

## 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.