base year 2015.

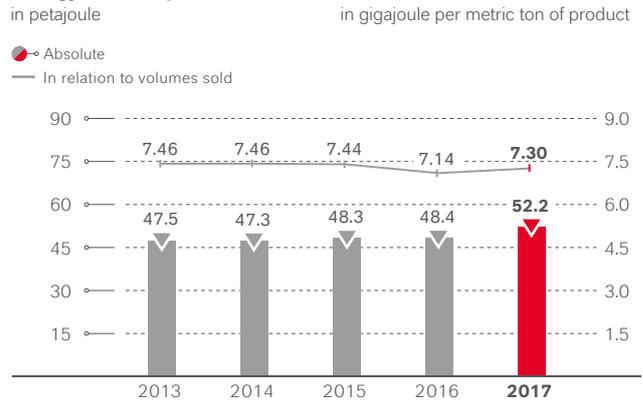
Systematic energy management

A high level of energy efficiency improves not only our emissions footprint but also our cost position and thus ultimately the competitiveness of LANXESS. In Germany, we have established an energy management system in accordance with ISO 50001. Our certification was reconfirmed in 2017. Outside Germany, we continue to pursue our strategy of regional and local certification.

Since the end of 2017, our German sites in Leverkusen, the Uerdingen district of Krefeld and Dormagen have been part of the Energy Efficiency Networks initiative set up by the German federal government and leading industrial associations. Each Energy Efficiency Network comprises 8 to 15 companies. At the outset, an experienced energy consultant in each company devises possibilities for increasing energy efficiency. Based on this analysis, each company formulates an individual savings target and underpins it with measures. In addition, the overall network sets an efficiency target for the duration of its work. An important element of the initiative is regular sharing of experience and ideas between the companies involved. At national level, the networks are expected to contribute to a saving of 75 petajoules of primary energy and a reduction of 5 million metric tons of greenhouse gas emissions. Along with its partners, the “Netzwerk@CHEMPARK” network in which our sites are involved has set a target of contributing 100 gigawatt hours.

At our international sites, we are also carrying out a wide range of activities to reduce our energy consumption. For example, at our Little Rock (U.S.) site, we will be saving around 250,000 cubic meters of natural gas per year in the future by using a new automated fire-tube boiler. Further steps to reduce energy consumption are already being planned at the site, such as replacement of the aging cooling tower with a smaller, more efficient liquid cooler and the installation of motion-controlled lighting throughout the plant.

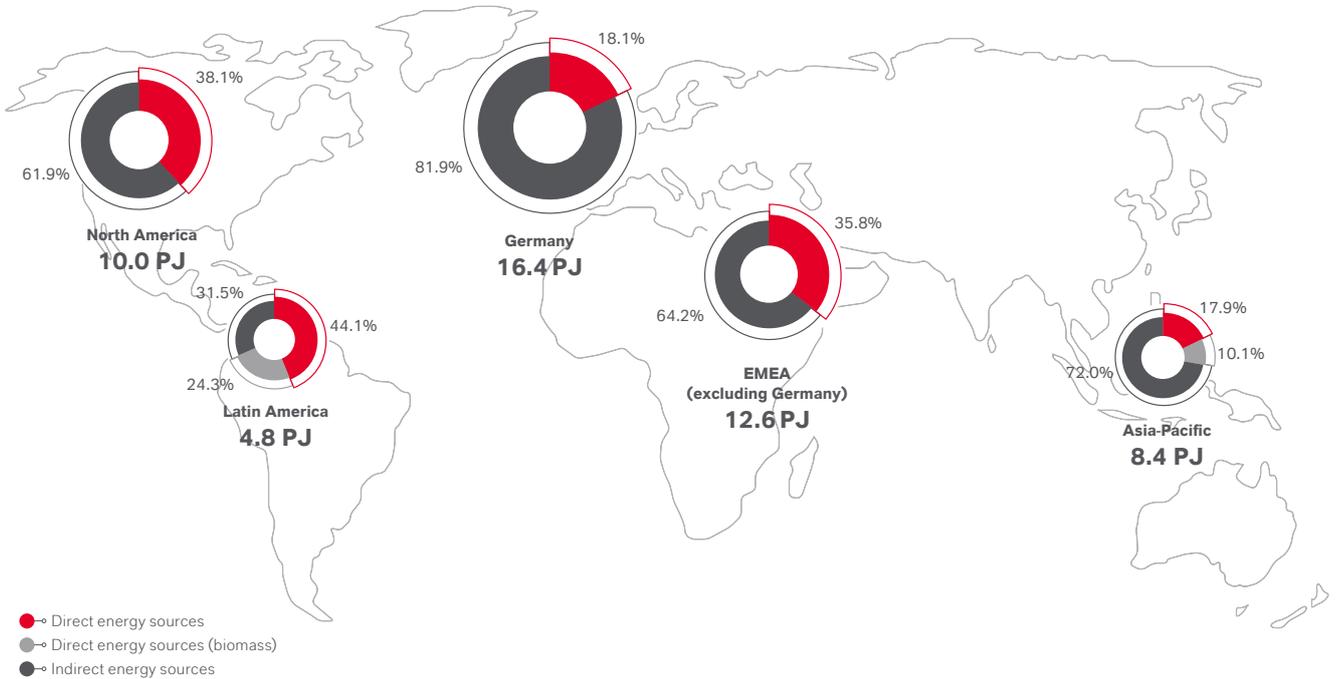
Energy Consumption (Balance Sheet)



Our absolute energy consumption increased considerably in 2017, which is primarily attributable to the new contribution from Chemtura. Despite the higher sales volumes in the reporting year, the positive development of specific energy consumption from recent years did not continue. There was progress with regard to the current target for 2025.

Direct and Indirect Energy Consumption by Region

in petajoules/%



Sustainable logistics

We select our transport solutions worldwide on a case-by-case basis, applying the principles of safety, punctuality and cost-effectiveness. We also take into account the CO₂ emissions resulting from our transports. We are focusing especially on further expanding our use of ships as the most efficient means of transport. In addition, to handle our transportation requirements, we are increasingly using relatively low-emission combined transport solutions in which most of the distance is covered by rail, inland vessel or maritime vessel, thus keeping pre-carriage and onward carriage by road to an absolute minimum. Europe in particular has a good infrastructure for this kind of transport. However, the increased use of rail means that combined transport is even an option for long-distance connections to China.

RESILIENT SOURCING

At LANXESS, raw and other materials, plant and services must satisfy globally uniform safety and environmental protection requirements. The Global Procurement & Logistics (GPL) Group function, the head of which reports directly to Board of Management member Dr. Hubert Fink, is responsible for procurement of these items. In close coordination with our business units, GPL organizes Group-wide procurement, sets corresponding guidelines and initiates measures to promote purchasing synergies and sustainable operations of our suppliers.

In the reporting year, our procurement transactions involved around 18,000 suppliers. Across the LANXESS Group, a global procurement directive defines how our employees should behave toward suppliers and their employees. In addition, we have specified standardized procedures relating to procurement more fully in a process description. Based on the principles of the U.N. Global Compact, the International Labour Organization (ILO), Responsible Care® and other corporate responsibility codes, we expect our suppliers to comply with all applicable national and other laws and regulations in order to safeguard the environment, ensure health and safety in the workplace and deploy appropriate labor and hiring practices. These provisions of our Supplier Code of Conduct are key criteria in our selection and evaluation of suppliers.

Raw materials in particular are subject to stringent monitoring to ensure safe processing in our production facilities. For example, the procurement of any raw material is dependent on the submission by the supplier of a current material safety data sheet. Our procurement department clarifies which of the REACH requirements must be satisfied in the case of raw materials from non-European suppliers. In close dialog with the respective producers and importers, we are actively seeking to ensure that materials procured by LANXESS that were not previously registered will be registered.

As a founder of the Together for Sustainability (TfS) initiative, we aim to promote sustainability, enhance supply chain transparency and thus further minimize procurement risks. This initiative, supported by 20 international chemical companies with a cumulative procurement volume of more than €220 billion, aims to implement and enhance a global audit program to assess and continuously improve sustainability activities along the chemical industry supply chain. It focuses on human rights, the prevention of child labor, working standards, occupational safety, environmental protection and business integrity.

As the assessment and audit results are shared within the initiative, we once again had access to a substantially larger number of sustainability assessments (more than 8,000) and audit reports (around 900) at the end of 2017. Suppliers whose sustainability-related activities have been assessed by TfS currently account for 70% (previous year: 60%) of our relevant procurement spend. The relevant procurement spend includes all suppliers from which we buy goods or services amounting to more than €20,000 each year. We aim to keep on increasing the percentage of the procurement spend placed with TfS-audited suppliers.

Like any other TfS member, LANXESS is expected to be actively involved in the initiative. Accordingly, we again made an active contribution to increasing the number of audited suppliers in the reporting year. GPL continued to carry out targeted examination of the supplier portfolio in all key procurement markets, setting goals for the strategic purchasers to secure the sustainable supplier chain. As a result, with more than 50 audits, we significantly exceeded the TfS-internal target of performing a total of 22 audits in 2017. It is also pleasing that our suppliers with a sustainability assessment are consequently well above the sector average. In addition, through joint efforts, we achieved an improvement on the previous result in re-audits of suppliers in almost 70% of cases.

For 2018, we are planning an in-depth, extensive training campaign for our purchasers. This is associated with the aim of giving the purchasing organization, enlarged as a result of the recent acquisitions, further training on the issue of sustainability across the board. However, key topics relating to assessment of sustainability risks and helping suppliers to improve their assessment results are also to be addressed.

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING¹⁾

To LANXESS AG, Cologne

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of LANXESS AG, Cologne, (hereinafter the "Company") for the period from 1 January 2017 to 31 December 2017 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- › Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- › Inquiries of management and relevant personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- › Identification of the likely risks of material misstatement of the Non-financial Report
- › Analytical evaluation of selected disclosures in the Non-financial Report
- › Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- › Evaluation of the presentation of the non-financial information

1) PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 2 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
German public auditor

ppa. Juliane v. Clausbruch

MASTHEAD

LANXESS AG
Kennedyplatz 1
50569 Cologne, Germany
Tel. +49 (0) 221 8885 0
www.lanxess.com

Consultancy:
Kirchhoff Consult, Hamburg, Germany

Design and Production:
Kirchhoff Consult, Hamburg, Germany

English edition:
EVS Translations GmbH, Offenbach, Germany

CONTACT

Corporate Communications
Christiane Dörr
Tel. +49 (0) 221 8885 2674
mediarelations@lanxess.com

Date of publication:
March 15, 2018

PUBLISHER

LANXESS AG
50569 Cologne
Germany
www.lanxess.com