

LANXESS Position on Human Rights

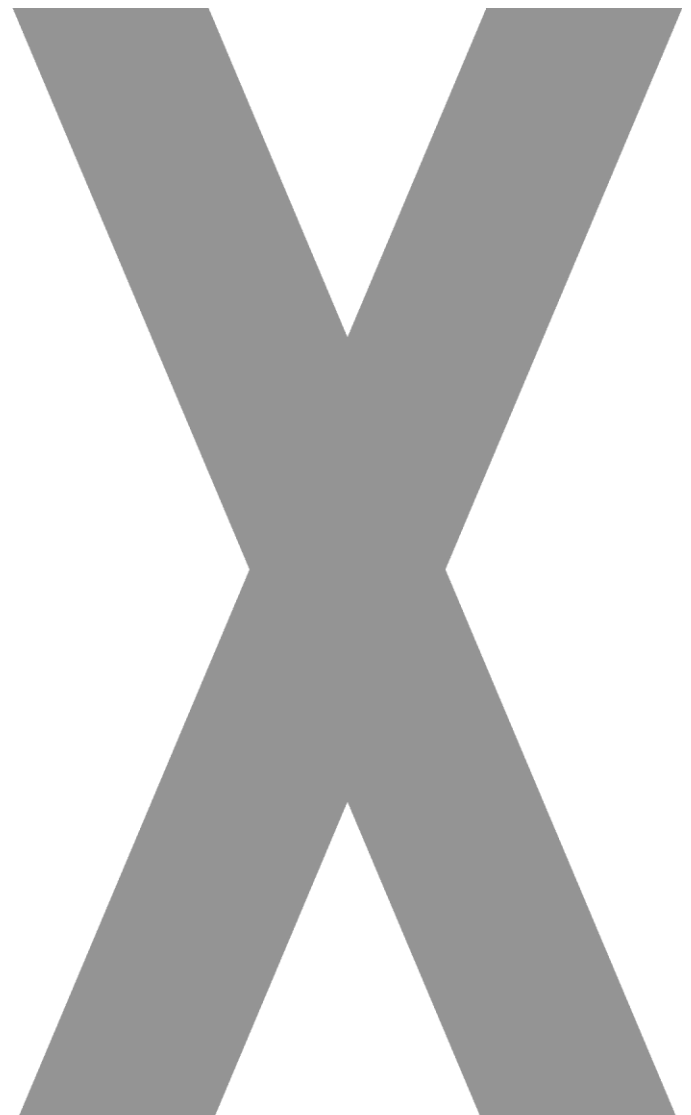


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1 Our Commitment

LANXESS is a leading specialty chemicals company with a presence in over 30 countries and 60 production sites globally. We develop and produce chemical intermediates, additives, specialty chemicals and plastics. With our activities, we make important societal contributions in areas such as addressing climate change, developing sustainable cities and securing the supply of food and clean water for a steadily growing world population. However, we are also aware that our own activities and related activities along the value chain can potentially have a negative impact on human rights. Such risks are linked to our own activities including the manufacturing and distribution of – amongst others – hazardous substances within our global production and sales footprint, which also is active in countries with lower local human rights standards, as well as to our worldwide and diverse supplier base. As a matter of principle, LANXESS is committed to systematically identifying and managing these risks as an integral part of our overall corporate governance and Risk Management System.

LANXESS' identity is based on five values: respect, ownership, trust, professionalism and integrity. These values apply at all times and in all places – and to all employees. We strive for a corporate culture in which acting responsibly and striving for performance do not contradict but complement each other.

In line with our values, we are committed to:

- Respecting human rights across the LANXESS Group at all times and systematically minimizing the risk of human rights violations in and through our own operations.
- Supporting the protection of human rights beyond LANXESS' operations and promoting human rights along our entire value chain. Therefore, we require our business partners to respect human rights and prevent human rights violations that are directly linked to their operations, products or services.

At LANXESS, human rights and ethical principles apply without restriction, even if they are not stipulated in the legislation of individual countries. Our commitment is in line with:

- the principles of the Universal Declaration of Human Rights
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- the principles of the United Nations Global Compact
- the employment standards of the International Labour Organisation (ILO)
- the principles of the Responsible Care® Global Charter
- the UK modern slavery act

2 Company Guidelines and Regulations

A set of internal policies and directives are in place to apply a consistent governance framework and implement our human rights commitment. LANXESS' most important guidelines and regulations with respect to human rights are the following:

2.1 Corporate Policy

The principles of responsible business operations and sustainable development are expressed in our Corporate Policy¹, which defines our general corporate philosophy and the conduct expected of every single employee with relation to our stakeholders in a total of eleven guidelines.

2.2 LANXESS Code of Conduct

The “Code of conduct – Code for integrity and compliance at LANXESS”² which is applicable within the LANXESS Group, requires all our employees – across all organisational units, regions and hierarchy levels – to behave lawfully and in accordance with LANXESS' values. The code covers issues such as human rights, data protection, occupational or product and plant safety.

2.3 Supplier Code of Conduct

LANXESS requires its suppliers to ensure respect for human rights and compliance with all applicable laws and regulations on protecting the environment, health and safety in the workplace and using appropriate labor and hiring practices wherever they are active. The details of our requirements are stipulated in the LANXESS

¹ https://lanxess.com/uploads/tx_lanxessmatrix/lxs_policy-hseq_2015_11-english.pdf

² https://lanxess.com/uploads/tx_lanxessmatrix/code_for_integrity_and_compliance_at_lanxess.pdf

Supplier Code of Conduct³. LANXESS only selects suppliers who accept the Supplier Code of Conduct or have comparable standards in place (see also 4.2).

3 Due Diligence

Our human rights commitment is implemented through several group-wide due diligence mechanisms, which are integrated into our general organisational structure and procedures. These mechanisms help us to identify and adequately manage potential human rights risks.

3.1 Identification of Human Rights Issues

A risk management system (RMS) has been established comprising all specific organisational measures in connection with the management of all risks - including human rights risks. A key component of the RMS is a group-wide process to systematically identify and evaluate from a group perspective relevant risks such as plant and occupational safety. Our compliance management system (CMS), which is administered by the compliance organisation, is another key component of the RMS with a focus on company-specific compliance risks. In this context, the compliance organisation performs dedicated Human Rights Risk Assessments which cover the human rights areas of particular concern to LANXESS (see chapter 4 for details), like

- occupational safety,
- compliance with labor standards,
- prevention of discrimination,
- impact on local communities,

and also considers other human rights topics such as

- prevention of forced and child labour,
- third party contracted labor,
- migrant labor and
- the impact on indigenous people.

³ http://lanxess.com/uploads/tx_lanxessmatrix/supplier_code_of_conduct_en.pdf

All organisational units at LANXESS are subject to regular internal audits, which include monitoring respect for human rights and – if necessary – the introduction of suitable measures to guarantee this. The human rights areas of particular concern to LANXESS can be found in chapter 4.

3.2 Prevention and Mitigation

The primary responsibility for ensuring the observance of human rights at all times lies with all managers, who are supported by our compliance organisation through additional measures to prevent and to mitigate human rights violations. Our Code of Conduct, which includes unambiguous instructions regarding the respect of human rights (see also 2.2) is handed out together with the employment contract to every new employee and is also an aspect of general training measures. In addition, training sessions geared towards specific human rights issues are held. Furthermore, all acquisitions of companies or interests are subject to a careful due diligence process to ensure that human rights are also respected by the targeted company. The specific prevention and mitigation actions taken for the human right areas of particular concern to LANXESS can be found in chapter 4.

3.3 Tracking Effectiveness and Remediation Measures

To ensure effectiveness of the implemented measures and actions taken, human rights are integrated into our internal monitoring and reporting processes.

LANXESS records incidents which occur despite the extensive prevention precautions in a worldwide electronic registration system. This data can be analysed to introduce appropriate measures in risk areas and prevent recurrences. With the LANXESS Integrity Line and the Compliance Helpdesk available for our employees and external third parties, we established grievance mechanisms for possible human rights violations (see also chapter 5). If violations are reported or identified, remediation actions will be implemented. In individual cases of verifiable compliance violations by employees, necessary disciplinary and employment-related action will be taken in addition to enforcing sanctions. Concerning our upstream activities, LANXESS addresses necessary corrective actions to the suppliers, if human rights issues are identified in audits. In cases where no measures are implemented to

mitigate the issues identified, appropriate actions are taken which could extend up to the termination of the contractual relationship with the supplier.

4 Human Rights Areas of particular Concern to LANXESS

4.1 Our own Operations

4.1.1 Plant, Process and Occupational Safety

Our commitment:

Our employees and those of our partner companies must be able to arrive home just as healthy as when they left. Our vision is “zero incidents,” which reflects our conviction that every industrial accident is avoidable.

Actions taken:

Our Group Function Production, Technology, Safety and Environment is responsible for developing and updating company-wide standards that define requirements and governing responsibilities for health protection, the handling of chemicals, plant safety and workplace safety precautions. Uniform standards for planning, engineering and operating facilities are applied at all LANXESS production facilities. Through the ongoing training of our employees and regular auditing of our health and safety management, we ensure that the requirements are systematically and sustainably implemented in our processes.

Our global safety initiative “Xact” is aimed at gradually lifting the safety culture of LANXESS to a higher level. Six “Xact” Safety regulations, the central principles of safe working at LANXESS, address the main areas in which every employee can actively contribute to their own safety and to that of their colleagues.

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 the employees that work for us have received specific safety training. Independent of this, we provide employees of our partner companies with regular individual safety briefings.

4.1.2 Labour Standards

Our commitment:

LANXESS aims to be a company whose success is driven by the personal commitment of each and every employee – fully in line with our corporate claim, “Energizing Chemistry”. Our employees are a key success factor and must be provided with adequate labour standards, in line with the employment standards of the International Labour Organisation (ILO).

Actions taken:

Our Group Function Human Resources is responsible for developing and implementing the necessary organisational measures to meet our commitments. We ensure that we offer our employees worldwide transparent, market-rate compensation, which also includes a variable compensation linked to the company’s success. In order to ensure fair working hours, we track and monitor working hours through local time and attendance systems in many of our sites. We use flexible worktime models to make life easier, in particular for employees with families but also for older employees. LANXESS respects our employees’ freedom of association and valid collective agreements. We regularly seek to engage in a dialogue with employee representative bodies in Germany, in Europe and around the world and involve these bodies in organisational changes at an early stage. Outside Europe, too, we give high priority to fair dealings with employees.

4.1.3 No Discrimination

Our commitment:

As a global company, diversity is one of our defining features which we protect and build upon. Therefore, we are committed to avoiding any form of discrimination.

Actions taken:

As defined by our Code of Conduct, our employees are expected to treat all other employees, business partners and third parties as equal, regardless of the following:

- Race or skin colour
- Nationality or origin
- Religion, belief and ideological conviction

- Trade union membership or political opinion
- Gender or sexual orientation
- Age
- Physical appearance
- Disability

This also applies in particular to the conduct of management when interacting with its employees. In addition to our Code of Conduct, in some of our country organisations specific human resources policies defining detailed guidelines to avoid discrimination have been established and communicated to the employees.

Our Diversity & Inclusion (D&I) project, which was launched in 2011, is aimed at enhancing diversity at LANXESS. This project is focused on the dimensions of age, gender, and nationality. Our D&I concept is anchored within our value culture as well as leadership principles and is also addressed in our leadership programs.

4.2 Business Partners

4.2.1 Our Suppliers

Our commitment:

In line with our commitment to promote human rights along our entire value chain, we require our suppliers to comply with all applicable laws and regulations, to ensure health and safety in the workplace and to deploy appropriate labour and hiring practices.

Actions taken:

Across the LANXESS Group, a global procurement directive is in place which also lays down binding guidelines to safeguard human rights in our supplier selection process. Our Supplier Code of Conduct⁴ (see also 2.3) defines requirements for our suppliers and service providers. Such requirements include, amongst others, the following:

⁴ http://lanxess.com/uploads/tx_lanxessmatrix/supplier_code_of_conduct_en.pdf

- Recognition of the internationally accepted human rights and their observance especially with regard to forced and child labor.
- Equal treatment of all employees regardless of ethnic origin, skin color, gender, religion, nationality, sexual orientation, social origin or political affiliation.
- Respect for the fundamental right of all employees to form or join trade unions and employee representative bodies.
- Provision of a fair remuneration at least equal to the legally valid minimum.
- Compliance with all applicable health and safety legislations.

Only suppliers who have accepted our Supplier Code of Conduct or have introduced their own comparable regulations and management systems in line with the UN Global Compact or who have submitted compliance declarations will be selected.

LANXESS is a founder of the Together for Sustainability (TfS) initiative. This initiative aims at implementing and enhancing 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 labour, working standards, occupational safety, environmental protection and business integrity. The results of the assessments and audits performed by the members of TfS are shared within the initiative. As an active member of TfS, LANXESS makes an active contribution to increasing the number of audited suppliers, carries out targeted examination of the supplier portfolio in all key procurement markets and sets goals for the strategic purchasers to secure a sustainable supply chain.

4.2.2 Our Customers

Our commitment:

We are committed to the Responsible Care® Global Charter, a comprehensive product stewardship initiative. This aims to provide basic information and risk assessments for substances so that the harmful impact of chemicals on human health and the environment can be minimized.

Actions taken:

Our product stewardship covers the safe handling of chemical substances and products throughout their life cycle – from research and development, procurement

and production, through storage and transportation to marketing, downstream processing and disposal. The Product Safety Management at LANXESS Directive steers the group-wide observance of product stewardship and secures the participation of everyone involved. This applies, in particular, to those substances in our product portfolio that are classified as hazardous. Our central Product Surveillance Directive systematically governs the worldwide tracking of our products and their use with respect to potential health and environmental impacts. The information acquired is used by our product developers and product safety experts in their evaluations.

Compliance with global chemical control regulations is essential for the safe handling of our products along the value chain. LANXESS has an electronic safety data system to ensure compliance with both mandatory and voluntary control requirements. Material safety data sheets in 43 languages inform our customers worldwide about substance data and the safety measures that are necessary when using the relevant chemicals.

4.3 Communities

Our commitment:

As a Corporate Citizen, we take responsibility for the development of the social environment in which we operate. We are committed to being a valuable part of the communities we are part of globally and respect the rights of the community members.

Actions taken:

We connect with community members by fostering activities that support community life and development. At many of our larger sites, we participate in an institutionalized dialogue in established forums, such as community advisory panels. There are also community touch points either run by our company or partners in the chemical parks. Our Integrity Line (see chapter 5) also provides community members with various means of reporting potential human rights violations to LANXESS.

5 Grievance Mechanism

The Integrity Line⁵ provides employees and external third parties with various means of reporting potential human rights violations to the Compliance Organisation – also anonymously if they wish. Well-founded *bona fide* reports are investigated and, if required, appropriate corrective action is taken. The legitimate interests of each party – both the person who has reported as well as employees affected by the report – are safeguarded.

6 Reporting on Human Rights

LANXESS reports on Human Rights in its annual report. This reporting includes the most recent due diligence and risk assessment activities as well as – if applicable – human rights incidents and mitigation plans. LANXESS provides this information in the following sections of the annual report:

- Human rights section in the Corporate Responsibility Chapter
- GRI content index

Furthermore, LANXESS reports on its corporate website according to the requirements of the UK modern slavery act⁶.

⁵ <https://lanxess.com/corporate/corporate-responsibility/good-corporate-governance/compliance-at-lanxess/notification-of-violations/>

⁶ https://lanxess.com/fileadmin/user_upload/LXS_Slavery_and_human_trafficking_statement.pdf
