

### Table of Contents

1	BUSINESS OVERVIEW
2	HOW THE LANXESS GLOBAL TAX STRATEGY APPLIES TO THE UK
3	ATTITUDE TO TAX PLANNING
4	GOVERNANCE, STATUTORY COMPLIANCE AND RISK MANAGEMENT
5	ACCOUNTING AND DISCLOSURE AND APPROACH IN DEALING WITH TAX AUTHORITIES
6	TAX OPTIMIZATION, TRANSFER PRICING POLICY AND LEVEL OF RISK
7	INVESTMENT STRUCTURE

### 1 Business Overview

LANXESS is a leading speciality chemicals Group, headquartered in Cologne. With 57 production sites and around 15,500 employees in 33 countries, we are an established presence in the global market. Our primary expertise lies in producing, developing and marketing chemical intermediates, additives, specialty chemicals and plastics, with annual sales of EUR 7.2 billion (2018).

#### 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 (SDG1), 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.

---

## **2 How the LANXESS Global Tax Strategy Applies to the UK**

LANXESS Holdings UK Unlimited and Sybron Chemical International Holdings Limited are covered by the following Group Tax Strategy and regard the publication of same as complying with their requirements under paragraph 19(2) of Schedule 19 of the Finance Act 2016 for the financial year end 31 December 2019. Similarly, LANXESS Limited, Antec International Limited and LANXESS Urethanes UK Limited are covered by the LANXESS Group Tax Strategy as set out below and regard the publication of this tax strategy as complying with their requirements under paragraph 22(2) of Schedule 19 of the Finance Act 2016 for the financial year end 31 December 2019. This publication will be reviewed on an annual basis. For completeness, where there are UK-specific matters to report, these are shown at the end of the relevant paragraphs.

## **3 Attitude to Tax Planning**

LANXESS strives to be compliant with the letter and spirit of the tax laws and national and international rules, seeking to adopt best-practice guidelines in all countries in which we operate (such as the 2017 OECD Transfer Pricing Guidelines for Multinational Enterprises).

We consider that 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.

Globally, our business transactions are aligned with our underlying economic activities.

In the UK, as part of ongoing tax compliance we ensure that statutorily available tax reliefs and claims such as capital allowances and research and development are obtained.

## **4 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.

Appropriate training is 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.

Complexity and continuous legislative changes mean the business also utilizes the services of professional tax services firms and obtains such external advice when required.

LANXESS’S approach to UK taxation is aligned with our underlying economic activity and supported by our robust governance framework described above. The governance framework is further underpinned by our people from across the business and our corporate governance guidelines. Our Finance Director (FD) is responsible for the UK finance function and taxation. The UK operations are supported by the wider finance teams, based both in the UK and elsewhere (e.g. Cologne). There is also support given by senior colleagues from LANXESS’S Tax & Trade Compliance (TTC) group function. Together they identify, assess and report finance and tax matters to the business.

## **5 Accounting and disclosure, and approach in dealing with tax authorities across the countries we operate in, as well as with HMRC in the UK**

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.



LANXESS is committed to maintaining an open, professional, collaborative and transparent relationship with all of the tax authorities in the jurisdictions in which it operates, including HMRC in the UK. The business is committed to timely tax compliance ensuring prompt tax administration that includes timely tax return filings and tax payments.

## **6 Tax optimization, transfer pricing policy and level of risk**

All tax measures are analysed 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 consider that we are fully compliant with Action 13 of BEPS Country-by-Country reporting (CbCr).

LANXESS has low tolerance to tax risk in all of the jurisdictions in which it operates.

## **7 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.

