



We Will Be Fully Circular

Sustainability @ Covestro
November 2020

[covestro.com](https://www.covestro.com)

Inventor and leader in high-tech material solutions

Covestro at a glance



WHAT WE DO

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

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

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

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

WHAT WE STRIVE FOR

Purpose



To make the world a brighter place

Vision



We will be fully circular

Values



Curious, courageous, colorful

Goals



Financial 2020 and non-financial 2025 goals

€12.4bn

Sales 2019

17,200

Employees (in FTE) 2019

#1

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

Number one producer globally and inventor of polyurethanes

Polyurethanes (PUR) at a glance



Products

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

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

Covestro develops and produces the components of this versatile material.

Key customer industries:



Sample applications



For comfortable cars



For sustainable houses



For cozy furniture



For robust sports equipment

3.1%

Core volume
CAGR in 2015 - 2019^(a)

€5.8bn

Sales
2019

€648m

EBITDA
2019

Number one producer globally and inventor of polycarbonates

Polycarbonates (PCS) at a glance



Products

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

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

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

Key customer industries:



Sample applications



For trendy smartphones



For bright buildings



For light-weight cars



For safe medical products

5.2%

Core volume
CAGR in 2015 - 2019^(b)

€3.5bn

Sales
2019

€536m

EBITDA
2019



Performance materials for coatings, adhesives and specialties

Coatings, Adhesives, Specialties (CAS) at a glance

Products

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

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

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

Key customer industries:



Sample applications



For long-lasting cosmetics



For robust floors



For fancy cars



For functional textiles

2.1%

Core volume
CAGR in 2015 - 2019^(b)

€2.4bn

Sales
2019

€469m

EBITDA
2019

Our innovative polymers contribute to sustainability in daily life

Covestro product applications



Polyurethanes



Increasing energy efficiency of buildings through materials and technologies for insulation



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



Food preservation along the cool chain



Polycarbonates



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



Recycled content grades on a virgin performance level



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



Coatings, Adhesives, Specialties



Waterborne coatings and adhesives, replacing solvent



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

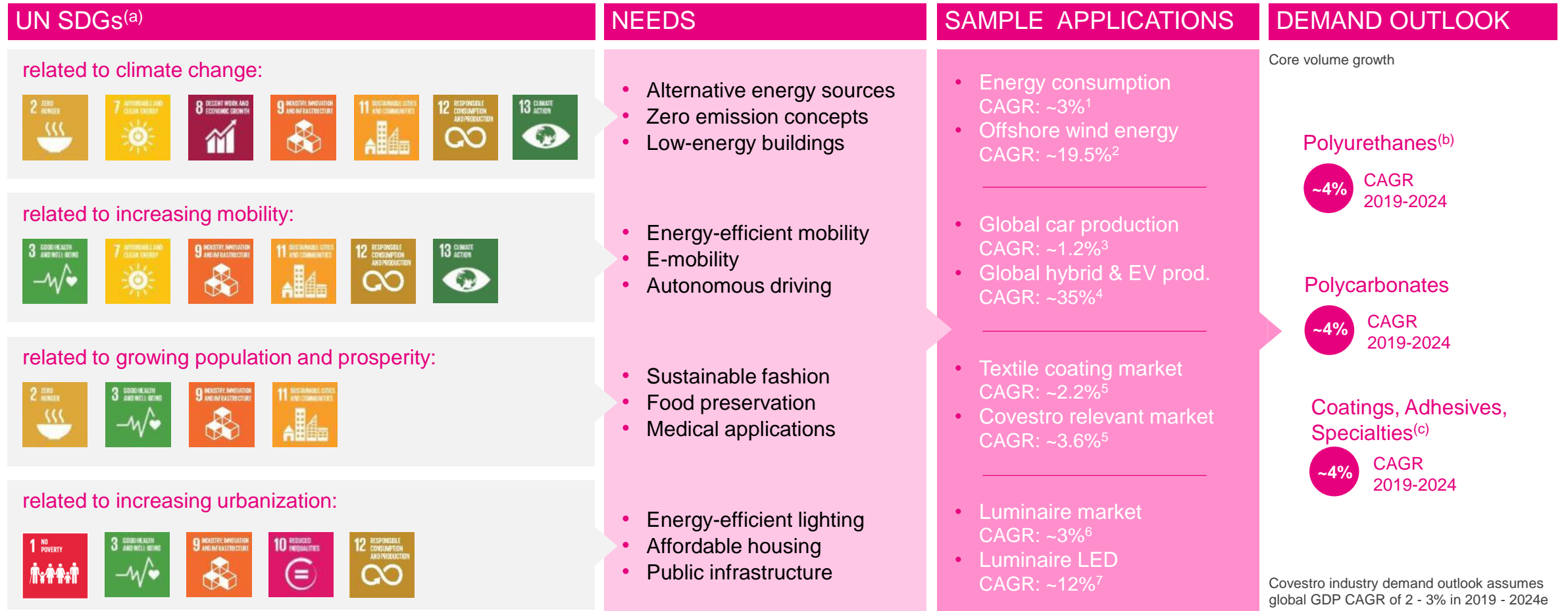


Fully recyclable shoes made from thermoplastic PU powder and filament

Covestro innovative products tap into attractive new markets



Structural growth drivers



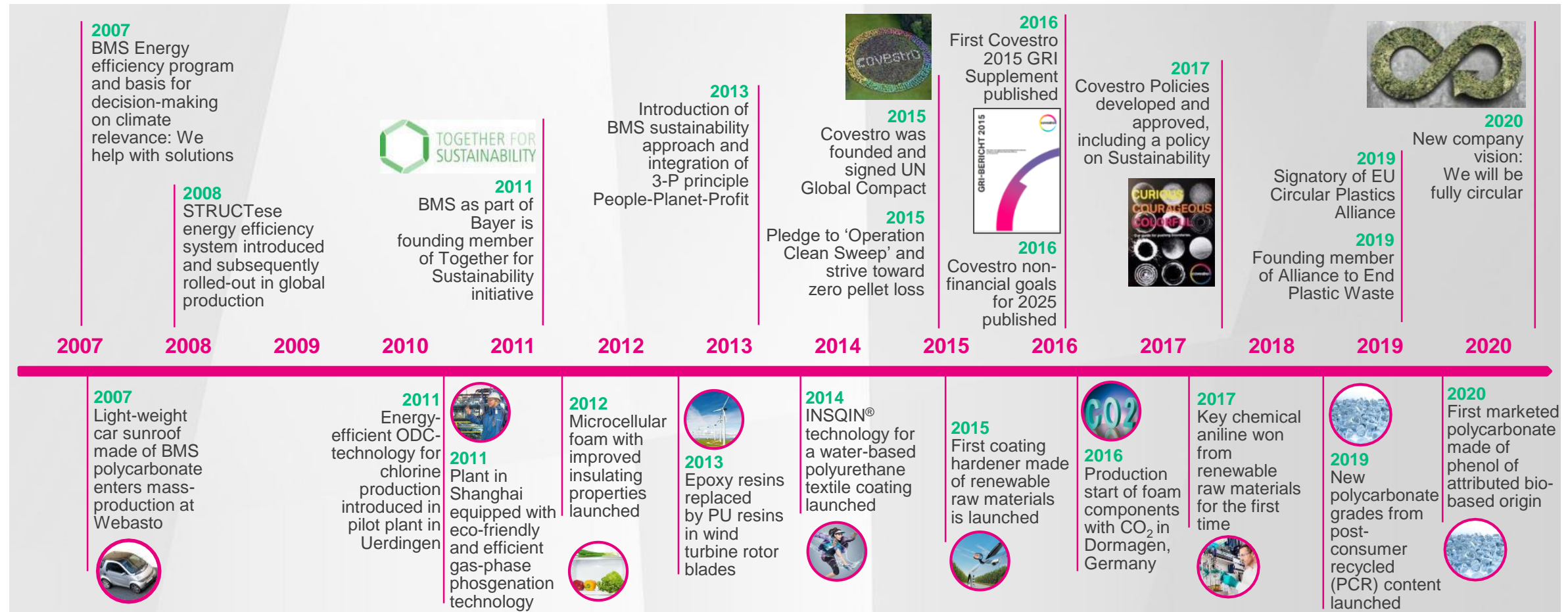
Covestro industry demand outlook assumes global GDP CAGR of 2 - 3% in 2019 - 2024e

Notes: (a) Most impacted goals out of 17 Sustainable Development Goals, set by the United Nations' "2030 Agenda for Sustainable Development"; (b) Comprises MDI, TDI and polyether polyols; (c) Shows PU raw materials industry demand in coatings, adhesives, sealants (excl. architectural/textiles coatings /solvent-borne polyacrylates); plus TPU, elastomers and PC/TPU films
 1) Covestro estimates for 2020-2025, based on BP, Energy Outlook, 2017 for 2015-2020 based on million tons oil equivalent; 2) GWEC, Global Wind Executive Council: Annual-Wind-Report 2019 for 2020-2025; 3) LMC, Aug 2020, for years 2019-2023 4) LMC, Aug 2020, for years 2018-2023; 5) Covestro estimates for 2019-2023; 6) Covestro estimates for 2020-2025; 7) Covestro estimates based on LEDinside report H2 Y2020 (CAGR 2018-24) and Global Luminaires and Lighting Market Analysis and Forecast 2016, PennWell for 2015-2022

Long history of innovations inspired by sustainability



Covestro milestones in sustainability



On track to achieve our ambitious non-financial targets

Covestro non-financial targets for 2025



1

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

Achievement: Global evaluation process established; first status to be reported in Annual Report 2020



2

100% of our suppliers comply with our sustainability requirements

Achievement: 81% by end of 2019



3

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

Achievement: -46.1% by end of 2019



4

Ten million people in underserved markets benefit from our solutions

Achievement: 650,000 people by end of 2019



5

Extract the maximum benefit from carbon and increase carbon productivity

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



Categorization of material topics determines management approach



Material topics at Covestro

WE INNOVATE

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

Solutions contributing to UN SDGs

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



Circular and climate-neutral economy

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



Corporate culture

- Employer attractiveness
- Equality, diversity and inclusion



WE MANAGE

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

Environmental impact of own Operations

- Air quality
- Waste
- Water and wastewater



Health and safety

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



Responsible business practices

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



WE ADHERE TO

Responsible governance

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

MATERIAL TOPICS THAT PUSH US TO INNOVATE OUR MANAGEMENT APPROACHES

Examples of full list of material topics on p. 10

Sustainability-driven innovations, innovation-driven sustainability



Material topic Solutions contributing to UN SDGs Sustainable innovation portfolio



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

€266m	R&D expenditure in 2019
1,217	R&D employees (FTE) in 2019
284	Patent applications in 2019
~17%	of 2019 net sales with new products (not >5 years)

N°1 Non-financial target

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

Achievement: Global evaluation process established; first status to be reported in Annual Report 2020

Bring product innovations to people in underserved markets



Material topic Solutions contributing to UN SDGs Inclusive business



Solar dryer domes

- Polycarbonate sheets-based solutions for smallholder farmers
- Avoid food wastage after harvest, benefitting farmers economically
- Locations: Thailand, Vietnam, Myanmar, India, Indonesia, Cambodia, Malaysia, Philippines
- About 1,500 units installed



Hygienic sanitation

- Toilets based on polyurethane rigid foam (PIR)
- Community and school toilets as the next step
- Locations: India, Malaysia
- About 170 units installed



Affordable houses

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

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

Nº4 Non-financial target

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

Achievement: 650,000 people by end of 2019

The new vision of Covestro



Material topic Circular and climate neutral economy Business models

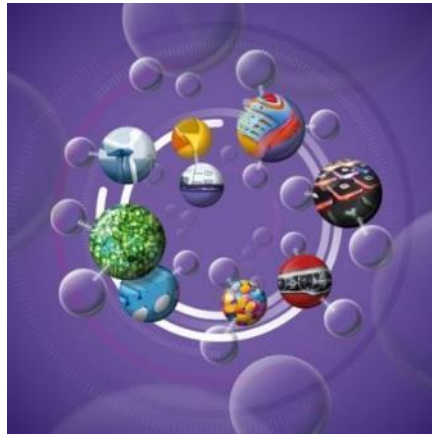
“ WE WILL BE FULLY CIRCULAR

Alternative raw materials

Innovative recycling

Renewable energy

Joint solutions



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

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

Wind and sun: clean energy must power the circular economy

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

N^o5 Non-financial target

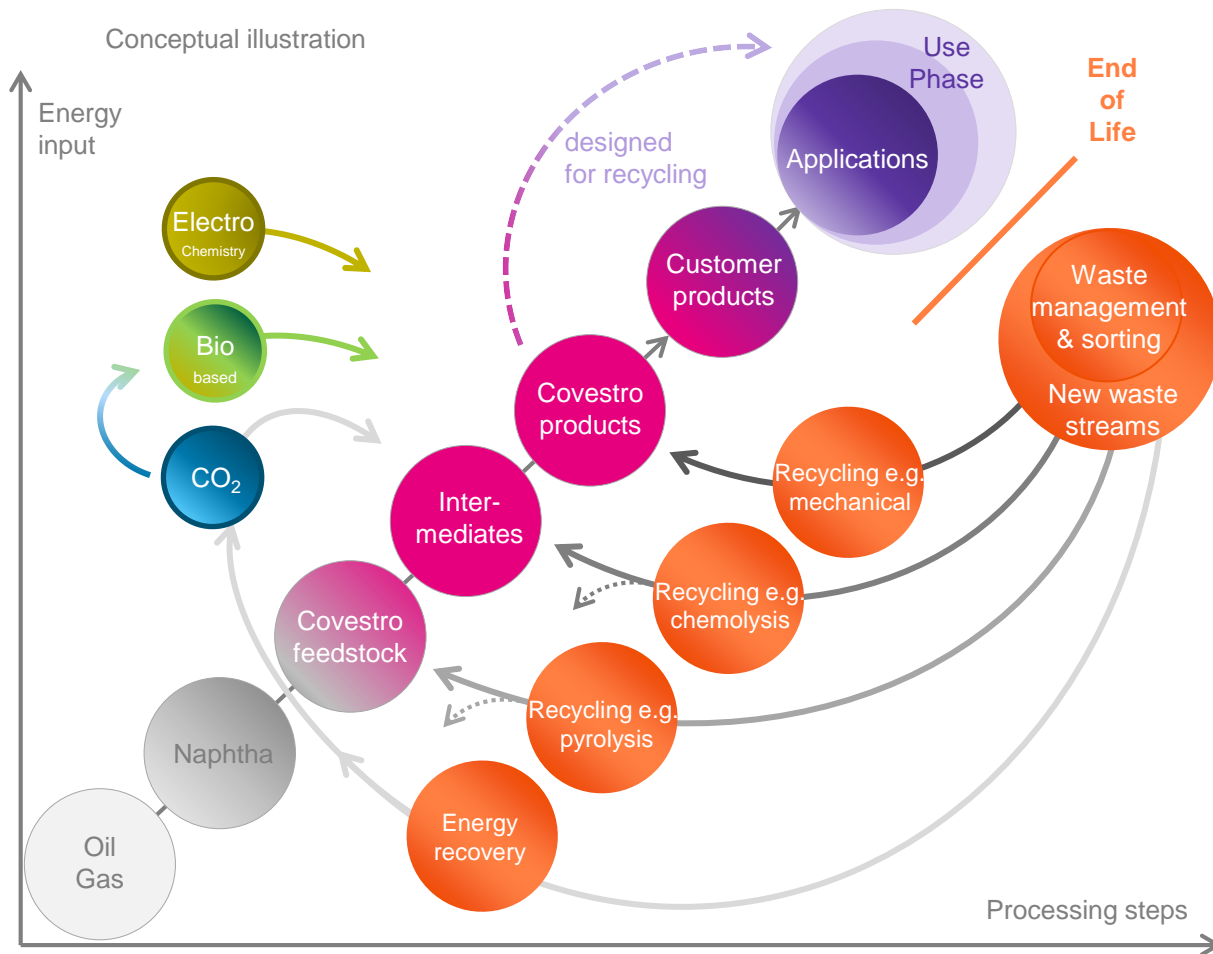
Our goal is to extract the maximum benefit from carbon. Increasing carbon productivity enables us to create more value with fewer carbon-based fossil resources

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

Circular economy (CE) to keep carbon in the loop



Material topic Circular and climate neutral economy Business models



Global industry challenges of a circular economy

- 1 Provide a solution for the end of life of any material
- 2 Extract target molecules from waste streams and secure continuous access to waste-based feedstock as raw material
- 3 Decouple growth from fossil resources and keep valuable carbon in the loop as long as possible

Covestro-related industries (PU, PC and others)

- Represent less than 10% of global plastic production, dominated by PE, PET, PP, PVC, PS
- Materials mostly not applied in single-use applications
- Offer few established collection streams
- Recycling technologies at early stage except some mechanical recycling; incineration no preferred option
- Covestro already commercializes products that contain alternative feedstock (bio-/CO₂-/waste-based)

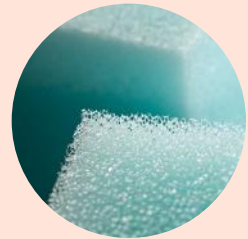
Polymers based on alternative raw materials already commercialized



Material topic Circular and climate neutral economy Alternative raw materials

CO₂-based

- 6 products commercialized
- 6 running R&D projects



Example PUR CO₂ as raw material

- CO₂ replaces up to 20% of crude oil-based feedstock of polyols
- New production plant at Dormagen site and product brand cardyon® launched
- Recticel promotes foam mattresses with more than one-seventh of oil content replaced by CO₂-based chemicals
- Sports flooring producer Polytan installed first elastic subfloor using cardyon® as binder

Waste-based

- 12 products commercialized
- 19 running R&D projects



Example PCS Recycled polycarbonates

- New polycarbonate grades from post-consumer recycled (PCR) content, e.g. water bottles, CDs and auto-motive lighting
- Closed loop recycling system to collect, sort, shred and clean material
- Recycled granules are finally compounded with virgin resins
- PCR grades are used in various electrical applications for a second life

Bio-based

- 13 products commercialized
- 40 running R&D projects



Example CAS Bio-based car top coat

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

Turning waste gas from steel factories into valuable polymers



Material topic Circular and climate neutral economy Alternative raw materials

Carbon4PUR

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

- Key objectives of this 3-year project, initiated in October 2017:
 - Reduce carbon footprint of polyurethane intermediates by 20-60% compared to today's polyurethane products manufactured from crude oil
 - Save 70% of process energy compared to conventional chemical processes
 - For the first time, provide higher value novel polyols from waste CO or CO₂ for the production of new, sustainable polyurethane applications (rigid foam and coatings) as an example of high value polymers
- Industrial-scale : Carbon in form of mixed waste gases from the ArcelorMittal plant in Fos-sur-Mer, France, could undergo catalytic transformations in the nearby Covestro plant to become a chemical feedstock for polyols
- Project results expected in 1H 2021

Pan-European project partners



Academic and institutional partners:

Enabling as well as using wind energy



Material topic Circular and climate neutral economy Renewable energy

Polyurethane-based wind turbine blades



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

Ørsted wind energy supply



- At this time world's largest corporate supply contract for offshore wind energy entered by Covestro and Ørsted in December 2019
- Starting in 2025, Ørsted to provide 100 MW of electricity for 10 years
- Newly built wind farm in North Sea, implemented without public funding
- Supply to cover c. 10% of electricity consumed by Covestro in Germany

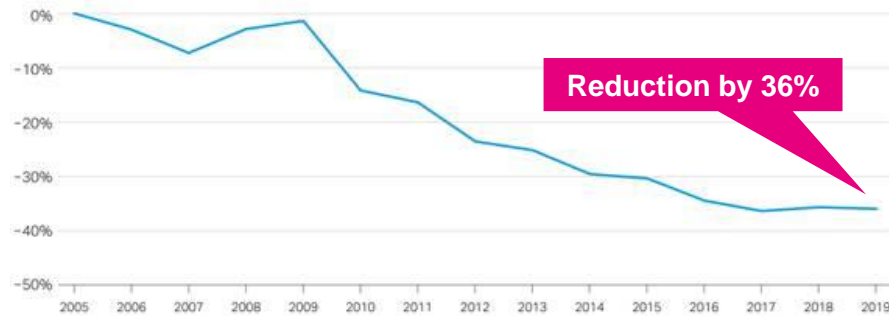
Underway to halve specific greenhouse gas emissions

Material topic Circular and climate neutral economy GHG emissions

Specific energy consumption

Development of specific energy consumption

(Change in specific primary energy consumption per metric ton of product, compared with the baseline year, in %)¹

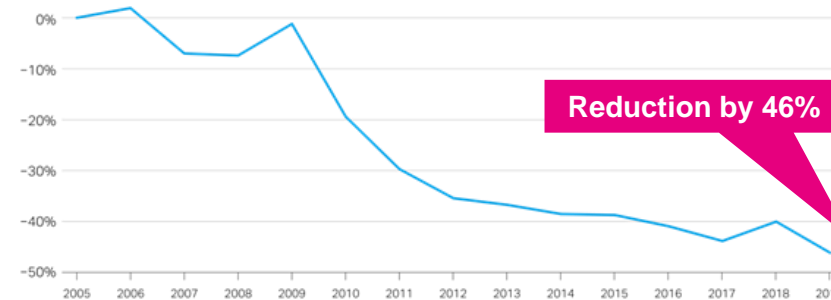


- Specific energy consumption improved by 36%; goal to reduce by 50% until 2030
- STRUCTese energy efficiency system contributed lasting reductions of 2.22 mio. MWh of primary energy since 2008
- STRUCTese compares and bridges Covestro-wide actual energy consumption with the potential optimum
- 2019 examples: Optimized polycarbonate plant in Map Ta Phut, Thailand, cuts steam usage by c.15,000 MWh; Optimized chlorine plant in Baytown, USA, lowers electricity requirement by c. 20,000 MWh

Specific greenhouse gas (GHG) emissions

Development of specific greenhouse gas emissions

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



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

N°3 Non-financial target

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

Achievement: -46.1% by end of 2019 vs 2005 benchmark

Researching a circular polyurethanes economy

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

Seeking ways of transition from current linear lifecycle of polyurethane (PU) products to a circular economy model

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

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

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

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

Recycling of PU foam

Cross-industry collaboration: **PUReSmart**



smart SORTING

Improve sorting abilities to gain clean material inputs for PU recycling

smart CHEMOLYSIS

Modify chemolytic process to increase quality and quantity of recycled products

smart DESIGN

Design new molecules to make PU re-processable

Blockchain to enable traceability of polymers in the automotive sector



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



- Circularise, Porsche, Borealis, Domo Chemicals and Covestro launched blockchain traceability project in November 2020
- By digitizing materials, a digital thread through the whole supply chain leads to tracing materials and sustainability metrics like CO₂ footprints or water use

Mission

- Trace polymers from raw materials to consumer application

Challenge

- Overcome inherent complexity of the supply chains and multitude of suppliers
- Establish transparency while granting trust, privacy and confidentiality

Solution in development

- Creating blockchains – batches of materials are digitized on the blockchain, creating a digital copy called digital twin
- Digital twin carries all relevant information of the batch, such as its environmental footprint and origin, resulting in a digital thread along the supply chain
- Verification of product claims is granted through third party auditing
- All supply chain parties update the digital twin mimicking the physical supply chain and reflecting the manufacturing processes

Potential applications

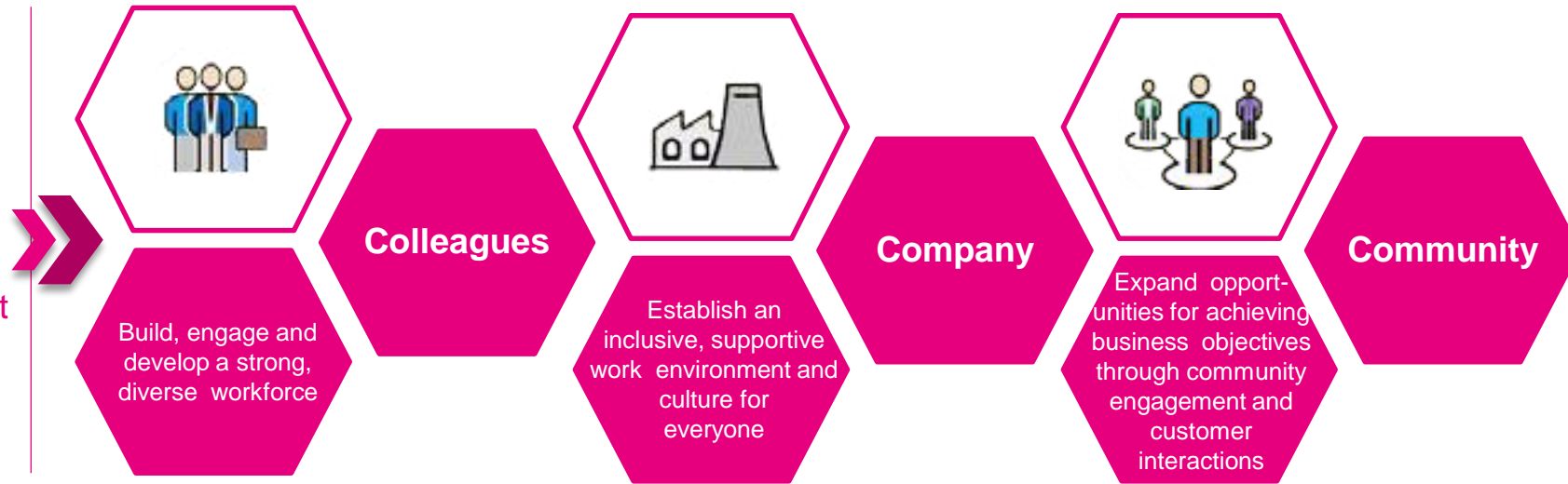
- Circularise technology able to trace plastics from raw material to the final car
- "Smart Questioning" allows to trace materials and sustainability metrics while preserving everyone's privacy and protecting confidential information
- Helping car manufacturers to make better decisions for the next generations of vehicles and support end-of-life recycling approaches
- Helping consumers in making sustainable decisions through increased transparency of a product's environmental impact

Global Covestro diversity & inclusion initiatives support UN SDGs



Material topic Corporate culture Equality, diversity and inclusion

Global Covestro D&I Team sponsored by Board of Management



4 QUALITY EDUCATION

- Cross generational and multi-national engagement within our labor markets
- Brief recruiting agencies for gender balance

5 GENDER EQUALITY

- Consequent posting of open positions
- Diverse interview panels*
- Building a diverse STEM workforce pipeline

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

13 CLIMATE ACTION

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

17 PARTNERSHIPS FOR THE GOALS

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

MATERIAL TOPICS THAT WE MANAGE WITH EXISTING MANAGEMENT APPROACHES

Examples of full list of material topics on p. 10

Covestro risk-based water approach in development



Material topic Environmental impact of own operations Water and wastewater

Risk

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

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

**Covestro relies on water supply,
~80% of water usage is cooling water**

**Risk-based approach improves management
of water-related aspects**

**Our objective: develop a holistic corporate
water approach across all sites**

Measure

- Initial analysis for water stress and flooding risks conducted for all Covestro sites
- Site evaluation by occurrence probability and economic loss
- Implementation of information management system
- Best practice sharing between sites

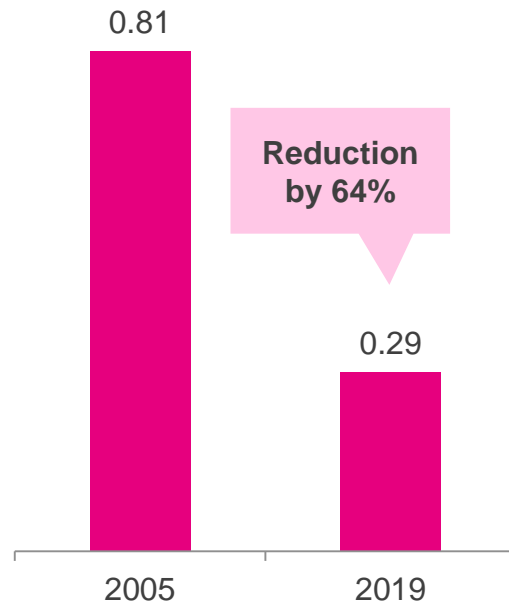


Our priority: Nothing we do is worth getting hurt for

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

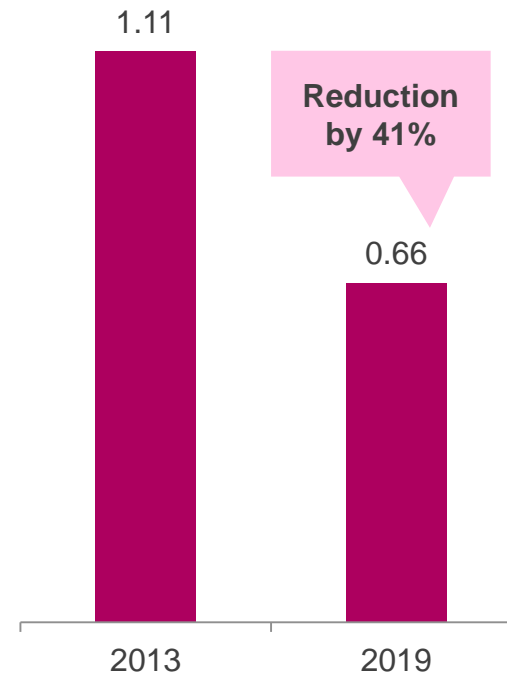
Occupational safety

Recordable Incident Rate
RIR^(a)



Plant & process safety

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



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

Taking a broad view on human rights throughout our value chains

Material topic Responsible business practices Human rights due diligence



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

“ A cross-functional Covestro task force drives the implementation of a comprehensive Human Rights Management System

Together for Sustainability – compliance along the value chain

Material topic Responsible business practices Sustainability in sourcing



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

- Initiative founded in 2011, with 26 members as of June 2020
- Members use same approach, share assessments and audits results within the initiative: >12,200 assessments and 2,030 supplier audits for >1,700 suppliers
- EcoVadis responsible for high-quality, third-party sustainability assessments and on-site audits, with criteria are based on GRI, UN Global Compact, and ISO 26000 global standards
- Covestro uses TfS methodology as one approach towards suppliers as well as customers

N°2 Non-financial target

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

Achievement: 81% by end of 2019

Our priority: We play by the rules



Material topic Responsible business practices Compliance

6 Covestro Policies



Value creation



Sustainability



Innovation



People



HSEQ



Compliance

Policies

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

Directives

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

Procedures

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

CFO chairs Group Compliance Committee

11 Corporate Commitments

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

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

Translating the RC Global Charter into actionable company directives



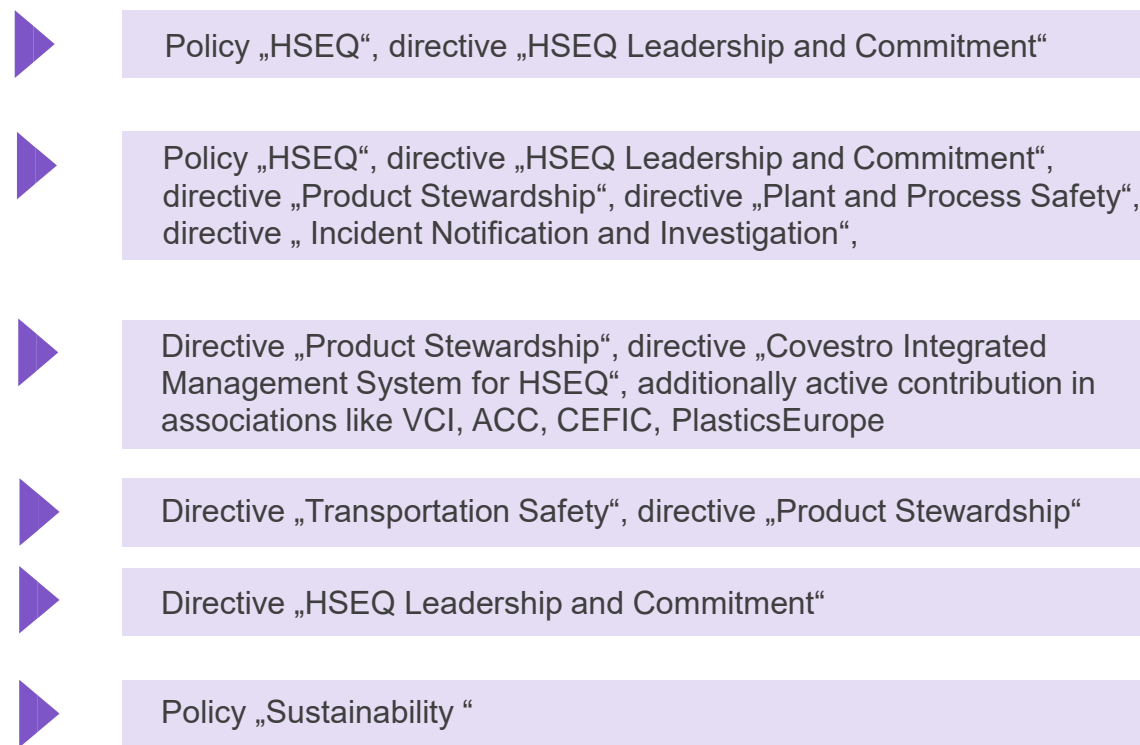
Material topic Responsible business practices Compliance

Responsible Care Global Charter

of the International Council of Chemicals Associations

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

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



Head of HSEQ Management System commissioned by Board of Management



RESPONSIBLE GOVERNANCE THAT WE ADHERE TO

Annually declaring conformity with the GCGC



Material topic Responsible governance Corporate Governance

Responsible governance

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



Declaration by the Board of Management and Supervisory Board concerning the German Corporate Governance Code (February 7, 2017 version) pursuant to Section 161 of the German Stock Corporation Act

Convenience Translation

Since the last Declaration of Conformity as of December 2018, Covestro AG has complied with all recommendations of the German Corporate Governance Code in the version of February 7, 2017 and will comply with them in the future.

Leverkusen, October 2019

For the Board of Management:

Steilemann

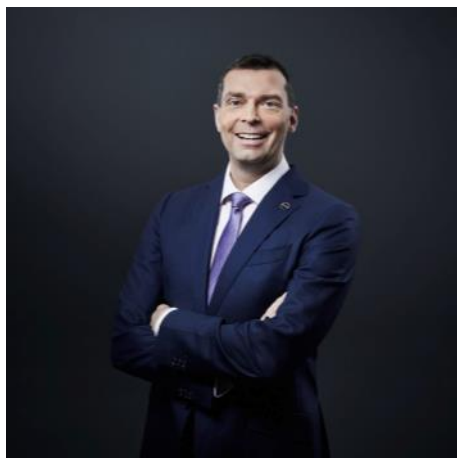
For the Supervisory Board:

Pott

Board of Management responsible for operational businesses and goals



Material topic Responsible governance Board responsibilities and oversight



Dr. Markus Steilemann
Chief Executive Officer

Areas or responsibility:

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



Sucheta Govil
Chief Commercial Officer

Areas or responsibility:

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



Dr. Klaus Schäfer
Chief Technology Officer

Areas or responsibility:

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



Dr. Thomas Toepfer
Chief Financial Officer

Areas or responsibility:

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

Supervisory Board advises and oversees Board of Management









Material topic Responsible governance Board responsibilities and oversight

Shareholder representatives, elected by the AGM 2020

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

Employee representatives

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

Supervisory Board – objectives for the composition and diversity concept



Material topic Responsible governance Board skills and diversity

Supervisory Board Duties and composition

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

Supervisory Board Membership

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

Gender structure

42% women
Supervisory Board

33% women
Shareholder
representatives

50% women
Employee
representatives

Supervisory Board Skills

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

Board of Management is paid for performance



Material topic Responsible governance Board compensation system

Component	2020 determination base and parameters
Fixed compensation ~30%	<ul style="list-style-type: none"> Annual benchmark: horizontally again DAX/MDAX and vertically against all German employees Annual adjustments determined by Supervisory Board in line with the increase in the consumer price index in Germany 2020e values: CEO €1.2m; CFO €0.7m; CCO/CTO €0.6m
Short-term variable component ~30%	<ul style="list-style-type: none"> Target value: 100% of the respective annual base salary Key performance indicators, each weighted 1/3: Core volume growth, liquidity (FOCF), profitability (ROCE) Threshold values fixed for three years (2019-2021) Payout between 0 and 250% of target
Long-term variable component ~40%	<ul style="list-style-type: none"> Target value: 130% of respective annual base salary Key performance indicators, linked by multiplication: <ul style="list-style-type: none"> Total Shareholder Return (TSR) Relative share price development in relation to STOXX Europe 600 Chemicals index Rolling performance periods of four years, e.g. 2020-2023 Payout between 0 and 200% of target
Share ownership guidelines	<ul style="list-style-type: none"> Obligation to purchase Covestro shares equivalent in value to 65% of the gross annual base pay within three years and to hold them for the duration of Board membership Intended increase to 100% of gross base pay for future Board contracts (already applying to CCO and CFO)

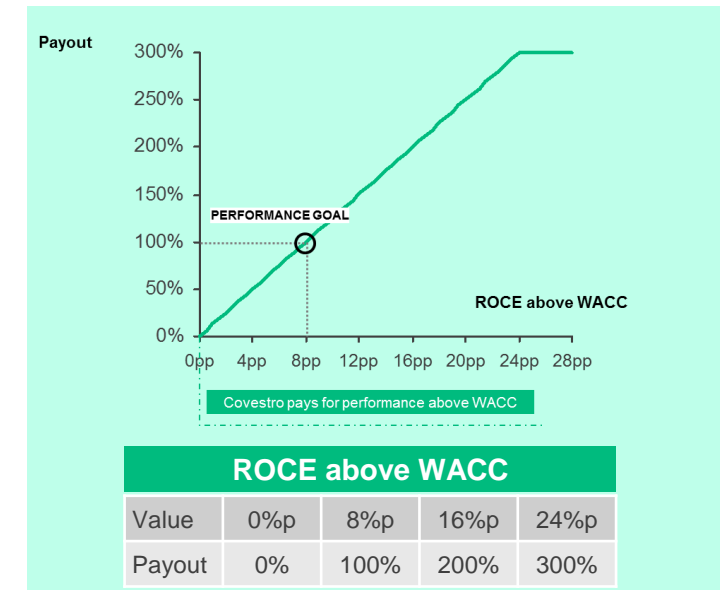
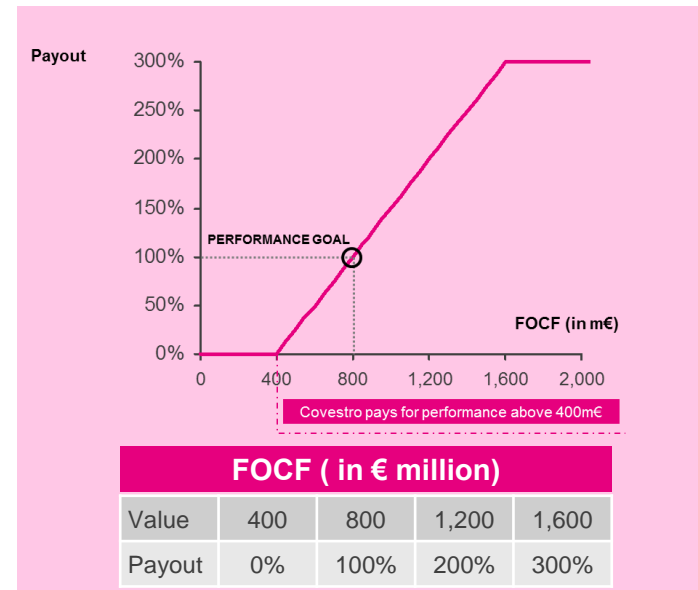
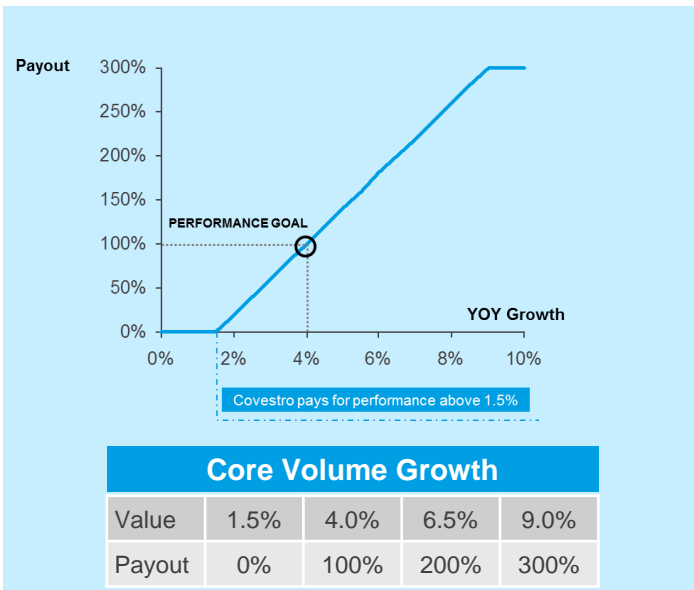
Component	2020 determination base and parameters
Cap on compensation	<ul style="list-style-type: none"> Capped at the 1.9-fold of the target compensation Target compensation: Annual base salary plus target values for the variable components plus company pension expenditures
Pension entitlements	<ul style="list-style-type: none"> Contribution-based entitlement Board member's max. personal contribution: 9% of the respective fixed compensation above the social security contribution ceiling Company contribution of up to 33% of the respective fixed compensation above the ceiling (6% basis plus three times the personal contribution)
Fringe benefits	<ul style="list-style-type: none"> Company car / vehicle allowance; driver service Security equipment; health screening examinations; other Payments upon start of office, if applicable
Contract termination	<ul style="list-style-type: none"> Payments made, including fringe benefits, capped to the value of two years' compensation Exception: termination for cause
Change of control	<ul style="list-style-type: none"> Indemnity payments of 250% of fixed annual compensation Capped at the lower of (i) three years' compensation or (ii) compensation for the remainder of the contract term

Short-term incentive fully based on profit sharing

Material topic Responsible governance Board compensation system

Management bonus based on Profit Sharing Plan (PSP)

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

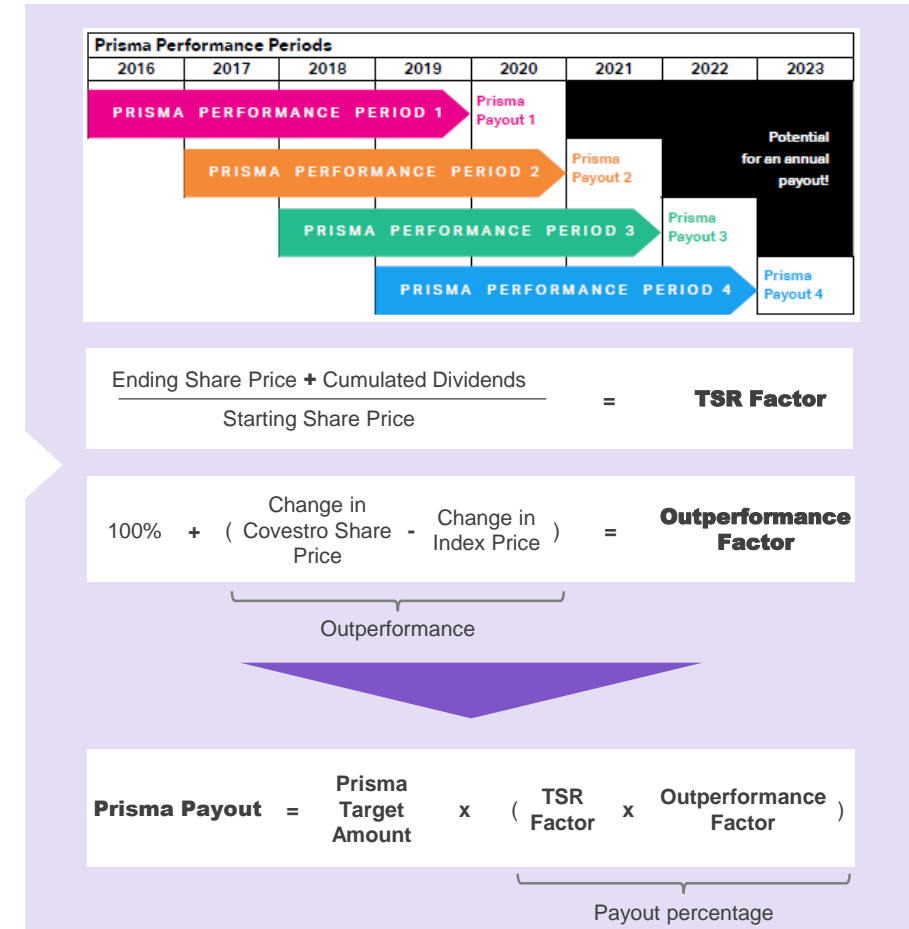


Long-term incentive based on total shareholder return

Material topic Responsible governance Board compensation system

Key features of “Prisma”

- Cash settled plan with four-year performance periods
- Globally consistent program for all eligible employees
- Target amount based on fixed percentage of annual base salary
- Payout (capped at 200% of target) based on:
 1. *TSR (Total Shareholder Return) as absolute performance criterion*
 2. *Outperformance factor as relative payout criterion based on STOXX Europe 600 Chemicals index*
- Starting and ending prices for Covestro share and index are determined by the average closing prices during November & December before and at the end of the performance period
- Intention to include a sustainability-related KPI for members of the Board of Management starting 2021





Fully fixed compensation system for Supervisory Board

Material topic Responsible governance Board compensation system

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

Committed to tax transparency

Material topic Responsible governance Tax transparency

Covestro tax principles

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

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






ESG REPORTING @ COVESTRO

Find more information online






Useful links and sources

TOPICS RELATED TO ENVIRONMENT, SOCIAL AND GOVERNANCE



Solutions contributing to UN SDGs

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




Circular and climate-neutral economy

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




Corporate culture

- Employer attractiveness 
- Equality, diversity and inclusion 






Environmental impact of own Operations

- Air quality 
- Waste 
- Water and wastewater 

Health and safety



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



Responsible business practices



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

Responsible governance

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

- Annual Report 2019 
- GRI reporting 

- TCFD disclosure 
- Covestro non-financial goals 

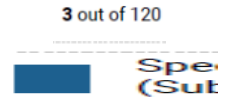
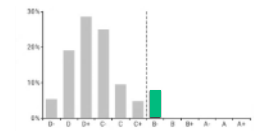
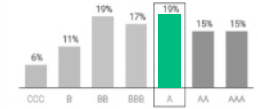
- ESG ratings and indices 
- Compliance hotline 



Scores reflect Covestro's broad engagement in ESG matters

Ratings and index memberships as of June 2020

Rating / Index	2016	2017	2018	2019	2020	Scoring	Benchmark
	BBB	BBB	A	A	A	AAA - CCC	in Specialty Chemicals
	B-		B-		B-	A+ - D-	Prime Status
	74	75	80	23.3	20.0	max. 100 Points 0 - 100 Points (the lower the better)	in Specialty Chemicals
	73		80			max. 100 Points	Gold Ranking
							Inclusion in FTSE4Good Index ^(b)



Forward-looking statements



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

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

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