

## **Corporate Governance Statement pursuant to Section 289a German Commercial Code**

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

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

Our current declaration is available at:

[http://lanxess.com/fileadmin/user\\_upload/Entsprechenserklaerung\\_Maerz\\_2017\\_en.pdf](http://lanxess.com/fileadmin/user_upload/Entsprechenserklaerung_Maerz_2017_en.pdf)

### **Management practices above and beyond the legal requirements**

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

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

One of the fundamental elements of the CMS is the compliance culture based on LANXESS's corporate values of respect, ownership, integrity, professionalism and trust. It is shaped by the clear commitment and dedication of the LANXESS Board of Management and

the Supervisory Board. All managerial staff at LANXESS have a duty to embody this compliance culture and communicate it to employees.

The goal of the LANXESS Compliance Program, which is part of the CMS, is to prevent individual impropriety, identify misconduct at an early stage and react with appropriate sanctions. The “Code of Conduct – Code for integrity and compliance at LANXESS” is the cornerstone of the Compliance Program. It defines binding principles of conduct and provides employees with information and guidance on compliance. Additional preventive measures include in particular an extensive portfolio of compliance briefings and targeted compliance training. Compliance risk assessments are performed regularly to identify and evaluate company-specific compliance risk areas, as well as to develop additional measures and processes for reducing compliance risks. The main risk areas identified are assigned to individual group functions as special areas of responsibility for compliance. They are responsible for developing and implementing individual compliance programs that encompass in particular specific Group policies, standard operating procedures and training concepts. The compliance organization supports both the design and implementation phases.

An effective internal control system, appropriate monitoring activities and preventive compliance audits performed by Internal Auditing and those functions with special compliance responsibilities are designed to ensure observance of the regulations. If there are indications of compliance violations, the Integrity Line offers employees and external third parties many ways to notify the compliance organization – also anonymously if they wish.

LANXESS considers corporate responsibility a prerequisite to being able to operate successfully in the future and create value for all stakeholders. Given this awareness, sustainability is a key success factor that is at the heart of LANXESS’s corporate culture and a component of our business strategy. For LANXESS, actively demonstrating corporate responsibility involves knowing and evaluating the impact of our actions – whether positive or negative – and maintaining a dialogue with stakeholders that enables us to satisfy their expectations to the best of our ability. By signing the Responsible Care® Global Charter, we have documented our commitment to the visions and ethical principles of the Responsible Care® 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. As a signatory to the U.N. Global Compact, LANXESS also recognizes in its directives the principles set forth by the world’s largest and most important initiative for responsible corporate governance. An overview of the implementation of corporate responsibility at LANXESS can be downloaded from the Corporate Responsibility section of our website at <http://www.lanxess.com/>.

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

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

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

The Board of Management of LANXESS AG currently comprises four members: Matthias Zachert (Chairman), Dr. Hubert Fink, Michael Pontzen and Dr. Rainier van Roessel. Information about the members of the Board of Management is available on our website at <http://www.lanxess.com/> under Investor Relations/Corporate Governance/Board of Management.

The Chairman coordinates the work of the Board of Management. As a rule, Board of Management decisions are adopted with a simple majority. In the event of a tie, the Chairman has the casting vote. Resolutions of the Board of Management are generally passed at regularly held meetings. The rules of procedure for the Board of Management that are enacted by the Supervisory Board contain further regulations concerning the form of cooperation within the Board of Management, the allocation of duties and the matters requiring resolution by the full Board of Management.

The Supervisory Board's role is to advise the Board of Management in its management of the company and to monitor its conduct of the business. The Supervisory Board discusses business performance, planning and strategy at regular intervals. Its responsibilities also include appointing the members of the Board of Management as well as reviewing the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. The Supervisory Board approves the Management Board's proposal of the appropriation of the balance sheet profits and decides on its report to the Annual Stockholders' Meeting. The Supervisory Board reaches its decisions with a majority of the votes cast unless a different majority is stipulated by law. In the event of a tie, the Chairman of the Supervisory Board has two votes in a second ballot on the resolution, even if this also results in a tie. The German Codetermination Act contains special requirements concerning resolutions. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. Supervisory Board resolutions are usually adopted at regularly held meetings.

The Supervisory Board has issued its own rules of procedure, which, in addition to defining the tasks and responsibilities of the Supervisory Board and the personal qualifications of its members, establishes the processes for convening, preparing and chairing meetings as well as the procedures for voting.

The Board of Management reports to the Supervisory Board on a timely and comprehensive basis about the progress of business and the situation of the Group, including potential risks and relevant issues relating to corporate planning. The Supervisory Board has laid down the Board of Management's notification and reporting requirements in detail in its rules of procedure. The Chairman of the Board of Management regularly exchanges information with the Chairman of the Supervisory Board in order to discuss matters of strategy, planning,

business performance, risks, risk management and compliance. Certain transactions and measures of major or long-term importance require the Supervisory Board's approval. Measures requiring approval include, but are not limited to: adoption of the corporate planning; the acquisition, sale or encumbrance of real property, shareholdings or other assets; borrowings and certain other types of financial transactions. Thresholds have been set for some of these transactions.

### **Composition of the Supervisory Board**

The company's Supervisory Board is composed of twelve members, with equal numbers of stockholder representatives and employee representatives in accordance with the provisions of the German Codetermination Act of 1976. The stockholder representatives are elected by the Annual Stockholders' Meeting, whereas the employee representatives are elected in accordance with the provisions of the Codetermination Act and its electoral regulations. Supervisory Board members normally serve for a five-year term.

Manuela Strauch, Werner Czaplík, Dr. Hans-Dieter Gerriets, Thomas Meiers, Ralf Sikorski and Ifraim Tairi serve as the employee representatives on the Supervisory Board. Dr. Heike Hanagarth, Dr. Friedrich Janssen, Lawrence A. Rosen, Dr. Rolf Stomberg, Theo H. Walthie and Dr. Matthias L. Wolfgruber serve as the stockholder representatives. The Chairman of the Supervisory Board is Dr. Rolf Stomberg. The Vice Chairman is Ralf Sikorski. Information about the members of the Supervisory Board is available on our website at <http://www.lanxess.com/> under Investor Relations/Corporate Governance/Supervisory Board.

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

The Supervisory Board has a Presidial Committee, an Audit Committee, a Committee pursuant to Section 27 (3) of the German Codetermination Act and a Nominations Committee formed from among its members.

The Presidial Committee discusses key issues and prepares the meetings and resolutions of the Supervisory Board. It makes decisions on transactions requiring approval that are already included in the company's annual planning. The Presidial Committee may also resolve on the exercise of participation rights pursuant to Section 32 of the German Codetermination Act and on transactions requiring approval that cannot be deferred. It consults regularly about long-term succession planning for the Board of Management. Furthermore, the Committee also prepares the personnel decisions to be made by the Supervisory Board and resolutions of the full Supervisory Board regarding the compensation of the members of the Board of Management. In place of the full Supervisory Board, the Presidial Committee resolves on the conclusion and amendment of employment contracts with the members of the Board of Management and all other contractual matters not pertaining to compensation. The members of the Presidial Committee are Dr. Stomberg (Chairman), Ms. Strauch, Mr. Sikorski, Mr. Tairi, Mr. Walthie and Dr. Wolfgruber.

The Audit Committee supports the Supervisory Board in overseeing the conduct of the business and deals with matters relating to the supervision of accounting, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as auditing, including the independence of the auditor and the work additionally performed by the auditor, and compliance. It prepares the Supervisory Board's resolutions concerning the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group and recommends an auditor whom the Supervisory

Board then proposes to the Annual Stockholders' Meeting for appointment. The Chairman of the Audit Committee is an independent financial expert and has specialist knowledge and experience in the field of accounting acquired through his professional activities. The members of the Audit Committee are Dr. Janssen (Chairman), Mr. Czaplík, Dr. Gerriets, Mr. Meiers, Mr. Rosen and Mr. Walthie.

The Committee pursuant to Section 27 (3) of the German Codetermination Act performs the tasks described in Section 31 (3) of the German Codetermination Act. The members of this committee are Dr. Stomberg (Chairman), Mr. Czaplík, Mr. Sikorski and Dr. Wolfgruber.

The Nominations Committee solely comprises stockholder representatives and proposes candidates for the Supervisory Board to nominate for election as new members of the Supervisory Board by the Annual Stockholders' Meeting. The members of this committee are Dr. Stomberg (Chairman), Mr. Rosen and Dr. Wolfgruber.

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

### **Commitments pursuant to Sections 76 (4) and 111 (5) of the German Stock Corporation Act**

Under the law on the equal participation of women and men in leadership positions in the private and public sector which became effective on May 1, 2015, certain companies in Germany are required to set targets for the proportion of women on the supervisory board, executive board, and the two management levels below, and to specify a deadline for meeting these targets. Under the law the first implementation deadline must not go beyond June 30, 2017. The law provides for an exception for the proportion of women on the supervisory boards of listed and codetermined companies like LANXESS AG. Here a mandatory minimum proportion of 30% women and 30% men applies to the filling of vacant supervisory board seats from January 1, 2016.

The Supervisory Board of the company has resolved to maintain the status quo with a target for the proportion of women on the Board of Management of LANXESS AG of 0% through June 30, 2017, in light of the fact that the appointments and service contracts of the members of the Board of Management serving at the time the resolution was taken are valid beyond June 30, 2017. In the future, however, the Supervisory Board will seek to appoint women with the appropriate professional qualifications and personal skills as members of the Board of Management.

Against the backdrop of LANXESS' ongoing restructuring program at the time of determination, the Board of Management of LANXESS AG resolved to retain the existing proportion of women as the target for the first and second management levels through June 30, 2017. At the time of the resolution, the proportion of women on the first and second management levels below the Board of Management was 9.8% and 20.5%, respectively. The proportion of women at both management levels together should be 18.6% at the closing date. Measures to increase the number of women in management positions across the company have already been taken and are continuing to pursue.