

Corporate Responsibility

As an international specialty chemicals group, we bear a major responsibility toward people and the environment. Our entrepreneurial activities reflect this sense of responsibility, which is also a key component of our strategy. Safety, environmental protection, social responsibility, quality and commercial efficiency are all key corporate goals at LANXESS.

Integrated management system drives success

We have established a globally integrated management system to breathe life into the concept of sustainable development in our everyday business. In addition to internal directives and operating procedures, strict quality and environmental standards in line with ISO 9001 and ISO 14001 apply worldwide. Our central management system provides the necessary global structures to ensure responsible commercial practices. With this toolbox, we have created a transparent framework of values and rules that unites management and employees across national borders.

In 2007, we started integrating the different management systems in place around the world – each with their own documentation, guidelines and audit certificates – into a single management system for all sites, thus creating the basis for considerably more efficient management structures and workflows. External, independent experts regularly audit the progress of system integration at new sites and the performance of our management system worldwide. Confirmation of our compliance with ISO 9001 and ISO 14001 takes the form of a global matrix certificate. In 2012, we successfully completed the recertification audit, which must take place every three years.

As of April 28, 2012, our matrix certificate covered 41 companies with 79 sites in 22 countries. At the end of 2012, the site we acquired from DSM in Geleen, Netherlands, our facilities in Liyang, China, the headquarters of the Butyl Rubber business unit in Singapore and the sites assigned to Rhein Chemie that were acquired from Darmex in Burzaco and Merlo, Argentina, and Colonia, Uruguay, were included in the certificate, thus making it one of the most comprehensive industrial certificates in the world. For our sites in the United States, we also received certification to RC14001 (RC = Responsible Care®). In 2013, we plan to integrate our new butyl rubber facility in Singapore, our production sites in Greensboro, Gastonia and Neville Island in the United States and the site acquired from DSM in Triunfo, Brazil, into the matrix certificate.

HSEQ (health, safety, environmental protection and quality) management is an important part of our integrated management system. We have aligned our HSEQ management system toward ensuring uniform standards and reference bases for all our sites worldwide. The key performance indicators (KPIs) required for this purpose are recorded electronically, thus enabling us to systematically determine and analyze performance in each business unit and at each site and to develop this sustainably in the future.

Clearly defined responsibilities

We have established various committees to ensure compliance with and the ongoing development of our CR strategy and the rules and standards defined in our management systems.

The **CR Committee**, which is made up of representatives from several group functions, is responsible for developing our CR strategy and ensures that all LANXESS's CR activities are in line with this strategy. In its capacity as an interdisciplinary competence center, it 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.

The **HSEQ Committee**, comprising LANXESS's senior executives under the direction of Board of Management member Dr. Werner Breuers, is tasked with ensuring worldwide compliance with uniformly high quality management, safety, environmental and climate protection standards. The committee 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 in accordance with ISO 9001 and ISO 14001.

The **Compliance Committee**, which is made up of representatives from a range of specialist backgrounds, handles all referrals concerning compliance violations, with the goal of countering illegal or unethical conduct by LANXESS employees at an early stage and introducing suitable measures to prevent improprieties.

Comprehensive values system established

All management systems are based on values and guidelines that provide a clear framework for a company's management and employees. Our system is based on established global standards and on our company's own basic rules, which are subject to ongoing amendment.

Compliance LANXESS considers compliance with laws and ethical principles to be the basis for sustainable corporate governance. Our employees' integrity and awareness of their responsibilities are key factors in the success of our company. The "Code for Legal Compliance and Corporate Responsibility at LANXESS," which is applicable throughout the Group, specifies minimum standards and gives our employees advice and guidance on complying with these standards.

As a global enterprise, we are committed in all our markets to promoting respect for human rights at all times and preventing child and forced labor. Our code also covers issues such as anti-competitive behavior, anti-corruption, data protection, occupational, product and plant safety and environmental protection. To take sufficient account of the individual circumstances – particularly with respect to legislation – in specific countries or business areas, there are also many specific guidelines on the aforementioned issues. All globally applicable LANXESS directives and guidelines are contained in a system that is accessible to every employee. Our Compliance Code can also be found in the "Values & Visions" section of the "About LANXESS" menu on our website at www.lanxess.com.

"The company respects applicable law and requires its employees and business partners to do likewise." This is the key statement of our Compliance Code and expresses our basic guiding principle – that each of our decisions and activities must satisfy this premise, irrespective of the aims we are pursuing or the conditions we face.

In the first instance, we define applicable law as any applicable international or national legislation in the jurisdictions in which LANXESS operates. Moreover, human rights and ethical principles are considered to take precedence in all cases, even if they are not stipulated

in the applicable legislation. In this context, we have also signed the U.N. Global Compact, and recognize the principles it sets forth as inalienable rights. We consider the stated principle of legality and ethical behavior to be more than just compliance issues. Instead, we see them as inextricable aspects of our corporate responsibility and sustainability culture.

We have established a Compliance Management System to implement our clear commitment to compliance in our daily business activities. This system supports and guides decision-makers and other company employees in their actions. In this way, we eliminate any potential uncertainties relating to our compliance principles. These range from basic questions such as the extent to which all laws must be obeyed in countries where the rule of law is limited, to specific questions such as whether issuing invitations to business partners can be considered to be corruption.

Compliance Management System The LANXESS Compliance Management System (CMS) is described in our CMS statutes and was externally audited by Deloitte & Touche GmbH in 2012. The global audit covered the largest possible scope (design, suitability and effectiveness). It was not limited to defined risks but focused on the ten main compliance risks identified in the course of our analysis. The audit was completed without observation – i.e. no significant weakness was identified – and with an unqualified audit opinion.

The CMS principles we apply are based on a comprehensive framework for company-wide risk management (COSO II). The basic elements of our CMS include:

- Compliance culture
- Compliance objectives
- Compliance risks (identification, evaluation and measures)
- Compliance program
- Compliance organization
- Compliance communication
- Compliance monitoring and improvement

At the top, our **compliance culture** is shaped by the responsibility and commitment of our Board of Management and Supervisory Board. If it is to permeate the entire company, the process of living and communicating our compliance culture must also be an essential aspect of the leadership role at every subsequent decision-making level. At LANXESS, responsibility for compliance and for business activities go hand in hand.

Our compliance objective is to avoid any violations. It is based on the principle outlined above that compliance represents the fundamental condition for every decision and action taken by our company.

Compliance risks are regularly analyzed by the Compliance Committee and presented to the Board of Management for discussion. They are evaluated according to the likelihood of occurrence and damage potential. Risk exposure is analyzed both for business areas and countries, and Risk Officers are appointed accordingly. Wherever possible, early-warning indicators and monitoring instruments are defined and countermeasures initiated to reduce the risks identified.

The principal risk exposures we have identified relate to antitrust law (horizontal), competition law (vertical), anti-corruption, export control, environmental and safety regulations, data protection, product liability, insider trading, discrimination, accounting law and – being closely related to compliance – fraud (against the company).

Our compliance program includes all of the “classical” CMS elements, such as issuing a compliance code and specific guidelines and work instructions, and establishing guidance systems, information and training. We ensure compliance in the broader sense by clearly assigning responsibilities within our structural and process organizations, and by implementing a functioning internal control system and suitable auditing and monitoring activities.

The compliance organization includes a global Compliance Committee, a global Compliance Officer drawn from this body and local compliance officers and/or committees in every country where a LANXESS company operates. Various group functions also assume support and/or monitoring roles in the compliance system, for example

Legal, HSE and Internal Auditing in particular. The responsibility for ensuring legally compliant behavior, however, always rests with the respective decision-maker. We therefore view compliance primarily as a key leadership task within the company.

Our compliance communication involves both top-down and bottom-up processes in equal measure. Information events and training courses enable our employees to fulfill their tasks correctly and in compliance with the law. Our communication activities include the “Compliance” section on the LANXESS intranet, coupled with e-learning programs. From a bottom-up point of view, compliance issues and problems are reported to local compliance officers and on to the central Compliance Committee. The global Compliance Officer reports significant developments, findings and measures to the Board of Management and the Audit Committee of the Supervisory Board on a regular basis. There is an obligation to report ad hoc to the Board of Management and the Supervisory Board in the event of wide-reaching compliance violations. However, there has been no need to do so as yet.

Compliance monitoring is performed by means of general audits and dedicated audit programs conducted by Internal Auditing and a central HSE department. Since Internal Auditing is itself part of the CMS framework, we have this organizational unit regularly audited by independent third parties. The status of compliance at LANXESS is also subject to regular review by the auditor of the financial statements.

Global Compact We are committed to the established principles of the world’s largest corporate social responsibility initiative, the U.N. Global Compact. Since we signed up in 2011, we have continued to raise our sustainability profile. You can find more information about the Global Compact at www.unglobalcompact.org.

The Ten Principles of the Global Compact

Area	Principle
Human rights	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.
Labor	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.
Environment	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.
Anti-corruption	10) Businesses should work against corruption in all its forms, including extortion and bribery.

The Most Important CR Issues Perceived by the Stakeholder Groups Surveyed

Capital market	Customers	Employees	NGOs	Politics	Suppliers
<ul style="list-style-type: none"> • Transparency • Sustainability in the supply chain 	<ul style="list-style-type: none"> • Supply chain transparency • CR strategy 	<ul style="list-style-type: none"> • Diversity • Health and safety • Work-life balance • Sustainability in the supply chain 	<ul style="list-style-type: none"> • Environmental protection 	<ul style="list-style-type: none"> • Renewable energy sources • Social standards in the supply chain 	<ul style="list-style-type: none"> • Sustainability in the supply chain

Responsible Care® Transparency and improved public dialogue are among the stated objectives of the Responsible Care® Global Charter launched by the International Council of Chemical Associations (ICCA). This is the only way to build confidence and trust in an industry that plays a crucial role in improving people's living standards and quality of life. We have supported this initiative since 2006, when we also became one of the signatories to the ICCA charter. For us, applying the Responsible Care® Global Charter to our business means working consistently to improve our processes and services in terms of environmental and climate protection, health, safety and quality. Our corporate directives ensure that the principles of the charter are integrated into our management principles and corporate strategy.

We also expect our suppliers to commit to our values and rules, especially the Global Compact, and establish adequate systems to ensure legally compliant behavior and carry ethical behavior throughout their organizations. We published our new "Supplier Code of Conduct" at the beginning of 2012, and this has been part of our communication with suppliers since then.

Additionally, in the course of acquisitions, we make it a principle of our due diligence processes to ensure that human rights are also respected by the target company.

Stakeholder dialogue expanded significantly

In 2012, we implemented a variety of projects and events to develop a more active dialogue with key stakeholders on issues that are or may become relevant to our company and our economic success.

The stakeholders of relevance to LANXESS are the groups, institutions and people with whom we are linked directly or indirectly through our business units and who therefore have a justified interest in our activities. The primary purpose of our dialogue with customers, employees, suppliers, capital market participants, the media, neighbors of our

sites, and representatives of politics, public authorities and NGOs is to identify topics that we consider to be significant in terms of our corporate responsibility. At the same time, we seek to encourage mutual understanding and build trust through open and constructive dialogue.

Second stakeholder survey yields positive results

Following our first stakeholder survey in 2010, a second survey was carried out in the reporting year. Around 80 key stakeholders in Germany and other European countries told us in writing or in telephone interviews how they perceive LANXESS's sustainability activities and which issues they consider to be particularly important. The most heavily represented stakeholder groups were employees, customers, representatives of politics and capital market participants. However, we also included representatives of NGOs and our suppliers in the survey.

Compared to the first survey, the perception of LANXESS has once again improved. In terms of our general CR strategy and activities, our stakeholders feel that we are well-positioned compared to the relevant competitors. In particular, our performance in developing innovative products for green mobility and communicating our sustainable activities was rated very highly. However, our stakeholders were also unanimous in the opinion that we could improve the transparency of sustainability in our supply chain. The most concrete suggestions for improvement related to working conditions and environmental protection, spread over a number of individual aspects.

Based on the results and suggestions from the survey, we will focus our future activities more on those areas our stakeholders consider to be particularly relevant. As a next step, we will also develop a materiality matrix. In compiling the content of this annual report, we also considered the information needs of our stakeholders, significantly expanding reporting on aspects of our supply chain (see page 117) and on diversity (see page 45ff.), for example. The next stakeholder survey is planned for 2014.

Customer satisfaction as a success factor

In markets with a high level of competitive pressure such as the chemical industry, customer satisfaction and customer loyalty are among the most important success factors. Every kind of feedback is therefore important and helps us to better assess our customers' requirements and priorities and take appropriate measures when necessary. In line with a Group-wide guideline, we conduct customer surveys every two years. These provide us with vital information about the loyalty of our customers, their expectations and how they perceive our services compared to those of our competitors. Our aim for the next survey in 2013 is to significantly increase the number of customers contacted.

We apply the principle of one voice to the customer in responding to inquiries about our products, for example about specifications, certificates or hazardous substances. Our goal is that every customer has a regular contact person, if possible in the business unit responsible. We see customer complaints as both a challenge and an opportunity in equal measure. Our customer complaint management is responsible for resolving customer dissatisfaction quickly and competently, so as to establish a sustained bond between the customer and us. We have also established a Group-wide guideline for this purpose. The aim of every corrective action is to prevent or at least minimize comparable errors and the associated costs in the future. We therefore consider it vitally important that every complaint is documented appropriately.

As a supplier, we also have to submit to regular audits performed by our customers in the context of their management systems.

Establishment of a high-performance network

We are very aware that no single organization alone – company, government, research institute or NGO – will be able to master the major social challenges of our time. Alongside the many CR activities of our own, we are therefore participating increasingly in establishing powerful global networks where we combine our competence in sustainable development with the expertise of other partners. As well as state institutions, NGOs in particular – with their extensive expert knowledge of specific issues – have a crucial role to play. Our Green Mobility initiative is a prime example of successful networking that benefits several participants and is totally in keeping with our philosophy of "Good for business, good for society."

For example, the Mobility Days we held in 2012 created an interdisciplinary, global platform for discussing current green mobility issues and trends with experts from business, science and associations. Our event includes a conference featuring high-profile speakers from science and industry and also provides the opportunity to break out into smaller groups for panel discussions and papers on specific mobility issues. During the reporting period, Mobility Days were held in China, the United States, Europe and South Africa. We also continued our successful series of Rubber Days in Rio de Janeiro, Brazil, where we focused on high-performance rubber for green mobility.

We held our first stakeholder dialogue on education in November 2012, focusing on "New frontiers of learning." Representatives from educational establishments, foundations, business, media and politics came together in Leverkusen to generate ideas for developing the educational landscape in the areas of mathematics, IT, science and technology in North Rhine-Westphalia and beyond. We plan to continue this debate, which was seen as very constructive by the participants, with another round table in 2013.

More often, too, we are seeking dialogue with our stakeholders at high-profile external events. For example, Chairman of the LANXESS Board of Management Axel C. Heitmann was a keynote speaker at the eMobility Summit 2012. In the presence of the German Federal Minister of Transport, he highlighted the central role of the chemical industry in the mobility of the future. In collaboration with tire manufacturer Continental, we brought together participants from various sectors of industry for a series of events entitled "Responsibility for the future." These provided a forum for exchanging practical experiences about successful strategies, new processes and cutting-edge technologies.

We also conduct an open dialogue with government representatives and with authorities on local, European and international level. The focus is on an active exchange of ideas on strategic corporate issues such as environmentally friendly product and process innovations, developments on raw material and energy markets and issues relating to the labor market and education policy. We maintain offices in Berlin and Brussels that place us close to the center of political decision-making. A member of our executive management also represents the issue of sustainability in the German parliamentary advisory committee on growth, prosperity and quality of life.

Employees

Innovative and Stringently Applied HR Strategies Support our Sustainable Growth

Leadership & Qualification	<ul style="list-style-type: none"> • Global leadership concept emphasizes behavioral change • Extensive investment in qualification, special focus on global sales force
Demographic Management	<ul style="list-style-type: none"> • Comprehensive demography programs to enhance productivity • Workforce planning aligned with demographic data and succession plan
Employee & Labor Relations	<ul style="list-style-type: none"> • Employee turnover in volatile BRIC countries below sector average • Reliable and stable labor relations in countries with strong union traditions
Compensation	<ul style="list-style-type: none"> • Performance-based and flexible compensation schemes • Employee stock plan in Germany with over 70% participation over years

Our entrepreneurial success is based to a very large extent on the performance, innovative strength and commitment of our employees. Only through focused and sustainable employee training and development can we ensure that we achieve our corporate goals and safeguard LANXESS's competitiveness in the long term. Against this backdrop, integrated, global HR work is increasingly becoming a significant strategic factor.

Our HR strategy defines four central areas of activity, within which we have developed and implemented a range of innovative tools.

By actively promoting social responsibility, providing attractive jobs in an international environment, offering performance-based market-rate compensation and promoting a culture that inspires diversity, leadership and trust, we give our employees access to remarkable career development opportunities, also outside their home countries.

In fiscal 2012, several national and international awards confirmed the success of this strategy. In Germany, LANXESS was awarded the Cologne Chemistry Prize 2012 for exemplary and sustainable HR work. This prize is awarded annually by the VAA (Association of

Academic and Managerial Employees in the German Chemical Industry). The judges' decision was based on an annual satisfaction survey of 6,000 managers in 25 chemical and pharmaceutical companies. This year we ranked among the top three for the first time.

In China, the CRF Institute named us China's Top Employer for the third time, after honoring us in 2009 and 2011. A total of 300 leading companies took part in the competition. We were one of 36 companies judged as outstanding in the remuneration, training and development, career development, working conditions and corporate culture categories. In Mexico, the global Great Place to Work® Institute rated us as one of the 100 best multinationals and major local employers in the country.

Our successful growth policy, evidenced by our admission to Germany's lead index, the DAX, was once again linked with an increase in the workforce in all key target markets in fiscal 2012. A total of 1,442 new employees joined the LANXESS Group worldwide in this period. At our companies in Germany, we hired 345 new employees across all age groups. Our main focus was on specialists in the areas of production and technology, especially engineers and chemists.

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
<20		2	1			1		3		
20–29	24	76	31	96	10	34	34	47	64	167
30–39	33	59	24	82	12	39	19	61	43	156
40–49	10	28	14	57	10	25	5	22	15	30
50–59	3	11	4	35	5	19	1	12	2	7
≥60	1	2		1		3		2		
Total	71	178	74	271	37	121	59	147	124	360

Recruiting talent worldwide

As part of our sustainable corporate policy and against the backdrop of increasing international competition for talents, LANXESS is continuing to position itself as an attractive employer on all key markets. We are giving particular attention to the BRICS countries and our home market in Germany.

By means of various activities, we aim to attract, integrate and retain the best minds and talents for our company. In recent years, we have worked closely with our employees to develop the basis for an employer brand with the goal of conveying an authentic image of LANXESS. Our corporate culture is shaped by challenging tasks and encourages employees to assume responsibility in an international context at an early stage. This gives our employees unique development opportunities, as reflected in our low turnover. In Germany, the turnover resulting from voluntary resignations was below 1 percent in the reporting period. Globally, it was around 4 percent.

Turnover %

Age group	Germany		Rest of the World	
	Female	Male	Female	Male
<20	0.0	0.0	0.0	0.0
20–29	2.3	2.6	8.2	6.6
30–39	1.5	1.1	7.4	5.1
40–49	0.5	0.6	3.7	2.5
50–59	0.3	0.1	1.7	1.3
≥60	0.0	1.3	2.3	8.7
Total	0.8	0.6	5.6	3.8

In fiscal 2012, we continued to seek direct contact with talented university and school students through our presence at a large number of career fairs, university events and scientific conferences and by organizing our own events. We also cooperated with university career centers and funded a range of scholarships as part of the German government's "Germany Scholarship" program. Through this, LANXESS supported more than 50 students at eight renowned universities in 2012, including students at RWTH Aachen University, TU Dortmund University and the University of Cologne. The scholarship holders receive a monthly payment of €300. The company pays €150 of this amount and the remaining half is shared equally by the German government and the state of North Rhine-Westphalia. In addition, we offer our scholarship holders individual guidance.

Every year, almost 200 students work on their theses with us in Germany alone. Here, we actively seek collaboration with universities and colleges. We are also increasing our support for scientific conferences and congresses such as those organized by the Max Planck Society PhD Student Network and the Society of Chinese Chemists and Chemical Engineers in Germany.

Furthermore, we are extending our cooperation with student initiatives. At the invitation of the Bonding student initiative at RWTH Aachen University, we were one of the companies to showcase its projects and career opportunities as part of a special event on sustainability.

In Brazil, we offer an internship program with a special part-time contract to students in the concluding stages of their degree programs. They are given responsibility for a project of their own, the results of which will later be presented to top management. This attractive offering targets the best of a year group, enabling us to attract local young talents who bring new expertise to the company. We also offer a similar internship program in India, which is supplemented by a mentoring program.

In China, we have expanded our partnership with the Changzhou Institute of Engineering Technology. By means of a "LANXESS class," we share practical and scientific expertise with the university, providing the students with an early insight into the working world through internships and thus arousing their interest in working for LANXESS. In Pittsburgh, United States, we continue to support the Carnegie Science Center in a variety of ways – for example, as a founding sponsor of the Center for STEM (Science, Technology, Engineering and Mathematics) Education and Career Development. Activities include projects for high school students and events for young women interested in science.

In addition, we are continuously expanding our cooperation with selected schools – including elementary schools – around the world. In this way, we give teachers, children, faculty and students the opportunity to discover more about the many fascinating functions in process engineering, chemical research and central administration that we can offer on account of our product and process diversity.

Establishing early contact with schools close to our sites in Germany and around the world, for example as part of specialist project weeks, and promoting science education at local high schools are two of the other focal points of LANXESS's extensive education initiative, which we continued to extend in fiscal 2012. As a company, we consider this initiative to be part of our social and corporate responsibility.

International partnership with Teach First Our special commitment to education is also reflected in our partnership with Teach First in Germany and India. We have been one of the main sponsors of this not-for-profit organization since 2010. Teach First, which is already established in a number of countries, has set itself the goal of helping school students who have had a difficult start in life, fostering their individual talents and supporting them in developing career prospects. Particularly highly qualified university graduates from all disciplines, who also have the requisite soft skills, act as fellows for a period of two years, helping schools in socially disadvantaged areas with education and schooling tasks. In Germany, we focus particularly on supporting fellows specializing in mathematics and science. The most recent intake of fellows has been active in schools in North Rhine-Westphalia since February 2012. In addition to providing financial support, we are also making a practical contribution through activities such as vocational training preparation for school students and personal coaching for fellows.

We started working with Teach First in India in December 2010. The first fellows assigned to the Indian partner schools in Mumbai and Delhi were given the opportunity to complete internships at our sites in India as part of the program. The school students they support are also given career guidance and an insight into working life through visits to our facilities. In addition, LANXESS employees provide direct support for projects in the schools in their free time. This commitment was also continued in 2012.

Structured development of young managers Each year, under the motto "Prepare for the Future," our LANXESS corporate trainee programs attract highly skilled university graduates. Our aim is to prepare the participants for an international career within the LANXESS Group and establish a global pool of young managers with international experience. In fiscal 2012, our marketing, controlling, finance, human resources and engineering programs were complemented by a new information technology program. Since the initiative started, we have offered a wide range of entry-level positions to 63 university graduates with an interest in embarking on an international career.

In 2010, we created the China Management Trainee Program specifically for the Chinese market. This two-year program aims to prepare highly qualified business and technology graduates for management roles and create a pool of local talent. We continued this program in 2012, with a special focus on trainee positions in finance and technical production.

In India, we have implemented two trainee programs – an 18-month management trainee program in which we develop exceptional talents for leadership functions, and a shorter project trainee program for young graduates.

Encouraging and supporting individual development

LANXESS has put in place a multi-tiered process of global HR development conferences, enabling us to review the potential of talented employees and assess the performance, leadership skills and further career path of management staff worldwide on a regular basis. The results of these reviews form the basis for detailed feedback discussions between managerial staff and their supervisors. Moreover, the Development Center has become an established tool worldwide for assessing the potential of future managers and supporting their development. Management workshops are a special way of fostering and recording the potential of top managers. The results of this multi-dimensional approach are an integral part of our HR development policy, which is augmented by systematic succession planning for key positions.

We do not impose a uniform leadership style on our managers. Instead, we expect them to find a personal balance between strategic vision (Head), empathy (Heart) and the courage to make decisions (Guts). We also provide our managerial staff with a wide range of individual development options, including personal coaching and 360-degree feedback. We extended the range of special modular and multi-dimensional programs available at the LANXESS Academy. Designed specifically to prepare trainee managers for their future tasks, these programs proved to be a very successful component of our structured management training. During the reporting period, 331 employees – 68 of them women – took part in the programs.

Training and development are significant aspects of personnel development at all levels. Alongside formal training sessions and seminars, which amount to 10,000 hours a year in France, for example, there are many informal training courses such as orientation days, peer-to-peer coaching and continuous knowledge-sharing events linking young and experienced employees.

The LANXESS Summer Academy, which takes place once a year near our company headquarters, encourages training, networking and personal development across the boundaries of our business units and group functions by means of presentations, seminars and a varied supporting program. The Academy is aimed at employees from various backgrounds – from business professionals to chemists and engineers. After the very positive feedback of the previous years, we again increased the number of participants in 2012. 130 employees took part in the one-week program, which included eleven seminars on improving hard and soft skills and an intensive exchange of experiences.

Under the umbrella of the LANXESS Academy, we continued offering functional training for our global sales teams in 2012. The International LANXESS Sales Academy (ILSA) is a one-year modular program designed to develop both the specialist knowledge and soft skills of our sales employees. It perfectly complements the programs already in place in the business units and countries by facilitating communication and the sharing of best practices across business units and national borders. We consider the targeted qualification of our global sales employees to be a significant success factor in the further improvement of our customer relationships. It also gives us a competitive edge in today's global markets. 200 first-level sales employees from all over the world took part in the program in the first two years.

The LANXESS Forum, featuring high-caliber lectures and a subsequent plenary discussion, explores societal trends and company issues, providing a platform for dialogue between employees and management. In the year under review, it concentrated particularly on green mobility – which was our focus for 2012 – and the Board of Management's Diversity & Inclusion initiative.

Positive results from our employee survey In 2012, we conducted our first employee survey in Germany in collaboration with the renowned Great Place to Work® Institute. 1,050 employees were asked to evaluate the strengths and weaknesses of their current work environment at LANXESS. The aim of the survey was to acquire in-depth information that we can use to improve our appeal as an employer and further enhance our motivating and performance-oriented workplace culture.

An overwhelming majority – 75 percent of those questioned – expressed a firmly positive opinion of LANXESS, fundamentally describing the company as a very good employer. The high degree of loyalty and identification with the job, great willingness to recommend the products manufactured, the fair and positive treatment of employees in a discrimination-free environment, the high level of occupational safety and LANXESS's profit-sharing model were cited as outstanding strengths. Of course, weaknesses and development potential were also identified. For example, our employees would like stronger leadership in their day-to-day work, more intensive communication of targets and expectations, greater transparency regarding individual career opportunities and more support in achieving a work-life balance.

Based on these findings, we initiated a comprehensive discussion process in each business unit and group function during the reporting year. The results of this process will help us to work together in further improving our workplace culture by means of selected measures.

Development opportunities and diversity for international markets

Our global alignment is a key strategic advantage. LANXESS currently employs people from 69 countries across the world. Our successful focus on the BRICS countries is a deliberate strategy to increase proximity to local customers and markets. However, training, the transfer of know-how and international experience are not one-way streets, which is why LANXESS is increasingly sending employees from the BRICS countries to its sites in Western Europe and North America.

In 2012, we reviewed the LANXESS International Assignment Policy for its currentness and market conformity. To this end, we conducted four benchmarks with more than 470 companies in various industries.

One result is that we intend to give greater consideration to family circumstances in the future – not only with respect to dual career situations but also to family issues in general. LANXESS is one of the few companies to provide a dual career allowance to compensate some of the loss of income caused when a partner gives up work to accompany one of our employees on an international assignment. In addition, we support the accompanying partner's professional development.

In 2012, we also started to link expatriate management more closely with career management, making international assignments a key component of our systematic personnel development and encouraging talent mobility. Therefore, all expatriate positions at LANXESS have been advertised globally since mid-2012. This gives all our employees the same opportunity to apply for an international assignment and embark on an international career.

Making expatriate management one of the central components of systematic personnel development also means enabling employees with limited international mobility to work abroad. In 2012, therefore, we enhanced the framework conditions for short-term assignments. To this end, our revised International Assignment Policy now includes an attractive mix of fringe benefits and special training for both long-term and short-term assignments. In this way, we are making it easier for new and experienced managers as well as skilled non-managerial employees to acquire international work experience.

Against this backdrop, the number of employees on international assignment rose again significantly in 2012. On average, 260 employees – around 7 percent of our managers and experts – worked as expatriates outside their home countries, mainly in Singapore, China, the United States and Brazil.

LANXESS Employee Structure 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
<20		2	1					3		1
20–29	92	304	142	447	26	122	87	257	149	463
30–39	183	793	260	1,172	64	192	128	384	265	873
40–49	134	939	558	2,498	100	302	47	360	107	423
50–59	93	820	405	2,380	144	465	32	294	19	169
≥60	10	72	22	187	35	103	2	32	4	11
Total	512	2,930	1,388	6,684	369	1,184	296	1,330	544	1,940

LANXESS Employee Structure by Functional Area and Region

Functional area	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Marketing	109	136	405	564	79	94	77	103	166	339
Production	255	2,616	458	5,228	156	948	131	1,112	141	1,290
Research and Development	13	59	109	408	29	75	6	15	19	110
Administration	135	119	416	484	105	67	82	100	218	201
Total	512	2,930	1,388	6,684	369	1,184	296	1,330	544	1,940

LANXESS Employee Structure by Segment, Gender and Region

Segment	EMEA (excluding Germany)		Germany		North America		Latin America		Asia-Pacific	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Performance Polymers	154	1,740	203	1,195	128	763	61	535	119	450
Advanced Intermediates	13	13	190	2,204	14	12	5	3	29	358
Performance Chemicals	272	1,104	454	1,907	94	323	134	691	186	866
Reconciliation ¹⁾	73	73	541	1,378	133	86	96	101	210	266
Total	512	2,930	1,388	6,684	369	1,184	296	1,330	544	1,940

1) Includes group functions and LANXESS Distribution

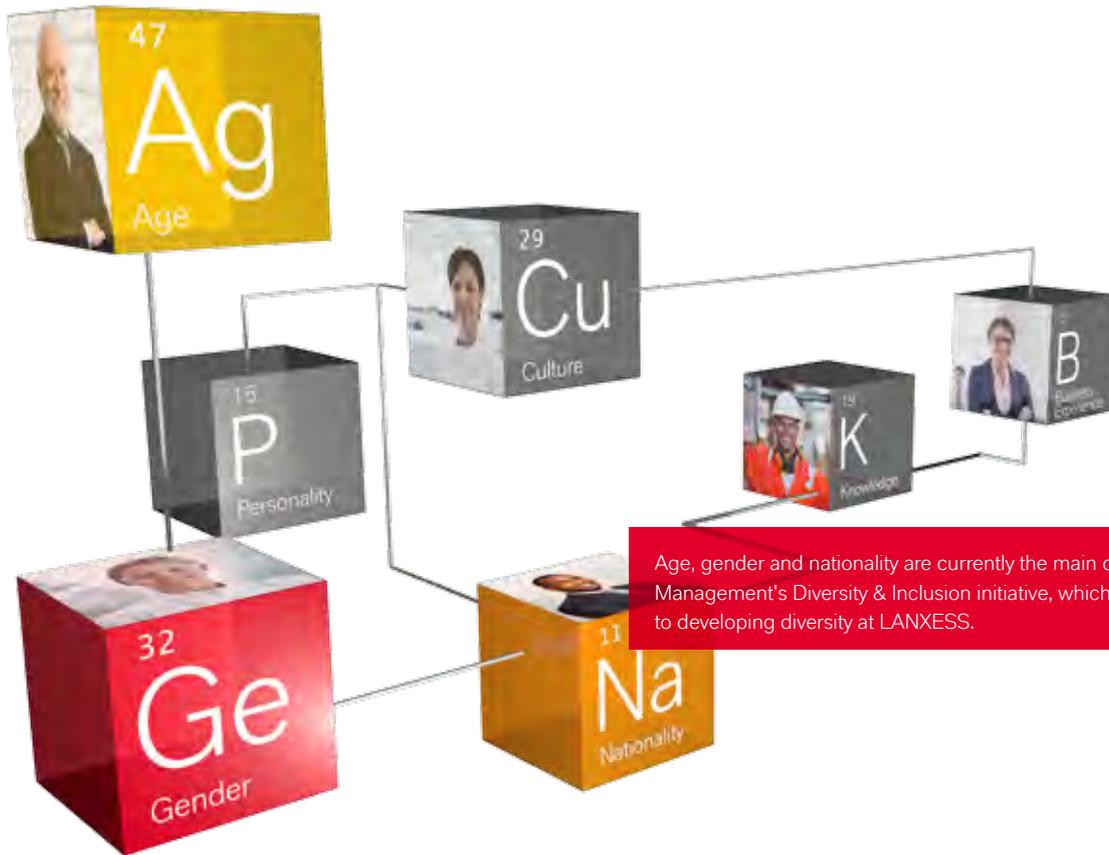
In addition to achieving a global transfer of knowledge by sending experts and managers abroad, our goal is still to develop local management with the necessary expertise and international competencies in each country and to transfer challenging tasks to suitable local employees. Outside Germany, 78 percent of our management functions are currently filled by local employees.

The global Diversity & Inclusion initiative In order to achieve structured development of diversity at LANXESS and utilize its positive effects for our company and its employees, we established the Diversity & Inclusion (D&I) initiative in 2011, under the patronage of Board of Management member and Labor Director Rainier van Roessel. This initiative reflects the great importance of a diverse work-

force for our competitiveness on global markets, for increasing our innovative strength and performance capabilities and for attracting and retaining promising talents.

In the first project phase, completed during the reporting year, we established the framework of our ongoing commitment to diversity and inclusion on the basis of in-depth data analyses, best-practice case studies and employee interviews around the world.

To avoid getting lost in the many different dimensions of diversity (e.g. age, gender, nationality, ethnicity, disability, social origin, experience), we decided at an early stage to focus first on the dimensions of age, gender and nationality. The criteria for this decision included the



expected leverage effect for a diverse corporate culture at LANXESS and the importance of different dimensions in key country organizations and target markets. For the pilot areas involved – the Inorganic Pigments and Technical Rubber Products business units and the Accounting group function – and the participating countries of Brazil, China, Germany, France, India and the United States, the first project phase highlighted different priorities and areas for action. However, this was to be expected considering the great significance of regional and organizational influences for diversity in a company.

Despite these differences, our commitment to increasing diversity worldwide has a common basis – equal opportunity. Wherever equal opportunity exists, recruitment and development will be based on performance, experience and personality, and not on membership of a particular group. To guarantee this in all cases, a company must influence the attitudes of its employees and managers toward the different nationalities, age structures, genders etc. they encounter in their daily work. Diversity starts in the head of every individual.

With this in mind, the path to greater diversity at LANXESS requires a cultural change process above all else. We must also create the structural framework (e.g. organization, processes, guidelines) so that diversity generates added value for our employees and the company. As part of the Diversity & Inclusion project, we developed and started implementing more than 30 measures with this aim during the reporting year. Based on the findings of the first project phase, some of these measures apply Group-wide while others are limited to certain corporate entities or countries.

One such measure is the Senior Trainee Program, unique in Germany, that we launched as a Diversity & Inclusion lighthouse project during the reporting year. This program lasts 18 months and offers a qualified full-time position to employees with an academic background who wish to return to working life after a period of time spent raising a family. Alongside their actual work, the participants receive personal support from a mentor, individual coaching and tailor-made training. On November 5, 2012, 14 Senior Trainees began their second career in eleven different business sectors. Since then, they have been gaining experience in their future areas of responsibility, in line with their academic training. By better recognizing the professional and life experience of these men and women and actively utilizing their potential, we are taking a particularly innovative approach to combining our general commitment to greater diversity with the requirements of active demographic management.

Other projects aim to identify the potential for flexibilization associated with part-time and home-office working for middle and upper management, or to encourage women at LANXESS to share their experience across organizational and hierarchical boundaries.

The initiative is thus making a key contribution to reaching the goal we have set ourselves of raising the proportion of women in middle and upper management to 20 percent by 2020. The figure currently stands at just under 15 percent.

Taking action on demographic change

In view of the challenges posed by demographic change, LANXESS cooperated closely with the employee representatives in 2009 to develop XCare, a comprehensive demographic concept for our German companies based on the collective agreement on lifelong work-time and demography in the chemical industry. In 2012, this project focused in particular on the issues of health management and preventive medicine and balancing career and family life. This project 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 XCare project was initially based on an extensive demographic analysis of the entire LANXESS organization, which resulted in five areas of activity – people and health; work and training; time and organization; career and family life; and savings and retirement provision.

One aspect of work and training was the analysis of our trainee figures from a demographic perspective. Among the measures based on our findings was the decision to increase the number of vocational training places we offer. By 2015, some 600 training places will be available at our sites throughout Germany.

Vocational training In 2012, 140 young people (108 men and 32 women) accepted the opportunity to start one of the 16 technical, commercial or scientific training programs at LANXESS. A further 26 young people have chosen our four combined vocational training and study programs. We are planning to increase our offering of combined engineering programs in 2013. Our aim in the medium term is for combined programs to account for 10 percent of our vocational training positions in Germany.

With a total of 386 trainees in 16 different career paths (as of December 31, 2012), LANXESS continues to train more young people than it needs to meet its own requirements. In 2012, we gave permanent and temporary positions to more than 50 percent of those who completed their vocational training with us in Germany.

LANXESS has always given priority to training young people as a means of safeguarding the company's future and as an element of our social responsibility. In 2012, we once again strengthened the marketing

activities for our vocational training programs using a range of media, attended all major regional career fairs and visited schools. Through events of our own such as "NeXt Azubi" (NeXt Trainee), we address young people with an interest in our company and give them valuable guidance for their later career choices. We took part in Germany's Girls' Day for the first time in April 2012, providing girls with a deeper insight into technical areas of activity in our company. In addition, our one-year orientation program XOnce provides young people with useful guidance on their way to a later traineeship if they are not ready to take this route at the current time.

Demographic management Another main focus of our XCare demographic project in Germany is balancing career and family life, which remains an important issue for a large number of LANXESS employees. 5.3 percent of our employees in Germany aged between 20 and 40 made use of the option to take parental leave. Of this figure, almost 46 percent were fathers. In 2011, in support of parents looking for care for their children, we started offering our employees reserved places at childcare facilities in Cologne ahead of the relocation of our company headquarters to that city planned for 2013. Construction also started on a kindergarten close to the Leverkusen site in November 2012.

Providing care is an important aspect of career and family life. We aim to support employees in the care of dependents, either financially or in terms of time. In line with the German government's draft legislation on family caregiver leave, which came into force in 2012, we were one of the first companies to conclude a comprehensive agreement with employee representatives on a multi-stage caregiving program that includes advice from an external service provider, paid short-term release from duties, and individually agreed part-time working for caregivers. We added two further modules to this program during the reporting period – a care loan at favorable terms and the support of an external service provider in arranging care placements close to all our German sites. More than 60 information events took place at our German sites throughout 2012.

Caregiver leave remains at the heart of the 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. 17 employees have already take advantage of caregiver leave and other job release options. Given the considerable interest in advice and further information on this issue, we anticipate increased demand in the coming months.

Health and preventive medicine During the reporting year, we also intensified communication in the area of people and health and launched new projects. Our primary goal is to raise awareness of health issues among employees and managers and encourage them to adopt healthy behaviors at work and in their free time. We take seriously our responsibility of involving the employees and managers concerned in making workplaces as healthy as possible, but at the same time rely on the individual responsibility of our workforce. In Germany, our reintegration management and occupational health management programs are based on corresponding agreements with the employee representatives.

As part of our reintegration management program, we recently started giving individual support to employees who are suffering illness or have had long periods of absence from work due to ill health in the past twelve months. To this end, workplace integration teams comprising integration officers and employee representatives have been in place at all our German sites since 2011.

In the area of occupational health management, further facilities have joined those originally selected for pilot projects in taking the first steps toward introducing this system. Another roll-out is planned in the course of 2013. As a rule, the projects are steered by working groups made up equally of employee and employer representatives who analyze the existing health situation and develop a participatory action model. The projects encompass management workshops, prevention concepts, advice on ergonomics for plant workers, help to give up smoking and nutrition programs for shift workers.

Experience from the pilot projects shows that our employees are particularly keen to obtain personal advice about their health and the possible need for preventive action. Building on this awareness and knowledge about their own health, employees are also responding well to follow-up offers. Special medical check-ups are offered specifically for top management. Around 500 eligible managers are invited to regular appointments.

In the area of saving and retirement provision, we reached agreement with the employee representatives in Germany in 2012 on further allocation options for the long-term account. These include integration of the demography fund contribution, a provision of the 2012 collective bargaining agreement. In addition, we are introducing comprehensive accident insurance for all non-managerial employees in Germany from the beginning of 2013. Cover will apply worldwide, both at work and at home.

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. Variable remuneration systems have been implemented for 78 percent of our employees worldwide.

Rewarding performance

LANXESS has established a fair remuneration policy that is linked to the long-term success of the company and offers employees worldwide a transparent market-rate compensation system. Collective bargaining agreements provide the main basis for the compensation of non-managerial staff in Germany and numerous other countries. The fixed salaries of managerial staff, and of some non-managerial staff, are supplemented by performance-based compensation components that are linked, on the one hand, to the attainment of the Group's defined EBITDA targets and, on the other, to employees' individual performance.

In 2012, we used a total of €100 million to give our employees worldwide a share in the company's success. Some of this amount was already paid out at the end of 2011.

Our managers are also able to reward outstanding employee performance quickly and unbureaucratically. All employees worldwide are entitled to such rewards on the basis of a prompt assessment of their performance. In fiscal 2012, this resulted in payments of €9 million worldwide – €6.4 million to employees in Germany – for outstanding individual performance. We are planning to implement a new employee dialogue and feedback tool in 2013. The Employee Dialog project was launched at the end of 2012. It represents an innovative approach to performance management based on an ongoing dialogue and thus also on active management of the relationship between supervisors and employees. Compared with the rigid and more formal structures of traditional approaches, the focus is on trust and individual motivation as success factors. In the long term, this creates a culture in which leadership and employee development are seen as a joint task for supervisors and employees – which benefits individual productivity and satisfaction.

We again offered an employee stock plan in 2012. All LANXESS Group employees in Germany were given the opportunity to buy LANXESS shares at a 50-percent discount. The shares were purchased at an average price of €54.78 on the Frankfurt Stock Exchange. The participation rate was 73 percent. At the reporting date, our employees and Board of Management members held around 1 percent of LANXESS's shares through stock plans.

For some time now, we have also offered a long-term incentive program for managers in Germany and similar programs in the United States, Canada, India and China. This plan compares the performance of LANXESS stock against the Dow Jones STOXX 600 ChemicalsSM Index over a period of three years. Since participants make a personal investment and there is the chance that the stock will increase in value, the program is an attractive long-term incentive and a means of boosting employee loyalty.

For the period 2010 to 2013, the Board of Management has introduced a new long-term compensation component to replace LANXESS's Long-Term Incentive Plan (LTIP). The Long-Term Stock Performance Plan 2010-2013 (LTSP) comprises four tranches, one commencing each year. This plan compares the performance of LANXESS stock against the Dow Jones STOXX 600 ChemicalsSM Index over a period of four years. The participation rate is 89 percent.

Acting in partnership

A key pillar of our HR policy is close cooperation between employee representatives and management, including trade unions and employees' associations, in line with the principle of active codetermination. More than 64 percent of our employees worldwide are covered by the terms of collective agreements; in Germany, this figure is nearly 90 percent.

We maintain a close dialogue with employee representative bodies in Germany, Europe and around the world to regularly discuss our corporate goals and involve these bodies in organizational change processes at an early stage. In accordance with the German Works Constitution Act, LANXESS is obliged to inform the Works Council fully and in good time of any planned operational changes which could result in material disadvantage to all or substantial parts of the workforce. This does not affect the provision of information about the company's economic affairs to the Economics Committee. We fully comply with these legal obligations with respect to the responsible bodies. In Germany, the notification period is four weeks.

Open to ideas

When LANXESS employees have good ideas for improving work procedures, plants and processes, these ideas pay off. Our idea management system fosters the development, processing and implementation of suggestions for improvements to ensure that we continually receive proposals for enhancing cost-effectiveness, occupational safety and environmental protection.

In 2012, employees at LANXESS's German companies submitted a total of 3,157 new suggestions, a rate of 430 per thousand employees. In the same period, 1,507 ideas were implemented, yielding total savings of €3.1 million. 1,035 of these ideas led to improvements in occupational safety and environmental protection. A total of €1.2 million was paid out to employees whose ideas were put into practice. The highest individual payment of €73,000 was awarded for an improvement in process logistics that led to increased capacity in a production facility.

As a further incentive to attract ideas, the LANXESS Ideas Competition was launched in 2008. Each year, the company's organizational units can measure themselves in terms of team benefit¹⁾. The focus is on identifying further cost-cutting potential, increasing both implementation and participation rates, and shortening processing times. In 2012, the Functional Chemicals business unit won the Ideas Competition for the first time. 104 employees submitted an idea that was implemented and contributed to the business unit's success. They each received an additional payment of €300. All ideas that are implemented are evaluated in accordance with our _FormulaX criteria. At 66 percent, "Come up with solutions" was the most important component in the creativity process. With its attractive, performance-related bonus system, our idea management system is an essential element of innovation management at LANXESS and will continue to play a key role in our company's future success.

— FormulaX

- Take on responsibility
- Come up with solutions
- Dare simplicity
- Accelerate progress

1) The team benefit is calculated from the proven cost savings yielded by ideas with a financially quantifiable benefit and from the bonuses paid (= benefits) for ideas with no quantifiable benefit and set in relation to the number of eligible employees in an organizational unit.

Health, safety, environment and climate protection in the value creation chain

LANXESS is responsible for its actions across the entire supply and value creation chain – from the global procurement of raw materials and product development, through production, storage and transport, to use and disposal. The health and safety of our stakeholders – employees, contractors, immediate neighbors of our production sites, customers and end users – is of central importance at each of these stages. Through our safety standards, we aim to ensure the responsible application of chemistry in health and environmental protection, in the handling of chemicals, in plant safety and in workplace safety precautions. Company-wide standards are in place to define the associated requirements and responsibilities. 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.

Procurement in the supply chain

Responsible action begins in procurement. At LANXESS, all the raw and other materials, plant and services needed for our operations must satisfy uniform global safety and environmental protection requirements. 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 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 order to minimize our procurement risks and enhance supply chain transparency, we and five other international chemicals companies founded the Together for Sustainability initiative in 2012. Further detailed information is contained in the “Procurement and production” section in the combined management report on page 117.

Uniform standards in production

Across the globe, LANXESS operates at 47 production sites in which it holds more than 50 percent (as of December 31, 2012). 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 intrinsically involve

health and safety risks. We systematically identify these risks and the hazard potential and minimize these by taking them into account when planning facilities and by defining and implementing the necessary preventive and protective measures. To help us achieve this, we have established LANXESS-specific guidelines within the context of our global management system. These govern our procedures for all safety-critical processes in our production facilities and cover aspects such as the definition and implementation of technical and organizational protective measures and the environmentally friendly handling of raw materials and waste.

Experts conduct specific spot checks as part of on-site audits to assess implementation of the relevant guidelines and local regulations for safe plant operation. At each facility, compliance with the safety standards must be certified regularly, at least at the intervals required by local legislation. In 2012, a total of 32 facilities, 14 of them in Germany, were audited in the course of HSE compliance checks.

It goes without saying that safety and environmental aspects also play an important role in our acquisition projects. Before making any acquisition, we carry out technical due diligence tests alongside the economic appraisals. Gap analyses are performed by LANXESS soon after the takeover of a production site. These are used to identify any differences between the management system already in place at the site and LANXESS’s own system. The results serve as the basis for drawing up action plans to implement LANXESS’s binding global HSEQ standards at these locations. In 2012, we performed two such gap analyses.

Xact: Board of Management’s global safety initiative

In 2012, we pressed forward with our Xact global safety program, launched in 2011, with the support of our partner DuPont Sustainable Solutions (DSS). Within this initiative, we have divided the issue of safety into 22 elements covering aspects of the occupational safety culture and process and plant safety.

In a first phase, completed in spring 2012, we performed a standardized analysis at a total of 22 plants and sites. These included facilities in Argentina, Belgium, Canada, China, France, Germany, India, the Netherlands and the United States. Almost all business units were

represented. The in-depth analysis included an internal evaluation of safety practices coupled with an assessment by DSS consultants. It yielded valuable findings for further improvement. In particular, we were able to identify numerous best safety practices.

A significant consequence of our analysis is that we will be stepping up the involvement of the operational management level in the ongoing review of safety standards in future, thus emphasizing their responsibility. The central body for monitoring the program and the continuous improvement of our safety standards is the LANXESS HSE Council, which includes two members of the Board of Management and three business unit heads.

In the next phase, which started in the second half of 2012, twelve international corporate sub-committees made up of some 80 experienced employees – primarily from the business units, but also from supporting group functions – have been scrutinizing and refining the global HSE standards for the LANXESS Group. They are due to complete their task by mid-2013.

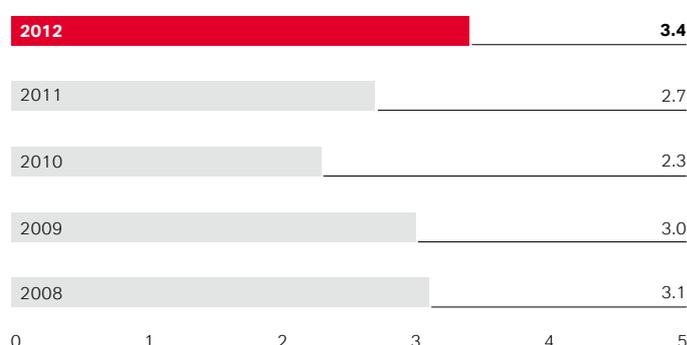
Lastly, in the implementation phase, local sub-committees will have the task of adapting our improved global standards to the specific conditions at their respective locations and producing the associated documentation. They will be steered by a local HSE council. In some countries where we have larger sites or several companies, a regional HSE council will be responsible for country-specific requirements, for example concerning reporting. In addition, we will be supporting the consistent application and effectiveness of the standards with a systematic audit program. Implementation will take place in several stages. It started at our German sites in Leverkusen, Dormagen and Krefeld-Uerdingen at the end of 2012.

Recording accidents and incidents Thanks to our global electronic Incident Reporting System (IRS), we are able to record accidents and incidents using standardized procedures. The incidents that are documented include accidents involving people, transport accidents, environmental incidents and downtime caused by, for example, bad weather or strike action. Our sites also regularly report near accidents, including unsafe conditions and actions. We communicate significant incidents worldwide via our intranet or by newsletter. Each incident is carefully analyzed to identify measures that can be taken to avoid similar accidents, disruptions or near accidents in the future.

The lost time injury frequency rate (LTIFR), known as MAQ (injuries for every million hours worked) in Germany, is one of the indicators used to assess occupational safety. In 2012, the LTIFR was 3.4, compared with 2.7 in 2011. Our analyses showed that the LTIFR rose markedly

over the prior year, especially outside Germany. This resulted primarily from a number of accidents at our chrome ore mine in South Africa, which has gained statistical relevance owing to the international harmonization of our reporting structures and the employee situation there. Also, our Xact global safety program has raised the profile of occupational safety. The associated increase in awareness for work-related accidents and their consequences among our employees is reflected in an improved reporting culture. We expect the LTIFR to decrease again in the coming years following the implementation of further measures.

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

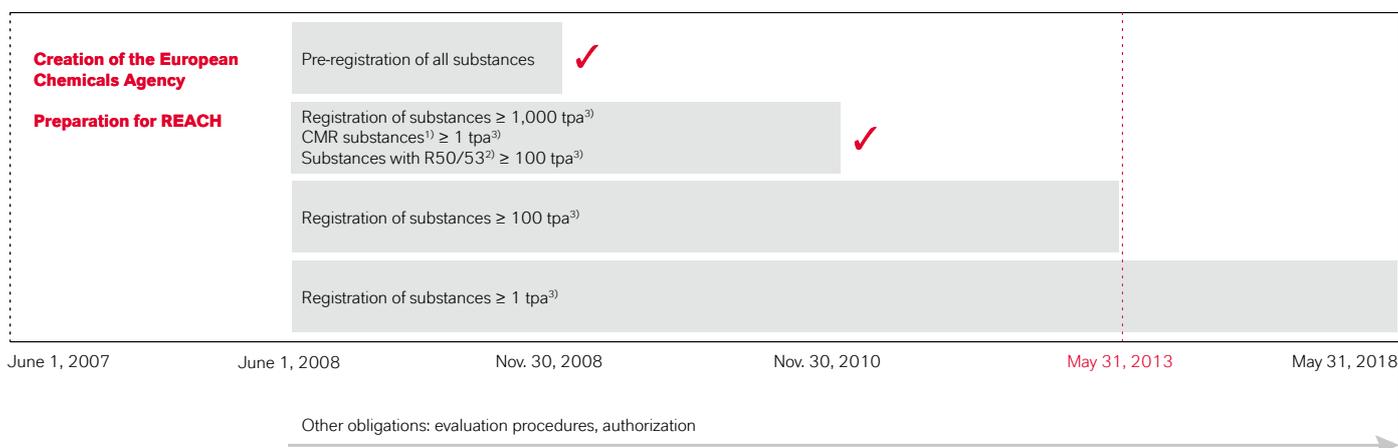


Despite our intensive efforts in the area of plant, process and occupational safety, there were regrettably two fatal work-related accidents in the year under review. Both of these occurred in South Africa: one at an underground conveyor system in our chrome ore mine in Rustenburg, the other during maintenance work on our rubber chemicals production facility at Isithebe. We temporarily suspended work at the chrome ore mine. The cause of the accident was investigated thoroughly, and the safety equipment on the conveyor systems was modified accordingly. At the rubber chemicals plant, potential weaknesses were identified with the support of experts from similar plants in Germany.

Taking an active approach to global product stewardship

Product stewardship involves the safe handling of chemical substances and products throughout their life cycle. In 2006, the International Council of Chemical Associations (ICCA) launched the Global Product

REACH Implementation Schedule



1) CMR: carcinogenic, mutagenic and reprotoxic

2) Very toxic to aquatic organisms; may cause long-term adverse effects in the aquatic environment

3) tpa = tons per annum

Strategy (GPS) initiative with the primary aim of establishing global standards for product stewardship and thus minimizing the impact of chemicals on human health and the environment. In line with the Responsible Care Global Charter and the GPS initiative, we are committed to manufacturing and marketing our products in such a way as to prevent injury to people and damage to the environment. Product safety is a top priority at all stages of the supply chain – from research and development, through production and transportation, to downstream processing and disposal.

Our Product Safety Management at LANXESS Directive steers the Group-wide observance of product stewardship throughout the product life cycle and secures the necessary participation of everyone involved in the supply chain. Our internal Central Product Surveillance Directive governs worldwide tracking of the health-related and ecological implications of raw materials and products. Our product portfolio also includes substances that are classified as hazardous. In order to prevent possible harm to health, we systematically test the properties of our products and draw our customers' attention to the risks associated with their use.

Management of chemical control regulations Worldwide, a range of chemical control regulations govern the registration, labeling and marketing of substances and mixtures. The safe handling, marketability and safe transportation of our chemicals and products are conditional on compliance with these regulations.

LANXESS has a global organization for managing the various demands with respect to these control regulations and compliance with them. It is supported by a globally applicable electronic safety data system that generates safety data sheets for our customers in more than 30 languages and provides national safety information systems with globally standardized substance data and updated documents. Safety data sheets give commercial users information about the properties of a chemical product with a view to ensuring safe handling across the supply chain.

Before manufacturing, importing or selling our products in a given country, we examine their marketability in accordance with the chemical legislation in force there. We register our substances and products in line with local requirements and we participate in the substance analysis programs of the relevant authorities by supplying all available information and producing new data if necessary.

We obtain certification for products beyond what is legally required if this is requested by customers. For example, we have certificates in the areas of food and drinking water contact, food and feed additives, eco-labels and E.U. environmental labels as well as certificates confirming conformity with religious dietary laws.

We aim to raise marketability and the provision of hazardous goods data to a globally uniform safety and technical standard by successively integrating the safety data system into our SAP system worldwide. In 2013, China will be the focus of our activities in this respect.

The safety data system is also regularly adapted to the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) in the various countries in the event of changes to hazardous goods legislation. 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. Implementation of the GHS global initiative in the E.U. is supported by REACH and the CLP (Classification, Labeling and Packaging of Substances and Mixtures) Regulation, which we implemented by the relevant deadline.

We expressly support the protection goals of the E.U. REACH regulation, which aims to achieve a high level of chemicals safety for human health and the environment. During the first REACH registration phase that ended on November 30, 2010, we prepared dossiers for 193 substances that we produce in or import to the European Union in volumes exceeding 1,000 tons annually and submitted these to the European Chemicals Agency (ECHA). In the second phase through to the end of May 2013, we will be registering around 200 substances with volumes exceeding 100 tons. Lastly, all substances with volumes exceeding one ton must be registered by the third deadline at the end of May 2018. We expect to submit a total of some 750 substance dossiers over all three phases.

In the registration process, we review the available substance information and fill any data gaps by exchanging information with competitors, obtaining expert opinions or developing appropriate tests ourselves. 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 basic data set for our intermediates as well, in line with Appendix VII of the REACH regulation. Registration also involves systematically analyzing the effects of our substances on human health and the environment and describing safe conditions of use. In doing this, we consider the entire product life cycle.

Global dangerous goods and transport safety management Through our global dangerous goods and transport safety management system, we ensure compliance with the relevant legal regulations and thus avoid hazardous situations in dangerous goods and transport processes. We coordinate, supervise and review the implementation of international, regional and local dangerous goods and transport safety regulations and internal company guidelines. Our expertise regarding

the globally standardized classification and interpretation of dangerous goods regulations, together with regional regulations, helps us to ensure compliance in global transport operations. The classification determines the wrapping, marking and labeling, permitted modes of transport and transport routes. The classification database is filed in LANXESS's chemicals safety data system. In 2012, we revised our existing guidelines on dangerous goods and transport safety management and defined international responsibilities.

Storage management We operate our own warehouses, but also commission external warehousing service providers on the basis of a specified process that considers relevant aspects of logistics, safety and security, environmental protection and cost-effectiveness. In line with a corresponding chemical industry concept, we apply a globally standardized warehouse concept that takes into account the substances stored and meets fire protection and occupational health and safety requirements. We revised this concept in 2012 and now give greater consideration to regional requirements. We ensure compliance with our guidelines and regularly conduct on-site inspections.

Ecological responsibility

We view the continuous improvement of environmental performance as a key corporate goal. 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.

It is an established part of our strategy to equip all new production sites in line with state-of-the-art environmental standards, taking into account local requirements. This often sets us apart from many local competitors. One example of this approach was the opening of our water treatment plant in Nagda, India.

Environmental protection in proximity to our production sites The areas around our European sites contain many protected areas that fall under the European Habitats Directive. No significant effects on biodiversity are to be expected when our production facilities are running normally or during either scheduled or unscheduled downtime. Although no measures are currently required that go beyond the respective local permitting requirements, we are conducting further detailed evaluations, initially at our European sites. Any information about protected areas near our sites outside Europe was included in the necessary permit processes.

Our industrial sites themselves do not contain any protected or restored natural habitats since, as a rule, these areas continue to be used for industrial purposes. Some unused areas outside the sites are near-natural, for example at La Wantzenau, France, or Duque de Caxias, Brazil. There are isolated cases of protected species, such as the capybara, living on land and in waters at our sites. Landfill sites are recultivated in line with legal requirements but do not necessarily revert to natural habitat. The provisions made by LANXESS for environmental protection primarily relate to contaminated soil and groundwater in areas that were used industrially and not those with protected status.

Progress in climate protection As a driving force in the chemical industry, we are helping to reduce or even eliminate greenhouse gas emissions using a range of cutting-edge technical solutions.

Our aim is to reduce each segment's specific energy consumption and specific CO₂e emissions by 10 percent by 2015 (base year: 2010). Our measures are applied in all value creation processes – from energy generation through manufacturing processes and transportation to waste disposal.

Systematic energy management Resource and energy efficiency are key factors in our company's energy efficiency and in climate and environmental protection. Against this background, we began implementing an energy management system based on ISO 50001 in 2010. The consistency and transparency of a well-structured operational energy management system are aimed at helping us conserve resources, cut energy costs and thereby significantly improve our competitiveness.

Initially, we focused on those production units in Germany which we integrated into the ISO 50001 internal audit management system in 2012. The LANXESS Energy Management Directive that came into force in February 2012 defines the standards to be applied in our global operations. We successfully completed implementation of the energy management system in the German production units at the end of 2012. The first LANXESS production facility to be certified to ISO 50001 was IAB GmbH in Bitterfeld in 2012. Our other German facilities are to follow in 2013. We have also begun introducing the energy management system in our production units outside Germany and will continue with this in 2013.

To implement the energy management system at operational level, an energy officer with global responsibility was appointed for each business unit, and energy teams were established for the German production units.

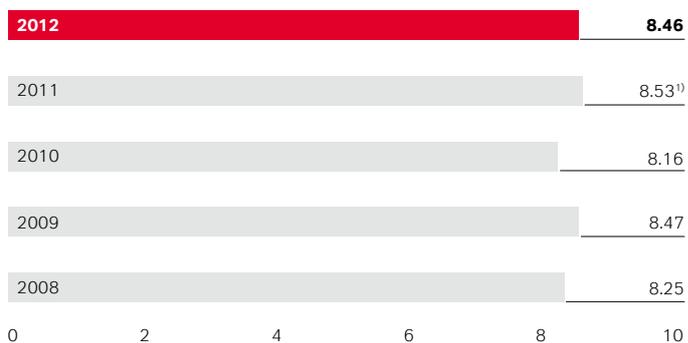
Against the backdrop of our energy target and building on the structures of the LANXESS energy management system, we continued refining our systematic approaches to increasing energy efficiency across the company in 2012. For example, the business units evaluated existing and potential efficiency improvement measures in terms of their possible contribution to reducing indirect greenhouse gas emissions and energy costs, the investment needed and their technical feasibility.

Since 2012, all our savings measures have been combined in the LANXESS Energy Efficiency Program (LEEP), aimed at creating a Group-wide overview of potential savings, the cost of their implementation and their impact on our energy goals. A newly established team of energy experts from the Innovation & Technology group function is supporting the identification of new measures. Typical improvement measures concern operating procedures, existing technologies, and also the engineering redesign of plant sections.

We still see substantial potential for improving our energy efficiency, particularly by increasing our accuracy at coordinating production capacities with demand, improving the use of residual heat, optimizing refrigeration and, generally, by propagating best practices throughout the company. For example, in 2010 alone, we started up four highly efficient cogeneration plants at our sites in Porto Feliz, Brazil; Nagda and Jhagadia, India; and Zwijndrecht, Belgium.

Energy Consumption in Relation to Volumes Sold

gigajoules per ton of product

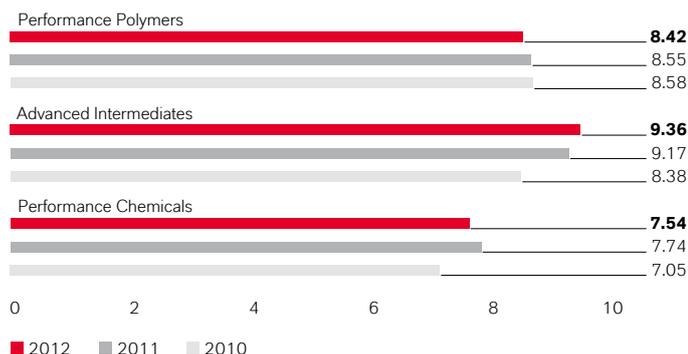


1) Figure restated

In 2012 we increased volumes sold by around 2.5 percent, resulting in an increase of about 3 percent in absolute energy consumption (see also Environmental and Safety Performance Data table). By contrast, the specific energy consumption (energy consumption in relation to volumes sold) declined slightly.

Energy Consumption by Segment

gigajoules per ton of product



Our efforts to reduce the specific energy consumption in each segment yielded only slight progress over the previous year. One substantial reason for this is the continuing expansion of our product portfolio by way of acquisitions.

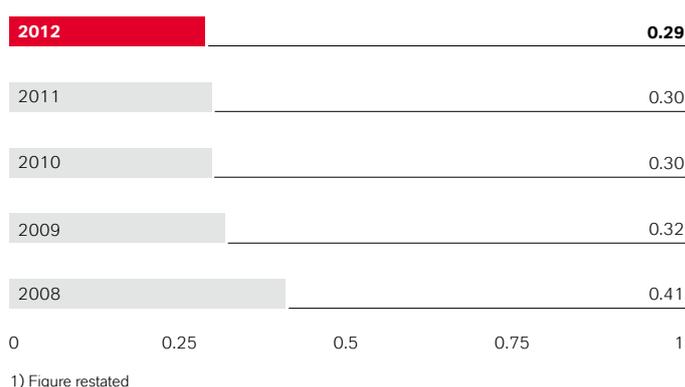
Reduction of climate gas emissions Having succeeded in largely neutralizing our emissions of particularly harmful nitrous oxide for several years, we reduced CO₂ equivalents by 1.6 million tons in 2012 alone (compared to 2007). In the same period, we succeeded in reducing our direct greenhouse gas emissions by around 45 percent worldwide. In 2009, we had already met the target we set for our operations in Germany of reducing the emission of climate gases by 80 percent in 2012 and we have been able to maintain this level to date.

In the European Union, trading in CO₂ emissions rights – or allowances – is a cost-effective way of reducing harmful CO₂ gas emissions. 18 LANXESS facilities in Europe are subject to emissions trading (EU-ETS). Three trading periods were defined for emissions trading in the European Union. The second trading period that ran from 2008 to 2012 has now been concluded without us having to purchase additional allowances. Since all of our facilities are at the cutting edge of technology and participate in international competition, we expect to receive an adequate number of free allowances for 2013 to cover our anticipated CO₂ emissions.

Scope 1 emissions cover direct emissions from production and our own energy generation operations. Scope 2 emissions are indirect emissions associated with the procurement of energies. The graphics below show the development of LANXESS's specific Scope 1 and Scope 2 emissions.

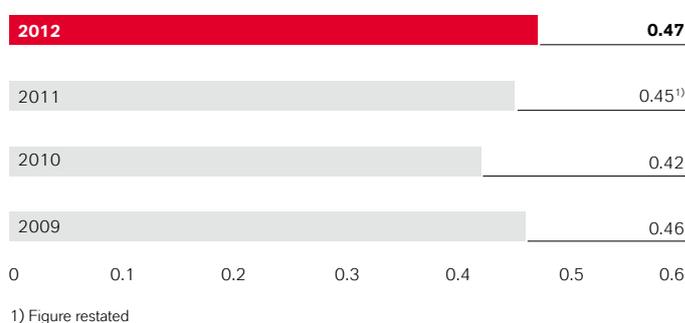
Greenhouse Gas Emissions (Scope 1) in Relation to Volumes Sold

CO₂ equivalents, tons per ton of product



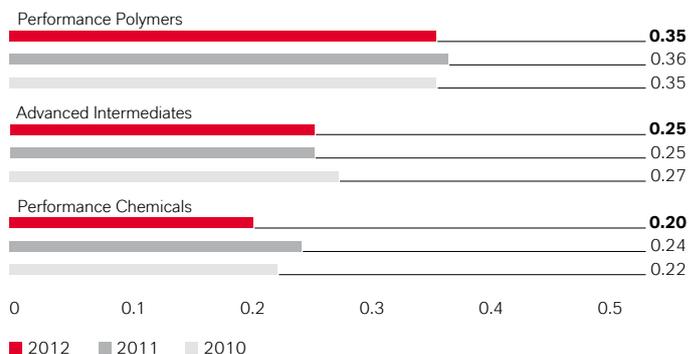
Greenhouse Gas Emissions (Scope 2) in Relation to Volumes Sold

CO₂, tons per ton of product



Greenhouse Gas Emissions (Scope 1) by Segment

CO₂ equivalents, tons per ton of product



Compared with the base year (2010), Scope 1 emissions in our Advanced Intermediates and Performance Chemicals declined slightly. In the Performance Polymers segment, the base year level was restored after a slight increase in 2011.

Sustainable logistics We aim to minimize the environmental impact of our logistics operations. We view the intelligent combination of road, rail, river and sea transport as a key to achieving this.

We select our transport solutions on a case-by-case basis, applying the principles of safety, punctuality, cost-effectiveness and CO₂ reduction. A CO₂ monitoring dashboard introduced in 2012 enables us to compare the costs and potential CO₂ savings of a transport solution, and thus develop an effective strategy for reducing emissions in our supply chain. The dashboard also visualizes our transport-related CO₂ emissions for our employees responsible for logistics procurement and planning, thus raising their awareness of the issue.

In our collaboration with external service providers, we focus on their ability to master the particular challenges of chemical logistics and give preference to those who share and develop our goal of sustainable and cost-effective transport concepts. Measures include the use of lightweight and fuel-saving equipment and the development of concepts to minimize transport volumes. In addition, we participate actively in various national and international initiatives concerning sustainable logistics and infrastructure.

In Germany, we continue to use the TÜV SÜD-approved Eco Plus solution offered by logistics provider DB Schenker Rail logistics company for transporting our products by rail. The electricity required for transport is obtained from renewable energy sources. In this way, we can reduce the CO₂ emissions from our German rail transport operations by almost 75 percent. In the reporting year, Dormagen joined Krefeld-Uerdingen as the second site we have linked to our rail-shuttle network. We use this to transport our products to various seaports for shipping worldwide and it now saves us some 2,000 truck transports annually. Each year, LANXESS transports a total of around 375,000 tons of chemicals and bulk materials by rail in Europe.

Carbon Disclosure Project We again participated in the Carbon Disclosure Project (CDP) in 2012, sharing data and information on climate protection and the reduction of emissions. The Carbon Disclosure Project is an organization representing international institutional in-

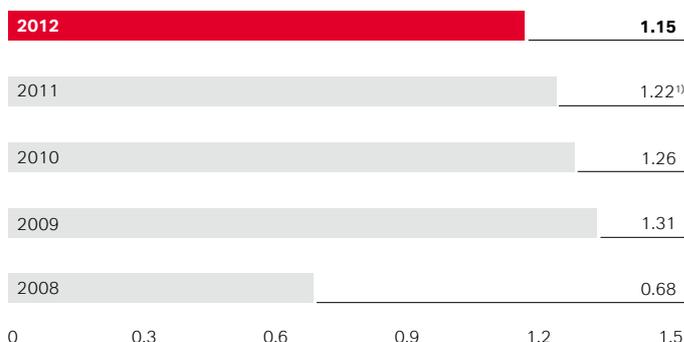
vestors who have joined forces in order to improve transparency for the financial market on questions linked to climate change and the requisite corporate guidelines. In 2012, we were included in the Carbon Disclosure Leadership Index (CDLI) for the first time. Our transparent reporting on climate protection puts us in the top 36 of 350 companies assessed in German-speaking countries. The CDP Climate Change Report singled out LANXESS, along with six other companies, as being exemplary in the field of active climate protection.

Carbon footprints We are systematically compiling carbon footprints for selected products so we have reliable information about greenhouse gas emissions throughout the life cycle of these products, and thus gain new insights regarding further potential reductions. We are also continuing the life-cycle assessments of specific products for the same reason. The analysis covers criteria such as CO₂, primary energy consumption, and greenhouse and eutrophication potential.

Other atmospheric emissions The European Union's NEC (National Emission Ceiling) Directive has set maximum national limits for the release of the atmospheric pollutants sulfur dioxide (SO₂), nitrogen oxides (NO_x), ammonia (NH₃) and volatile organic compounds. Since 2011, these limits may no longer be exceeded. We have specifically inspected sites that release relevant emissions in support of the respective national air quality improvement programs.

VOC Emissions in Relation to Volumes Sold

VOC, kilograms per ton of product



1) Figure restated

In the year under review, our VOC emissions decreased further in relation to the volumes sold. This was due to, among other things, various measures taken to achieve our environmental protection target of cutting VOC emissions by 30 percent through 2015 (base year: 2010). The significant increase in our VOC emissions between 2008 and 2009 was attributable to the portfolio expansion undertaken at that time, especially in Brazil.

Solutions for clean water Our innovative products and technologies help our customers worldwide to clean, treat and conserve water. We also take measures to ensure the efficient use of water at our own sites.

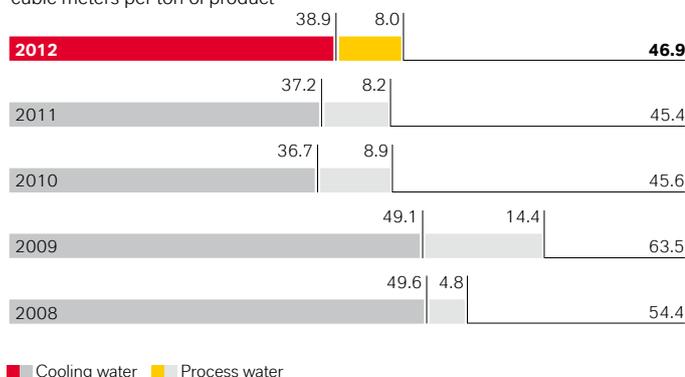
All wastewater and surface water discharges at our sites are subject to legal and permitting requirements. We use both technical (wastewater treatment) and organizational (monitoring) measures to comply with these requirements.

Before issuing an operating permit, the authorities assess the possible economic, social and environmental impacts of water extraction on the surrounding area. At all LANXESS sites, this takes place under approved conditions. The issue of water extraction is also addressed by our environmental protection compliance program.

During the reporting period, we commissioned a new wastewater treatment plant at our site in Nagda, India. It treats the water from the existing wastewater treatment plant so that hardly any wastewater needs to be discharged from the site. On the contrary – we can use the water recovered from the wastewater treatment plant in our production processes, thus compensating any water shortages in the summer months.

Water Consumption in Relation to Volumes Sold

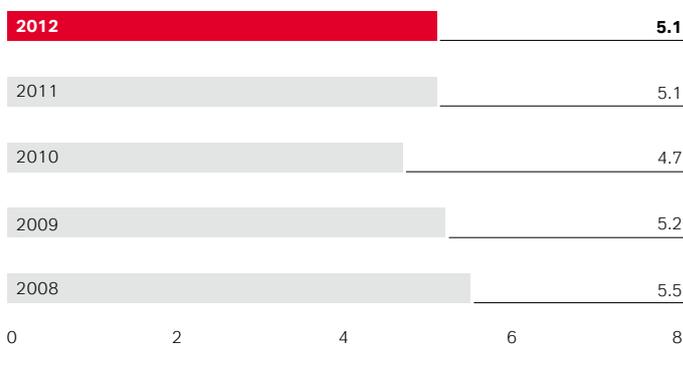
cubic meters per ton of product



Overall, total water consumption in relation to volumes sold increased slightly year on year. This was primarily attributable to an increase in the amount of cooling water used. Since this is not contaminated, it can be discharged without treatment. By contrast, the amount of process water used was reduced slightly.

Wastewater in Relation to Volumes Sold

cubic meters per ton of product

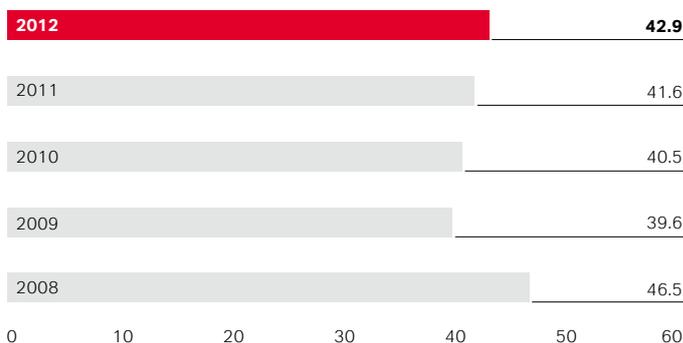


With respect to the amount of wastewater requiring treatment, we have achieved a relatively stable level over the past years in relation to volumes sold.

Sustainable waste management LANXESS attaches great importance to the careful use of resources. 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 use resources as efficiently as possible and minimize the amount of waste we produce. Some forms of waste can be used as secondary raw materials and are thus a valuable resource. Sustainable waste management therefore involves systematically avoiding waste and, if this is not possible, using waste as a raw material or energy source. In order to minimize the amount of waste requiring disposal, we seek to continuously improve our production processes.

Total Waste in Relation to Volumes Sold

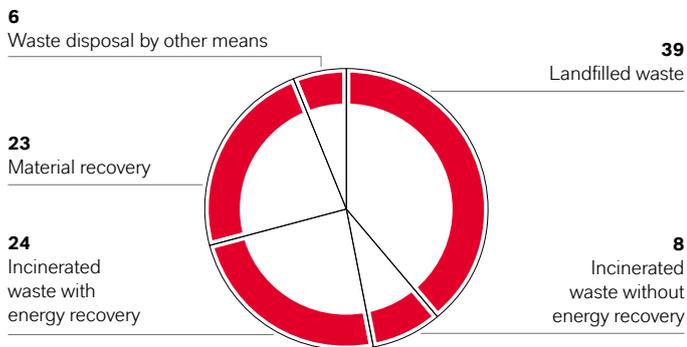
kilograms of waste per ton of product



The total amount of waste generated worldwide in relation to volumes sold has decreased by approximately 16 percent compared to 2007. Some 47 percent of our waste is used in material or energy recovery. Year on year, we increased the material recovery rate by five percentage points. Worldwide, slightly more than half our waste is classified as hazardous.

Waste for Disposal

%



Systematic recording of key performance indicators We use an electronic system for the systematic global recording of KPIs in the areas of safety and environmental protection. This proprietary system enables us to define a broad range of HSE performance indicators for each business unit and location worldwide. These provide a valid database for internal and external reporting and map the progress we are making towards achieving our globally applicable HSEQ objectives (see table on page 60 f.). Data for all indicators except the lost time injury frequency rate (LTIFR) are collected only at those of our production sites in which LANXESS has a holding of more than 50 percent.

We are aware of the great challenge involved in defining and ensuring the use of uniform indicators for all sites and regions. We were able to further improve the quality of the data in 2012 by introducing standard documentation of the data collection processes.

In the year under review, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft assessed our data collection processes and system in the course of a business audit. Our HSE indicators for 2012 were audited with a view to achieving a "limited assurance" rating. The audit certificate is on page 204 of this Annual Report.

Environmental and Safety Performance Data

	2010	2011	2012 ^{a), c)}
Safety			
Occupational injuries to LANXESS employees resulting in at least one day's absence (per million hours worked) ¹⁾	2.3 ^{b)}	2.7 ^{b)}	3.4 ^{c)}
Volume sold²⁾ in thousand tons/year	6,404 ^{a)}	6,434 ^{a)}	6,596 ^{c)}
Energy in petajoules (10 ¹⁵ joules) ³⁾	52.0 ^{b)}	54.5 ^{d)}	56.0 ^{c)}
Direct energy sources (EN3)			
Non-renewable	15	14	14
Renewable	–	0	0
Indirect energy sources (EN4)			
Non-renewable	35	38 ^{d)}	40
Other direct energy sources			
From biomass	2.0 ^{a)}	2.5	2.0
Water in million cubic meters/year			
Total water consumption (EN8)	292 ^{b)}	292 ^{b)}	309 ^{c)}
Surface water	–	127	135
Groundwater	–	8	7
Rainwater	–	0	0
Wastewater	–	1	2
Other water sources	–	155	165
Cooling water in total water consumption⁴⁾	235 ^{b)}	239 ^{b)}	257 ^{c)}
Process water in total water consumption	57 ^{b)}	53 ^{b)}	52 ^{c)}
Emissions into air in thousand tons CO ₂ e/year			
Total greenhouse gas emissions (EN16)	4,556	4,804 ^{d)}	4,981 ^{c)}
Direct (Scope 1) ⁵⁾	1,906 ^{b)}	1,937 ^{d)}	1,913
Indirect (Scope 2) ⁶⁾	2,708	2,867 ^{d)}	3,068
Ozone-depleting substances (EN19)	0.00041	0.00071 ^{d)}	0.00231 ^{c)}
NO_x, SO_x and other emissions (EN20)			
NO _x ⁷⁾	2.6	2.8	2.4
SO ₂ ⁸⁾	1.7	1.9	1.2
CO	2.1	3.0	2.1
NH ₃	0.2	0.2	0.1
NM VOC ⁹⁾	8.0	7.8	7.6
Wastewater in million cubic meters/year			
Total wastewater discharge (EN21)	266 ^{b)}	272 ^{b)}	291 ^{c)}
Cooling water (uncontaminated, without treatment) ⁴⁾	235 ^{b)}	239 ^{b)}	257
Production wastewater (with treatment)	31 ^{b)}	33 ^{b)}	34
Emissions in wastewater (after treatment)			
Total nitrogen	0.54 ^{b)}	0.54 ^{b)}	0.53 ^{c)}
Total organic carbon (TOC)	2.1 ^{b)}	2.2 ^{b)}	2.2 ^{c)}
Heavy metals ¹⁰⁾	0.0047 ^{a)}	0.0045 ^{a)}	0.0060 ^{c)}

Environmental and Safety Performance Data

	2010	2011	2012 ^{a), c)}
Waste in thousand tons/year			
Total weight of waste (EN22)	259 ^{b)}	267 ^{b)}	283 ^{c)}
Incineration with energy recovery	–	70	68
Incineration without energy recovery	89	24	22
Landfilling	96	93	111
Material recovery	–	47	64
Other forms of disposal	–	33	18
Type of waste			
Hazardous	141 ^{b)}	143 ^{b)}	153 ^{c)}
Non-hazardous	118 ^{b)}	124 ^{b)}	130 ^{c)}

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 percent. The sites at Little Rock and Gastonia, U.S.A., and Brilon, Germany, are not included because they were only recently acquired by LANXESS. 2010/2011: On account of limited recording and control options and the resulting estimates, the base data contain some inherent uncertainties. 2012: The data are based on actual values for the period January through October. Appropriate estimates were used for November and December.

Further details on data quality:

- 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).

- 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 subcontract 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) Equivalent to circulating cooling water
- 5) 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: 2010: 153 kt CO₂, 2011: 240 kt CO₂, 2012: 225 kt CO₂
- 6) 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 2009 were used for fiscal years 2010 and 2011 and the factors from 2010 were used for fiscal year 2012.
- 7) Nitrogen oxide (NO_x) calculated as NO₂ (excluding N₂O – nitrous oxide)
- 8) Sulfur dioxide (SO₂) + SO₃ calculated as SO₂
- 9) Total VOC (volatile organic compounds) excluding methane and acetone
- 10) Heavy metals (arsenic, cadmium, chromium, copper, mercury, nickel, lead, tin, zinc)
 - a) Indicator was assessed (limited assurance) by KPMG AG Wirtschaftsprüfungsgesellschaft in the course of a business audit
 - b) Indicator was assessed (reasonable assurance) by KPMG AG Wirtschaftsprüfungsgesellschaft in the course of a business audit
 - c) Indicator was assessed (limited assurance) by PwC AG Wirtschaftsprüfungsgesellschaft in the course of a business audit
 - d) Value corrected compared to the value published in the prior year

HSEQ Targets for 2012

Target	Program/Measures	Target Date	Target Attainment
1. Improvement in occupational and plant safety – no injuries	Implementation of Xact safety program	2012	<ul style="list-style-type: none"> Implementation of the Xact program is on schedule. The “no injuries” target was not attained by all business units.
2. Implementation of international chemicals programs	Implementation and monitoring of chemicals programs worldwide by the specified deadlines, e.g. REACH, TSCA Inventory Update Rules Amendments (U.S.A.), South Korean REACH requirements, CSCL in Japan, EHS in Malaysia, notification procedure for China, GHS	By the specified deadlines	Fully attained, i.e. new developments tracked, impact analyzed, need for action identified and measures implemented by specified deadlines. e.g. implementation of the 2nd amendment regulation to the CLP Regulation concerning adaptation to technical and scientific progress; notification of 12 new substances in China; 46 REACH dossiers submitted; preparations for EHS reporting in Malaysia completed; TSCA Inventory Update/Chemical Data Rule reporting obligations (U.S.A.) met.
3. Climate protection	Reduction of the specific CO ₂ e emissions by 10% per business segment (base year: 2010)	2015	Ongoing measure
	Reduction in specific energy consumption by 10% per business segment (base year: 2010)	2015	Ongoing measure
	Increase in resource efficiency and analysis of environmental footprint of suitable products	2012	Analyses were performed for chlorobenzene, Eco-Keltan and polyamide 6.
4. Environmental protection	Reduction in absolute emissions of volatile organic compounds (VOC) by 30% (base year: 2010)	2015	Ongoing measure
5. Energy management	Introduction of an energy management system based on ISO 50001 (roll-out focus in 2012 is Germany)	2012	Implementation was completed in the German production units; IAB GmbH in Bitterfeld was the first LANXESS production facility to be certified to ISO 50001 in 2012.
6. Harmonization of HSE data for categorizing and classifying products, raw materials and waste	Global harmonization of HSE data in the IHS system (formerly ATRION: global regulatory product compliance system) as part of the <ul style="list-style-type: none"> SCORE project for e.g. China, Singapore, Keltan sites AXAPTA project for the United Kingdom (pilot project) 	2012	The Keltan sites and the Singapore site were integrated into IHS IA as planned during the course of SCORE projects. The SCORE project in China, which is tied to the harmonization of HSE data, was suspended and the go-live postponed. The AXAPTA pilot project for the United Kingdom (ATRION4AX GB) has not yet been completed. Harmonization of the HSE data has been completed.
7. Improvement in transport safety	Optimization of transport safety in line with the potential analysis performed in 2011	2012	Improvement measures were implemented in 2012 and the project completed successfully.
8. Standardization of management system tools	Expansion of global implementation of eMax (document management) in accordance with the 2011 plan and implementation of April Star (complaints management), Triple A (audit and activity management tool) and the HSE data recording system at newly acquired sites	2012	<ul style="list-style-type: none"> eMax has been implemented as the document control system for mapping the global management system and its specific variations in the business units and subsidiaries in Germany, Singapore, the U.S.A. and other countries. It is already available as a source of information to all LANXESS readers worldwide. Its roll-out as an actively used system on a department-specific and operational level is continuing on schedule. A technical upgrade of the system will be available in the 2nd quarter of 2013. Triple A has now been rolled out worldwide as the central audit and activity management tool for LANXESS's global management system. The Group-wide complaints management system was completed with the integration of the Rhein Chemie business unit into April Star. In 2012, all sites acquired were integrated into the global data management tool for HSE performance indicators. Because they were only recently included in the system, the sites at Little Rock and Gastonia, U.S.A., and Brilon, Germany, have not submitted any HSE data for 2012.

HSEQ Targets for 2013

Target	Program/Measures	Target Date
1. Improvement in occupational and plant safety – no injuries or environmental incidents	Global implementation of Xact safety program	2014
2. Climate protection	Reduction of the specific CO ₂ e emissions by 10% per business segment (base year: 2010)	2015
	Reduction in specific energy consumption by 10% per business segment (base year: 2010)	2015
	Increase in resource efficiency and analysis of environmental footprint	2013
	Life-cycle analyses for relevant products	
3. Environmental protection	Reduction in absolute emissions of volatile organic compounds (VOC) by 30% (base year: 2010)	2015
4. Energy management	Global implementation and certification of energy management system	2014

Society

As a company, we draw numerous benefits from the society in which we operate – well-trained employees, satisfied customers, legal and political stability and an excellent infrastructure. We believe it is only right that, in line with the concept of corporate citizenship, we assume responsibility and ensure that society also benefits from our success. Our social commitment is based on the same fundamental principle as our entrepreneurial activities – a consistent focus on a manageable number of projects that promise long-term success.

Our not-for-profit activities focus on providing support for science education in schools. After all, skilled employees are a crucial prerequisite for the sustainable success of our company, no matter where in the world it operates. We endeavor to encourage young people to develop a passion for chemistry at a young age, awaken their inventive spirit and make them aware of the diverse career opportunities that the LANXESS Group offers.

Consequently, more than 60 percent of the projects we implemented in 2012 were dedicated to education. We also significantly extended our cultural commitment in 2012. Around 20 percent of our projects now fall into this category. This was one of the reasons why the geographical focus of our activities again shifted slightly more towards the EMEA region in the reporting year. Overall, more than 60,000 mainly young people benefited from our social commitment, which we funded with some €2.6 million in 2012.

The LANXESS education initiative – a success story

In 2008, we launched the extensive LANXESS education initiative that underscores our clear commitment to Germany as a business location and as a base for the chemical industry. This initiative has since provided funding to more than 30 schools close to our sites in Germany. The money was used for a number of purposes including the provision of new laboratory facilities, technical equipment and teaching materials for chemistry, biology, physics and IT classes. We also regularly offer interested and talented students the chance to gain work experience and to take part in vacation courses and workshops.

The workshops held in 2012 were primarily inspired by the LANXESS Year of Green Mobility. “World Class – Green Mobility” was the motto of the project days and project weeks, during which we reached some 600 students at seven schools. The aim was to make the young people aware of the advantages and disadvantages of increasing mobility. In an intensive introduction session, the students looked at current trends such as lightweight construction, green tires, alternative fuels

and electromobility. The young researchers also developed their own ideas about how traffic and driving could be made more sustainable in the future.

The aim of a water project week at a high school in Bitterfeld was to raise the awareness of seventh graders for (drinking) water usage and develop innovative ideas for using water more efficiently. To find out about modern chemical and technical water treatment options, the students then visited our new plant for ion exchangers and membrane filtration elements. A representative of the African Medical and Research Foundation (AMREF) also talked to the students about the simple and inadequate living conditions of children in Tanzania.

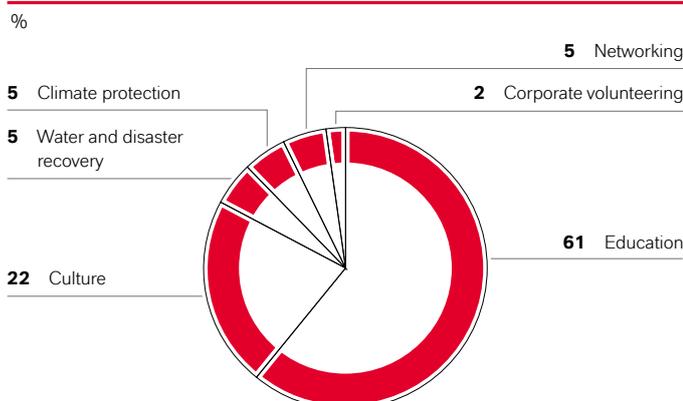
As announced, this reporting year saw the implementation of our first project aimed at elementary school children – a chemistry experiment kit we developed ourselves. The kit conveys the fascination of science and technology at elementary school level, waking the inventive spirit of both girls and boys as early as possible. One experiment kit can be used by a class together, and includes test setups for conducting basic experiments and research in elementary school chemistry. The experiments, which we designed in cooperation with the Department of Teaching and Didactics of Chemistry at the Technical University of Dortmund, are completely safe and focus primarily on the solubility of substances in water. We plan to provide a total of 1,000 experiment kits worth €360,000 and send them to schools around the world.

Over the past five years, we have invested around €4 million in the initiative, which was among the winners of Germany's “365 Landmarks in the Land of Ideas” contest in 2011. Feedback from teachers, principals and school authorities shows that these activities have significantly enhanced the importance of the MINT subjects (mathematics, information technology, natural sciences and technology) in school timetables.

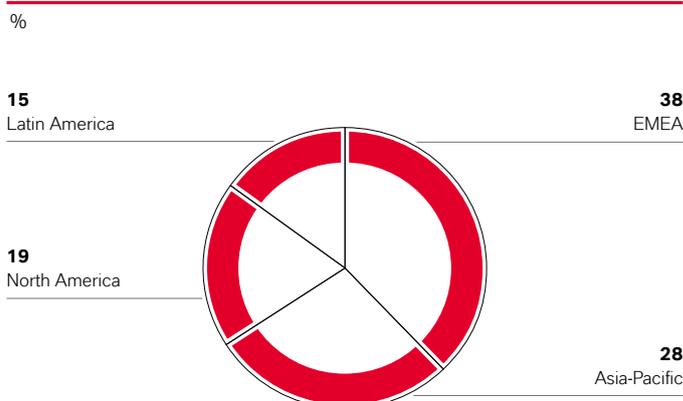
In 2013 we are planning to carry out further project weeks on the subject of green mobility and lightweight construction at schools in North Rhine-Westphalia. We intend to expand our activities in elementary schools and, among other things, develop teaching materials related to the megatrends addressed by LANXESS.

Global commitment to education

LANXESS has also initiated projects focusing particularly on the promotion of science education at almost all its sites across the globe. We are involved in a wide range of projects and initiatives in Brazil, Argentina, India, China and South Africa especially.

Social Activities by Topic¹⁾

1) Basis: 87 projects undertaken in 2012

Social Activities by Region¹⁾

1) Basis: 87 projects undertaken in 2012

Our local activities in **Brazil** have been merged under the "e3" initiative. "e3" stands for education, ecology and economy. South America's largest country has some catching up to do, particularly in the fields of environmental protection and education. We aim to use our expertise to offer effective support in this area.

Since 2010, for example, we have been fostering scientific knowledge with our Green Cycle environmental competition, which was staged again at our Cabo de Santo Agostinho and Porto Feliz sites in Brazil in 2012. The winners receive recognition for the environmental protection projects they develop for the competition and LANXESS fully finances implementation of these projects. Participants additionally receive assistance from an agency that specializes in implementing environmental projects. We also provide financial support to this agency. Since the competition began, we have successfully initiated 23 projects.

Around one fifth of our employees in Brazil participated in a volunteering day on April 14, 2012. As well as contributing eight hours of their time to charitable causes, they also organized activities to raise funds for renovating schools and upgrading their equipment, for example. Some of our customers and suppliers were involved, too.

The "Educar para Crecer" (Educate to Grow) initiative in **Argentina** aims to promote development in the Zárate region by supporting schools and not-for-profit organizations engaged in educational, social and environmental protection activities there. As part of this initiative, we provide funding for sustainable education projects and help those wishing to launch such projects by delivering the fundamental know-how they need. Five schools took part in the fifth year of the program in 2012. More than 6,000 people have already benefited directly or indirectly from the projects implemented since the program was launched in 2007.

In August 2012, we initiated a new environmental program, also in Zárate. The "La Basura Sirve" (Waste is Useful) initiative also seeks to promote responsible environmental practices. The program, which is being implemented in collaboration with a group of schools, encourages the collection and sorting of inorganic household waste. The income from the sale of reusable materials to recycling companies is used by the participating schools to purchase essential items.

An important CR project in **India** is the long-term Teach for India program, part of the Teach to Lead initiative. It recruits top graduates from Indian universities who, after completing their studies, spend an initial period of two years teaching full-time at schools with insufficient funding. Our financial support, which amounts to €50,000 each year, will fund current Teach for India projects in Mumbai until at least 2013. The funding will also help extend the project to other towns and cities in India, including New Delhi and Jhagadia, where LANXESS has sites.

In December 2012, a fully equipped library financed by LANXESS opened in Nagda to provide junior and senior high school and university students with completely new opportunities for learning and obtaining information. In addition to books, the library offers numerous magazines and newspapers. Also in Nagda, our donation to the not-for-profit organization Special Need Education Home enabled construction of a new school building for handicapped children. In Jhagadia, we financed the refurbishment and equipping of two state-run schools attended by around 400 students.

Employees at our Thane site used the proceeds from selling old office equipment to provide school materials for 350 orphaned girls in the Ma-Niketan children's village.

Our first Green Mobility Public Day in China focused on green mobility issues. It gave more than 1,000 local residents and LANXESS employees in Shanghai the opportunity to experience environmentally friendly mobility solutions. Other features of the program were a painting competition for children and a visit to a car museum. In the year under review, we also began supporting students who are particularly gifted or very committed but from low-income families at two schools close to our site in Liyang. 36 young talents have already received a LANXESS scholarship.

We were the main sponsor of the Rally to Read initiative in South Africa, which aims to reduce the significant difference in achievement between students in rural areas and their urban counterparts. Committed LANXESS employees made the journey of some 350 kilometers from Durban to twelve schools in the rural KwaZulu-Natal region to deliver container libraries, sports equipment, educational toys, school bags, writing materials and other items. More than 2,000 children benefited from the campaign. Their progress is regularly monitored by the local education authorities and the READ Trust, partner of the Rally to Read initiative.

Promoting art and culture

For several years now, our cultural commitment has focused on encouraging young musicians. We now support three Young Euro Classic orchestras, which bring together the greatest talents from Germany, China, India and Russia and give them the opportunity to showcase their ability during concert tours and prestigious events.

In June 2012, the LANXESS Young Euro Classic Concert Russia marked the official start of Germany Year in Russia 2012/2013. The orchestra performed for some 1,800 high-ranking guests from both countries at the Tchaikovsky Conservatory in Moscow. Comprising 76 highly talented music students from Berlin University of the Arts and the Moscow Tchaikovsky Conservatory, the orchestra was established specifically for this kick-off event. Musicians from the Young Euro Classic Orchestra China-Germany, on the other hand, have now completed six concert tours, impressing Chinese audiences with dance and music. In view of its huge success, we are looking to extend the Young Euro Classic initiative to South Africa in 2013.



Through its support for the Singapore National Youth Orchestra (SNYO), LANXESS is sponsoring a unique project. Rehearsing with classical music celebrities gives young musicians an exemplary experience of teamwork coupled with tuition at the highest level. This exceptional orchestra has produced many internationally renowned musicians.

Our LANXESS SNYO Classic cultural initiative sponsors an exchange program for the Singapore National Youth Orchestra. Since 2010, more than 1,000 young orchestral musicians have benefited from rehearsing with internationally renowned soloists. In the year under review, we extended our commitment to this program until 2015.

We have also committed to support the Ozawa International Chamber Music Academy (OICMA) until 2015. Led by Japanese star conductor Seiji Ozawa, this ensemble offers talented young musicians from across Asia the chance of a top-quality musical education. Also in Japan, some 6,400 school students enjoyed the Opera for Young People we sponsored during the renowned Saito Kinen Festival.

We entered into a new partnership with the "Kölner Philharmonie," one of Europe's premier cultural institutions. Over the coming years, we will be supporting a range of activities at this venue, including the "Acht Brücken" (Eight Bridges) contemporary music festival.

We will also remain the main partner to lit.COLOGNE, Europe's biggest literature festival in Cologne, until at least 2015. At this annual event, renowned authors and actors demonstrate how the written word can really be brought to life.

Valuable knowledge of water

As part of our social commitment, we are contributing our knowledge of water to charity projects, especially in Africa.

We have been supporting the African Medical and Research Foundation (AMREF) for a number of years. By the end of 2010, AMREF had used LANXESS's financial assistance to establish water supplies for 25 Tanzanian schools attended by approximately 10,000 children and provide the sanitary facilities they need. In addition to these infrastructure measures, AMREF also provided hygiene training for teachers and children, thus helping spread the safe water message in their daily lives.

The same important message is the focus of PHASE (Personal Hygiene and Sanitation Education), a new joint project with AMREF launched at our South African production site in Rustenburg in 2012. The project aims to significantly reduce the incidence of disease caused by contaminated water. Thanks to our financial support, more than 750 sets of PHASE teaching materials have been distributed to eight schools. Some 3,000 students, their teachers and parents are benefiting from the newly acquired knowledge.

Help where it is needed

Although our social commitment is normally carefully thought out and influenced by strategic considerations, some events require a rapid and unbureaucratic response.

Following the devastating earthquake in Japan in March 2011, for example, we donated €310,000 to Save the Children Japan. The organization used some of this donation to open a temporary children's center in Yamada in March 2012. The donation will also fund various activities at the children's centers in Yamada, Rikuzentakata and Ishinomaki through to the end of 2014. Our commitment is benefiting some 1,000 children and, indirectly, their families as well.

At our Thane site in India, more than 100 LANXESS employees and their family members responded to an appeal by the Think Foundation to donate blood. This ensured the provision of more than 100 life-saving transfusions to children with thalassemia, a serious blood disorder.