



Slavery and human trafficking statement

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Section 54 of the UK Modern Slavery Act 2015 legally requires commercial organizations generating sales of more than £36 million per year in the UK to prepare a publically available slavery and human trafficking statement for each financial year. The statement must set out the steps that the company has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains, and in any part of its own business.

INTRODUCTION

LANXESS is a leading specialty chemicals company with a [presence in 33 countries and 60 production sites globally](#). We develop and produce chemical intermediates, additives, specialty chemicals and plastics. With our activities, we make important societal contributions in areas such as addressing climate change, developing sustainable cities and securing the supply of food and clean water for a steadily growing world population. However, we are also aware that our own activities and related activities along the value chain can potentially have a negative impact on human rights. Such risks are linked to our own activities including the manufacturing and distribution of – amongst others – hazardous substances within our global production and sales footprint, which also is active in countries with lower local human rights standards, as well as to our worldwide and diverse supplier base. As a matter of principle, LANXESS is committed to systematically identifying and managing these risks as an integral part of our overall corporate governance and risk management system.

In line with our values, we are committed to:

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

This statement sets out the actions of the LANXESS Group to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and its supply chains. This statement relates to actions and activities during the financial year 2018.

COMPANY GUIDELINES

LANXESS's identity is based on five central values: respect, ownership, trust, professionalism and integrity. These values apply always and everywhere – and to all employees. We seek to foster a corporate culture in which responsible and morally irreproachable actions and striving for performance do not contradict but complement each other.

The principles of responsible business operations and sustainable development are expressed in our [Corporate Policy](#), which defines our general corporate philosophy and the conduct expected of every single employee in relation to our stakeholders in a total of eleven guidelines. The "[Code of conduct – Code for integrity and compliance at LANXESS](#)," which is applicable throughout the Group, requires all our employees – across all organizational units, regions and hierarchy levels – to behave lawfully and with integrity. The code covers issues such as human rights, anticompetitive behavior, anti-corruption, data protection, occupational, product and plant safety, and environmental protection. Furthermore, the LANXESS [Supplier Code of Conduct](#) is an important part of our communication with suppliers (see section "Our Suppliers" for details).

ALIGNMENT TO INTERNATIONAL STANDARDS AND FRAMEWORKS

The U.N. Global Compact is the world's biggest and most important initiative for responsible corporate governance. On the basis of ten universal principles, it pursues the vision of an inclusive and sustainable global economy that benefits all people, communities and markets. As a signatory, we acknowledge these principles to be an inalienable right. We again renewed our commitment to the U.N. Global Compact for the 2018 reporting year.

Responsible Care® is the name of the chemical industry's initiative to achieve progress in safety and environmental protection independently of legal requirements. By signing the Responsible Care® Global Charter, we have documented our commitment to the visions and ethical principles of this initiative launched by the International Council of Chemical Associations (ICCA). Our corporate directives ensure that the principles of the charter are integrated into our management principles and corporate strategy.

Among the internationally recognized principles of business activity to which we are committed are the employment standards of the International Labor Organization, an agency of the United Nations. These are aimed at ensuring compliance with globally recognized social standards and thereby improving the employment and living conditions of all people.

HUMAN RIGHTS

Due Diligence

At LANXESS, human rights and ethical principles apply without restriction, even if they are not stipulated in the legislation of individual countries. Our human rights commitment is implemented through several group-wide due diligence mechanisms, which are integrated into our general organizational structure and procedures. These mechanisms help us to identify and adequately manage potential human rights risks.

Identification of Human Rights Issues

A risk management system (RMS) has been established comprising all specific organizational measures in connection with the management of all risks – including human rights risks. A key component of the RMS is a group-wide process to systematically identify and evaluate from a group perspective relevant risks such as occupational safety. Our compliance management system (CMS), which is administered by the compliance organization, is another key component of the RMS with a focus on company-specific compliance risks. In this context, the compliance organization performs dedicated human rights risk assessments covering human rights areas, such as prevention of child and forced labor, third party contracted labor, or community impact. Since 2016 we have performed these assessments at a total of seven national companies (Brazil, China, Germany, India, Mexico, South Africa, and the U.S.). The assessments confirm that there is a high level of awareness of the subject and that functioning mechanisms have been established to prevent violations of human rights. Besides that, all organizational units at LANXESS are subject to regular internal audits, which include monitoring respect for human rights and – if necessary – the introduction of suitable measures to guarantee this.

To further increase both awareness for and knowledge on human rights issues in the scope of our operations, an interdisciplinary task force has been established that will take up its work in 2019. Goals include the definition of a common LANXESS ambition level in the field of human rights as well as the development of tools to create specific risk “heat maps” with regard to human rights issues.

Prevention and Mitigation

The primary responsibility for ensuring the observance of human rights at all times lies with all managers, who are supported by our compliance organization through additional measures to prevent and to mitigate human rights violations. Our Code of Conduct, which includes unambiguous instructions regarding the respect of human

rights is handed out together with the employment contract to every new employee and is also an aspect of general training measures. In addition, training sessions geared towards specific human rights issues are held. Furthermore, all acquisitions of companies or interests are subject to a careful due diligence process to ensure that human rights are also respected by the targeted company.

Tracking Effectiveness and Remediation Measures

To ensure effectiveness of the implemented measures and actions taken, human rights are integrated into our internal monitoring and reporting processes. LANXESS records incidents which occur despite the extensive prevention precautions in a worldwide electronic registration system. This data can be analyzed to introduce appropriate measures in risk areas and prevent recurrences.

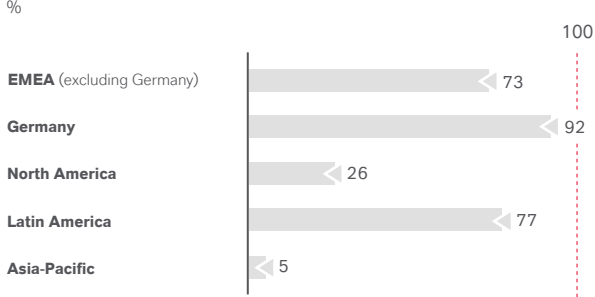
To report possible human rights violations, we have established several grievance mechanisms. Local compliance officers serve as point of contact in every country we operate in. The LANXESS Integrity Line and the Compliance Helpdesk provide employees and external third parties with various means of reporting potential human rights violations to the compliance organization – also anonymously if they wish. Information on grievance mechanisms is provided on our corporate website, on the LANXESS intranet as well as in our Code of Conduct. If violations are reported or identified, remediation actions will be implemented. In individual cases of verifiable compliance violations by employees, necessary disciplinary and employment-related action will be taken in addition to enforcing sanctions. Concerning our upstream activities, LANXESS addresses necessary corrective actions to the suppliers, if human rights issues are identified in audits. In the cases where no actions are taken to mitigate addressed issues, we evaluate the termination of the contractual relationship.

Labor Standards

Our employees are a key success factor and must be provided with adequate labor standards, in line with the employment standards of the International Labor Organization.

Our Group Function Human Resources is responsible for developing and implementing the necessary organizational measures to meet our commitments. We ensure that we offer our employees worldwide transparent, market-rate compensation, which also includes a variable compensation linked to the company's success. In order to ensure fair working hours, we track and monitor working hours through local time and attendance systems in many of our sites. We use flexible worktime models to make life easier, in particular for employees with families but also for older employees. LANXESS respects its employees' freedom of association and valid collective bargaining agreements. As of December 31, 2018, approximately 65% of our employees were covered by collective bargaining agreements.

Coverage of Collective Bargaining Agreements by Region



We regularly seek to engage in a dialogue with employee representative bodies in Germany, in Europe and around the world and involve these bodies in organizational changes at an early stage. Outside Europe, too, we give high priority to fair dealings with employees.

In some countries such as Germany, India, South Africa and the United States we employ temporary staff members. However, they only represent a small proportion of our workforce. The vast majority of temporary staff members is employed at our production sites and conducts skilled work. In Germany and at certain sites in India, for example, specific collective bargaining agreements for temporary work determine the compensation of temporary staff members. Where such agreements do not exist, we assure adherence to existing legislation or government guidelines concerning the respective minimum wages for different types of work (e.g. skilled, semi-skilled, unskilled).

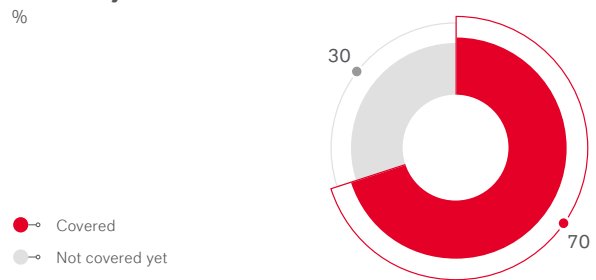
Our Suppliers

LANXESS conducts business in regions with an increased general risk of modern slavery such as Asia and some countries in Middle Africa. Concerning the goods groups purchased by LANXESS on a regular basis and in material volumes, an above-average general risk of child labor, forced labor and/or exploitation exists in the production of organic and inorganic raw materials as well as packaging materials. To address these risks we have implemented various measures to promote human rights along our entire value chain. For example, LANXESS has a global procurement directive in place which also lays down binding guidelines to safeguard human rights in our supplier selection process. In addition, our Supplier Code of Conduct defines requirements for our suppliers and service providers. Such requirements include ensuring the respect for human rights. Only suppliers who have accepted our Supplier Code of Conduct or have introduced their own comparable regulations and management systems in line with the U.N. Global Compact or who have submitted compliance declarations will be selected.

LANXESS is a founding member of the Together for Sustainability (TfS) initiative. The initiative, which is currently supported by 22 international chemicals companies with an accumulated purchasing volume of more than €300 billion, is aimed at assessing and continuously improving sustainability activities in

the chemicals industry supply chain. The focus here is on human rights, prevention of child labor, labor standards, occupational safety, environmental protection, and business ethics. Seven years after it was launched, TfS has established itself in the chemicals industry as the clear standard for a sustainable supply chain. The results of the assessments and audits performed by the members of TfS are shared within the initiative. As of the end of 2018, more than 9,000 sustainability assessments and around 1,200 audit reports were available to us. LANXESS makes an active contribution to increasing the number of audited suppliers, carries out targeted examination of the supplier portfolio in all key procurement markets and sets goals for the strategic purchasers to secure a sustainable supply chain. In our training program for strategic purchasers revised in 2018 (ProTrain), we also give much more attention to the topic of sustainability.

Share of Relevant Procurement Volume Covered by TfS Assessments



In fiscal 2018, we received no reports or other indications of human rights violations by our suppliers. The same applies to child labor and forced labor. Nevertheless, we strive to further improve our due-diligence mechanisms. In 2019, we will implement a systematic sustainability risk analysis that will also cover modern slavery and human trafficking issues. Taking account of risks in relation to specific goods groups and countries, we want to use this tool to identify suppliers with an increased sustainability risk. Our goal is to cover all suppliers by the end of 2019 and thus calculate a sustainability risk score for LANXESS for the first time. Starting from 2020, we then intend to initiate targeted measures to improve our suppliers' sustainability and thereby gradually lower our sustainability risk score. These measures could include, for example, TfS audits at suppliers with an increased risk.

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