


# ANNUAL GENERAL MEETING 2021



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## **Disclosures in accordance with Section 125 of the German Stock Corporation Act in conjunction with Commission Implementing Regulation (EU) 2018/1212**

### **A. Specification of the message**

1. Unique identifier of the event: 4be8e45cc55feb118119005056888925
2. Type of message: Meeting notice

### **B. Specification of the issuer**

1. ISIN: DE0006062144
2. Name of issuer: Covestro AG

### **C. Specification of the meeting**

1. Date of the General Meeting: April 16, 2021
2. Time of the General Meeting: 10:00 AM CEST, 8:00 AM UTC
3. Type of General Meeting

Annual General Meeting held as a virtual event without the physical presence of the shareholders or their proxies

4. Location of the General Meeting:

URL of the company's website for accessing video and audio of the Annual General Meeting and exercising shareholder rights:

<https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>

Location of the General Meeting as per the German Stock Corporation Act:

Platz der Vereinten Nationen 2, 53113 Bonn (Germany)

5. Record date: March 25, 2021
6. Uniform Resource Locator (URL):

<https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>

## **Covestro AG**

Leverkusen (Germany)

WKN: 606214 / ISIN: DE0006062144

## **Notice of the Annual General Meeting**

Our shareholders are hereby invited to attend our Annual General Meeting on **Friday, April 16, 2021, at 10:00 AM Central European Summer Time – CEST (= 08:00 AM Coordinated Universal Time – UTC)**. The Annual General Meeting will be held as a virtual event without the physical presence of the shareholders or their proxies, with the exception of the proxies nominated by the company.

Running the meeting as a virtual Annual General Meeting will result in modification of Annual General Meeting processes and the rights of shareholders. We request that all shareholders pay particular attention this year to the provisions and explanations below in item II. (Further information, notes and reports).

## Foreword 2021

Dear Shareholders,

My fellow members of the Board of Management and I hope that you are well and this correspondence reaches you in good health! You are cordially invited to our Annual General Meeting on April 16, 2021, which will again be held virtually. At the Annual General Meeting, we will review the past year, which demanded so much of all of us and also posed so many extraordinary challenges for our company. But we also intend to look to the future and the enormous potential our company holds.

Covestro successfully navigated through 2020. After the outbreak of the coronavirus pandemic, we implemented decisive countermeasures early on and, in the second half of the year, could therefore largely compensate for the initial business losses we suffered. On the whole, we reached our goals, even under these particularly difficult conditions, and again generated solid earnings. For this reason, we would like to propose the payment of a dividend of € 1.30 per share to the Annual General Meeting and explain our new dividend policy.

Apart from all of the concerns and uncertainty that marked 2020, it was also a year of taking important strategic steps with an optimistic view of the future. For instance, we launched our major visionary plan to move the company entirely to a circular economy. We see this as the key to solving issues affecting all of humanity, like climate change, protecting the environment, and conserving resources.

Building on this vision and as an answer to changing market expectations, we consequently aligned the Covestro Group's strategy. We expect that following this path will create considerable momentum for sustainable growth, which we committed to in the new strategy. The announced acquisition of the Resins & Functional Materials business from DSM will again significantly strengthen our portfolio of innovative solutions for increased sustainability.

In addition, we are also reorganizing in-house operations and making our company even more customer-oriented, sustainable, competitive, and efficient. This will provide us with the necessary flexibility to advance our plan to becoming fully circular. My fellow members of the Board of Management and I are confident that this is the way to pave Covestro's road to a shining future.

As you can see, we are forging ahead with courage and confidence. I look forward to sharing more information with you on April 16.

Kind regards and stay healthy!

*Dr. Markus Steilemann*  
*Chief Executive Officer, Covestro AG*

## I. Agenda

### 1. **Presentation of the adopted annual financial statements and the approved consolidated financial statements, the combined management report, the report of the Supervisory Board, the explanatory report by the Board of Management on takeover-related information and the proposal of the Board of Management on the use of the distributable profit, each for the fiscal year ending on December 31, 2020**

These documents will be accessible on the company's website at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting> from the date of the notice convening the Annual General Meeting.

The annual financial statements for the fiscal year 2020 prepared by the Board of Management on February 17, 2021, were approved by the Supervisory Board on February 22, 2021, in accordance with Section 172, Sentence 1 of the German Stock Corporation Act (AktG); the annual financial statements are thus adopted. At the same time, the Supervisory Board also approved the consolidated financial statements. No resolution on the adoption of the annual financial statements or on the approval of the consolidated financial statements in accordance with Section 173 of the German Stock Corporation Act by the Annual General Meeting is therefore required. The other documents mentioned above shall be made available to the Annual General Meeting in accordance with Section 176, Paragraph 1, Sentence 1 of the German Stock Corporation Act without the need for adoption of a resolution, with the exception of the resolution on the use of the distributable profit which will be taken under agenda item 2.

### 2. **Resolution on the use of the distributable profit**

The Board of Management and the Supervisory Board propose using the distributable profit of € 251,160,000.00 for fiscal 2020 reported in the annual financial statements to distribute € 251,108,707.20 as a dividend to shareholders and to carry the remainder of € 51,292.80 forward to new account. This corresponds to a dividend of € 1.30 per no-par value share carrying dividend rights for fiscal 2020.

If the number of no-par value shares carrying dividend rights for fiscal 2020 changes before the Annual General Meeting, an amended resolution will be presented to the Annual General Meeting for a vote. In such a case, the proposed dividend will remain at € 1.30 per no-par value share carrying dividend rights, and the profit to be carried forward will be adjusted correspondingly.

In accordance with Section 58, Paragraph 4, Sentence 2 of the German Stock Corporation Act, the dividend will be paid on the third business day following the resolution of the Annual General Meeting, i.e., on April 21, 2021.

### 3. **Ratification of the actions of the members of the Board of Management**

The Board of Management and Supervisory Board propose that the actions of the members of the Board of Management who held office in fiscal year 2020 be ratified for that period.

#### **4. Ratification of the actions of the members of the Supervisory Board**

The Board of Management and Supervisory Board propose that the actions of the members of the Supervisory Board who held office in fiscal year 2020 be ratified for that period.

#### **5. Election of the auditor for the audit of the annual financial statements and for the review of the interim financial statements**

In line with the recommendation made by the Audit Committee, the Supervisory Board proposes that the Annual General Meeting elect KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor for fiscal 2021, as the auditor for the review of the condensed interim financial statements and the interim management report as of June 30, 2021, and for any review of additional financial information of Covestro AG during fiscal 2021 and the first quarter of fiscal 2022.

In its recommendation, the Audit Committee declared the auditor free from improper influence by third parties and not subject to any clause restricting the Annual General Meeting's choice as defined in Article 16, Paragraph 6 of Regulation (EU) No. 537/2014 on statutory audits.

#### **6. Supervisory Board Election**

Mr. Ferdinando Falco Beccalli has declared his intention to resign from the Supervisory Board of Covestro AG with effect from the end of the Annual General Meeting on April 16, 2021. Accordingly, he will step down from the Supervisory Board of Covestro AG at that time. A vote is therefore required on a successor to complete his term. Mr. Beccalli's regular term of office runs until the end of the Annual General Meeting that ratifies the actions of the Supervisory Board for the fiscal year 2021, i.e., until the end of the Annual General Meeting in 2022. Nonetheless, the proposal is to elect a successor in accordance with Section 8, Paragraph 4 of the Articles of Incorporation for a term of office running until the end of the Annual General Meeting that ratifies the actions of the Supervisory Board for the fiscal year 2024, i.e., until the end of the Annual General Meeting in 2025, and thus for a term of office of approximately four years.

The Supervisory Board of Covestro AG consists of 12 members and, in accordance with Section 8, Paragraph 1 of the Articles of Incorporation in conjunction with Section 96, Paragraphs 1 and 2 and Section 101, Paragraph 1 of the German Stock Corporation Act as well as Section 7, Paragraph 1, Sentence 1, No. 1 of the Codetermination Act, is composed of six members to be elected by the shareholders and six by the employees.

The Rules of Procedure of the Supervisory Board do not contain any provisions on the joint or separate fulfillment of the legal requirements for gender quotas by these members. The employee representatives have objected to joint fulfillment of the quotas pursuant to Section 96, Paragraph 2, Sentence 3 of the German Stock Corporation Act. The statutory requirements regarding gender quotas must therefore be met separately by the shareholder and by the employee representatives. The Supervisory Board must therefore comprise at least two women and at least two men on both the shareholder representatives' and the employee representatives' sides to fulfill the minimum quota requirements pursuant to Section 96, Paragraph 2, Sentence 1 of the German Stock Corporation Act. At the date on which the Annual General Meeting was convened, the Supervisory Board of Covestro AG comprised two female and four male shareholder representatives and three female and three male employee representatives. With the election of the candidate pro-

posed below, the Supervisory Board would also comprise three women and three men on the shareholder side; this means that both the shareholder side and the employee side, as well as the Supervisory Board as a whole, would each be composed of exactly half male and half female members.

Based on the recommendations of the Nominations Committee, the Supervisory Board proposes that the following candidate be elected to the Supervisory Board as a shareholder representative to succeed Ferdinando Falco Beccalli:

Lise Kingo

resident in Virum, Denmark

Member of various supervisory boards, governing bodies and committees

Pursuant to Section 8, Paragraph 4 of the Articles of Incorporation, the candidate will be elected for a term of office from the end of the Annual General Meeting on April 16, 2021, until the end of the Annual General Meeting that ratifies the actions of the Supervisory Board for the third fiscal year after the beginning of the term of office; the fiscal year in which the term of office begins is not counted.

The candidate suggested by the Supervisory Board reflects the objectives adopted by the Supervisory Board for its composition pursuant to the German Corporate Governance Code (GCGC)\* and is aimed at fulfilling the skills profile developed for the Supervisory Board as a whole. Moreover, the Supervisory Board has obtained assurance from the proposed candidate that she has sufficient time to perform her mandate.

The curriculum vitae, details of seats on other supervisory boards and comparable bodies as well as further information on the proposed candidate can be found under item II.14. following the agenda.

## **7. Resolution on rescinding the existing Authorized Capital 2020, creating Authorized Capital 2021 in return for cash contributions and/or contributions in kind with the option of disapplying subscription rights, and on the corresponding amendments to the Articles of Incorporation**

The Authorized Capital 2020 governed by Section 4, Paragraph 2 of the Articles of Incorporation was used in part in October 2020 by issuing 10,200,000 new, no-par value bearer shares of Covestro AG against cash contributions while disapplying shareholders' subscription rights in accordance with Sections 203, Paragraph 2 and 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act. The possibility of increasing capital from authorized capital while disapplying subscription rights has thus been exhausted to a significant extent. For this reason, the provision on the Authorized Capital 2020 previously contained in Section 4, Paragraph 2 of the Articles of Incorporation, insofar as it has not already been used, will now be rescinded. In its place, the company will create new Authorized Capital 2021, which can also be used for capital increases against cash contributions and/or contributions in kind. It will amount to 30% of the current capital stock, which has been increased to € 193,200,000.00.

\* German Corporate Governance Code as of December 16, 2019; see also Covestro AG's Declaration of Conformity dated December 2020

The Board of Management and the Supervisory Board therefore propose the following resolution:

- a) Insofar as it still exists at that time, the authorized capital in Section 4, Paragraph 2 of the Articles of Incorporation will be rescinded with effect from the date of registration of the new authorized capital resolved as follows.
- b) The Board of Management, with the approval of the Supervisory Board, is hereby authorized to increase the capital stock in the period up to April 15, 2026, by a total of up to € 57,960,000.00 by issuing new, no-par value bearer shares in return for cash contributions and/or contributions in kind. The authorization can be used on one or more occasions. The new shares carry dividend rights from the beginning of the fiscal year in which they are issued. However, in contrast to Section 60, Paragraph 2 of the German Stock Corporation Act and to the extent permissible by law, the Board of Management, with the approval of the Supervisory Board, can specify that the new shares will carry dividend rights from the beginning of a prior fiscal year for which, at the time of their issue, the Annual General Meeting had not yet adopted a resolution on the use of the distributable profit. The Board of Management is authorized, with the approval of the Supervisory Board, to specify the further details of the capital increase and its execution.

The Board of Management is further authorized, with the approval of the Supervisory Board, to disapply subscription rights for capital increases in return for contributions in kind, particularly as part of mergers of companies or the direct (and indirect) acquisition of companies, businesses, divisions of companies, equity interests or other assets or claims to the acquisition of assets, including receivables in respect of the company or its Group companies.

In the case of capital increases in return for cash contributions, new share must generally be offered for subscription to shareholders; they can also be offered to credit institutions or companies within the meaning of Section 186, Paragraph 5, Sentence 1 of the German Stock Corporation Act with the obligation to offer them for subscription to shareholders. However, the Board of Management is authorized, with the approval of the Supervisory Board, to disapply the subscription rights of shareholders for cash capital increases,

- where this is necessary when the subscription ratio gives rise to fractional amounts,
- to grant the holders or creditors of warrants/conversion rights on shares of the company or corresponding exercise/conversion obligations arising from bonds issued or guaranteed by Covestro AG or its Group companies subscription rights to compensate for dilution to the extent to which they would be entitled after exercising these warrants/conversion rights or after fulfilling these exercise/conversion obligations,
- if the issue price of the new shares does not fall significantly below the market price of the shares of the company already listed. The proportionate interest in the capital stock attributable to the shares issued in return for cash contributions pursuant to Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act is not permitted to exceed 10% of the capital stock. The capital stock used for this calculation is the capital stock on the date this authorization enters into force – or if this amount is lower – at the date this authorization is exercised. The shares to be included in calculating this limit are those that are issued or sold during the term of this authorization up to the date of its exercise



by direct or analogous application of this provision. In addition, shares issued or granted or to be issued or granted based on a convertible bond or warrant bond issued during the term of this authorization while disapplying subscription rights in accordance with Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act are also included in this calculation,

- c) The authorized capital governed by Section 4, Paragraph 2 of the Articles of Incorporation shall be deleted and Section 4, Paragraph 2 of the Articles of Incorporation amended as follows:

“(2) The Board of Management, with the approval of the Supervisory Board, is hereby authorized to increase the capital stock in the period up to April 15, 2026, by a total of up to € 57,960,000.00 by issuing new, no-par value bearer shares in return for cash contributions and/or contributions in kind. The authorization can also be used in one or more installments. The new shares participate in the profit from the beginning of the fiscal year in which they are issued. However, in contrast to Section 60, Paragraph 2 of the German Stock Corporation Act and to the extent permissible by law, the Board of Management, with the approval of the Supervisory Board, can specify that the new shares will participate in the profit from the beginning of a prior fiscal year for which, at the time of their issue, the Annual General Meeting has not yet adopted a resolution on the use of the distributable profit. The Board of Management is authorized, with the approval of the Supervisory Board, to specify further details for the capital increase and its execution (Authorized Capital 2021).

Furthermore, the Board of Management is authorized, with the approval of the Supervisory Board, to disapply subscription rights for capital increases in return for contributions in kind, particularly as part of mergers or the direct (and indirect) acquisition of companies, businesses, divisions of companies, equity interests or other assets, or claims to the acquisition of assets, including receivables in respect of the company or its Group companies.

In the case of capital increases in return for cash contributions, new share must generally be offered for subscription to shareholders; they can also be offered to credit institutions or companies within the meaning of Section 186, Paragraph 5, Sentence 1 of the German Stock Corporation Act with the obligation to offer them for subscription to shareholders. However, the Board of Management is authorized, with the approval of the Supervisory Board, to disapply the subscription rights of shareholders for cash capital increases,

- where this is necessary when the subscription ratio gives rise to fractional amounts,
- to grant the holders or creditors of warrants/conversion rights on shares of the company or corresponding exercise/conversion obligations arising from bonds issued or guaranteed by Covestro AG or its Group companies subscription rights to compensate for dilution to the extent to which they would be entitled after exercising these warrants/conversion rights or after fulfilling these exercise/conversion obligations,
- if the issue price of the new shares does not fall significantly below the market price of the shares of the company already listed. The proportionate interest in the capital stock attributable to the shares issued in return for cash contributions pursuant to Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act is not permitted to exceed

10% of the capital stock. The capital stock used for this calculation is the capital stock on the date this authorization enters into force – or if this amount is lower – at the date this authorization is exercised. The shares to be included in calculating this limit are those that are issued or sold during the term of this authorization up to the date of its exercise by direct or analogous application of this provision. In addition, shares issued or granted or to be issued or granted based on a convertible bond or warrant bond issued during the term of this authorization while disapplying subscription rights in accordance with Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act are also included in this calculation.”

- d) The Supervisory Board is authorized to modify Section 4 of the Articles of Incorporation in accordance with the amount of Authorized Capital 2021 used in each case as well as following expiration of the authorization.

Against the backdrop of the proposed authorization on increasing the capital stock, the Board of Management has produced a written report on the reasons the Board should be authorized to disapply the subscription rights of shareholders in certain cases. The report is published in item II.15. following the agenda and is available on the company’s website at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting> starting from the date the Annual General Meeting is convened. Upon request, a free copy will be provided to any shareholder without delay.

Moreover, the Board of Management has made a commitment to limit capital increases from the Authorized Capital 2021 proposed in agenda item 7. This commitment is published in item II.16. following the agenda.

## **8. Approval of the compensation system for Board of Management members**

A new Section 120a of the German Stock Corporation Act was introduced as a result of ARUG II. Section 120a, Paragraph 1 of the German Stock Corporation Act requires the annual general meetings of listed companies to vote on approval of the compensation system for Board of Management members put forth by the Supervisory Board whenever there is a material change, and no less than every four years.

The last time the Annual General Meeting voted to approve the compensation system for Covestro’s Board of Management was on May 3, 2016. The Supervisory Board resolved to revise the system for compensating Board of Management members brought before the 2016 Annual General Meeting for approval effective January 1, 2021. The revised compensation system for the company’s Board of Management members resolved by the Supervisory Board is outlined under item II.17. following the agenda.

Based on the recommendation of the Human Resources Committee, the Supervisory Board proposes approving the compensation system for Board of Management members resolved by the Supervisory Board effective January 1, 2021, as announced in the notice on the Annual General Meeting on April 16, 2021.

## **9. Resolution on the compensation of Supervisory Board members**

Section 113, Paragraph 3 of the German Stock Corporation Act was amended by ARUG II. According to Section 113, Paragraph 3, Sentences 1 and 2 of the German Stock Corporation Act, the annual general meetings of listed companies are required to pass a resolution on the compensation of Supervisory Board members no less than every four years; a resolution affirming the current compensation is permitted.

The compensation of the company's Supervisory Board is stipulated in Article 12 of the Articles of Incorporation and has been unchanged since Covestro AG was founded. Pursuant to Article 12 of the Articles of Incorporation, Supervisory Board members are entitled to a fixed compensation component and a fee for attending meetings. The amount of fixed compensation awarded to Supervisory Board members is calculated based on the duties the given member has assumed on the Supervisory Board and its committees.

The compensation of Supervisory Board members laid down in Article 12 of the Articles of Incorporation continues to be appropriate in the view of the Supervisory Board and should remain unchanged. These compensation parameters also fulfill the conditions of Recommendation G.17 and Suggestion G.18 of the GCGC. The compensation of Supervisory Board members and the underlying compensation system are explained in more detail under item II.18. following the agenda.

The Board of Management and the Supervisory Board therefore propose that the compensation of Supervisory Board members, as well as its underlying compensation system, be affirmed as written in Article 12 of the company's Articles of Incorporation, as announced in the notice to the Annual General Meeting on April 16, 2021.

## II. Further information, notes, and reports

### 1. Total number of shares and voting rights

On the date of issue of the notice convening the Annual General Meeting, the company's capital stock totals € 193,200,000.00 and is divided into 193,200,000 bearer shares, each of which confers one vote. On the date of issue of this notice, the company holds 39,456 treasury shares. Thus, the total number of shares eligible to participate in the meeting and to exercise voting rights is 193,160,544 as of the date of this notice.

### 2. Holding the Annual General Meeting as a virtual Annual General Meeting without the physical presence of the shareholders and their proxies, Audio and video broadcast

The continuing COVID-19 pandemic led the Board of Management of Covestro AG, with the approval of the Supervisory Board, to vote to hold the Annual General Meeting on April 16, 2021, as a virtual event without the physical presence of the shareholders and their proxies. The objective is to avoid putting the health of the shareholders, shareholder representatives, employees, and service providers at risk. The shareholders and their proxies (with the exception of company-nominated proxies) are therefore prohibited from participating in the Annual General Meeting in person.

The legal basis providing for a virtual Annual General Meeting is the German Law on Measures in Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the COVID-19 Pandemic (C19-AuswBekG) of March 27, 2020, extended and most recently amended by Article 11 of the German Law on the Further Shortening of the Residual Debt Relief Proceedings and on the Adjustment of Pandemic-Related Provisions in Corporate, Cooperative, Association, Foundation Law and Rental and Lease Law of December 22, 2020.

The live video and audio broadcast of the entire Annual General Meeting will be available to registered shareholders on the online, password-protected InvestorPortal at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. In addition, shareholders and interested members of the public can watch a freely available online broadcast of the entire Annual General Meeting live at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. The meeting will be broadcast from Platz der Vereinten Nationen 2, Bonn (Germany). The notary tasked with writing the minutes of the Annual General Meeting will also be present.

Please note that the right to participate in this year's virtual Annual General Meeting can only be exercised by granting proxy authorization to company-nominated proxies. In addition, the exercise of voting rights, even without participation in the Annual General Meeting, is possible by way of written or electronic absentee voting. Other persons may also be authorized; they must then take part in absentee voting or (sub-)authorize company-nominated proxies. Details on this process are outlined below.

### **3. Publication on the website and supplementary information**

This Notice of the Annual General Meeting, the documents to be made available, together with motions proposed by shareholders, explanatory notes to the shareholders' rights pursuant to Section 122 Paragraph 2; Section 126 Paragraph 1 and Section 127 of the German Stock Corporation Act (in each case – if applicable – in conjunction with the provisions of C19-AuswBekG) and additional information, especially on participation in the Annual General Meeting and on absentee voting as well as the authorization of proxies and the issue of instructions can be found on the company's website at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. The speeches by the Chief Executive Officer and Chief Financial Officer will also be available there no later than April 13, 2021. The company reserves the right to make modifications for the day of the Annual General Meeting.

Please also visit the above website to access the InvestorPortal, which enables duly registered shareholders to exercise their voting rights prior to and during the Annual General Meeting, among other things. Duly registered shareholders will be sent a registration confirmation with additional information on exercising their rights instead of the usual entrance ticket. The registration confirmation also includes the login information that shareholders can use to access the InvestorPortal at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>.

In addition, the voting results will be published on the website after the Annual General Meeting.

The opening address by the Chairman of the meeting as well as the speeches of the Chief Executive Officer and Chief Financial Officer are also available after the Annual General Meeting and can be found on the company's website at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>.

### **4. InvestorPortal**

The company will operate the InvestorPortal for the use of duly registered shareholders from no later than March 26, 2021, to the end of the Annual General Meeting on April 16, 2021, at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. Duly registered shareholders (and their proxies, if applicable) can use the InvestorPortal to exercise voting rights, grant proxy authorization, submit questions, and object for the record, among other things. Using the InvestorPortal requires shareholders to log in with the login information received along with the registration confirmation. The various options for exercising shareholder rights are presented on buttons and in menus on the user interface of the InvestorPortal.

Additional details concerning the InvestorPortal are provided to shareholders along with their registration confirmation or online at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>.

## 5. Conditions for participation in the Annual General Meeting and the exercise of voting rights

Only those persons who are shareholders of the company at the start of the 21st day prior to the Annual General Meeting, **i.e., on March 26, 2021, 00:00 Central European Time – CET** (record date) and who register for the Annual General Meeting are eligible to participate in the Annual General Meeting and to exercise voting rights.

The registration and evidence of the shareholding provided as of the record date must be received **by April 9, 2021, at 24:00 midnight Central European Summer Time – CEST (= 10:00 PM Coordinated Universal Time – UTC)** by the registration address given below. The registration must be in text form in German or English (Section 15, Paragraph 1, Sentence 4 of the Articles of Incorporation). Proof of ownership of the shareholding in text form issued by the institution holding the shares in accordance with Section 67c, Paragraph 3 of the German Stock Corporation Act is sufficient for this purpose (Section 123, Paragraph 4, Sentence 2 of the German Stock Corporation Act; Section 15, Paragraph 2, Sentence 2 of the Articles of Incorporation).

### Registration address:

Covestro AG  
c/o Computershare Operations Center  
80249 Munich  
Germany  
Fax: +49 89 30903-74675  
Email: [anmeldestelle@computershare.de](mailto:anmeldestelle@computershare.de)

Depository institutions normally undertake the registration process and submission of evidence of shareholdings on behalf of their clients. Shareholders are therefore requested to contact their depository institution as soon as possible and, at the same time, to order a registration confirmation for the Annual General Meeting.

## 6. Significance of the record date

Eligibility to participate in the Annual General Meeting and the number of voting rights are based exclusively on the shares held by the shareholder on the record date. Only shareholders who have provided evidence of this are recognized by the company as eligible to participate in the virtual Annual General Meeting and exercise voting rights. The record date does not constitute a freeze on the sale of the shares. Even in the event of complete or partial disposal of the shares after the record date, eligibility to participate in the Annual General Meeting and the number of voting rights are based exclusively on the shares held by the shareholder on the record date. Selling the shares after the record date has no impact on the eligibility to participate in the Annual General Meeting or on the number of voting rights. This also applies in the event of the purchase of shares after the record date. Persons who do not hold any shares on the record date and only become shareholders after that date are normally not eligible to participate in the Annual General Meeting or to exercise voting rights pertaining to such acquired shares; this does not apply if and insofar as such persons are appointed as proxies or authorized to exercise the rights by the previous shareholder, who still held the shares on the record date.

## 7. Absentee voting

Shareholders with voting rights (or their proxies) can cast their votes in writing or by electronic means of communication without participating in the Annual General Meeting ("absentee voting").

Prior to the Annual General Meeting, they are provided with an absentee ballot for this purpose that is printed on the registration confirmation. Moreover, an absentee ballot is also available online at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. If you use the absentee ballot, please send it only to the following mailing address, fax number or email address. It must be received by **Thursday, April 15, 2021, 24:00 midnight CEST (= 10:00 PM UTC)** (date of receipt):

Covestro AG  
c/o Computershare Operations Center  
80249 Munich  
Fax: +49 (0)89 30903-74675  
Email: [Covestro-HV2021@computershare.de](mailto:Covestro-HV2021@computershare.de)

Absentee ballots that cannot be matched unequivocally to a duly executed registration will not be counted.

In addition, the InvestorPortal at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting> will be available to you prior to and during the Annual General Meeting for purposes of exercising your voting rights by way of an (electronic) absentee ballot. Voting by (electronic) absentee ballot is also possible up to the start of voting at the Annual General Meeting.

Up to the start of voting, absentee ballots already submitted in writing or electronically can still be changed or withdrawn in the InvestorPortal.

Additional information on absentee voting is provided in the registration confirmation sent to duly registered shareholders.

## 8. Proxy voting procedure

### *Authorization of a third party*

Shareholders can also be represented by a proxy, e.g., an intermediary, a proxy voting consultant, or a shareholders' association, and exercise their voting rights and other rights by way of this proxy. Annual General Meeting registration and submission of evidence of the shareholding by the deadline is also necessary in such cases.

Granting and revoking proxy authorization and evidence thereof must be submitted to the company in text form (Section 126b of the German Civil Code) if no proxy authorization is granted in accordance with Section 135 of the German Stock Corporation Act. Shareholders can use the proxy form to appoint a proxy, which is also printed on the registration confirmation and can also be downloaded from <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. However, shareholders can also issue a separate proxy authorization in text form (Section 126b of the German Civil Code).

When proxy authorizations are issued for the purpose of exercising voting rights in accordance with Section 135 of the German Stock Corporation Act (granting of a proxy to intermediaries, proxy voting consultants, shareholders' associations, or professional agents), the proxy must have a verifiable record of the proxy authorization. In addition, the proxy authorization must be complete and may only include declarations associated with the exercise of voting rights. In these cases, please therefore coordinate with the person you wish to be your proxy about the format of the proxy authorization.

Proxy authorization can be issued to the proxy or to the company. Evidence of an issued proxy authorization can be provided by the proxy by sending the proof (e.g., the original proxy authorization or a photocopied or scanned copy) by mail, fax or email to:

Covestro AG  
c/o Computershare Operations Center  
80249 Munich  
Fax: +49 (0)89 30903-74675  
Email: Covestro-HV2021@computershare.de

The aforementioned communication channels are also available for shareholders who intend to issue the proxy authorization by making a declaration to the company; no separate proof of the proxy authorization is required in this case. A proxy authorization already issued can be revoked by sending a declaration directly to the company by way of the aforementioned communication channels.

If a proxy authorization is issued or proof of a proxy authorization or its revocation by way of a declaration to the company is sent by mail, it must be received by the company **by Thursday, April 15, 2021, 24:00 midnight CEST (= 10:00 PM UTC)** (date of receipt), for organizational reasons. Such documentation can be transmitted to the company by fax or email even on the day of and up to the end of the Annual General Meeting.

In addition, proxy authorizations can be issued prior to, during and up to the close of the Annual General Meeting electronically via the InvestorPortal.

Another condition for use of the InvestorPortal by a proxy is that the proxy receives the login information sent to the issuer of the proxy along with the registration confirmation.

We recommend that credit institutions, shareholders' associations, proxy voting consultants, and other intermediaries or the equivalent in accordance with Section 135 of the German Stock Corporation Act who are representing a majority of shareholders contact the registration office at the aforementioned address regarding the exercise of the voting rights prior to the Annual General Meeting.

In cases where a credit institution, shareholders' association, or other third party is authorized to act as proxy, the actual votes must ultimately be cast by the company's proxies (see next section) or by the proxy in an absentee ballot (see above, item II.7.).



### *Granting proxy authorization to company-nominated proxies*

In addition, shareholders who have registered correctly are offered the opportunity to authorize proxies nominated by the company and to issue voting instructions to them. The proxies are obligated to vote in accordance with the instructions issued. They may not exercise voting rights at their discretion. Please note that the proxies may only exercise voting rights on those items on the agenda for which they have received voting instructions. Similarly, proxies may not accept instructions to speak at the Annual General Meeting, to raise objections to resolutions of the Annual General Meeting, or to ask questions or propose motions.

The proxy authorization and instructions must be issued in text form (Section 126b of the German Civil Code). Forms to issue proxy authorization and instructions to proxies named by the company are also printed on the registration confirmation. A form to issue proxy authorization and instructions is also available online at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. The proxy authorization and instructions for company-nominated proxies using the aforementioned proxy authorization and instruction form and their revocation can be sent to the company by mail, fax, or email and, in these cases, must be received by the company by **Thursday, April 15, 2021, 24:00 midnight CEST (= 10:00 PM UTC)** (date of receipt) at the following address:

Covestro AG  
c/o Computershare Operations Center  
80249 Munich  
Germany  
Fax: +49 89 30903-74675  
Email: Covestro-HV2021@computershare.de

Proxy authorizations and instructions for company-nominated proxies can also be issued, modified, and revoked electronically on the InvestorPortal at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>; this can be done even during the Annual General Meeting up to the start of voting.

## **9. Shareholders' right to ask questions**

Duly registered shareholders or their proxies have the right to ask questions by electronic means (see also Section 1, Paragraph 2, Sentence 1, No. 3 of the C19-AuswBekG). All questions must be submitted by **Wednesday, April 14, 2021, 24:00 midnight CEST (= 10:00 PM UTC)** (date of receipt), using the InvestorPortal at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. Questions in languages other than German will not be accepted.

Questions submitted after the above deadline will not be accepted.

To enable shareholders to give due consideration to the intended content of the speeches by the Chief Executive Officer and the Chief Financial Officer as part of their questions, these speeches will be made available at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting> no later than April 13, 2021. The company reserves the right to make modifications for the day of the Annual General Meeting.

The Board of Management will determine how it will answer questions at its own discretion in accordance with Section 1, Paragraph 2, Sentence 2 of the C19-AuswBekG.

When answering questions, the company prefers to name the person submitting the question, if the respective person submitting the question have specifically made mention thereof when the questions were submitted. Please generally note the explanations regarding data protection in item II.19.

## **10. Objections for the record**

Duly registered shareholders or their proxies who have exercised their voting rights by absentee ballot or by issuing a proxy authorization can object to resolutions by the Annual General Meeting via the InvestorPortal at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting> from the beginning to the end of the Annual General Meeting and have their objection recorded by the notary in the minutes. In contrast to Section 245, No. 1 of the German Stock Corporation Act, attendance at the Annual General Meeting is not required.

## **11. Proposed additions to the agenda at minority request pursuant to Section 122, Paragraph 2 of the German Stock Corporation Act**

Shareholders whose shares together account for one-twentieth of the capital stock or a proportionate interest of € 500,000.00 (the latter corresponding to 500,000 no-par shares) may request that items be added to the agenda and announced. Each new item must be accompanied by the reasons for it or a proposal for a resolution. The request must be submitted to the Board of Management in writing and must be received by the company in writing **by March 16, 2021, 24:00 midnight CET (= 11:00 PM UTC).**

Shareholders' proposals for additions to the agenda may be submitted to the company at the following address:

Covestro AG  
Board of Management  
– Office of the Chairman of the Board of Management –  
Kaiser-Wilhelm-Allee 60  
51373 Leverkusen  
Germany

Applicants must provide evidence that they have held their shares for at least 90 days prior to the date of receipt of the request and that they will hold the shares until a decision on the motion has been made.

Additions to the agenda that have to be announced will immediately after receipt of the request be published in the Federal Gazette (*Bundesanzeiger*) and disseminated throughout the European Union. They will also be available online at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>.

## **12. Motions and proposals for election submitted by shareholders in accordance with Section 126, Paragraph 1 and Section 127 of the German Stock Corporation Act**

Counter-motions to resolutions proposed by the Board of Management and/or Supervisory Board on a specific item on the agenda and proposals from shareholders relating to the election of auditors (agenda item 5) or to the election of Supervisory Board members (agenda item 6), which are to be made available prior to the Annual General Meeting, must be addressed exclusively to the address given below. Counter-motions and proposals for election submitted to another address will not be considered.

Covestro AG  
Investor Relations  
Kaiser-Wilhelm-Allee 60  
51373 Leverkusen  
Germany  
Fax: +49 214 6009 7002  
Email: [ir@covestro.com](mailto:ir@covestro.com)

Counter-motions and proposals for election received no later than **April 1, 2021, 24:00 midnight CEST (= 10:00 PM UTC)** at the above address, together with evidence of the shareholding, that have to be made available to the other shareholders, will be posted online immediately at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>. Any statement by the management will also be posted on this website.

A counter-motion or proposal for election to be made accessible pursuant to Sections 126, 127 of the German Stock Corporation Act will only be considered as submitted for the virtual Annual General Meeting, if the shareholder making the counter-motion or proposal has had their identity duly verified and has duly registered to participate in the Annual General Meeting.

## **13. Additional information on voting pursuant to Table 3, Commission Implementing Regulation (EU) 2018/1212**

No resolution has been proposed under agenda item 1 and therefore no vote is scheduled (see that agenda item for more information). Under agenda items 2 to 7 and 9, the announced resolutions or election of the proposed candidate are subject to a binding vote. The proposed resolution announced in agenda item 8 is subject to an advisory vote. In all cases, shareholders can either vote "Yes" (in favor) or "No" (against), or choose to abstain from voting.

## **14. Disclosures in accordance with Section 125, Paragraph 1 of the German Stock Corporation Act and the GCGC as well as other information on the Supervisory Board candidate nominated in agenda item 6**

Lise Kingo  
Year of birth: 1961  
Nationality: Danish

**Position:** Member of various supervisory boards, governing bodies and committees

## **Memberships on other Supervisory Boards and comparable governing bodies of companies in Germany and abroad:**

- Independent Board Director, Sanofi SA, France

Lise Kingo, born in 1961, began her career in 1986 in business-to-business advertising at JP Bureau in Copenhagen and joined Novo Nordisk in 1988, where she remained for 26 years. She served as Chief of Staff, Executive Vice President, and member of the Executive Management team since 2002, where she was instrumental in defining Novo Nordisk's sustainable business strategy. Prior to 2002, she held various positions in NovoZymes, Novo Holding, and Novo Nordisk, including in Internal Audit, Compliance, People & Organization, Branding, and Sustainability.

In 2015, she was appointed CEO and Executive Director of the United Nations Global Compact by UN Secretary General Ban Ki-Moon. The UN Global Compact is the world's largest corporate sustainability initiative, uniting businesses to create a better world through universal principles and the UN Sustainable Development Goals.

Since June 2020, she has been an Independent Board Director at Sanofi SA in France; Chair of the Advisory Board of the "Blueprint for Denmark" Initiative; member of the Advisory Board for Humanitarian Development at the Novo Nordisk Foundation in Denmark, and Chair of the Leonardo Centre at Imperial College in London, United Kingdom. She is a former visiting professor at the Medical Faculty, Vrije Universiteit in Amsterdam, Netherlands, and a longstanding member of HRH Prince of Wales, Cambridge University Advisory Board for Sustainability Leadership, London, United Kingdom. She has received numerous awards, most recently the Thomson Reuters Responsible Business Honoree Award 2020.

Lise Kingo holds a bachelor's degree in Religion and Ancient Greek Art from the University of Aarhus, Denmark, a bachelor's degree in Marketing and Economics from the Copenhagen Business School, Denmark, and a master's degree in Responsibility & Business from the University of Bath, United Kingdom. Furthermore, Lise Kingo is certified as a director by INSEAD in France. Throughout her career, she has held positions in Denmark, the United Kingdom, Norway, the Netherlands, and the United States.

## **15. Report by the Board of Management to the Annual General Meeting under Section 203, Paragraph 2 in conjunction with Section 186, Paragraph 4, Sentence 2 of the German Stock Corporation Act on item 7 of the agenda**

A proposal will be made to the Annual General Meeting to create Authorized Capital 2021 totaling up to € 57,960,000.00 by issuing new no-par value bearer shares. The new Authorized Capital 2021 is intended to be available for capital increases in return for both cash contributions and contributions in kind, and can also be used in installments, although the total amount may not be exceeded. The new Authorized Capital 2021 will replace Authorized Capital 2020, which the company partially used in October 2020. It will enable the company to act quickly and flexibly without having to wait for the Annual General Meeting or call an extraordinary shareholders' meeting. The proposed amount of the new Authorized Capital 2021 would correspond to a 30% increase in the current capital stock if used in full.

When authorized capital is used, the shareholders are generally entitled to subscription rights. To simplify settlement, the new shares will also be offered to credit institutions or companies within the meaning of Section 186, Paragraph 5, Sentence 1 of the German Stock Corporation Act with the obligation to offer them for subscription to shareholders. The proposal also calls for the Board of Management to be authorized to disapply subscription rights in the cases listed in the proposal with the approval of the Supervisory Board.

In the case of capital increases in return for contributions in kind, the authorization proposes disapplying all subscription rights with the approval of the Supervisory Board to give the company the option of quickly and flexibly offering Covestro shares to fulfill claims arising from the preparation, performance, execution or settlement of contractual or legal acquisition processes and of mergers of companies without having to turn to the market. Covestro AG is a global competitor and must be in the position at all times to quickly and flexibly act in the interests of its shareholders in international and regional markets. This includes being able to quickly acquire companies, businesses, divisions of companies, equity interests or other assets or claims to the acquisition of assets, including receivables in respect of the company or its Group companies, to improve its competitive position. Granting shares as compensation can be expedient or even required to maintain liquidity or meet buyer expectations. The proposed disapplication of the subscription rights of shareholders in the case of contributions in kind serves this purpose. The dilutive effect of the disapplication of subscription rights will be balanced out by the fact that the expansion of business achieved by reinforcing the company's equity position is being financed by third parties. The existing shareholders, although they will hold smaller shares of equity and voting rights than before, will benefit from the company's growth, which, if subscription rights had been granted, they would have had to finance from their own resources. Stock exchange listing also generally gives each shareholder the opportunity to increase their stake again by acquiring additional shares.

In the case of a capital increase in return for cash contributions, the authorization proposes permitting the Board of Management, with the approval of the Supervisory Board, to disapply subscription rights when new shares are issued in an amount that does not fall significantly below the market price of the company's shares already listed. Taking into consideration current market conditions, the management will endeavor to keep any discount from the stock market price as low as possible when determining the issuing volume. This authorization enables the company to quickly and flexibly take advantage of market opportunities and to meet capital requirements fast. The company aims to be able to issue new shares to one or more institutional investors or for the purpose of attracting new groups of investors, including what are known as anchor investors. Disapplying subscription rights makes a placement close to the market price possible, so there is no discount as is common in rights issues. The proportionate amount of the capital stock attributable to the shares issued under this type of simplified disapplication of subscription rights is not permitted to exceed 10% of the capital stock either at the date the authorization enters into force – or if this amount is lower – at the date the authorization is exercised. This addresses the shareholders' requirement for protection against the dilution of their shareholdings. Moreover, all shareholders have the basic opportunity to maintain their stake by acquiring shares from the market at comparable terms. The shares to be included in calculating the 10% limit are those that are issued or sold during the term of this authorization up to the date of its exercise by direct or analogous application of Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act. In addition, shares issued or granted or to be issued or granted based on a convertible bond or warrant bond issued during the term of this authorization under the simplified disapplication of subscription rights in accordance with this provision are also included in this calculation.

The proposed authorization also stipulates that the Board of Management may disapply subscription rights for fractions with the approval of the Supervisory Board. This type of reasonable disapplication of subscription rights for fractions in line with market practice facilitates exercise of the authorization in whole amounts and therefore guarantees easier settlement. Because it is limited to fractions, the possible dilutive effect is very minimal as a rule.

Moreover, subscription rights can be disapplied, with the approval of the Supervisory Board, to grant the holders or creditors of warrants/conversion rights on shares of the company or corresponding exercise/conversion obligations arising from bonds issued or guaranteed by Covestro AG or its Group companies subscription rights to compensate for dilution to the extent to which they would be entitled after exercising these warrants/conversion rights or after fulfilling these exercise/conversion obligations. This enables the company to provide the holders or creditors of such instruments a standard market form of dilution protection. They are put in the same position as if they were already shareholders. Shareholders' subscription rights to these shares must be disapplied to structure the bonds with this kind of dilution protection.

There are currently no concrete plans to use the new Authorized Capital 2021. The Board of Management will carefully review in all cases whether using the new Authorized Capital 2021 is in the best interests of the company and its shareholders. The Board of Management will report to the Annual General Meeting on the use of Authorized Capital 2021.

## **16. Commitment by the Board of Management on agenda item 7**

In agenda item 7, the Annual General Meeting is asked to consider the creation of new Authorized Capital 2021. An authorization to disapply the subscription rights of shareholders is provided for in the proposed resolution. For the most significant example in practice of the simplified disapplication of subscription rights in return for cash contributions provided for in Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act, that section contains rules on limits that ensure compliance with a maximum limit totaling 10% of the capital stock, even when the option to implement the simplified disapplication of subscription rights is exercised under various authorizations in direct and analogous application of Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act.

The Board of Management additionally makes the following commitment: We will increase the capital stock of the company from the proposed Authorized Capital 2021 and the Conditional Capital 2020 resolved last year by a total of no more than 10% of the current capital stock, insofar as capital increases are performed while disapplying subscription rights from Authorized Capital 2021 in return for cash contributions or contributions in kind, or for the purpose of settling convertible/warrant bonds issued under the authorization in connection with Conditional Capital 2020 while disapplying subscription rights.

This commitment enters into force when the Authorized Capital 2021 proposed in agenda item 7 enters into force. It ends at the end of the day, April 15, 2026. It will end prior to this date if a future Annual General Meeting approves a new authorization to disapply subscription rights, and the Board of Management presents a new rule that replaces this commitment in connection with the proposed resolution to the Annual General Meeting.

## **17. Compensation system for Board of Management members**

In December 2020, Covestro AG's Supervisory Board resolved to revise the compensation system for Board of Management members approved by the Annual General Meeting on May 3, 2016, effective January 1, 2021. The total target compensation remains essentially the same. The changes primarily entail adding a sustainability component to long-term variable compensation, introducing rules for withholding or recovering variable compensation components (malus and clawback), and defining maximum compensation, which were modified pursuant to ARUG II and the GCGC.

### **Basic principles of the compensation system for the Board of Management**

The system for compensating Board of Management members is aligned with the company's strategy and is structured to help Covestro achieve sustained business success and meet its strategic goals. We aim to position Covestro as an attractive employer in the competition for highly qualified executives, guarantee a high degree of transparency and, at the same time, ensure statutory and regulatory compliance.

The Board of Management's compensation mainly comprises multi-year, performance-based variable elements in addition to non-performance-related components. This overall compensation package therefore focuses on the company's sustainable and long-term business performance.

In accordance with the Board of Management's collective responsibility under our "We are 1" culture, the same performance indicators are applied to determine the variable compensation of all Board of Management members. Linking compensation to financial success ensures that variable compensation will rise/fall considerably if actual results come in well over/under target. Board of Management compensation is in line with the basic principles of the compensation structure and, as a principle, is structured uniformly for the Board of Management as well as for other executives, including managerial employees, in the Covestro Group.

The Supervisory Board's objective is to offer the Board of Management competitive, market-level compensation that factors in Covestro's size and complexity as well as its financial position, including in respect of competitors. The compensation system is clearly and understandably structured and documented.

### **Process for determining, implementing, and reviewing Board of Management compensation**

Board of Management compensation is determined by the Supervisory Board in accordance with Section 87, Paragraph 1 of the German Stock Corporation Act. The Human Resources Committee assists the Supervisory Board in this process by making recommendations regarding the Board of Management's compensation system that are in turn discussed and voted on by the Supervisory Board as a whole. The Supervisory Board is permitted to obtain advice from third-party compensation consultants, if necessary, and ensures their independence if they are hired.

Additionally, the Human Resources Committee conducts the groundwork for regular reviews by the Supervisory Board of the compensation system and compensation amounts for Board of Management members. If required, it recommends that the Supervisory Board make changes to the compensation system. The applicable provisions of the German Stock Corporation Act

and the GCGC as well as the Rules of Procedure of the Supervisory Board on handling possible conflicts of interest in Supervisory Board activities are also followed in the process of determining, implementing, and reviewing the compensation system.

The compensation system is presented to the Annual General Meeting for approval in the event material changes are made, or otherwise no less frequently than every four years. If the Annual General Meeting does not approve the compensation system put to a vote, the compensation system must be reviewed and again presented for a resolution no later than at the following regularly scheduled Annual General Meeting. Until a resolution is passed on a revised compensation system, the compensation system presented shall apply.

In exceptional cases, such as a major economic crisis, the Supervisory Board can, on the recommendation of the Human Resources Committee, temporarily deviate from the components of the Board of Management's compensation system (procedure and rules regarding the compensation structure and amounts as well as the individual compensation components), if this is in the interest of preserving the company's long-term financial health.

The present compensation system for Board of Management members is applied when current Board of Management employment contracts are renewed and when new contracts are signed. In early 2021, the regulations on malus and clawbacks were added to the Board of Management employment contracts currently in effect in cases where these were not already included.

### **Determining total target compensation**

The Supervisory Board determines the total target compensation for the previous fiscal year for each Board of Management member in accordance with the compensation system. This compensation is appropriate in view of the Board of Management member's duties and takes into account Covestro's financial situation, performance, and future prospects.

The amount of compensation awarded to Board of Management members is reviewed annually for appropriateness by the Supervisory Board. The Human Resources Committee prepares a horizontal and vertical comparison for this purpose and, in the event changes are required, drafts a proposed resolution for the Supervisory Board. As a rule, the amount of the adjustment is limited to the change in the consumer price index for Germany.

The total target compensation amount can vary from Board member to Board member. For instance, an outstanding Board of Management member may receive higher compensation, although the compensation structure is uniformly applied.

### Horizontal / external market comparison

The benchmark used to determine whether the total target compensation is aligned with market practice is the compensation of Board of Management members of all companies listed on the German DAX and MDAX stock indexes, excluding banks and insurance companies due to limited comparability. Covestro is compared with these companies to determine, in particular, whether Covestro's relative position within this group in terms of revenue, number of employees, and market capitalization is in line with the relative positioning of Board of Management compensation.



## Vertical / internal market comparison

In determining Board of Management compensation, the Supervisory Board also takes into consideration the compensation structure within the company. This process involves comparing the Board of Management's compensation with that of the upper management levels (senior leaders) and of Covestro's entire German workforce (employees subject to and not subject to collective bargaining agreements, including senior leaders) over time. Senior leaders are defined as executives in the two levels below the Board of Management.

### **Compensation structure and components**

The Covestro Group's compensation structure – not including fringe benefits and pension benefits – based on average total annual compensation for a Board of Management member at 100% target attainment is currently as follows:

- Fixed annual compensation: approx. 30%
- Short-term variable compensation (STI): 100% of fixed compensation approx. 30%
- Long-term variable compensation (LTI): 130% of fixed compensation approx. 40%

The ratio of LTI to STI is therefore 57:43.

The compensation system allows the Supervisory Board to change the relative weighting of the components while conducting the annual review of Board of Management compensation. The stipulated bandwidth is between 25% and 31% for short-term and between 39% and 45% for long-term variable compensation, each in relation to the total of fixed compensation and variable components (at 100% target attainment). This ensures that the long-term portion always exceeds the short-term in line with the requirements of the German Stock Corporation Act and the recommendations of the GCGC. The variable component of Board of Management compensation is therefore largely focused on the long term. In this way, the total compensation can be composed and weighted to consider market standards and appropriateness and, for example, to more heavily focus the compensation of Board of Management members on long-term company performance.

The additional components of total target compensation include fringe benefits, which make up around 5% of fixed compensation in each case. The defined annual contribution to retirement pensions amounts to approximately 35% of fixed compensation.

In addition, the compensation system stipulates share ownership guidelines according to which Board of Management members are required to hold shares of the company for a specified period. The Supervisory Board also has the option of partly or entirely withholding variable compensation under certain circumstances, or request the return of variable compensation already paid out (malus and clawback rules). The Board of Management's compensation is supplemented with appropriate and market-standard entitlements connected with the beginning and end of Board of Management service or a change in work location.

An overview of the compensation system is presented in Figure 1 below.

**Fig. 1: Overview of compensation system**

Compensation component	Basis for calculation/ parameters	Strategic targets
Fixed annual compensation	<ul style="list-style-type: none"> <li>• Fixed, contractually agreed compensation paid out in 12 monthly installments.</li> <li>• As a general rule, annual adjustment in line with development of consumer price index Germany.</li> </ul>	The amount of fixed annual compensation is determined based on the function and responsibilities exercised and market conditions.
Fringe benefits	<ul style="list-style-type: none"> <li>• Vehicle allowance, use of the company carpool</li> <li>• Security services</li> <li>• Health screening examinations</li> <li>• If applicable, signing bonuses (payment of missed variable compensation from the previous employer, reimbursement of moving costs)</li> </ul>	These services are intended to ensure that Board of Management members are ready and able to work.
Short-term variable compensation (STI) „Covestro PSP“	<ul style="list-style-type: none"> <li>• Target value: currently 100% of fixed compensation</li> <li>• Performance indicators (weighted at 1/3 each)               <ul style="list-style-type: none"> <li>◦ Growth (core volume growth)</li> <li>◦ Liquidity (FOCF)</li> <li>◦ Profitability (ROCE)</li> </ul> </li> <li>• Payout: after one year, between 0% and 250% of the target value</li> </ul>	The same performance criteria that are used in managing the Group are applied to short-term variable compensation, which guarantees a direct link between the company's annual performance and this compensation component.
Long-term variable compensation (LTI) „Prisma“	<ul style="list-style-type: none"> <li>• Target value: currently 130% of fixed compensation</li> <li>• Performance indicators (multipliers, current weighting in parentheses):               <ul style="list-style-type: none"> <li>◦ Total shareholder return (TSR factor); multiplied by                   <ul style="list-style-type: none"> <li>▪ Outperformance factor (75%): Relative share price performance compared to the STOXX Europe 600 Chemicals index</li> <li>▪ Sustainability factor (25%): Reduction in GHG emissions</li> </ul> </li> </ul> </li> <li>• Payout: after four years, between 0% and 200% of the target value</li> </ul>	The long-term variable compensation is geared toward the sustained, future-oriented, and continuous growth of the company's value and guarantees the implementation of Covestro's vision in operations.

<b>Compensation component</b>	<b>Basis for calculation/ parameters</b>	<b>Strategic targets</b>
Absolute cap on compensation	<ul style="list-style-type: none"> <li>The maximum total compensation (including fixed compensation, fringe benefits, variable compensation components, pension benefits) amounts to € 9.0 million for the Board of Management Chair and € 5.5 million for the regular Board of Management members.</li> </ul>	Limits according to GCGC rules, avoidance of inappropriately large payouts
Share ownership guidelines	<ul style="list-style-type: none"> <li>Obligation within three years of initial appointment to invest 100% of fixed annual compensation in Covestro shares and to hold them for the duration of Board of Management service</li> </ul>	Linking a portion of the Board of Management members' personal assets to changes in the company's value
Malus and clawback clause	<ul style="list-style-type: none"> <li>The Supervisory Board is entitled to withhold variable compensation (malus) or request the return of variable compensation already paid out (clawback), either in whole or in part, in the event of serious misconduct or material misstatements in financial reporting.</li> </ul>	Upholding the principles according to which integrity determines Covestro's actions and the company acts in compliance with the law and ethical principles without exception.
Post-employment benefits	<ul style="list-style-type: none"> <li>Defined contribution plan</li> <li>Covestro contribution of up to 36% of fixed compensation over the social security contribution ceiling</li> <li>Contribution by Board of Management member: max. 10% over the contribution ceiling</li> <li>Instead granting of a fixed annual payment as pension substitute (<i>Versorgungsentgelt</i>) possible for future Board of Management members</li> </ul>	Providing contributions for an adequate retirement pension
Contract termination	<ul style="list-style-type: none"> <li>The amount of the payments – including fringe benefits – may not exceed two years' compensation according to the GCGC recommendation and may not compensate more than the remaining term of the employment contract.</li> <li>Exception: Termination for good cause</li> <li>Post-contractual noncompete agreement for no more than two years</li> </ul>	Avoidance of inappropriately large payments

<b>Compensation component</b>	<b>Basis for calculation/ parameters</b>	<b>Strategic targets</b>
Change of control	<ul style="list-style-type: none"> <li>• In the event of contract termination as the result of a change of control, coverage amounting to two-and-a-half times the fixed annual compensation</li> <li>• The amount of the severance payments is limited to the remaining compensation up to the expiration of the employment contract and is subject to the cap defined by the GCGC.</li> </ul>	Avoidance of Board of Management members not acting entirely in the company's interest out of insecurity about their positions in the event of a change of control

### **Absolute caps and maximum total compensation**

In order to reach a balanced risk-opportunity profile, the short-term and long-term variable compensation is structured so that the payout can fall to zero. Absolute caps are defined for both compensation components. These amount to 250% for short-term variable compensation and 200% for long-term variable compensation, each as a percentage of the individual target value.

Pursuant to Section 87a, Paragraph 1, Sentence 2, No. 1 of the German Stock Corporation Act, the Supervisory Board has stipulated maximum total compensation for the Board of Management members. The absolute amount in euro for the maximum possible payout includes fixed compensation, fringe benefits (e.g., vehicle allowance, payments toward the cost of security equipment, health screening examinations, etc.), capped variable compensation components, and pension benefits. As a result, the maximum total compensation for a full fiscal year for the Chair of the Board of Management amounts to € 9.0 million, while this amount for the regular Board of Management members is € 5.5 million. In the event this maximum limit is exceeded, the payout of the long-term variable compensation is reduced accordingly (as the most recent component received).

### **Detailed description of compensation components**

#### Non-performance-related components

The non-performance-related compensation comprises the fixed annual compensation, which reflects the responsibilities and performance of the Board of Management members, along with fringe benefits.

#### *Fixed annual compensation*

The level of the non-performance-related, fixed annual compensation for members of the Board of Management takes into account the functions and responsibilities assigned to them as well as market conditions. It is paid out in 12 monthly installments.

#### *Fringe benefits*

Fringe benefits mainly comprise a vehicle allowance, use of the company carpool, the availability of security services, and reimbursement of the cost of an annual health screening examination. Under certain circumstances, such as a member who lives abroad or holds non-German citizenship, reasonable costs for preparation of tax returns by an external accountant can also be reimbursed. Fringe benefits are reported at cost or the amount of the pecuniary advantage gained.

### Performance-related components

The performance-related compensation comprises a short-term variable component, which depends on the attainment of the company's target profitability, and long-term variable compensation, i.e., the stock-based compensation program Prisma, to which a sustainability component was added. Prisma is linked directly to changes in Covestro's share price.

#### *Short-term variable compensation*

The target value of the short-term variable compensation (STI) is currently 100% of the fixed annual compensation. The award is based on the performance criteria of growth, liquidity, and profitability, which are used as part of Covestro's management system to plan, manage, control, and report on business performance. This means that short-term variable compensation is directly linked to the company's success. Prior to the start of the fiscal year, the Supervisory Board determines the performance indicators to be used for these criteria and the specific applicable targets.

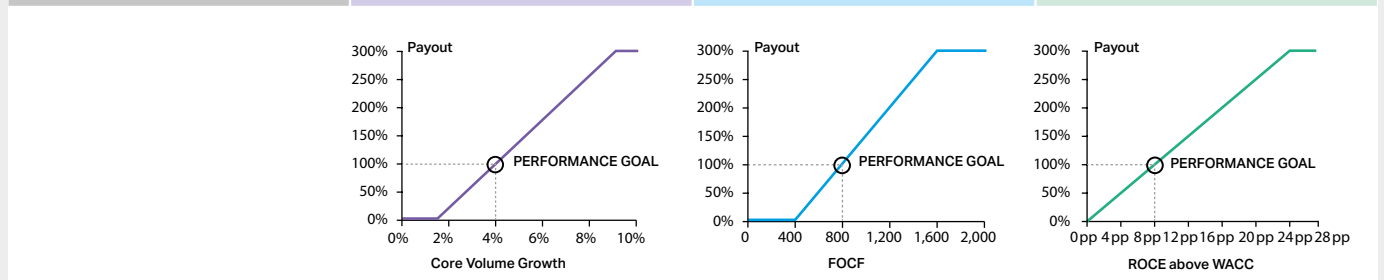
The aforementioned performance criteria are applied in the Covestro Profit Sharing Plan (Covestro PSP), a Group-wide short-term incentive program. Covestro PSP was introduced in 2016 and is applicable to all Covestro employees worldwide (with a few exceptions due to stipulations in collective bargaining agreements). Currently, the members of the Board of Management also participate in Covestro PSP and receive their short-term variable compensation based on the rules of this compensation program. The following performance indicators are weighted equally and used for this purpose:

- Core volume growth
- Free operating cash flow (FOCF)
- Return on capital employed (ROCE)

The Supervisory Board defined the global values for the threshold, 100% payout and the maximum amount for each performance indicator, which are applied for a multi-year period from 2019 to 2021. Between these values, linear interpolation is used to determine the payout. There will be no adjustment after the fact. For each individual performance indicator, the payout can be between zero (failure to meet minimum requirements) and 300%. The total payout is the arithmetic mean of the individual payouts for all three components. However, it is limited to 250% of the target value corresponding to a maximum payout of 2.5 times the fixed annual compensation. This wide bandwidth ties the short-term variable compensation to the normally cyclical course of our business and ensures that profitable years result in attractive payouts, while in less profitable ones, it can be very low or even zero.

**Table and graphical representation of the values (2019 – 2021)  
for short-term variable compensation**

Performance Area	Growth	Liquidity	Profitability
Key Performance Indicator	Core Volume Growth (in %)	Free Operating Cash Flow (in m€)	ROCE above WACC* (in %-pt.) * Weighted Average Cost of Capital
Threshold (0%)	1.5	400	0.0
100% Payout	4.0	800	8.0
Cap (300%)	9.0	1,600	24.0



The Supervisory Board is entitled to reduce the STI payout to below the calculated amount or resolve to eliminate it entirely to the extent that target attainment falls far short of expectations or a major incident occurs e.g., when the Covestro Group’s profitability measured as ROCE comes in below the weighted average cost of capital (WACC), or if an incident occurs at one of Covestro’s plants resulting in death or a large-scale discharge of chemicals that affects the surrounding areas.

*Long-term variable compensation*

The target value for long-term variable compensation (LTI) currently amounts to 130% of fixed annual compensation. Participation requires that members of the Board of Management fulfill the share ownership guidelines applicable to them. The Prisma LTI plan takes into account the performance of Covestro shares, including the dividend (total shareholder return) and outperformance against the STOXX Europe 600 Chemicals industry index over a period of four years. From 2021 onward, the LTI plan also includes a sustainability component. In this form, Prisma is also applicable to Covestro executives.

A new Prisma tranche with a four-year performance period is issued for each fiscal year. At the beginning of this performance period, the Supervisory Board stipulates the performance criteria for outperformance and sustainability as well as the relative weighting of these two criteria, which are linked to the overall criterion of total shareholder return as multipliers.

The payout is determined by calculating three factors:

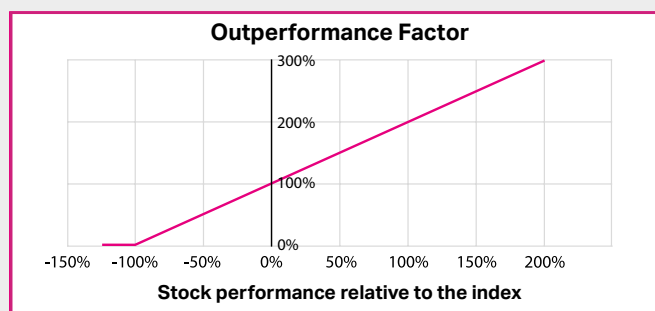
The **total shareholder return (TSR) factor** is the return generated by a stock expressed as a percentage (total of the final price of the Covestro share and all dividends distributed per share during the four-year performance period divided by the initial price).

The **outperformance factor** is based on the performance of Covestro stock during the performance period relative to the performance of the STOXX Europe 600 Chemicals index. For the tranche beginning in fiscal year 2021, the following was determined:

- The outperformance factor amounts to 100% if Covestro’s stock performance (in %) matches the performance of the index (in %).
- The outperformance factor is 0% if the performance of Covestro stock (in %) underperforms the index by 100 percentage points or more.
- The outperformance factor increases in proportion with the deviation if Covestro’s stock performance falls within  $\pm 100$  percentage points of the performance of the index. The same is true if it outperforms the index by more than 100 percentage points.

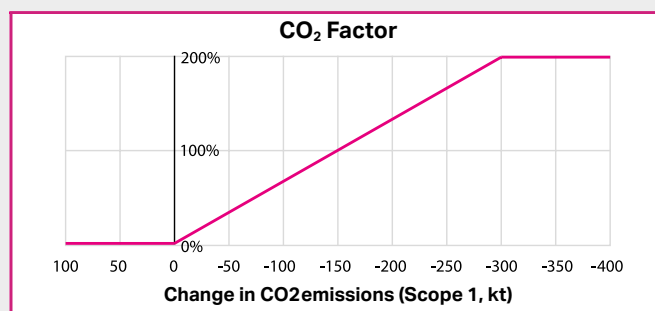
Due to the comparatively flat dependence of the payout on outperformance that was selected, Prisma guarantees greater stability when long-term performance targets are attained in contrast to the considerably more volatile short-term variable compensation.

Stock performance relative to the index	Outperformance Factor
-100% or less	0%
0%	100%
100%	200%



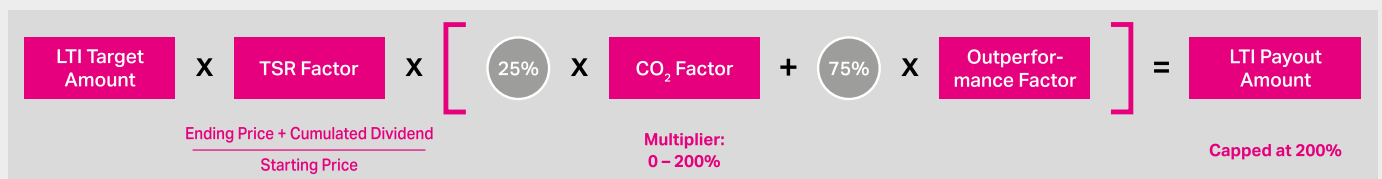
Starting with the tranche issued in fiscal 2021, the sustainability criterion applied is a reduction target for GHG emissions (CO<sub>2</sub> equivalents, CO<sub>2</sub>e) classified in Scope 1. The sustainability factor amounts to 100% if these emissions are reduced by 150 kilotons per year by the end of 2024 in relation to the baseline year of 2020. If the annual emissions remain unchanged, the sustainability factor is 0%. Starting with a reduction of 300 kilotons, it reaches the maximum value of 200%. Between these values, linear interpolation is used to determine the factor. The Supervisory Board considers the defined reduction targets as significant in relation to the company’s actual Scope 1 GHG emissions. Moreover, the Supervisory Board views the reduction in GHG emissions to be a relevant performance indicator to ensure the alignment of the Covestro Group’s operations with the vision of fully focusing on the circular economy.

Change in annual CO2 emissions (scope 1) until end of 2024 compared to base year 2020	Payout
0	0%
-150 kt	100%
-300 kt	200%



In order to calculate the total payout for the tranche beginning in fiscal 2021, the LTI target opportunity is multiplied by the TSR factor, the outperformance factor weighted at 75%, and the sustainability factor weighted at 25%. The total distribution is limited to no more than 200% of the target opportunity. The maximum payout is therefore 260% of the fixed annual compensation.

For future tranches, we plan to expand the sustainability target to Scope 2 and Scope 3 emissions. Within the framework of the existing compensation system, the Supervisory Board can additionally supplement the sustainability factor with additional ESG (environmental, social, governance) criteria.



## Post-employment benefits

The company pension plan in place to date (defined contribution pension commitment through Rheinische Pensionskasse) will generally continue for members of the Board of Management currently serving.

In the course of updating the compensation system, the Supervisory Board resolved to redesign Covestro's pension plan for future members. They will be granted a direct commitment to a defined-contribution company pension plan comprising retirement, disability, and survivors' benefits. For the duration of their Board of Management service, Covestro and the Board of Management members will each contribute 3% of their fixed annual compensation up to the social security contribution ceiling to a statutory pension plan. For the portion of compensation exceeding the contribution ceiling, Covestro will provide a basic contribution of 6% and a match of up to 30%, three times the Board of Management member's own contribution of no more than 10%.

This commitment is structured as a defined contribution plan. The contributions are paid into a retirement account and are guaranteed upon occurrence of the event that triggers the benefits. If a greater return is achieved prior to that time, these are credited to the retirement account at the time the beneficiary becomes eligible for benefits.

The benefits will be paid out as a lump sum or in five or ten annual payments no earlier than when the member reaches the age of 62 and leaves Covestro. In the event of disability or death, the missed contributions up to the age of 57 will be credited to the pension account.

Serving Board of Management members are free to switch their company pension to the new system as of April 2021. The Supervisory Board continues to monitor market developments and can decide within the framework of the existing compensation system to grant future Board of Management members a fixed annual payment as pension substitute instead of the pension model described here.



## **Share ownership guidelines**

The members of the Board of Management are contractually obligated to acquire Covestro shares equivalent to 100% of the fixed compensation on their own account within three years of their initial appointment and to hold these shares for the duration of their service on the Board of Management. If their contracts are extended, this obligation is increased to the amount of the new fixed compensation. The Board of Management member in question must acquire Covestro shares equivalent to the difference within four years of starting the new period of service. The Board of Management member's individual stock holding is disclosed in the Compensation Report.

## **Special payments/bonuses**

The Supervisory Board of Covestro AG is not authorized to grant any special payments for outstanding service at its discretion ("Mannesmann clause").

## **Malus and clawback clause**

According to the newly introduced malus and clawback rules, the Supervisory Board can withhold short-term and/or long-term variable compensation or request the return of variable compensation already paid out, either in whole or in part, at its discretion in the event of serious breaches of duty or compliance violations. Moreover, this compensation can be clawed back if it was calculated and paid out erroneously based on incorrect data.

Any claims for repayment by the company and any right of the company to declare the forfeiture of LTI tranches not yet paid out exist even if the Board of Management member's term of service has ended at the time the claim for repayment is asserted or the declaration of forfeiture is made. The limitation period for these claims or the exercise of this right is three years. It shall begin at the end of the year in which the respective claim or right arose and the company became aware of the facts giving rise to the claim or right or should have become aware without gross negligence. Irrespective of their origin and the company's knowledge or grossly negligent lack of knowledge, such claims or such right shall lapse ten years from the relevant conduct of the Board of Management member. Other claims in the event of personal misconduct by a Board of Management member, particularly claims for damages under Section 93 of the German Stock Corporation Act, remain unaffected by the preceding.

## **Contract terms and benefits associated with ending Board of Management service**

The Supervisory Board adheres to a maximum of five years for the term of employment contracts with Board of Management members. When they are first appointed, this should generally not be for more than three years.

If the term of Board of Management service is terminated early without good cause, the company fulfills its commitments up to the time the member leaves the company. In this case, payments to the Board of Management member, including fringe benefits, may not exceed two times annual compensation and may not compensate more than the remaining term of the employment contract (severance cap). Outstanding variable compensation components are paid out at the originally agreed times and conditions, i.e., they are not paid out in advance.

## **Post-contractual noncompete agreements**

Post-contractual noncompete agreements exist with the members of the Board of Management, providing for compensatory payments to be made by the company for the duration of these agreements (maximum of two years). The compensatory payment amounts to 100% of the average fixed compensation in the 12 months preceding termination of service and is offset against any severance payment.

The company is entitled to waive the post-contractual noncompete agreement upon contract expiration. In this case, no compensatory payment would be made.

## **Change of control**

In the event of a change of control that results in a material change of status of an individual Board of Management member – e.g., change in company strategy or change in the Board of Management's job responsibilities – the Board of Management member has the right to terminate the employment contract within 12 months after the change of control. When this right of termination is exercised or if the employment relationship is ended by mutual agreement on the company's initiative within 12 months of the change of control, the Board of Management member is entitled to payment of severance of 2.5 times the fixed annual compensation. The amount of the severance payments, including fringe benefits, is limited to the remaining compensation up to the expiration of the employment contract and is subject to the severance cap.

## **Commitments associated with starting Board of Management service or changing work location**

When members of the Board of Management are initially appointed, compensatory payments may be granted for variable compensation awarded by former employers, but forfeited as a result of taking a position with Covestro. The amount of such payments is limited to the payouts due from the previous employer and include a clawback clause in the event of early contract termination.

If the appointment of a member to the Board of Management or change in work location on the initiative of the company requires a change of residence, moving costs are reimbursed up to an appropriate maximum amount determined in each contract individually.

## **Supervisory Board compensation**

If Board of Management members hold Supervisory Board positions within the Group, the compensation for this activity is offset against fixed compensation. They are only permitted to take external positions on other companies' Supervisory Boards with the prior consent of Covestro's Supervisory Board. In this case, the Supervisory Board decides at its discretion in each individual case whether and to what extent the compensation will be offset. A particular consideration is the extent to which the position is in the interest of the company or that of the Board of Management member.

## **Other information**

The company holds insurance policies structured as group plans with coverage for accidents (including disability and death coverage) and for travel luggage as well as directors and officers (D&O) insurance for members of the governing bodies of the Covestro Group. In accordance with

the current requirements of the German Stock Corporation Act, members of the Board of Management are subject to paying a deductible of 10% per claim. Within a fiscal year, this amount may not exceed 1.5 times the fixed annual compensation.

The company does not grant Board of Management members any loans or advances.

## **18. Compensation of the Supervisory Board**

Agenda item 9 proposes a resolution is to be passed on the compensation of the members of the Supervisory Board in accordance with Section 113, Paragraph 3 of the German Stock Corporation Act as amended by ARUG II. The Board of Management and the Supervisory Board propose that the compensation of the members of the Supervisory Board as set out in Section 12 of the Articles of Incorporation of Covestro AG and the underlying compensation system be confirmed.

### **Main aspects of the Supervisory Board's compensation**

The compensation of the company's Supervisory Board is governed by Section 12 of the Articles of Incorporation. In accordance with this provision of the Articles of Incorporation, the members of the Supervisory Board are entitled to a fixed compensation component and an attendance fee. The amount of the fixed compensation of the members of the Supervisory Board is based on the duties performed on the Supervisory Board or its committees by the respective member.

Section 12 of the Company's Articles of Incorporation concerning the compensation of the Supervisory Board reads as follows:

#### **Section 12 – Compensation of the Supervisory Board**

- (1) Each member of the Supervisory Board receives fixed annual compensation of € 100,000. Members of the Supervisory Board who are also members of a committee receive additional annual compensation.
  - (a) The additional compensation amounts to € 50,000 for the Chair of the Audit Committee and € 25,000 for all other members of the Audit Committee.
  - (b) The additional compensation amounts to € 30,000 for the Chairs of other committees and € 20,000 for all other committee members. No additional compensation will be paid for membership in the Nominations Committee.

A Supervisory Board member who is a member of more than two committees receives compensation only for the two functions with the highest compensation.

- (2) Instead of the compensation set forth in Paragraph 1, the Chair of the Supervisory Board receives fixed annual compensation of € 300,000 and the Vice Chair receives € 150,000. This covers membership in and chairing of committees.
- (3) Supervisory Board members who have been members of the Supervisory Board or of one of its committees or who have served as Chair or Vice Chair of the Supervisory Board or as Chair of one of its committees for only part of a fiscal year receive pro rata compensation for this period.

- (4) The members of the Supervisory Board also receive an attendance fee of € 1,000 each time they personally attend an in-person meeting of the Supervisory Board or a committee. If multiple meetings are held on one day, only one attendance fee is paid.
- (5) The compensation is paid after the end of the respective fiscal year.
- (6) The Company reimburses the Supervisory Board members the expenses incurred through exercise of their office, including any value-added tax payable on their compensation and on the reimbursement of their expenses. The Company may take out liability insurance for the benefit of the members of the Supervisory Board to cover the legal liability arising from their activities as members of the Supervisory Board.

The compensation system for the members of the Supervisory Board of Covestro AG, which is the subject of this provision of the Articles of Incorporation, is presented below in accordance with Section 113, Paragraph 3 and Section 87a, Paragraph 1, Sentence 2 of the German Stock Corporation Act as amended by ARUG II.

### **Procedure for determining, implementing, and reviewing the compensation of the Supervisory Board**

The compensation of the Supervisory Board has remained unchanged since Covestro AG was founded. The Supervisory Board periodically reviews the adequacy of the structure and the amount of its compensation. In its opinion, the existing compensation is still appropriate in structure and amount, including in view of the compensation of the supervisory boards of other comparable companies.

The role of the Supervisory Board and its members is to oversee the Board of Management in the management of Covestro AG's business and to provide advice. This activity differs fundamentally from the activities of the employees of Covestro AG and the Covestro Group. For this reason, no vertical comparison is made with employee remuneration when reviewing the structure and the level of compensation of the Supervisory Board members.

As a result of ARUG II, the annual general meetings of listed companies are required to pass a resolution on the compensation of Supervisory Board members no less than every four years; a resolution affirming the current compensation is permitted. Going forward, Covestro AG's Supervisory Board will therefore carry out an analysis of its compensation in order to propose a corresponding resolution to the Annual General Meeting together with the Board of Management to prepare for this resolution to be passed at least every four years.

The nature of this matter dictates that the members of the Supervisory Board be involved in the design of the compensation system applicable to them. However, the inherent conflicts of interest are counteracted by the fact that the decision on the final design of the compensation system is assigned by law to the Annual General Meeting and the proposed resolution is submitted by both the Supervisory Board and the Board of Management.

### **Detailed structure of Supervisory Board compensation**

Under the existing compensation system, each member of the Supervisory Board receives annual fixed compensation, normally € 100,000.00.

The members of the Supervisory Board receive an additional annual fixed component for serving on a Supervisory Board committee due to the increased preparation and work regularly involved and in accordance with the recommendation in G.17 of the GCGC. In particular, the additional remuneration amounts to € 50,000.00 for the Chair of the Audit Committee and € 25,000.00 for the other members of the Audit Committee, € 30,000.00 for the Chair of the other committees and € 20,000.00 for the other members of other committees. This applies with the limitation that the total amount of additional compensation may cover service on only two committees – if this maximum number is exceeded, the two highest paid functions apply to the limit. No additional compensation is granted for service on the Nominations Committee.

The Supervisory Board Chair and Deputy Chair have a special responsibility for the successful and efficient work of the entire Board. Their prominent role also entails considerable additional organizational and administrative effort. They therefore receive increased annual compensation, which is also in line with G.17 GCGC. For the Chair, this amounts to € 300,000.00, for the Deputy Chair € 150,000.00. At the same time, this higher annual compensation covers any membership in or chairing of committees.

The respective annual compensation is payable only pro rata for Supervisory Board members who are members of the Supervisory Board or of one of its committees or who serve as Chair or Vice Chair of the Supervisory Board or as Chair of one of its committees for only part of a fiscal year.

In addition, the members of the Supervisory Board receive a per-meeting fee of € 1,000.00 for personally participating in in-person meetings of the Supervisory Board and its committees – but only once for several meetings in a single day.

The compensation is payable after the end of the respective fiscal year.

Finally, the Articles of Incorporation stipulate that the company reimburse the members of the Supervisory Board for the expenses they incur as a result of exercising their duties – including any value added tax (VAT) on compensation and reimbursement of expenses. The Company may also take out liability insurance for the benefit of the members of the Supervisory Board, which covers the statutory liability arising from the work of the Supervisory Board.

### **Contribution to the promotion of the business strategy and the long-term development of the company**

As stated at the outset, the compensation of the Supervisory Board is purely a fixed amount. No variable compensation is paid which would be dependent on the achievement of certain successes or objectives. This is in line with the suggestion in G.18, Sentence 1 of the GCGC, which advocates purely fixed compensation. This structure addresses the fact that the compensation of the Supervisory Board can be oriented only to a limited extent to the company's business strategy and long-term development (see also Section 113, Paragraph 3, Sentence 3 in conjunction with Section 87a, Paragraph 1, Sentence 1, No. 2 of the German Stock Corporation Act). However, the Supervisory Board is of the opinion that the fixed compensation as designed best reflects the neutral and objective advisory and monitoring function of the Supervisory Board.

## 19. Information on data protection for shareholders

Covestro AG, Kaiser-Wilhelm-Allee 60, 51373 Leverkusen (Germany), as the responsible party processes personal data of its shareholders and, if applicable, personal data of proxies (e.g., first name and last name, address, email address, number of shares, class of shares, type of ownership of shares and registration confirmation number, votes cast, questions submitted, motions and objections) for purposes of preparing for and running its virtual Annual General Meeting. The company is legally represented by its Board of Management, namely Dr. Markus Steilemann, Sucheta Govil, Dr. Thomas Toepfer, and Dr. Klaus Schäfer.

The contact details of the company in its capacity as responsible body are as follows:

Covestro AG  
Board of Management  
– Office of the Chair of the Board of Management –  
Kaiser-Wilhelm-Allee 60  
51373 Leverkusen  
Germany

The processing of personal data is required by law for registration for and performance of the virtual Annual General Meeting. The legal basis of this processing is Section 6, Paragraph 1, Sentence 1(c) of Regulation (EU) 2016/679 of April 27, 2016 (EU General Data Protection Regulation, GDPR) in conjunction with Sections 118 ff. of the German Stock Corporation Act. In general, Covestro AG or the service providers it commissions, receive the shareholders' personal data via the registration address from the credit institution that the shareholders have commissioned to hold their shares (custodian banks). Covestro AG broadcasts the Annual General Meeting live via the internet. Insofar as personal data is processed for shareholders or their proxies who have submitted questions or contribute to the Annual General Meeting in other ways, the legal basis for such processing is Section 6, Paragraph 1, Sentence 1 (f) of the GDPR. This data processing is necessary to protect the legitimate interest of Covestro AG in being able to hold a virtual Annual General Meeting – instead of an Annual General Meeting with the physical presence of shareholders and their proxies – to an appropriate extent.

The service providers commissioned by Covestro AG for the purpose of organizing the Annual General Meeting (e.g., Annual General Meeting agencies, lawyers, or auditors) process the personal data of the shareholders exclusively in accordance with the instructions of Covestro AG and only to the extent that this is necessary for the execution of the service commissioned. All employees of Covestro AG and the employees of the commissioned service providers who have access to and/or process personal data of the shareholders, are obliged to treat this data confidentially. In addition, personal data of shareholders or their proxies registered for and participating or exercising their rights at the Annual General Meeting can be accessed by other shareholders and their proxies within the framework of the statutory provisions (in particular the list of shareholders, Section 129 of the German Stock Corporation Act). Covestro AG shall delete the personal data of shareholders in accordance with statutory provisions, in particular if the personal data is no longer necessary for the original purposes of collection or processing, the data is no longer required in connection with any administrative or court proceedings and there are no statutory obligations to retain such data.

Subject to legal requirements, shareholders have the right to obtain information about their personal data and to request the correction or deletion of their personal data or the restriction of processing. Furthermore, shareholders have the right to receive the personal data in a format that complies with legal requirements and to transfer this data to another responsible person without hindrance (right to data transferability). In addition, the shareholders have a right of appeal to the supervisory authorities, in particular the data protection supervisory authority responsible for the domicile or permanent residence of the shareholder or shareholder representative, or the state in which the alleged violation was committed. If personal data is processed on the basis of Section 6, Paragraph 1, Sentence 1 (f) of the GDPR, shareholders also have a right of objection under the statutory conditions.

In the event of any comments or queries regarding the processing of personal data, shareholders may contact Covestro AG's data protection officer:

Covestro AG  
Group data protection  
Kaiser-Wilhelm-Allee 60  
51373 Leverkusen, Germany  
Phone: +49 214 6009 2000  
Contact form: <https://www.covestro.de/en/contact>

Additional information on the handling of your personal data and on your rights as a data subject in accordance with the GDPR in connection with the virtual Annual General Meeting is available on Covestro AG's website at <https://www.covestro.com/en/investors/financial-calendar/annual-general-meeting>.

Leverkusen, March 2021

Covestro AG  
The Board of Management

\* \* \* \* \*



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