

**Policy
Taxation at LANXESS**

LANXESS AG

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Scope: LANXESS Group



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Approach

LANXESS believes a responsible approach to the management and control of taxation is an integral part of doing sustainable business in a robust, well-functioning society. Taxes are a crucial element enabling governments to deliver key services to society such as health, education, housing and infrastructure. They also support societal transformation processes like those expressed in the UN Sustainable Development Goals (SDGs). The 17 SDGs aim to end poverty, hunger and inequality, take action on climate change and the environment, improve access to health and education as well as build strong institutions and partnerships. Taxes play a pivotal role in reaching many SDGs. They enable national development plans which in turn work towards reducing poverty (SDG 1), are instrumental in reducing inequality by means of economic transfers (SDG 10) and help to build and preserve strong institutions (SDG 16). LANXESS ensures compliance with all our tax disclosure and filing obligations, and we are mindful of our duties in various tax jurisdictions in which we operate. We operate transparently towards tax authorities with a focus on trust and compliance with best practices.

1 Tax policy

LANXESS is compliant with the letter and spirit of the tax laws and national and international rules and strives to adopt best-practice guidelines in all countries in which we operate (such as the OECD Guidelines for Multinational Enterprises).

LANXESS's tax position is consistent with the normal course of its business operations and reflects the geographic spread of its activities. The remuneration for any intra-group relationships are in line with local value added and follow the "arm's lengths principle".

LANXESS does not engage in any artificial tax arrangements, so-called 'tax havens.'

LANXESS supports the idea of a global solution for fair tax policies and systems. Thus, LANXESS closely monitors the OECD initiative on Base Erosion & Profit Shifting, including topics such as country-by-country reporting.

- A number of governments have updated or are in the process of updating the transfer-pricing documentation requirements, including country-by-country reporting to the tax authorities. It is our responsibility to ensure compliance with the new requirements. The company closely monitors related developments and will follow up on legislative proposals in this respect as applicable.

LANXESS is transparent toward the tax authorities in all the countries in which it operates and works closely together with them to determine the amount of tax due.

- This limits the potential for disputes at a later stage and provides LANXESS with more clarity and assurance about its tax positions. The tax authorities can rely on LANXESS to provide any relevant information up front, which can then be discussed in 'real time.'

2 Governance, statutory compliance and risk management

To ensure compliance with all regulations LANXESS has established a robust tax governance framework founded on LANXESS's Articles of Association, the LANXESS Code of Business Conduct, the company's management framework including corporate requirements and directives, and its risk management system. A global team of tax professionals, LANXESS's Tax & Trade Compliance (TTC) group function that reports to LANXESS's Chief Financial Officer, enables LANXESS to efficiently ensure compliance with the law, and covers all relevant tax aspects of our business. Roles and responsibilities are defined in a matrix organization composed of regional and country managers, business tax managers and specialists. The team defines the fiscal policies, procedures and processes globally, ensures understanding and observance of these policies, sets corporate requirements for the management of the legal entities, and advises the Board of Management as well as the businesses on the management of tax matters and tax risks.

Trainings are organized to ensure internal competency on tax matters. Compliance in the case of both direct and indirect tax matters is monitored through a "Tax Control Framework" in order to achieve effective, efficient and transparent tax management. The "Tax Control Framework" is a tax risk management and control system, which ensures that the responsible Tax and Trade Compliance (TTC) group function is aware of the worldwide tax risks and has sufficient insights to adequately manage these risks. The key stakeholders in the "Tax Control Framework" are well-established and include the Supervisory Board, Board of Management, the businesses, external auditors, as well as the tax authorities in countries in which LANXESS has operations.

External auditors verify that the financial statements prepared by LANXESS represent a fair picture of the financial position of the organization. In the context of the annual audit, the tax team discusses key transactions, as well as any relevant correspondence with the tax authorities, with the external auditors and, as part of the LANXESS risk management

process, tax risks and incidents are reported to and discussed with the Audit Committee of the Supervisory Board.

3 Accounting and disclosure

LANXESS is in compliance with standards on tax accounting and disclosures. Our policy not only encourages transparency with investors, auditors and tax authorities, but also aims to build trust with our stakeholders and society.

4 Tax optimization and transfer pricing policy

All tax measures are analyzed and implemented if they support our business and adhere with commercial and economic activities. Our tax policy team assesses legislation that may be introduced in the next couple of years.

We do not engage in artificial tax arrangements.

In the world of Transfer Pricing post-Base Erosion and Profit Shifting (BEPS), LANXESS follows the substance over form philosophy with the following objectives:

- The more core functions, risks and assets allocated to an intragroup party, the higher its profit potential should be according to the arm's length principle.
- To determine whether the economic reality is consistent with the legal reality a contribution analysis is performed.

We are in compliance with Action 13 of BEPS Country-by-Country reporting (CbCr).

5 Investment structure

The regulations of investment holding jurisdictions are properly understood.

Our investment structure ensures that we do not engage with low-tax jurisdictions or tax havens without any commercial substance.