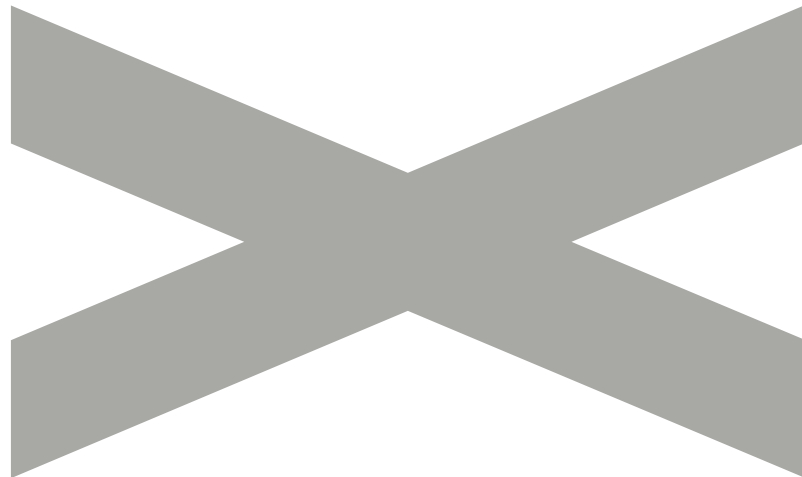


Guideline

**Code for legal compliance
and corporate responsibility
at LANXESS**





CORPORATE COMPLIANCE

Valid from: September 2005

RL-0002

I. Lawful and ethical conduct is fundamental to “Expertise with Responsibility”, which is the key to LANXESS success

The success of the LANXESS Group is based on many factors. Among the most important – along with our technical expertise – is our employees’ sense of responsibility.

Our goals are to steadily increase corporate value and generate a high value added for the benefit of our stockholders, our employees and society as a whole.

This goal is couched in a framework comprising justice, social responsibility, Responsible Care, ongoing environmental protection, operational and product safety, high productivity, cost-efficiency and customer orientation.

As a worldwide group of companies headed by a large corporation, LANXESS is continuously in the public eye and is bound by the political environment. LANXESS desires to preserve and promote its favorable image.

Corporate activity is governed by the laws and statutes of the various countries and their administrative regions, principles of coexistence and ethical standards which impose a variety of obligations on the company and its employees in Germany and abroad. Identifying and fulfilling those obligations may not always be easy, but is indispensable.

This code of conduct provides information about particularly important areas of responsibility. It is intended to prompt employees to seek counsel in case of doubt.

Such counsel will be provided by supervisors or the relevant specialist departments, such as the Legal Department, Corporate Auditing or Corporate Security. This applies especially if there is a possibility of disadvantage to third parties or damage to the company, if a high risk is involved or if the legal position is unclear.

II. Basis: Applicable law

The company respects applicable law, including international law, and requires its employees and business partners to do likewise, even where the law is unfavorable to the individual or the company.

Illegal conduct can damage the company in many ways. Apart from direct financial damage, the company’s reputation may be harmed and, as a result, its market position may be jeopardized. The company’s reputation also affects its market value. The very suspicion of illegal conduct can alter public opinion, thereby adversely affecting the behavior of our customers or stockholders, for example.

LANXESS is subject to numerous jurisdictions. As a global company that operates, or is otherwise present, in many countries, it often has to observe the laws of foreign countries even in relation to events taking place outside those countries.

For instance, agreements between competitors that are relevant to the competitive situation must be viewed not only according to the laws of the country in which they are made but also according to the laws of the countries they affect. The mere fact that LANXESS competes in any market in the world with companies domiciled in another country may suffice to make LANXESS subject to laws of that country. Foreign jurisdictions often provide for much tougher sanctions to be imposed – not only on individuals but also on the company itself – and in many cases much greater liability for damages if laws are violated. In some instances, the company's assets in the country concerned could be seized merely on the grounds of suspicion of illegal conduct. In extreme cases, conduct that is legal in one country may be strictly prohibited in another. Of paramount importance here is a knowledge of the legal position or to ensure compliance by consulting with the responsible specialist department or country organization.

A company always acts through people. The company and its employees share identical interests with regard to obeying the law.

Every employee is therefore obligated to comply with applicable law, and every supervisor must ensure that the employees who report to him or her are fulfilling that obligation. The principles set forth below apply to employee conduct in relation to colleagues, customers, suppliers, other companies and government agencies and are designed to assist employees in observing in their everyday work the requirements concerning their conduct in selected areas of their activity. This corporate compliance program is in tune with the existing guidelines, programs and work regulations, which shall remain fully in force. The purpose of the corporate compliance program is to focus on areas of special practical significance. It must be observed by every employee. The rules set forth herein take precedence over any instruction from a supervisor that contravenes them. Advice concerning an instruction which appears to contravene these rules may be obtained from the specialist departments mentioned above. LANXESS is committed to conduct-

ing its operations not only in compliance with the law but also according to ethical principles. Ethics shall for this purpose be defined as the social consensus regarding values that are indispensable for social behavior, mutual respect and fairness in people's dealings with one another.

1. Fair competition – no antitrust violations

The company is unreservedly committed to the principle of free competition and to ensuring that contracts with its business partners are entered into on fair terms.

We expect others to show a similar commitment. Anti-competitive practices that are illegal per se include: joint price fixing with competitors, agreements on market shares, agreements on production capacities, market divisions, customer divisions and agreements to dictate or control a customer's resale price. Any kind of concerted actions, informal talks or "gentlemen's agreements" that are intended to restrict competition or may have the effect of doing so, are prohibited. Employees must not even give the appearance of being party to any such conspiracy.

Even if a business has run into difficulties through no fault of the employees responsible, this does not justify anti-competitive practices. In certain cases there may be remedies available that are within the law.

Care is called for in handling market information. Trade association conferences, for example, provide the opportunity to meet with competitors and discuss matters of mutual interest. This is quite legitimate provided that the limits imposed by anti-trust law are respected. Market research is indispensable and of course legal. However, not all information-gathering techniques – such as certain organized market information systems – are suitable for this purpose.

Benchmarking with competitors is also permissible in principle. But in all these cases there are certain

acknowledged “rules of the game” to ensure that information which is sensitive from an antitrust viewpoint is given in a sufficiently anonymous manner that its origin cannot be identified and it therefore cannot influence current market developments.

Information concerning customer relationships, prices, imminent price changes or, in most cases, costs shall not be exchanged with competitors. Our own calculations, capacities or plans must not be disclosed to competitors. Exceptions to this rule can be made where the company is considering acquiring or divesting a business or placing it into a joint venture. A precondition for disclosure of such information is a secrecy agreement which clearly sets out the objective of the transaction. Exchange of data must be confined to what is essential for assessing whether the transaction is worthwhile.

Business divestitures, acquisitions or projected joint ventures generally require the approval of various domestic and foreign anti-trust agencies.

As part of these approval procedures, comprehensive information has to be supplied to the authorities. This information must be truthful and complete. Difficulties may arise in interpreting antitrust laws, because these cannot take every conceivable situation into account. Examples are co-producer agreements, contract manufacturing agreements or licensing agreements with competitors. In these cases, legal counsel is essential to avoid unintentional violations of law and find legally admissible alternatives.

Dominant market positions are by no means illegal in themselves provided they accrue from our own achievements, our own industrial property rights or – subject to antitrust examination – licensing agreements with third parties. Patents provide legally protected monopolies for certain periods of time. Dominant market positions must not, however, be abused.

2. Safe handling of hazardous materials

Hazardous materials shall only be kept in correctly labeled containers, which must be stored in approved facilities. Unauthorized access shall be prevented. All statutory provisions and technical regulations must be observed when handling such materials. Prohibited materials shall not be manufactured or brought onto company premises.

3. Occupational safety is everyone’s business

Every employee is responsible for occupational safety in his or her workplace. Environmental protection, industrial hygiene and work safety regulations must be strictly applied.

A major problem with regard to potential sources of danger is that people tend to become less careful as time goes on, because observing safety rules is perceived as a nuisance and the hazard potential is assumed to be under control. Every employee must nevertheless ensure that he or she observes the safety regulations strictly and consistently at all times. It is most important for supervisors to set an example in this respect.

4. Plant safety: Care in planning and operation

Industrial plants and installations require careful planning and regular inspection and servicing. Employees must be thoroughly trained, given detailed working instructions and be properly supervised. Implementation of these measures is essential to prevent malfunctions, accidents or major hazards and enables the company to defend those responsible for a plant or installation against criminal charges in the event of an incident.

5. Product safety requires product observation

The market must be constantly observed to ensure that customers are handling our products safely.

The principle of product stewardship demands that we assume a responsibility for products and for the entire product cycles.

Any real or potential risks involved in handling a product – even if these arise only in combination with a third party's product – shall be reported immediately to those responsible for product observation in the relevant organizational unit. The purchaser of the product must be advised of any risks associated with its use, and every product must bear the necessary warning labels.

6. Protection of environment media

In line with the principles of the Responsible Care initiative, LANXESS has made a voluntary commitment to continually improve its environmental performance.

In general, no commercial usage of air, water or soil may take place without a permit.

In the vast majority of cases, the construction and operation of chemical production facilities also requires a permit.

Operating a facility without a permit, deliberately or recklessly exceeding the limits imposed on its operation under the terms of the permit, or discharging substances into surface waters or groundwater without a permit, can render those responsible liable to criminal prosecution. Third-party claims for damages may also impose a financial burden on the company. Any non-approved emission of substances must therefore be prevented. Safety must be ensured in the transportation, loading and unloading, storage or chemical conversion of raw materials or end products that are potential pollutants.

In the event of an unintentional discharge or similar incident, the company's departments responsible for environmental protection must be notified immediately so that action can be taken to limit the effects of the incident. Instructions on how to respond in the event of an incident can be found in the HSE SOP "Incident Management at

LANXESS". No employee will be penalized for making such a report, but disciplinary measures may be taken against an employee who fails to do so.

7. Compliance with the law of nations and international trade law

No employee, especially if working in research or development, shall, on his/her own or together with others, carry out research or manufacture substances where such activity is contrary to the Chemical Weapons Convention. No LANXESS employee shall knowingly participate in the development of substances or systems which he must reasonably assume to be subject to export control laws and at risk of being exported to other countries without official approval. No employee shall utilize knowledge gained during his or her work for LANXESS for such a purpose or offer such knowledge to third parties.

8. Commitment to research: LANXESS protects the fruits of its own endeavors and respects the rights of others

The results of our scientific research and technical development work are valuable assets. Not only do they form the basis for decisions of considerable economic importance:

The safety and welfare of our customers, employees and fellow-citizens may depend on them. Our scientific and technical personnel are therefore obligated to develop, document and communicate the results of their activities according to the state of the art. Inventions, patents and other intellectual property are outstandingly important to our company's future. Patents, which involve the right to exclude others from the utilization of an invention for a certain period of time, are the "reward" for our endeavors and our expenditures for research and development.

The greatest care must therefore be taken that inventions are given the appropriate legal protection.

No employee shall pass on new knowledge or trade secrets to third parties in any form. Processes, substances and technologies that are not already in the public domain shall be kept secret in all circumstances. All agreements with third parties that involve the granting of licenses or the transfer of knowledge shall be reviewed by the department responsible before being signed. In the course of product development, the legal position with regard to existing property rights must be carefully researched. Every employee shall respect the valid property rights of third parties and shall not utilize them without the owners' permission. Violation of such rights can have adverse consequences both for us and for our customers: Apart from claims for damages – or multiple damages in the case of deliberate patent infringement –, goods may be subject to seizure at the borders of countries to which they are exported.

In case of doubt, an expert opinion concerning the legal position must be obtained in advance.

Appropriating the results of other employees' or third parties' research is prohibited. No employee shall obtain or utilize a third party's secrets without authorization. Information about third parties shall be obtained solely from generally accessible sources. For safety reasons, software programs may be installed only by specially authorized employees. The conditions under which the license was granted by the manufacturer, especially with regard to the number of computer workstations having authorized access, must be observed. Specific questions concerning know-how protection may be directed to the Legal Departments or Corporate Security.

9. Avoiding conflicts between corporate and private interests

Every employee must separate his or her private interests from those of the company. Personnel decisions must not be influenced by private interests or personal relationships. Potential conflicts of interest shall be disclosed at once.

Supervisors shall consult the head of Corporate Auditing immediately in the event of any irregularities within their areas of responsibility.

Business relationships with third parties shall be governed solely by objective criteria. Suppliers shall be selected only on the basis of price, quality, reliability, technological standard, product suitability, existence of an enduring business relationship without disputes, ISO or ecological audit certification and the existence of a quality management system. In no circumstances shall personal relationships or interests be factors in awarding a contract. Advice or recommendations given by LANXESS employees to other parties must not be motivated by the prospect of a material or non-material advantage.

No employee shall directly or indirectly request, accept, offer or grant a personal advantage in connection with business activity – especially the negotiation, award or performance of a contract – regardless of whether the other party to the transaction is an individual, a company or a government agency.

No personal favors of any kind shall be offered or rendered to any domestic or foreign public official or to an employee of another company. This prohibition applies to any kind of gift or other incentive except for customary token gifts that are of nominal intrinsic value or consist of advertising or promotional material. It further applies even if the transaction with the partner concerned would have been agreed without such an advantage having been granted. Even the appearance of an irregularity must be avoided at all events. If such an offer is made to an employee, he or she must immediately report the matter to his or her supervisor. An employee's observation of such behavior on the part of others never justifies a violation of these rules. When LANXESS is bidding for a contract, any collusion with other possible bidders is strictly prohibited. When LANXESS issues a call for bids, the forwarding of information as to the identity of a bidder or the amount of his or her bid to another bidder is also prohibited.

Company property not to be used for private purposes

No employee may make use of company property (such as equipment, goods, vehicles, office supplies, documents, files, data storage media) or avail him/herself of the services of company employees for private purposes without the express permission of the department concerned. Company property must not be removed from company premises without the written permission of the employee's supervisor. Data, programs or documents must be neither copied nor brought onto or removed from company premises without permission.

Outside employment: Integrity is essential

Any employee intending to accept outside employment – even on a freelance basis – or to set up his or her own business must inform the human resources department. This applies particularly to positions with companies that might do business or compete with LANXESS. However, any employee may purchase another company's shares. LANXESS welcomes its employees' private involvement in clubs, political parties or other social or political institutions, provided that this does not jeopardize the performance of their duties under their contracts of employment. However, employees should not cite their roles within the company when expressing their personal opinions in public.

Inside information not to be used for personal gain

No employee may - directly or through an intermediary - use inside knowledge of company plans for the purpose of personal gain. Such plans could include an intention to sell off a part of the company, acquire an outside company or establish a joint venture, or other information that might affect the share price. No employee may pass on such knowledge to persons not involved in the project or to third parties. An employee may pass on such knowledge to persons involved in the same project on a "need-to-know" basis only in compliance with all applicable confidentiality rules.

10. Social behavior: Fairness and respect

Every employee must realize that his or her behavior will be attributed to the company and can affect its outward and inward reputation. The company therefore expects its employees to be friendly, objective and fair in their dealings with colleagues and third parties.

No person is to be unfairly disadvantaged, favored, harassed or ostracized because of race, color, nationality, descent, religion, gender, age, physical characteristics or appearance.

Any lasting conflicts in this regard must be referred to an employee's supervisor and to the human resources department so that an acceptable solution can be found. Sexual harassment is forbidden. Every employee has the right to be protected against harassment, regardless of whether the harasser considers his or her own behavior to be normal or acceptable and of whether the harassed person has the opportunity to avoid the harassment.

Employees should work together in an atmosphere of trust. Communication forms the basis of all decision-making. Every employee must endeavor to contribute as much as possible of his or her own expertise and of the expertise he or she can draw on from elsewhere within the company. Successful project work demands the ability both to work in a team and to act on one's own initiative.

11. Security of files and records

The documents and data storage media used in the workplace must not come into the possession of unauthorized persons and are therefore to be kept under lock and key. Particular attention shall be paid to full compliance with data protection laws and regulations. Computer data must be secured through the use and frequent changing of passwords. Third-party access to data must be effectively prevented at all times, even during the employee's prolonged absence from the workplace.

No employee may make copies of business papers or computer files other than for work-related purposes.

No employee has the right to access information not relating to his or her own field of work, except in his or her capacity as supervisor or as deputy for a colleague. The deliberate reading of messages addressed to others, except for work-related reasons, is forbidden. All personally addressed messages are to be treated as confidential.

It must be remembered when creating documents – including e-mails – that any piece of paper that has been written on, or any data storage medium such as a diskette, could also conceivably come into the possession of a competitor or litigation adversary and be used against our company. Clarification and questions regarding Know-how-protection may be directed to the Legal Departments or Corporate Security. Specific questions concerning know-how protection may be directed to the Legal Departments or Corporate Security.

All records and files must be kept in such a way as to permit deputizing by a colleague at any time. Files must therefore be complete, orderly and readily understandable.

12. Cooperating with the authorities while defending our rights

The company will endeavor to be cooperative and open in its dealings with all authorities and government agencies.

However, it must be remembered that certain agencies also have the task of detecting and punishing violations of applicable law. Such procedures are subject to certain rules, one of which is that those affected have the right to seek legal counsel.

Exercising this right or the “right to remain silent” is not an admission of guilt. In such cases, information should only be provided, or documents submitted, after consultation with the legal department.

The employee’s own attorney should be called in where appropriate.

Otherwise, it is the responsibility of the legal department to safeguard the rights of employees in the event of questioning or searching by the police or public prosecutor. All employees responsible for collecting Company information and communicating it to securities market authorities, to other regulatory authorities or in the form of public announcements shall communicate such information completely, openly, correctly, timely and understandably.

III. Enforcement and discipline

The company will offer its employees all the necessary sources of information and the counsel of its legal department to enable violations of law to be avoided. It will also afford its employees protection in the event of unjustified actions by authorities.

However, violations of law will not be tolerated. The management is committed to enforcing this compliance program. Violations may result in reprimand, claims for damages or in termination of employment. An employee who is unsure whether a violation of this compliance program may occur must seek advice from the responsible departments named in section I. It is not sufficient simply to take note of this compliance program.

Every employee is called upon to review his or her own behavior in light of the above standards and to determine where improvements are possible.

Every supervisor must organize his or her area of responsibility in such a way that reports of legal violations can always reach him or her. Problems must be actively addressed. However, supervisors also must take the initiative to regularly monitor their subordinates’ activities and actively communicate with them. There may be a duty both to provide and to obtain information. The focus of this

program is on continuous compliance with all legal requirements. Implementation of this program also demands that knowledge of legal requirements and their observance be made the subject of in-house vocational training and continuing education. The necessary awareness can only be instilled if the subject is dealt with regularly.

The above principles must always form an active part of corporate culture. Adherence to them must be based on the necessary sensitivity to the legal limits of employees' own actions and a willingness to allow those actions to be judged against legal standards.

Formation of a Corporate Compliance Committee

LANXESS AG establishes a Compliance Committee for it and its subsidiaries. The Committee shall be chaired by the Compliance Officer, who shall either belong to Board of Management or report directly to executive management. The Compliance Committee shall include at least one lawyer. The names of the Compliance Committee members and the name of the Compliance Officer shall be published internally. In addition to the Compliance Committee of LANXESS AG, local Compliance Committees can be established for individual companies or regions within the Group. These local Compliance Committees shall report to the Compliance Committee of LANXESS AG.

It is the responsibility of the local Compliance Committees and the Compliance Committee of LANXESS AG to develop, communicate, carry out and supervise the systematic training and implementation measures set forth in this Program, according to the nature of the respective businesses.

It is also the responsibility of the local Compliance Committees and the Compliance Committee of LANXESS AG to investigate any reported violation of the Program and, if a violation is identified, ensure that steps are taken to rectify it. The Compliance Committee of LANXESS AG must report compliance violations, investigations, results of in-

vestigations, corrective measures, disciplinary measures, and the systematic training and implementation measures initiated under this Code to the LANXESS Group Management Board.

Duty to report

All employees are required to immediately report any violations of the Compliance Program.

Such reports should be directed to the Compliance Officer, another member of the Compliance Committee, the respective Supervisor, the Corporate Auditing Department, or the respective Legal Department. Reports may also be made anonymously, for example through a telephone hotline which the Compliance Committee is required to introduce and maintain. All Supervisors are required to monitor employee compliance with the Program. Identified violations, or reports of violations, received from employees are to be immediately reported to the Compliance Committee. The Company shall warrant that no employee shall be in any way disadvantaged solely because he or she, acting in good faith, has reported a possible violation of the Program. Where the reporting employee himself/herself is involved in such violation, the Company, in determining any action to be taken against that employee, shall consider whether or not the report and any timely assistance given in investigating the possible violation has resulted in damage to the Company being averted.

Monitoring

GF Internal Auditing, at the request of the Group Management Board, shall regularly monitor compliance with this Program. In fulfillment of this task, GF Internal Auditing shall have the authority to question employees, inspect files and visit company locations as necessary.

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