



We Will Be Fully Circular

Sustainability @ Covestro
June 2021

Inventor and leader in high-tech material solutions

Covestro at a glance



WHAT WE DO

Covestro is among the world's largest polymer companies. Business activities are focused on the manufacture of high-tech polymer materials and the development of innovative solutions for products used in many areas of daily life.

The main segments served are the automotive, construction, wood processing and furniture, and electrical and electronics industries. Other sectors include sports and leisure, cosmetics and health.

Together with our partners and customers, we are taking big steps to tackle a fundamental challenge: Shifting towards a Circular Economy.

To achieve this bold goal, we are innovating efficient ways to close energy and material cycles. We are pushing boundaries in polymers.

WHAT WE STRIVE FOR

Purpose



To make the world a brighter place

Vision



We will be fully circular

Values



Curious,
courageous,
colorful

Goals



Financial 2021 and
non-financial 2025 goals

€10.7bn

Sales 2020

16,500

Employees (in FTE) 2020

#1

Global producer of PU
and its derivatives as
well as PC^(a)

Number one producer globally and inventor of polyurethanes

Polyurethanes (PUR) at a glance



Products

Polyurethane rigid foam is an excellent insulation material and adds to high energy efficiency in cooling units and buildings.

As soft foam polyurethane provides comfort, for example in mattresses, car seats and upholstery.

Covestro develops and produces the components of this versatile material.

Key customer industries:



Sample applications



For comfortable cars



For sustainable houses



For cozy furniture



For robust sports equipment

1.4%

Core volume
CAGR in 2015 - 2020^(a)

€5.0bn

Sales
2020

€625m

EBITDA
2020

Number one producer globally and inventor of polycarbonates

Polycarbonates (PCS) at a glance



Products

As a true high-tech material, polycarbonate is not only very robust, break-proof and light-weight, but also offers a high degree of design flexibility.

Polycarbonate is available in all colors ranging from crystal clear to deep black. It is an excellent substitute for traditional material such as glass or metal.

This allows for a wide variety of application possibilities ranging from vehicles to smartphones and laptops as well as lenses or large roofs.

Key customer industries:



Sample applications



For trendy smartphones



For bright buildings



For light-weight cars



For safe medical products

3.5%

Core volume
CAGR in 2015 - 2020

€3.0bn

Sales
2020

€553m

EBITDA
2020

Performance materials for coatings, adhesives and specialties

Coatings, Adhesives, Specialties (CAS) at a glance



Products

There is a vast application range of coatings and finishes made of Covestro polyurethane raw materials. They are used for protection and decoration.

In addition, the company produces pre-products for adhesives, sealants and elastomers as well as specialty films.

Coating, Adhesives, Specialties (CAS) also supplies materials for cosmetics, textiles and medical goods.

Key customer industries:



Sample applications



For long-lasting cosmetics



For robust floors



For fancy cars



For functional textiles

-1.2%

Core volume
CAGR in 2015 - 2020^(a)

€2.0bn

Sales
2020

€341m

EBITDA
2020

Setting the path for tomorrow

New Covestro strategy 'Sustainable Future'



BECOME THE BEST OF WHO WE ARE



Transform the company to exploit its full potential



DRIVE SUSTAINABLE GROWTH



Address sustainability in a profitable way



BECOME FULLY CIRCULAR



Accelerate the transition to a fossil-free economy

ADVANCE DIGITALIZATION

EXPAND 'WE ARE 1' CULTURE

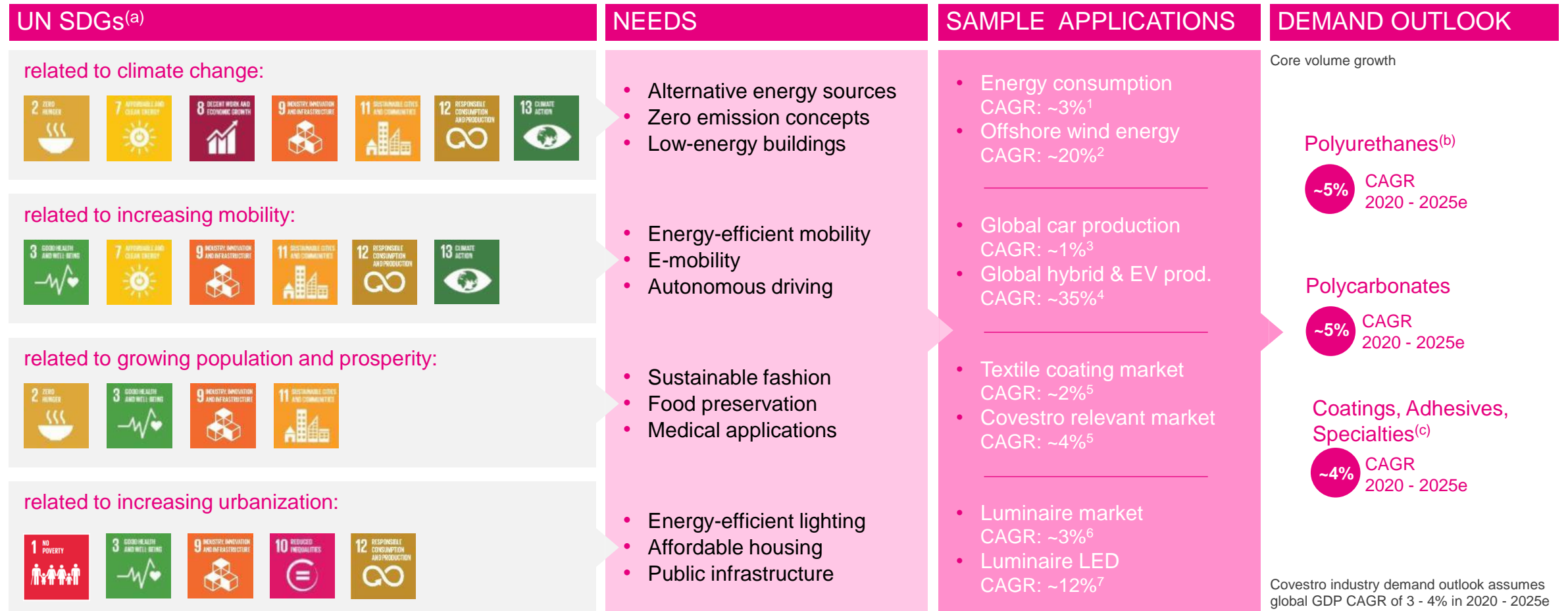
! MILESTONE 2020
! LEAP transformation initiated

! MILESTONE 2020
! Acquisition of RFM announced^(a)

! MILESTONE 2020
! First certified renewable phenol sourced

Our innovative products tap into attractive new markets

Structural growth drivers



Over 30% of sales positively impact sustainability in our daily lives

Covestro product applications



Polyurethanes



Increasing energy efficiency of buildings through materials and technologies for insulation



CO₂-based polymers used in mattresses saving crude oil, e.g. cardyon®



Food preservation along the cool chain



Polycarbonates



Enabling electro-mobility with materials for battery housings, housings for charging stations



Recycled content grades on a virgin performance level



Use in protective gear and medical applications, e.g. drug delivery devices



Coatings, Adhesives, Specialties



Waterborne coatings and adhesives, replacing solvent



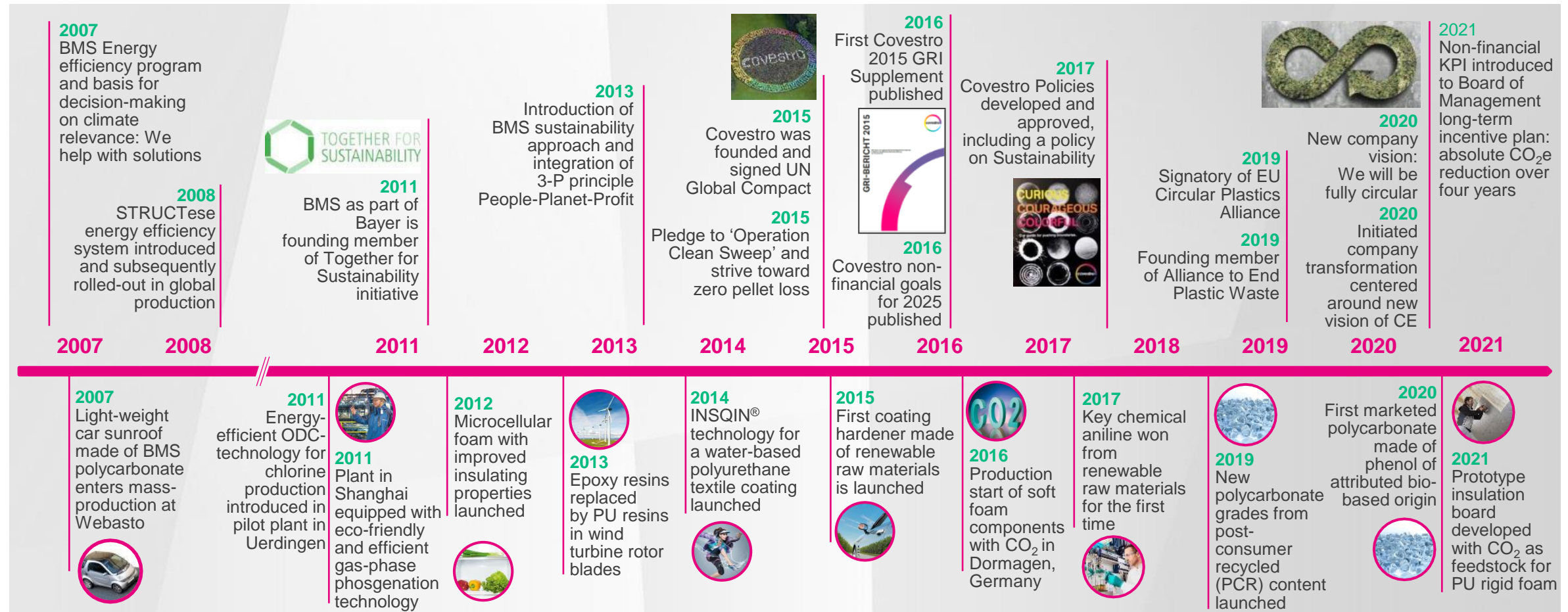
Bio-based raw materials to improve CO₂ footprint, e.g. Baycusan® eco



Fully recyclable shoes made from thermoplastic PU powder and filament

Long history of innovations inspired by sustainability

Covestro milestones in sustainability



On track to achieve our ambitious non-financial targets

Covestro non-financial targets for 2025



1

80% of project expenditures for R&D go toward areas that contribute to UN SDGs

Achievement: 51% of R&D project expenditures in 2020



2

100% of our suppliers comply with our sustainability requirements

Achievement: 79% by end of 2020



3

Reduce specific greenhouse gas emissions by 50% from the benchmark in 2005

Achievement: -46.2% by end of 2020



4

Ten million people in underserved markets benefit from our solutions

Achievement: 1.1 million people by end of 2020



5

Extract the maximum benefit from carbon and increase carbon productivity

Achievement: Company vision to become fully circular announced in 2020, corporate goal setting under way



Categorizing material topics determines management approach



Material topics at Covestro

WE INNOVATE

Topics with high stakeholder relevance and high impact and influence of Covestro that require innovation of management approaches

Circular and climate-neutral economy

- Business models
- Alternative raw materials
- Recyclability and end-of-life solutions
- Renewable energy
- Greenhouse gas emissions



Solutions contributing to UN SDGs

- Sustainable innovation portfolio
- UN SDG-conform product portfolio
- Inclusive business



Corporate culture

- Employer attractiveness
- Diversity, equity and inclusion



WE MANAGE

Topics with high stakeholder relevance and high impact and influence of Covestro for which management approaches are in place

Environmental impact of own operations

- Waste
- Air quality
- Water and wastewater



Health and safety

- Product safety
- Process and plant safety
- Health and safety of workforce



Responsible business practices

- Compliance
- Community engagement
- Human rights due diligence
- Sustainability in sourcing
- Transparency and trust



WE ADHERE TO

Responsible governance

- Corporate Governance
- Board responsibilities and oversight
- Board skills and diversity
- Board compensation system
- Tax transparency

MATERIAL TOPICS THAT PUSH US TO INNOVATE OUR MANAGEMENT APPROACHES

Examples of full list of material topics on p. 11

Our vision: we will be fully circular



Material topic Circular and climate neutral economy Business models

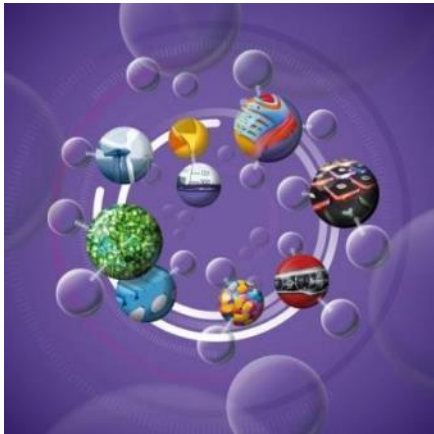
“ BY CLOSING THE MATERIAL AND CARBON LOOP,
WE AIM TO BECOME CLIMATE-NEUTRAL

Alternative raw materials



Biomass, CO₂, used materials and waste can replace fossil resources

Innovative recycling



Energy-efficient technologies allow more used products and waste to be recycled

Renewable energy



Wind and sun: clean energy must power the circular economy

Joint solutions



Cross-industry collaboration is needed to bring the circular economy forward

N^o5 Non-financial target

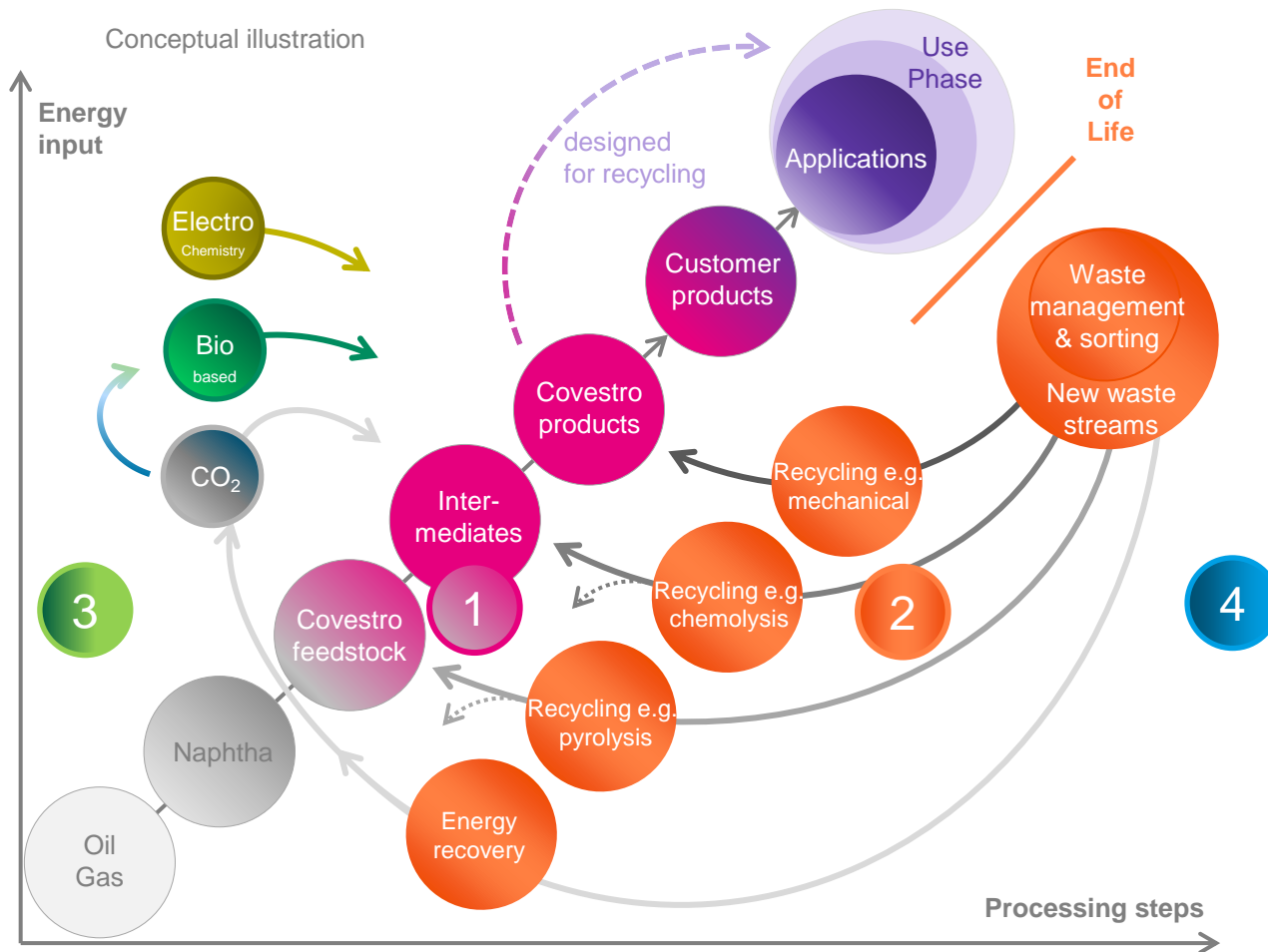
Our goal is to extract the maximum benefit from carbon. Increasing carbon productivity enables us to create more value with fewer carbon-based fossil resources

Achievement: new company vision announced in 2020, corporate goal setting under way

Closing material and carbon loops



Material topic Circular and climate neutral economy Business models



Covestro approach to circular economy (CE)

- 1 Alternative raw materials**
e.g. CO₂-/waste-(bio-based, certified sustainable feedstock)
- 2 Innovative recycling for end-of-life solutions**
e.g. PU soft foam recycling, PC water bottle recycling
- 3 Renewable energy**
e.g. power purchase agreements from onshore/offshore wind parks
- 4 Cross-industry collaborations**
e.g. Carbon4PUR

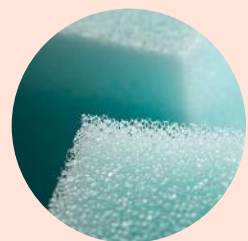
Goal to produce 100% of products from alternative raw materials in future



Material topic Circular and climate neutral economy Alternative raw materials

CO₂-based

- 9 products commercialized
- 9 running R&D projects



Example PUR

CO₂ as raw material

- CO₂ replaces up to 20% of crude oil-based feedstock of polyols
- Demo plant of 5kt p.a. at Dormagen site and product brand cardyon® launched in 2016
- Recticel promotes foam mattresses with portions of oil content replaced by CO₂-based chemicals
- Sports flooring producer Polytan installed first elastic subfloor using cardyon® as binder

Waste-based

- 16 products commercialized
- 43 running R&D projects



Example PCS

Recycled polycarbonates

- New polycarbonate grades from post-consumer recycled (PCR) content, e.g. water bottles, CDs and auto-motive lighting
- Open loop recycling system to collect, sort, shred and clean material
- PCR grades contain up to 75% of recycled content with up to 50% reduced carbon footprint
- PCR grades are used in various consumer electronics applications for a second life

Bio-based

- 13 products commercialized
- 25 running R&D projects



Example CAS

Bio-based car top coat

- Enabling customers to optimize the CO₂ footprint of their products
- New hardener for automotive coatings with carbon basis up to 70% from renewable raw materials
- No compromises with regards to protective functions and appearance
- Collaboration with automotive group Audi and the coating experts at BASF Coatings

Certified sustainable feedstock serve as drop-in solutions



Material topic Circular and climate neutral economy Alternative raw materials

Sustainable benzene

- ISCC Plus-certified raw material
- Drop-in precursor for MDI



- First delivery of 2,000 tons of ISCC Plus-certified mass balanced benzene received in Jan. 2021
- Resulting product quality on par with petrochemical-based MDI
- Drop-in solution with alternative raw material helps clients to reduce carbon footprint

Sustainable phenol

- ISCC Plus-certified raw material
- Drop-in precursor for PC



- First delivery of 1,000 tons of ISCC Plus-certified mass balanced phenol received in Oct. 2020, another 2,000 tons received in Q1 2021
- Neste produced ISCC Plus-certified 100 percent bio-based hydrocarbons from renewable raw materials, such as waste and residual oils / fats
- Borealis converts hydrocarbons from Neste into ISCC Plus-certified phenol and acetone

Antwerp and Uerdingen sites

- ISCC Plus-certification for Covestro production sites



- ISCC Plus-certification for Covestro sites received in Dec. 2020
- PC made from renewable attributed raw materials now available from Antwerp, Belgium
- MDI made from renewable attributed aniline now available from Uerdingen, Germany
- Drop-in solutions for customers with constant product quality compared to fossil-based product

Turning waste gas from steel factories into valuable polymers



Material topic Circular and climate neutral economy Alternative raw materials

Carbon4PUR

Cross-sector project of 14 partners from seven countries, led by Covestro, funded by the European Union

- Key achievements of this 3.5-year project, initiated in October 2017
 - Proof of principle of novel polyols from waste CO or CO₂ with mixed gases at lab scale
 - Proof of principle of CO-based rigid foam & Production of polyols based on comm. intermediate upscaled to semi-industrial scale (400 kg)
 - New polyols successfully implemented on a semi-industrial scale in rigid foams for insulation boards and in waterborne polyurethane dispersions for wood coatings
- Potential for industrial-scale
 - Potential industrial symbiosis investigated by engineering study in Marseille-Fos
 - For example, carbon in form of mixed waste gases from the ArcelorMittal plant in Fos-sur-Mer, France, could undergo catalytic transformations in the nearby Covestro plant to become a chemical feedstock for polyols

Pan-European project partners



Academic and institutional partners:



This project was funded by the European Union's Horizon 2020 research and innovation program under grant agreement No. 768919

Closing the loop for polyurethane mattresses



Material topic Circular and climate neutral economy End-of-life solutions



Consortium as an end-to-end collaboration spanning the entire PU reprocessing value chain

Target: Recovery over 90% of end-of-life PU with the goal of converting it into valuable inputs for new products

EU-funded project running 4 years, started in January 2019, including 9 partners from 6 countries

Covestro is industry partner in the project consortium, coordinated by the Belgian company Recticel

Recycling of PU foam

Highlights of ongoing cross-industry collaboration

smart SORTING

Recticel, Redwave and Covestro developed intelligent sorting solution for separating different PU foams from post-consumer mattresses (average 15-20 kg foam/unit)

Software to correctly identify different foam types for effective recycling

smart CHEMOLYSIS

Covestro aims to deliver through innovative process for chemical recycling

1. recycled polyol in high purity and high quality that fulfill customer specifications
2. recycled toluene diamine (TDA) that is suitable for further processing into TDI

smart DESIGN

Design new molecules to make PU re-processable



Goal to obtain 100% of our electricity from renewable sources in future



Material topic Circular and climate neutral economy Renewable energy

Polyurethane-based wind turbine blades



- Covestro, Goldwind and LZ Blades develop world's first 64-meter polyurethane (PU) wind turbine blade
- Wind turbine blade from the spar cap to the shear web and the shell made entirely of PU infusion resin
- PU resin displays better mechanical properties compared with traditional epoxy resin
- Lower viscosity and faster infusion speed of PU resin system can greatly improve the efficiency of blade production

ENGIE and Ørsted wind energy supplies



- ENGIE power purchase agreement signed in March 2021, covering a capacity of 39 MW from 15 newly constructed wind turbines since April 2021
- About 45 percent of Covestro Antwerp's electricity demand covered by renewable energy, saving about 39kt of CO₂e emissions annually
- Ørsted power purchase agreement signed in December 2019, at this time world's largest corporate supply contract for offshore wind energy
- Starting in 2025, Ørsted to provide 100 MW of electricity for 10 years from newly built wind farm in North Sea, covering c. 10% of electricity consumed by Covestro in Germany

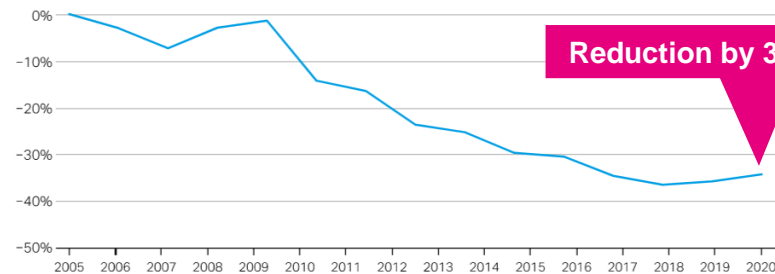
Underway to halve specific greenhouse gas emissions

Material topic Circular and climate neutral economy GHG emissions

Specific energy consumption

Development of specific energy usage at our main production sites

(Change in specific primary energy usage per metric ton of product, compared with the base year 2005, expressed in %)¹

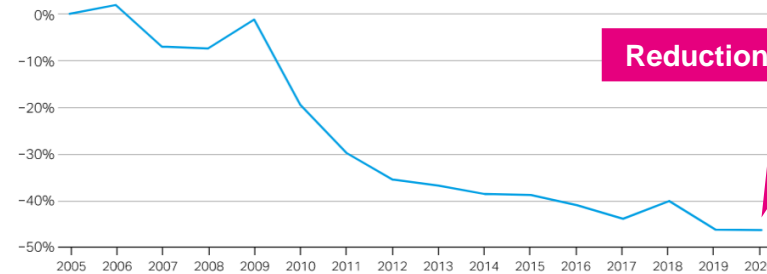


- Specific energy consumption improved by 34%; goal to reduce by 50% until 2030
- STRUCTese energy efficiency system contributed lasting reductions of 2.32 mio. MWh of primary energy, or around 700,000 metric tons of CO₂ p.a. since 2008
- Measures in 2020 resulted in savings of 58,000 MWh in primary energy or 12,000 metric tons of CO₂ emissions
- STRUCTese compares and bridges Covestro-wide actual energy consumption with the potential optimum

Specific greenhouse gas (GHG) emissions

Development of specific greenhouse gas emissions

(Cumulative annual change in the specific greenhouse gas emissions per metric ton of product manufactured, compared with the base year 2005 – expressed in %)¹



- Specific GHG emissions reduced by 46%
- Improvement of energy efficiency is key lever to significantly lower our specific GHG emissions (scope 1+2)
- Continued investments in process innovation improve production efficiency and specific energy use

Nº3 Non-financial target

By 2025, specific greenhouse gas emissions per metric ton of product manufactured to be reduced by 50% from the 2005 benchmark

Achievement: -46.2% by end of 2020 vs 2005 benchmark

Sustainability-driven innovations, innovation-driven sustainability



Material topic Solutions contributing to UN SDGs Sustainable innovation portfolio



- Research & Development activities aligned with the People Planet Profit principle since 2013
- Focus on the UN Sustainable Development Goals (UN SDGs)
- Capture promising growth opportunities with innovative sustainable solutions

€262m	R&D expenditure in 2020
1,205	R&D employees (FTE) in 2020
201	Patent applications in 2020
~18%	of 2020 net sales with new products (not >5 years)

Nº1 Non-financial target

By 2025, 80% of project expenditures for research and development will go toward areas that contribute to reaching the UN SDGs

Achievement: 51% of R&D project expenditures in 2020

Bring product innovations to people in underserved markets



Material topic Solutions contributing to UN SDGs Inclusive business



Solar dryer domes

- Polycarbonate sheets-based solutions for smallholder farmers
- Avoid food wastage after harvest, benefitting farmers economically
- Locations: Thailand, Vietnam, Myanmar, India, Indonesia, Cambodia, Malaysia, Philippines
- About 2,200 units installed



Hygienic sanitation

- Toilets based on polyurethane rigid foam (PIR)
- Solutions for fecal sludge management and water farms
- Locations: India, Malaysia
- About 840 units installed



Affordable houses

- Constructions based on polyurethane rigid foam (PIR)
- Affordable building material with outstanding insulation and mechanical properties
- Locations: Iraq, Malaysia, Philippines, India
- About 80 units installed

“Our Inclusive Business activities positively contribute to **13** out of **17** UN SDGs

Nº4 Non-financial target

We want ten million people in underserved markets to benefit from our solutions by 2025

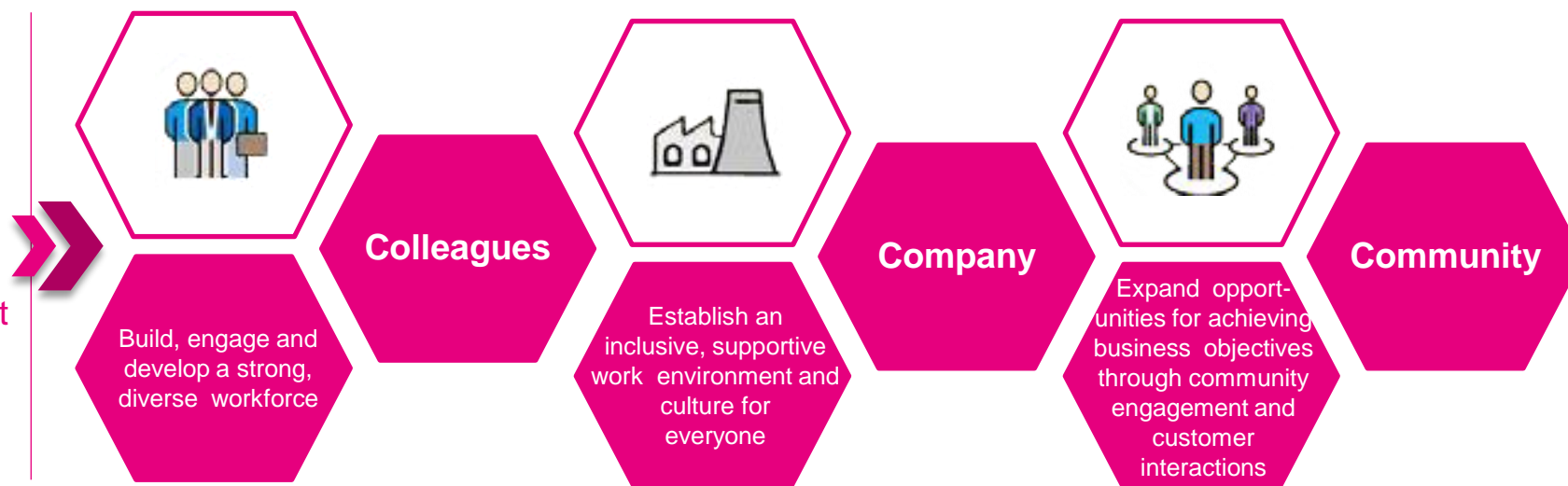
Achievement: 1,100,000 people by end of 2020

Global Covestro diversity & inclusion initiatives support UN SDGs



Material topic Corporate culture Diversity, equity and inclusion

Global Covestro
D&I Team
sponsored by
Board of Management



- Cross generational and multi-national engagement within our labor markets
- Consequent posting of open positions
- Diverse interview panels*
- Building a diverse STEM workforce pipeline



- Design inclusive workspaces and office concepts like in Shanghai / Leverkusen
- Support employee resource groups, e.g. UNITE, Compass
- Create part-time working and job/top share positions
- Facilitate parental leave
- Non-traditional and flexible work hours
- Adoption assistance
- Tuition reimbursement and student loan relief program



- Establish partnerships with a wider range of (international) colleges and universities as well as networks (e.g. UNITECH)
- Global Covestro D&I team cooperation and alignment with corporate culture
- Community engagement and partnership efforts
- Operate Inclusive Business, e.g. temporary housing for refugees
- Supplier Diversity Program rollout

MATERIAL TOPICS THAT WE MANAGE WITH EXISTING MANAGEMENT APPROACHES

Examples of full list of material topics on p. 11

Covestro risk-based water approach expanded



Material topic Environmental impact of own operations Water and wastewater

Risk

Growing world population and climate change will lead to changes in the global water situation:

- **Water scarcity** may limit water access for manufacturing companies which may not be sufficient for 100% production
- **Flooding** may impede production by destroying transport routes, supply chains or production facilities

Covestro relies on water supply as ~80% of water usage is once-through cooling water

Risk-based approach helps to spot risks at an early stage and to identify potential for improvement

Our objective: Further develop the risk-based water approach and establish a global water community

Measure

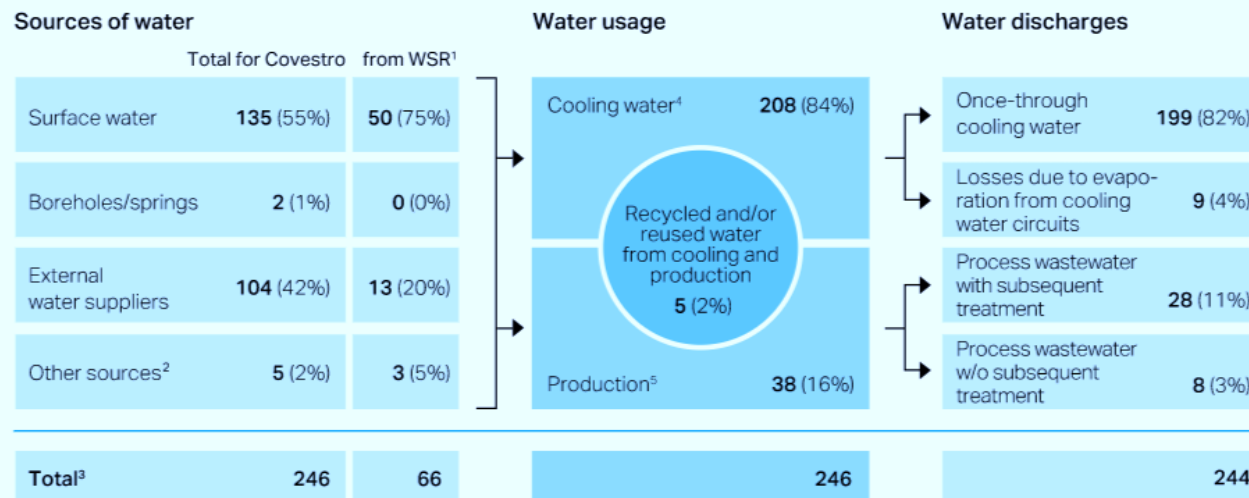
- Analysis of physical water risks conducted for all Covestro sites
- Site evaluation by occurrence probability and economic loss
- Implementation of information management system
- “Covestro Water Community” serves as a global platform for exchange of information and best practices between sites



Over 80% of water usage is once-through cooling water

Material topic Environmental impact of own operations **Water and wastewater**

Use of water in the year 2020 (million cubic meters)



¹ Water stress regions.

² e.g., rainwater.

³ Differences between the volumes of water drawn and discharged can be explained in part through unquantified evaporation, leaks, water used as a raw material in products, and condensate from the use of steam as a source of energy.

⁴ Also includes water for irrigation purposes.

⁵ Total from production processes, sanitary wastewater, and rinsing and purification in production.

2020 highlights

- 246 million cubic meters overall water usage, below previous year
- Once-through cooling water accounts for 199 million cubic meters or over 80% of this figure, representing most of the used water
- Once-through cooling water is only heated, does not come into contact with products and can be returned to the water cycle without further treatment (in line with relevant permits)
- 2 million cubic meters was total water consumption, equal to the difference between total water used and total water discharged
- Total water consumption is calculated according to GRI Standard 303-5 (2018)

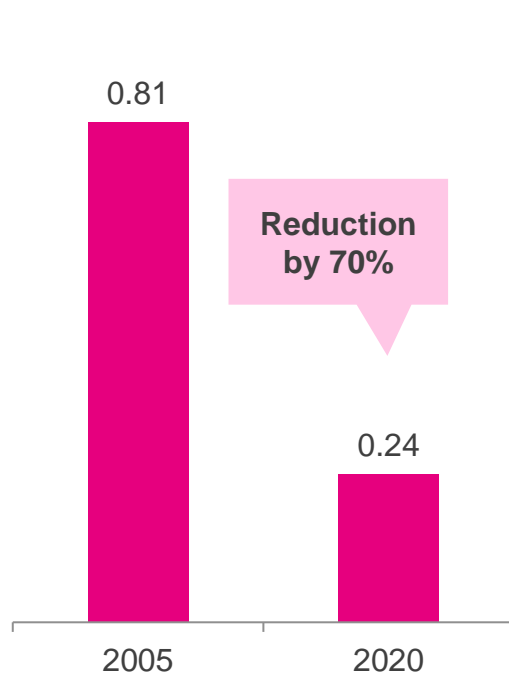
Our priority: Nothing we do is worth getting hurt for



Material topic Health and safety Health & safety of workforce / Process & plant safety

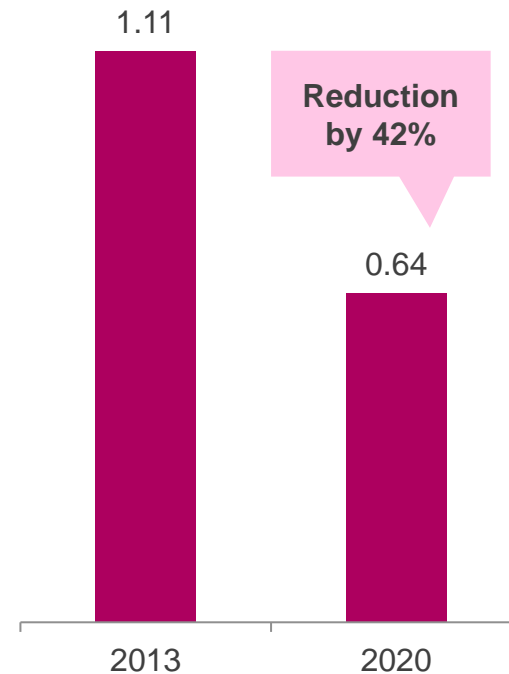
Occupational safety

Recordable Incident Rate
RIR^(a)



Plant & process safety

Loss of Primary Containment
Incident Rate, LoPC IR^(b)



- Continuous improvement of a safe work environment as key component of corporate responsibility and corporate culture
- Integrated management system implemented throughout Covestro to report and process work incidents and potential hazards
- Active safety and incident awareness and prevention campaigns, e.g. CEO Safety Award awarded for 12th time in 2020 during global Covestro Safety Day
- We aim for safe processes and plants that avoid unacceptable risks to our employees, neighbors and the environment
- Long-term we aim to prevent workplace accidents and occupational illnesses entirely

Taking a broad view on human rights throughout our value chains



Material topic Responsible business practices Human rights due diligence



“ Human Rights Due Diligence requires Covestro to continuously monitor and evaluate processes with regards to potential and actual human rights violations

“ A cross-departmental Human Rights Task Force established in 2020 drives the implementation of a comprehensive human rights management system and reports to the Board of Management twice per year

Together for Sustainability – compliance along the value chain



Material topic Responsible business practices Sustainability in sourcing



“ This standardized approach for supplier assessment improves sustainability practices within the supply chain while minimizing monitoring and audit efforts

- Initiative founded in 2011, with 30 members as of March 2021
- Members use same approach, share assessments and audits results within the initiative: 13,800 suppliers (online) assessed and 2,200 on-site supplier audits performed
- EcoVadis responsible for high-quality, third-party sustainability assessments and on-site audits, with criteria are based on GRI, UN Global Compact, and ISO 26000 global standards
- Covestro uses TfS methodology as one approach towards suppliers as well as customers

Nº2 Non-financial target

All of our suppliers representing a regular purchasing volume of more than €100,000 per year comply with our sustainability requirements

Achievement: 79% by end of 2020

Our priority: We play by the rules



Material topic Responsible business practices Compliance

6 Covestro Policies



Value creation



Sustainability



Innovation



People



HSEQ



Compliance

Policies

- Define our mindset, how we want to act and be perceived
- Corporate level
- Externally and internally available

Directives

- Define our corporate standards by establishing organizational structures, our processes/workflows and IT-tools, on a Management level
- Corporate level, internally available

Procedures

- Assure implementation of the standards and observance, on employee level
- Legal-entity level, internally available

CFO chairs Group Compliance Committee

11 Corporate Commitments

To underline our mission as a sustainable company, we take a clear stance on key issues and are committed to adhering to standards.

1. UN Sustainable Development Goals
2. Ten Principles of UN Global Compact
3. Responsible Care
4. Human Rights
5. Slavery and Human Trafficking (Modern Slavery Act statement)
6. Water
7. Product Responsibility
8. Corporate Compliance
9. Responsible Lobbying
10. Responsible Marketing & Sales
11. Tax Transparency

Translating the RC Global Charter into actionable company directives



Material topic Responsible business practices Compliance

Responsible Care Global Charter

of the International Council of Chemicals Associations

- 1 A Corporate Leadership Culture** that proactively supports safe chemicals management through the global Responsible Care initiative
- 2 Safeguarding People and the Environment** by continuously improving our environmental, health and safety performance; the security of our facilities, processes and technologies; and by driving continuous improvement in chemical product safety and stewardship throughout the supply chain
- 3 Strengthening Chemicals Management Systems** by participating in the development and implementation of lifecycle-oriented, sound-science and risk-based chemical safety legislation and best practices
- 4 Influencing Business Partners** to promote the safe management of chemicals within their own operations
- 5 Engaging Stakeholders**, understanding and responding to their concerns and expectations for safer operations and products and communicating openly on our performance and products
- 6 Contributing to Sustainability** through improved performance, expanded economic opportunities and the development of innovative technologies and other solutions to societal challenges

Sample to illustrate the implementation of a public charter into Covestro corporate policies and directives



Policy „HSEQ“, directive „HSEQ Leadership and Commitment“



Policy „HSEQ“, directive „HSEQ Leadership and Commitment“, directive „Product Stewardship“, directive „Plant and Process Safety“, directive „ Incident Notification and Investigation“,



Directive „Product Stewardship“, directive „Covestro Integrated Management System for HSEQ“, additionally active contribution in associations like VCI, ACC, CEFIC, PlasticsEurope



Directive „Transportation Safety“, directive „Product Stewardship“



Directive „HSEQ Leadership and Commitment“



Policy „Sustainability “

Head of HSEQ Management System commissioned by Board of Management

RESPONSIBLE GOVERNANCE THAT WE ADHERE TO

Annually declaring conformity with the GCGC



Material topic Responsible governance Corporate Governance



Declaration of compliance by the Board of Management and the Supervisory Board of
Covestro AG on the German Corporate Governance Code pursuant to Section 161 of the
German Stock Corporation Act

Convenience Translation

The recommendations of the Commission of the German Corporate Governance Code, as amended on 7 February 2017, published by the Federal Ministry of Justice and Consumer Protection on 24 April 2017 in the official part of the Federal Gazette, have been complied with since the last declaration of compliance was issued in October 2019.

The recommendations of the Commission of the German Corporate Governance Code, as amended on 16 December 2019, published by the Federal Ministry of Justice and Consumer Protection on 20 March 2020 in the official part of the Federal Gazette, are being complied with. Covestro AG will continue to comply with them in the future.

Leverkusen, December 2020

For the Board of Management

Handwritten signature of M. Steilemann in blue ink.

Steilemann

For the Supervisory Board

Handwritten signature of J. Pott in blue ink.

Pott

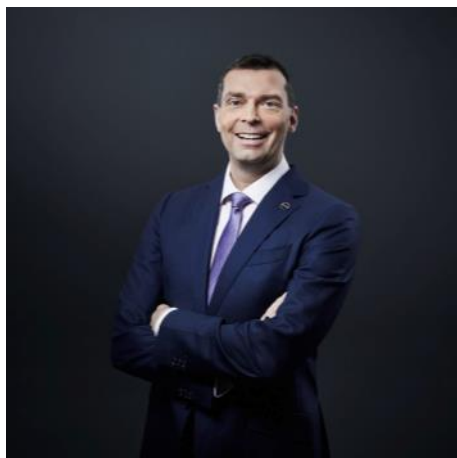
Responsible governance

- The German Corporate Governance Code (GCGC) reflects material legal requirements for responsible governance
- Covestro annually declares and publishes conformity with the GCGC
- In compliance with all principles and recommendations of the GCGC since company IPO in 2015
- Detailed corporate governance report as an integral part of the annual report

Board of Management responsible for operational businesses and goals



Material topic Responsible governance Board responsibilities and oversight



Dr. Markus Steilemann
Chief Executive Officer

Areas or responsibility:

- Communications
- Corporate Audit
- Human Resources
- Strategy
- Sustainability



Sucheta Govil
Chief Commercial Officer

Areas or responsibility:

- Polyurethanes
- Polycarbonates
- Coatings, Adhesives, Specialties
- Central Marketing
- Innovation Management & Commercial Services
- Supply Chain Center EMLA
- Supply Chain Center NAFTA
- Supply Chain Center APAC



Dr. Klaus Schäfer
Chief Technology Officer

Areas or responsibility:

- Global Project Engineering
- Health, Safety, Environment & Quality
- Production & Technology
- Procurement
- Site Management NRW
- Site Management Baytown
- Site Management Shanghai



Dr. Thomas Toepfer
Chief Financial Officer

Areas or responsibility:

- Accounting
- Controlling
- Finance
- Information Technology
- Investor Relations
- Law, Intellectual Property & Compliance
- Portfolio Development
- Taxes

Supervisory Board advises and oversees Board of Management









Material topic Responsible governance Board responsibilities and oversight

Shareholder representatives

	Dr. Richard Pott Chair Presidial Committee, Chair Human Resources Committee, Chair Nominations Committee, Chair
	Lise Kingo
	Dr. Christine Bortenlänger Audit Committee
	Prof. Dr. Rolf Nonnenmacher Audit Committee, Chair
	Regine Stachelhaus Presidial Committee Human Resources Committee Nominations Committee
	Patrick W. Thomas Audit Committee

Employee representatives

	Petra Kronen⁽¹⁾ Vice Chair Presidial Committee Audit Committee Human Resources Committee
	Irena Küstner⁽¹⁾ Audit Committee
	Dr. Ulrich Liman⁽¹⁾ Human Resources Committee
	Petra Reinbold-Knape⁽²⁾ Presidial Committee Audit Committee
	Marc Stothfang⁽¹⁾
	Frank Werth⁽²⁾

Supervisory Board – objectives for the composition and diversity concept



Material topic Responsible governance Board skills and diversity

Supervisory Board Duties and composition

- Advises and oversees the Board of Management
- Activities governed by rules of procedure (published)
- Composed of at least 30% women and at least 30% men⁽¹⁾
- 75% of members and more than half of shareholder representatives are to be independent
- Not more than two former members of the Board of Management

Supervisory Board Membership

- Co-determined with 12 seats, thereof six shareholder and six employee representatives⁽¹⁾
- Not serve more than three full terms
- Not serve beyond AGM following 72nd birthday

Gender structure

50% women
Supervisory Board

50% women
Shareholder
representatives

50% women
Employee
representatives

Supervisory Board Skills

- At least two members with function-specific knowledge in each of the following areas:
 1. Accounting and/or auditing
 2. Strategy, mergers and acquisitions, capital markets
 3. Marketing, sales, supply chain
 4. Research and development, innovation
 5. Sustainability, circular economy and new technologies
 6. Digitalization
 7. Human resources, change management
 8. Corporate governance, compliance
- At least two members with Covestro-relevant experience in industries, sales markets and/or divisions, e.g. polymer chemistry, production and technology
- At least three members should have managerial experience in an international enterprise and/or experience serving on other supervisory boards or supervisory bodies
- The Board shall strive to ensure sufficient diversity among its members

Board of Management is paid for performance



Material topic Responsible governance Board compensation system

Component	2021 determination base and parameters
Fixed compensation ~30%	<ul style="list-style-type: none"> Annual benchmark: horizontally again DAX/MDAX and vertically against all German employees Annual adjustments determined by Supervisory Board in line with the increase in the consumer price index in Germany 2020e values: CEO €1.2m; CFO €0.7m; CCO/CTO €0.6m
Short-term variable component ~30%	<ul style="list-style-type: none"> Target value: 100% of the respective annual base salary Key performance indicators, each weighted 1/3: Core volume growth, liquidity (FOCF), profitability (ROCE) Threshold values fixed for three years (2019-2021) Payout between 0 and 250% of target
Long-term variable component ~40%	<ul style="list-style-type: none"> Target value: 130% of respective annual base salary Key performance indicators, linked by multiplication: <ul style="list-style-type: none"> Total Shareholder Return (TSR factor) Relative share price development (Outperformance factor) Reduction of absolute GHG emissions (CO₂ factor) Rolling performance periods of four years, e.g. 2020-2023 Payout between 0 and 200% of target
Share ownership guidelines	<ul style="list-style-type: none"> Obligation to purchase Covestro shares equivalent in value to 100% of the fixed annual compensation within three years Hold shares for the duration of Board membership Voluntary disclosure of individual shareholdings in Annual Report

Component	2021 determination base and parameters
Cap on compensation	<ul style="list-style-type: none"> Total remuneration capped at € 9.0 million for CEO and € 5.5 million for other Board members
Pension entitlements	<ul style="list-style-type: none"> Introduction of new pension plan for all employees: direct pension promise (defined contribution-oriented plan) based on capital account Personal contribution adjusted to max. 10%, company contribution adjusted to up to 36% accordingly Board members offered to transfer into new plan in 2021
Fringe benefits	<ul style="list-style-type: none"> Company car / vehicle allowance; driver service Security equipment; health screening examinations; other Payments upon start of office, if applicable
Contract termination	<ul style="list-style-type: none"> Payments made, including fringe benefits, capped to the value of two years' compensation Exception: termination for good cause
Change of control	<ul style="list-style-type: none"> Indemnity payments of 250% of fixed annual compensation Capped at the compensation for the remainder of the contract term

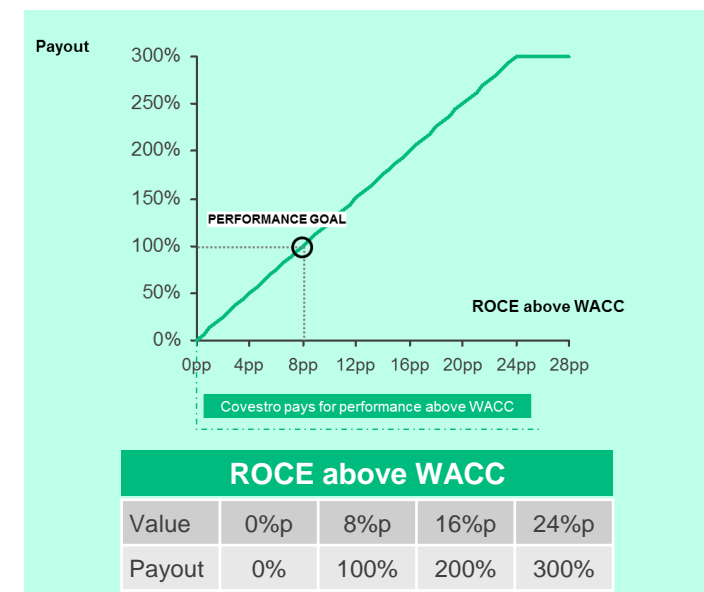
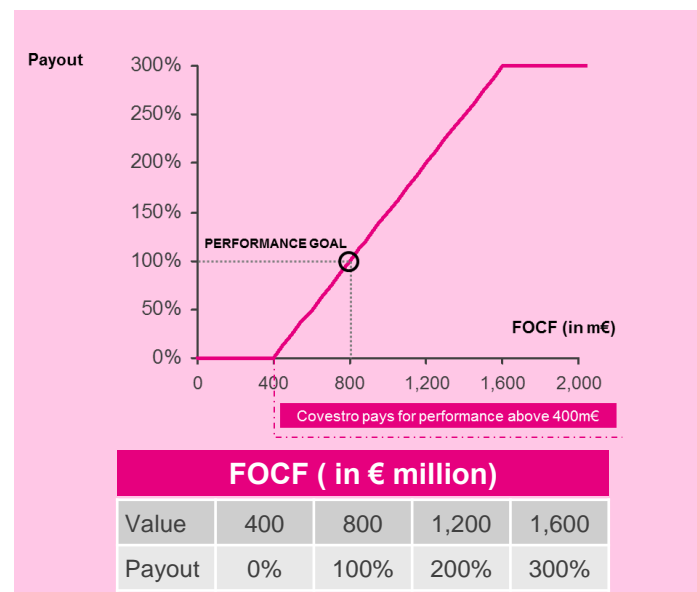
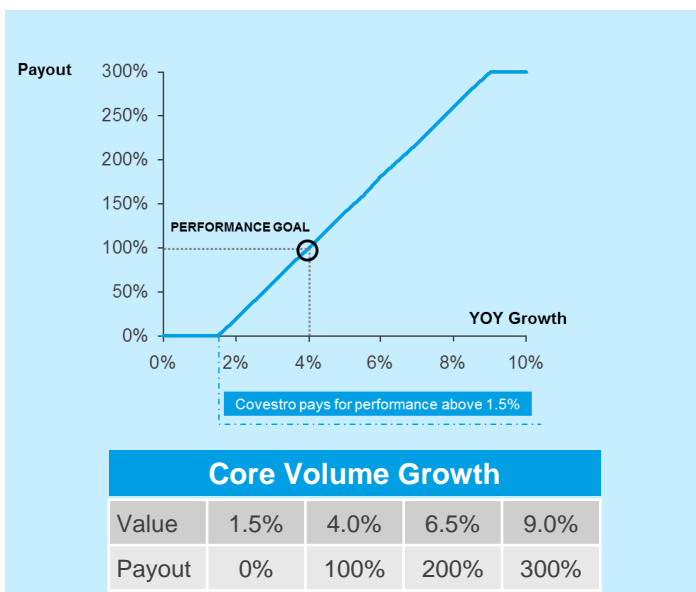
Short-term incentive fully based on profit sharing



Material topic Responsible governance Board compensation system

Management bonus based on Profit Sharing Plan (PSP)

- Target value (i.e. 100%) related to respective annual base salary
- Key performance indicators, each weighted 1/3: Core volume growth, liquidity (FOCF), profitability (ROCE)
- Threshold values fixed for three years (2019-2021)
- Attainment between 0 and 300% of individual targets, total payout capped at 250%
- Supervisory Board reserves the right to cancel PSP for a given year if ROCE is below WACC (ROCE over WACC < 0pp)



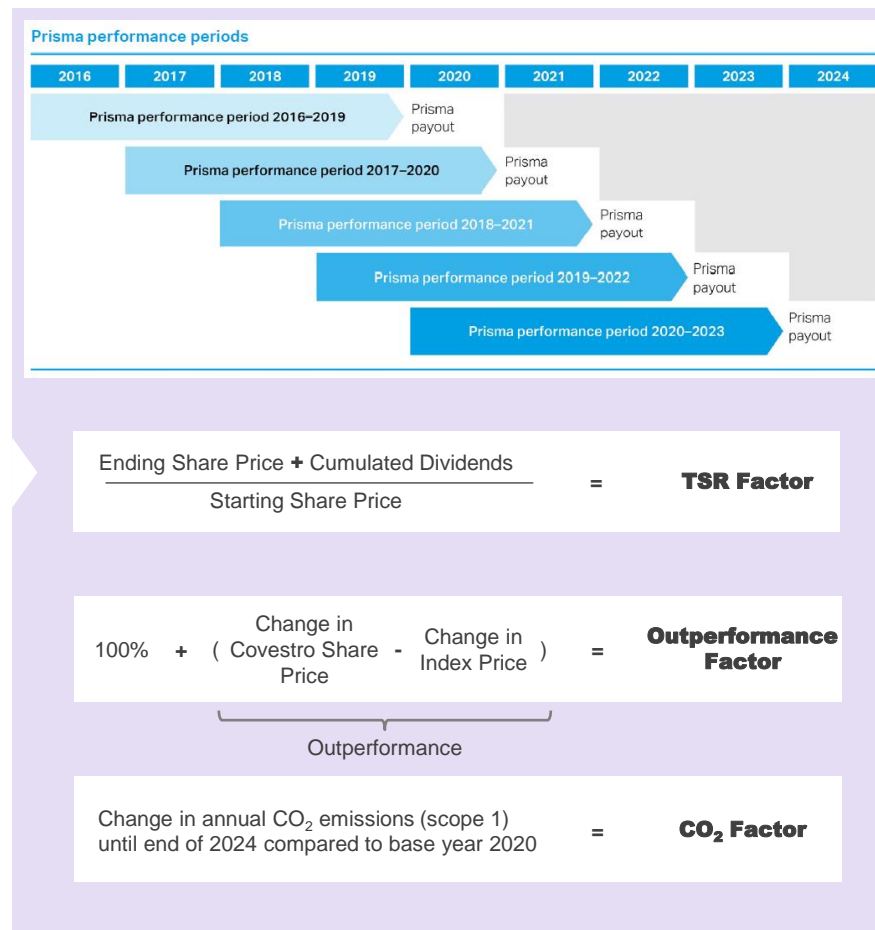
Long-term incentive plan linked to TSR and sustainability



Material topic Responsible governance Board compensation system

Key features of incentive plan “Prisma”

- Cash settled plan with four-year performance periods
- Globally consistent program for all eligible employees
- Target amount based on fixed percentage of annual base salary
- Payout (capped at 200% of target) based on:
 1. *TSR (Total Shareholder Return) as absolute performance criterion*
 2. *Outperformance factor as relative payout criterion based on STOXX Europe 600 Chemicals index*
 3. *Sustainability criterion: reduction of absolute GHG emissions (CO₂ equivalents, CO₂e), classified in Scope 1*
- Starting and ending prices for Covestro share and index are determined by the average closing prices during November and December before and at the end of the performance period



Long-term incentive plan linked to TSR and sustainability

Material topic Responsible governance Board compensation system

Long-term incentive plan until 2020

LTI payout
amount

=

LTI target
amount

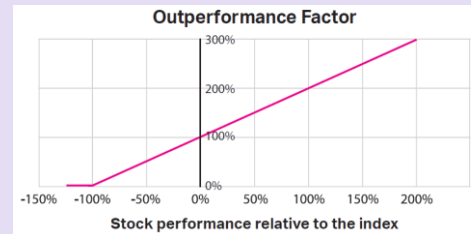
x

TSR factor

x

Outperformance
factor

Total Shareholder Return:
$$\frac{\text{Ending Share Price} + \text{Dividends}}{\text{Starting Share Price}}$$



Long-term incentive plan starting 2021

LTI Payout
amount

=

LTI target
amount

x

TSR factor

x

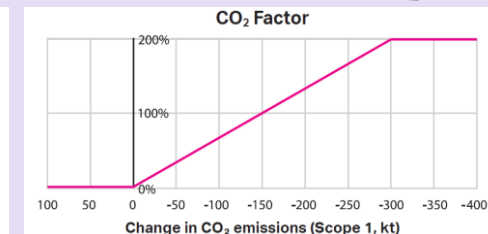
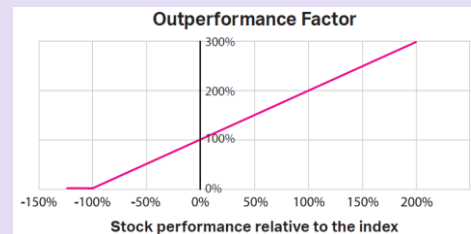
75% x

Outperformance
factor

+ 25% x

CO₂
factor

Total Shareholder Return:
$$\frac{\text{Ending Share Price} + \text{Dividends}}{\text{Starting Share Price}}$$



Fully fixed compensation system for Supervisory Board



Material topic Responsible governance Board compensation system

Component	Determination base and parameters
Fixed compensation 100%	<ul style="list-style-type: none">• Fixed annual compensation of €100,000• Chairperson's fixed annual compensation of €300,000, also covering committee memberships• Vice chairperson's fixed annual compensation of €150,000, also covering committee memberships• Additional compensation for committee memberships<ul style="list-style-type: none">– Audit Committee: €50,000 for the chairperson and €25,000 for all other members– Other committees: €30,000 for the chairpersons and €20,000 for all other members– Nominations Committee: No additional compensation– In case of multiple committee memberships, compensation limited to the two functions with the highest compensation
Attendance fee	<ul style="list-style-type: none">• €1,000 for each personal attendance of a board or committee meeting• In case of multiple meetings on one day, only one attendance fee is paid
Reimbursements	<ul style="list-style-type: none">• Reimbursement of expenses incurred through the exercise of their office, including value-added tax payable on their compensation and on the reimbursement of their expenses• The Company has purchased liability insurance for the members of the Supervisory Board to cover the personal liability arising from their activities as members of the Supervisory Board

Committed to tax transparency



Material topic Responsible governance Tax transparency

Covestro tax principles

- Zero tolerance regarding any non-compliance, foremost tax fraud
- Tax payments in line with respective value creation in each country and territory
- Tax optimization in line with business reasons and needs
- Cooperative approach with tax authorities

- Covestro and its affiliated companies believe that it is their obligation to pay the amount of tax legally due in any country and/or territory, in accordance with the rules set by the respective governments
- Appropriate tax payments is one core element of Covestro's corporate social responsibility
- Tax payments by Covestro provide essential revenues for governments needed to fulfill their social, economic and societal tasks
- Covestro complies with all relevant tax regulations as well as filing, documentation, disclosure and approval requirements in all countries and territories it operates in

ESG REPORTING @ COVESTRO

Find more information online

Useful links and sources



TOPICS RELATED TO ENVIRONMENT, SOCIAL AND GOVERNANCE

Circular and climate-neutral economy

- Alternative raw materials
- Renewable energy
- Business models
- Recyclability and end of life solutions
- Green house gas emissions

Solutions contributing to UN SDGs

- Sustainable innovation portfolio
- UN SDG conform product portfolio
- Inclusive business

Corporate culture

- Employer attractiveness
- Diversity, equity and inclusion

Environmental impact of own Operations

- Air quality
- Waste
- Water and wastewater

Health and safety

- Health and safety of workforce
- Process and plant safety
- Product safety

Responsible business practices

- Community engagement
- Compliance
- Human rights due diligence
- Sustainability in sourcing
- Transparency and trust

Responsible governance

- Corporate Governance
- Board of Management
- Supervisory Board
- Board compensation system
- Tax transparency
- Compliance hotline

- Annual Report 2020
- GRI reporting






- TCFD disclosure (index)
- SASB disclosure (index)

- Covestro non-financial goals
- ESG ratings and indices

Scores reflect Covestro's broad engagement in ESG matters

Ratings and index memberships as of May 2021



Rating / Index	2016	2017	2018	2019	2020	2021	Scoring	Benchmark
<div><div>MSCI</div><div></div></div>	BBB	BBB	A	A	A		AAA - CCC	in Specialty Chemicals
<div><div>Corporate ESG Performance</div><div></div><div>Prime</div></div>	B-		B-		B-		A+ - D-	Prime Status
<div><div>SUSTAINALYTICS</div><div>New methodology^(a)</div></div>	74	75		80	23.3	20.0	18.3	max. 100 Points 0 - 100 Points (the lower the better)
<div><div>ecoVadis</div><div>SUPPLIER SUSTAINABILITY RATINGS</div></div>	73			80			max. 100 Points	Gold Ranking
<div><div></div><div>FTSE Russell</div></div>								Inclusion in FTSE4Good Index ^(b)

Forward-looking statements



This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports which are available on the Covestro website at www.covestro.com.

Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.