

Policy
Taxation at LANXESS

LANXESS AG

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Scope: LANXESS Group



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Taxes are a crucial element enabling governments to deliver key services to society such as health, education, housing and infrastructure. While tax legislation and enforcement are governmental responsibilities, companies also have an important role as a tax payer. They need to comply with the law, and also to ensure responsible taxation. LANXESS believes a responsible approach to tax is an integral part of doing sustainable business in a robust, well-functioning society. We view the fulfillment of tax obligations as our commitment to society.

1 Tax policy

LANXESS is compliant with the letter and spirit of the tax laws and national and international rules and strives to adopt best-practice guidelines (such as the OECD Guidelines for Multinational Enterprises).

LANXESS's tax position is consistent with the normal course of its business operations and reflects the geographic spread of its activities. The remuneration for any intra-group relationships are in line with local value added and follow the "arm's lengths principle".

LANXESS does not make use of artificial or unsubstantial tax structures, so-called 'tax havens.'

LANXESS supports the idea of a global solution for fair tax policies and systems. Thus, LANXESS closely monitors the OECD initiative on Base Erosion & Profit Shifting, including topics such as country-by-country reporting.

- A number of governments have updated or are in the process of updating the transfer-pricing documentation requirements, including country-by-country reporting to the tax authorities. It is our responsibility to ensure compliance with the new requirements. The company closely monitors related developments and will follow up on legislative proposals in this respect as applicable.

LANXESS is transparent toward the tax authorities in all the countries in which it operates and works closely together with them to determine the amount of tax due.

- This limits the potential for disputes at a later stage and provides LANXESS with more clarity and assurance about its tax positions. The tax authorities can rely on LANXESS to provide any relevant information up front, which can then be discussed in 'real time.'

2 Tax governance

To ensure compliance with all regulations LANXESS has established a robust governance framework founded on LANXESS's Articles of Association, the LANXESS Code of Business Conduct, the company's management framework including corporate requirements and directives, and its risk management system.

Proper organization, procedures and processes are in place at LANXESS for interaction between the tax team, the businesses, other corporate units and the country organizations. Strong interconnection keeps everyone aware of relevant tax legislation and is the foundation for global compliance.

Compliance in the case of both direct and indirect tax matters is monitored through a "Tax Control Framework" in order to achieve effective, efficient and transparent tax management. The "Tax Control Framework" is a tax risk management and control system, which ensures that the responsible Tax and Trade Compliance (TTC) group function is aware of the worldwide tax risks and has sufficient insights to adequately manage these risks. The key stakeholders in the "Tax Control Framework" are well-established and include the Supervisory Board, Board of Management, the businesses, external auditors, as well as the tax authorities in countries in which LANXESS has operations.

External auditors verify that the financial statements prepared by LANXESS represent a fair picture of the financial position of the organization. In the context of the annual audit, the tax team discusses key transactions, as well as any relevant correspondence with the tax authorities, with the external auditors and, as part of the LANXESS risk management process, tax risks and incidents are reported to and discussed with the Audit Committee of the Supervisory Board.

3 Group taxation – organization and responsibilities

All units within LANXESS are responsible for ensuring that they are compliant with their legal and tax obligations in accordance with the LANXESS Code of Business Conduct.

A global team of tax professionals, LANXESS's Tax & Trade Compliance (TTC) group function that reports to LANXESS's Chief Financial Officer, advises the Board of Management and the businesses on the management of tax matters and tax risks.

The TTC team operates with full integrity and professionalism in close co-operation with the business and country organizations within LANXESS, as well as with external tax advisors.

The TTC team has an international and diverse profile. Roles and responsibilities are defined in a matrix organization composed of regional and country managers, business

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tax managers and specialists on specific subjects such as indirect tax and transfer pricing.

This matrix organization enables the tax team to efficiently ensure compliance and cover all relevant tax aspects of LANXESS's business.

Main responsibilities

- Define the fiscal policies for LANXESS globally and ensure understanding and observance of these policies.
- Set corporate requirements for the management of the legal entities.
- Advise and support the Board of Management, the businesses, the country organizations and other group functions with regard to fiscal issues.
- Maintain communication with the tax authorities.
- Participate in (inter)national groups of experts on tax matters to promote LANXESS's positions and interests.