

# About this Report

## Reporting methodology and data collection

The full report made here is aligned to national and international standards for financial and sustainability reporting: the International Financial Reporting Standards (IFRS), the Global Reporting Initiative (GRI) and the principles of the Global Compact. It thus combines financial and sustainability reporting by the LANXESS Group.

The reporting period is 2012. In compiling the data, we applied the principles of balance, comparability, accuracy, timeliness, clarity and reliability. The report covers the Group companies that are included in the consolidated financial statements.

Safety and environmental protection data are collected only at those production sites in which LANXESS has a holding of more than 50 percent. The lost time injury frequency rate (LTIFR), known as MAQ (injuries for every million hours worked) in Germany, applies to all sites in which LANXESS has a holding of more than 50 percent. On account of their recent acquisition by the LANXESS Group, the following sites are not yet included: Little Rock and Gastonia, United States, and Brilon, Germany. In the case of other indicators which do not refer to the LANXESS Group, the areas of scope are explicitly defined in the report.

We use a proprietary electronic system for the systematic global recording of key performance indicators (KPIs) in the areas of safety and environmental protection. With regard to data collection, we have additionally taken the following recommendations into consideration: Greenhouse Gas Protocol (GHG Protocol), International Energy Agency (IEA). We use the global HR productive system to collect HR data worldwide.

## GRI

For the first time, we have produced the report in accordance with GRI Guidelines. The GRI Guideline we used is G3.1 issued in March 2011, which includes more than 120 indicators that describe the company, its sustainability information and the report itself. In future, reporting in line with GRI is to be done on an annual basis.

In the GRI Content Index, we list which criteria from the current GRI Guideline are addressed in the LANXESS Annual Report 2012. In addition to the disclosures contained in this report, supplementary information can be found on the LANXESS Group website. Our disclosures have been made in accordance with GRI Application Level B. This has been confirmed by the Global Reporting Initiative in the context of an audit (B+). To ensure the quality of the data, PricewaterhouseCoopers has audited selected indicators with limited assurance. These are identified accordingly in the report.



## Statement GRI Application Level Check

GRI hereby states that **LANXESS AG** has presented its report "Thinking sustainably, driving change" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 5 March 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because LANXESS AG has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 25 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

# HSEQ: Independent Assurance Report

## Independent Assurance Report

The review performed by PwC relates exclusively to the German print version of the CR Report. The following text is a translation of the original German Independent Assurance Report.

To LANXESS AG, Leverkusen

We have been engaged to perform a limited assurance engagement for selected environmental and safety performance data including supplementing annotations for the period January 1, 2012 to December 31, 2012. These data can be found in the “Environmental and Safety Performance Data” table in the “Health, safety, environment and climate protection along the value chain” section of the “Corporate Responsibility” chapter in the Annual Report 2012 of LANXESS AG, Leverkusen (hereinafter LANXESS).

## Management’s Responsibility

The Board of Management of LANXESS is responsible for the preparation of the “Corporate Responsibility” chapter in the Annual Report 2012 in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7–17) of the Global Reporting Initiative (GRI):

- Materiality
- Stakeholder Inclusiveness
- Sustainability Context
- Completeness
- Balance
- Clarity
- Accuracy
- Timeliness
- Comparability
- Reliability

This responsibility includes the selection and application of appropriate methods to prepare the environmental and safety performance data as well as the use of assumptions and estimates for individual environmental and safety performance data which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the “Corporate Responsibility” chapter in the Annual Report 2012.

## Practitioner’s Responsibility

Our responsibility is to express a conclusion based on our work performed as to whether any matters have come to our attention that cause us to believe that the selected environmental and safety performance data in the “Health, safety, environment and climate protection along the value chain” section of the “Corporate Responsibility” chapter in the Annual Report 2012 of Lanxess have not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 of the GRI. The environmental and safety performance data subject to our procedures are marked with c). We also have been engaged to make recommendations for the further development of CR management and CR reporting based on the results of our assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to express our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement (for example, an audit of financial statements in accordance with § (Article) 317 HGB (“Handelsgesetzbuch”: German Commercial Code), and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on the practitioner’s judgement.

We have performed procedures at the headquarters of LANXEES AG, Leverkusen, as well as in site visits to production plants in Leverkusen, Dormagen and Krefeld-Uerdingen in Germany, Jhagadia in India and Sarnia in Canada and in web-exchange based telephone interviews with ten additional production sites.

Within the scope of our work we performed amongst others the following procedures:

- Interviews with employees who are responsible for reporting the environmental and safety performance data regarding the processes and controls in place when collecting the environmental and safety performance data.
- Inventory of the processes and inspection of the systems and processes that are implemented to collect, calculate, analyze, verify and aggregate the environmental and safety performance data as well as sample testing.
- Analytical evaluations of the environmental and safety performance data based on samples.
- Review of internal documents, contracts and invoices/reports of external services providers.

## Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the selected environmental and safety performance data in the “Environmental and Safety Performance Data” table in the “Health, safety, environment and

climate protection along the value chain” section of the “Corporate Responsibility” chapter in the Annual Report 2012 for the period January 1, 2012 to December 31, 2012 have not been prepared, in all material respects, in accordance with the criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7–17) of the GRI.

## Emphasis of Matter – Recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of CR management and CR reporting:

- Further development of the reporting processes as well as the control environment based on consistent standards in order to ensure stable processes and high data quality.
- Increased frequency of data collection in order to continuously improve quality for the purpose of data management and reporting.

Cologne, February 27, 2013

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Bernd Boritzki  
Wirtschaftsprüfer  
(German Public Auditor)

Hendrik Fink  
Wirtschaftsprüfer  
(German Public Auditor)

# GRI Content Index

GRI Indicators	Location	Explanation	Status
<b>1. Strategy and analysis</b>			
1.1	Foreword by the Chairman of the Board of Management	pp. 4–7	■
1.2	Key impacts, risks and opportunities	p. 14, pp. 127–133	■
<b>2. Organizational profile</b>			
2.1	Name of the organization	LANXESS AG	■
2.2	Primary brands, products or services	Segment overview, inside front cover; p. 80	■
2.3	Operational structure, business units	p. 79, pp. 165–167	■
2.4	Location of the organization's headquarters	Leverkusen, Germany	■
2.5	Countries where the organization operates	pp. 80–81, <a href="http://lanxess.com/en/corporate/about-lanxess/sites-worldwide/">http://lanxess.com/en/corporate/about-lanxess/sites-worldwide/</a>	■
2.6	Nature of ownership and legal form	p. 79	■
2.7	Markets	pp. 91–94, p. 119	■
2.8	Scale of the organization	Table of key data, inside front cover	■
2.9	Significant changes in the organization's size, structure or ownership	p. 79, pp. 165–167	■
2.10	Awards received in the reporting period	p. 27, p. 29, p. 41	■
<b>3. Report parameters</b>			
3.1	Reporting period	p. 202	■
3.2	Date of most recent previous report	First report in accordance with GRI Guidelines	■
3.3	Reporting cycle	p. 202	■
3.4	Contact point regarding the report	Masthead	■
3.5	Process of defining report content	pp. 39–40	■
3.6	Boundary of the report	pp. 165–167, p. 202	■
3.7	Limitations on the scope or boundary of the report	p. 202	■
3.8	Joint ventures, subsidiaries, outsourced operations	pp. 156–157, p. 202	■
3.9	Data measurement techniques and the bases of calculations	p. 59, pp. 163–164, p. 202	■
3.10	Effects of any re-statements of information provided in earlier reports	pp. 58–59, p. 156	■
3.11	Changes in the scope, boundary or measurement methods applied in the report	p. 79, pp. 165–167	■
3.12	GRI Content Index	pp. 206–211	■
3.13	External assurance for the report	pp. 204–205	■

GRI Indicators	Location	Explanation	Status
<b>4. Governance, commitments and engagement</b>			
4.1	Governance structure of the organization	pp. 36–37	■
4.2	Independence of the Chairman of the Supervisory Board	p. 138	■
4.3	Independent members of highest governance body	Not applicable, see p. 138	■
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	p. 44, p. 72, p. 109, p. 140	■
4.5	Linkage between compensation for members of the highest governance and management bodies and the organization's performance	pp. 48–49, pp. 111–113	■
4.6	Processes in place to ensure conflicts of interest are avoided	pp. 37–38	■
4.7	Qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics	pp. 8–9, <a href="http://lanxess.com/en/corporate/about-lanxess/management/board-of-management/">http://lanxess.com/en/corporate/about-lanxess/management/board-of-management/</a>	■
4.8	Mission, values, codes of conduct and principles	pp. 36–38, p. 122	■
4.9	Procedures of the highest governance body for overseeing the organization's economic, environmental and social performance	pp. 13–14, pp. 36–38	■
4.10	Processes for evaluating the highest governance body's own performance with respect to economic, environmental and social performance	pp. 111–113	■
4.11	Explanation of how the precautionary principle is addressed	pp. 120–121, pp. 126–127	■
4.12	Participation in and endorsement of externally developed economic, environmental, and social charters, principles or other initiatives	pp. 38–39	■
4.13	Important memberships	pp. 38–39	■
4.14	List of stakeholder groups	p. 39	■
4.15	Basis for identification of stakeholder groups	pp. 39–40	■
4.16	Engagement of stakeholder groups	pp. 39–40, pp. 44–45	■
4.17	Response to key topics and concerns raised by stakeholder groups	pp. 39–40, pp. 44–45	■
<b>Economic performance indicators</b>			
	Management approach	pp. 12–17, pp. 62–65	
EC1	Direct economic value generated and distributed	p. 99, p. 106, p. 107, p. 150, p. 153	■
EC2	Financial implications of climate change	pp. 13–17	■
EC3	Coverage of the organization's defined-benefit plan obligations	pp. 48–49, p. 107	■
EC4	Financial assistance received from government		■
EC6	Selection of locally based suppliers	p. 117	□
EC7	Hiring of local human resources	p. 43, p. 45	■
EC8	Infrastructure investments and services provided primarily for public benefit	p. 43, pp. 62–65	■

GRI Indicators		Location	Explanation	Status
<b>Environmental performance indicators</b>				
	Management approach	pp. 36–37, pp. 50–54, pp. 60–61		
EN1	Materials used by weight or volume	p. 117		□
EN2	Percentage of materials used that are recycled input materials		Not relevant as LANXESS cannot use any significant quantities of recycled input materials in the manufacture of its products.	■
EN3	Direct energy consumption by primary energy source	pp. 58–59		■
EN4	Indirect energy consumption by primary source	pp. 58–59		■
EN5	Energy saved due to conservation and efficiency improvements	p. 27, pp. 54–55		□
EN6	Initiatives to increase energy efficiency or based on renewable energies	pp. 21–25, p. 32, <a href="http://green-mobility.com/en/home/">http://green-mobility.com/en/home/</a>		■
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	p. 27, pp. 54–55		□
EN8	Total water withdrawal by source	pp. 57–59		■
EN11	Land in or adjacent to protected areas	pp. 53–54		□
EN12	Impacts on biodiversity in protected areas	pp. 53–54		■
EN13	Habitats protected or restored	pp. 53–54		■
EN14	Strategies for managing impacts on biodiversity	pp. 53–54		□
EN15	Impacts on threatened species	pp. 53–54		□
EN16	Direct and indirect greenhouse gas emissions by weight	pp. 55–56, pp. 58–59		■
EN17	Other relevant greenhouse gas emissions by weight	p. 56		□
EN18	Initiatives to reduce greenhouse gas emissions	p. 32, pp. 55–56		■
EN19	Emissions of ozone-depleting substances by weight	pp. 58–59		■
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other air emissions by type and weight	pp. 58–59		■
EN21	Total water discharge	pp. 58–59		■
EN22	Quantity of waste by type and disposal method	pp. 57–59		■
EN23	Total number and volume of significant spills		<ol style="list-style-type: none"> <li>When returning a plant to operation at the Marl site, a leakage of hexane occurred at a weld seam below the separation tank.</li> <li>When restarting the chlorine compressor at the Dormagen site, a release of chlorine occurred. A maximum of 250 kilograms of chlorine escaped.</li> <li>In Antwerp, 2.5 tons of cyclohexyl amine were released inside a building when starting a batch.</li> </ol> <p>In all cases, the necessary legal and safety engineering measures were taken.</p>	■
EN26	Initiatives to mitigate environmental impacts	p. 23, pp. 29–30, p. 33, p. 53, p. 57, <a href="http://lanxess.com/en/corporate/sustainability-home/mission-water-sustainability/">http://lanxess.com/en/corporate/sustainability-home/mission-water-sustainability/</a>		■
EN27	Reclaiming of packaging materials			■
EN28	Fines for non-compliance with environmental laws and regulations			■
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	p. 56		■

GRI Indicators	Location	Explanation	Status
<b>Labor practices and decent work</b>			
	Management approach	pp. 36–37, p. 41, pp. 60–61	
LA1	Total workforce by employment type, region and gender	p. 45, p. 107	■
LA2	Employee turnover by age group, gender and region	pp. 41–42, pp. 107–108	■
LA3	Benefits provided to full-time employees	pp. 48–49, p. 109	■
LA4	Employees covered by collective bargaining agreements	p. 49, p. 109	■
LA5	Minimum notice periods regarding significant operational changes	p. 49, p. 109	■
LA6	Workforce representation in health and safety committees	p. 48	■
LA7	Injuries, occupational diseases and work-related accidents	p. 51, pp. 58–59, p. 110	□
LA8	Measures regarding serious diseases	pp. 47–48, pp. 50–51	□
LA9	Health and safety topics covered in formal agreements with trade unions	p. 48	■
LA10	Hours of training per employee	pp. 43–44	□
LA11	Programs for skills management and lifelong learning	pp. 43–44, p. 46	■
LA12	Percentage of employees receiving regular performance and career development reviews	p. 43, p. 48	□
LA13	Composition of governance bodies	pp. 8–9, p. 47, p. 143	□
LA14	Ratio of basic salary and remuneration of women to men		■
LA15	Take-up of parental leave, by gender	p. 47	■

GRI Indicators	Location	Explanation	Status
<b>Human rights</b>			
	Management approach	pp. 36–38, p. 41, pp. 45–47, p. 109, p. 117	
HR1	Investment agreements and contracts that include human rights clauses or that have undergone human rights screening	All acquisitions of companies or interests in companies are subject to a careful due diligence process to ensure that human rights are also respected by the target company. Significant suppliers of goods and services are regularly the subject of supplier assessments that include aspects such as compliance with our Supplier Code of Conduct, which also covers human rights. In fiscal 2012, we received no reports or other indications of human rights violations by our suppliers.	■
HR2	Percentage of suppliers and contractors that have undergone human rights screening	p. 39, p. 117	■
HR3	Employee training on human rights aspects	We do not implement training dedicated to the topic of human rights. In our view, the principles set forth in human rights are so firmly anchored in LANXESS's corporate culture that no further training appears to be necessary. There was no statistical measurement of the amount of time devoted to the topic of human rights in general compliance training.	■
HR4	Incidents of discrimination and actions taken	We have received no reports or information that LANXESS systematically discriminates employees in terms of race, color, age, gender, sexual orientation, ethnic origin, religion, disability, labor union membership or political opinion. In individual cases, misconduct by employees in respect of colleagues or third parties was reported. We will never tolerate such misconduct, if verifiable, and it will always result in disciplinary sanctions up to and including dismissal. Such incidents are processed decentrally at LANXESS and there is no central reporting system.	■
HR5	Violation of the right to exercise freedom of association or collective bargaining		■
HR6	Principles and measures to eliminate child labor	The LANXESS Group does not use child labor. By accepting our Supplier Code of Conduct, suppliers also undertake not to use child labor. Significant suppliers of goods and services are regularly the subject of supplier assessments that include aspects such as compliance with our Supplier Code of Conduct. We have received no reports or other indications of the use of child labor by our suppliers.	■
HR7	Principles and measures to eliminate forced or compulsory labor	The LANXESS Group does not use forced or compulsory labor. By accepting our Supplier Code of Conduct, suppliers also undertake not to use forced or compulsory labor. Significant suppliers of goods and services are regularly the subject of supplier assessments that include aspects such as compliance with our Supplier Code of Conduct. We have received no reports or other indications of the use of forced or compulsory labor by our suppliers.	■
HR8	Security personnel training	LANXESS does not employ its own security personnel at its sites but procures security services from specialized external providers. They, like all our suppliers, are subject to our Supplier Code of Conduct, which also covers human rights.	■
HR9	Violations involving rights of indigenous people	In fiscal 2012, we received no reports or other indications of cases involving the violation of indigenous rights.	■
HR10	Operations that have been subject to human rights reviews and/or impact assessments	Our Compliance Management System (CMS) covers all of LANXESS's business activities. Like all LANXESS's business entities, the CMS itself is subject to internal and external audits. On account of the full integration of our CMS in the LANXESS organization, all business activities are subject to permanent compliance monitoring, which also covers the respect of human rights.	■
HR11	Number of grievances related to human rights filed	In fiscal 2012, we received no reports or other indications of grievances related to human rights.	■

GRI Indicators	Location	Explanation	Status
<b>Society</b>			
	Management approach	pp. 37–38, p. 40, pp. 62–65, <a href="http://lanxess.com/en/corporate/about-lanxess/public-affairs/">http://lanxess.com/en/corporate/about-lanxess/public-affairs/</a>	
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs	pp. 62–65	■
SO2	Business units analyzed for risks related to corruption		■
		The analysis and monitoring of risks related to corruption are the responsibility of our Internal Auditing Group Function. Various analytical approaches and scopes are applied: 1) Assessment of the risk of exposure to corruption and general monitoring of the internal control system: all business units 2) Transaction monitoring to ensure compliance with company regulations with an influence on the prevention of corruption in the standard SAP system: approximately 80% of all transactions 3) Dedicated corruption scans in six countries which Transparency International deems to be particularly at risk: approximately 20% of all transactions	
SO3	Percentage of employees trained in anti-corruption policies and procedures		■
		LANXESS applies a risk-oriented training concept. Corruption training targets exposed professional groups and countries. The proportion of employees from the total workforce who have received classroom-based training is around 15%.	
SO4	Actions taken in response to incidents of corruption		■
		In fiscal 2012, we received no reports or other indications of cases of active corruption by LANXESS employees. In individual cases of verifiable corruption of LANXESS employees (passive corruption), we take disciplinary action (usually dismissal) and, if the legal chances of success are high enough, initiate civil damage claims (damages and criminal litigation). In fiscal 2012, we recorded nine cases of passive corruption.	
SO5	Public policy positions and lobbying	p. 40, <a href="http://lanxess.com/en/corporate/about-lanxess/public-affairs/">http://lanxess.com/en/corporate/about-lanxess/public-affairs/</a>	■
SO8	Penalties for non-compliance with laws and regulations		■
SO9	Operations with significant potential or actual negative impacts on local communities	pp. 53–56, p. 129	■
SO10	Prevention and mitigation measures implemented	pp. 29–30, pp. 53–54	■
<b>Product responsibility</b>			
	Management approach	pp. 37–38, pp. 50–53	
PR1	Health and safety impacts during product life cycles	pp. 50–53, p. 117, pp. 119–122	■
PR3	Type of product and service information required by legislation	pp. 51–53	■
PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information		■
		At the present time, neither our compliance organization nor the Internal Auditing Group Function yet has a system for recording such cases. We met the labeling and reporting deadlines resulting from the REACH and GHS regulations for all affected substances in our portfolio.	
PR5	Customer satisfaction including results of surveys measuring customer satisfaction	p. 40	■
PR6	Programs for adherence to laws, standards and voluntary codes related to advertising		■
		Our communication and marketing activities comply with the relevant laws and regulations, our corporate values and the Code for Legal Compliance and Corporate Responsibility at LANXESS. The same applies to product marketing and advertising.	
PR8	Complaints regarding breaches of customer privacy and losses of customer data		■
		In fiscal 2012, we received no reports or other indications of complaints regarding breaches of customer privacy and losses of customer data.	
PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services		■