

PRINCIPLES OF CORPORATE GOVERNANCE

AMENDED DECEMBER 9, 2004

ROLE OF THE BOARD OF DIRECTORS

The Board of Directors represents the interests of Lyondell's shareholders in perpetuating a successful business. It is the responsibility of the Board of Directors to provide guidance to management and to actively monitor the effectiveness of management's policies and decisions, including the execution of its strategies, with a view toward enhancing shareholder value over the long term. To this end, Board members are expected to review materials distributed to them in advance of each Board meeting and to make every effort to attend the meetings of the Board and Committees of the Board upon which they serve and shareholder meetings. These Principles of Corporate Governance reflect the Board's commitment to regularly monitoring policies and decisions at the Board, Committee and management levels, with a view to enhancing the long-term value of the Company.

BOARD MEMBERSHIP

1. SIZE OF THE BOARD

The Board believes that maintaining the effective working relationship that has developed on the Board and ensuring the selection of the most outstanding candidates as new Directors is more important than achieving any specified Board size. Therefore, the Board intends that any changes in the size of its membership will be made in a manner consistent with these objectives.

2. COMPOSITION AND INDEPENDENCE

As a matter of policy, the Board intends to maintain its independent character. Thus, at least a majority of the members of the Board will be independent, non-employee Directors, with no more than two Board members being present or former members of management. All members of the Audit Committee, Compensation and Human Resources Committee and Corporate Responsibility and Governance Committee will be independent Directors. The Corporate Responsibility and Governance Committee will review the independence of each Board member annually, and refer its conclusions to the Board for full discussion and approval.

No Director will qualify as "independent" unless the Board affirmatively determines that the Director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a

relationship with the Company. The Board may consider such facts and circumstances as it deems relevant to the determination of Director independence.

To assist it in making its determination regarding independence, the Board will consider, at a minimum, the following categorical standards:

- A Director is not independent if the Director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company.
- A Director is not independent if the Director has received, or has an immediate family member (as an executive officer of the Company) who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company (other than Director and committee fees and pension or other forms of deferred compensation for prior service, which compensation is not contingent upon continued service).
- A Director is not independent if (i) the Director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (ii) the Director is a current employee of such a firm; (iii) the Director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (iv) the Director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.
- A Director is not independent if the Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.
- A Director is not independent if the Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
- A Director is not independent if the Director serves as an executive officer of any tax exempt organization to which the Company has made, within the preceding three years, contributions in any single fiscal year that exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues. The Company's automatic matching of employee tax exempt contributions will not be included in the amount of the Company's contributions for this purpose.

In addition, in accordance with Securities and Exchange Commission rules, an Audit Committee member will not be considered independent if he or she receives any consulting, advisory or other compensatory fee from the Company (other than Director and committee fees and pension or other forms of deferred compensation

for prior service, which compensation is not contingent upon continued service) or is otherwise an affiliated person of the Company. Furthermore, (a) each member of the Company's Audit Committee must be financially literate and (b) at least one member of the Audit Committee must have accounting or related financial management expertise and qualify as an audit committee financial expert. For purposes of (b) above, the Board will consider any Audit Committee member who satisfies the Securities and Exchange Commission's definition of audit committee financial expert to have accounting or related financial management expertise.

The Company's annual proxy statement will disclose which Directors meet the categorical standards for independence set forth above, which include the specific requirements with respect to Audit Committee members set forth above. Each of these standards will be interpreted and applied by the Board in its business judgment and in a manner consistent with applicable New York Stock Exchange and Securities and Exchange Commission guidance. If the Board determines that a Director who does not meet the standards set forth above is independent, the Company's annual proxy statement will disclose the basis for the Board's determination.

3. MEMBERSHIP CRITERIA

The Corporate Responsibility and Governance Committee is responsible for reviewing with the Board, on at least an annual basis, the need for new members and the appropriate skills and characteristics required of potential new Board members in the context of the current make-up of the Board. This assessment should include desired skills (such as industry knowledge or specific expertise, such as financial expertise), core competencies, willingness to devote adequate time to Board duties, judgement, issues of diversity and independence, legal requirements and other relevant factors.

4. SELECTION OF NEW MEMBERS

The Board is responsible for selecting its own members and for recommending them for election by the shareholders. The Board has delegated the search process to the Corporate Responsibility and Governance Committee. Any Director may propose a candidate for consideration consistent with the above-described criteria. Any shareholder may (1) recommend a candidate for consideration by sending a written notice, including the potential candidate's name and qualifications, to the Corporate Secretary or (2) nominate a candidate for inclusion in the Company's proxy statement by complying with the procedures set forth in the Company's By-Laws. The invitation to join the Board should be extended on behalf of the Board by the Chairman of the Board and, if the Chairman and CEO hold the same position, by the Chairman of the Corporate Responsibility and Governance Committee. The Company has an orientation

process for new Directors that includes background materials, meetings with senior management, and visits to Company facilities.

5. CONTINUING EDUCATION

Although the Company does not mandate a specific level of continuing education for Board members, the Company is supportive of and will reimburse Directors for any registration fees, course fees, travel and lodging costs and other reasonable expenses associated with Director continuing education courses. In addition, management routinely presents the Board with updates on governance matters, legal requirements, accounting developments and other relevant topics.

6. MULTIPLE BOARD MEMBERSHIPS

Directors are encouraged to limit the number of other boards on which they serve, taking into account potential board meeting attendance, participation and effectiveness of the various boards. Directors also should advise the Chairman of the Board and the Chairman of the Corporate Responsibility and Governance Committee in advance of accepting an invitation to serve on another board so that the Board can continue to monitor its ongoing independence. If any member of the Audit Committee simultaneously serves on the audit committees of more than three public companies, such Director will not be permitted to serve on the Company's Audit Committee unless the Board determines annually that such simultaneous service will not impair the ability of such Director to effectively serve on the Company's Audit Committee. Any such determinations by the Board will be disclosed in the Company's annual proxy statement.

BOARD LEADERSHIP

Whether the roles of the Chairman and Chief Executive Officer should be separated is a matter which the Board intends to address in the way which seems best for the Company under the circumstances at the time. In circumstances in which the Chairman of the Board is an employee of the Company, the non-employee Directors should choose one of their members to act as a lead Director with such responsibilities as the non-employee Directors as a whole may designate from time to time.

BOARD TERMS AND COMPENSATION

1. RETIREMENT AGE

No person who has reached seventy-two years of age prior to January 1 of any year will be eligible to be elected or re-elected a Director in any year, unless the Board determines otherwise.

2. TERM LIMITS

The Board does not believe that it should establish term limits. As an alternative to term limits, the Corporate Responsibility and Governance Committee will review annually each Director's continuation on the Board and consult with each Director and confirm his/her desire to continue as a member of the Board.

3. JOB CHANGE

The Board does not believe that Directors who retire or change the job responsibilities they held when last elected to the Board should necessarily leave the Board. However, upon such event, the Director should offer to resign from the Board so that the Corporate Responsibility and Governance Committee will have the opportunity to review the continued appropriateness of Board membership of the Director.

4. COMPENSATION

Directors who are employees of the Company will not receive additional compensation for their service as Directors.

The Board believes that compensation of non-employee Directors should be competitive with non-employee Director compensation paid by other comparable companies and that equity or equity-based components should comprise a portion of Director compensation to encourage increased alignment with shareholders. The Company has established stock ownership objectives for its Directors.

Board compensation will be reviewed periodically by the Corporate Responsibility and Governance Committee to ensure that it remains competitive. Changes in Board compensation should be made on the recommendation of the Corporate Responsibility and Governance Committee, but with full discussion and approval by the Board.

MEETING PROCEDURES

1. AGENDAS

The Chairman of the Board and the Chief Executive Officer (if different) will establish the agenda for each Board meeting. In addition, they will prepare and present for discussion by the full Board, a forward agenda for the ensuing year. Any Board member may request the inclusion of a matter on any agenda.

2. DISTRIBUTION OF MATERIALS

Background information and data that is important to the Board's understanding of the matters to come before it will be distributed to the Board approximately one

week prior to a meeting. As a matter of practice, management will endeavor to include summaries of lengthy materials in the distribution.

3. PRESENTATIONS

As a rule, the text of presentations on specific subjects should be sent to the Board members in advance so that the Board meeting time may be conserved and discussion time focused on questions that the Board has about the material.

4. ATTENDANCE BY NON-DIRECTORS

It is anticipated that officers of the Company will regularly attend portions of the Board meetings. The Chief Executive Officer may, from time to time, bring other individuals into the Board meeting who can provide additional insight into the matters being discussed and/or have future potential and should be given exposure to the Board.

5. EXECUTIVE SESSIONS

The non-employee Directors of the Board (including any non-employee Directors who the Board has determined are not independent) will regularly meet in Executive Session without management, generally at least three times each year in connection with regularly scheduled Board meetings. The Chairman of the Board will preside at all Executive Sessions. If the Chairman of the Board is absent or is an employee of the Company, the non-employee Directors will choose another non-employee Director to preside at the Executive Sessions.

COMMITTEE MATTERS

1. COMMITTEE STRUCTURE

There are currently four standing Committees: Audit, Compensation and Human Resources, Corporate Responsibility and Governance, and Executive. From time to time there may be occasions in which the Board may want to form a new Committee or disband a current Committee, depending upon the circumstances. The charter of each Committee will be developed by the Committee and recommended to the full Board for approval.

2. COMMITTEE ASSIGNMENTS

The Corporate Responsibility and Governance Committee is responsible, with consideration for the desires and skills of individual Directors, for recommending to the Board the assignment of Board members to various Committees (including Committee Chairs). The Corporate Responsibility and Governance Committee also will recommend to the Board the Directors to fill any vacancies on the Committees. Committees will be composed of at least three members and (except

for the Executive Committee) will consist of independent Directors only. The Board believes that consideration should be given to rotating Committee members from time to time. However, the Board does not feel that such a rotation should be mandated as policy since there may be reasons at a given point in time to maintain an individual Director's Committee membership. The Board may remove a member from membership on any Committee at any time, with or without cause.

3. COMMITTEE PROCEDURES

The Chairman of the Committee, in consultation with the appropriate members of management and input from Committee members, will develop the Committee's procedures and agenda. Generally, each Committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). This forward agenda will also be shared with the Board.

BOARD PERFORMANCE ASSESSMENT

The Board will conduct an annual self-evaluation, which will incorporate a self-evaluation by each Board Committee. The Corporate Responsibility and Governance Committee is responsible for establishing the evaluation criteria and implementing the process for the evaluation. Based on the results of the evaluation, the Corporate Responsibility and Governance Committee will report annually to the Board on the performance of the Board and each Committee, including areas where a greater contribution to Board and/or Committee effectiveness can be made. These assessments should be of the contributions of the Board and the Committees as a whole and should specifically review areas in which the Board members and/or the management believe a better contribution could be made.

MANAGEMENT ASSESSMENT

1. CEO EVALUATION

The non-employee Directors should participate in a periodic evaluation of the performance of the Chief Executive Officer based on established criteria. The process for conducting such evaluation will be developed and implemented by the Compensation and Human Resources Committee. The evaluation will be used by the Compensation and Human Resources Committee when considering the compensation of the Chief Executive Officer.

2. MANAGEMENT SUCCESSION AND DEVELOPMENT

There will be an annual report from the Chief Executive Officer to the Compensation and Human Resources Committee on succession planning for all officers of the Company and management development. After review by the Compensation Human Resources Committee, the report will be shared with the full Board.

In addition to a long-term succession plan and report on management development, the annual succession planning report from the Chief Executive Officer will include a short-term succession plan outlining a temporary delegation of authority to certain officers of the Company in case all or a portion of the Company's senior officers should unexpectedly become unable to perform their duties. The short-term succession plan will be in effect until the Board has the opportunity to consider the situation and take action. The short-term succession plan will be updated as needed and provided to the Compensation and Human Resources Committee and the Board.

3. ACCESS TO MANAGEMENT AND ADVISORS

Board members have complete access to members of management. In addition, the Board has access to such independent advisors as it determines is necessary and appropriate from time to time. The Company will provide such funding as the Board determines is necessary for payment of compensation to any counsel or other advisors employed by the Board.

MANAGEMENT AUTHORITY

Annually, the Board reviews principal management authorizations, processes and procedures, and evaluates and approves appropriate spending levels.

OTHER MATTERS

Individual Board members may from time to time at the request of management meet or otherwise communicate with various constituencies that are involved with the Company. If public statements from the Board are appropriate, they should, in most circumstances, come from the Chairman.