

CORPORATE RESPONSIBILITY

100%

**of the product portfolio is
analyzed on the basis of
sustainability aspects**



Audited disclosures of the LANXESS Group that are included in the 2017 separate non-financial consolidated report.

Good for Business, Good for Society

In an increasingly volatile political and economic environment, values-based, responsible and reliable business conduct is more important than ever before. LANXESS has always had a keen sense of its corporate responsibility. Our clear strategic guidelines, our values and our governance structures constitute a sound foundation for making our profitable growth sustainable in every way in the years ahead.

We see it as our corporate responsibility to create lasting value for all stakeholders and therefore to very consciously address the impact of our actions. Our company is future-proof if our strategy balances the demands of the economy, ecology and society. We encourage dialog with our stakeholders in order to identify, assess and actively manage all aspects of our actions, both positive and negative. Added value for society is a guiding principle as we work to create lasting value for our company.

Three tools help us to understand where and to what extent added value for society is created or diminished by our activities. They enable us to pay even more attention to the impact on society as a whole in our decision-making and to make the best possible use of human, natural and financial resources in the interest of sustainable development.

On a qualitative level, we analyze the social contribution of our products in an annual evaluation of the sustainability profile of our product range. In addition, in the reporting year, we performed a detailed analysis of how much our corporate activities and initiatives are helping to achieve the Sustainable Development Goals (SDGs) of the U.N.'s Agenda 2030. For instance, we are paving the way for more climate-friendly mobility with our technical high-performance plastics for the automobile industry. With our proven expertise in

custom synthesis of active substances and precursors in the field of plant protection, we are helping to make modern agriculture more productive and sustainable, thus ensuring that an ever-growing global population is supplied with food. Furthermore, our water-treatment products help to guarantee water supply at all levels worldwide. Within the context of the LANXESS education initiative, we are particularly promoting scientific education of children, young people and young adults around our production facilities.

On a quantitative level, in 2017, we calculated all reliably quantifiable positive and negative direct impacts of our activities ("gate-to-gate") for the first time in an impact analysis in the form of gross value added after impact. Using this method, the strategic challenges facing the chemical industry can be addressed in a targeted, efficient way. This involves generating consistent growth in a resource-efficient manner, avoiding harmful emissions into the air, soil and water and ensuring the safe handling of chemical products along the value chain while delivering a long-term increase in social added value through the use of industrial products.

Detailed information on all three tools can be found on the [LANXESS website in the Corporate Responsibility, Societal Added Value section.](#)

ACTIVE STAKEHOLDER DIALOG

The stakeholders of relevance to LANXESS are the groups, institutions and people with whom we are linked directly or indirectly through our business activities and who therefore have a justified interest in what we do. Our most important stakeholder groups are customers, employees, capital market participants, suppliers, the media, neighbors of our sites and representatives of politics, public authorities and non-governmental organizations (NGOs). We engage in intensive dialog with all of these groups with a view to encouraging mutual understanding and build trust through an open and constructive exchange of views and constantly identifying the issues that they consider to be significant in terms of our corporate responsibility.

You will find an overview of the key issues and dialog forums of the relevant stakeholder groups as well as specific activities in the reporting year on the [LANXESS website in the Corporate Responsibility, Stakeholder Dialogue section](#).

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 page 10). The results were finalized in our in-house evaluation in 2017.

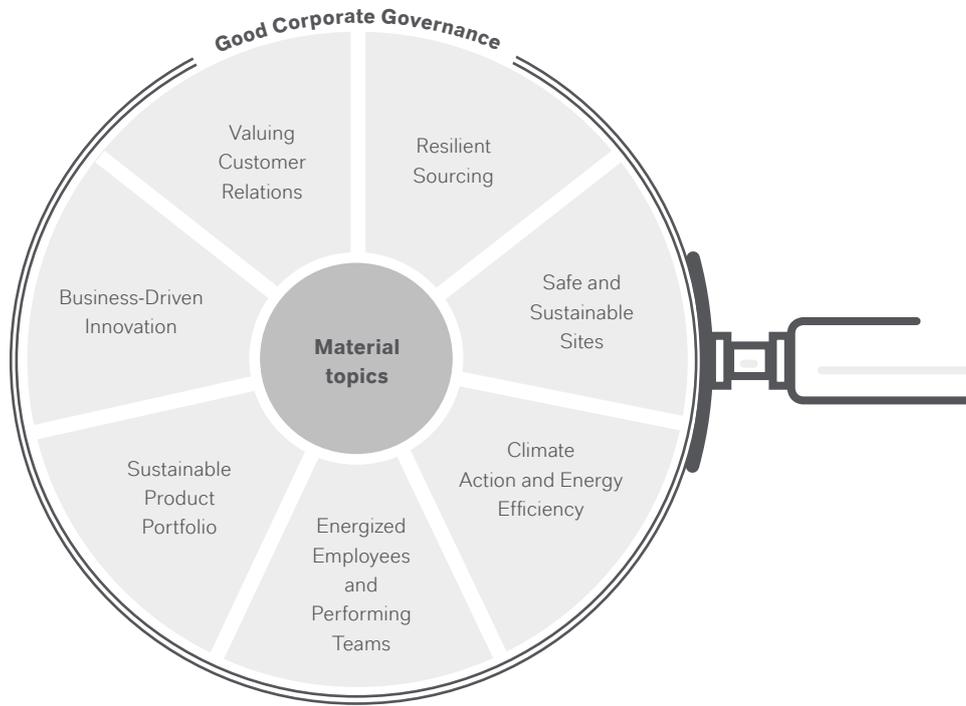
As a result of our materiality analysis, we defined seven key sustainability issues that were confirmed by the Board of Management and the Corporate Responsibility Committee. The issue of "good corporate governance" constitutes the framework in which our overall business activities are carried out.

Process of Materiality at LANXESS





Material Topics



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.

The results of our materiality analysis are particularly reflected in a correspondingly adapted structure of our external reporting on corporate responsibility.

LANXESS Sustainability Targets

Area	Target	Indicator	Target Date	Status Quo 2017	Page
<p>§ 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.</p>					
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.	22
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.	21

Area	Target	Indicator	Target Date	Status Quo 2017	Page
 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.	34
 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).	18
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	35
	Continuous reduction in environmental incidents	Number of reportable environmental incidents	Continuous	One environmental incident	35
	Continuous reduction in transport incidents	Number of reportable transport incidents	Continuous	One transport incident	36
 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.	40
	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.	40
	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.	41
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.	42

1) Basis: Dec. 31, 2015

Area	Target	Indicator	Target Date	Status Quo 2017	Page
 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%.	25
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.	24
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.	32
Diversity	Increase proportion of women in senior and middle management to 20%	Proportion of women in senior and middle management	By end of 2020	18.28% women	27
	At least one female Board of Management member	One woman on the Board of Management	June 30, 2022	Not yet achieved	27
	Increase proportion of women on first level below Board of Management to 15%	Proportion of women on first level below Board of Management	June 30, 2022	11.6% women	27
	Increase proportion of women on second level below Board of Management to 25%	Proportion of women on second level below Board of Management	June 30, 2022	23.9% women	27
 Sustainable Product Portfolio	Our products are manufactured and marketed so that they do not pose a risk to human or the environment. We systematically evaluate the sustainability of our entire portfolio. Sustainability criteria are applied in the development of products and applications.				
Analysis of the product portfolio in terms of sustainability	100% of the portfolio analyzed in terms of sustainability	Sales share of analyzed products in the entire portfolio	Continuous	The entire product portfolio was systematically analyzed in terms of sustainability.	44
 Business-Driven Innovation	We drive process, product, application and business model oriented innovation for and together with our customers and suppliers. We help our customers to make their business sustainable.				
Long-term, continuous product, application and process development	Develop innovative products on the basis of the needs and expectations of our customers	Number of product-based projects	Continuous	238 projects (previous year: 176) aimed to develop new products and applications or improve existing ones.	44 f., 72
	Continuous enhancement of our production processes in order to maintain competitiveness and achieve our climate and energy efficiency targets	Number of process-based projects	Continuous	122 projects (previous year: 94) concerned process technology issues with a view to reducing costs, improving efficiency or increasing capacity.	44 f., 72
 Valuing Customer Relations	We value long-term customer relations, build on trust and knowing, understanding and solving the customers challenges.				
Long-term customer relationship	Increase customer satisfaction and retention	Customer retention index	2019	The anonymized online survey carried out by the business units every two years gave a value of 75.4 in the 2017/2018 period and is thus on a par with the last survey cycle.	45

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.

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. Our compliance management system is described in detail in the Corporate Governance Report starting on page 51 of this Annual Report.

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 this 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.

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 competence center, 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

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. We successfully completed the audit once again in 2017. No new sites were included in the matrix certificate in the reporting year. We now intend to complete the inclusion of our production site in Joo Koon (Singapore), originally planned for 2017, by mid-2018. With the Clean and Disinfect specialties business acquired in the previous year, we took over three production sites – in Memphis and North Kingstown, U.S., and Sudbury, Great Britain – as of August 31, 2016. All these sites already had ISO 9001 and/or ISO 14001 certification. Integration of the Memphis and Sudbury sites into the LANXESS management system will take place in 2018, and will be completed with inclusion in our matrix certificate in 2019. 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. These sites will initially maintain their certifications

independently. Our Rustenburg site in South Africa, which is a chrome ore mine, cannot be assigned to LANXESS's other chemical industry businesses in the matrix certificate. We are therefore seeking separate ISO 9001 and ISO 14001 certification for this site in 2018.

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.



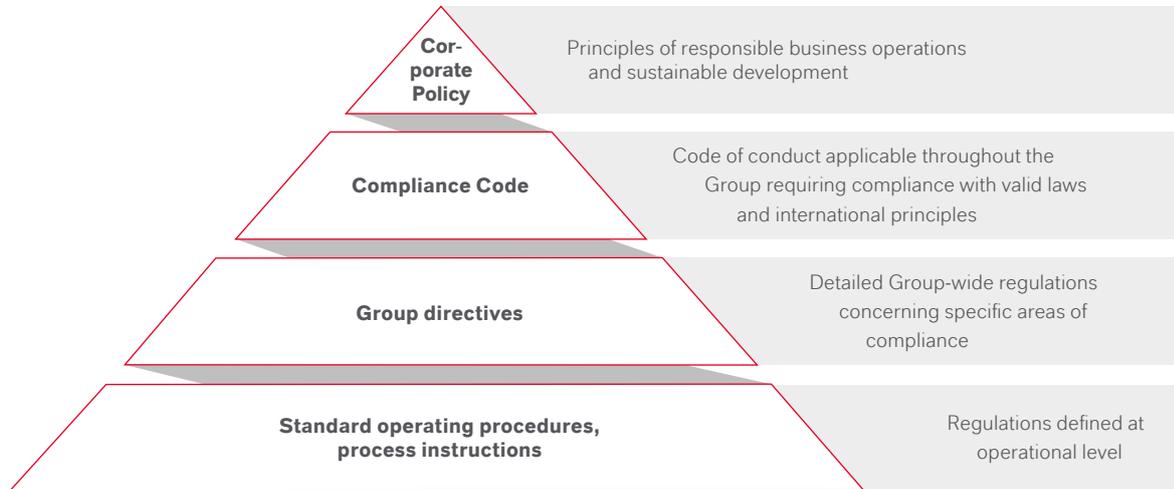
The Ten Principles of the U.N. Global Compact

Area	 Human rights	 Labor	 Environment	 Anti-corruption
Principle	1 Businesses should support and respect the protection of internationally proclaimed human rights. 2 Businesses should make sure they are not complicit in human rights abuses.	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. 4 Businesses should uphold the elimination of all forms of forced and compulsory labor. 5 Businesses should uphold the effective abolition of child labor. 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	7 Businesses should support a precautionary approach to environmental challenges. 8 Businesses should undertake initiatives to promote greater environmental responsibility. 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	10 Businesses should work against corruption in all its forms, including extortion and bribery.



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 34).



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. In 2016 and 2017, we performed a risk assessment that specifically addressed human rights in a total of six national companies (Brazil, China, Germany, India, South Africa and the U.S.). This confirmed that there is a high level of awareness for the subject and that functioning mechanisms are in place to prevent human rights violations. 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.

EMPLOYEES

LANXESS aims to be a company whose success is driven by the personal commitment of each and every employee – fully in keeping with our corporate claim of “Energizing Chemistry.” To make our values tangible and feasible in our everyday business, we have incorporated them in six operating principles – our “Formula X”: seek solutions, keep it simple, take ownership, act as a team, think new and act fast.

Our global HR activities are geared towards enabling our employees to apply these operating principles successfully. This makes them a key strategic success factor, especially in phase of change. To support the wide-ranging change processes at LANXESS on a global basis across all business units and service functions, we set up an extensive HR transformation project in the second half of 2017. Redefinition of our HR strategy to support our long-term corporate goals, organizational realignment of the HR function and standardized and optimized processes through digital tools are the focal points here.

In operational terms, integration of Chemtura’s employees into the global LANXESS organization and further expansion of our talent management into a transparent, global approach were the main elements of our HR work in the reporting year. A further focal point in Germany was continuation of our wide-ranging “Xcare” demographic program.

A focus on recruiting talent

As part of our long-term, value-based corporate policy and against the backdrop of demographic change, we are continuing to invest in well-qualified young talents – both apprentices and university graduates – and in experienced specialists and managers. Our global talent management activities are consistently aligned to the different strategies of our business units and their specific demands in terms of employee qualifications.

A total of 824 new employees joined the company worldwide in fiscal year 2017. We hired 227 new employees in Germany. Our focus was on the recruitment of specialists from various disciplines.

Our dialog-oriented HR marketing activities are geared towards target groups – pupils, apprentices, students, university graduates and people with professional experience – and convey an authentic picture of LANXESS as an employer. A core event in 2017 was the summer school at the DWI Institute of RWTH Aachen University.

Our international graduate trainee program is a key tool for attracting young talent in Germany. Particularly highly qualified master’s degree graduates are prepared for challenging specialist and managerial roles and gain experience abroad during the graduate trainee program itself. The programs are focused on marketing as well as controlling & finance. 13 new graduate trainees (eight women and five men) started their careers at LANXESS in 2017. Interns who show outstanding performance have the opportunity to progress further as part of the “eXclusive” talent program.

New Employees by Age Group, Gender and Region

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
<30	13.5	37	17	53	19	51	9	17	23	75
30–49	21.5	55	30	102	19	65	10	27	15	84
>50	3	14	1	24	12	17	0	4	1	5
Total	38	106	48	179	50	133	19	48	39	164
in %										
<30	20.69	16.91	9.29	8.76	44.71	29.14	15.79	10.41	20.18	18.62
30–49	5.33	3.39	4.49	3.50	9.74	8.15	4.78	3.81	3.18	4.68
>50	1.90	1.22	0.20	0.79	4.31	1.97	0.00	1.24	2.45	1.51
Total	6.07	3.54	3.53	2.73	9.69	7.25	6.38	4.02	6.23	6.48



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.

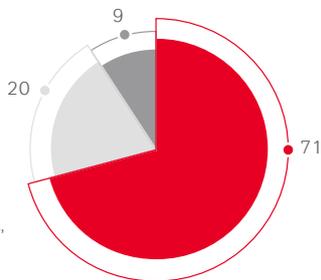
206 apprentices started their training in eight technical, scientific and commercial careers at LANXESS Deutschland GmbH on September 1, 2017. This represents a significant increase of around 20% on the previous year. The proportion of female career starters was approx. 14% in the reporting year (previous year: 15%). In total, around 4,300 young people applied for the apprenticeships we provided.

Taking the new intake into account, there are now (as of December 31, 2017) 583 apprentices at LANXESS. The proportion of female apprentices across all years is approx. 12%. We invested a total of around €20 million in vocational training of young talents in 2017.

Trainees by career path

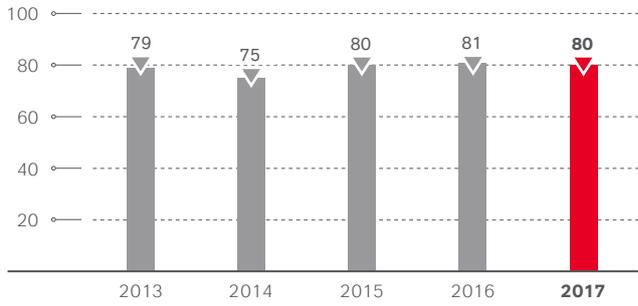
in %

- Scientific (chemical technician, laboratory technician, tanner, including 1 student on a combined work and study course)
- Technical (e.g. industrial mechanics, electricians, including 4 students on combined vocational training and study courses)
- Commercial (management assistants, business IT specialists etc., including 15 students on combined vocational training 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%).

Hire rate of apprentices and students on combined work and bachelor’s degree courses at LANXESS
in %



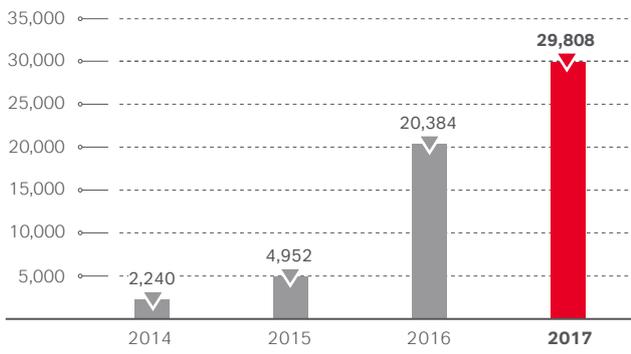
With our annual “XOnce” program, we enable school leavers who have not yet met specific academic or personal requirements for starting an apprenticeship straightaway to qualify for a technical or scientific apprenticeship – regardless of whether this is conducted externally or at LANXESS itself. Eleven young people took part in the XOnce program in 2017, including two refugees from Syria.

Fostering development worldwide

Only by constantly investing in training our employees and teaching them clear, globally binding values and standards can we as a company successfully use the opportunities of changing markets now and in the future. Wide-ranging management and HR development tools enable and motivate our employees to act on the basis of values, address issues in new ways, put their ideas into practice quickly and devise solutions as part of a team.

With the global roll-out of management training completed in 2017, we achieved our aim of establishing our management principles worldwide and transferring them to management practice. A total of 629 managers and employees who are expected to take on a management role in the next two years have been trained worldwide in 29,808 hours. In addition, we conducted a survey among our managers worldwide about our corporate culture so that we can understand how much the values and operating principles are already actively lived out as the basis of our new culture and where action is still required. 1,880 managers took part in the survey at the beginning of 2017, a participation rate of 78%. The results are highly encouraging. For instance, 99% of the managers confirmed that the values and operating principles have already been communicated in their department. Our goal for 2018 is to further establish our values model and the operating principles derived from it in all departments.

Management training for current and future managers
(Total training hours)



A key tool for implementing these management principles is the Performance Dialog. With the Performance Dialog, we support our managers and their employees in gaining a better comparative view of each other's expectations regarding tasks, goals and responsibilities, giving each other continuous feedback and thus improving the way we collaborate for the long term. Following a successful pilot project in senior management, we rolled out the Performance Dialog at all management levels in the reporting year. By the end of 2017, around 2,000 managerial staff members worldwide had attended training courses on relevant aspects – including supportive IT tool, the “Talent Database.” The information contained in this database forms the basis of our new talent management approach including global succession planning.

360° feedback is a key element and driver of a lived-out feedback culture. That is why, in 2017, we piloted the new version of the internal 360° feedback tool based on our culture. By the end of 2015, we had introduced a further tool for supporting our feedback culture worldwide: team feedback workshops for disciplinary, cross-interface and project teams.

Promoting life-long learning of our employees was again an important part of our HR development in 2017. In France, for example, 12,570.5 (previous year: 8,137) hours were invested training courses for skills development. A total of 148 employees (57 women and 91 men) signed up for the 16 training modules in 12 subject areas available in Germany. The average take-up rate for the training courses was 78%.

To make the learning opportunities for our employees even more extensive and flexible, digital learning formats will be a fixed component of our training portfolio in the future. For instance, in 2017, we provided our employees with 7,406 digital learning formats (2,447 in English, 2,291 in German and 2,668 in other languages) to improve their IT skills.

We emphasized the importance of safety and quality to LANXESS in 2017 with a newly devised basic training course for new facility managers. It was successfully piloted in Germany with 13 participants from eleven facilities, and will be incorporated in our training portfolio in 2018.

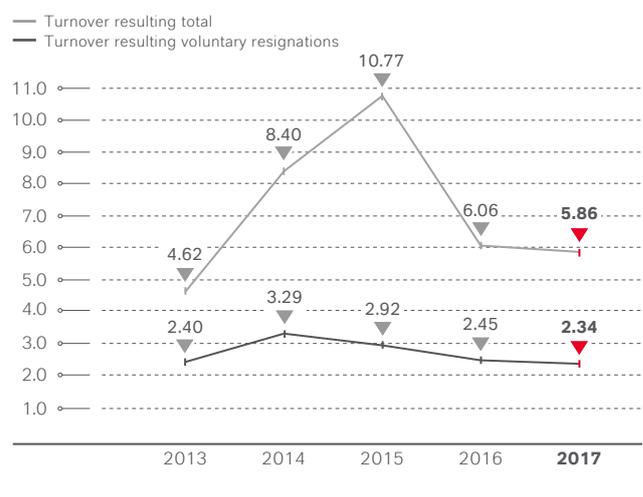
Employee commitment – a key success factor

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.

In 2017, we conducted a structured survey in China on the topic of commitment. 1,328 employees took part in it, equating to a response rate of 82%. In collaboration with the business units and functional units, the results of the survey were evaluated and individual action plans were drawn up for specific departments. In China, we also invite our employees to develop and lead their own in-house training sessions – with great success. This not only reduces costs but, with an average of 4.87 (previous year: 4.89) out of a maximum possible 5 points, this type of training is actually rated more highly than training led by external providers.

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%).

Development of turnover over time
in %





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.

Turnover Resulting from Voluntary Resignations

in %

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
<30	6.90	3.66	3.28	1.82	18.82	4.57	1.75	0.00	8.77	15.89
30–49	2.73	1.17	1.50	0.69	5.13	4.76	1.91	1.55	6.68	4.40
>50	2.54	0.96	0.20	0.23	5.39	3.48	0.00	0.00	4.91	2.71
Total	3.12	1.27	1.25	0.58	6.40	4.14	1.68	0.92	6.94	6.01

Earlyturnover Resulting from Voluntary Resignations by Age Group, Gender and Region

in %

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
<30	6.13	3.20	0.55	0.17	14.12	4.00	1.75	0.00	7.02	9.68
30–49	0.74	0.55	0.45	0.10	2.05	2.01	0.00	0.71	1.91	1.89
>50	0.00	0.26	0.00	0.03	1.08	0.23	0.00	0.00	0.00	0.00
Total	1.12	0.64	0.29	0.08	2.52	1.36	0.34	0.42	2.71	2.89

Total Turnover (including Reduction Programs) by Age Group, Gender and Region

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
<30	(8.5)	(15)	(6)	(15)	(9)	(16)	(9)	(5)	(12)	(72)
30–49	(23)	(59)	(14)	(31)	(19)	(73)	(17)	(110)	(42.51)	(103)
>50	(10)	(59)	(21)	(132)	(29)	(87)	(2)	(55)	(6)	(26)
Total	(41.5)	(133)	(41)	(178)	(57)	(176)	(28)	(170)	(60.51)	(201)

in %

<30	13.03	6.86	3.28	2.48	21.18	9.14	15.79	3.06	10.53	17.88
30–49	5.70	3.63	2.10	1.06	9.74	9.15	8.12	15.54	9.01	5.74
>50	6.35	5.14	4.13	4.35	10.42	10.10	6.35	17.00	14.72	7.84
Total	6.63	4.45	3.02	2.72	11.05	9.60	9.40	14.23	9.66	7.94

Success through diversity

Our global alignment is a key strategic advantage. LANXESS currently employs people from 79 (previous year: 70) countries across the world. Our Diversity & Inclusion (D&I) project is aimed at enhancing diversity at LANXESS and using its positive effects to benefit our company and our employees. It helps us to become more innovative and efficient and to attract and retain promising talents. This project is focused on the dimensions of age, gender and nationality. Our D&I Dashboard provides detailed analysis of data pertaining to these three dimensions and enables us to see what progress is being made at country, regional and global level so we can define appropriate strategic measures. In the reporting year, we again extended the range of available data.

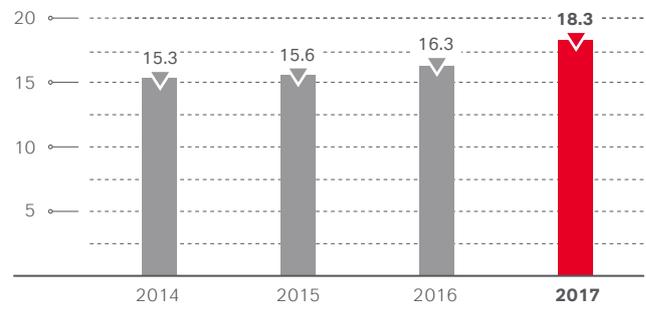
An important task in 2017 was again to anchor our D&I concept within our value culture and leadership principles and to add specific details. In addition, our new leadership programs also address the benefits of team diversity.

International assignments are a key component of our systematic HR development process. At year end 2017, a total of 72 employees (previous year: 76 employees) – around 1.68% (previous year: 2.3%) of our specialists and managers – were working as expatriates outside their home countries. The focus continued to be in the EMEA and Asia-Pacific regions. Assignments in the Americas region increased once again. In addition to achieving a focused global transfer of knowledge by sending experts and managers abroad, our goal is still to develop local management with the necessary expertise and international competencies at our international sites and to transfer challenging tasks to suitable employees. At sites outside Germany, 82.8% (previous year: 82.2%) of our management functions are currently filled by local employees.

Our D&I activities are also making an important contribution to reaching the goal we set ourselves in 2012, in connection with the voluntary undertaking by the DAX 30 companies, of raising the proportion of women in middle and upper management to 20% worldwide by 2020. The figure currently stands at 18.28%.

Ratio of women in senior and middle management

(LANXESS voluntary pledge: 20% by 2020)
in %



In accordance with the law on the equal representation of women and men in management positions in the private and public sectors, in Germany we are required to define targets for the proportion of women on the first two management levels below the Board of Management and to specify when these targets are to be met. Against the backdrop of LANXESS's restructuring program, the Board of Management of LANXESS AG resolved to retain the existing proportion of women as the initial target for the first and second management levels through June 30, 2017. At the time this resolution was adopted in 2015, the proportion of women on the first and second management levels below the Board of Management was 9.8% and 20.5% respectively. As a result of the measures instigated by LANXESS to promote women in management positions, we exceeded these targets by the cut-off date with figures of 11.6% and 23.9% respectively. On this basis, the Board of Management and the Supervisory Board has approved the new targets with an implementation deadline of June 30, 2022: For the first level below the Board of Management, the proportion of women is to be 15%, while the target for the second level is 25%. In addition, at least one woman is to be appointed to the LANXESS Board of Management in the same period.

A current example of how we are promoting the professional development of women in the LANXESS Group is the "Breaking the Stereotypes" initiative launched by our Indian national company in 2017. Through awareness and dialog-based measures, it aims to eliminate unjustified prejudices towards women and enable our female employees to counter them confidently. Two events at our Thane site were attended by a total of 84 employees in the reporting year.

Overcoming demographic challenges

The regions of key economic importance for LANXESS – Europe (especially Germany) and China – are particularly affected by the problem of aging demographics. As a result, the competition for qualified young talents is intensifying. This is particularly true in the case of scientific and technical career paths, where declining applicant numbers mean we now have to invest considerably more effort to fill positions with suitable staff.

In order to address these challenges, we have developed a comprehensive demographic program called “Xcare.” This program, which applies to our German companies, aims to find answers to the challenges posed by a steady rise in the average age of our workforce, coupled with a shortage of skilled young people. The measures brought together within the “Xcare” program encompass five areas of activity:

- › People and health
- › Work and training
- › Time and organization
- › Career and family life
- › Savings and retirement provision

At the end of 2015, aware that the steps taken up to that point might not be sufficient to adequately counter demographic risk, we launched a range of new initiatives and thus intensified our work in all areas of activity. All benefits with respect to work and family, health and retirement provision apply to the core workforce. Individual benefits may vary regionally and be adjusted locally to our employees' needs. Our core workforce comprises all employees with a permanent full-time or part-time position. As of December 31, 2017, they made up 94.5% (previous year: 93.4%) of our total workforce worldwide.

Employees by Age Group, Gender and Region

Age group	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
<30	66	218	188	611	43	208	56	154	114	390
30–49	417	1,643	667	2,922	206	891	213	656	479	1,826
>50	173	1,213	526	3,124	308	986	32	308	45	348
Total	656	3,074	1,380	6,656	557	2,085	301	1,118	638	2,564

LANXESS Employee Structure by Employment Type, Gender and Region (Also Including Employees on Fixed-Term Contracts)¹⁾

Employment type	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Permanent contract, full-time	530	2,899	1,004.5	6,488	299	1,117	630	2,560	544	2,084
Permanent contract, part-time	126	175	375	168	2	1	8	4	13	1
Temporary contract, full-time	28	47	130	648.5	34	62	26	40	15	9
Temporary contract, part-time	3	1	11	20.5	15	16	3	1	1	2
Total	687	3,122	1,520.5	7,325	350	1,196	667	2,605	573	2,096

¹⁾ In fiscal year 2017, we employed a total of 120 temporary staff members (16 women and 104 men) at our German companies – LANXESS GmbH, Saltigo GmbH and IAB Ionenaustauscher GmbH.

People and health

Our occupational health management is based on raising all employees’ awareness of their own health and motivating them to act on their own initiative and adopt healthy behaviors in their professional and private lives.

For instance, in 2017, the occupational health management team focused on the topic of skin with various activities in the context of its healthy living events. As part of this, our employees were given the opportunity to undergo individual skin screening. More than 1,200 people took advantage of this offering. We hope to replicate this success in 2018 with a specific topic.

In the context of the “health toolkit,” we are giving our business units the opportunity to analyze specific health problems in their unit and thus understand them more fully. This is resulting in unit-specific preventive measures as well as adjustments to procedures and production processes if these are believed to have a positive effect on employees’ health. At the facilities where the “health toolkit” has already been used, we have achieved reduced health risk factors as well as a general improvement in the working environment and lower rates of absenteeism.

Where preventive measures in the context of health management are no longer applicable, we ensure with our workplace reintegration program that employees with long-term illnesses in particular can stay in their posts after their recovery. We have successfully deployed this scheme at all German sites for a number of years. In 2017, 40% (previous year: 40%) of the employees invited to participate again accepted the offer of an individual consultation with the respective site workplace reintegration team.

In health management at our international sites, we focused on stress management in the reporting year. Wide-ranging country-specific awareness and training measures took into account the fact that the way stress is perceived differs greatly in each culture. Our employees were given options such as lunch meetings with external speakers, seminars on attentiveness, meditation courses or in-house medical examinations specifically geared towards stress symptoms. We also offer employee health checkups at numerous

sites outside Germany. For instance, all permanent employees in Argentina can have a health checkup every two years. In Croatia, they are available every 18 months. Full-time employees in Singapore can have a health checkup once a year, while those in Hong Kong can have one at two-yearly intervals. In Poland, all employees are entitled to a monthly budget for medical purposes.

Ratio of Disabled Employees at German Companies

	2013	2014	2015	2016	2017
Ratio in %	5.4	5.4	5.5	5.6	5.9

The issue of occupational safety is addressed by our “Xact” global program (see page 30).

Work and training

In the mid-term, illness and retirement – both regular and early (mainly for non-managerial employees) – will mean that many vacancies require filling, especially in career paths such as chemical production technician, fitter and engineer. Over the coming three to five years, it is our aim to establish a company-wide HR and succession planning program for the aforementioned key positions in particular and to review these on an annual basis. In this connection, the Board of Management approved 45 additional demography positions in the aforementioned career paths for 2017, and 91% of them have been filled. We will be creating further new posts in key positions in 2018 in order to counter demographic change.

Some of our measures to increase the proportion of women in our workforce are part of the “Xcare” program. They include employer branding activities targeting women and the implementation of objective selection procedures involving systematic multiple review. Other measures are aimed at promoting regular contact between managers and female employees on parental leave and discussing their plans for returning to work at an early stage. To ensure more thorough monitoring in the future of the proportion of women in our business units and Group functions, this was made a fixed aspect of regular reporting to the Board of Management at the beginning of fiscal year 2017. Areas with a below-average proportion of women will be supported by the development of suitable measures including objective hiring practices.

Time and organization

We use flexible worktime models to make life easier in particular for employees with families but also for older employees, retain their expertise within the company and make our company more attractive to prospective employees. For example, in January 2017, we began piloting the Flexi 95 model for managerial employees, which facilitates intelligent part-time working at senior management levels. Managers reduce their working time to 95%, initially for two years, with a corresponding adjustment in their pay. As a result, they are entitled to 13 additional vacation days each year. These might be used, for instance, to look after their children when schools or daycare centers are closed. At the same time, the model aims to strengthen our managers' awareness of part-time options for their employees and to increase general appreciation of this worktime model. 35 employees took part in the project in the first year. In view of the positive response, we intend to extend this model to further employee groups in the future.

With the aim of enabling flexible working hours for all employee groups, we are also currently developing part-time models for production employees.

Career and family life

Balancing work and family life is important to a steadily growing number of employees. A total of 6.3% (previous year: 6.8%) of our employees in Germany aged between 20 and 40 made use of the option to take parental leave. Of this figure, 58.7% (previous year: 50%) were fathers. 92% (previous year: 96%) of the employees who ended a parental leave period in 2017 returned to a job at LANXESS.

Our "Xkids" daycare center in Leverkusen offers around 50 places – all of which are full – for children aged between six months and six years in two preschool groups and one group for infants and toddlers. We also offer our employees places in daycare centers in Cologne, emergency childcare places and a nationwide agency service for childcare staff and provision.

Statutory maternity leave is a matter of course in Germany, and similar models are in place in other European Union countries. However, it is by no means standard practice around the world. For that reason, we investigate whether we can introduce or expand country-specific models for our employees at sites outside Europe.

Against the backdrop of demographic change, caregiving is an important issue in Germany. Caregiver leave is at the heart of the LANXESS caregiving program. This allows employees to reduce their working time to a greater extent than their salary during the care phase and to make up the shortfall when they return to work. To date, 74 employees (previous year: 60 employees) in Germany have taken advantage of caregiver leave and other job release options.

Savings and retirement provision

In 2017, we continued the long-term account for non-managerial employees as regulated by the agreement with the employee representatives and the collective agreement. The participation rate remained very good at the high level of around 97% (previous year: 97%). A total of 57.3% (previous year: 63.8%) of our employees worldwide benefit from unfunded company pension plans.

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.

Guidelines and Principles

Personal commitment

- › We take ownership of safety for ourselves and others.
- › We demonstrate safety leadership by acting as role models.

Prevention

- › We commit to achieving a sustainable incident- and injury-free mindset.
- › We learn from and share our experiences to prevent incidents in the future.
- › We provide effective training to our employees and contractors.

Proactive initiative

- › We positively reinforce safe behavior.
- › We maintain safety alertness in all of our daily activities.

Performance

- › We actively participate in HSE activities.
- › We create value by identifying hazards and mitigating risks.



LANXESS uses the recordable incident rate (RIR, the number of injuries per 200,000 working hours that are reportable as per OSHA rules) and the lost time injury frequency rate (LTIFR, known as MAQ in Germany and describing the number of lost time injuries for every million hours worked) as indicators for evaluating occupational safety. 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. The RIR, which also includes injuries that do not result in lost time, was 0.8 in 2017, up year-on-year from 0.7. The substantial reduction in the LTIFR shows that the measures implemented in recent years to improve occupational safety at LANXESS are taking effect.

Rewarding performance transparently and fairly

LANXESS offers its employees worldwide transparent, market-rate compensation, which also includes a bonus system linked to the company's long-term success. Overall, 81.2% (previous year: 91.9%) of our employees worldwide receive variable compensation. The sharp fall in the figure compared with last year is due to the acquisitions in fiscal year 2017. As the remuneration structures had not yet been fully integrated in the LANXESS remuneration structures as of the reporting date, the proportion of employees who receive variable remuneration is temporarily lower.

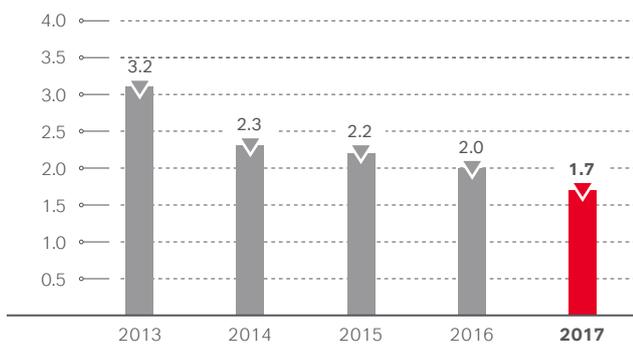
The fixed salaries of managerial staff – and of non-managerial staff in most countries – are supplemented by a performance-based variable compensation component known as the Annual Performance Payment (APP), which is paid to employees in countries that participate in this program. This bonus payment is linked to the attainment of the Group's defined EBITDA target. Additional individual targets are set for top management, including in the areas of safety and sustainability. In 2017, our employees around the world shared in the company's success in 2016 with a payout totaling around €109 million.

During the course of the year, supervisors are also able to reward outstanding employee performance quickly and unbureaucratically with an Individual Performance Payment (IPP). In fiscal year 2017, payments of around €12 million worldwide (around €8 million in Germany) were made solely for outstanding individual performance. Around 68% (previous year: 77.9%) of our employees around the world are currently eligible for IPP, which also provides them with a prompt assessment of their performance and career prospects. The sharp fall in the figure compared with last year is again due to the acquisitions in fiscal year 2017.

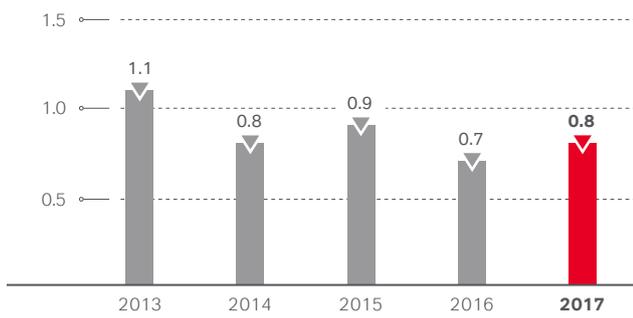
In the context of the LANXESS stock program that we offered again in fiscal year 2017, all Group employees in Germany were given the opportunity to buy LANXESS shares at a 30% discount. The shares were purchased at an average price of €67.17 on the Frankfurt Stock Exchange. The participation rate was 61%. At the reporting date, our employees and Board of Management members held around 1% of LANXESS shares through stock plans.



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



Work-Related Injuries to LANXESS Employees That are Reportable in Accordance with OSHA Regulations (RIR)



In addition, we offer a long-term incentive program for managers in Germany and similar programs in the U.S., Canada, India and the Netherlands. The Long-Term Stock Performance Plan (LTSP) 2014–2017 consists of four tranches, one commencing each year, and compares the performance of LANXESS stock against the MSCI World Chemicals Index over a four-year period. Since participants make a personal investment and there is the chance that the stock will increase in value, this program is an attractive long-term incentive and a means of enhancing employee loyalty. The participation rate for all eligible employees in the current program was 97.9% in 2017 (previous year: 99.5%).

Recognizing, rewarding and using good ideas

Our idea management system fosters the development and implementation of suggestions for improvements to ensure that we continually receive proposals for enhancing cost-effectiveness, occupational safety and environmental protection. Lots more good ideas were implemented in 2017.

2,262
New ideas in 2017

Idea Management

	2013	2014	2015	2016	2017
No. of new ideas	3,085	2,807	2,027	2,442	2,262
TMQ ¹⁾	417	373	274	318	295
Savings (€ million)	2.4	2.52	2.56	2.26	1.58
Bonuses (€ million)	1.0	1.0	0.95	0.8	0.65

1) TMQ: rate per thousand employees

Addressing global developments in partnership

Close cooperation between employee representatives and management, including trade unions and employers' associations, in line with the principle of active codetermination, is practiced globally at LANXESS. This means that we also comply with International Labour Organization (ILO) standards and the U.N. Global Compact in respecting our employees' freedom of association and valid collective agreements. Worldwide, 64.9% (previous year: 66.9%) of our employees are covered by collective agreements; in Germany the figure is 91.8% (previous year: 91.7%).

We regularly seek to engage in dialog with employee representative bodies in Germany, in Europe and around the world, inform them of our corporate goals and involve these bodies in organizational changes at an early stage. In the reporting period, in view of the acquisitions of Chemours and Chemtura, management and the employee representatives worked together to devise solutions for successful integration and implemented them. As well as the annual European forum, which brings together the works councils in Europe, there was a meeting in 2017 of the Executive Committee, which comprises employee and employer representatives from Belgium, France, the Netherlands and Germany. The EU works council of Chemtura was integrated in the European Forum.

Outside Europe, too, we give high priority to fair dealings with employee representatives and trade unions. In South Africa, for instance, we comply with International Labour Organization (ILO) standards with respect to our employees' freedom of association. This includes regular dialog between local management and trade union representatives as well as binding collective agreements on compensation and working conditions.

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.

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. For further information please refer to GRI Content Index in the PDF version on page 194.

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

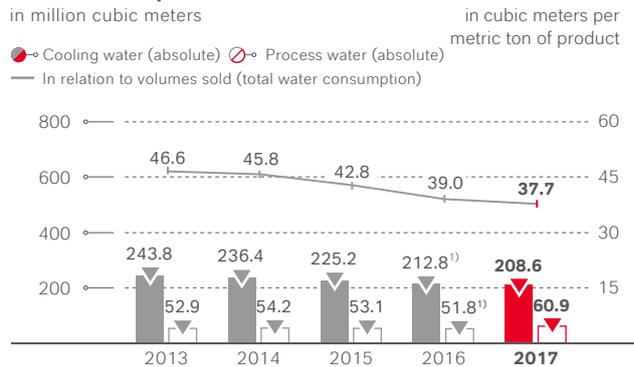
Access to clean water is not only crucial to the health and nutrition of a constantly growing world population, it is also an important economic factor. This is why the various facets of the issue of water are also illustrated in detail in the context of the Sustainable Development Goals. Focal points 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.

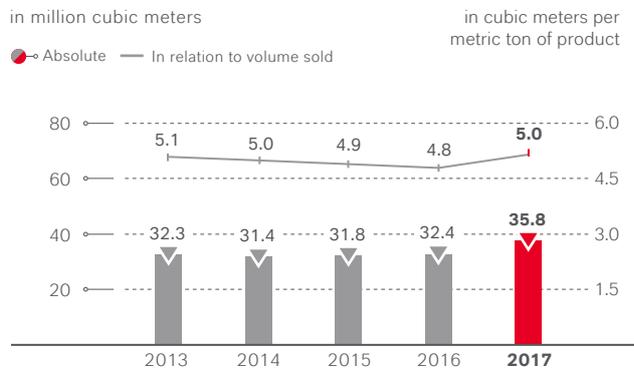
The assessment was performed in 17 categories – including dependence on water for transportation processes, the degree of pollution of water and the impact on biodiversity – and was compared with water consumption at the site. Apart from the Jinshan (China) site, all examined locations were classified as “limited risk.” In view of the assessment “some risk,” we are currently exploring development scenarios and the resultant options for Jinshan. To be prepared for future developments, we will now be repeating the survey every six months and adding further sites. The medium-term aim is for all sites to be assessed in this way.

Water Consumption



1) Figure restated

Production Wastewater



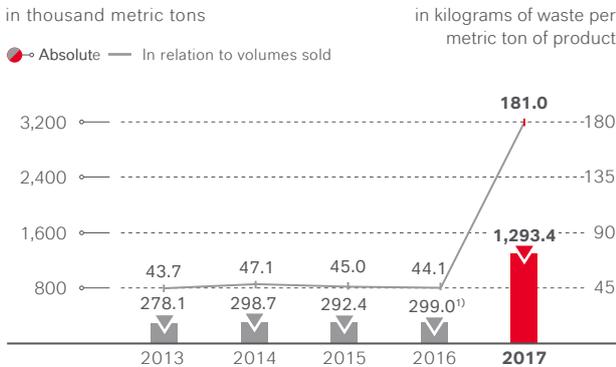
Compared with the previous year, water consumption increased in 2017. This is chiefly attributable to a higher volume of process water, which was added by the new Chemtura sites. In contrast, the amount of cooling water was further reduced as in the previous year. Overall, water consumption again increased 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.

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.

Total Waste

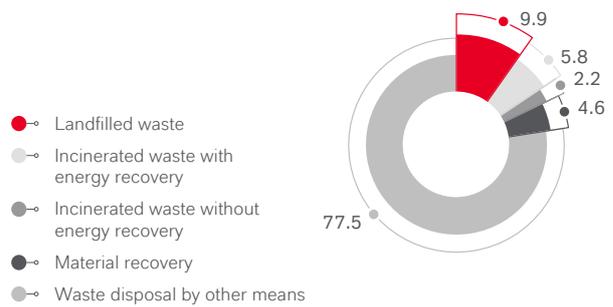


1) Figure restated

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

in %



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 14). 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	6,781^{a)}	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 sources⁴⁾			
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	212.8^{a)}	208.6
Process water in total water consumption	53.1	51.8^{a)}	60.9
Atmospheric emissions in thousand metric tons			
Total greenhouse gas emissions CO₂e (G4-EN15, G4-EN16)	4,641^{a)}	4,818^{a)}	5,273
Direct (Scope 1) ⁶⁾	1,643	1,741	1,975
Indirect (Scope 2) ⁷⁾	2,998 ^{a)}	3,077 ^{a)}	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
NM VOC ¹⁰⁾	5.4	4.7	4.9



Environmental and Safety Performance Data*

	2015	2016	2017
Wastewater in million cubic meters			
Total wastewater discharge (G4-EN22)	257.0	245.2^{a)}	244.4
Cooling water (uncontaminated, without treatment) ⁵⁾	225.2	212.8 ^{a)}	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 ^{a)}	0.54	0.55
Total organic carbon (TOC)	1.5 ^{a)}	1.7 ^{a)}	1.8
Heavy metals ¹¹⁾	0.0059	0.0049	0.0054
Waste in thousand metric tons			
Total weight of waste (G4-EN23)	292.4	299.0^{a)}	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 ^{a)}	1,001.7
Type of waste			
Hazardous	188.4	196.7 ^{a)}	573.1
Non-hazardous	104	102.3	720.3

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%.

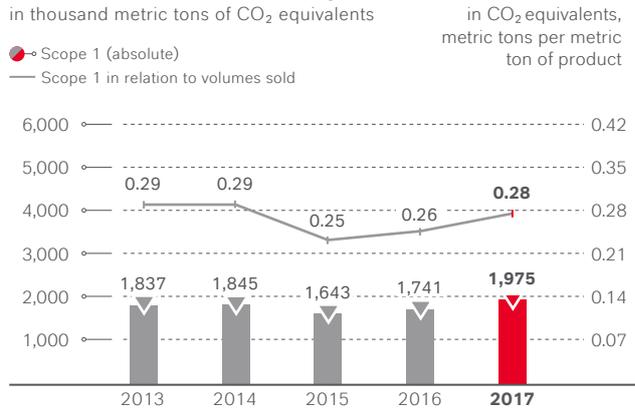
In common with many other European chemical companies, LANXESS had already made an express commitment before the Paris Conference to protect the climate and fulfill the obligations that it entails. Since our company was established, we have been working continually to reduce climate gas emissions – and 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.

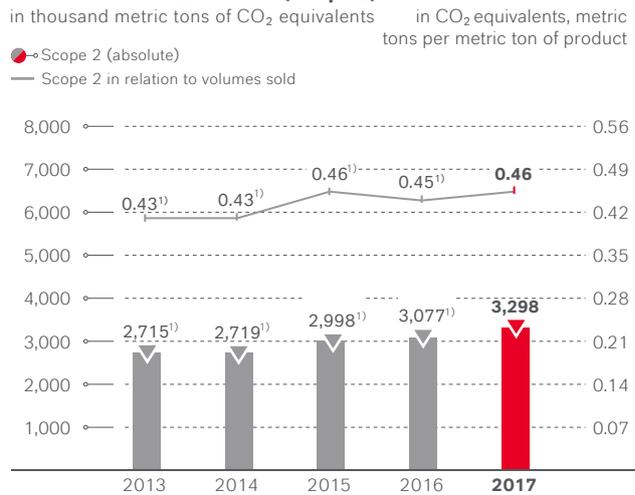
In Europe, 17 facilities and sites (including 5 of ARLANXEO) are subject to the European Emissions Trading System. Trading in CO₂ emission rights – or allowances – is a cost-effective way of reducing harmful CO₂ emissions. Since all our facilities that are eligible for emissions trading are at the cutting 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)



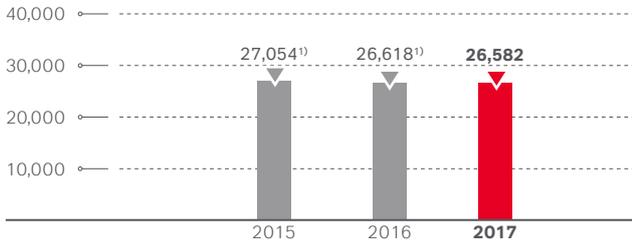
1) Figure restated

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.

Greenhouse Gas Emissions (Scope 3)

in thousand metric tons of CO₂ equivalents

● Scope 3 (absolute)



1) Figure restarted

We determined our Scope 3 emissions again for 2017. We further improved the level of detail in the method; the years 2015 and 2016 were adjusted accordingly. The Chemtura sites were successfully integrated into the calculation.

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

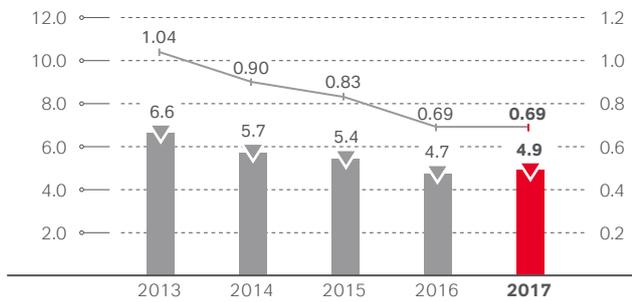
VOC Emissions

in metric tons

in VOC, kilograms per metric ton of product

● Absolute

— In relation to volumes sold



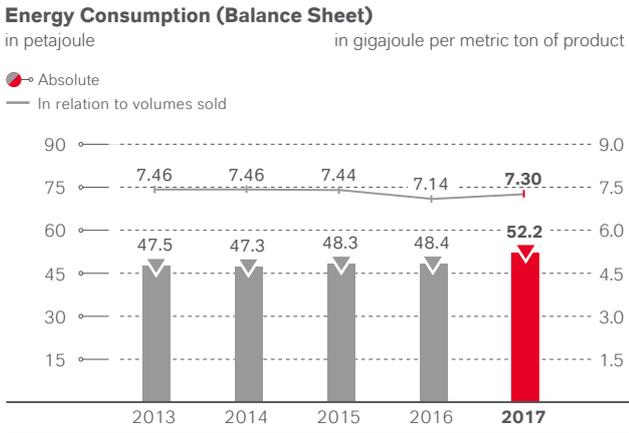
Specific VOC emissions were maintained at a stable, low level in the reporting year. In absolute terms, there was a small increase as a result of the change in the portfolio. With regard to the attainment of the 2025 target, however, an improvement was achieved in both specific and absolute terms compared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

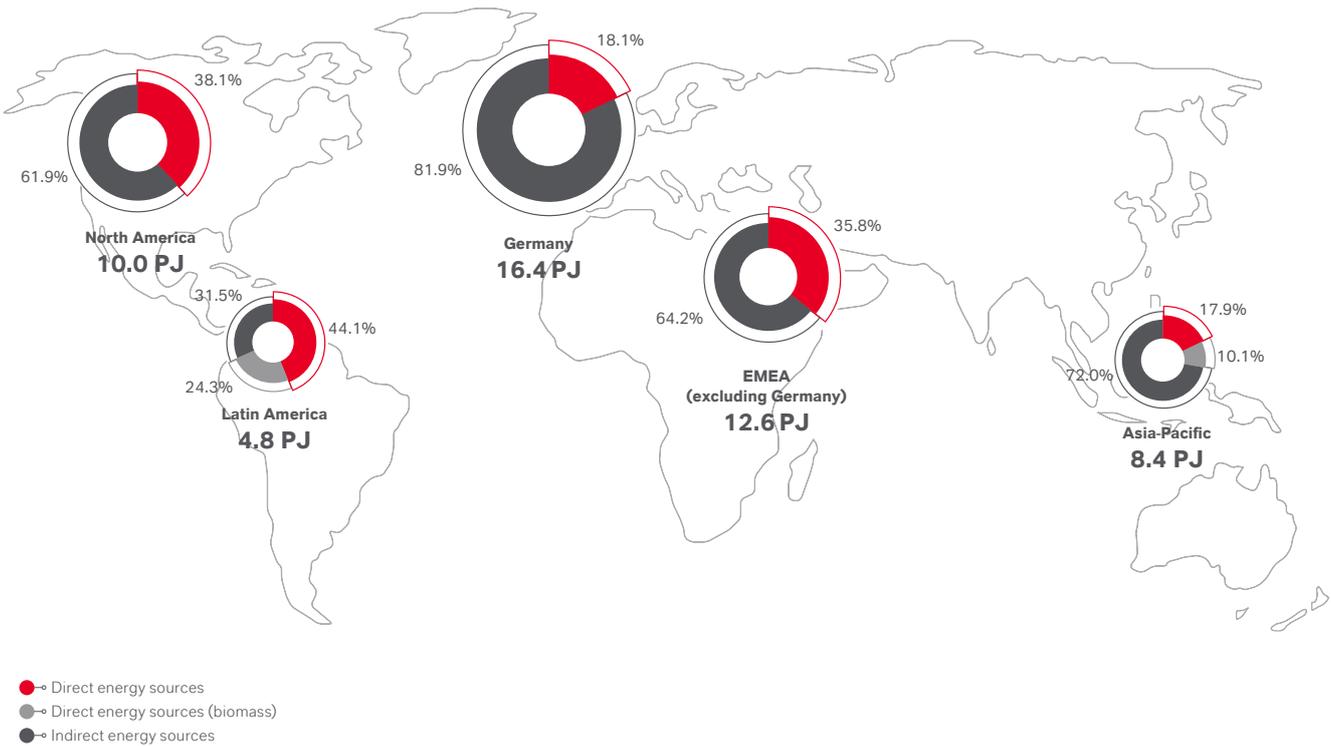
At our international sites, we are also carrying out a wide range of activities to reduce our energy consumption. For example, at our Little Rock (U.S.) site, we will be saving around 250,000 cubic meters of natural gas per year in the future by using a new automated fire-tube boiler. Further steps to 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.



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 petajoule/in %



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.

In Germany, we continue to use the TÜV SÜD-approved Eco Plus solution offered by logistics provider DB Schenker Rail for transporting our products by rail. The electricity required for transport is obtained from renewable energy sources. This enables us to reduce the CO₂ emissions from our German rail transport operations by almost 75% compared with the standard solution.

SUSTAINABLE PRODUCT PORTFOLIO

LANXESS is committed to the Responsible Care® Global Charter, a comprehensive product stewardship initiative launched by the International Council of Chemical Associations (ICCA) that was the key factor in the development of the Global Product Strategy (GPS). 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 and products can be manufactured and distributed in such a way as to prevent injury to people and damage to the environment. In line with the aforementioned commitment, 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 worldwide tracking of our products and their use in respect of potential health and environmental impacts. The information acquired is used by our product developers and product safety experts in their evaluations. Our Development of New or Changed Products, Processes and Applications Directive stipulates that development ideas themselves be analyzed systematically in terms of their potential economic, environmental and social impact. In this way, we ensure that non-sustainable products, processes or applications do not find their way into our development work.

In the case of consumer applications in particular – such as additives for use in food or animal feed, for food and drinking water contact or for use in cosmetic, pharmaceutical or medical products – we are keen that our products comply with national and international standards, certificates and quality hallmarks. In this way, we actively support our customers, for example, in the certification of their materials for drinking water contact applications or in the downstream processing of our products into certified goods for end users. Through intensive sharing of information with our customers and suppliers, we achieve greater transparency and safety across the entire product lifecycle.

Management of chemical control regulations

Compliance with global chemical control regulations is essential to for the marketability and safe handling of our chemicals and 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. We regularly adapt our electronic safety data system to reflect changes to the GHS (Globally Harmonized System of Classification and Labeling of Chemicals) in various countries. The GHS is a system under the umbrella of the United Nations that aims to harmonize existing classification and labeling systems used in various sectors such as transportation and consumer, employee and environmental protection. We observe regional variations in the implementation of the GHS such as the European Union's CLP (Classification, Labelling and Packaging of Substances and Mixtures) regulation.

We expressly support the goal of the E.U. REACH regulation to ensure a high level of protection for human health and the environment. We have so far pre-registered or registered all the substances that are relevant for LANXESS with the European Chemicals Agency (ECHA) by the stipulated deadlines. By the third deadline on May 31, 2018, all approx. 1,000 substances we produce in or import into Europe in amounts exceeding one metric ton will have been registered in line with the REACH process. Registration involves the systematic evaluation of all essential information concerning our substances and their uses. In doing this, we consider the entire product life cycle and specify safe conditions of use. Within the context of a voluntary commitment made by the German Chemical Industry Association (VCI) in 1997 to record and assess substances, we go beyond the legal requirements to determine a meaningful basic data set for our intermediates as well, in line with the REACH regulation.

Similar chemical control regulations to those in the E.U. now apply in many other countries, and they are continuing to grow in number. Before manufacturing or exporting our products in a given country, we examine their marketability in accordance with the chemicals legislation in force there. We register our substances and products in line with local requirements and support the substance analysis programs of the responsible authorities by supplying all available information and collecting new data if necessary. Our experience of the REACH process helps us here. At present, we face stricter requirements, particularly in the Republic of Korea, Taiwan, Turkey and the U.S.

Comprehensive analysis of our product portfolio based on sustainability criteria

Effective sustainability requires that we have as precise a picture as possible of the impact of our business activities – both positive and negative. The dedicated evaluation system we have developed provides us with a strategic management tool for systematically evaluating and improving the sustainability performance of our product portfolio from an economic, environmental and social perspective. The continuously optimized system analyzes the impact and benefits of our products on the basis of criteria that we regard as relevant to our company and to society as a whole.

Criteria for Our Product Portfolio Analysis

Impact on society	Support for development goals Societal acceptance Safety in end use
Ecological impact	Raw material efficiency in production Energy efficiency in production Emissions and waste balance sheet in production Water risks Impact on the environment during use
Economic impact	Registration, evaluation and approval Profitability Demand trend

As part of our strategy process, we apply these criteria each year in evaluating our entire product portfolio, with subsequent review of the results by an internal committee of experts. This process has revealed which of our products satisfy the sustainability requirements we have defined and can help us to deliver solutions for key sustainability challenges.

Evaluation Processes



Across the LANXESS Group, we are applying the findings of this analysis to further improve the sustainability performance of our product portfolio. Our now deeper understanding of our products' properties may also provide important impetus for innovation. It also shows where action is still needed. This information may be used to develop specific improvement processes or to create acceptance for certain issues in our dialog with stakeholders.

BUSINESS-DRIVEN INNOVATION

By developing innovative new processes and products, LANXESS plays a key role in enhancing the company's competitiveness. At the same time, we help our customers to make their business more sustainable. In doing so, we frequently advance product-focused and application-oriented innovations with our customers and suppliers.

The Leather business unit provides an excellent example of successful optimization of our product portfolio in terms of sustainability with its Sustainable Leather Management program. In this program, Leather offers its customers in the leather industry a whole range of innovative technologies and products across the entire value chain in order to support the manufacture of sustainable, environmentally sound leather – without compromising on quality. The most recent innovations include water-based dyes for leather finishing. The Levaderm WB range is solvent-free, non-inflammable and not based on heavy metals such as lead, mercury or arsenic.

In addition, the Leather business unit has developed an innovative technology for reclaiming by-products in leather manufacture in cooperation with the research institute Invite GmbH. The modular pilot system was designed in such a way that retanning agents of the X-Biomer brand for the production of leather can be manufactured from shavings and waste cuttings that used to be mainly disposed of and from vegetable biomass. This enables a tannery to produce some of the retanning agents it needs on-site in a fully automatic and largely independent way. This constitutes a major step towards sustainable production concepts. The pilot system is to be tested at the Heller-Leder GmbH & Co. KG tannery in Lower Saxony, another project partner. The research project was launched in 2016 with an investment volume of around €5 million. Almost half of its funding comes from the German Federal Ministry of Education and Research (BMBF). The pioneering climate and environmental protection technology was recognized with the German Innovation Prize for Climate and Environment in February 2018. The Group won the award in the "Environmentally Friendly Products" category.

LANXESS has again demonstrated its extensive experience in water treatment with a host of product innovations. For instance, by developing optimized membrane elements in the Lewabrane RO ULP series and the Lewatit ion exchanger, we enable our customers to make efficient and sustainable use of the scarce resource of water. Use of the new membrane elements, which need a 40% lower operating pressure than standard elements, means that lower quantities of cleaning chemicals can be used and longer cleaning intervals can be established on a long-term basis. Both the energy and operating costs of our customers are reduced as a result. The new Lewatit TP 107 selective ion exchanger was developed specifically for municipal drinking water treatment but also delivers key advantages in the industrial sphere, e.g. in wastewater treatment in the leather and galvanizing industries. Compared with conventional products, it has an extremely high usable capacity for trace impurities of drinking water, groundwater and wastewater. In addition, the hazardous substance chromate is removed more efficiently. The two technologies complement each other and are used successfully in tandem by our customers.

LANXESS has also added product variants highly reinforced with glass fibers to the high-tech plastics of the Durethan brand. These were developed in 2017 by the High Performance Materials business unit, and are particularly suitable for applications in electric mobility. The innovative new material is highly flame-resistant and especially creepage-resistant. As it additionally combines outstanding mechanical properties with impressive processing capabilities, it is ideally suited to use in high-performance batteries and the drive train of electric vehicles, for example. In this way, we are also supporting resource-efficient lightweight construction in the field of electric mobility.

With an improvement to the product line for high-purity polyurethane prepolymers, known as low-free products, the Urethane Systems business unit has reaffirmed its global technology leadership. Use of the new products with very low residual monomer contents reduces exposure of workers to potentially carcinogenic substances. In addition, the product line boasts improved processing capabilities and product quality, making it suitable for the most demanding applications, e.g. in the tire and caster industry and the adhesives sector.

On top of our own research and development activities, we invested a seven-digit sum in the High-Tech Gründerfonds (HTGF) III fund in the reporting year. It was launched on May 31, 2017, with a fund volume of €245 million in first closing. Like its two predecessors, the newly launched fund is intended to support promising technology start-ups and to bring new products to the market. The fund has been set up to provide support in a wide range of areas: robotics, Internet of Things (IoT), energy, medicine

and biotechnology as well as chemistry and software. By investing once again, we will gain a better insight into the high-tech start-up scene in Germany. This contribution will help us to gain access to new technologies and find cooperation partners.

Further information on research and development can be found in the combined management report starting on page 71 of this Annual Report.

VALUING CUSTOMER RELATIONS

Customer satisfaction and loyalty are among our main measures of success. Our central inquiry management system provides customers with information about our products, their applications and their potential risks as well as product certificates. Critical feedback from customers gives us valuable pointers for further improving our products and processes. Based on a central CRM system and a uniform complaints management platform, each of our business units has its own complaints management process aligned to its markets and customers.

Regular customer surveys conducted by an external service provider deliver vital information about the loyalty of our customers, their expectations and how they perceive our products and services compared with those of our competitors. Over a two-year cycle, each business unit carries out an anonymous online survey. In the 2017/2018 survey, the customer retention index was 75.4 and thus on a par with the previous year. On the basis of the results of the customer satisfaction analysis, we will take targeted measures in the business units in order to further increase customers' satisfaction. This should be reflected in a significantly higher customer retention index in the next survey cycle.

CORPORATE CITIZENSHIP

As a company, we draw numerous benefits from society – well-trained employees, satisfied customers, legal and political stability and a functioning infrastructure. We therefore believe it is only right that we take responsibility for the development of the social environment in which we operate. We aim to be a sound and reliable partner for people around our sites. Our social commitment is based on our corporate expertise and targets and is therefore focused on four areas of activity: education, climate protection, water and culture.

Our targets are identical in all areas:

- › Mobilizing resources and people for social engagement
- › Enabling positive impacts on the company, the environment and society

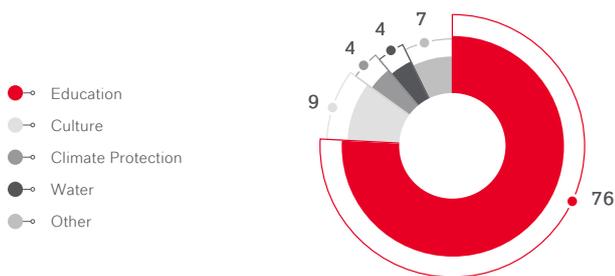
As a company, we aim to make a positive contribution to improving living conditions, education, training and equal opportunities as well as health and safety. We also strive to attract talents, engage in extensive dialog with our stakeholders, positively influence employee motivation and continuously improve our reputation.

Mobilizing resources and people for social engagement

In the reporting year, EMEA was the regional focal point of our activities. Overall, we provided a sum of around €1.3 million for our projects in 2017 (previous year: around €1.5 million).

Social Activities by Topic¹⁾

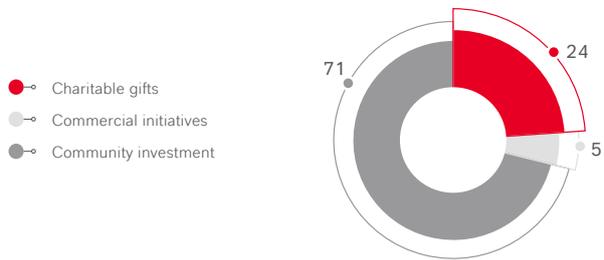
in %



1) Number of projects: 113

Social Activities by Type of Investment¹⁾

in %



1) Number of projects: 113

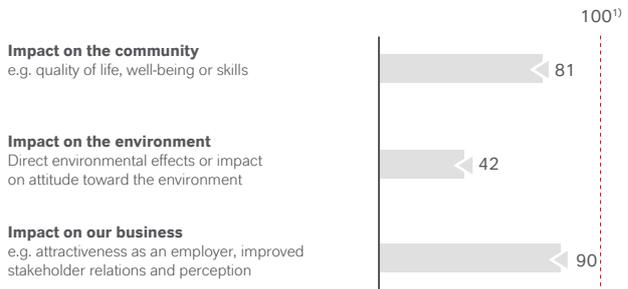
We initially evaluate our projects as to whether they are purely charitable (“charitable gifts”), whether we are investing in the social environment where our sites are located (“community investment”) or in corporate objectives such as image, sales and earnings with social motives (“commercial initiative”).

Enabling positive impacts on the company, the environment and society

In total, more than 233,000 people (previous year: around 200,000) benefited from our projects. As well as the absolute number of beneficiaries, we also measure the societal impact of our activities via a system of performance indicators. For all projects, we conduct an impact analysis, taking into account impacts in the vicinity of the site as well as positive environmental impacts and effects on our business. Specific feedback from beneficiaries of our projects is a key factor here. We regard these indicators as important benchmarks for the impact-oriented management of our measures.

Dimensions of the Impact of evaluated Activities and Projects

in %



1) Number of projects: 113

Education

LANXESS sees commitment to education as a crucial part of a sustainable corporate policy. As a specialty chemicals group, we need well-trained employees in order to ensure growth and value creation. Along with investment in training for our own employees, we also support young scientists in schools and universities.

Within the context of the LANXESS education initiative, we have established projects at many sites to get young people interested in science at an early stage. We promote this through financial support to schools and collaborations in the area of scientific teaching. For instance, LANXESS supports a wide range of projects from climate monitoring to crystal growing in schools in the area of its German locations with funding of almost €70,000. We have also put on laboratory days at high schools for the first time. Based on the positive response, this commitment is to be continued in 2018.

LANXESS has initiated a particular commitment at its site in the Uerdingen district of Krefeld to mark 90 years of iron oxide production there. The "Better learning" initiative provides prize money totaling €50,000 for projects by educational and youth institutions that help to improve learning conditions or support for young people.

At our new site at El Dorado in the U.S. state of Arkansas (formerly Chemtura), hands-on approaches to teaching the MINT subjects stand to receive a total of US\$250,000 in the next five years. As well as promoting scientific education, we enable children and young people from socially disadvantaged families to participate in leisure and educational activities with a further US\$10,000.

Since its launch, the LANXESS education initiative has reached hundreds of thousands of children and young people worldwide.

Climate protection

Climate protection is a long-term challenge and is hugely important to the future of our company. Our aim is to set the course for sustainable development and climate-conscious conduct, including in the communities in which we operate. In India, we have helped the local authorities to buy and maintain solar lights in the district around the LANXESS Nagda site. As well as making the access routes safer, the new lighting saves energy. To ensure long-term preservation of the ecological balance at the Nagda site, we also work to maintain and develop the municipal garden. At our Brazilian sites, we are committed to increasing awareness of climate-related and environmental issues through the "Green Cycle" competition, in which we help participants to implement projects focused on sustainable development. 44 projects have already been successfully launched since the beginning of 2010.

Water

Clean water is in short supply in many regions of the world. Our products are used all over the world to save, clean and transport water. One focus of our social engagement is enhancing awareness worldwide of the causes and consequences of water scarcity – for both drinking and industrial uses. In the reporting year, LANXESS invited representatives from politics, science, environmental organizations and businesses to a round-table meeting in order to discuss water supply. Along with a holistic assessment of the challenges, solutions were also discussed in depth.

As part of our societal activities, we encourage people to use water more responsibly, and we run local projects to help deliver a clean drinking water supply and a lasting improvement in quality of life for the population. In India, for example, a water filtration plant was installed in a school near the Jhagadia site. Provision of the schoolchildren and the local population with water is ensured by this investment of around €30,000. For the third successive year, we held a research competition entitled "Clean water for a better life." The aim is to promote and support highly talented young people and raise awareness of water problems among the public and schoolchildren. Students from universities all over China took part this year.

Culture

We are convinced that successful scientific work and, ultimately, social progress can only flourish in a culture of thought, research and critical evaluation. As part of our cultural commitment, we therefore sponsor both literary and musical talents. In the literary field, we have been the main partner to lit.Cologne since 2010. With around 200 events, Europe's biggest literary festival attracts more than 100,000 visitors. The second mainstay of our cultural commitment is support for musical training. We support the Ozawa International Chamber Music Academy, which enables talented young musicians from across Asia to receive a top-quality musical education. LANXESS has also been a partner of the Kölner Philharmonie in Cologne, one of Europe's leading cultural institutions. We have supported the contemporary music festival "Acht Brücken" (Eight Bridges) for several years; the opening event, involving several performances, was held outside and inside the LANXESS Group's headquarters for the first time.

Further information on our corporate citizenship activities can be found on [LANXESS website in section Corporate Responsibility under Corporate Citizenship](#).