

Corporate Governance

In this section, the Board of Management and Supervisory Board report on corporate governance at LANXESS pursuant to Section 3.10 of the German Corporate Governance Code. This section also contains the corporate governance statement pursuant to Section 289a of the German Commercial Code.

Corporate governance statement

Declaration by the Board of Management and the Supervisory Board of LANXESS AG pursuant to Section 161 of the German Stock Corporation Act regarding the German Corporate Governance Code

The Board of Management and Supervisory Board of LANXESS AG are committed to the principles of transparent and responsible corporate governance and control. They place high value on the standards of good corporate governance. On December 13, 2012, the Board of Management and Supervisory Board issued the following joint declaration pursuant to Section 161 of the German Stock Corporation Act:

I. Recommendations

Since the issuance of the last declaration of compliance on May 8, 2012, LANXESS AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code ("Government Commission") as amended on May 26, 2010, which were published on July 2, 2010 by the Federal Ministry of Justice in the official portion of the electronic version of the Federal Gazette, with the exception of the deviations from Section 4.2.3, Paragraph 4, Sentence 1 and Section 5.4.5, Sentence 2, as well as the meanwhile inapplicable deviation from Section 4.2.3, Paragraph 3, Sentence 3, as described in the declaration of May 8, 2012. LANXESS AG will henceforth comply with the recommendations of the Government Commission as amended on May 15, 2012, which were published on June 15, 2012, with the following exceptions:

1. Section 4.2.3, Paragraph 4, Sentence 1

In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract, including fringe benefits,

do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the contract.

The employment contracts for Board of Management members limit payments to a Board of Management member on premature termination of his contract, including fringe benefits, to two years' compensation, except in the event of a change of control. However, they do not contain the additional limitation that no more than the remaining term of the contract shall be compensated. The Supervisory Board does not consider it appropriate to base the absolute amount of any severance payment on the date of termination.

2. Section 5.4.5, Sentence 2

Members of the Management Board of a listed company shall not accept more than a total of three Supervisory Board mandates in non-group listed companies or in the supervisory bodies of non-group companies with comparable requirements.

Supervisory Board member Robert J. Koehler, Chairman of the Board of Management of SGL Carbon SE, is a member of the supervisory boards of three listed companies outside the SGL Carbon SE Group and holds one supervisory board mandate in a non-listed company outside the SGL Carbon SE Group with comparable requirements. However, we do not believe that this detracts from Mr. Koehler's ability to diligently perform his duties as a member of the LANXESS AG Supervisory Board.

II. Suggestions

In addition to its recommendations, the German Corporate Governance Code also contains a number of suggestions for efficient, responsible corporate governance, compliance with which is not required to be disclosed under the statutory provisions. LANXESS currently complies with these suggestions as well, with only a few exceptions.

In accordance with Section 3.10, Sentence 2 of the German Corporate Governance Code, the Board of Management and the Supervisory Board therefore voluntarily issue the following declaration:

Since the issuance of the last declaration of compliance on May 8, 2012, LANXESS AG has complied with the suggestions of the Government Commission as amended on May 26, 2010, which were published on July 2, 2010 by the Federal Ministry of Justice in the official portion of the electronic version of the Federal Gazette, with the following exceptions and will henceforth comply with the suggestions of the Government Commission as amended on May 15, 2012, which were published on June 15, 2012, with the following exceptions:

1. Section 2.3.3, Sentence 2, 2nd Half-Sentence

The Management Board shall arrange for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions; this representative should also be reachable during the General Meeting.

The representatives appointed by LANXESS AG to exercise stockholders' voting rights in accordance with instructions can be reached at the Stockholders' Meeting until the voting is held. Stockholders not attending the meeting can reach the representatives up to the previous evening.

2. Section 2.3.4

The company should make it possible for stockholders to follow the General Meeting using modern communication media (e.g. Internet).

The speech by the Chairman of the Board of Management to the Stockholders' Meeting is broadcast on the Internet. Continued broadcasting of the proceedings thereafter, particularly of contributions made by stockholders, could be seen as a violation of the stockholders' rights to privacy. For this reason, LANXESS does not plan to broadcast the further proceedings."

Shareholders can download the declaration of compliance from the company's website at any time.

Management practices above and beyond the legal requirements

LANXESS views compliance with laws and ethical principles as the basis of sustainable corporate governance. Our employees' integrity and awareness of their responsibilities are key factors in the success of our company. Compliance with laws, social responsibility, sustainable environmental protection, and occupational, plant and product safety are an essential part of our corporate culture. The Code for Legal Compliance and Corporate Responsibility at LANXESS, which is applicable throughout the Group, specifies minimum standards and gives employees advice and guidance on complying with these standards. This code can be viewed on our website at <http://www.lanxess.com/> under the menu item About LANXESS/Values & Visions.

An effective compliance management system has been established to implement the compliance code. This system was globally audited in 2012 by Deloitte & Touche GmbH, which applied the AuS 980 standard promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). The system was rated favorably, and there were no objections. Components of this system include

a compliance organization that is integrated into the overall LANXESS Group organization, risk identification and assessment, a compliance program (comprising directives, hotlines, training, knowledge sharing, compliance reporting and guidance on responding to observed breaches of compliance), and measures for monitoring the overall compliance situation within the LANXESS Group. The objective is to prevent breaches of compliance and to create and foster a culture of compliance. LANXESS does not tolerate breaches of compliance and enforces observance of the provisions of its compliance code.

As an international specialty chemicals enterprise, LANXESS bears a large degree of responsibility toward people and the environment. Our entrepreneurial activities reflect this sense of responsibility. Safety, environmental protection, social responsibility, quality and economic efficiency are all key corporate goals at LANXESS. The company's objective is sustainable, forward-looking development which meets the demands of economics, ecology and society in equal measure. The greatest benefits of our corporate responsibility activities are achieved if they are balanced with entrepreneurial and, especially, economic objectives. They must therefore be linked to our core business or to our available expertise. An overview of the implementation of corporate responsibility at LANXESS can be downloaded from the Sustainability pages of our website at <http://www.lanxess.com/>. Additionally, LANXESS joined the United Nations Global Compact initiative in July 2011 and has supported and consistently applied the Responsible Care® Global Charter adopted by the International Council of Chemical Associations (ICCA) since 2006.

LANXESS has supplemented German legislation prohibiting insider trading with a Group-wide insider directive. This defines rules of conduct for trading in the company's securities so that insider trading violations can be avoided. The names of persons with authorized access to insider information required for the performance of their professional duties are included in an insider register that is regularly updated. The directive also stipulates the reporting and disclosure obligations for transactions with LANXESS shares (directors' dealings).

Corporate policies on other important issues such as occupational safety and diversity are implemented throughout the Group on the basis of Board of Management initiatives. With its Diversity & Inclusion initiative, LANXESS aims to promote equal opportunity for employees and facilitate work/life balance. Additional information is available on our website at <http://www.lanxess.com/> under the menu item About LANXESS/Diversity & Inclusion.

Work of the Board of Management and Supervisory Board

LANXESS AG is a company established under the laws of Germany. One of the fundamental principles of German stock corporation law is the dual management system with the governing bodies of management board and supervisory board. This system is characterized by a clear separation between the management board as the body that manages a company and the supervisory board as the body that advises and oversees management. Concurrent membership on both boards is strictly prohibited. The management board and the supervisory board work closely together in a relationship of mutual trust for the benefit of the company.

The management board is appointed to manage and represent the company. It is responsible for conducting business in the company's interests with the goal of creating sustainable value. The principal tasks of the management board include defining the company's goals and strategic alignment, managing and overseeing the operating units, setting human resources policy, arranging the company's financing, and establishing an effective risk management system. It is also responsible for preparing the quarterly and half-year financial statements, the financial statements of LANXESS AG, the consolidated financial statements of the LANXESS Group and the combined management report for LANXESS AG and the LANXESS Group.

The Board of Management of LANXESS AG currently comprises four members. Information about the members of the Board of Management is available on our website at <http://www.lanxess.com/> under the menu item Investor Relations/Corporate Governance/Board of Management. The Chairman coordinates the work of the Board of Management. As a rule, Board of Management decisions are adopted with a simple majority. In the event of a tie, the Chairman has the casting vote. Resolutions of the Board of Management are generally passed at regularly held meetings. The rules of procedure for the Board of Management that are enacted by the Supervisory Board contain further regulations concerning the form of cooperation within the Board of Management, the allocation of duties and the matters requiring resolution by the full Board of Management. In deciding the composition of the Board of Management, the Supervisory Board gives consideration to professional suitability, leadership qualities and diversity.

The Supervisory Board's role is to advise the Board of Management in its management of the company and to monitor its conduct of the business. The Supervisory Board discusses business performance, planning and strategy at regular intervals. Its responsibilities also include appointing the members of the Board of Management as well as reviewing the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. The Supervisory Board reaches its decisions with a majority of the votes cast unless a different majority is stipulated by law. In the event of a tie, the Chairman of the Supervisory Board has two votes in a second ballot on the resolution, even if this also results in a tie. The German Codetermination Act contains special requirements concerning resolutions. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. Supervisory Board resolutions are usually adopted at regularly held meetings.

The Supervisory Board has issued its own rules of procedure, which, in addition to defining the tasks and responsibilities of the Supervisory Board and the personal qualifications of its members, establishes the processes for convening, preparing and chairing meetings as well as the procedures for voting.

The Board of Management reports to the Supervisory Board on a timely and comprehensive basis about the progress of business and the situation of the Group, including potential risks and relevant issues relating to corporate planning. The Supervisory Board has laid down the Board of Management's notification and reporting requirements in detail in its rules of procedure. The Chairman of the Board of Management regularly exchanges information with the Chairman of the Supervisory Board in order to discuss matters of strategy, planning, business performance, risks, risk management and compliance. Certain transactions and measures of major or long-term importance require the Supervisory Board's approval. Measures requiring approval include, but are not limited to: adoption of the corporate planning; the acquisition, sale or encumbrance of real property, shareholdings or other assets; borrowings and certain other types of financial transactions. Thresholds have been set for some of these transactions.

Composition of the Supervisory Board

The company's Supervisory Board is composed of twelve members, with equal numbers of stockholder representatives and employee representatives in accordance with the provisions of the German Codetermination Act of 1976. The stockholder representatives are elected by the Annual Stockholders' Meeting, whereas the employee representatives are elected in accordance with the provisions of the Codetermination Act and its electoral regulations. Supervisory Board members normally serve for a five-year term.

Gisela Seidel, Axel Berndt, Dr. Rudolf Fauss, Ulrich Freese, Thomas Meiers and Hans-Jürgen Schicker serve as the employee representatives on the Supervisory Board. The Annual Stockholders' Meeting of LANXESS AG held on May 28, 2010, elected Dr. Friedrich Janssen, Robert J. Koehler, Rainer Laufs, Dr. Ulrich Middelman, Dr. Rolf Stomberg and Theo H. Walthie as the stockholder representatives to the company's Supervisory Board. The Chairman of the Supervisory Board is Dr. Rolf Stomberg. The Vice Chairman is Ulrich Freese. Information about the members of the Supervisory Board is available on our website at <http://www.lanxess.com/> under the menu item Investor Relations/Corporate Governance/Supervisory Board.

Goals for the composition of the Supervisory Board

Section 5.4.1, Sentence 5 of the German Corporate Governance Code states that the concrete objectives of the Supervisory Board regarding its composition and the status of the implementation of these objectives are to be published in the Corporate Governance Report.

The members of the Supervisory Board of LANXESS AG are expected to possess the necessary expertise, skills and professional experience to perform their duties. The members of the Supervisory Board autonomously undertake the necessary training required for their tasks and are supported in their efforts by the company. In making nominations, the Supervisory Board applies only legally permissible and fair selection criteria, acts in the company's best interests, and gives consideration to the nominated candidates' integrity, commitment and independence.

The Supervisory Board of LANXESS AG should ensure the provision of impartial advice and supervision to the Board of Management. All current members of the Supervisory Board are independent. The

Supervisory Board assumes that the ability of the employee representatives on the Supervisory Board to act independently is not affected by their status as employees of the company or members of labor unions. No member of the Supervisory Board has a personal or business relationship with the company, its executive bodies, a controlling shareholder or any enterprise affiliated with a controlling shareholder that may cause a material and not merely temporary conflict of interests. No former member of the Board of Management of LANXESS AG is a member of the Supervisory Board. The Supervisory Board also aims for all future members of the Supervisory Board to be independent within the meaning of Section 5.4.2 of the German Corporate Governance Code and free of conflicts of interest.

An age threshold for members of the Supervisory Board is specified in the rules of procedure for the Supervisory Board. Supervisory Board members shall not serve past the end of the first Annual Stockholders' Meeting following their seventy-fifth birthday.

In general, the Supervisory Board should be guided by the principles of diversity in its composition. On the basis of their various personal and professional backgrounds, the members of the Supervisory Board contribute a broad spectrum of experience and skills. The global reach of LANXESS AG has been reflected in the composition of the Supervisory Board thus far and will remain a factor in selecting candidates to be proposed to the Annual Stockholders' Meeting for election to the Supervisory Board. In many cases, the experience and skills of the members of the Supervisory Board have been acquired while working abroad for a long period or in an international field. One member of the Supervisory Board is not a German citizen. The members of the Supervisory Board have professional knowledge of the chemical industry and other sectors that are important for the company's business.

With the election of stockholder and employee representatives in fiscal 2010, the composition of the Supervisory Board is essentially fixed for the current term ending in 2015. One of the twelve members currently serving on the LANXESS AG Supervisory Board is a woman. With a view to ensuring appropriate representation of women, the number of women serving on the Supervisory Board is to be increased. The Supervisory Board aims to have at least three women members of the Supervisory Board from the start of the next term. Stockholder and employee representatives to the Supervisory Board view it as their joint responsibility to ensure the appropriate representation of

women. They aim to work together in fulfilling this responsibility. Future nominations to the relevant bodies of candidates for membership of the Supervisory Board should support the attainment of this goal. In setting this goal, the Supervisory Board is assuming that it will be able to identify women candidates with the requisite professional and personal qualifications for election.

Composition and work of the Supervisory Board committees

The Supervisory Board has a Presidial Committee, an Audit Committee, a Committee pursuant to Section 27 (3) of the German Codetermination Act and a Nominations Committee formed from among its members.

The *Presidial Committee* discusses key issues and prepares the meetings and resolutions of the Supervisory Board. It makes decisions on transactions requiring approval that are already included in the company's annual planning. The Presidial Committee may also resolve on the exercise of participation rights pursuant to Section 32 of the German Codetermination Act and on transactions requiring approval that cannot be deferred. It consults regularly about long-term succession planning for the Board of Management. Furthermore, the Committee also prepares the personnel decisions to be made by the Supervisory Board and resolutions of the full Supervisory Board regarding the compensation of the members of the Board of Management. In place of the full Supervisory Board, the Presidial Committee resolves on the conclusion and amendment of employment contracts with the members of the Board of Management and all other contractual matters not pertaining to compensation. The members of the Presidial Committee are Dr. Stomberg (Chairman), Mr. Freese, Ms. Seidel, Mr. Schicker, Mr. Koehler and Dr. Middelmann.

The *Audit Committee* supports the Supervisory Board in overseeing the conduct of the business and deals with matters relating to the supervision of accounting, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as auditing, including the independence of the auditor and the work additionally performed by the auditor, and compliance. It prepares the Supervisory Board's resolutions concerning the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group and recommends an auditor whom the Supervisory Board then proposes to the Annual Stockholders' Meeting for appointment. The Chairman of the Audit Committee is an independent financial expert and has specialist knowledge and experience in the field of accounting acquired through his professional activities. The members of the Audit Committee are Dr. Janssen (Chairman), Mr. Berndt, Dr. Fauss, Mr. Meiers, Mr. Laufs and Mr. Walthie.

The Committee pursuant to Section 27 (3) of the German Codetermination Act performs the tasks described in Section 31 (3) of the German Codetermination Act. The members of this committee are Dr. Stomberg (Chairman), Mr. Freese, Mr. Schicker and Dr. Middelmann.

The *Nominations Committee* solely comprises stockholder representatives and proposes candidates for the Supervisory Board to nominate for election as new members of the Supervisory Board by the Annual Stockholders' Meeting. The members of this committee are Dr. Stomberg (Chairman), Dr. Janssen and Dr. Middelmann.

The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

Stockholders and stockholders' meetings

The stockholders of LANXESS AG exercise their rights at the Annual Stockholders' Meeting, where they can vote on the resolutions submitted. The Annual Stockholders' Meeting resolves on all matters reserved for its decision by law, with binding effect on the stockholders and the company. Each share confers one vote.

The items resolved on by the Annual Stockholders' Meeting include appropriation of the balance sheet profit, ratification of the actions taken by the members of the Board of Management and the Supervisory Board, appointment of the auditors and election of the stockholder representatives to the Supervisory Board. The Annual Stockholders' Meeting also resolves on amendments to the articles of association, measures affecting the company's capital and the approval of inter-company agreements. Each year there is an Annual Stockholders' Meeting at which the Board of Management and Supervisory Board give an account of the last fiscal year. The German Stock Corporation Act requires the convening of an Extraordinary Stockholders' Meeting in certain situations.

All stockholders who register in time and prove their eligibility to attend the Annual Stockholders' Meeting and exercise their voting rights shall be allowed to participate in the Annual Stockholders' Meeting. Stockholders may exercise their voting rights at the Annual Stockholders' Meeting in person, through a proxy of their own choosing or through a company-nominated proxy who acts according to their instructions.

Compensation report

The compensation report, which describes the compensation system and the amount of compensation paid to the members of the Board of Management and Supervisory Board for their service in fiscal 2012, is part of the combined management report for LANXESS AG and the LANXESS Group and can be found on page 111ff. of this Annual Report.

Risk management

Corporate governance also includes the responsible handling of business risks. Therefore, a systematic and effective risk management system is the basis for professional corporate governance. Our risk management system aims to identify risks and opportunities at an early stage and to steer and minimize the risks that materialize. It is subject to ongoing optimization and adaptation to changing conditions. The Board of Management informs the Supervisory Board about the existence and development of potential risks on a regular basis. The Audit Committee regularly reviews the effectiveness of the risk management, internal control and auditing systems. Further information is provided in the Risk Report on page 124ff.

Liability insurance

The company maintains a directors' and officers' (D&O) liability insurance that covers the activity of the members of the Board of Management and Supervisory Board. The suitable deductible required by Section 93 (2) of the German Stock Corporation Act has been agreed for members of the Board of Management, and the recommended deductible within the meaning of Section 3.8 of the German Corporate Governance Code has been agreed for the members of the Supervisory Board.

Reportable securities transactions

Pursuant to Section 15a (1) of the German Securities Trading Act (WpHG), the trading of securities by certain parties, including members of a management board or supervisory board, must be reported if the total sum of the transactions undertaken in any given calendar year equals or exceeds €5,000. Individuals who are closely related to these parties (e.g. spouses, registered partners and first-degree relatives) are also subject to this reporting requirement. Reportable securities transactions are published on the LANXESS website.

The total number of shares of LANXESS AG held by members of the Board of Management and Supervisory Board as of December 31, 2012 was less than 1% of all shares issued by the company.

Accounting and auditing

LANXESS AG prepares its consolidated financial statements and interim financial statements in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The separate financial statements of LANXESS AG for any given fiscal year ("financial statements") are prepared in accordance with the German Commercial Code (HGB). The financial statements, consolidated financial statements and combined management report are published, once adopted/approved by the Supervisory Board, within 90 days of the end of the fiscal year. The company's accounting for the 2012 fiscal year was audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("PwC"), the auditors chosen at the Annual Stockholders' Meeting held in 2012. PwC also reviewed the 2012 half-year financial report. The audits are conducted in accordance with German auditing regulations and in accordance with the generally accepted standards for auditing promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). It was agreed with the auditors that they would report to the Supervisory Board without delay concerning any possible grounds for their disqualification or bias as well as any significant findings or incidents that came to light during the audit.

Offices held by Board of Management members (as of December 31, 2012)

Member of the Board of Management	External offices	Offices within the LANXESS Group
Dr. Axel C. Heitmann Chairman of the Board of Management	<ul style="list-style-type: none"> • Member of the Presidium of the German Chemical Industry Association (VCI) • Member of the Asia-Pacific Committee of German Business (APA) • Member of the Board of Management and Presidium of OAV-German-Asia-Pacific Business Association • Member of the Advisory Board of NRW.Bank • Member of the Presidium of stiftung neue verantwortung • Member of the Executive Committee of the Stifterverband für die Deutsche Wissenschaft • Member of the Advisory Board of Goethe-Institut e.V. • Member of the Association of Friends of Philharmonie KölnMusik e.V. • Member of the Board of Trustees of Konvent für Deutschland e.V. 	<ul style="list-style-type: none"> • Chairman of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Board of Directors of LANXESS Chemical (China) Co. Ltd.
Dr. Werner Breuers Member of the Board of Management	<ul style="list-style-type: none"> • Member of the Supervisory Board of Currenta Geschäftsführungs-GmbH, Leverkusen • Member of the Supervisory Board of Messer Group GmbH, Bad Soden • Member of the Board of Trustees of the VCI's Chemical Industry Fund • Member of the Board of Trustees of the DWI of RWTH Aachen University • Member of the German Committee on Eastern European Economic Relations • Member of the Advisory Board of the Association for Chemistry & Economics (VCW) • Member of the Senate of the Deutsche Akademie der Technikwissenschaften • Member of the Board of Directors of the German American Chamber of Commerce 	<ul style="list-style-type: none"> • Member of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Supervisory Board of Saltigo GmbH • Chairman of the Supervisory Board of Aliseca GmbH • Chairman of the Board of Directors of LANXESS K.K. • Chairman of the Board of Directors of LANXESS International S.A. • Chairman of the Board of Directors of LANXESS Butyl Pte. Ltd.
Dr. Bernhard Düttmann Chief Financial Officer	<ul style="list-style-type: none"> • Member of the Supervisory Board of GfK SE, Nuremberg • Member of the Board of Directors of Deutsches Aktieninstitut (DAI) • Member of Gesellschaft für Finanzwirtschaft in der Unternehmensführung e.V. (GEFIU) 	<ul style="list-style-type: none"> • Member of the Executive Board of LANXESS Deutschland GmbH • Member of the Board of Directors of LANXESS Corp.
Dr. Rainier van Roessel Member of the Board of Management and Industrial Relations Director	<ul style="list-style-type: none"> • Member of the Board of the VCI Regional Association in North Rhine-Westphalia • Member of the VCI Trade Policy Committee • Member of the 1 b Experience-Exchange Group of the German Association for Personnel Management (DGFP) 	<ul style="list-style-type: none"> • Member of the Executive Board of LANXESS Deutschland GmbH • Chairman of the Board of Directors of LANXESS S.A. de C.V. • Executive member of the Board of Administration of LANXESS N.V. • Chairman of the Supervisory Board of Rhein Chemie Rheinau GmbH • Chairman of the Board of Directors of LANXESS Hong Kong Ltd. • Chairman of the Board of Directors of Holding Hispania S.L. • Chairman of the Board of Directors of LANXESS Chemicals S.L. • Chairman of the Board of Directors of LANXESS Corp. • Chairman of the Board of Directors of LANXESS Pte. Ltd. • Chairman of the Governing Board of LANXESS Srl. • Member of the Board of Directors of LANXESS Chemical (China) Co. Ltd. • Chairman of the Board of Directors of LANXESS India Private Ltd.

LANXESS AG Supervisory Board

Dr. Rolf Stomberg (Chairman)
<ul style="list-style-type: none"> Chairman of the Supervisory Board of LANXESS AG Former Chief Executive of the Shipping, Refining and Marketing Division of The British Petroleum Co. p.l.c., London, U.K. Former member of the Board of Directors of The British Petroleum Co. p.l.c., London, U.K.
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* (Chairman) Biesterfeld AG, Hamburg* HOYER GmbH, Hamburg KEMNA Bau Andraea GmbH & Co. KG, Pinneberg Smith & Nephew plc, London, U.K. (until April 30, 2012) OAO Severstal, Cherepovets, Russia Ruspetro plc, London, U.K.
Ulrich Freese (Vice Chairman)
<ul style="list-style-type: none"> Vice Chairman of the German Mining, Chemical and Energy Industrial Union, Hannover
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* (Vice Chairman) Vattenfall Europe Mining AG, Cottbus* (Vice Chairman) Vattenfall Europe Generation AG, Cottbus* (Vice Chairman) Vattenfall Europa GmbH, Berlin* (Vice Chairman) 50Hertz Transmission GmbH, Berlin* (Vice Chairman, until November 30, 2012) DMT GmbH, Essen* (Vice Chairman) Vivawest Wohnen GmbH, Essen* (Vice Chairman) Vivawest GmbH, Essen (Vice Chairman) GSB – Gesellschaft zur Sicherung von Bergmannswohnungen mbH, Essen (Vice Chairman) GSG Wohnungsbau Braunkohle GmbH, Cologne (Vice Chairman)
Axel Berndt
Member of the Works Council at the Leverkusen site
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* Aliseca GmbH, Leverkusen*
Dr. Rudolf Fauss
<ul style="list-style-type: none"> Head of Central Functions in the HR Services Germany Group Function Chairman of the LANXESS AG Group Managerial Employees' Committee Chairman of the LANXESS Managerial Employees' Committee
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen*
Dr. Friedrich Janssen
Former member of the Board of Management of E.ON Ruhrgas AG, Essen
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* National-Bank AG, Essen* E.ON Avacon AG, Helmstedt* E.ON Energy Trading SE, Düsseldorf* E.ON Hanse AG, Quickborn* E.ON Ruhrgas AG, Essen* Stadtwerke Göttingen AG, Göttingen* HDI-Gerling Sach Serviceholding AG, Hannover Thüga Assekuranz Services München Versicherungsmakler GmbH, Munich Hoberg & Driesch GmbH, Düsseldorf

Robert J. Koehler
Chairman of the Board of Management of SGL Carbon SE, Wiesbaden
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* Heidelberger Druckmaschinen AG, Heidelberg* (Chairman) Klöckner & Co. SE, Duisburg* Benteler International AG, Salzburg, Austria (Chairman) SGL Carbon S.p.A., Lainate, Milan, Italy SGL Carbon SDN BHD, Banting, Malaysia SGL Carbon S.A., La Coruña, Spain

Rainer Laufs
<ul style="list-style-type: none"> Self-employed consultant Former Chairman of the Management Board of Deutsche Shell AG, Hamburg
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* WCM Beteiligungs- und Grundbesitz AG, Frankfurt am Main* (Chairman) Petrotec AG, Düsseldorf* (Chairman) Bilfinger Industrial Services GmbH, Munich Bilfinger Industrial Technologies GmbH, Frankfurt am Main

Thomas Meiers
District Secretary of the German Mining, Chemical and Energy Industrial Union, Cologne
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* INEOS Deutschland Holding GmbH, Cologne* INEOS Köln GmbH, Cologne*

Prof. h.c. (CHN) Dr.-Ing. E.h. Dr. Ulrich Middelman
Former Vice Chairman of the Executive Board of ThyssenKrupp AG, Duisburg/Essen
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen* Deutsche Telekom AG, Bonn* Commerzbank AG, Frankfurt am Main* Hoberg & Driesch GmbH, Düsseldorf (Chairman)

Hans-Jürgen Schicker
Chairman of the Works Council at the Uerdingen site
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen*

Gisela Seidel
Chairman of the Works Council at the Dormagen site
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen*

Theo H. Walthie
Self-employed consultant
Further offices: <ul style="list-style-type: none"> LANXESS Deutschland GmbH, Leverkusen*

The information about offices held refers to memberships of other supervisory boards and comparable supervisory bodies of companies in Germany and abroad (as of December 31, 2012).

Report of the Supervisory Board



Dear Stockholders,

2012 marked another very successful year for LANXESS. The company achieved new sales and earnings records despite an extremely challenging economic climate in the second half of the year. Thanks to the corporate strategy of focusing on sustainable growth, the stock also posted gains, culminating in the company's admission to Germany's lead index, the DAX. Although conditions were more volatile, the clear focus on global growth markets in the three main business areas contributed to the company's very gratifying performance.

During the reporting year, the Supervisory Board duly and fully performed the tasks and duties incumbent upon it under the law, the articles of association and the rules of procedure for the Supervisory Board. It advised the Board of Management regularly on the management of the company and monitored its work.

The Supervisory Board was directly involved in all decisions of fundamental importance for the company. The Board of Management informed us regularly and in good time in detailed written and oral reports about business performance, the situation of the Group, including the risk situation, strategic development and current issues. On the basis of these reports, we discussed significant business transactions in detail. We thoroughly examined the reports and the resolutions proposed by the Board of Management and discussed them at length in meetings of the full Supervisory Board and its committees. If the law, articles of association or other provisions required the Supervisory Board to approve the actions of the Board of Management, we discussed these actions and adopted resolutions on them.

The Chairman of the Supervisory Board, the Chairman of the Board of Management and the other members of the Board of Management were in regular contact outside of the Supervisory Board's meetings. We regularly discussed the present state of the company, matters of strategy, planning, business performance, risks, risk management and compliance, as well as material events.

Focus of deliberations by the Supervisory Board

The Supervisory Board met a total of six times in fiscal 2012.

We regularly discussed the sales and earnings performance of the company and its segments, as well as the financial condition. Additionally, the Board of Management kept us updated about the overall state of the economy, the situation in the chemical industry, the performance of LANXESS stock, and investment and acquisition plans. Other important issues addressed by the Supervisory Board are presented below.

The focus of the Supervisory Board meeting held in March was the review of the financial statements and consolidated financial statements for fiscal 2011, the proposal for use of the distributable profit, and preparation of the motions for resolution by the Annual Stockholders' Meeting. The Supervisory Board also dealt at length with issues relating to corporate governance and approved the execution of additional financing agreements. The Board of Management reported on the successfully completed integration into the Group of a recent acquisition. With regard to human resources issues, the Supervisory Board adopted the necessary resolutions concerning the attainment of performance targets for variable compensation components and the granting of a performance bonus to the members of the Board of Management.

At the meeting in May, the Supervisory Board approved a partial adjustment of the conditions defined in December 2011 for the Board of Management's variable compensation components for fiscal 2012 in order to provide added incentive for the members of the Board of Management. It also approved a related update of the declaration of compliance. In addition, the Board of Management reported on the company's current innovation projects. We were given information about the Board of Management's Diversity & Inclusion initiative, including the announcement of a very specific target for the proportion of women in management roles.

At the meeting that took place immediately prior to the Annual Stockholders' Meeting, the Board of Management reported on the status of preparations for the relocation of company headquarters to Cologne.

In August, the Supervisory Board approved the construction of a production plant for EPDM rubber in Changzhou, China. It also adapted its rules of procedure to reflect changes made to the German Corporate Governance Code.

At the meeting in late October, the Board of Management reported to us on the company's control, risk management and auditing systems. It also presented an ongoing Group-wide initiative on occupational, process and plant safety. In addition, the Supervisory Board approved the placement of a long-term €500 million Eurobond.

At its December meeting, the Supervisory Board reviewed in full and reached a decision on the corporate planning for 2013 as proposed by the Board of Management. It also discussed the company's strategic alignment and capital expenditure policy and dealt with issues relating to corporate governance. Lastly, we defined the conditions for the Board of Management's variable compensation components for fiscal 2013.

All members of the Supervisory Board and its committees performed their duties diligently and conscientiously. The Supervisory Board's meetings in 2012 were attended by all members, with the exception of one meeting at which one of the twelve members was absent. Committee meetings were attended by all members, with the exception of one meeting that two members were unable to attend. The stockholder representatives and employee representatives to the Supervisory Board worked together in a spirit of trust. They regularly held separate meetings at which they prepared the meetings of the full Supervisory Board.

Work of the committees

The Supervisory Board has four committees. The membership of these committees is shown on page 140. The committees are tasked with preparing the topics and resolutions to be discussed at meetings of the full Supervisory Board. They also, at times, exercise decision-making powers conferred on them by the Supervisory Board.

The Audit Committee met four times during the year. It dealt in particular with the financial statements and management report of LANXESS AG for fiscal 2011, the consolidated financial statements and Group management report for fiscal 2011, the interim reports issued during fiscal 2012, and the condensed consolidated financial statements and interim management report included in the 2012 half-year financial report. It also extensively reviewed the risk management and internal control systems. Other topics discussed were the significant findings by the internal audit department, corporate planning, corporate governance, compliance, tax matters, accounting-related topics, strategies for IT security and the determination of the principal areas of focus for the audit of the 2012 financial statements. The external auditor attended three of the Audit Committee's four meetings and reported on the auditing activities.

The Presidial Committee convened five times during 2012 to prepare the meetings of the Supervisory Board and to discuss personnel issues. A chief focus of its deliberations was the preparation of the decisions to be reached by the full Supervisory Board concerning the Board of Management's variable compensation components.

The Committee formed pursuant to Section 27 (3) of the German Codetermination Act and the Nominations Committee did not convene in fiscal 2012.

The chairmen of the committees each reported on the meetings and the work of the committees at the meetings of the full Supervisory Board.

Corporate governance and declaration of compliance

In the year under review, the Supervisory Board discussed the German Corporate Governance Code (the Code) and its further development arising from the amendments of May 15, 2012. In connection with the Code's recommendations, we extensively reviewed and defined goals for the composition of the Supervisory Board, which are discussed on page 139 of this Annual Report. No conflicts of interest on the part of Supervisory Board members became known last year.

Stockholders can download the joint declaration of compliance by the Board of Management and Supervisory Board pursuant to Section 161 of the German Stock Corporation Act from the company's website at any time. As expressed in the declaration, LANXESS AG complies with the Code's recommendations and suggestions except in a few justified cases. More information about corporate governance can be found in the section on corporate governance starting on page 136 of this Annual Report.

Financial Statements of LANXESS AG and Consolidated Financial Statements of the LANXESS Group

The Board of Management of LANXESS AG prepared the financial statements for the 2012 fiscal year in accordance with the rules of the German Commercial Code, the consolidated financial statements for fiscal 2012 in accordance with the International Financial Reporting Standards (IFRS) and the combined management report for 2012. These were all audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, the auditor appointed by the Annual Stockholders' Meeting and engaged by the Supervisory Board. The auditor issued an unqualified opinion in each case.

The Supervisory Board satisfied itself of the independence of the auditor and the persons acting on the auditor's behalf.

The audit reports and the documents relating to the financial statements were discussed at length with the Board of Management and the auditor at the Audit Committee meeting held on March 14, 2013. They were also discussed in detail on the basis of the required documents and notes at the Supervisory Board's financial statements meeting held on March 19, 2013. The responsible auditor was present for the discussions concerning the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. He reported on the material results of the audits. He was also available to the Audit Committee and full Supervisory Board to provide additional information.

Based on the recommendation of the Audit Committee as well as on its own review and in-depth discussions about the financial statements of LANXESS AG, the consolidated financial statements of the LANXESS Group, the combined management report and the proposal for appropriation of the profit, the Supervisory Board endorsed the auditor's conclusions and had no objections to raise. The Supervisory Board has approved the financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group, which were prepared by the Board of Management. We endorsed the Board of Management's proposal for use of the distributable profit after close examination and extensive deliberations that carefully weighed the best interests of the company and the stockholders.

The Supervisory Board thanks the Board of Management, all of the Group's employees and the employee representatives for their enormous dedication and tremendous work.

Leverkusen, March 19, 2013

The Supervisory Board

Dr. Rolf Stomberg

Chairman