



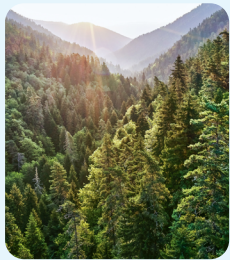
ANNUAL REPORT
2024

Focusing on our Strengths



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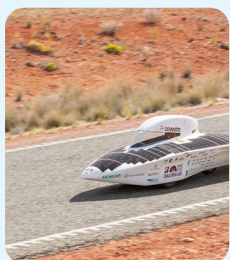
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Report Profile

Forward-Looking Statements

This Report may contain forward-looking statements based on assumptions and forecasts made by the management of Covestro AG, Leverkusen (Germany), at the time the report was prepared. 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 Group and the estimates given here. The various factors include those discussed in Covestro's public reports, which are available at www.covestro.com. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

External Audit

KPMG AG Wirtschaftsprüfungsgesellschaft, Essen (Germany), audited the Consolidated Financial Statements of Covestro AG and the Combined Management Report during the financial statement audit required by law, and issued an unqualified audit opinion. Pursuant to Section 317 (2) sentence 6 of the German Commercial Code (HGB), the disclosures in the combined Declaration on Corporate Governance were not included in the financial statement audit. The disclosures in the Nonfinancial Group Statement contained in the Combined Management Report pursuant to Sections § 315b, 315c HGB and the disclosures in the Group Sustainability Statement were not included in the auditor's substantive audit of the consolidated financial statements. In addition, the compensation report forms an integral part of this Annual Report. The compensation report was subjected to a substantive audit, including the formal examination required by Section 162 of the German Stock Corporation Act (AktG), and issued with an unqualified audit opinion, which confirms that the compensation report, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

The Group Sustainability Statement contained in the Combined Management Report was prepared in accordance with the requirements for a nonfinancial group statement of Directive (EU) 2022/2464 of the European Parliament and of the Council of December 14, 2022 (Corporate Sustainability Reporting Directive, CSRD), Article 8 of Regulation (EU) 2020/852, and Sections 315b and 315c HGB. The Combined Management Report was subjected to a separate review with limited assurance pursuant to the International Standard on Assurance Engagements (ISAE) 3000 Revised and, for selected parts of the Groups Sustainability Statement, to a review with reasonable assurance by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany). The parts of the Group Sustainability Statement reviewed with reasonable assurance are presented in curly braces. In a separate review, selected disclosures in the Declaration on Corporate Governance in the general part of the Combined Management Report were also reviewed with limited assurance. The parts reviewed with limited assurance are presented in square brackets. This relates to those disclosures for which reporting is mandatory as part of nonfinancial reporting on the role of the administrative, management, and supervisory bodies (ESRS 2 GOV-1) when the European Sustainability Reporting Standards (ESRS) are applied in full. In addition, disclosures under ESRS that are made outside the Group Sustainability Statement are presented in chevrons and identified by a specific ESRS reference.

The following table summarizes the symbols described above:

Legend of Symbols

Symbols	Meaning	Relevant Report Sections
{ }	Content within the Group Sustainability Report that has undergone a review with reasonable assurance	Group Sustainability Statement
[]	Content outside the Group Sustainability Report that has undergone a review with limited assurance	Declaration on Corporate Governance
» «	Disclosures according to ESRS that are made outside the Group Sustainability Report	Management Report (excluding Group Sustainability Statement), Declaration on Corporate Governance

Content not covered by the Combined Management Report, compensation report, and consolidated financial statements, such as information provided on websites, is not part of the Group Sustainability Statement and substantive audit conducted by the KPMG AG Wirtschaftsprüfungsgesellschaft.

Rounding and Percentage Deviations

As the indicators in this Report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact. If a deviation changes from positive to negative or vice versa, or if it is greater than 1,000%, this is shown by a period.

Inclusive Language

Diversity, equity, and inclusion are important to Covestro. To ensure better readability, we therefore strive to use gender-neutral language and avoid gender-specific terms in this Report. All terms should be taken to apply equally to all genders.

Publication

This Annual Report was published on February 26, 2025. It is available in German and English. The German version is binding. In addition to publication in this report, components subject to disclosure requirements in accordance with Section 328 (1) sentence 4 HGB are published in the company register, in compliance with the provisions of the European Single Electronic Format (ESEF) Regulation. They are accessible via the website www.unternehmensregister.de.

Key Data

COVESTRO GROUP

	2023	2024	Change
Sales	€14,377 million	€14,179 million	- 1.4%
Change in sales			
Volume	- 6.8%	7.4%	
Price	- 11.0%	- 8.0%	
Currency	- 2.2%	- 0.8%	
Sales by region			
EMLA ¹	€5,941 million	€5,848 million	- 1.6%
NA ²	€3,735 million	€3,507 million	- 6.1%
APAC ³	€4,701 million	€4,824 million	2.6%
EBITDA⁴	€1,080 million	€1,071 million	- 0.8%
Changes in EBITDA			
Volume	- 23.7%	37.0%	
Price	- 122.5%	- 106.9%	
Raw material price	96.8%	59.4%	
Currency	- 4.7%	- 1.4%	
Other ⁵	20.9%	11.1%	
EBIT ⁶	€186 million	€87 million	- 53.2%
Financial result	(€113 million)	(€114 million)	0.9%
Net income⁷	(€198 million)	(€266 million)	34.3%
Earnings per share ⁸	(€1.05)	(€1.41)	34.3%
Cash flows from operating activities ⁹	€997 million	€870 million	- 12.7%
Cash outflows for additions to property, plant, equipment and intangible assets	€765 million	€781 million	2.1%
Free operating cash flow¹⁰	€232 million	€89 million	- 61.6%
Net financial debt ^{11, 12}	€2,487 million	€2,618 million	5.3%
Return on capital employed (ROCE) ¹³	1.5%	0.7%	
Weighted average cost of capital (WACC) ¹⁴	7.6%	8.1%	
ROCE above WACC^{13, 14}	- 6.1% points	- 7.4% points	
Employees ^{12, 15}	17,516 FTE	17,503 FTE	- 0.1%
Greenhouse gas emissions (CO₂ equivalents)¹⁶	4.9 million metric tons	4.7 million metric tons	- 4.1%

1 EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.

2 NA: North America region (Canada, Mexico, United States).

3 APAC: Asia and Pacific region.

4 Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on property, plant and equipment and intangible assets.

5 Other changes in EBITDA.

6 Earnings before interest and taxes (EBIT): income after income taxes plus financial result and income taxes.

7 Net income: income after income taxes attributable to the shareholders of Covestro AG.

8 Earnings per share: according to IAS 33 (Earnings per Share), net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG.

The calculation for fiscal 2024 was based on 188,740,330 no-par shares (previous year: 189,262,192 no-par shares).

9 Cash flows from operating activities according to IAS 7 (Statement of Cash Flows).

10 Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

11 Excluding provisions for pensions and other post-employment benefits.

12 As of December 31 in each case.

13 Return on capital employed (ROCE): ratio of EBIT after imputed income taxes to capital employed. Imputed income taxes are calculated by multiplying an imputed tax rate of 25% by EBIT.

14 Weighted average cost of capital (WACC): weighted average cost of capital reflecting the expected return on the company's equity and debt capital.

15 Employees calculated as full-time equivalents (FTEs).

16 Greenhouse gas (GHG) emissions (Scope 1 and Scope 2, GHG Protocol) at main production sites (responsible for more than 95% of our energy usage).

The Board of Management





Dr. Markus Steilemann

2024 was a stormy year.

How did you meet the challenges?

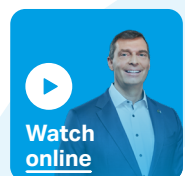
Through flexibility and foresight. We fully focused on what we have in our hands. That includes efficiency, costs and capacity utilization. In addition, we further sharpened our strategy to take account of the many momentous and rapid developments – in our industry and in an increasingly complex, uncertain world. In particular, we intensified the customer focus in everything we do. At the same time, we stayed the course for our major long-term goals: to align Covestro completely with the circular economy and make it climate-neutral. We underpinned our pioneering role in this area last year with many measures, including additional direct contracts for the supply of green energy, new partnerships for innovative recycling, for example in the automotive industry, and the completion of our ambitious climate targets. Overall, we made Covestro more weatherproof, streamlined and future-oriented.

What does the planned acquisition by ADNOC mean for the company?

The planned acquisition by ADNOC is the right step at the right time for Covestro. I am looking forward to it, as it is in the best interests of Covestro, our shareholders, our employees and all other stakeholders. The Board of Management and the Supervisory Board unanimously agree that ADNOC is a strong and long-term oriented partner. This will help us execute our strategy even more consistently, enabling us to further strengthen our foundation for sustainable growth in highly attractive sectors and make an even greater contribution to the green transformation. ADNOC shares our ambitions, is absolutely convinced of our vision to become fully circular, and values our unique “We are 1” corporate culture. We therefore recommended that our shareholders accept the takeover offer, and are pleased that such a significant majority followed our recommendation.

How are you looking ahead to 2025?

I basically think positively. At the same time, I am a realist: 2025 will not be easy either. But when I see how well our company is positioned, I have no doubt that we will master the new fiscal year even under further difficult conditions. But perhaps the economy will pick up and other framework conditions change in our favor. What feeds my optimism above all are our employees, with their know-how, their commitment and the very special spirit that is based on our culture and values. They deserve my greatest thanks. In the future, we will promote agile cooperation in the company even more strongly and make sure that skills and talents are used in a tailor-made way. At the same time, we encourage and empower everyone to take advantage of the immense opportunities offered by digitization and artificial intelligence, because this opens up sensational new possibilities for us everywhere. Overall, I am full of confidence for Covestro – far beyond 2025.



How do you assess the developments and results of the 2024 fiscal year?

2024 was a mixed year for Covestro. On the one hand, it demanded a lot from us once again, but on the other hand, we clearly demonstrated what we are capable of achieving. However, global markets did not develop as we had anticipated at the beginning of the year. While demand for our products remained steady, it stayed at a low level overall. In addition, sustained price pressure significantly impacted our margins. Nevertheless, we closed the year within our guidance – despite operating in a market environment that was challenging for Covestro and the chemical industry as a whole.

What personally pleases me and makes me proud are the successes we achieved despite these external circumstances. We sharpened our focus and worked on the levers we can control: improving the availability of our plants and maintaining strict cost discipline. Moreover, we continuously review and optimize our structures and processes to make ourselves more efficient and competitive. This embodies the Covestro spirit and aligns perfectly with our “Sustainable Future” strategy: We become the best of who we are, also in challenging times. My sincere thanks go to all colleagues worldwide whose dedication in 2024 made this possible.

Are there specific projects or developments from 2024 that stand out positively for you?

In 2024, we made significant progress in digitalization and the use of artificial intelligence (AI). AI offers huge potential – from production to various other

business areas. Equipping our global workforce with the skills to leverage AI effectively is a crucial step. For example, our internal training initiative, “Expedition C,” lays the foundation for that. With AI, we can test new ideas quickly and cost-effectively, and are not afraid to discontinue projects that don’t deliver value. I am convinced that this approach will propel us forward significantly.

Another major milestone this year was undoubtedly the takeover offer from ADNOC and the high acceptance rate by our shareholders at the end of the year. The negotiations and processes required significant effort from many colleagues, and while we are still in the process, we have already achieved a lot in 2024. I look back on that very positively.

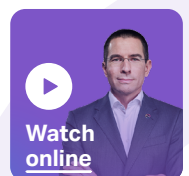
Looking ahead to 2025: What are your expectations, and what are you looking forward to?

We do not anticipate a quick economic recovery in global markets in 2025. That means rolling up our sleeves and tackling the next steps with determination. We are also taking a closer look inward: How do we work together? What can

we improve? We will continue our transformation with full commitment – guided by measurable actions, concrete steps, and our clear strategic alignment firmly in focus. In the foreseeable future, we expect to have a strong partner by our side: With ADNOC, we can further accelerate the implementation of our “Sustainable Future” strategy and our focus on the circular economy.

I see 2025 as a year that will undoubtedly bring challenges but also many opportunities: opportunities to shape, to drive change, and to move forward as a team. Mastering such phases is what Covestro is all about. That’s why I look ahead with confidence, curiosity, and anticipation for what lies ahead – and what we will achieve together.

Christian Baier





Dr. Thorsten Dreier

In 2024, the strategic focus for the CTO area was on...

...reliability. In 2024, we initiated important projects that further increase our plant availability. Our strategy: sustainable growth. In addition to building new plants, we are therefore focusing even more on modernizing our production. To this end, we have launched the "Global Operational Excellence" initiative. This initiative plans to invest around 500 million euros in the existing plant structure from 2024 to the end of 2027, in addition to ongoing maintenance costs. At the same time, the annual base amount for investments in existing assets will be gradually increased from 450 million euros to 500 million euros annually from 2024 to 2028. For the modernization projects, we are consistently focusing on innovative, more energy-efficient process technology. This ensures safe and reliable production, meets state-of-the-art standards in terms of efficiency, and simultaneously reduces our carbon emissions: The lower energy consumption brings us closer to our goal of climate-neutral production and at the same time helps us optimize our

production costs. And this combination is key to the long-term success of our company, especially in business with standard products. After all, our customers in an oligopolistically structured market want one thing above all: A partner who delivers reliably – and at competitive prices. We are that partner!

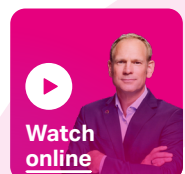
What pleasant moments do you look back on when thinking about 2024?

One special day was the inauguration of the world's first pilot plant for bio-based aniline in Leverkusen, with guests from politics, business, and science. For the first time, we succeeded in producing this important basic chemical from biomass. This is a scientific breakthrough of international significance. It shows that sustainable chemistry of the future is possible. We at Covestro are convinced of that. That's why, in addition to our biotechnology research, we are also pushing forward with the development of new recycling methods.

An example of our commitment in this area is the collaboration with the company BioBTX, in which we acquired shares in 2024. The investment enables the construction of the world's first demonstration plant for an innovative recycling technology that can extract valuable chemicals such as benzene, toluene and xylene from mixed plastic waste and organic waste. Both projects demonstrate that in 2024 we consistently worked on realizing our vision of a circular economy – and made good progress in doing so.

What do you definitely want to achieve in 2025?

To further reduce our carbon emissions in production by concluding more supply contracts for renewable energy and promoting the use of energy-efficient technologies. At Covestro, we aim to achieve climate-neutral production by 2035 – and I hope we will make good progress on this path again in 2025. And in production, for me as CTO, before we think about efficiency and reliability, one pre-requisite must be met: It must be safe. Ensuring that none of our employees or contractors is harmed at work is once again my primary goal for 2025.



What are the milestones in 2024 regarding our commercial success?

Industries are facing major challenges especially in Europe. The chemical industry is no exception. Other regions offered attractive business opportunities, which Covestro seized. In 2024, we continued our momentum. We landed commercially successful collaborations with the big players in our customer industries like Henkel for adhesives, Carlisle for construction materials, and Deutsche Telekom for home connectivity.

With increasing global environmental awareness and stricter regulatory requirements, sustainable developments in automotive are becoming more pressing. That is why innovation, smart design and a consistent circular approach lead the way in the automotive sector. With a technology called "DirectCoating", we are successfully offering new design opportunities to the auto industry. A seamless production process from injection molding to coating in one tool lowers the carbon footprint effectively.

Also, car-to-car recycling and Design for Circularity are becoming even more important. We are staying ahead of this development by starting an automotive plastic recycling system with strong international partners, advancing the transformation of the industry. In our collaboration with Neste and Borealis we have completed the closed loop system for the automotive industry. With the chemical recycling of car tires we now have the right set-up to foster a circular economy for engineering plastics in the automotive sector.

Sucheta Govil



Why is customer centricity at the heart of what we do?

Because it's a key driver for our business: provide added value for our customers. We deliver in the fields where demand is rising – whether it's post-consumer recycled materials, lower carbon footprint products, or solutions made with alternative raw materials.

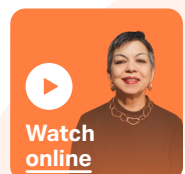
That's why we keep investing in innovation and R&D for new sustainable materials. Our success in producing the basic chemical aniline entirely from plant-based raw materials for the first time in our pilot plant in Leverkusen gives us a headstart in this field.

Another topic close to our customers' needs is providing innovative ideas for the future of mobility. With the Sonnenwagen team, our long-term partnership, we once again had the spotlight on our ambassador for reshaping e-mobility. For these trends, high-performance plastics are the material of choice – and full circularity is the North Star on our roadmap to a customer-centric portfolio.


Where has Covestro set the course for growth opportunities in key markets?

With our R&D focus on innovative plastics, we are helping our clients stay ahead of their business. We are all in, especially in the long-term growing markets of electronics and mobility. Our products Makrolon® and Makrofol® can be used to create nearly monomaterial electronic displays, ideal for integration into smart surfaces in kitchens and consumer electronics. Also, autonomous and connected vehicles require new materials for sensors, electronics, and advanced interior designs, presenting many opportunities for our polymer innovations.

AI and big data for predictive modeling and designing new materials for mobility applications will give us an extra boost on our way.



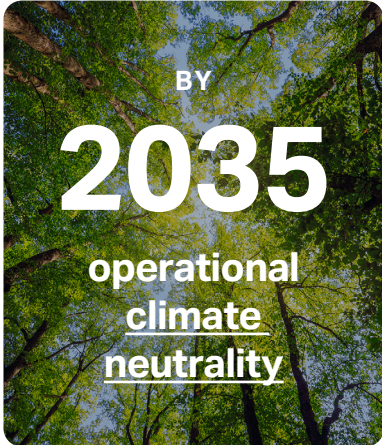
Focus on our Strategy

11 
POWER PURCHASE AGREEMENTS
 per end of 2024

"We Are 1": Our Strength
 Our strong [corporate culture](#) is the starting point for the success of our 'Sustainable Future' strategy.



Unlocking our full Potential
 We want to [become the best of who we are](#). Central to this: improving plant availability, enhancing cost efficiency, and expanding high-margin business areas.




BY
2035
 operational [climate neutrality](#)

Driving sustainable Growth
 Combining [sustainability and economic success](#). To achieve this, we are expanding our portfolio both organically and inorganically. Another core element: developing innovative technologies and processes that set new sustainability standards.

10  METERS
[maximum distance](#) to a Covestro product.

A fully circular future
 To [become fully circular](#), we are analyzing our value chains, anticipating changes in areas such as procurement, and driving forward innovative recycling technologies. At the same time, we are focusing on strong partnerships to jointly shape sustainable solutions.



7 PERCENT
 share of renewable sources in [total energy consumption](#)



BY
2050
 complete [climate neutrality](#)



4 LEVERS
 to reach our [scope-3-reduction target](#)

Our way to Zero
 To reduce our [scope-3-emissions](#), we are focusing on four key levers: reducing Scope 1 and 2 emissions with suppliers, selling products based on alternative raw materials, sustainable in-house investments (MAKE projects), and initiatives in areas such as recycling, logistics, energy, and innovation.

3 KEY TOOLS
 to engage [employees at Covestro](#)

On the Path to Climate Neutrality
 Our transformation toward [climate neutrality](#) prepares us for the future: We are focusing on energy efficiency, sustainable production processes, climate-neutral energy sources, and moving away from fossil fuels.



Strategy for a Sustainable Future

The world is constantly changing, and staying ahead requires agility and foresight. That's why, in 2020, Covestro launched its corporate strategy "Sustainable Future", designed to guide us toward our overarching goals, even in times of transformation. This year, we revisited and updated our strategy to ensure it remains aligned with global developments and our vision for a sustainable tomorrow.

While the core direction remains unchanged – positioning Covestro optimally, driving sustainable growth, and achieving climate neutrality and a circular economy – we have made key adjustments. These include an even sharper focus on our customers, a clear commitment to climate neutrality, and a more precise path to sustainable growth. We have also highlighted new enablers for success: artificial intelligence, a strong corporate culture, and a future-ready workforce.

At the heart of this updated strategy lies the customer perspective, embedded in every aspect of our approach under the motto: "You are never more than 10 meters away from a Covestro product." This reflects our commitment to being a reliable partner, expanding our portfolio, and delivering solutions tailored to customer needs.

But we are not stopping there. Together with our customers and partners, we aim to accelerate the development of sustainable products and solutions to make our vision of a fully circular economy a reality. A future with Covestro is a future built for sustainability. ■



[Learn more](#)



You are never more than 10 meters away from a Covestro product.

A significant Step

Alongside numerous exciting projects and innovations, 2024 was particularly significant for Covestro for another reason: we have agreed on a strategic partnership with ADNOC.

In October 2024, entities of the Abu Dhabi National Oil Company (ADNOC) group and Covestro signed an investment agreement, thereby laying the foundation for a strong strategic partnership. Our shareholders accepted the takeover offer with a large majority. After receiving the still outstanding required regulatory approvals, this will mark a significant step in our company's history.

The strategic partnership with ADNOC will not only provide Covestro with additional stability in a rapidly changing industry but also strengthen its foundation for sustainable growth. This collaboration allows us to improve our positioning in high-growth future business areas. Key focus will be on our "Sustainable Future" corporate strategy, which we will continue to pursue with ADNOC's full support.

At the same time, Covestro's proven corporate structure remains in place: In the concluded Investment Agreement, having a term until end of 2028, it is agreed that Covestro will continue to operate independently as a stock corporation, with its Board of Management having full responsibility for the company's strategic direction. Furthermore, the established standards for governance and employee rights will be upheld. This balance between continuity and growth opportunity makes this partnership so forward-looking and attractive.



ADNOC and Covestro will shape the chemical industry of tomorrow – responsibly, innovatively, and sustainably.

Ambitious Plans

Covestro and ADNOC share ambitious plans: With ADNOC's support, Covestro aims to accelerate the development of innovative technologies and sustainable solutions while actively driving the global transition to a circular economy. ADNOC views Covestro as a key building block in its journey to becoming one of the top five chemical companies worldwide.

Although significant steps have already been taken, it will still take some time to be able to finalize the transaction. This is because the completion of the transaction is subject to customary closing conditions in relation to merger control, foreign investment control and EU foreign subsidies clearances. We do not expect this process to be completed before the second half of 2025. ■



Learn [more](#)

Focus on our Efficiency

"Hi, I am the Covestro Virtual Assistant"

The [Covestro Virtual Assistant](#) leverages generative AI to support Covestro employees in their daily work. With access to internal knowledge and continuously expanding capabilities, the Virtual Assistant provides information and solutions for a wide range of tasks.

400
MILLION EUROS

annual global savings by the end of 2028 through the [global program "STRONG"](#)

5.8

BILLION EUROS SALES

in the [EMLA region](#)

EUROPE, MIDDLE EAST, LATIN AMERICA (EXCLUDING MEXICO), AFRICA

3.5

BILLION EUROS SALES

in the [North America region](#)

CANADA, MEXICO, USA

4.8

BILLION EUROS SALES

in the [Asia-Pacific region](#)

2027

planned go-live of [SAP S/4 HANA](#)

Into the Future with SAP S/4HANA

Covestro is replacing its current SAP system with [SAP S/4HANA](#). This allows us to optimize our business processes and future-proof our operations.

10
PERCENT

increase in share capital upon [completion of the takeover](#) by ADNOC

Sustainability Firmly Anchored

Covestro relies on a [management system](#) that integrates growth, value creation, and sustainability. Success is measured not only financially but also against ESG criteria, with a focus on greenhouse gas emissions (Scope 1 and 2) from key sites. Starting in 2025, this will include emissions from all environmentally relevant sites.

Opportunities and Risks in Focus

Covestro relies on systematic [opportunity and risk management](#) as the foundation for sustainable success. With internal control systems, compliance, and risk management, risks are minimized, opportunities are leveraged, and informed decisions are made for the future.

Efficiency and Availability

The [Performance Materials](#) segment focuses on efficiency, sustainable products like renewable TDI and bio-based MDI, and high plant availability. Growth priorities include strategic industries such as construction and furniture, where demand for energy-efficient solutions is increasing.

91,58

PERCENT*

of the existing share capital of Covestro achieved by ADNOC as of year-end 2024

*Corresponds to the total number of shares tendered into the public takeover offer (the completion of which is still outstanding) as well as the number of shares acquired outside the takeover offer.

Driving Innovation

The [Solutions & Specialties](#) segment focuses on sustainable, highly specialized solutions for future markets such as smart homes, medical technology, and e-mobility. Key success factors include technological expertise, innovative product development, and a customer-centric supply chain.



Driving the Future



**The message is clear:
Together with AI,
new possibilities are
being created.**

AI and digital technologies are central enablers of Covestro's "Sustainable Future" strategy. They optimize processes, enhance efficiency, and improve customer interactions.

AI: Covestro's Innovation Engine

One example is the AI solution at the Dormagen site, which autonomously manages the operation of a production line in the Desmophen plant – from production to delivery. In Leverkusen (Germany) and Santa Margarida (Spain), AI applications act as "navigation systems," calculating optimal action paths to streamline processes.

But AI is not limited to production. With the Covestro Virtual Assistant, employees have access to innovative technology based on cutting-edge language models. The Virtual Assistant provides real-time insights into budgets, orders, and research data – all in multiple languages. Regular updates continuously enhance its capabilities, enabling the efficient use of internal knowledge.

Synergy Between Humans and AI

The synergy between human intelligence and AI unlocks new potential, improves processes, and accelerates the company's ambitious sustainability goals. By building digital competencies and adopting innovative technologies, Covestro strengthens its position as an industry leader and actively shapes the chemical industry of tomorrow. ■



Learn [more](#)

Keep moving

Change doesn't happen on its own – it must be actively shaped. In 2024, we focused on four strategic levers to lay the foundation for a stable future: increasing the efficiency of our plants, boosting sales and utilization, prioritizing high-margin demand, and maintaining strict cost discipline.

Progress Through Targeted Measures

These efforts have delivered results: We improved the availability of our plants at key sites, enabling us to better meet customer needs and utilize our production capacities more effectively. At the same time, cost efficiency and process adjustments have strengthened our resilience.

In parallel, we continued to invest in innovations to advance the circular economy and achieve climate neutrality.

Covestro is well-positioned to continue actively shaping transformation. The strategic levers that drove progress in 2024 will remain a focus in the coming year. We are committed to developing sustainable solutions that provide real value to our customers and partners while creating long-term value for Covestro and our stakeholders. ■



[Learn more](#)



With a solid foundation and clear strategic direction, we will continue to work together toward sustainable growth and a circular future.





20
PERCENT

improved energy efficiency by 2030

“Safety is the foundation of everything we do. The Safety & Health Day is a great example of how we at Covestro ensure that we never lose sight of our safety and health.”

Dr. Thorsten Dreier,
Chief Technology Officer
at Covestro

Plastic Waste becomes circular feedstock

Long-term partnership: Starting at the end of 2027, Encina, a producer of ISCC PLUS-certified circular chemicals, will supply Covestro with chemically recycled raw materials. These materials enable the production of more sustainable products with a reduced carbon footprint.

392
MILLION EUROS

spent on Research & Development in 2024

More sustainable production processes


We are expanding our capacities with state-of-the-art climate-friendly technologies, focusing on maximum energy efficiency and minimal emissions.



46
PRODUCTION SITES

worldwide by the end of 2024

Focus on our Operations



300
MWH

self-generated electricity and steam from renewable sources

“Commitment to sustainability is a non-negotiable part of everything we do, and this alliance with bp allows us to take a further step in our mission to make energy use as efficient and sustainable as possible throughout our value chain.”

Andrea Firenze,
General Manager
at Covestro Spain

54
PERCENT

of project costs for R&D allocated to areas that contribute to the UN SDGs.



16,000 t
PER YEAR

less CO₂ emissions at main production site in Tarragona, Spain, through power purchase agreement with bp

Maintenance as the Key

Targeted maintenance projects enhance our plant reliability – ensuring maximum delivery performance and strong partnerships.

13
R&D SITES

worldwide by the end of 2024

Rethinking Processes

We continuously improve our process technologies. One example is the hot phosgene generation in Leverkusen, which significantly reduces external steam demand in HDI production and sets new standards in energy efficiency. And we are also working on implementing this technology at our site in Dormagen.

Covestro is stepping up its commitment to a circular economy by investing in BioBTX, a leader in chemical recycling. This strategic partnership will support the construction of the world's first demonstration plant for the BioBTX ICCP technology in the Netherlands, enabling the production of key chemical building blocks like benzene, toluene, and xylene from mixed plastic and organic waste.



A Game changer for Recycling

With a mid-single-digit million euro investment, Covestro is driving the development of a technology that can process 20 kilotons of plastic waste annually. Unlike traditional recycling methods, this approach can handle mixed waste, turning it into valuable raw materials for plastics production. The plant represents a critical step toward industrial-scale application and a sustainable chemical industry.

Expanding the Circular Ecosystem

The investment is part of Covestro's venture capital program, which supports start-ups and scale-ups with innovative solutions. In collaboration with BioBTX, Covestro is also exploring further recycling options for its own products and leveraging digitalization to enhance plant performance.

Scheduled to launch by 2027, this project aligns with Covestro's vision of climate neutrality and circularity, reinforcing its leadership in sustainable innovation. Together with BioBTX, Covestro is shaping the future of recycling and circular economy in Europe. ■

Investment in innovative Recycling Technology



Learn [more](#)

SCHEDULED TO LAUNCH BY



2027



Bio-based Breakthrough

A major leap for sustainable chemistry!
At its Leverkusen site, Covestro has opened a pilot plant for bio-based aniline, replacing petroleum with plant biomass. This groundbreaking process, developed with leading scientific partners, is a milestone in Covestro's push for a circular economy.

Redefining Aniline Production

Aniline, essential among other things for insulating foams in buildings and refrigerators, has long depended on fossil fuels, driving CO₂ emissions. Covestro's innovative method uses plant-based sugars, drastically reducing its carbon footprint. With a seven-digit investment, the pilot plant will refine the technology and prepare it for industrial scale, addressing the growing global demand for aniline.



Harnessing the Power of Biotechnology

A customized microorganism helps convert an industrial sugar extracted from plants into an intermediate product through fermentation. This takes place under milder and thus more environmentally compatible conditions than in conventional processes. In a second step, chemical catalysis of the intermediate product then creates the aniline with one hundred percent plant-based carbon. This approach is supported by Germany's federal funding and partnerships with leading universities.

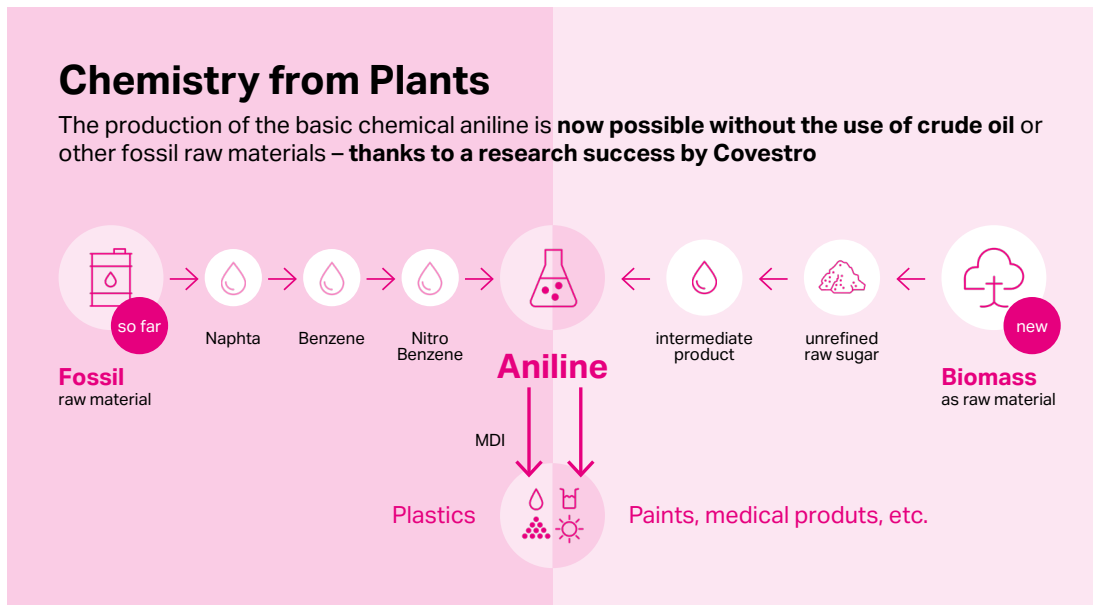


Covestro's innovative method uses plant-based sugars, drastically reducing its carbon footprint.

Guests at the launch, including Deputy Minister President Mona Neubaur, praised the project as a beacon of innovation and collaboration. With this breakthrough, Covestro is strengthening its leadership in sustainable chemistry, proving that innovation and environmental responsibility go hand in hand. ■



Learn [more](#)



Simplifying Collaboration

We aim to make [access to information](#) easy and collaboration efficient for our customers. That's why Covestro offers the Solution Center for comprehensive insights into solutions and innovations, while the "Covestro Direct Store" provides a digital platform for offers and negotiations.

Covestro Annual Report 2024

Story Highlights

Our Impact

+42

IN THE 2024 FISCAL YEAR

the [Net Promoter Score](#) serves Covestro as a measure of customer satisfaction (ranges from -100 to +100).

Covestro's innovative materials play a crucial role in addressing global challenges and [supporting growth markets](#) worldwide. From lightweight solutions in the automotive sector and energy-efficient insulation in construction to specialized materials for renewable energy, our products drive progress and efficiency.



Focus on our Customers

AT LEAST

25

PERCENT

alternative, non-fossil raw materials are contained in [CQ products](#) from Covestro

From old Tires to new Car Parts

Neste, Borealis, and Covestro demonstrate how end-of-life tires can be converted into high-quality plastics for automotive applications through chemical recycling. The [project agreement](#) advances the circular economy by efficiently utilizing chemical recycling to turn waste materials into high-quality plastics.



"Circular solutions must be profitable to be implemented."



Sucheta Govil,
Chief Commercial Officer
at Covestro



UP TO

99

PERCENT*

is how much lower the carbon footprint of [bio-circular MDI](#) is than that of conventional MDI based on fossil raw materials.

*Exact percentage depends on the amount of allocated raw material.

Climate-neutral together

With our [Supplier Engagement Program](#), we are driving the reduction of scope-3-emissions by collaborating with suppliers to develop measures for a net-zero strategy. Additionally, we are digitizing our procurement processes and systems to make purchasing more efficient and effective for both us and our suppliers.

7

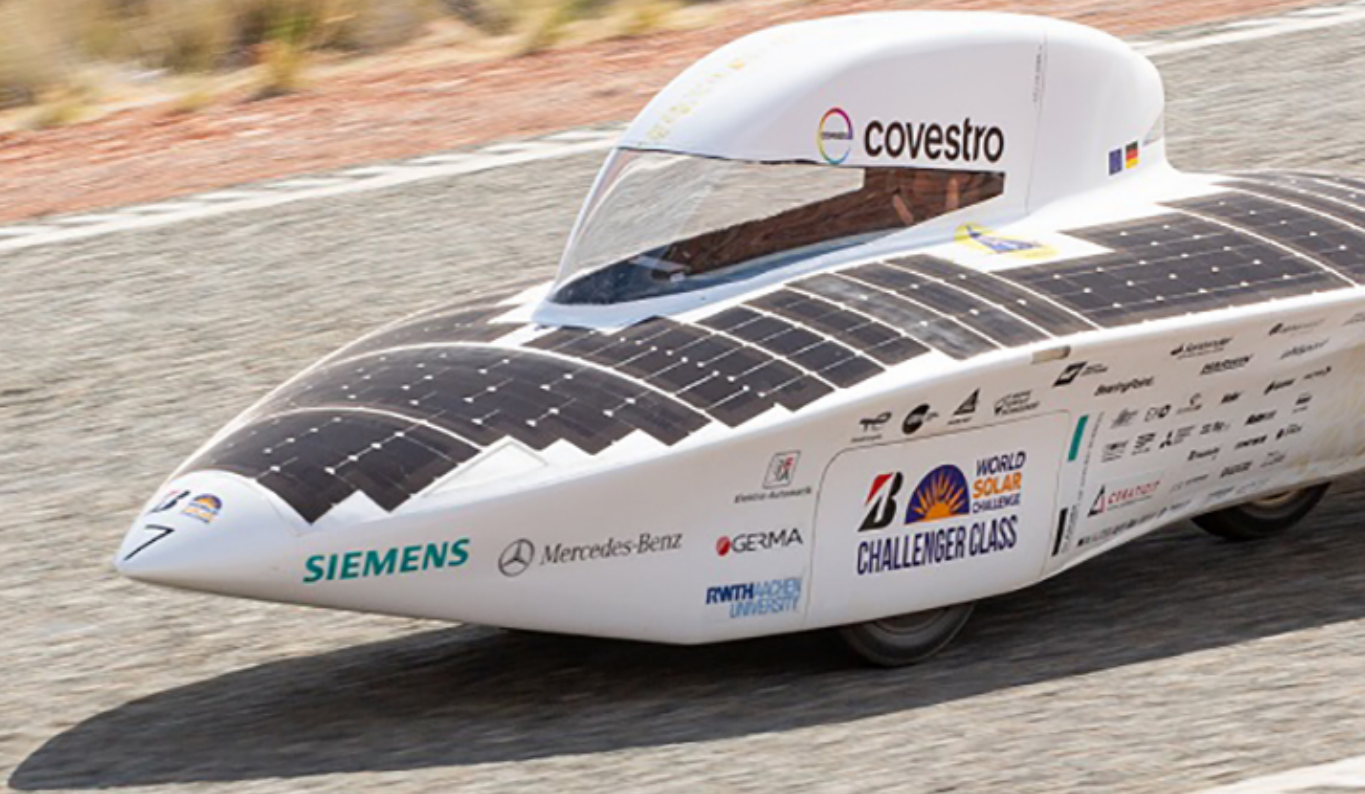
[STRONG BUSINESS ENTITIES](#)

ensure optimal alignment of all activities with market demands and customer needs.

Deepening Connections

Covestro places great importance on [strong relationships](#) with customers, suppliers, and partners across the value chain. Through transparent communication, open dialogue, and industry-specific teams, we build trust and strengthen sustainable partnerships.

Covestro and Team Sonnenwagen





Innovation is central to Covestro, and the partnership with Team Sonnenwagen is a true source of inspiration. For six years, Covestro has supported the Aachen-based team as the main sponsor, but this collaboration is much more than sponsorship: It is a partnership of equals. The students passionately push the boundaries of e-mobility and further inspire Covestro to develop innovative solutions.

Celebrating Success on and off the Track

With the current solar car Covestro Adelle and its predecessor Covestro Photon, the team secured second and third place at the European Championship on the Formula 1 track in Zolder, Belgium. In 2022, the European Championship was celebrated there – a milestone that also energized Covestro employees. In the fall, the team toured Europe, visiting nine Covestro sites.

SONNENWAGEN 5 WILL FEATURE AT LEAST



COVESTRO MATERIALS

Given the success of this partnership, it is being strengthened further. The upcoming Sonnenwagen 5 will feature at least seven Covestro materials, possibly more – a new record! At the World Solar Challenge 2025, Covestro’s materials and solutions will face the ultimate test in the Australian Outback. As Vice-European Champions, Team Sonnenwagen is not only a favorite but also a strong brand ambassador for Covestro. ■



Learn [more](#)





Building a Sustainable Future together



Collaboration is essential for innovation and progress, especially when tackling global challenges like climate change. Covestro has built strong partnerships with industry leaders to advance sustainability and circular solutions across various sectors. But how can these collaborations shape a greener future? Here are some examples from 2024!

More sustainable engineered wood adhesives with Henkel

Henkel and Covestro are advancing engineered wood adhesives with bio-based raw materials. Using the mass balance approach, over 60 percent¹ of certain adhesive components are derived from renewable resources. These adhesives make timber construction more durable and sustainable, reduce the carbon footprint of buildings, and promote the circular economy.



Learn [more](#)



#GreenMagenta with Deutsche Telekom

Covestro collaborated with Deutsche Telekom to produce the housing for the TV box and remote control of their MagentaTV One product using Makrolon® RE, a polycarbonate derived from bio-waste attributed via mass balancing. Compared to fossil-based alternatives, this material has a carbon footprint during production (cradle to gate²) that is reduced by around 80 percent. The partnership demonstrates that sustainable materials can deliver high performance without compromise.



Learn [more](#)



Partnerships like these prove that when companies join forces, the future becomes greener – and more sustainable.

Efficient Insulation with Carlisle

To enhance energy efficiency in buildings, Covestro supplies bio-circular MDI³ for insulation panels to Carlisle. With a CO₂ reduction potential of up to 99 percent⁴ compared to conventional, oil-based products, these materials enable the production of high-performance, low-carbon insulation and support net-zero goals in the construction industry.



Learn [more](#)

¹ Share of the organic mass excluding inorganic materials
² This takes into account a partial product life cycle from raw material extraction (cradle) to the factory gate (of Covestro), also known as cradle-to-gate assessment. The methodology is based on the ISO 14040 and 14044 standards and has been critically tested by the TÜV Rheinland on plausibility. The calculation takes into account biogenic carbon uptake.
³ Bio-circular attributed MDI contains ~60% ISCC PLUS certified feedstock. The calculation is based on Covestro-specific production and supply chain data, replacing fossil raw material with ISCC PLUS certified renewable feedstock via the mass balance approach.
⁴ Exact percentage depends on the amount of allocated raw material

Capital Market

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Report of the Supervisory Board



Dr. Richard Pott, Chair of the Supervisory Board of Covestro AG

Dear Shareholders,

As in previous years, Covestro again had to prove itself in a very challenging environment in the year 2024. Persistently weak growth, especially in Europe's major industrialized countries, and continuing inflation pressure again made our company's business activity difficult – this against the background of the world's extremely tense geopolitical situation and the increasingly apparent consequences of climate change.

In light of the extraordinarily complex situation overall, which is subject to increasing more rapid change, the Board of Management has adjusted the strategy to keep Covestro on course for success and completely fit for the future. We, the Supervisory Board, fully support the decisions, as we continue to believe in our company's general direction with its focus on the circular economy and still identify considerable opportunities here for the future. Likewise, we back the plans and activities by the Board of Management to improve internal performance aimed at leveraging Covestro's full potential.

Since many milestones were reached in the past year, the Supervisory Board continues to believe that, overall, our company is on the right track. We consider the continued expansion of our offering of sustainable products and solutions for our customers in major branches of industry a big success. Another aspect is the further transition of production to sustainable raw materials, renewable energy, and recycling, delivering more proof of our company's power to innovate. Moreover, Covestro has further advanced its position as a pioneer of digitalization in the chemical industry and uses in particular the opportunities of artificial intelligence to its advantage.

In addition to strategic issues, the Supervisory Board dealt with a change on the Board of Management in the year 2024, among other things. Here, Monique Buch was unanimously appointed Chief Commercial Officer (CCO) of Covestro. She will be a member of the Board of Management from June 1, 2025 and, as from August 1, 2025, succeed Sucheta Govil, who has held the office of CCO since 2019.

Another important topic in fiscal 2024 was the offer by Abu Dhabi National Oil Company (ADNOC) to take over our company. The Supervisory Board, together with the Board of Management, examined the offer and the preceding non-binding declarations of interest very carefully in the course of the year. Together with the Board of Management, we finally came to the conclusion that the proposed transaction would offer considerable opportunities for Covestro. The investment agreement was then signed on October 1, 2024 and ADNOC subsequently submitted the takeover offer to the shareholders. After a detailed examination of the offer document, we, together with the Board of Management, recommended to shareholders to accept the offer.

During the reporting period, the Supervisory Board of Covestro AG performed its duties with due care in accordance with the law, the Articles of Incorporation, and the rules of procedure. During fiscal 2024, it monitored the conduct of the company's business by the Board of Management with regular frequency based on detailed written and oral reports received from the Board of Management, and also acted in an advisory capacity. The discussions between the Supervisory Board and Board of Management were always constructive and were conducted in the spirit of openness and trust.

The Supervisory Board Chair was in regular contact with the Board of Management outside of Supervisory Board meetings and remained informed about current developments in the company's business performance and material transactions. In addition, the Chair of the Supervisory Board was in close contact with the Chair of the Board of Management to discuss important questions and decisions one on one. The full Supervisory Board was informed in detail about the content of these discussions no later than during the next meeting.

In this way, the Supervisory Board was kept regularly and fully informed in the respective meetings about the company's intended business strategy, corporate planning (including financial, investment, and human resources planning), profitability, the state of the business, and the situation of the company and the Group (including the risk situation, risk management, and the compliance situation). Where Board of Management decisions or actions required the approval of the Supervisory Board during the reporting period, whether by law, or under the Articles of Incorporation or the rules of procedure, the draft resolutions were inspected and discussed in detail by the members of the Supervisory Board at its meetings, sometimes after preparatory work by the responsible committees, or approved in writing on the basis of documents circulated to the members. The Supervisory Board was always directly involved in decisions of material importance to the company. It discussed in detail the business trends described in the reports from the Board of Management and the prospects for the development of the Covestro Group as a whole, the individual segments, and the regions. The Supervisory Board continually ensured that the actions of the Board of Management were lawful, due and proper, and appropriate.

Meetings of the Full Supervisory Board and Member Attendance

In fiscal year 2024, the Supervisory Board held a total of 12 meetings, all of which were also attended by at least one member of the Board of Management, except where issues were discussed that required them to be absent. In addition, the various committees of the Supervisory Board convened a total of 21 meetings.

The regular Supervisory Board meetings were held physically, while the extraordinary meetings convened at short notice were held by video conference. Most of the committee meetings were held as video conferences, unless they took place on the same day as one of the Supervisory Board meetings held physically. The Audit Committee meeting for the half-year financial statements was also held physically.

The members of the Supervisory Board attended the meetings of the Supervisory Board of Covestro AG and its committees, as follows:

Supervisory Board member	Supervisory Board	Presidial Committee	Audit Committee	Human Resources Committee	Nomination Committee	Sustainability Committee	Overall amount of meetings ¹	
	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	%
Dr. Christine Bortenlänger ²	11 / 12	–	4 / 4	–	–	–	15 / 16	93.8
Dr. Christoph Gürtler	12 / 12	–	–	7 / 7	–	4 / 4	23 / 23	100.0
Oliver Heinrich ²	7 / 8	–	–	–	–	–	7 / 8	87.5
Lise Kingo ²	11 / 12	–	–	–	–	4 / 4	15 / 16	93.8
Petra Kronen (stellvertretende Vorsitzende) ³	11 / 12	5 / 5	4 / 4	6 / 7	–	–	26 / 28	92.9
Irena Küstner ²	11 / 12	–	4 / 4	–	–	–	15 / 16	93.8
Frank Löllgen ²	12 / 12	1 / 2	3 / 3	–	–	–	16 / 17	94.1
Dr. Richard Pott (Vorsitzender)	12 / 12	5 / 5	–	7 / 7	1 / 1	–	25 / 25	100.0
Petra Reinbold-Knape	4 / 4	3 / 3	1 / 1	–	–	–	8 / 8	100.0
Dr. Sven Schneider ²	10 / 12	–	4 / 4	–	–	–	14 / 16	87.5
Regine Stachelhaus	12 / 12	5 / 5	–	7 / 7	1 / 1	–	25 / 25	100.0
Marc Stothfang	12 / 12	–	–	–	–	4 / 4	16 / 16	100.0
Patrick Thomas ^{2,3}	10 / 12	–	4 / 4	–	1 / 1	3 / 4	18 / 21	85.7
Total	135 / 144	19 / 20	24 / 24	27 / 28	3 / 3	15 / 16	223 / 235	94.9

¹ Seven Supervisory Board and 15 committee meetings were held as video conferences, five Supervisory Board and six committee meetings were held physically.

² Absence for extraordinary meetings convened at short notice due to not being available at that time.

³ Absence for personal reasons.

In total, Supervisory Board members attended meetings of the Supervisory Board and its committees with a 94.9% attendance rate. In addition, some Supervisory Board members attended meetings of the Sustainability Committee intended for guest attendance (Irena Küstner attended all four meetings, the Chair of the Supervisory Board, Dr. Richard Pott, and the Vice Chair, Petra Kronen, each attended two, and Oliver Heinrich attended one meeting.) Moreover, Dr. Richard Pott attended all four meetings of the Audit Committee as a guest. The extraordinary meetings of the Presidial Committee held to deal with the potential takeover of Covestro AG by ADNOC were attended as guests by Frank Löllgen and the Chair of the Audit Committee, Dr. Sven Schneider, as follows: Dr. Sven Schneider was present at all four meetings and Frank Löllgen attended three of them as a guest, before he then succeeded Petra Reinbold-Knape on the Presidial Committee when she stepped down from the Supervisory Board.

Based on its composition and experience, the Supervisory Board as a whole has in-depth industry expertise in the polymer sector in which Covestro operates.

The members of the Supervisory Board once again participated in continuing personal education in the reporting year 2024 in order to enhance the expertise of the Supervisory Board as a whole. In June 2024, the members of the Supervisory Board attended training on preventing corruption, which was presented during the Supervisory Board meeting. A workshop organized by the Board of Management in connection with the strategy meeting was held in October 2024, at which Covestro-specific and other topics of relevance for Covestro were highlighted and discussed: generating additional value contributions for the company, creating value by optimizing performance and through inorganic growth, and leveraging potential with and implementing artificial intelligence.

The members of the Supervisory Board also attended two events with external presenters, which were held on the eve of Supervisory Board meetings. The presentations firstly looked at global economic developments in the coming years and secondly discussed the special situation in the United States ahead of the presidential elections there and possible election outcomes.

Change in the Composition of the Supervisory Board

At the end of the Annual General Meeting on April 17, 2024, Ms. Petra Reinbold-Knape stepped down from the Supervisory Board for reasons of age. She was succeeded by Mr. Oliver Heinrich in May 2024, who was appointed by the court.

As of December 31, 2024, Ms. Petra Kronen, the Supervisory Board's Vice Chair since Covestro AG was established, stepped down from the Supervisory Board, also for reasons of age and in connection with her retirement as an employee of Covestro and as Vice Chair of the General Works Council of Covestro.

The Supervisory Board would like to thank the members who stepped down, Ms. Petra Kronen and Ms. Petra Reinbold-Knape, for the good working relationship on a basis of trust over many years. Our particular thanks go to Ms. Kronen for her role as Vice Chair, which she performed in exemplary fashion.

Principal Topics Discussed by the Supervisory Board

The deliberations of the Supervisory Board focused on the Board of Management's regular reports on business activities, which contained detailed information on the development of the sales and earnings for the Group and the segments as well as on the strategy, opportunities and risks situation, and personnel matters at Covestro.

Material topics of discussion in the course of the year included ongoing debates of ADNOC's interest in taking over Covestro AG and the search for a new Chief Commercial Officer (CCO) to succeed Sucheta Govil, who will leave the Board of Management in the year 2025 and is not seeking to extend her Board of Management contract.

Items that were on the agenda at every Supervisory Board meeting were the company's current economic situation, the economic challenges and actions taken by the Board of Management, as well as the reports by the Board of Management on the discussions with ADNOC. In addition, the Supervisory Board concentrated on the following topics in individual meetings and also through circular resolutions:

On January 12, 2024, the Supervisory Board discussed the issue of bonuses (Covestro Profit Sharing Plan) for the Board of Management for the year 2023 and set them to 50% in accordance with the performance metrics to be applied to calculating the bonuses. The Board of Management adopted a corresponding resolution for the employees.

By way of a circular resolution on January 25, 2024, the Supervisory Board determined, on the recommendation of the Human Resources Committee, that the annual base salaries of the members of the Board of Management would not be adjusted and would therefore be left at the previous year's level.

As usual, the Supervisory Board meeting in February (February 28, 2024) focused on the annual financial statements and the associated reports. The Supervisory Board discussed in detail the Financial Statements and Consolidated Financial Statements for fiscal 2023, and the Combined Management Report including the nonfinancial Group statement. It also reviewed in detail the audit report and the auditor's oral report concerning the material results of the audit. In addition, the Supervisory Board examined internal risk reporting, which sets out the material risks for the Group and current developments in this regard, as well as the relevant countermeasures. Furthermore, the organization, statistics, training efforts, processes, and effectiveness of the Group's compliance management system were reviewed in depth. In addition, items on the agenda and resolution proposals for the 2024 Annual General Meeting were updated or added. Another item on this meeting's agenda was to discuss the plan for an optimized structure that is adapted to market conditions for one of Covestro's business entities; the plan was approved at this meeting. Various compensation issues were also discussed, and the Compensation Report of the Board of Management and the Supervisory Board for fiscal 2023 was approved. At this meeting, the Supervisory Board also dealt with its self-assessment regarding the effectiveness and efficiency of its work in

fiscal 2023. On the whole, members found the activity of the Supervisory Board and of all its committees effective and efficient. They continued to value in particular the detailed discussions and exchanges with the Board of Management on issues relating to strategy, for which sufficient time was allowed at Supervisory Board meetings and the annual strategy workshop.

At the Supervisory Board meeting on April 17, 2024, the main focus was on the virtual Annual General Meeting taking place on the same day.

By way of a circular resolution on April 19, 2024, Frank Löllgen was elected to the Presidial Committee and the Audit Committee to succeed Petra Reinbold-Knape, who stepped down from the Supervisory Board as of the end of April 17, 2024.

At its meeting on June 12, 2024, the Supervisory Board dealt with a detailed report by the Board of Management on progress to date with the open-ended talks with ADNOC (see below for further details) as well as the company's liquidity. This meeting also included training for the Supervisory Board on preventing corruption.

At the Supervisory Board meeting on October 9, 2024, the focus was on the regularly scheduled topic of the corporate strategy, after the Supervisory Board had, as in previous years, addressed strategy issues in depth on the day before in a strategy workshop organized by the Board of Management. The topics of discussion included updating the corporate strategy after delving deeper into options for additional value contributions such as optimized financial performance, inorganic growth through mergers and acquisitions, as well as the potential of artificial intelligence. In the context of updating the corporate strategy, the associated adjusted system of performance metrics to measure the implementation of the strategy was also presented and discussed. Another item on the agenda of this Supervisory Board meeting was the extension of a supply agreement for chemical components for the manufacture of polyurethanes. Moreover, the Supervisory Board resolved at this meeting to adjust the areas of responsibility of the Board of Management to ensure that the performance of the two segments, Performance Materials and Solutions & Specialties, is optimized. The adjustment comes into effect on January 1, 2025.

At its meeting on December 12, 2024, the Supervisory Board dealt with succession on the Board of Management for the Chief Commercial Officer (CCO); it appointed Ms. Monique Buch as a member of the Board of Management from June 1, 2025 and to succeed Sucheta Govil as CCO from August 1, 2025. The Supervisory Board also considered various compensation issues. As regularly scheduled, it reviewed the Board of Management's fixed compensation and considered the long-term variable compensation for the Board of Management. It resolved a new system of short-term variable compensation for the Board of Management (Profit Sharing Plan), which will apply for the years 2025–2027. In another important agenda item, the Supervisory Board looked in detail at the corporate planning for fiscal 2025 proposed by the Board of Management and the medium-term outlook also presented. It approved both the corporate plan and the financing framework proposed for fiscal 2025. It also dealt with the implementation status of the Corporate Sustainability Reporting Directive (CSRD) and the plans for the sustainability statement for the current fiscal year.

Following the discussions at the meeting on December 12, 2024, the Supervisory Board also issued its declaration of compliance with the German Corporate Governance Code (GCGC) by way of a circular resolution on December 23. Because of the potential takeover of Covestro AG by ADNOC, a deviation from the GCGC had to be declared for the first time – affecting recommendation G.10 sentence 2. The reason for this deviation was the Supervisory Board's decision on the planned adjustment of Board of Management compensation (see also in the next paragraph).

In addition, the Supervisory Board held seven extraordinary meetings in the year 2024, on January 12, April 11, June 24, July 23, September 23, October 1, and November 7, 2024. The extraordinary meetings of the Supervisory Board were used to give this body comprehensive information on the latest state of affairs of ADNOC's expression of interest and in the subsequent course of ADNOC's offer in relation to Covestro AG, partly based on previous discussions at meetings of the Presidial Committee. At all of the extraordinary Supervisory Board meetings, the Board of Management reported in detail on the state of affairs and on its assessment of the situation, as it had already done at some of the Presidial Committee meetings. In this context, the Supervisory Board had an opportunity to pose questions about the latest state of affairs and to add its own points for discussion with ADNOC. On October 1, 2024, final aspects of an investment agreement between Covestro AG and ADNOC were discussed, and the Supervisory Board approved entry into this agreement at this meeting. On November 7, 2024, the Supervisory Board discussed and adopted the jointly motivated statement on the takeover offer by ADNOC. In view of the obligations on Board of Management members, in accordance with the compensation system for the Board of Management and the long-term incentive program (Prisma) to hold a certain number of Covestro shares for the duration of their service on the Board of Management, the Supervisory Board resolved on November 7, 2024, after debating the advantages and disadvantages and according to the recommendation of the Human Resources Committee, that the compensation system and long-term incentive program should be adjusted to reflect the takeover offer in order to remove the hold obligations. In addition, the Supervisory Board approved in this context the delivery of Covestro shares by the Board of Management so that the Board of Management members could accept the takeover offer for their Covestro shares. At the various extraordinary meetings of the Supervisory Board, the state of affairs and the views of the Supervisory Board, taking information provided by the Board of Management into account, were discussed in detail, including with the involvement of external advisers. The next steps to be taken for the respective state of the process were agreed in close consultation with the Board of Management.



Covestro AG Supervisory Board (as of December 31, 2024; from left to right):
 First row: Dr. Richard Pott, Petra Kronen, Dr. Christine Bortenlänger, Dr. Christoph Gürtler
 Second row: Oliver Heinrich, Lise Kingo, Irena Küstner, Frank Löllgen
 Third row: Dr. Sven Schneider, Regine Stachelhaus, Marc Stothfang and Patrick Thomas

Committees of the Supervisory Board

In the past fiscal year, the Supervisory Board had five permanent committees set up so that it can continue to exercise its duties effectively and efficiently. The committees prepared resolutions by the full Supervisory Board and provided information on other topics to be discussed by this body. Moreover, certain decision-making powers of the Supervisory Board were delegated to the committees to the extent legally permissible. The Supervisory Board currently has the following permanent committees: Presidial Committee, Audit Committee, Human Resources Committee, Nominations Committee, and Sustainability Committee.

The tasks and responsibilities of the standing committees and their current composition are described in greater detail in "Declaration on Corporate Governance" under "Committees of the Supervisory Board" in the Combined Management Report.

The meetings and decisions of all committees, and especially those of the Audit and Sustainability Committees, were prepared on the basis of reports and explanations provided by the Board of Management. The committee chairs regularly provided comprehensive reports on the work of the committees to the full Supervisory Board.

The **Presidial Committee**, on which shareholders and employees are equally represented, convened for one ordinary meeting in the year 2024. At this meeting on November 27, 2024, the Presidial Committee discussed the annual review of the Qualification Matrix of the Supervisory Board implemented in fiscal 2022. The new Supervisory Board member Oliver Heinrich, who joined in 2024, was added to the qualification matrix. A review of the skills and experience of the Supervisory Board members did not identify any need to make any further changes.

In addition, the Presidial Committee held four extraordinary meetings in the year 2024, on January 11, March 14, April 5, and May 6, 2024. The subject of all extraordinary meetings of the Presidial Committee, as well as of the seven extraordinary Supervisory Board meetings, was in-depth discussion of the respective state of affairs of ADNOC's expressions of interest in relation to Covestro AG. In some cases, the extraordinary meetings of the Presidial Committee were also used to prepare for subsequent extraordinary meetings of the Supervisory Board. As reported already, the first three of these extraordinary meetings were also attended by the Chairman of the Audit Committee, Dr. Sven Schneider, and by Frank Löllgen as a guest participant and expert adviser, in addition to the members of the Presidial Committee, on which shareholders and employees are equally represented. The meeting of the Presidial Committee on May 6, 2024 was attended by Dr. Sven Schneider as guest participant and expert adviser; Frank Löllgen had at that stage already succeeded Petra Reinbold-Knape as a member of the Presidial Committee. At all extraordinary meetings, the Board of Management reported in detail on the state of affairs of ADNOC's expressions of interest and on its assessment of the situation. On this basis, the Presidial Committee held in-depth discussions, including with the involvement of external advisers, and agreed the next steps in close consultation with the Board of Management.

The **Audit Committee** met a total of four times in the year under review: on February 27, April 29, July 29, and October 28, 2024, each time in the presence of the CFO and the auditor. At a working meeting on June 12, only members of the Audit Committee were present. The Audit Committee conducted a preparatory review of the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, and the Combined Management Report for the Supervisory Board. In particular, it also discussed in detail the respective audit report and the oral report by the auditor on the material results of the audit. The Combined Management Report also included the Group's nonfinancial statement. In conducting its review, the Audit Committee found no grounds for objections. It recommended to the Supervisory Board to approve the Financial Statements and Consolidated Financial Statements for fiscal 2023 as well as to consent to the Combined Management Report. In addition, the Audit Committee discussed with the Board of Management the half-year financial report in light of the results of the review by the auditor, and the Q1 and Q3 2024 quarterly statements prior to their publication.

The Audit Committee monitored the accounting and financial reporting process and the appropriateness and effectiveness of the internal control system, the risk management system, and the internal audit system, including sustainability-related aspects, and deliberated on the audit of the financial statements and compliance. In doing so, the Committee received reports, including from the heads of Corporate Audit and the Corporate Law,

Intellectual Property & Compliance functions and from the auditor. No material weaknesses were identified in the internal control system for financial reporting purposes or the risk early warning system.

The Audit Committee additionally undertook preparations for the Supervisory Board's proposal for the appointment of the financial statement auditor by the AGM, the engagement of the auditor and agreement on the auditor's fee. It monitored the quality of the audit and the independence of the auditor as well as the supplementary non-audit services provided in addition to the financial statement audit. In this context, the committee had the auditor confirm their independence.

The Audit Committee discussed the audit risk assessment, audit strategy, audit planning, key audit matters, and audit results with the auditor. The Chairman of the Audit Committee had regular feedback sessions with the auditor on the audit progress and reported on this to the Audit Committee.

Special topics discussed by the Audit Committee in the fiscal year under review were aspects of opportunities and risks as well as of regulatory issues, such as cyber risk (specifically with regard to the security of production and technical IT systems) as well as the implementation of the Corporate Sustainability Reporting Directive (CSRD) and the associated sustainability reporting. Other special topics included the results of an appropriateness and effectiveness audit of the internal control system, an update on tax positions and tax risks, as well as the discussion of an update on pension assets and pension obligations. The financial reporting enforcement mechanism for fiscal 2023 initiated on a sample basis by the German Federal Financial Supervisory Authority (BaFin) in the second half of the year was a specific topic for the year 2024. The examination of the published consolidated financial statements as of December 31, 2023 and the associated combined Management Report of Covestro AG in accordance with Section 107, Paragraph 1, Sentence 3 of the German Securities Trading Act (WpHG) did not give rise to any objections within the meaning of error determination in accordance with Section 109 Paragraph 1 Sentence 1 WpHG, since no breach of legal requirements, generally accepted accounting principles, or other financial reporting standards (IFRSs) adopted by law was found. The examination process was concluded in December 2024. Another specific topic related to the effects of the blue-screen incident that occurred on July 19, 2024 during a regular update of the CrowdStrike software, which is used worldwide.

Furthermore, the Audit Committee obtained information on an ongoing basis on enhancements to the compliance management system (particularly regarding anti-corruption measures), the handling of suspected compliance violations, progress in significant litigation, new legal and regulatory risks, and the risk situation, risk tracking, and risk monitoring in the Group. The Corporate Audit function provided regular reports about risk assessments. The heads of the relevant corporate functions also participated in meetings of the Audit Committee on selected agenda items, reported on these, and answered questions. In addition, the Chair of the Audit Committee discussed important matters between meetings, particularly with the Supervisory Board Chair, the CFO and the auditor. The key results of these discussions were reported regularly to the Audit Committee and the Supervisory Board. The Audit Committee continued its practice of closed sessions in the year under review. They allow the auditor and the committee during the meeting to have a discussion without the Board of Management being present.

The **Human Resources Committee** convened for a total of seven meetings in the reporting year. A topic of particular significance in the year under review was the search for and appointment of a successor to the office of Chief Commercial Officer to succeed Board of Management member Sucheta Govil, who will step down in the year 2025. This topic featured on the agenda of all meetings of the Human Resources Committee from February 2024 onward.

At its first meeting on January 12, 2024, the Human Resources Committee discussed the issue of bonuses (Covestro Profit Sharing Plan) for the Board of Management for the year 2023 and recommended that the Supervisory Board set this to fifty percent.

By way of a circular resolution on January 23, 2024, the Human Resources Committee debated the annual base salaries of Board of Management members and, given the tense economic situation, which required a high degree of cost awareness, determined that they should be held constant without adjustments, in line with the approach that the Board of Management had also envisaged for the company's managerial employees.

At its meeting on February 28, 2024, the Human Resources Committee dealt with topics such as the definition of the performance metrics for the CO₂ component in the newly issued 2024-2027 tranche of long-term variable compensation (LTI). At this meeting, the Human Resources Committee also passed the resolution to engage human resources consultants for the succession process for the office of Chief Commercial Officer on the Board of Management.

At its meeting on June 12, 2024, the Human Resources Committee discussed options for including a diversity criterion in the sustainability component relating to "Social" topics for the compensation of the Board of Management. Together with the competent department, the advantages and disadvantages, legal aspects, and industry experience of the effectiveness of such a metric were examined in detail. The Committee resolved to leave the current compensation system, to which a sustainability component relating to "Social" topics had been added in the year 2023, unchanged for the time being.

At its meeting on October 9, the Human Resources Committee discussed adjustments to the areas of responsibility of the Board of Management to support the optimum development of the two segments, Performance Materials and Solutions & Specialties. It recommended to the Supervisory Board to approve this new schedule of Board of Management responsibilities effective January 1, 2025. The members of the Committee also engaged in initial considerations for the structure of the new bonus system for short-term variable compensation for the Board of Management (Profit Sharing Plan 2025-2027), which is applicable from the year 2025 onward.

At its meeting on November 7, 2024, the Human Resources Committee debated the compensation system for the Board of Management and recommended to the Supervisory Board in connection with the takeover offer of ADNOC to amend the compensation system for the Board of Management with regard to long-term share-based compensation and the obligation to hold Covestro shares and to submit the proposed amendments to the 2025 Annual General Meeting for approval.

At its meeting on November 13, 2024, the Human Resources Committee concluded its discussions of succession for the role of Chief Commercial Officer (CCO) on the Board of Management; it recommended to the Supervisory Board to appoint Ms. Monique Buch as CCO and to succeed Sucheta Govil from August 1, 2025.

The agenda of the meeting held on December 12 included the annual review of the appropriateness of Board of Management compensation, long-term variable compensation of the Board of Management, and short-term variable compensation for the current year. In addition, the considerations launched in October on the structure of a bonus system for short-term variable compensation for the Board of Management, which is applicable from 2025 onward, were concluded and the introduction of a new bonus system (Profit Sharing Plan) for the years 2025-2027 was recommended to the Supervisory Board.

The **Sustainability Committee** convened for a total of four meetings. The main topics of its deliberations were the circular economy, the pursuit of the Scope 1, Scope 2, and Scope 3 targets, and the implementation of the Corporate Sustainability Reporting Directive (CSRD).

At its first meeting on February 16, 2024, the Sustainability Committee dealt with the review of the sustainability-related parts of the Group Management Report and recommended the approval of the nonfinancial Group statement for the year 2023. It also reviewed the status of the key implementation measures for the Scope 3 targets resolved and the handling of risks in connection with these targets.

At the second meeting on May 25, 2024, the Committee members established an overview of regulatory risks – but also discussed potential opportunities arising from the regulatory environment. Another focal topic related to the aspect of human rights and the associated due diligence; it involved an overview of Covestro's human rights management system and the results of the 2023 human rights risk management system. In addition, the Sustainability Committee reviewed progress toward meeting Scope 1 and Scope 2 targets.

The main priority of the meeting on September 23 was on the implementation of the CSRD at Covestro and projects relating to the circular economy at Covestro. With regard to the CSRD, the Committee discussed the status of CSRD implementation, the sustainability reporting process, and the double materiality assessment.

Under the circular economy agenda item, the approach of the circular economy strategy project presented by the Board of Management was discussed and selected initiatives were examined in greater detail.

At its meeting on November 22, the Committee reviewed in depth the double materiality assessment, which is the core element of the CSRD, the current status of CSRD implementation in general, and the sustainability reporting process going forward. One substantive topic concerned physical climate risks and potential impacts of climate change on Covestro's business. At the last meeting of the year 2024, the members of the Committee agreed on priorities and core topics for the year 2025.

At all the meetings during the year, current developments and requirements regarding EU chemicals policy, regulations, ratings, and rankings were discussed in addition to the specific topics mentioned. Where relevant, the discussion of all the topics addressed in the Sustainability Committee also included the discussion of entity-specific material impacts, risks, and opportunities associated with them.

The members of the **Nomination Committee** convened on November 27 of the 2024 reporting year in order to deal with the elections of shareholder representatives scheduled for the 2025 Annual General Meeting and to prepare the corresponding proposals for election.

Financial Statements/Audit

The Financial Statements of Covestro AG were prepared in accordance with the requirements of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), and the German Energy Industry Act (EnWG). The Consolidated Financial Statements of the Covestro Group were prepared in accordance with the German Commercial Code and the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The Combined Management Report including the Group's nonfinancial statement was prepared in accordance with the German Commercial Code. The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, has audited the financial statements of Covestro AG, the consolidated financial statements of the Covestro Group, and the combined management report. The Nonfinancial Group Statement included in the combined Management Report was subjected to a separate audit by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany). KPMG AG Wirtschaftsprüfungsgesellschaft has audited Covestro's financial statements since fiscal 2018. Marc Ufer and Dr. Kathryn Ackermann signed the Independent Auditor's Report for fiscal year 2024. Both of them signed the Independent Auditor's Report for first time on December 31, 2022. The auditor's report on the separate audit of the Nonfinancial Group Statement was signed by Oliver Geier and Claudia Fielenbach, both of whom signed it for the first time as of December 31, 2024. The conduct of the audit, key audit matters, and results of the audit are explained in the auditor's reports. The auditor has found that Covestro has complied with the requirements of the HGB, the AktG, the EnWG, and the IFRSs as adopted by the EU, and has issued unqualified opinions on the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, and the Combined Management Report including the Group's nonfinancial statement. The compensation report was subjected to a substantive audit and issued with an unqualified audit opinion, which, together with the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG. The financial statements of Covestro AG, the consolidated financial statements of the Covestro Group, the Combined Management Report including the Group's nonfinancial statement, and the audit reports were submitted to all members of the Supervisory Board. The Audit Committee and the Supervisory Board reviewed the financial statement documentation in depth after the auditor's report was presented. The auditor attended both meetings.

The Supervisory Board examined the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, and the Combined Management Report including the Group's nonfinancial statement. It had no objections and thus concurred with the result of the audit.

The Supervisory Board approved the Financial Statements of Covestro AG and the Consolidated Financial Statements of the Covestro Group prepared by the Board of Management. The Financial Statements of Covestro AG are thus adopted. Since no net income was generated, there is no proposal for the use of distributable profit. The Board of Management and Supervisory Board jointly prepared the annual compensation report.

Corporate Governance and Declaration of Compliance

During the reporting year, the Supervisory Board again extensively addressed Covestro's corporate governance, taking into account the German Corporate Governance Code and, together with the Board of Management, submitted a declaration of compliance in accordance with Section 161 of the German Stock Corporation Act in December 2024 based on the Code in the April 28, 2022, version. This declaration, which specifies one deviation from G.10 sentence 2 of the GCGC, has been posted on Covestro's website.

Expression of Appreciation from the Supervisory Board

The Supervisory Board would like to thank the Board of Management and all of Covestro's employees for their unwavering dedication in the 2024 fiscal year. The Supervisory Board wishes all of them success in dealing with the current economic and geopolitical challenges in a time of multidimensional crises. The Supervisory Board would also like to thank Covestro's shareholders for the trust they have placed in the company.

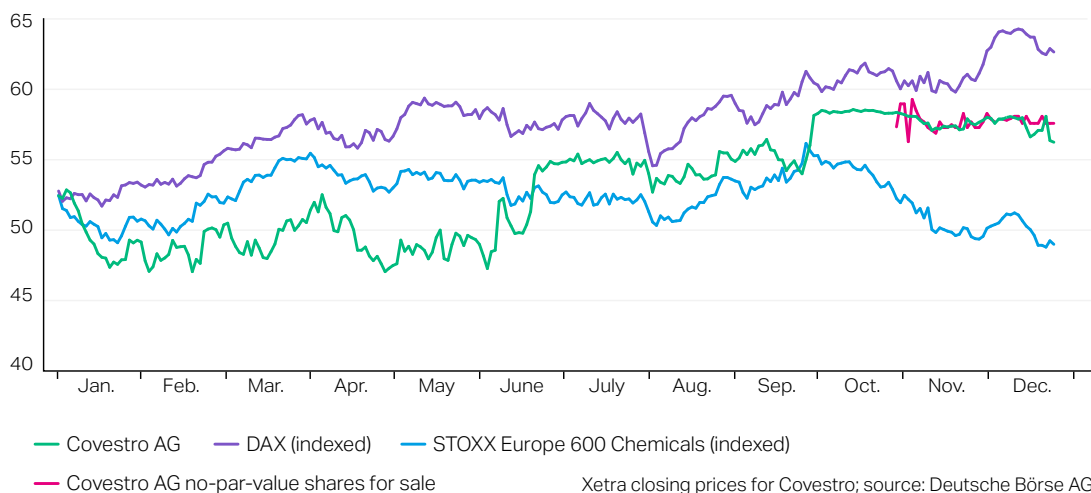
Leverkusen, February 25, 2025

For the Supervisory Board

Dr. Richard Pott
Chair

Covestro Shares

Performance of Covestro shares versus market in fiscal year 2024



Performance of Covestro Shares in Weak Economic Environment

Similar to the global economy, stock exchanges in fiscal 2024 continued to be impacted by the global demand crisis in many industries, which had persisted since mid-2022. Alongside the war in Ukraine, markets were impacted in particular by the escalation of the conflict in the Middle East, as well as smoldering tensions between China and Taiwan and between China and the United States.

The German DAX benchmark, the index relevant for Covestro, trended continuously stronger in the course of 2024 and, driven by interest rate and inflation movements, reached a new all-time high of 20,426.27 points on December 12, 2024, even though economic and structural factors weighed on the economy. As a result, the DAX was detached from the actual economic performance, especially that of the energy-intensive manufacturing industries, rising 18.8% to 19,909.14 points since the beginning of the year. Despite intervening periods of weakness, the European benchmark index EURO STOXX 50* went up 7.7 % year-over-year to 4,869.28 points, driven by significant gains in the course of the first half of 2024.

The weaker trend, particularly of European chemical stocks, in the course of 2024 compared with the DAX and EURO STOXX 50 benchmark indices was attributable to lower demand from the processing industry. Weak demand, combined with higher supply and production volumes, had a disadvantageous effect on margins, as any benefit from lower raw material prices had to be passed on to customers. The result was another deterioration in earnings compared with the year 2023. By December 31, 2024, the STOXX Europe 600 Chemicals** index was down 6.6% from the beginning of the year.

At the start of the fiscal year, the Covestro share price moved around the €50 mark, dropping to a low of €46.98 on February 19, 2024. The share price movements were not influenced by business performance, but rather initially by speculation about progress in the open-ended discussions with the Abu Dhabi National Oil Company (ADNOC), Abu Dhabi (United Arab Emirates). Covestro announced on June 24, 2024 that it had entered into concrete negotiations about a possible transaction and the possible conclusion of an investment agreement. This pushed the share price to a level of €55, which it managed to hold onto, apart from a brief period of weakness in August.

* EURO STOXX 50: European stock index that reflects the share price performance of the 50 most important and highest-revenue companies in Europe.

** STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

As a result of an investment agreement being entered into between Covestro and XRG P.J.S.C (XRG), Abu Dhabi (United Arab Emirates), (formerly: ADNOC International Limited, Abu Dhabi (United Arab Emirates)), with a potential offer of €62 per share, the share price again rose significantly on October 1, 2024. The publication of a takeover offer on October 24, 2024 marked the start of the first offer period, which ended on November 27, 2024 with an acceptance ratio of 60.39%. During the second offer period from December 3, 2024 to December 16, 2024, the acceptance ratio increased to 81.77%. Together with the 9.81% of shares acquired by XRG directly and the shares tendered, this corresponds to a proportion of 91.58% of Covestro's share capital as of 31 December, 2024. Covestro shares (1COV) traded at a stable level during the entire offer period. The share price receded slightly after the end of the extended offer period, ending the year at a closing price of €56.16.

Since October 30, 2024, the shares tendered to XRG have been listed and traded on the stock exchange under the 1CO ticker symbol. Apart from minor variances, the performance of the 1CO share price during the offer period corresponded to that of 1COV shares. The share price trended firm after the end of the offer period, closing the year 2024 at €57.50.

1COV shares reached a high of €58.48 on October 15, 2024, while the 1CO share price reached its high of €59.20 on November 5, 2024.

Compared with the closing price of €52.68 for the year 2023, this corresponds in fiscal 2024 to a share price performance for 1COV shares (without dividend reinvestment since no dividend was paid for fiscal 2023) of 6.6%.

Following the completion of the offer periods with an acceptance ratio of 81.77%, the shares tendered and the 9.81% of shares already held by XRG were removed from the calculation of the freefloat. Since the remaining freefloat was less than 10%, Covestro was excluded from the DAX on December 27, 2024.

As of the end of the reporting year, Covestro's market capitalization stood at €10.8 billion, broken down into €1.9 billion in the stock line of shares not tendered (1COV) and €8.9 billion in the stock line of tendered shares (1CO), based on 188,740,330 shares outstanding. Covestro holds 259,670 treasury shares. The average daily Xetra trading volume was 673,034 shares for 1COV shares. As expected, the trading volume of 1CO was substantially lower.

Covestro share at a glance

		1COV	1CO
Average daily turnover	thousand shares	673.0	43.3
Closing price (Dec. 31, 2024)	€	56.16	57.50
High	€	58.48	59.20
Low	€	46.98	56.20
Outstanding shares (closing date)	shares	34,198,524	154,541,806
Market capitalization (closing date)	€ billion	1.9	8.9

Xetra closing prices on Xetra for Covestro; source: Deutsche Börse AG

Dividend Policy

Since the 2020 Financial Statements, Covestro AG's dividend policy has been more closely linked to the Group's overall business situation. The policy specifies that Covestro AG should distribute between 35% and 55% of the Group's net income to shareholders of Covestro AG. Since the Group again generated negative net income, no dividend will be paid to Covestro AG shareholders for fiscal 2024, as for fiscal 2023, in accordance with the current dividend policy. Due to the negative net income, in the year 2024, no dividend per share carrying dividend rights was paid for fiscal 2023.

Virtual Annual General Meeting Held on April 17, 2024

Covestro AG's Annual General Meeting (AGM) was held on April 17, 2024. Taking account, in particular, of legislation, the authorization to hold a virtual AGM, the ownership structure, and the expected costs, Covestro had resolved at the end of the year 2023 to hold a virtual AGM, as in the previous year.

The AGM ratified the actions of the Board of Management and Supervisory Board for the past fiscal year 2023 with a large majority. The Group's net income was negative in fiscal 2023, showing a net loss of €198 million. Under the current dividend policy, this means that no dividend was distributed to shareholders of Covestro AG. Similar to the resolution proposals on ratification of the actions of the Board of Management and Supervisory Board, all other proposed resolutions were passed with large majorities.

Share Buyback Program

On April 17, 2024, the Board of Management of Covestro AG submitted to the AGM a renewed authorization to buy back treasury shares of up to 10% of the existing share capital. The AGM granted this authorization with a majority of 93.48%.

ADR Program

The American Depositary Receipt (ADR) program grants global investors simplified access to Covestro shares. Covestro ADRs are traded over the counter in the United States under the COVTY ticker symbol. At the end of fiscal 2024, the total number of outstanding ADRs reached 3.3 million (previous year: 7.4 million).

Moody's Confirms Covestro Rating and Outlook

On May 3, 2024, Moody's Investors Service, London (United Kingdom), confirmed Covestro's Baa2 investment-grade rating with a stable outlook. Covestro intends to continue to maintain financing structures and financial ratios that support a solid investment-grade rating in the future.

Majority of Analysts Neutral on Covestro Shares

At the end of the year 2024, Covestro was covered by ten securities brokers. Of these, one analyst issued a buy recommendation and nine were neutral. The average share price target was approximately €61 at the reporting date.

Basic Covestro share information

	1COV	1CO
Capital stock	€34,458,194	€154,541,806
Outstanding shares (year-end)	34,198,524	154,541,806
Share class	No-par ordinary bearer shares	No-par ordinary bearer shares
ISIN	DE0006062144	DE000A40KY26
WKN	606214	A40KY2
Ticker symbol	1COV	1CO
Reuters symbol	1COV.DE	–
Bloomberg symbol	1COV.GY	–
Market segment	Regulated market	Regulated market
Transparency level	Prime standard	Prime standard
Sector	Chemicals	Chemicals

Combined Management Report

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MANAGEMENT REPORT PROFILE

Combined Management Report of Covestro AG

The Combined Management Report pertains to both the Covestro Group and Covestro AG, which has its registered office in Leverkusen (Germany). The reporting period covers fiscal 2024, which is the same as the calendar year from January 1 to December 31, 2024. The presentation of the results of operations, financial position, and net assets as well as the expected development, including the principal opportunities and risks, relate to the Covestro Group, unless otherwise noted. The results of operations, financial position, and net assets of Covestro AG are presented in a separate chapter of the Report on Economic Position. In addition, the Nonfinancial Group Statement is integrated into the Combined Management Report pursuant to Sections 315b and 315c HGB. Our Group Sustainability Statement was prepared in accordance with the requirements for a nonfinancial group statement of the Corporate Sustainability Reporting Directive (CSRD), Article 8 of Regulation (EU) 2020/852, and Sections 315b and 315c HGB. Pursuant to Section 289d HGB, the application of European frameworks is permissible. Given the importance of the European Sustainability Reporting Standards (ESRS) as a planned set of EU regulations, which has already been enacted accordingly in a large number of EU member states, we applied the ESRSs as a framework in the reporting year. Due to the resulting extensive changes to content and structure, comparability with the previous year's report is limited. The ESRS contain formulations and terms that remain subject to considerable interpretation uncertainties. Therefore, regarding the metrics especially, the definitions and calculation methods may differ from those used by other companies, which may limit comparability.

The achievement of Covestro's sustainability targets contained in this report depends in part on factors beyond the direct control of our company. In particular, we cannot conclusively ensure that third parties fulfill their contractual obligations or continue to pursue or achieve their own sustainability targets. Regulatory changes are also beyond our control.

Alternative Performance Measures

In its financial reporting, Covestro uses alternative performance measures (APMs) to assess the business performance of the Group. These are not defined in the International Financial Reporting Standards (IFRSs) adopted by the European Union (EU). The alternative performance measures of relevance to the Covestro Group include earnings before interest, taxes, depreciation, and amortization (EBITDA), return on capital employed (ROCE), free operating cash flow (FOCF), and net financial debt. The calculation methods for the APMs may vary from those of other companies, thus potentially limiting the extent of the overall comparability. These alternative performance measures should not be viewed in isolation or employed as an alternative to the financial indicators determined in accordance with IFRSs and presented in the Consolidated Financial Statements for purposes of assessing Covestro's results of operations, financial position, and net assets.

→ Explanations of the definition and calculation of these alternative performance measures can be found in the "Management System" section.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Company Profile

Business Model

»ESRS 2.40 (a) i, AR12-AR13 Covestro is one of the leading global suppliers of high-tech polymer materials and application solutions developed for these materials. The company delivers a broad portfolio of products. In its core business, Covestro produces precursors for polyurethane foams and the high-performance plastic polycarbonate as well as precursors for coatings, adhesives, sealants, and specialty products, including films. Other noncore precursors in Covestro's product portfolio include chlorine and by-products like styrene.«

»ESRS 2.40 (a) ii, ESRS2.40 (f), ESRS 2.42 (c), AR15 The company's materials are used in many areas of modern life. Covestro offers its customers innovative and sustainable solutions that enable improved performance and help reduce carbon footprints. Our products are used in many applications ranging from insulation for refrigerators and entire buildings, through laptop and smartphone cases, to medical technology. They are also used to produce scratch-resistant and fast-drying vehicle coatings, film coverings for personal identification cards, and medical equipment. Covestro therefore serves a wide variety of sectors: The company's main customers are from the automotive and transportation; construction; furniture and wood processing; and electrical, electronics, and household appliances industries. Our materials are also used in sectors such as sports and leisure, health, as well as in the chemical industry itself.

Global megatrends play an important role here. Climate change, pollution, population growth, urbanization, new forms of mobility, and the transition to renewable energy are changing the lives of billions of people. Consequently, the polymer industry will also have to develop continuously. The materials produced by companies like Covestro make an important contribution to finding innovative solutions to these global challenges. With its vision of becoming fully circular, Covestro also contributes to developing a climate-neutral, resource-conserving economy. Covestro's aim is to pave the way for and support these trends with its materials. By replacing traditional materials, such as glass, steel, and aluminum, with durable, light, environmentally compatible, and cost-effective materials, Covestro is making contributions in areas such as lightweight construction in the automotive industry. Effective insulating materials increase the energy efficiency of living spaces, while specialty materials promote sustainable energy and improve the shelf-life of food through better insulation along the entire refrigeration chain.«

→ For further information, please refer to: solutions.covestro.com/en/industries

Covestro continuously monitors trends in its sales and consumer markets and orients its activities to support customers' growth. Together with customers as well as with business and scientific partners, the company works continuously to further advance products, technologies, and application solutions.

→ For further information, please refer to: solutions.covestro.com/en/brands

Covestro's main competitors include BASF, Dow Chemical, Huntsman, Mitsubishi, Saudi Basic Industries Corporation (SABIC), and Wanhua Chemical.

Intangible resources, especially our innovative, human, structural, and relational capital, are important to Covestro's business model.

Our innovative capital plays a key role in achieving our vision of becoming fully circular. It is a core element of our Group strategy and of our identity. Through targeted investment in research and development, we create the basis for new products and applications to accelerate the transition to the circular economy, such as chemical recycling or applications of alternative raw materials for our product portfolio. Another key element of our innovative capital are the patents that protect our research results. Innovation is also the driving force of our

digital transformation. By managing innovation across functions throughout the Group, we ensure that our projects and activities satisfy the needs of our customers and the markets.

»ESRS 2.42 (b) With our systematic focus on the development of sustainable applications – ranging from building insulation through light-weight solutions for the automotive industry down to wind energy and water-based coatings and adhesives – we are promoting eco-friendly innovations. These solutions offer tangible benefits not only to our customers, but also to end consumers, local communities, and the natural environment. Our innovation potential and sustainable growth may also be of interest to investors.«

→ For further information, please refer to "Innovation" and "Sustainable Solutions – Sustainable R&D-Based Innovation Portfolio."

Human capital relates to the skills, expertise, and motivation of our employees, who are crucial to our company's success. It enables us to work together to achieve our targets and develop innovative solutions.

→ For further information, please refer to "ESRS S1: Own Workforce."

Our structural capital includes procedures, methods, processes, and systems that support the attainment of our corporate targets. We are working continuously to improve existing structures and processes. This includes organizing the functions of our own business activity as effectively and efficiently as possible and continuously expanding the innovation pipeline. In this way, Covestro is continuing the successful implementation of its Sustainable Future strategy.

Relational capital is based on trust and long-term collaboration with customers, suppliers, and other partners in the value chain. Open dialogue and consideration of all stakeholders' needs are the basis for good business relationships. A regular exchange of information and transparent communication are a solid foundation for sustainable partnerships, and we regularly measure the satisfaction of our customers, for example, using the Net Promoter Score (NPS).

→ For further information, please refer to "ESRS S2: Workers in the Value Chain" and "Value Chain – Marketing and Sales."

Organization

»ESRS 2.40 (a) iii Covestro AG, headquartered in Leverkusen (Germany), is the parent company of the Covestro Group. It is listed on the stock exchange in Germany and was included in the DAX, Germany's leading index, until December 27, 2024. Covestro AG directly and indirectly holds shares in the consolidated companies and also acts as a strategic management holding company. As of December 31, 2024, the Covestro Group comprised 55 (previous year: 57) consolidated companies in three regions in addition to Covestro AG, and employed 17,503 (previous year: 17,516) people, counted in full-time equivalents (FTEs)*. This corresponds to a total number of own employees of 18,021; of these, 10,540 were in the EMLA region, 4,702 in the APAC region, and 2,779 in the NA region.«

Covestro is divided into two reportable segments: Performance Materials (PM) and Solutions & Specialties (S & S). While the Performance Materials segment forms one separate business entity, the Solutions & Specialties segment is made up of six business entities. These business entities are set up according to their respective success factors and all business-related operations along the value chain are incorporated into these entities. Covestro has thus focused its businesses perfectly on the requirements of individual markets and aligned them with its customers' needs. In addition, central corporate functions work toward the further long-term development of Covestro, such as ensuring the Group's long-term competitiveness, and support efficient corporate governance.

→ For further information, please refer to "Corporate Strategy – Group Strategy."

Segments

Performance Materials

»ESRS 2.40 (a) ii, ESRS E5.35 The Performance Materials segment forms a separate business entity comprising the development, production, and supply of high-performance materials such as polyurethanes and polycarbonates, as well as base chemicals. This includes diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI), long-chain polyols, and polycarbonate resins, among others. These materials are used in sectors such as the furniture and wood processing industry, the construction industry as well as the automotive and transportation industry, for example in roof structures, insulation for buildings and refrigerators, mattresses, and car seats, among other applications. The focus in the Performance Materials segment is on reliably delivering standard products at competitive cost.

Solutions & Specialties

The Solutions & Specialties segment combines Covestro's solutions and specialties business; it has six business entities: Engineering Plastics; Coatings & Adhesives; Tailored Urethanes; Thermoplastic Polyurethanes; Specialty Films; and Elastomers. In this segment, Covestro combines sophisticated products with a high pace of innovation, complementing its offering with application technology services and customer-specific system solutions. A fast pace of innovation is a key success factor since customer requirements change quickly. Covestro's Solutions & Specialties business comprises a variety of polymer products including polycarbonates, precursors for coatings and adhesives, MDI specialties and polyols, thermoplastic polyurethanes, specialty films, and elastomers. They are used in sectors such as the automotive and transportation industry; the electrical, electronics and household appliances industry; the construction industry; and the healthcare industry. These materials include composite resins for solar panel frames; precursors for coatings and adhesives; high-quality specialty films; laptop cases, floodlights, and electric vehicle batteries.

→ For further information, please refer to "Corporate Strategy – Segment Strategy."

In addition, central corporate functions work toward the further long-term development of Covestro, such as ensuring the Group's long-term competitiveness, and support efficient corporate governance.«

* The number of permanent or temporary employees is stated in full-time equivalents (FTEs). Part-time employees are included on a pro-rated basis in line with their contractual working hours. Board of Management members, employees in vocational training, and interns are not included in this metric because of their special employment relationship.

Group structure

COVESTRO Board of Management	
Segments and business entities	Corporate functions
<p>Performance Materials</p> <ul style="list-style-type: none"> • Performance Materials 	<ul style="list-style-type: none"> • Strategy • Portfolio Development • Group Innovation & Sustainability • Process Technology • Engineering • Information Technology & Digitalization • Group Health, Safety, Environment & Reliability • Group Procurement • Central administrative functions (Accounting; Communications; Controlling; Corporate Audit; Finance & Insurance; Human Resources; Investor Relations; Law, Intellectual Property & Compliance; Taxes) • Supply Chain & Logistics EMLA, NA, APAC
<p>Solutions & Specialties</p> <ul style="list-style-type: none"> • Engineering Plastics • Coatings & Adhesives • Tailored Urethanes • Thermoplastic Polyurethanes • Specialty Films • Elastomers 	

The Board of Management of Covestro AG runs the company on its own responsibility with the goal of sustainably increasing the company's enterprise value, and determines and pursues its corporate objectives. It also defines the company's portfolio, allocates resources, and decides on both the financial and nonfinancial steering and reporting of the Covestro Group. Moreover, the Board of Management defines the long-term goals and strategy for the Group and sets forth the principles and policies for the resulting corporate policies.

Covestro's Chief Executive Officer (CEO) is Dr. Markus Steilemann. His area of responsibility includes the Corporate Strategy; Group Innovation & Sustainability; Corporate Audit; Human Resources; and Communications functions.

Covestro's Chief Financial Officer (CFO) is Christian Baier. He is responsible for the areas of Accounting; Controlling; Finance & Insurance; Information Technology & Digitalization; Investor Relations; Law, Intellectual Property & Compliance; Portfolio Development; and Taxes. He is also responsible for country-specific topics in the United States and China.

Dr. Thorsten Dreier is the company's Chief Technology Officer (CTO). He is responsible for the corporate Process Technology; Engineering; Group Procurement; and Group Health, Safety, Environment, and Reliability functions and coordinates the rollout of, and compliance with, global processes and standards and the rollout of initiatives in Covestro's production network. He is also the company's Labor Director.

Sucheta Govil is Covestro's Chief Commercial Officer (CCO). She is in charge of the seven business entities, including all business-related processes and areas of production, from procurement and application technology to sales. In addition, she is responsible for the three regional Supply Chain & Logistics units, which handle internal and external supply chains worldwide.

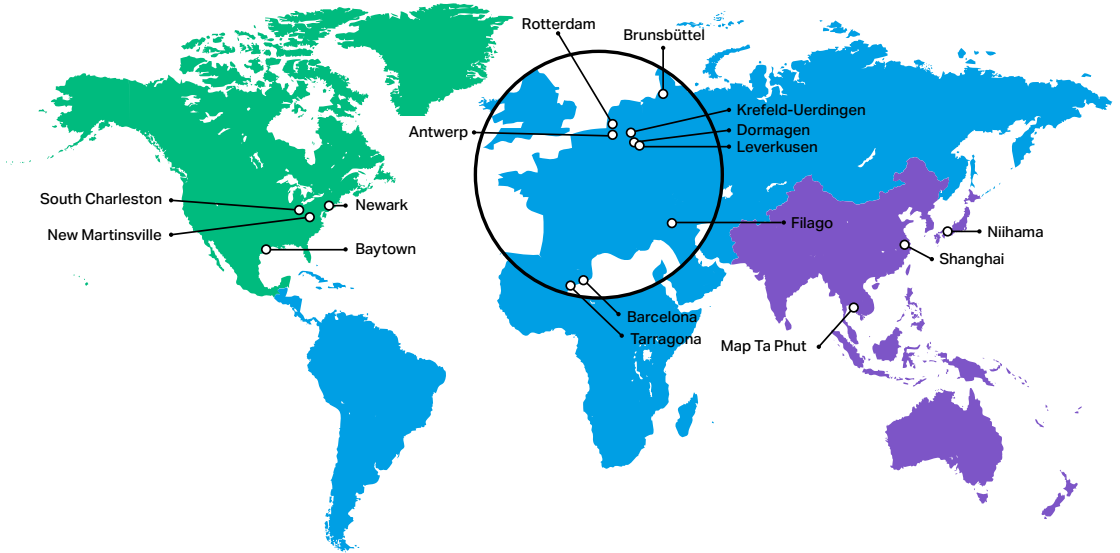
The Supervisory Board oversees and advises the Board of Management. The Supervisory Board has 12 members, half of whom are shareholder representatives and half employee representatives pursuant to the German Codetermination Act. The Chair of the Supervisory Board is Dr. Richard Pott. Petra Kronen was the Deputy Chair of the Supervisory Board until December 31, 2024. She stepped down from this role as of the end of the year. The Supervisory Board will decide on her successor in fiscal 2025.

→ For further information, please refer to the "[Declaration on Corporate Governance.](#)"

Sites

Covestro operates production and research and development (R&D) sites for various product groups throughout the world. The following chart shows the geographical distribution of Covestro's 46 production sites and 13 R&D sites in the EMLA, NA, and APAC regions. It does not show locations such as office and warehouse sites or sites of equity investments not included in the scope of consolidation.

Covestro's production and R&D sites



NA ¹	EMLA ²	APAC ³
Mexico Santa Clara ● S & S	Belgium Antwerp ● ● PM S & S	China Shanghai ● ● PM S & S Guangzhou ● S & S Kunshan ● S & S Qingdao ● S & S Shenzhen ● S & S Shunde (Foshan) ● S & S
United States Baytown ● PM S & S New Martinsville ● S & S Newark ● S & S South Charleston ● S & S Channelview ● PM East Providence ● S & S Elgin ● Frankfort ● S & S Pittsburgh ● South Deerfield ● S & S Wilmington ● ● S & S	France Fos-sur-Mer ● PM Romans-sur-Isère ● S & S	Japan Niihama ● PM S & S Amagasaki ● Sakai ● S & S Tsuchiura ● S & S
	Germany Brunsbüttel ● PM Dormagen ● ● PM S & S Krefeld-Uerdingen ● ● PM S & S Leverkusen ● ● S & S Bomlitz ● S & S Meppen ● S & S	Taiwan, Greater China Changhua ● S & S Pingtung ● S & S Taoyuan City ● Zhangbin ● S & S
	Italy Filago ● S & S	India Ankleshwar ● S & S Cuddalore ● S & S Greater Noida ● S & S
	Netherlands Rotterdam ● PM Geleen ● ● S & S Hoek van Holland ● S & S Schoonebeek ● S & S Waalwijk ● ● S & S Zwolle ●	Taiwan, Greater China Changhua ● S & S Pingtung ● S & S Taoyuan City ● Zhangbin ● S & S
	Spain Barcelona ● S & S Tarragona ● PM Parets ● S & S Santa Margarida ● S & S	Thailand Map Ta Phut ● PM S & S
	United Kingdom Cheadle Hulme ● S & S	

SITES & FACILITIES: ● Main production sites ● Production site ● R&D site
 SEGMENTS: PM Performance Materials S & S Solutions & Specialties

¹ NA: North America region (Canada, Mexico, United States).
² EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.
³ APAC: Asia and Pacific region.

In pursuit of our objective to supply customers reliably and efficiently, we make the Performance Materials segment's products at large-capacity production facilities in the respective regions. Additional plants in selected countries manufacture polyurethane precursors and products for the Solutions & Specialties segment. Moreover, we operate production plants in certain countries for customer-specific compounding of polycarbonate resins.

Thanks to the integration of upstream production stages (backward integration), e.g., in its own production of chlorine, Covestro has continuously optimized the value chain. In addition, we have put in place wide-ranging programs and initiatives to ensure plant safety and availability and steadily improve cost efficiency.

Covestro primarily conducts research and development at three major centers in Germany, the United States, and China. Customer-oriented applications are generally developed in the relevant regions, while global, fundamental research and technology development are mainly conducted in Germany. Our global presence allows us to respond to regional trends and customer requirements in the best possible ways.

Corporate Strategy

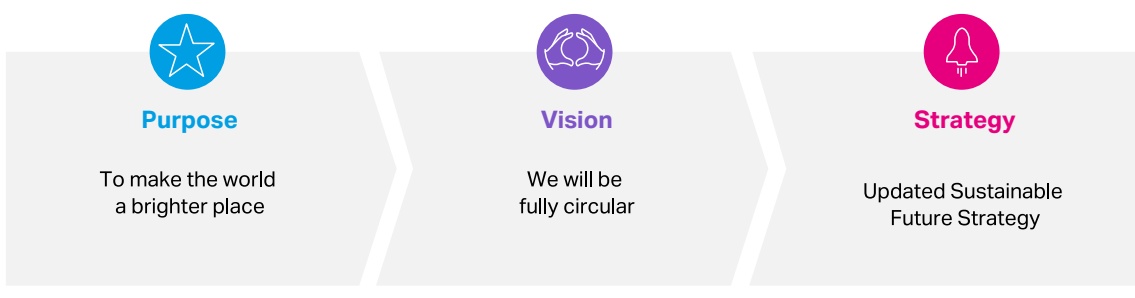
Purpose and Vision

Covestro's purpose, "To make the world a brighter place," remains the foundation of our actions. In an environment shaped by geopolitical tensions, volatile markets, and economic challenges, Covestro is rigorously determined in the pursuit of its vision of becoming fully circular. This vision forms the basis of our Group's Sustainable Future strategy and is aligned with the global challenges we have to face: Advancing climate change, rising environmental pollution, the growth of the global population, increasing urbanization, as well as new forms of mobility and the transition to renewable energies.

Our high-performance polymer materials can be part of the solution to the global challenges. In pursuing it, we rely on technologies that reduce energy usage and emissions in our production processes. The products and solutions we develop are replacing traditional materials such as glass and metal, which are manufactured less sustainably or have a less sustainable life cycle. They also enable entirely new sustainable applications. We are convinced that our long-term strategy of pursuing a circular economy will bring us closer to achieving our purpose to make the world a brighter place.

Our vision of becoming fully circular is the ultimate goal for our Group's Sustainable Future strategy. Our vision therefore sets a clear direction for our company's future development.

Purpose, vision, and strategy



Our corporate values and corporate culture are major factors in putting our purpose, vision, and strategy into action.

→ For further information, please refer to <https://www.covestro.com/en/company/our-company/our-culture>

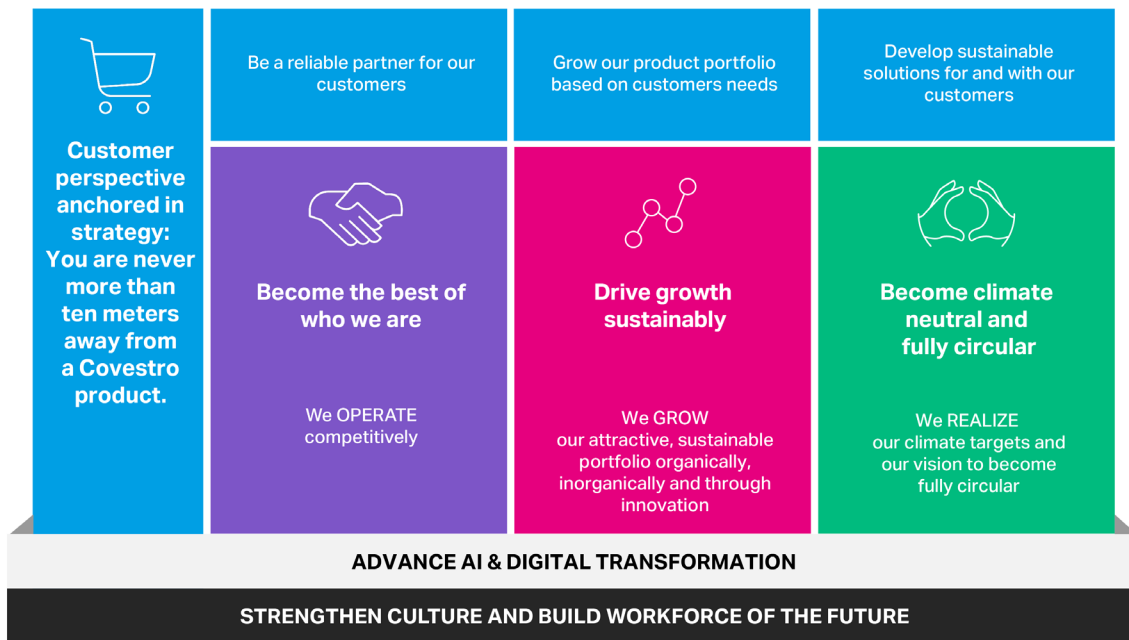
Group Strategy

Strategic Goals and Activities

Our Group’s Sustainable Future strategy, which we resolved in the year 2020, sets the direction for us always to keep an eye on our overarching goals – derived from our purpose and our vision – even in times of change. »ESRS 2.45 (c) In view of the global developments of recent years and to meet the changing needs of our stakeholders, Covestro revised and updated the Group strategy in this reporting year.«

Our strategy has kept its basic direction and still has three chapters: “Become the best of who we are,” “Drive sustainable growth,” and “Become fully climate-neutral and circular.” Nevertheless, critical adjustments were made in the latest reporting year: We put greater focus on the customer perspective in all three chapters, clearly defined the climate neutrality target, and provided details of the path to sustainable growth. In addition to the digital transformation and a strong corporate culture, artificial intelligence (AI) and a workforce that is fit for the future are now also included as enablers and key success factors. »ESRS 2.45 (c) iii We expect these changes to affect our relations with stakeholders. By sharpening our focus on the customer perspective, we anticipate, e.g., a further increase in customer satisfaction. We anticipate furthermore that our clear commitment to sustainability and innovation will encourage our investors to maintain a positive attitude toward our company.«

The Group’s Sustainable Future strategy



“The Customer Perspective is Firmly Embedded in Our Strategy”

The update of our Sustainable Future strategy puts an even sharper focus on our customers. The customer perspective is deeply embedded in our strategy, guided by the motto: “You are never more than ten meters away from a Covestro product.” It runs like a thread through all chapters and underscores our goal to be a reliable partner for our customers, to continuously expand our product portfolio, and adapt it to the needs of our customers. Another fixed element of the updated strategy is our aim to drive the development of sustainable products and solutions together with customers and partners. The aim is to attain climate neutrality in a concerted effort with all those involved along the value chain and at the same time to realize our vision of becoming fully circular in the long term. For us, this is centered on customer satisfaction, which is regularly measured using the NPS – a metric that reflects our customers’ willingness to recommend our company to others.

“Become the Best of Who We Are”

We ACT competitively – with the first strategic chapter, we want to become the best of who we are to exploit our full potential, thus creating the basis for sustainable and profitable growth. In this context, we focus even more on the factors that make our core business a success. Key elements of this section are improvements to plant availability, an increase in cost efficiency, and the transition to higher-margin products.

To drive the implementation of the first strategic chapter, we have made enhancing the reliability of our plant a focal topic. In the year 2023, we marked the starting point by launching targeted maintenance projects to make our workflows even more reliable and efficient. In this way we make sure that we always remain a reliable partner for our customers and can guarantee high delivery reliability at any time. The positive impact of these actions to increase efficiency and improve plant availability is showing the first signs of success.

As the second focal topic of the first strategic chapter, we have set ourselves the target of further optimizing our cost position. To this end, we initiated the global “STRONG” program in the reporting year. Given the rapidly changing business environment, STRONG is aimed at accelerating Covestro’s successful further development and securing our long-term competitiveness. The program puts the focus on optimizing existing structures and processes, especially in production and administration. By increasing efficiency and promoting digitalization throughout the Group, we aim to harness STRONG to realize annual global savings of €400 million by the end of 2028.

In addition, we continue to target the expansion of our high-margin business entities. Especially in the Solutions & Specialties reporting segment, we are making targeted investments in growth markets such as electromobility, energy-efficient construction, and renewable energy. We are moreover continuously analyzing our existing portfolio to identify possible opportunities to acquire attractive businesses.

→ For further information, please refer to “Value Chain – Marketing and Sales.”

“Drive Sustainable Growth”

We EXPAND our attractive, sustainable portfolio organically, inorganically, and through innovations – with the second strategic chapter, we want to drive sustainable growth at Covestro as a way to combine sustainability and profitability. To realize our vision of a future-proof target portfolio, we invest in market segments that are attractive and sustainable for the long term. This requires a profitable product portfolio in attractive regions that efficiently meets customer needs and in this way harnesses above-average benefits from market growth. The focus of all activities that promote organic and inorganic growth, including investments, acquisitions, research and development (R&D) activities, and our strategic venture capital initiative (Covestro Venture Capital, COVeC), is already heavily geared toward sustainability. A particular focus here is on driving further organic and inorganic growth. External opportunities are to be used, for example, to expand the portfolio of materials, the geographical reach, and/or the technology offering. In order to generate maximum value with the capital invested, we are analyzing and managing our investment portfolio according to profitability and sustainability criteria. We support investment projects with a return on capital employed (ROCE) above certain thresholds that generate the lowest possible GHG emissions or even bring about a reduction.

→ For further information, please refer to “Management System.”

→ For further information, please refer to “Sustainable Solutions.”

Innovation is another important core element of the second strategic chapter for driving growth. With innovative technologies and processes, Covestro wants to continue to set new sustainability standards. These are based on our extensive research and development activities, in which we also harness the potential of digitalization and AI. Another area that is increasingly gaining importance is digital research and development. This also includes the development of innovations needed to set ourselves apart from the competition and to adapt the portfolio to new requirements and potential. It is critical in this regard to be innovative in all activities and to drive the commercialization of product, technology, and application innovations. Examples are the expansion of our digital R&D activities and collaborations with partners such as Google. Insights provided by data science strengthen the ability of corporate functions to profitably deploy algorithms and machine learning. We systematically promote the development and implementation of these digital products.

→ For further information, please refer to “Innovation.”

“Become Climate-Neutral and Fully Circular”

We REALIZE our climate targets and our vision of becoming fully circular – with the third strategic chapter, we want to make Covestro fully climate-neutral and circular. As part of that, we intend to accelerate transformation to a climate-neutral and resource-conserving economy. We see this orientation as an opportunity for a lucrative transition to circular solutions for our customers throughout the entire value cycle, which will also offer benefits for society and the environment.

In this context, Covestro focuses not only on reducing direct and indirect (Scope 1 and Scope 2) greenhouse gas (GHG) emissions, but also aims to avoid upstream and downstream GHG emissions along the entire value chain (Scope 3). Covestro plans to achieve operational climate neutrality for Scope 1 and Scope 2 by the year 2035. Likewise, the intermediate reduction target for Scope 3 emissions* has been set for the year 2035: –10 million metric tons of CO₂ equivalents (–30% compared to the base year of 2021**)

In terms of the circular economy, we consider both the upstream and the downstream value chain while anticipating changes in the availability of raw materials, pending regulatory impacts, and corresponding shifts in market demand. These insights are to serve as a basis for, among other things, preparing and updating business development at Covestro in areas such as innovation, investment planning, procurement, marketing, and sales.

→ For further information, please refer to “ESRS E1: Climate Change.”

→ For further information, please refer to “ESRS E5: Resource Use and Circular Economy.”

We also want to drive the circular economy by developing and using innovative recycling options. In this context, we consider chemical recycling particularly promising as an effective tool for reclaiming considerable quantities of feedstocks for reuse. It is suitable primarily for materials and waste that cannot be mechanically recycled due to their properties or when the recycling process must produce like-new materials.

We are aware that shifting our production activities and our product portfolio to circular economy is a major, long-term undertaking that we cannot accomplish alone. For this reason, we continue to redouble our efforts to establish partnerships and networks with our customers, suppliers, research institutes, and other solution providers throughout the value cycle.

»ESRS 2.40 (f) The needs of our customers along the entire value chain, specifically in relation to sustainability, are regularly reviewed and analyzed. This analysis indicates to Covestro which Covestro products are particularly relevant for the sustainability targets of its customers.

Examples include mass-balanced products based on our CQ solutions. These CO₂-reduced variants of Covestro products help Covestro at the same time to meet its own sustainability targets, such as climate neutrality.«

→ For further information, please refer to “ESRS E5: Resource Use and Circular Economy.”

“Drive Artificial Intelligence and Digital Transformation”

AI and digital transformation are key elements for a solid foundation to pave the way for our Sustainable Future strategy. We are focused on tackling AI and digital transformation and the associated opportunities by implementing an extensive range of measures along the entire value chain, in the corporate functions, and at all points of contact with our customers. This involves Covestro promoting the use of digital technologies and leveraging the potential of AI. At the same time, Covestro encourages an open climate at work that spurs employees to question existing concepts and develop new approaches for our business. Covestro is working on collaborative tools between human intelligence and AI and looking for additional value-creating applications. By making increased use of new technical options and encouraging employees to acquire digital skills, the digital transformation is unlocking further potential to add value, as processes can be optimized in this way, thus supporting the business and the sustainability targets. One example of a case where AI is applied is the use of our AI assistant CoVa (Covestro Virtual Assistant), which can support our employees in their day-to-day work.

* The four relevant categories, “Purchased goods and services,” “Fuel- and energy-related activities,” “Upstream transportation and distribution,” and “End-of-life treatment of sold products,” are considered in our Scope 3 reduction targets.

** This figure already includes some growth-related emissions projected up to the year 2035.

“Strengthen Culture and Build the Workforce of the Future”

Another enabler is our strong “We are 1” corporate culture. It is the starting point for the success of the strategy, which is based on employee engagement and encourages cooperation and commitment. There is, moreover, a need to employ strategic human resources planning to ensure the employees always have the right skills to be trained for the tasks of the future.

Segment Strategy

Performance Materials Segment Strategy

The Performance Materials segment comprises mainly polyurethanes and polycarbonates product groups. The segment’s standardized products are marketed to outside customers and also transferred to the Solutions & Specialties segment, where many of the products are further processed or sold with additional, customer-focused services. Intersegment transactions are conducted at arm’s length and reported separately as intersegment sales.

The Performance Materials segment exclusively manufactures standardized products, aiming mainly to increase efficiency through cost management, high plant availability, and process innovations. In this process, we are focusing on sustainable products, such as renewable toluylene diisocyanate (TDI) and bio-based diphenylmethane diisocyanate (MDI).

In line with expected global megatrends, demand for polyurethanes will grow sharply in the medium to long term. This trend may benefit our company, as we manufacture the precursors for flexible and rigid foams required for the production of polyurethanes. Strategically important sectors include the construction industry and the furniture industry, where we already occupy a strong position, which we want to expand further at least in line with the market. Global efforts to meet the United Nations Sustainable Development Goals (SDGs) are also reflected in short- and long-term demand for our products. For instance, growing calls for energy-efficient living space are expected to increase long-term demand for particularly effective insulation solutions in the construction industry.

The market for standardized polycarbonates is, however, very likely to grow only minimally in the coming years because of a current lack of impetus for increased demand from sectors such as the construction and consumer goods industries. We are therefore working toward passing a growing proportion of our polycarbonate volume on to the Solutions & Specialties segment for further processing and sale in high-growth markets, such as electromobility and 5G infrastructure.

The Performance Materials segment is home to most of our production facilities, and as such is key to implementing our circularity strategy. The focus here is on steps such as continually optimizing our production facilities, procuring and using sustainable energy, procuring alternative raw materials, and developing more sustainable product solutions, e.g., for MDI and TDI. The use of alternative raw materials enables us to produce these diisocyanates with a smaller carbon footprint, which was demonstrated and certified by way of mass balancing and the ISCC PLUS certification for end products of some of our production sites, e.g., Dormagen (Germany) (for TDI) and Krefeld-Uerdingen (Germany) (for MDI).

Solutions & Specialties Segment Strategy

The Solutions & Specialties segment covers a broad range of customer-specific solutions and specialty products in the following business entities: specialty polycarbonates (Engineering Plastics), precursors for coatings and adhesives (Coatings & Adhesives), polyurethane specialties and solutions (Tailored Urethanes), Thermoplastic Polyurethane, high-quality films (Specialty Films), and specialty elastomers (Elastomers).

We continually update our product portfolio to generate further growth in the Solutions & Specialties segment with a particular focus on sophisticated, sustainable solutions for which there is strong demand in promising applications. These include smart homes, medical technology, holography, and materials for electric vehicles and wind turbines.

The continual development of innovative products and applications with significant customer benefit is therefore a central element of our segment strategy. Other crucial factors for the success of our growth strategy in this segment are the respect and appreciation of our customers for our strong technological competence, standing apart from the competition based on our global leadership in consulting on application technology and carrying out complex projects for customers. In addition, our expertise in chemical formulations and compounding, the efficient expansion of our capacities, customer-focused product development, and the continual improvement of our customer-centric pull supply chain play a critical role in ensuring success in this segment.

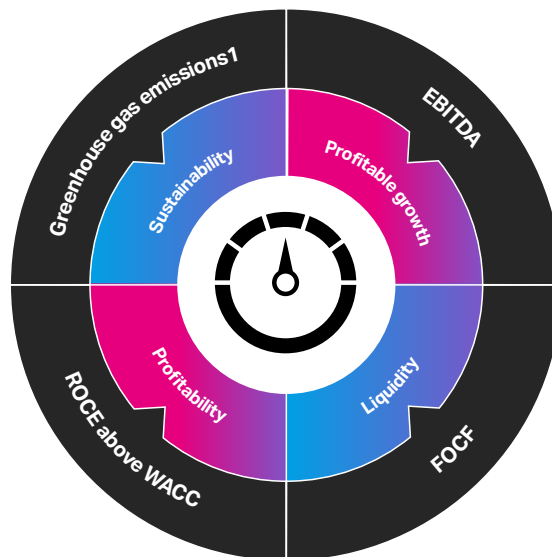
Management System

Covestro's management system is oriented toward long-term, profitable growth, continuous value creation, and sustainability. The Board of Management is the chief operating decision maker responsible for our global business and approving the planning derived from our Group strategy. In order to plan, manage, and monitor the development of our business, we use key management indicators, which enable the Group's business performance to be evaluated in a comprehensive and holistic manner, while driving its sustainable orientation. The Board of Management manages this orientation on the basis of defined sustainability goals and selected sustainability metrics.

Key Management Indicators

The Covestro Group assessed its performance in the year under review using the following four elements: profitable growth measured in terms of earnings before interest, taxes, depreciation and amortization (EBITDA), liquidity measured in terms of free operating cash flow (FOCF), profitability measured in terms of return on capital employed (ROCE) above the weighted average cost of capital (WACC), and sustainability measured in terms of the direct and indirect GHG emissions (Scope 1 and Scope 2) of Covestro's main sites.

Key Management Indicators



¹ Direct and indirect GHG emissions (Scope 1 and Scope 2), measured in terms of CO₂ equivalents, of the main sites.

These key management indicators are incorporated into Covestro's Group-wide bonus system (Covestro Profit Sharing Plan), which applies to almost all Covestro employees worldwide, including the Board of Management; any exceptions are essentially due to collective bargaining arrangements. For fiscal 2024, the four areas (profitable growth, liquidity, profitability, and sustainability) each accounted for one quarter of the calculation formula used to measure target attainment. As a result, employees can share in the company's success.

→ For further information, please refer to the ["Compensation of the Board of Management – Short-Term Variable Compensation"](#) section of the Compensation Report.

EBITDA

EBITDA is used to assess profitable growth of Covestro. It represents EBIT (Earnings before Interest and Taxes) plus amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment, less impairment loss reversals.

FOCF

The ability to generate a cash surplus is measured by FOCF. FOCF is an indicator of the company's liquidity and ability to finance its activities. It corresponds to cash flows from operating activities less cash outflows for additions to property, plant and equipment and intangible assets. A positive FOCF allows, e.g., dividends and interest to be paid and debt to be repaid.

ROCE above WACC

The ROCE above WACC key management indicator, which is used to assess profitability, measures the return on the Group's capital employed, less the weighted average cost of capital. If ROCE exceeds WACC, i.e., the minimum return expected by equity and debt capital providers, Covestro has created value. ROCE above WACC is calculated annually at the end of each fiscal year.

ROCE is calculated as the ratio of net operating profit after taxes (NOPAT) to average capital employed. The imputed income taxes are determined by multiplying the imputed tax rate of 25% by EBIT. ROCE is also used as a standalone variable, in addition to ROCE above WACC, to measure Covestro's profitability.

Capital employed, which is relevant to the calculation of ROCE, is the interest-bearing capital required by the Group for its operations. It is calculated from operating noncurrent and current assets less non-interest-bearing liabilities. Non-interest-bearing liabilities include, for example, trade accounts payable, and current provisions. The average capital employed is determined using the capital employed at the beginning and end of the relevant period.

Calculation of the Return on Capital Employed

$$\text{NOPAT} \quad / \quad \text{Avg. capital employed} \quad = \quad \text{ROCE}$$

The weighted average cost of capital (WACC) is relevant to the calculation of ROCE above WACC and reflects the expected return on Covestro's capital comprising both equity and debt. The cost of equity factors used in WACC is calculated by adding the risk-free interest rate to the risk premium for an equity investment. Covestro uses the returns on long-term German government bonds as the risk-free interest rate. We derive this risk premium from capital market information for comparable listed companies. The cost of debt factors is calculated by adding the risk-free interest rate to a risk premium on debt capital that Covestro calculates using the financing costs of comparable companies, and subtracting the tax benefit arising from the legal deductibility of interest on borrowed capital. Calculation of the cost of capital generally has a long-term perspective; short-term fluctuations are evened out. WACC is calculated at the end of the fiscal year for the subsequent fiscal year on the basis of historical capital market data.

Greenhouse Gas Emissions

Sustainability is assessed using a sustainability component, measured on the basis of direct and indirect GHG emissions (Scope 1 and Scope 2) of Covestro's main sites. From fiscal 2025, it will also include the Scope 1 and Scope 2 GHG emissions of all Covestro's environmentally relevant sites.

Other Relevant Financial Performance Measures

For its financial reporting, Covestro uses the following further indicators in addition to the key management indicators to assess the business performance of the Group:

Sales

At Group and segment level, we regard sales as the key driver of EBIT, EBITDA, and ROCE.

EBIT

EBIT, which corresponds to income after income taxes plus financial result and income taxes, allows us to assess income without the influence of income tax liability and/or various financing activities.

Net Income

Net income is the income after income taxes attributable to the stockholders of Covestro AG.

Net Financial Debt

Net financial debt is used to assess the financial position and financing requirements. It equals the sum of all financial debt less cash and cash equivalents, current financial assets, and receivables from financial derivatives.

Value Chain

»ESRS 2.42 (c) Covestro's value chain covers all essential steps, from the procurement of the raw materials through production down to the delivery of the products to customers. It breaks down into three main areas: the upstream value chain, Covestro's own operations, and the downstream value chain, supplemented by central matters such as sustainability, digitalization, and partnerships.

In the upstream value chain, Covestro purchases petrochemical raw materials such as phenol, benzene, and propylene. In addition, the operation of the facilities requires large amounts of energy, which comes from external sources such as electricity and steam. Sustainability in sourcing is a key concern, which we advocate through supplier assessments and collaboration with the Together for Sustainability initiative.

The core business comprises the production of high-performance polymer materials such as polyurethane precursors, polycarbonate, specialty products, including films. Innovation is key in this process, and Covestro cooperates closely with customers and business and scientific partners.

In the downstream part of the value chain, Covestro maintains a customer-centric pull supply chain and supplies to companies from sectors such as automotive, construction, furniture, and electronics. The products can be found in many areas of daily life, from vehicles to electronic devices.

Key aspects of the value chain are the commitment to becoming fully circular, the use of alternative raw materials, and product recycling. Digitalization enhances customer satisfaction. The global production network in EMLA, NA, and APAC allows market-specific supplies, while partnerships and the safeguarding of human rights are fundamental to our business operations.«

Procurement

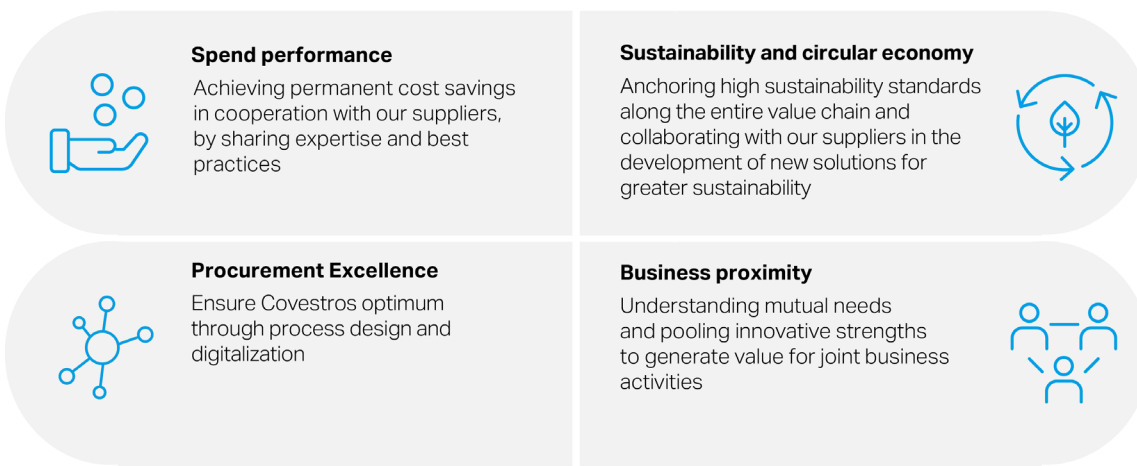
Procurement at Covestro is handled by the corporate Group Procurement function. Group Procurement shares responsibility with the business entities and regional hubs of the corporate Supply Chain & Logistics function for the timely global supply of goods and services to all divisions of the company on the best possible terms and conditions. In fiscal 2024, goods and services were procured from some 15,000 suppliers (previous year: some 15,000) for €12.0 billion (previous year: €11.6 billion). This makes sure that our high quality standards are met. Furthermore, Group Procurement checks whether Covestro's social, ethical, and environmental principles are upheld throughout the entire procurement process. The basic tenets of our procurement policy are set forth in a directive that is binding on all employees throughout the Covestro Group.

→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

→ For further information, please refer to: www.covestro.com/en/company/procurement/sustainability-in-procurement/supplier-code-of-conduct

In a process aimed at creating a competitive advantage for Covestro and making a decisive contribution to overall value, Group Procurement has defined the strategic principles (cost optimization, excellence in procurement, sustainability, circular economy, and business proximity). Group Procurement contributes to realizing Covestro's vision of becoming fully circular by, among other things, purchasing renewable energy and alternative raw materials.

Strategic principles in procurement



»ESRS 2.42 (a) i, ESRS E5.30 The most important raw materials for our products are petrochemical substances such as phenol, benzene, propylene/propylene oxide, toluene, and acetone – which collectively account for 35% of our purchasing value (previous year: 32%). Moreover, the operation of our production facilities requires large amounts of energy, which we primarily procure from external sources in the form of power and steam. We endeavor to procure raw materials essential for operations which are difficult for Covestro to obtain from external supply sources from within the Group or through joint ventures. To name just two examples: Covestro produces part of its chlorine in-house and procures propylene oxide through a joint venture. Operations, logistics, and investment projects require technical goods and services in addition to raw materials and energy. Moreover, Covestro is an energy-intensive company and at present still depends to a large extent on gas. It is predominantly used as a source of energy and as process gas in chemical reactions and there is no comprehensive short-term substitute for gas in the production processes. After extreme prices in the year 2022, energy prices came down significantly, although they stabilized around the prior-year level in the year 2024 – still higher than pre-crisis levels. There was low volatility in average monthly prices in the year 2024. Given the nature of the energy markets, it will only be possible to influence this effect in future by switching to other sources of energy. In this context, Group Procurement is making sure that alternative sources of energy are procured and their use is extended, such as green power or steam, and is considering the use of carbon capture and storage. We have thus redoubled our efforts to actively develop new long-term supply plans and signed purchase contracts for renewable energy (particularly electricity).«

→ For further information, please refer to “ESRS E1: Climate Change – Electricity from Renewable Sources.”

Upstream GHG emissions in connection with the procurement of raw materials account for the majority of Covestro's indirect GHG emissions (Scope 3 emissions). Group Procurement therefore plays a key role in achieving our Scope 3 reduction target. In the year 2022, we launched our Supplier Engagement Program (SEP), which is aimed at developing joint measures to achieve net-zero emissions in the long term in category 1 “Purchased goods and services” of Scope 3 emissions. To this end, we identified the main sources in this category and, based on a heatmap, started to contact the parties driving these emissions. We discuss the emissions reduction programs and targets jointly with our suppliers and analyze how they impact on our Scope 3 emissions. Under the SEP, we have initiated discussions with suppliers that cover most of our raw materials and are actively gathering their feedback on the supplier-specific product carbon footprint (PCF). In addition, the corporate Group Procurement function promotes the digitalization of purchasing processes and systems in the interest of improving procurement efficiency and effectiveness for Covestro and its suppliers.

→ For further information, please refer to “ESRS E1: Climate Change – Reduction of Suppliers' Scope 1 and Scope 2 Emissions.”

Production

Covestro produces, among other things, precursors for polyurethane foams and the high-performance plastic polycarbonate. We operate a global production network and produce in the EMLA, NA, and APAC regions, in particular for customers within the respective region. We always keep an eye on optimizing the technology used in the plants and processes while focusing on safety, efficiency, and quality in production. With our sustainable technologies and processes, we want to achieve climate neutrality in our own production (Scope 1 emissions) by the year 2035.

→ For further information, please refer to "Company Profile – Sites."

→ For further information, please refer to "ESRS E1: Climate Change."

In addition to optimizing existing production processes, Covestro focuses on developing new process technologies, implementing leading technologies in the process design for new production facilities, and taking the production processes of newly developed products to industrial scale. The most important growth projects in 2024 included the new production facility for polycarbonate copolymers at our site in Antwerp (Belgium). The new platform technology developed by Covestro is based on an innovative, solvent-free melt process in combination with a new reactor concept. This makes polycarbonates with adjustable properties accessible, which have been developed and tested on a laboratory and pilot scale in recent years. In addition, the inauguration of the world's first pilot plant for bio-based aniline in Leverkusen (Germany) contributes to promoting the circular economy. One of the uses of aniline is as a key starting material for insulating foams for buildings and refrigeration appliances. Covestro is moving forward with the implementation of the innovative process for producing the important chemical aniline entirely on the basis of plant biomass instead of petroleum for the first time.

→ For further information, please refer to "Innovation – Process Technology Innovations."

We invest continuously in our global production network in order to maintain our production sites and their infrastructure, to optimize manufacturing processes, and to expand capacities in line with market developments. To do so, Covestro relies on advanced and environmentally friendly production processes and continuously optimizes the technologies it uses.

Marketing and Sales

To serve our customers' needs as best possible, we have industry-specific marketing and sales teams who are responsible for developing new business, expanding business relationships, and continuously analyzing markets and trends. Each Covestro business entity engages in sales and marketing activities for its own products through its own sales organization as well as through trading houses and local distributors, including for major customers with global operations, who are serviced directly by our key account managers. All activities are conducted in close cooperation between marketing, sales, and application development teams. At Covestro, marketing activities are managed by the business entities. The Covestro Solution Center consolidates all solutions and innovations.

→ For further information, please refer to: www.solutions.covestro.com/en

As part of our Sustainable Future strategy and the Customer Centricity concept described there, we use the NPS to measure our customers' willingness to recommend Covestro. To this end, we conduct an annual survey to which all customers are invited with whom there has been an active business relationship or interaction in the previous 12 months. Central to this is the question of how likely it is that customers would recommend Covestro to their employees or business partners. Covestro uses the NPS score, which ranges between -100 and +100, as a measure of customer satisfaction. An NPS of +42 was measured for fiscal 2024 (previous year: +42). According to those surveyed, the main reasons for this high willingness to recommend Covestro are the company's customer service, product quality, and the good business relationship.

→ For further information, please refer to "Corporate Strategy – The Customer Perspective is Firmly Embedded in Our Strategy."

The corporate Supply Chain & Logistics function with its regional hubs in the EMLA, NA, and APAC regions is responsible for deliveries to customers and efficient order processing. Supply Chain & Logistics owns the process – from order acceptance to site logistics, and from shipping planning to invoicing and complaints handling. Via customer-oriented support within the individual regions, orders can be processed quickly and smoothly. Covestro prioritizes the use of channels such as e-commerce platforms for order entry and processing. Customers can submit and track orders online using the Order@Covestro self-service portal, which is subject to constant refinement. The Covestro Direct Store sales portal allows the company to receive offers and conduct negotiations online.

Covestro operates a global production network and produces in the EMLA, NA, and APAC regions, in particular for customers within the respective region. Our products are transported to the customer by logistics service providers with safety, environmental, and quality criteria being part of awarding the contract. In 2024, we published the Scope-3 targets we had defined and integrated these into our relationships with our suppliers. Delivery reliability is a particularly important factor. By eliminating errors in our processes, we aim to ensure a high level of customer satisfaction, which we measure regularly in a global management system by means of customer satisfaction analyses (NPS). When choosing the transport route, we pay particular attention to resource efficiency and the associated reduction in GHG emissions. Particularly in Europe, intermodal transport, which uses a combination of rail and waterway transportation, is preferred for longer-distance shipments of bulk product. The first projects, with investments by our logistics service providers in drives with alternative sources of energy and in the use of alternative fuels are now being offered and implemented. At the same time, we are driving the continuing automation and digitalization of our business processes and have introduced the first promising AI applications to improve our customer service.

In addition to the NPS and transactional surveys, we use internal metrics on compliance with our delivery promise, product availability, and process adherence to assess our performance. We agree specific performance metrics with our freight forwarders. In addition, we record complaints; in the 2024 reporting year, we had 5.4 (previous year: 5.3) complaints per 1,000 deliveries. We develop corrective actions on the basis of regularly conducted analyses and, if necessary, include discussions with our service providers in this process.

Innovation

Innovation as a driver of greater sustainability in line with our corporate vision of becoming fully circular is a core element of our Group strategy and an integral part of our identity. It is also a key driver in the digital transformation, thus enabling access to the associated potential. We encourage all employees to promote innovation at Covestro. The aim is to maintain and reinforce our position in the global arena by developing new products, refining established ones, and optimizing manufacturing and processing procedures.

By managing innovation across functions throughout the Group, we ensure that our ongoing and planned activities and projects satisfy the needs of our user industries and consumer markets.

At Covestro, innovation is driven by the business entities and by the corporate Group Innovation & Sustainability and Process Technology functions.

- Business-related research and development (R&D) takes place in the business entities, focusing on specific, market-driven, short- and medium-term R&D issues.
- The corporate Group Innovation & Sustainability (GIS) function works closely with the business entities to implement material and product innovations for medium- and long-term issues relating to digitalization, climate neutrality, the circular economy, and sustainability. GIS is also responsible for providing a globally harmonized R&D infrastructure and for supporting the business entities in research and development through a range of extensive services, e.g., material testing, analytics, and material science.
- The corporate Process Technology function works closely with the business entities and the corporate GIS function to drive R&D projects with a short- or medium-term focus and to optimize existing production processes. It also promotes long-term technological process developments related to sustainability, the circular economy, and digitalization.

The Sustainability & Innovation Governance Body (SI GoB), a Group-wide steering committee chaired by the CEO, integrates and coordinates our innovation activities.

In fiscal 2024, our total R&D expenditure amounted to €392 million (previous year: €374 million). This mainly went toward developing new application solutions for our products and optimizing products and process technologies. As of December 31, 2024, 1,336 people* (previous year: 1,338) were employed in research and development worldwide, most of them at the three major R&D sites in Leverkusen (Germany), Pittsburgh, Pennsylvania (United States), and Shanghai (China).

Digital Innovation

The digital transformation is a strategic lever that is enabling Covestro to optimize processes, improve customer experience, and strengthen its competitiveness in the long term. In the reporting year, key milestones were achieved thanks to several major projects.

Modernization of the IT Systems and Process Optimization

The current SAP® software is to be replaced with the modern SAP S/4HANA® software. Interdisciplinary teams are reviewing, optimizing, and innovating business processes in areas ranging from Procurement to Accounting, for example, in respect of sustainability data within the value chain. The go-live is planned for January 2027.

This project is also linked with an initiative that aims to enable integrated planning across the value chain in near real time. By networking all planning processes, it will be possible to take decisions faster and on a sounder basis. In the reporting year, Covestro rolled out the sales and operations planning process – including demand and supply planning – to all business entities.

* The number of permanent or temporary employees is stated in full-time equivalents (FTEs). Part-time employees are included on a pro-rated basis in line with their contractual working hours. The figures do not include employees in vocational training.

This has fostered a link with another project: Covestro is working to streamline its pricing process – from targets and negotiations to implementation via offline and online channels. User-friendly interfaces and modules for all business entities and regions are intended to ensure seamless and efficient processing. They should also provide the basis for future AI models. The project delivered a go-live in the Coatings & Adhesives business entity in the second half of 2024.

Use of Artificial Intelligence

Thanks to the integration of AI, Covestro can scale up its expertise in various areas and make it more accessible to all employees. This will improve and accelerate our internal workflows and facilitate the development of new skills.

One example is an AI solution that operates a production line in our DSD facility in Dormagen (Germany) entirely autonomously. Once planning has been completed, AI steers the entire process – from production of the product batches to supply of the finished products. Another example is an AI application in one of our facilities in Leverkusen (Germany) and another in Santa Margarida (Spain). Like a navigation system, it proposes the optimal course of action for maximizing the production volume, minimizing the production time, reducing process interruptions, and increasing safety.

Generative AI is allowing Covestro to use AI in more than just specialized applications. Covestro's own AI application (Covestro Virtual Assistant, CoVA) is available to all employees, providing them with the performance of leading large language models for day-to-day use in a secure environment. CoVA is constantly updated with new capabilities and access to the company's knowledge contained in documents or systems. For example, based on current information held in Covestro systems, CoVA can deliver budget and cost data based on valid authorizations, answer questions about deliveries and orders in various languages, and provide context-specific information and solutions using our R&D knowledge base.

The effective and collaborative combination of human intelligence and AI is enabling Covestro to strengthen its position in the industry and fosters effectiveness, efficiency, and innovation.

Digital Transformation in Research and Development

In addition to the work of the central IT function, we are seeking to advance the digital transformation in all research and development activities. By using modern digital technologies, generating high-quality data, and optimizing research processes, we aim to leverage the full potential of our databases.

In line with this ambition, we have committed to fully digitalizing our R&D processes. We aim to achieve this by implementing a modular cloud-based data management platform for all our research and development activities worldwide. It will serve as a central platform for collecting, storing, and analyzing all relevant experimental data, facilitating seamless collaboration and the sharing of knowledge within our global R&D community. With this approach, we are seeking to improve the user experience of our laboratories around the world when it comes to handling R&D data and to provide our research employees with efficient tools and processes that foster innovation and accelerate the development of new solutions.

Process Technology Innovations

Covestro is continuing to drive the process engineering development of bio-based raw materials and, following the successful commissioning of a pilot plant in Leverkusen (Germany) in the year 2024, began planning a demonstration plant for the production of bio-based aniline.

We are working continuously on improving the energy efficiency of the processes used to manufacture our products. For example, in the production of HCl using oxygen-depolarized cathode (ODC) technology, electricity consumption was reduced significantly by optimizing the electrolysis cell. In the years ahead, this is to be implemented in all HCl electrolysis cells using ODC technology.

In HDI production, hot phosgene generation is used to increase energy efficiency. This technology was implemented in Leverkusen (Germany), significantly reducing the amount of steam required from external sources.

In polycarbonate production, a new line to manufacture copolymers was commissioned successfully in Antwerp (Belgium). At the same site, a copolymer pilot plant was commissioned to provide product development support.

In a pilot plant, a system based on machine learning was able to identify anomalies in sensor data at an early stage, thus increasing the availability of the production facility. Thanks to its success, this system has now been rolled out to other continuously operated, large-capacity production facilities in Europe. The next step is the planned roll-out to all such production facilities worldwide so that we can increase plant availability thanks to the early identification of anomalies.

Product Innovations

In our Performance Materials and Solutions & Specialties segments, product innovations are under way for a number of industries, in particular our main customer industries. Current examples of our product innovations can be found in our Solution Center.

→ For further information, please refer to: www.solutions.covestro.com/en

→ For further information, please refer to "Sustainable Solutions."

Strategic Partnerships and Collaborations

By collaborating with external strategic partners in industry and business, Covestro aims to increase the efficiency and effectiveness of its research and innovation activities. Alliances and collaboration in large, publicly funded consortia characterize our partnerships with research facilities and universities as well as with companies along the value chain.

In fiscal 2024, we continued to collaborate with our established strategic, academic partners, e.g., the CAT Catalytic Center at RWTH Aachen University (Germany), Tongji University in Shanghai (China), CMU in Pittsburgh, Pennsylvania (United States), Google, and large consortia such as CIRCULAR FOAM and LUCRA. We have also strengthened our collaborative network relating to the circular economy by participating in the EU's CORNERSTONE and UNITED CIRCLES projects.

The 16 European partners in the CORNERSTONE consortium are working on the latest technologies and digital solutions for recycling and reusing resources extracted from Europe's industrial water and wastewater streams. The project not only aims to facilitate the recovery of fresh water, energy, and dissolved substances, but also to modernize wastewater treatment in such a way that it complies seamlessly with the principles of the circular economy.

In the UNITED CIRCLES project, also funded by the EU, 45 partners are developing technologies and collaborative concepts for the circular economy. Here, Covestro is working closely with the Fraunhofer Institute for Environmental, Safety and Energy Technology (UMSICHT) to develop a catalytic pyrolysis process to recover a precursor – aniline – from polyisocyanurate insulating materials. Both the pyrolysis process and the separation of aniline from the resulting pyrolysis oil are being demonstrated on a larger development scale. The recycled aniline is reused in place of the fossil raw material in new polyurethane or polyisocyanurate products.

Covestro's digital research and development unit has concluded a joint development agreement with BioBTX B.V., Groningen (Netherlands), to accelerate the transition to intelligent recycling technologies. The goal of this collaboration is to obtain chemical raw materials that can be used in Covestro's value chains. We contribute expertise in computer chemistry and data science to optimize catalysts and process conditions and increase the yield, thus accelerating the transition to a large-scale demonstration facility. This partnership is delivering valuable experience to expand Covestro's expertise in the areas of the circular economy and chemical recycling.

REPORT ON ECONOMIC POSITION

Economic Environment

Global Economy

In the year 2024, the global economy expanded by 2.7%, slightly more slowly than in the previous year, with all regions recording positive growth rates. The weak growth momentum of the global economy was driven by higher inflation and persistently sluggish growth in North America and China. The EMLA region once again expanded more slowly than the global economy. Weak investing activities and poor demand for exports were the main causes of the continuing slow growth. Growth in the NA region was virtually on a level with global expansion in the year 2024. Inflationary pressure and volatile labor market in the United States had a negative impact on consumption. In the APAC region, weak consumption and the difficult situation in the real estate sector meant that economic growth was down on the previous year, although it was still above global economic growth.

Economic environment¹

	Growth 2023	Growth 2024
	%	%
World	2.8	2.7
Europe, Middle East, Latin America², Africa (EMLA)	1.3	1.5
of which Europe	1.0	1.2
of which Germany	-0.1	-0.2
of which Middle East	1.2	1.7
of which Latin America ²	2.3	2.1
of which Africa	3.1	3.1
North America³ (NA)	2.8	2.6
of which United States	2.9	2.8
Asia-Pacific (APAC)	4.3	3.9
of which China	5.2	4.8

¹ Real growth of gross domestic product; source: Oxford Economics, as of February 2025.

² Latin America (excluding Mexico).

³ North America (Canada, Mexico, United States).

Main Customer Industries

The weak but robust global economic growth performance in the year 2024 is not reflected in all of Covestro's main customer industries.

Growth in the global automotive industry was significantly worse than in the previous year, with negative growth of 0.7% in fiscal 2024. Persistent problems in reducing inventories as well as significantly more sluggish growth in the area of electric vehicles had a negative impact on the sector. The APAC and NA regions recorded slight positive growth, while growth in the NA and EMLA regions was negative.

In the year 2024, the growth rate in the construction industry was negative at 2.5% and therefore similar to the previous year. Falling interest rates have so far failed to halt the decline in residential construction around the world. High levels of uncertainty in the real estate sector continued to have a negative impact in the year 2024, leading to a slight decline in the construction industry in the APAC and EMLA regions. The rate of growth in the NA region, on the other hand, was slightly positive.

In the year 2024, the growth rate achieved in the electrical, electronics, and household appliances industry was 4.1% and therefore significantly up on the previous year. Demand for entertainment electronics and computers as well as general structural change driven by artificial intelligence and industrial automation had a beneficial impact on the industry. All regions recorded positive growth in the reporting year.

In the year 2024, the global furniture industry saw negative growth of 0.5%, although this was significantly better than in the previous year. As in the previous year, high prices and declining residential construction continued to weigh on the industry's expansion, leading to negative growth in the EMLA and NA regions. The APAC region's growth was positive, on the other hand.

Main customer industries¹

	Growth 2023	Growth 2024
	%	%
Automotive	10.3	-0.7
Construction	-2.1	-2.5
Electrical, electronics and household appliances	-1.8	4.1
Furniture	-4.7	-0.5

¹ Covestro's estimate, based on the following sources: GlobalData Plc, B+L, CSIL (Centre for Industrial Studies), Oxford Economics. We limited the economic data of our "automotive and transportation" and "furniture and wood processing" main customer industries to the automotive and furniture segments (excluding the transportation or wood processing segments). As of: February 2025.

Business Performance at a Glance

Significant Events

Negotiations with ADNOC and Successful Takeover Offer

Based on the open-ended talks with the Abu Dhabi National Oil Company (ADNOC), the Board of Management of Covestro AG resolved on June 24, 2024, following consultation with the Supervisory Board, to enter into concrete negotiations about a possible transaction and the possible conclusion of an investment agreement and to enable an adequate exchange of corporate information to confirm assumptions (confirmatory due diligence).

On October 1, 2024, Covestro AG signed an investment agreement with certain companies of the ADNOC Group, including XRG P.J.S.C. (XRG), Abu Dhabi (United Arab Emirates), (formerly: ADNOC International Limited, Abu Dhabi (United Arab Emirates)) and its subsidiary ADNOC International Germany Holding AG ("Bidder"). The investment agreement specifies, among other things, that the Bidder will submit to the shareholders of Covestro AG a public takeover offer for all outstanding shares of Covestro at a price of €62.00 per share. At the same time, the Board of Management and Supervisory Board of Covestro AG resolved that, on completion of the transaction, the capital stock of the company is to be increased by 10% (18,900,000 shares). Subject to completion, the new shares are to be issued to the Bidder against payment of a price per share in the amount of the offer price, i.e., based on the offer price of €62.00, for a total amount of €1.17 billion, with simplified disapplication of subscription rights. In addition, in this agreement, XRG commits itself to supporting without limitations the Sustainable Future corporate strategy.

The offer was subject to a minimum acceptance ratio of 50% plus one share and the normal conditions of completion, including antitrust and foreign trade clearance, and clearance under EU law on foreign subsidies. In accordance with the German Securities Acquisition and Takeover Act (WpÜG), the offer document and other information relevant to the public takeover offer by the Bidder were made available after approval by the German Federal Financial Supervisory Authority (BaFin) on October 25, 2024 on the following website: www.covestro-offer.com.

As of December 31, 2024, the total number of shares tendered and already acquired by XRG accounted for 91.58% of Covestro's share capital. Subject to regulatory approvals still outstanding, XRG has therefore become the new majority shareholder of Covestro. Since this means that the number of shares in freefloat adds up to less than 10%, Covestro no longer meets the requirements for inclusion in the DAX and was excluded from this index as of December 27, 2024.

Depending on the normal conditions of completion, the transaction is not expected to be completed before the second half of 2025.

Global Transformation Program

In view of a rapidly changing market environment, Covestro launched the global transformation program STRONG. STRONG is aimed at making the company even more effective and efficient and driving digitalization. The Group is planning to realize global annual savings in non-labor and personnel costs of €400 million by the year 2028; of that total, €190 million will be in Germany. In this context, the implementation of the transformation program gave rise to expenses in the low double-digit million euro range in the year 2024. By the year 2028, we anticipate implementation costs of around €300 million in connection with the transformation program, most of which is expected in the year 2025.

Another step taken as part of the transformation program was the decision by the Board of Management to discontinue the operations of the production site in Augusta, Georgia (United States). In this context, impairment losses of €21 million, mainly on technical equipment and machinery, were recognized in the Solutions & Specialties segment in the second quarter of 2024. Until its closure, the production site in Augusta, Georgia (United States), manufactured products for the powder coatings business. The customer business with powder coatings in the NA region continues, regardless of the closure of the production site.

Overall Assessment of Business Performance and Target Attainment

The economic conditions made fiscal year 2024 challenging for Covestro. Sales decreased by 1.4% to €14,179 million (previous year: 14,377 million), predominantly due to the lower selling price level. The decline in the selling price level, which was only partially offset by lower raw material prices, contrasted with a rise in volumes sold. Overall, the adverse factors carried slightly more weight, leading to a decrease of 0.8% in EBITDA to €1,071 million (previous year: €1,080 million). Free operating cash flow went down to €89 million (previous year: €232 million). The year-on-year drop was mainly due to lower cash flows from operating activities. In addition, ROCE above WACC was -7.4% points (previous year: -6.1% points). The decline compared with the previous year was driven by a significant drop in net operating profit after taxes (NOPAT) and higher WACC. GHG emissions amounted to 4.7 million metric tons of CO₂ equivalents (previous year: 4.9 million metric tons of CO₂ equivalents); the decline from the prior-year value was mainly due to lower emission factors* at our largest sites in Germany and in Baytown, Texas (United States).

In the Annual Report 2023, the Covestro Group published a forecast for key management indicators in fiscal 2024. On July 30, 2024, this guidance was narrowed for EBITDA and ROCE above WACC and the forecast for free operating cash flow was adjusted. On October 29, 2024, the guidance for EBITDA and ROCE above WACC was narrowed further.

The forecast for all key management indicators for full-year 2024 in the Annual Report 2023 was last updated in October 2024. The Covestro Group most recently anticipated full-year EBITDA between €1,000 million and €1,250 million after originally projecting EBITDA between €1,000 million and €1,600 million. After initially expecting FOCF of between €0 million and €300 million, the Covestro Group most recently forecast a figure between €-100 million and €100 million. For ROCE above WACC, the original expectation had been a figure between -7% points and -2% points; this was most recently narrowed to between -7% points and -5% points. For GHG emissions, the Covestro Group originally and most recently anticipated a figure between 4.4 million metric tons of CO₂ equivalents and 5.0 million metric tons of CO₂ equivalents.

The actual figures recorded by Covestro for EBITDA, FOCF, ROCE above WACC, and GHG emissions corresponded to the forecast originally published in the Annual Report 2023.

Compared to the forecast updated in October 2024, EBITDA, FOCF, ROCE above WACC, and GHG emissions were in the ranges communicated.

Forecast-actuals-comparison for fiscal year 2024

	2023	Forecast 2024 (Annual Report 2023)	Forecast 2024 (October 29, 2024)	2024
EBITDA ¹	€1,080 million	Between €1,000 million and €1,600 million	Between €1,000 million and €1,250 million	€1,071 million
Free operating cash flow ²	€232 million	Between €0 million and €300 million	Between €-100 million and €100 million	€89 million
ROCE above WACC ^{3,4}	-6% points	Between -7% points and -2% points	Between -7% points and -5% points	-7% points
Greenhouse gas emissions ⁵ (CO ₂ equivalents)	4.9 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons	Between 4.4 million metric tons and 5.0 million metric tons	4.7 million metric tons

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on property, plant and equipment and intangible assets.

² Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant and equipment and intangible assets.

³ Return on capital employed (ROCE): ratio of EBIT after imputed income taxes to capital employed. Imputed income taxes are calculated by multiplying an imputed tax rate of 25% by EBIT.

⁴ Weighted average cost of capital (WACC): weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 8.1% has been taken into account for the year 2024 (2023: 7.6%).

⁵ GHG emissions (Scope 1 and Scope 2, GHG Protocol) at main production sites (responsible for more than 95% of our energy usage).

* Emission factors are values used to convert energy consumption into greenhouse gas emissions (e.g., kg CO₂ equivalents per MWh)

Results of Operations, Financial Position, and Net Assets of the Covestro Group

Key data

	4th quarter 2023	4th quarter 2024	Change	2023	2024	Change
Sales	€3,346 million	€3,376 million	0.9%	€14,377 million	€14,179 million	-1.4%
Change in sales						
Volume	3.1%	3.2%		-6.8%	7.4%	
Price	-15.7%	-2.1%		-11.0%	-8.0%	
Currency	-3.0%	-0.2%		-2.2%	-0.8%	
Sales by region						
EMLA	€1,307 million	€1,335 million	2.1%	€5,941 million	€5,848 million	-1.6%
NA	€846 million	€829 million	-2.0%	€3,735 million	€3,507 million	-6.1%
APAC	€1,193 million	€1,212 million	1.6%	€4,701 million	€4,824 million	2.6%
EBITDA¹	€132 million	€191 million	44.7%	€1,080 million	€1,071 million	-0.8%
Depreciation, amortization and impairment losses and impairment loss reversals	€222 million	€322 million	45.0%	€894 million	€984 million	10.1%
EBIT ²	(€90 million)	(€131 million)	45.6%	€186 million	€87 million	-53.2%
Financial result	(€13 million)	(€31 million)	138.5%	(€113 million)	(€114 million)	0.9%
Net income³	(€187 million)	(€192 million)	2.7%	(€198 million)	(€266 million)	34.3%
Operating cash flows ⁴	€377 million	€612 million	62.3%	€997 million	€870 million	-12.7%
Cash outflows for additions to property, plant, equipment and intangible assets	€304 million	€359 million	18.1%	€765 million	€781 million	2.1%
Free operating cash flow⁵	€73 million	€253 million	246.6%	€232 million	€89 million	-61.6%
Net financial debt ⁶				€2,487 million	€2,618 million	5.3%
Return on capital employed (ROCE) ⁷				1.5%	0.7%	
Weighted average cost of capital (WACC) ⁸				7.6%	8.1%	
ROCE above WACC^{7, 8}				-6.1% points	-7.4% points	

¹ Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on property, plant and equipment and intangible assets.

² Earnings before interest and taxes (EBIT): income after income taxes plus financial result and income taxes.

³ Net income: income after income taxes attributable to the shareholders of Covestro AG.

⁴ Cash flows from operating activities according to IAS 7 (Statement of Cash Flows).

⁵ Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

⁶ As of December 31 in each case.

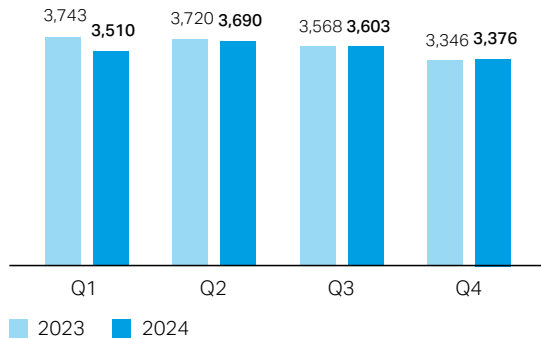
⁷ Return on capital employed (ROCE): ratio of EBIT after imputed income taxes to capital employed. Imputed income taxes are calculated by multiplying an imputed tax rate of 25% by EBIT.

⁸ Weighted average cost of capital (WACC): weighted average cost of capital reflecting the expected return on the company's equity and debt capital.

Results of Operations

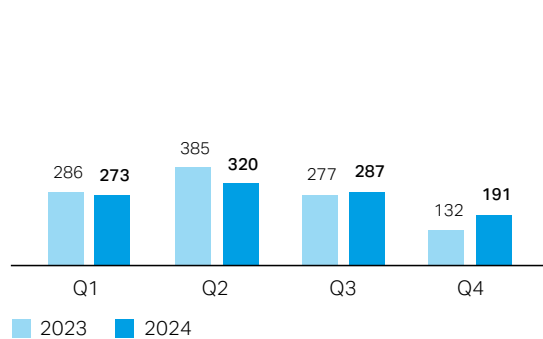
Quarterly sales

€ million



Quarterly EBITDA

€ million



Sales

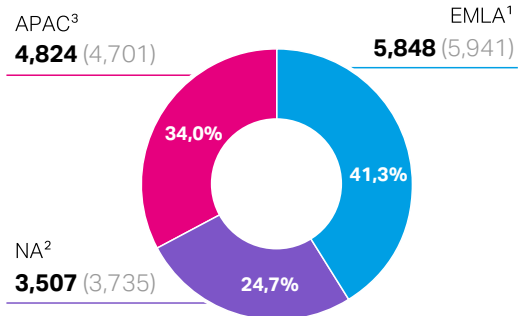
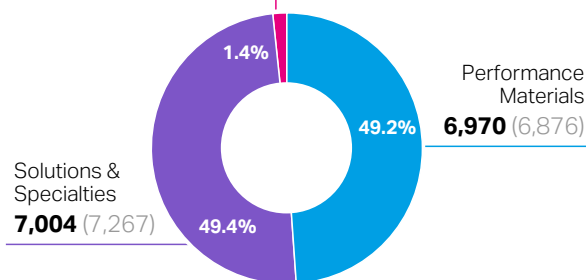
Group sales declined by 1.4% in fiscal 2024, to €14,179 million (previous year: €14,377 million). The decrease in sales was primarily attributable to a demand-related drop in the selling price level, accompanied by the decline in raw material prices being passed on to customers; these factors had a diminishing effect on sales of 8.0%. This was set against an increase in volumes sold, especially in the APAC and EMLA regions, which had a positive effect on sales of 7.4%. Furthermore, exchange rate movements had a decreasing effect on sales of 0.8%.

Sales in the Performance Materials segment were up 1.4% to €6,970 million in fiscal 2024 (previous year: €6,876 million). Sales in the Solutions & Specialties segment were down 3.6% to €7,004 million (previous year: €7,267 million).

In the EMLA region, sales were 1.6% lower, at €5,848 million (previous year: €5,941 million), while sales in the NA region were down 6.1% to €3,507 million (previous year: €3,735 million). Sales in the APAC region were up by 2.6% to €4,824 million (previous year: €4,701 million).

Sales by segment and region

Others/Reconciliation
205 (234)



¹ EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.

² NA: North America region (Canada, Mexico, United States).

³ APAC: Asia and Pacific region.

EBIT**Summary consolidated income statement**

	2023	2024	Change
	€ million	€ million	%
Sales	14,377	14,179	-1.4
Cost of goods sold	(12,071)	(12,002)	-0.6
Gross profit	2,306	2,177	-5.6
Selling expenses	(1,489)	(1,513)	1.6
Research and development expenses	(374)	(392)	4.8
General administration expenses	(360)	(343)	-4.7
Other operating expenses (-) and income (+)	103	158	53.4
EBIT	186	87	-53.2
Financial result	(113)	(114)	0.9
Income before income taxes	73	(27)	.
Income taxes	(275)	(245)	-10.9
Income after income taxes	(202)	(272)	34.7
attributable to noncontrolling interest	(4)	(6)	50.0
attributable to Covestro AG shareholders (net income)	(198)	(266)	34.3

Cost of goods sold was down 0.6% to €12,002 million (previous year: €12,071 million), driven mainly by lower raw material and energy costs. Here, additional state subsidies of €55 million to compensate for electricity prices in Germany had a beneficial impact on energy costs. The ratio of the cost of goods sold to sales increased to 84.6% (previous year: 84.0%).

Gross profit fell 5.6% to €2,177 million (previous year: €2,306 million). This was primarily driven by a decline in selling prices, which was only partially offset by the drop in raw material and energy costs. In addition, impairment losses on property, plant and equipment and negative effects from exchange rate movements reduced earnings. On the other hand, the rise in volumes sold had a beneficial effect on earnings.

Selling expenses increased by 1.6% to €1,513 million (previous year: €1,489 million). The ratio of selling expenses to sales was 10.7% (previous year: 10.4%). Research and development (R&D) expenses were up 4.8% to €392 million (previous year: €374 million). As a share of sales, this produced an R&D ratio of 2.8% (previous year: 2.6%). General administration expenses declined 4.7% to €343 million (previous year: €360 million), for a ratio of administration expenses to sales of 2.4% (previous year: 2.5%).

The implementation of the transformation program STRONG gave rise to expenses in the low double-digit million euro range in the reporting year.

Other operating income exceeded other operating expenses by €158 million (previous year: €103 million). Within this item, insurance compensation of €55 million and the gain of €46 million on the sale of intangible assets had a positive effect on EBIT. In contrast, EBIT was down year-on-year as a non-recurring positive effect from the sale of the additive manufacturing business in the second quarter of 2023 had increased earnings by €35 million.

EBIT declined 53.2% to €87 million (previous year: €186 million). The EBIT margin retreated to 0.6% (previous year: 1.3%).

EBITDA

Calculation of EBITDA

	2023	2024
	€ million	€ million
EBIT	186	87
Depreciation, amortization, impairment losses, and impairment loss reversals	894	984
EBITDA	1,080	1,071

Depreciation, amortization, impairment losses, and impairment loss reversals rose by 10.1% to €984 million in fiscal 2024 (previous year: €894 million), of which €882 million (previous year: €801 million) was attributable to property, plant and equipment and €102 million (previous year: €93 million) to intangible assets. A significant driver of this increase was a rise in impairment losses to €142 million (previous year: €45 million), of which €106 million was recognized as a result of central impairment tests. There were no reversals of impairment losses (previous year: €0 million).

→ For further information, please refer to note 13.3 "Impairment Testing" in the Notes to the Consolidated Financial Statements.

EBITDA decreased 0.8% year-over-year in the full-year period, declining to €1,071 million (previous year: €1,080 million). This was primarily attributable to the 9.4% drop in EBITDA, to €740 million (previous year: €817 million), in the Solutions & Specialties segment. The Performance Materials segment's EBITDA was down 1.2% to €569 million (previous year: €576 million).

Net Income

In the fiscal year, the financial result stood at €–114 million (previous year: €–113 million) and largely consisted of net interest expense of €89 million (previous year: €90 million). In view of the financial result, income before income taxes went down to €–27 million (previous year: €73 million). Income tax expense amounted to €245 million in the reporting year (previous year: €275 million). It includes impairment losses of €46 million (previous year: €42 million) on deferred tax assets arising from loss carryforwards and temporary differences. Furthermore, deferred tax assets arising from loss carryforwards and temporary differences of €176 million (previous year: €197 million) could not be recognized in the fiscal year. After income taxes and noncontrolling interests, the net loss amounted to €266 million (previous year: €198 million).

Return on Capital Employed (ROCE) above Weighted Average Cost of Capital (WACC)

Calculation of the ROCE above WACC

		2023	2024
EBIT	€ million	186	87
Imputed tax rate	%	25.0	25.0
Imputed taxes ¹	€ million	47	22
Net operating profit after taxes (NOPAT)	€ million	139	65
Average capital employed	€ million	9,550	9,370
ROCE	%	1.5	0.7
Weighted average cost of capital (WACC)	%	7.6	8.1
ROCE above WACC	% points	–6.1	–7.4

¹ The imputed income taxes used in the calculation of NOPAT are determined by multiplying EBIT by the imputed tax rate.

The Covestro Group's NOPAT totaled €65 million (previous year: €139 million), and average capital employed amounted to €9,370 million (previous year: €9,550 million). The resulting ROCE was 0.7% (previous year: 1.5%), significantly lower than the increased WACC of 8.1% (previous year: 7.6%).

→ Additional information on the calculation of indicators is available in "Management System."

Calculation of average capital employed

	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million	€ million
Goodwill	729	711	719
Other intangible assets	603	519	471
Property, plant and equipment	5,801	5,795	5,898
Investments accounted for using the equity method	185	182	269
Other financial assets ^{1,2}	21	14	17
Other receivables ^{2,3}	452	501	523
Deferred tax assets ⁴	277	248	209
Inventories	2,814	2,459	2,851
Trade accounts receivable	2,011	1,898	1,749
Claims for income tax refunds	115	102	92
Assets held for sale ⁵	18	–	–
Gross capital employed	13,026	12,429	12,798
Other provisions ⁶	(349)	(548)	(599)
Other financial liabilities ^{2,7}	(136)	(114)	(118)
Other nonfinancial liabilities ^{2,8}	(258)	(228)	(247)
Deferred tax liabilities ⁹	(307)	(251)	(199)
Trade accounts payable	(2,016)	(1,895)	(2,101)
Income tax liabilities	(175)	(77)	(110)
Liabilities directly related to assets held for sale ¹⁰	(2)	–	–
Capital employed	9,783	9,316	9,424
Average capital employed	9,785	9,550	9,370

¹ Other financial assets were adjusted for nonoperating assets.

² Prior-year figures adjusted. See the appropriate disclosures in the Notes to the Consolidated Financial Statements for further details.

³ Other receivables were adjusted for nonoperating receivables.

⁴ Deferred tax assets were adjusted for deferred taxes from defined benefit plans and similar obligations recognized in other comprehensive income.

⁵ Assets held for sale were adjusted for nonoperating and financial assets.

⁶ Other provisions were adjusted for provisions for interest payments.

⁷ Other financial liabilities were adjusted for nonoperating liabilities.

⁸ Other nonfinancial liabilities were adjusted for nonoperating liabilities.

⁹ Deferred tax liabilities were adjusted for deferred tax liabilities from defined benefit plans and similar obligations recognized in other comprehensive income.

¹⁰ Liabilities directly related to assets held for sale were adjusted for nonoperating and financial debt.

Financial Position

Statement of Cash Flows

Summary statement of cash flows

	4th quarter 2023	4th quarter 2024	2023	2024
	€ million	€ million	€ million	€ million
EBITDA	132	191	1,080	1,071
Income taxes paid	(136)	(66)	(383)	(219)
Change in pension provisions	(9)	74	(33)	47
(Gains)/losses on retirements of noncurrent assets	–	(52)	(33)	(65)
Change in working capital/other noncash items	390	465	366	36
Cash flows from operating activities	377	612	997	870
Cash outflows for additions to property, plant, equipment and intangible assets	(304)	(359)	(765)	(781)
Free operating cash flow	73	253	232	89
Cash flows from investing activities	(437)	(111)	(925)	(423)
Cash flows from financing activities	(363)	(542)	(639)	(565)
Change in cash and cash equivalents due to business activities	(423)	(41)	(567)	(118)
Cash and cash equivalents at beginning of period	1,052	539	1,198	625
Change in cash and cash equivalents due to exchange rate movements	(4)	11	(6)	2
Cash and cash equivalents at end of period	625	509	625	509

Cash Flows from Operating Activities/Free Operating Cash Flow

Net cash flows from operating activities amounted to €870 million (previous year: €997 million). A decline in funds freed up from working capital and a drop in EBITDA were only partially offset by lower income tax payments. The change in working capital was predominantly driven by a rise in inventories, which was partially offset by lower trade accounts receivable. Lower cash inflows from operating activities and higher cash outflows for additions to property, plant, equipment, and intangible assets of €781 million (previous year: €765 million) led to a decrease in free operating cash flow to €89 million (previous year: €232 million).

→ [Additional information on the calculation of indicators is available in "Management System."](#)

Cash Flows from Investing Activities

Net cash outflows for investing activities in fiscal 2024 totaled €423 million (previous year: €925 million). This was above all due to cash outflows for additions to property, plant, equipment, and intangible assets of €781 million (previous year: €765 million). Offsetting cash flows included in particular net proceeds of €252 million from short-term bank deposits (previous year: net outflows of €261 million) as well as cash inflows from sales of property, plant, equipment and other assets of €76 million (previous year: €2 million).

Cash outflows for additions to property, plant, equipment and intangible assets

	2023	2024
	€ million	€ million
Performance Materials	490	496
Solutions & Specialties	270	254
Others/Reconciliation	5	31
Covestro Group	765	781

Capital expenditures in fiscal 2024 were targeted at maintenance and improvement of existing plants as well as new capacity in both segments. In the Performance Materials segment, capital expenditure was targeted primarily at maintenance at the sites in Baytown (United States), Shanghai (China), and Tarragona (Spain). Investments were also made in the circular economy and in energy efficiency such as hot phosgene generation at our site in Dormagen (Germany). In the Solutions & Specialties segment, capital expenditures were targeted at new capacity, in particular at the Map Ta Phut site (Thailand). Strategically relevant capital expenditures also involved the construction of the company's largest plant for thermoplastic polyurethane (TPU) in Zhuhai (China), which is planned to reach an annual capacity of 120,000 metric tons of TPU per year in the future.

Cash Flows from Financing Activities

Net cash outflows for the Covestro Group's financing activities in fiscal 2024 amounted to €565 million (previous year: €639 million). They were mainly attributable to the repayment of a bond of €500 million issued under the Debt Issuance Program in March 2016. Other cash outflows resulted from payments of €355 million for current liabilities to banks and the repayment of loans of €351 million in China. In addition, the settlement of lease liabilities of €155 million (previous year: €156 million), interest payments of €150 million (previous year: €169 million), and the repayment of commercial paper of €124 million under the European Commercial Paper Program (ECCP) triggered further cash outflows. Cash inflows related mainly to proceeds of €354 million from current liabilities to banks and the issuance of loans of €351 million raised in China. Other factors driving up cash flows from financing activities were a loan of €200 million from the European Investment Bank (EIB) and the issuance of commercial paper of €164 million.

Net Financial Debt

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Bonds	1,990	1,492
Liabilities to banks	657	870
Lease liabilities	743	736
Liabilities from forward exchange contracts	15	17
Other financial debt	2	41
Receivables from forward exchange contracts	(19)	(6)
Gross financial debt	3,388	3,150
Cash and cash equivalents	(625)	(509)
Current financial assets	(276)	(23)
Net financial debt	2,487	2,618

In comparison with December 31, 2023, the Covestro Group's gross financial debt declined by €238 million to €3,150 million as of December 31, 2024 (previous year: €3,388 million), mainly because of the €500 million bond repayment described above. In particular, the increase in liabilities to banks of €213 million, which was mainly attributable to the loan raised from the EIB, had an offsetting effect. Other financial debt also rose by €39 million, primarily because of the issuance and repayment of commercial paper described in "Cash Flows from Financing Activities."

Cash and cash equivalents decreased in comparison with the figure on December 31, 2023, by €116 million to €509 million. This decline was mainly due to cash outflows for additions to property, plant and equipment and intangible assets of €781 million and negative cash flows from financing activities of €565 million. In contrast, cash flows from operating activities of €870 million and net proceeds of €252 million from short-term bank deposits drove cash and cash equivalents higher. The abovementioned net cash inflows from short-term bank deposits were the main contributors to the reduction in current financial assets to €23 million.

As a result, net financial debt increased by €131 million to €2,618 million in fiscal 2024 (previous year: €2,487 million).

Financial Management

The main purpose of financial management is to ensure solvency at all times, continuously optimize capital costs, and reduce the risks of financing measures. Financial management for the Covestro Group is performed centrally by Covestro AG.

Covestro AG operates a Debt Issuance Program with a total volume of €5.0 billion to facilitate obtaining flexible financing from the capital market. The company is thus in the position to issue fixed- and variable-rate bonds with different maturities as well as to undertake private placements. Covestro AG successfully placed several bonds from its Debt Issuance Program. The €500 million euro bond placed in March 2016, which carried a fixed coupon of 1.75% and matured in September 2024, was repaid as scheduled. The additional €1.0 billion in euro bonds placed in June 2020 consist of one €500 million euro bond with a fixed coupon of 0.875% maturing in February 2026, and another €500 million euro bond with a fixed coupon of 1.375% maturing in June 2030. All outstanding bonds have been assigned a Baa2 rating with stable outlook by Moody's Investors Service, London (United Kingdom).

In addition, Covestro published a Green Financing Framework in May 2022, which enables green bonds or other debt instruments to be issued where the funds raised are tied to sustainable investments that we can use, e.g., to (re)finance products or projects with a clear benefit for the environment. The framework's conformity to the Green Bond Principles of the International Capital Markets Association (ICMA) has been confirmed by the independent ESG rating agency ISS ESG. The first green euro bond was issued in November 2022 under the Green Finance Framework with a fixed coupon of 4.75% and a volume of €500 million, maturing in November 2028. All the proceeds from the bond issue were used to fund sustainable projects that contribute to the circular economy and originate in areas such as renewable energy, energy efficiency, and sustainable building.

→ For further information, please refer to: www.covestro.com/en/investors/debt/bonds

On October 7, 2022, Covestro for the first time issued Schuldschein loans with a total volume equivalent to around €650 million. The issue was denominated in U.S. dollars and euros. Linked to an environmental, social, governance (ESG) rating, these Schuldschein loans were issued in tranches comprising fixed and variable interest rates with terms of three, five, and seven years. In October 2023, Covestro prematurely repaid Schuldschein loans in an amount equivalent to around €260 million.

In fiscal 2020, Covestro AG obtained a syndicated revolving credit facility totaling €2.5 billion with a term of five years. It included two options to extend the term by one year in each case and represents a back-up liquidity reserve. One option to extend was exercised in March 2021 to extend the term of the syndicated revolving credit facility to March 2026. Using the second of two agreed options, the term was extended in March 2022 by another year to March 2027. One feature of the credit line is its link to an ESG rating: The better (worse) the externally calculated ESG score is, the lower (higher) the interest component of the credit facility. The syndicated credit facility was unused as of December 31, 2024.

On August 26, 2022, Covestro additionally established a Euro Commercial Paper Programme (ECPP) with a potential total volume of €1.5 billion in order to allow the company to issue notes in different currencies and tenors of up to one year on a flexible basis. Commercial papers of €40 million under the ECPP were outstanding as of December 31, 2024.

On May 3, 2024, Moody's Investors Service, London (United Kingdom), confirmed Covestro's Baa2 investment-grade rating with a stable outlook. Covestro intends to continue to maintain financing structures and financial ratios that support a solid investment-grade rating in the future.

The Covestro Group pursues a prudent debt management strategy to ensure flexibility, drawing on a balanced financing portfolio. This is based for the most part on bonds, syndicated credit facilities, and bilateral loan agreements.

As a company with international operations, Covestro is exposed to financial opportunities and risks. These are continuously monitored within the context of Covestro's financial management activities. Instruments including derivatives are used to minimize risks.

For a detailed presentation of financial opportunities and risks as well as further explanations, please see Covestro's opportunities and risks report.

→ For further information, please refer to "Opportunities and Risks Report."

→ For further information, please refer to note 24.2 "Financial Risk Management and Information on Derivatives" in the Notes to the Consolidated Financial Statements.

Net Assets

Summary statement of financial position

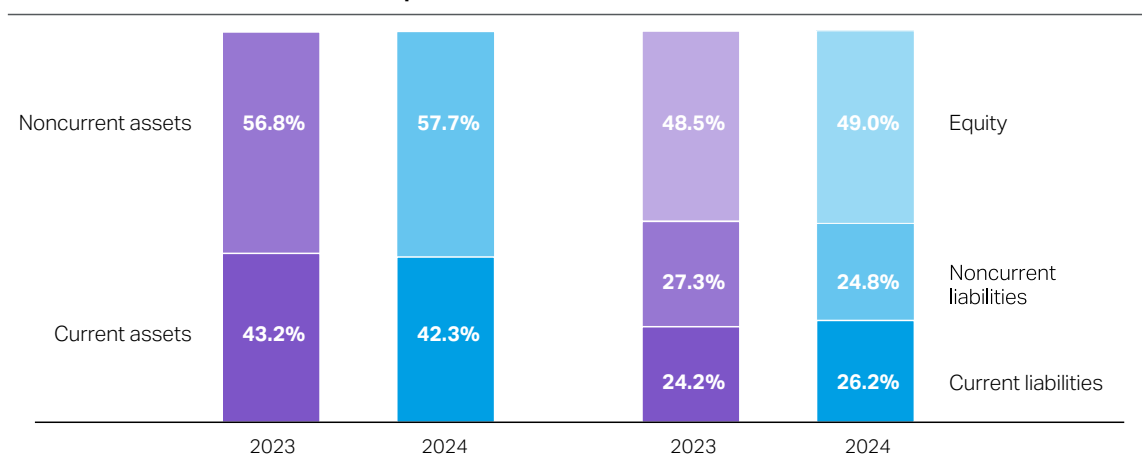
	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Noncurrent assets	7,746	7,865
Current assets	5,891	5,766
Total assets	13,637	13,631
Equity	6,618	6,679
Noncurrent liabilities	3,721	3,376
Current liabilities	3,298	3,576
Liabilities	7,019	6,952
Total equity and liabilities	13,637	13,631

Total assets were almost unchanged from December 31, 2023 and amounted to €13,631 million as of December 31, 2024 (previous year: €13,637 million).

Noncurrent assets increased by €119 million to €7,865 million (previous year: €7,746 million) and accounted for 57.7% (previous year: 56.8%) of total assets. The rise was mainly due to higher property, plant and equipment.

Current assets were down €125 million to €5,766 million (previous year: €5,891 million), and their ratio to total assets was 42.3% (previous year: 43.2%). This change was predominantly due to year-on-year declines in current other financial assets, trade accounts receivable, and cash and cash equivalents. It was partially offset by a rise in inventories.

Structure of the statement of financial position



Equity as of December 31, 2024, increased by €61 million to €6,679 million (previous year: €6,618 million). The equity ratio at the reporting date was 49.0% (previous year: 48.5%). Positive effects of exchange differences as well as gains on the remeasurement of the net defined benefit liability for post-employment benefit plans exceeded the net loss after income taxes for fiscal 2024.

Noncurrent liabilities went down by €345 million to €3,376 million as of the reporting date (previous year: €3,721 million); they accounted for 24.8% (previous year: 27.3%) of total equity and liabilities and 48.6% (previous year: 53.0%) of liabilities. This was predominantly due to a reduction in noncurrent financial debt and lower provisions for pensions and other post-employment benefits.

Net defined benefit liability for post-employment benefit plans

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Provisions for pensions and other post-employment benefits	464	387
Net defined benefit asset	(66)	(72)
Net defined benefit liability	398	315

The net defined benefit liability for post-employment benefits (provisions for pensions and other post-employment benefits less net defined benefit asset) was down by €83 million in the reporting year to €315 million (previous year: €398 million). This was especially due to actuarial gains attributable to the increase in the discount rates in Germany and the United States as well as the actual return on plan assets.

Current liabilities went up by €278 million to €3,576 million (previous year: €3,298 million) and therefore accounted for 26.2% (previous year: 24.2%) of total equity and liabilities and 51.4% (previous year: 47.0%) of liabilities. This increase was mainly attributable to higher trade accounts payable.

Performance of the Segments

Performance Materials

Performance Materials key data

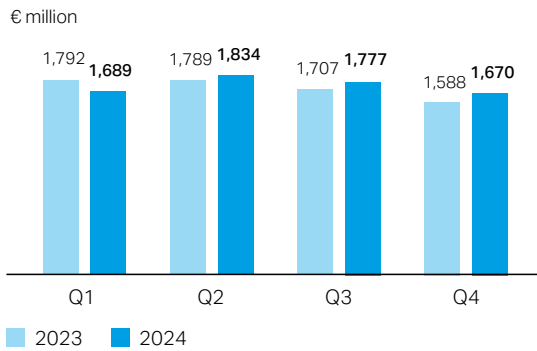
	4th quarter 2023	4th quarter 2024	Change	2023	2024	Change
Sales (external)	€1,588 million	€1,670 million	5.2%	€6,876 million	€6,970 million	1.4%
Intersegment sales	€488 million	€510 million	4.5%	€2,194 million	€2,228 million	1.5%
Sales (total)	€2,076 million	€2,180 million	5.0%	€9,070 million	€9,198 million	1.4%
Change in sales (external)						
Volume	7.7%	5.6%		-6.7%	11.9%	
Price	-22.0%	-0.1%		-15.7%	-9.6%	
Currency	-2.8%	-0.3%		-2.0%	-0.9%	
Sales by region (external)						
EMLA	€674 million	€739 million	9.6%	€3,021 million	€3,102 million	2.7%
NA	€414 million	€400 million	-3.4%	€1,844 million	€1,720 million	-6.7%
APAC	€500 million	€531 million	6.2%	€2,011 million	€2,148 million	6.8%
EBITDA¹	€16 million	€145 million	806.3%	€576 million	€569 million	-1.2%
EBIT ¹	(€126 million)	(€55 million)	-56.3%	€9 million	(€42 million)	.
Cash flows from operating activities	€169 million	€355 million	110.1%	€652 million	€574 million	-12.0%
Cash outflows for additions to property, plant, equipment and intangible assets	€190 million	€226 million	18.9%	€490 million	€496 million	1.2%
Free operating cash flow	(€21 million)	€129 million		€162 million	€78 million	-51.9%

¹ EBITDA and EBIT include the effect on earnings of intersegment sales.

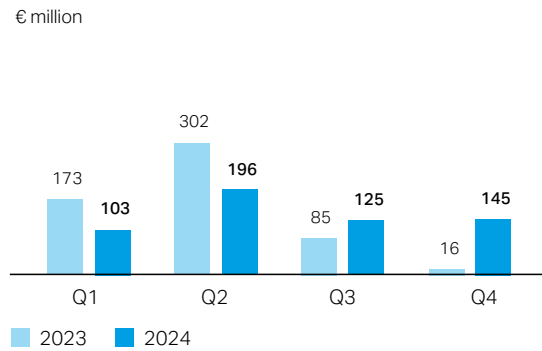
Sales in the Performance Materials segment were up 1.4% to €6,970 million in fiscal 2024 (previous year: €6,876 million). This was mainly driven by an 11.9% rise in volumes sold. In contrast, a demand-related 9.6% decrease in average selling prices had the effect of reducing sales. In addition, changes in exchange rates had an adverse effect of 0.9% on sales.

In the EMLA region, sales increased by 2.7% to €3,102 million (previous year: €3,021 million). This is predominantly thanks to a significant uptick in volumes sold, driven by availability factors, although this was largely offset by a substantially lower selling price level. Exchange rate movements had no notable effect on sales. The NA region's sales dropped by 6.7% to €1,720 million (previous year: €1,844 million), principally because of a considerable decline in average selling prices, which could only partially be offset by a slight rise in volumes sold. Exchange rate changes had a neutral effect on sales. The APAC region's sales climbed 6.8% to €2,148 million (previous year: €2,011 million), principally because of a significant rise in volumes sold. In contrast, a lower selling price level and exchange rate movements had a slightly diminishing effect on sales.

Performance Materials Quarterly sales



Performance Materials Quarterly EBITDA



EBITDA in the Performance Materials segment fell by 1.2% over the previous year to €569 million (previous year: €576 million). This was mainly driven by reduced margins, as lower raw material and energy costs were unable to offset the demand-related decline in selling prices. In addition, a decline in insurance compensation due to production stoppages had a negative effect on earnings. In this context, insurance compensation of €55 million in the reporting year was compared to a compensation of €75 million in the previous year, which had a neutral effect at the Group level. In addition, exchange rate movements had a decreasing effect on earnings. In contrast, EBITDA went up, mainly due to a rise in volumes sold. Earnings were also boosted by additional state subsidies of €55 million to compensate for electricity prices. Gains on the sale of intangible assets of €46 million had an additional positive effect on the Performance Materials segment's earnings.

EBIT declined to €-42 million (previous year: €9 million).

Free operating cash flow decreased by 51.9% to €78 million (previous year: €162 million), mainly because of a year-on-year decline in funds freed up from working capital and lower EBITDA. The change in working capital was predominantly due to a rise in inventories, which was partially offset by higher trade accounts payable.

Solutions & Specialties

Solutions & Specialties key data

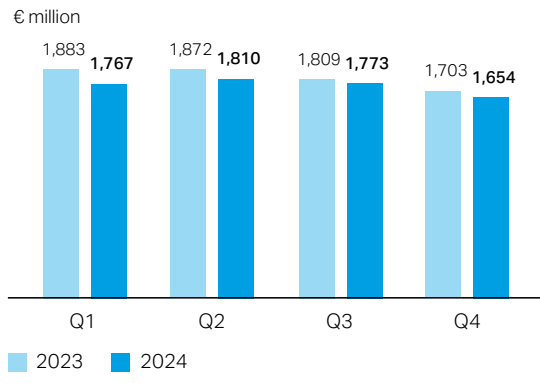
	4th quarter 2023	4th quarter 2024	Change	2023	2024	Change
Sales (external)	€1,703 million	€1,654 million	-2.9%	€7,267 million	€7,004 million	-3.6%
Intersegment sales	€6 million	€7 million	16.7%	€27 million	€27 million	0.0%
Sales (total)	€1,709 million	€1,661 million	-2.8%	€7,294 million	€7,031 million	-3.6%
Change in sales (external)						
Volume	-0.3%	1.3%		-6.2%	4.0%	
Price	-10.2%	-4.0%		-6.4%	-6.8%	
Currency	-3.3%	-0.2%		-2.5%	-0.8%	
Sales by region (external)						
EMLA	€586 million	€556 million	-5.1%	€2,730 million	€2,585 million	-5.3%
NA	€427 million	€420 million	-1.6%	€1,860 million	€1,755 million	-5.6%
APAC	€690 million	€678 million	-1.7%	€2,677 million	€2,664 million	-0.5%
EBITDA¹	€185 million	€150 million	-18.9%	€817 million	€740 million	-9.4%
EBIT ¹	€107 million	€30 million	-72.0%	€497 million	€374 million	-24.7%
Cash flows from operating activities	€374 million	€368 million	-1.6%	€821 million	€671 million	-18.3%
Cash outflows for additions to property, plant, equipment and intangible assets	€110 million	€110 million	0.0%	€270 million	€254 million	-5.9%
Free operating cash flow	€264 million	€258 million	-2.3%	€551 million	€417 million	-24.3%

¹ EBITDA and EBIT include the effect on earnings of intersegment sales.

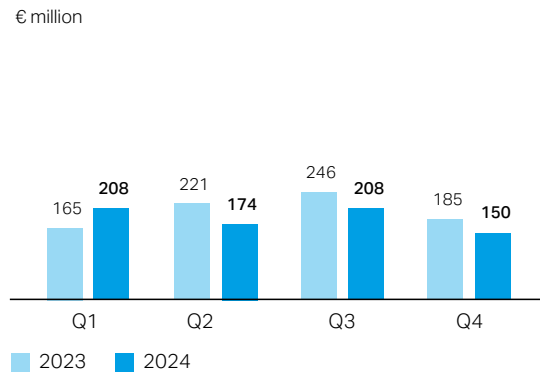
Sales in the Solutions & Specialties segment were down 3.6% to €7,004 million in fiscal 2024 (previous year: €7,267 million). The main drivers of this trend were a 6.8% drop in average selling prices and negative changes in exchange rates of 0.8%. In contrast, an increase in volumes sold had a beneficial effect on sales of 4.0%.

The EMLA region's sales went down by 5.3% to €2,585 million (previous year: €2,730 million), principally because of a considerable decline in average selling prices, which could only partially be offset by a slight rise in volumes sold. Exchange rate movements had no notable effect on sales. In the NA region, sales were down 5.6% to €1,755 million (previous year: €1,860 million), mainly on account of a slight decline in the selling price level. Exchange rate movements and changes in volumes sold had no notable effects on sales. Sales in the APAC region were down by 0.5% to €2,664 million (previous year: €2,677 million). This is mainly due to a significant drop in average selling prices and exchange rate movements that resulted in a slight decline in sales. These factors were, however, largely offset by a significant rise in volumes sold with a concomitant positive effect on sales.

Solutions & Specialties Quarterly sales



Solutions & Specialties Quarterly EBITDA



The Solutions & Specialties segment's EBITDA was down 9.4% to €740 million in fiscal 2024 (previous year: €817 million). This was mainly driven by reduced margins, as lower raw material and energy costs were unable to fully offset the demand-related decline in selling prices. In addition, higher fixed costs had a negative effect on EBITDA. The previous year had also included a non-recurring positive effect from the sale of the additive manufacturing business, which had increased prior-year earnings by €35 million. The implementation of the transformation program STRONG gave rise to expenses in the low double-digit million euro range in the reporting year. Furthermore, a decline in the amount of business development subsidies received in China attributable to the segment as well as exchange rate movements had a decreasing effect on earnings. In contrast, a rise in volumes sold in particular had a positive impact on the Solutions & Specialties segment's earnings.

EBIT dropped by 24.7% to €374 million (previous year: €497 million).

Free operating cash flow was down 24.3% to €417 million (previous year: €551 million), mainly because of a year-on-year decline in funds freed up from working capital and lower EBITDA. The change in working capital was predominantly due to a rise in inventories.

Results of Operations, Financial Position, and Net Assets of Covestro AG

Covestro AG is the parent company and strategic management holding company of the Covestro Group. The principal management functions for the entire Group are performed by the Board of Management. These include strategic planning for the Group, resource allocation, and executive and financial management. Covestro AG's results of operations, financial position, and net assets are largely determined by the business performance of its subsidiaries.

The Financial Statements of Covestro AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The company, headquartered in Leverkusen (Germany), is registered in the commercial register of the Local Court of Cologne under No. HRB 85281.

Covestro AG performs energy-specific services for Covestro Brunsbüttel Energie GmbH, Brunsbüttel (Germany), (affiliated power and gas grid operator) and therefore prepares activity reports in the areas of electricity supply and gas supply pursuant to Section 6b (3) Sentence 1 Nos. 2 and 4 of the German Energy Industry Act (EnWG).

There is a control and profit and loss transfer agreement between Covestro AG and Covestro Deutschland AG, Leverkusen (Germany). All profit not subject to a prohibition on transfer is transferred in full to Covestro AG at the end of the year. Losses are absorbed in full. Other retained earnings recognized during the term of the agreement must be released upon request by Covestro AG and used to compensate a net loss for the year or transferred as profit.

In addition, on February 27, 2024, another profit and loss transfer agreement was entered into between Covestro First Real Estate GmbH, Leverkusen (Germany), and Covestro AG. It was registered in the commercial register on May 31, 2024 and applies retrospectively for fiscal 2024. The contractual arrangements are identical to those in the existing agreement with Covestro Deutschland AG.

Results of Operations

Covestro AG income statement according to the German Commercial Code

	2023	2024
	€ million	€ million
Income from investments in affiliated companies – net	(70)	(28)
Interest expense – net	107	108
Other financial income – net	(5)	(5)
Net sales	26	22
Cost of services provided	(22)	(22)
General administration expenses	(87)	(103)
Other operating income	–	2
Other operating expenses	(2)	(1)
Income before income taxes	(53)	(27)
Income taxes	(71)	(28)
Net loss	(124)	(55)
Retained earnings brought forward from prior year	–	(124)
Withdrawal from other retained earnings	–	–
Net accumulated losses	(124)	(179)

In fiscal 2024, Covestro AG generated a net loss of €55 million (previous year: €124 million). The change compared with the prior year was largely attributable to the net loss from investments in affiliated companies of €28 million (previous year: €70 million). The net loss from investments included the loss absorbed under the control and profit and loss transfer agreement with Covestro Deutschland AG of €78 million, which was partially offset by gains from the control and profit and loss transfer agreement with Covestro First Real Estate GmbH of €50 million.

In addition to interest expense of €41 million (previous year: €44 million) for the euro bonds issued, the interest result included mainly interest income of €178 million (previous year: €176 million) on loans extended to Covestro Deutschland AG. Interest expense of €28 million (previous year: €31 million) was incurred in the reporting year on external loans from third parties. Other financial income and expenses mainly comprised bank fees totaling €5 million (previous year: €5 million). These included fees for providing the company lines of credit, the prorated reversal of the discount on the bonds issued, and one-time fees associated with raising a loan.

General administration expenses totaling €103 million (previous year: €87 million) mainly consisted of personnel expenses for the employees of the Group holding company and members of the Board of Management. The rise in general administration expenses in fiscal 2024 was primarily due to higher expenses for consultancy services. This was set against reduced expenses for short-term variable compensation.

The result of operations was €-27 million (previous year: €-53 million) and led to income taxes of €28 million (previous year: €71 million). This led to a net loss for the year of €55 million (previous year: €124 million), which also represents the net accumulated losses for the reporting year. This amount is carried forward to new account.

Based on the forecast from the Annual Report 2023, the net loss for fiscal 2024 was expected to be significantly higher than the figure recorded in the previous year. In contrast, the net loss of €55 million for fiscal 2024 means that the business performed considerably better than expected in the forecast. This was due primarily to a better result from investments and lower income taxes. The improvement in the result from investments was mainly attributable to income from the control and profit and loss transfer agreement concluded with Covestro First Real Estate GmbH in fiscal 2024.

Net Assets and Financial Position

Covestro AG statement of financial position according to the German Commercial Code

	Dec. 31,2023	Dec. 31,2024
	€ million	€ million
ASSETS		
Noncurrent assets	1,830	1,830
Property, plant and equipment	–	–
Financial assets	1,830	1,830
Current assets	4,953	4,668
Trade accounts receivable	38	1
Receivables from affiliated companies	4,858	4,591
Other assets	57	76
Deferred charges	10	8
Excess of plan assets over pension liability	1	2
Total assets	6,794	6,508
EQUITY AND LIABILITIES		
Equity	3,939	3,884
Capital stock	189	189
Own shares	–	–
Issued capital	189	189
Capital reserve	3,757	3,757
Other retained earnings	117	117
Net accumulated losses	(124)	(179)
Provisions	97	145
Provisions for pensions	21	24
Provisions for taxes	34	50
Other provisions	42	71
Liabilities	2,758	2,479
Bonds	2,000	1,500
Liabilities to banks	621	821
Trade accounts payable	11	23
Payables to affiliated companies	109	81
Other liabilities	17	54
Total equity and liabilities	6,794	6,508

Covestro AG had total assets of €6,508 million as of December 31, 2024 (previous year: €6,794 million). The net assets and financial position of Covestro AG was dominated by its role as a holding company in managing subsidiaries and financing corporate activities. This was primarily reflected in the levels of financial assets (28.1% of total assets), receivables from affiliated companies (70.5% of total assets), and bonds and liabilities to banks.

Receivables from affiliated companies were down €267 million to €4,591 million (previous year: €4,858 million). This change was primarily attributable to a reduction in the intercompany loan to Covestro Deutschland AG, set against receivables from Covestro First Real Estate GmbH under the profit and loss transfer agreement.

All receivables and other assets has maturities of less than one year.

Property, plant and equipment was immaterial. Trade accounts receivable of €1 million (previous year: €38 million) and prepaid expenses of €8 million (previous year: €10 million) were also immaterial in relation to total assets. Other assets of €76 million (previous year: €57 million) mainly included income tax and VAT receivables.

Covestro AG's equity amounted to €3,884 million (previous year: €3,939 million). This corresponded to an equity ratio of 59.7% (previous year: 58.0%). The capital stock and capital reserves was unchanged in fiscal 2024. The net loss for the year of €55 million led to a decline in equity.

Equity was set against provisions of €145 million (previous year: €97 million) and liabilities of €2,478 million (previous year: €2,758 million).

Provisions comprised provisions for pensions of €24 million (previous year: €21 million), tax provisions of €50 million (previous year: €34 million), and other provisions of €71 million (previous year: €42 million). The increase in provisions for taxes was largely attributable to the rise in provisions for settling possible tax claims. The rise in other provisions included a year-over-year increase in provisions for long-term variable compensation as well as provisions for consultancy services.

The decline in liabilities was mainly attributable to the repayment of the euro bond issued in the year 2016. This bond, which had a face value of €500 million, was repaid as scheduled in September 2024. Liabilities to banks rose at the same time, mainly due to a loan raised in the amount of €200 million. Moreover, commercial paper amounting to €40 million in the portfolio as of the reporting date led to an increase in other liabilities. The remaining euro bonds totaling €1.5 billion have the following maturities: €1.0 billion matures in one to five years, and another €500 million matures in or after the year 2030. Moreover, liabilities to banks totaling €469 million are due in the year 2025, another €152 million is due in one to five years, and €200 million in or after the year 2030. All other liabilities are due within one year.

REPORT ON FUTURE PERSPECTIVES AND ON OPPORTUNITIES AND RISKS

Report on Future Perspectives

Economic Outlook

Global Economy

For fiscal 2025, we expect positive global economic growth of 2.8%. We anticipate solid consumer spending and rising corporate investments to be the most important growth drivers. However, potential trade restrictions are a risk factor for global trade.

We believe growth in the EMLA region will slightly underperform the global pace. Persistently weak consumption and low demand for exports as well as the possibility of U.S. tariffs are having a negative impact on the growth prospects for the region. For Germany's export-oriented economy, we predict growth in economic output of 0.4% in the year 2025. For the Middle East, we believe that slight growth will likely outperform the global economic expansion. The oil industry will continue to be the driver of this development, since cuts in oil production in Saudi Arabia are expected to be gradually reversed. We anticipate that growth in Latin America will be below the global level. For Africa, we forecast slight economic growth, outpacing the global growth rate.

For the NA region we expect to see positive growth, slightly below the global level, in the year 2025. In the United States, the extension of expiring tax reductions and potential reforms expected to be implemented by the incoming administration are likely to provide fiscal stimulus. We anticipate that expansionary fiscal policy and lower immigration will cause further shortages in the labor market and drive down the unemployment rate. Against this backdrop, we expect the United States to generate economic growth of 2.6% in the year 2025.

Economic growth in the APAC region will likely outperform the global economy. We anticipate economic growth of 4.4% for China in fiscal 2025. Given its solid balance sheet and low debt, we expect the Chinese government to announce fiscal support measures in the first quarter of 2025, with the real estate sector and consumer support programs for private households the likely focus.

Economic growth¹

	Growth 2024	Growth forecast 2025
	%	%
World	2.7	2.8
Europe, Middle East, Latin America², Africa (EMLA)	1.5	1.8
of which Europe	1.2	1.4
of which Germany	-0.2	0.4
of which Middle East	1.7	3.2
of which Latin America ²	2.1	2.3
of which Africa	3.1	3.9
North America³ (NA)	2.6	2.5
of which United States	2.8	2.6
Asia-Pacific (APAC)	3.9	3.9
of which China	4.8	4.4

¹ Real growth of gross domestic product; source: Oxford Economics, as of February 2025.

² Latin America (excluding Mexico).

³ North America (Canada, Mexico, United States).

Main Customer Industries

For the year 2025, we forecast positive growth of 2.7% for the global automotive industry. We anticipate a slight boost in demand for automobiles in China, driven by extensive support from the Chinese government, especially for electromobility. In contrast, we anticipate continuing weak demand in Europe and the United States. Although global growth is expected to be driven by the performance of the APAC and EMLA regions, we forecast slower but positive growth in the NA region.

For the year 2025, we anticipate positive growth of 0.2% for the global construction industry. The decline in residential construction, the lack of new plans for social housing, and persistent high inflation will probably continue to weigh on the performance of the construction industry in 2025. We anticipate slightly positive growth in the EMLA and NA regions, while growth in the APAC region is expected to be slightly negative.

For the year 2025, we anticipate growth of 5.2% for the electrical, electronics, and household appliances industry. Growth in the industry is expected to be fueled in 2025 by rising corporate expenditure on electronics in connection with increasing digitalization, industrial automation, and the growing use of artificial intelligence. We therefore forecast a positive growth trend for all regions.

For the year 2025, we anticipate positive growth of 1.5% for the global furniture industry. Despite the positive growth outlook for 2025, the industry and demand for furniture continue to be weighed down by the poor performance of residential construction and weak consumption, especially in China and Europe. We forecast a positive growth trend for all regions.

Growth in main customer industries¹

	Growth 2024	Growth forecast 2025
	%	%
Automotive	-0.7	2.7
Construction	-2.5	0.2
Electrical, electronics and household appliances	4.1	5.2
Furniture	-0.5	1.5

¹ Covestro's estimate, based on the following sources: GlobalData Plc, B+L, CSIL (Centre for Industrial Studies), Oxford Economics. We limited the economic data of our "automotive and transportation" and "furniture and wood processing" main customer industries to the automotive and furniture segments (excluding the transportation or wood processing segments). As of: February 2025.

Forecast for the Covestro Group and Covestro AG

Covestro Group

The following forecast for the 2025 fiscal year is based on the business development described in this Annual Report and takes into account the potential opportunities and risks.

In view of the continuing challenging economic conditions, the Board of Management of Covestro AG expects the key management indicators to change as presented below.

Forecast for key management indicators

	2024	Forecast 2025
EBITDA ¹	€1,071 million	Between €1,000 million and €1,600 million
Free operating cash flow ²	€89 million	Between 0 million and €300 million
ROCE above WACC ^{3,4}	-7% points	Between -6% points and -2% points
Greenhouse gas emissions ⁵ (CO ₂ equivalents)	4.9 million metric tons	Between 4.2 million metric tons and 4.8 million metric tons

¹ EBITDA: EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on intangible assets and property, plant and equipment.

² Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

³ ROCE: ratio of EBIT after imputed income taxes to capital employed. Imputed income taxes are calculated by multiplying an imputed tax rate of 25% by EBIT.

⁴ WACC: weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 7.3% has been taken into account for the year 2025 (2024: 8.1%).

⁵ Greenhouse gas (GHG) emissions (Scope 1 and Scope 2, GHG Protocol) of all Covestro's environmentally relevant sites. Until the year 2024, the GHG emissions at main production sites (responsible for more than 95% of our energy usage) were projected.

For the Covestro Group's EBITDA, we project a figure between €1,000 million and €1,600 million. Covestro anticipates that the Performance Materials segment's EBITDA will be €400 million to €800 million. In the Solutions & Specialties segment, we expect EBITDA to be slightly higher than the amount of the year 2024 (€740 million).

The Covestro Group's FOCF is forecast between €0 million and €300 million.

ROCE above WACC is anticipated in a range between -6% points and -2% points.

The GHG emissions of all the Covestro Group's environmentally relevant sites, measured as CO₂ equivalents, are projected to be between 4.2 million metric tons and 4.8 million metric tons.

Covestro AG

The earnings of Covestro AG, as the parent company of the Covestro Group, largely comprise the earnings of that company's subsidiaries. As a result of the profit and loss transfer agreement with Covestro Deutschland AG, net income of Covestro AG is particularly impacted by that company's income from equity investments in Germany and abroad. Since we anticipate that income from investments in affiliated companies will be substantially up on the year 2025 compared with the previous year, we assume that Covestro AG will generate significantly higher net income (previous year: net loss) than in fiscal 2024.

Opportunities and Risks Report

Conscientious management of opportunities and risks is part of responsible corporate governance and is the foundation of sustainable growth and financial success. This includes the ability to systematically identify and take advantage of opportunities while managing risks at the same time. We regard an opportunity as an internal or external development or event that could cause a positive deviation from forecasts or targets. A development or event within or outside the company that could lead to a negative deviation is considered a risk.

Group-Wide Opportunities and Risk Management

The business decisions we make daily in the course of business processes are based on balancing opportunities and risks. We therefore regard the management of our opportunities and risks as an integral part of our overall business management system rather than as the task of a specific corporate function. Risk management at Covestro also includes nonfinancial risks.

Our opportunity and risk management begins with strategy and planning processes, from which relevant external and internal opportunities and risks of an economic, ecological, or social nature are derived. Financial and nonfinancial opportunities and risks are identified by observing and analyzing trends along with macroeconomic, industry-specific, regional, and local developments.

The identified opportunities and risks are subsequently evaluated and incorporated into our strategic and operational processes. We aim to avoid or mitigate risks by taking appropriate countermeasures, or to transfer them to third parties (such as insurers) to the extent possible and economically acceptable. At the same time, we strive to take maximum advantage of opportunities by incorporating them into our business decisions. We consciously accept and bear manageable and controllable risks that are in reasonable proportion to the anticipated opportunities. Covestro regards these as the general risks of doing business. Where we expect any opportunities and risks to materialize within the next 12 months, they will be included in the statements in the Report on Future Perspectives. Opportunities and risks are continuously monitored so that, for example, changes in the economic or legal environment can be identified at an early stage and suitable countermeasures can be initiated, if necessary.

To enable the Board of Management and the Supervisory Board to monitor material business risks as legally required, the following systems are in place:

- an internal control system,
- a compliance management system, and
- a risk management system with suitable measures for early detection of developments that could endanger the company's continued existence.

The various management systems are based on different risk types, risk characteristics, and timelines. Different processes, methods, and IT systems are therefore applied to identify, evaluate, manage, and monitor risks. The principles underlying the various systems are documented in local procedures that are integrated into our central document control processes and are accessible to all employees via the intranet. Covestro's Board of Management is primarily responsible for supervising the Group's internal control system, the compliance management system, and risk management.

The effectiveness of the above management systems is evaluated at regular intervals by the Corporate Audit function, which performs an independent and objective audit focused on verifying compliance with laws and policies. Corporate Audit systematically evaluates the efficiency and effectiveness of governance, risk management, and control processes and helps to improve them. This includes internal monitoring of the appropriateness and effectiveness of the internal control system and the risk management system. The selection of audit targets follows a risk-based approach. Corporate Audit performs its duties according to internationally recognized standards. The Supervisory Board's Audit Committee is regularly informed about the results of audits and also receives an annual report on the internal control system and its effectiveness.

The statement on the appropriateness and effectiveness of the internal control system, the risk management system, and the compliance management system, which is aligned with the company's risk situation, can be found in the Declaration on Corporate Governance.

→ For further information, please refer to "Declaration on Corporate Governance."

Internal Control System

»ESRS 2.36 (a), AR11 An appropriate, effective internal control system (ICS) is essential for successfully mitigating risk in business processes. Covestro's ICS takes account of all business processes with a significant impact on financial and nonfinancial indicators, which also include metrics related to sustainability. The ICS controls for nonfinancial indicators are applied using the same method and with the same care as for the financial indicators. The ICS scope is defined by a risk-based control approach that takes account of both materiality and risk aspects.

The implementation of the ICS at Covestro is based on the internationally recognized model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the currently applicable 2013 version, and on the Control Objectives for Information and Related Technology (COBIT) for IT controls.«

»ESRS 2.36 (b) – (d) A network of ICS and process owners has been established in the Group to identify and evaluate risk in a consistent and coordinated way and to develop and implement appropriate countermeasures. Risks are classified into different risk categories: risks of financial and nonfinancial reporting, operating risks, and risks relating to fraud and corruption. Risks of nonfinancial reporting can especially be seen in sustainability reporting, where there are, for example, controls on metrics relating to energy consumption, greenhouse gas emissions, and production waste. Process owners identify risks in their processes in terms of the potential scale of their impact and their likelihood and define appropriate mitigating controls to ensure that the data gathered are complete, correct, available, and timely. The ICS network, which consists of local and regional ICS specialists and process owners from all corporate functions, is managed centrally by a team of global ICS managers. Binding ICS standards have also been established throughout the Group. The management of each Covestro Group company is responsible for implementing these standards at the local level. If any issues such as process or control weaknesses are identified during the ICS cycle, they are discussed with the corporate function/responsible owners so that appropriate measures can be taken to eliminate or safeguard against these weaknesses.«

»ESRS 2.36 (e) In addition to controls that have to be regularly performed, the control environment also includes self-assessments relating to the controls and the underlying process. To ensure the effectiveness of the controls, the self-assessments are conducted at different levels – from the persons directly involved in the processes, through the principal managers responsible for the various operating processes, down to the Board of Management. Both CEO and CFO and the Audit Committee of the Supervisory Board are kept up to date with the status and results of the self-assessments, at least once yearly.«

Continuous reviews and, where necessary, adjustments to the control environment ensure in this process that our ICS is consistently effective and appropriate, even when business models change, acquisitions or divestments are made, or technical specifications/IT systems are adapted.

Internal Control System Related to the Group Accounting and Financial Reporting Process

(Group) accounting and financial reporting, which include the preparation of the Financial Statements and Consolidated Financial Statements of Covestro AG, are the responsibility of the corporate Accounting function. This function is also responsible for ensuring that all consolidated subsidiaries apply consistent accounting rules and for creating an ICS.

Accounting and financial reporting are based on a structured process with a corresponding organization and workflows and associated work instructions. In addition to the segregation of functions, the dual control principle and continuous plausibility checks are fundamental control and monitoring measures in the process of preparing financial statements.

The preparation of the Consolidated Financial Statements under the International Financial Reporting Standards (IFRSs) is governed by the Covestro Directive on Consolidated Financial Statements. It specifies how the consolidated companies have to apply accounting policies in accordance with IFRSs and submit the data to the standard consolidation system.

Once submitted, this data runs through various checks to verify plausibility and accuracy. For example, system-integrated validation rules ensure on submission that the companies' data is consistent.

Appropriate controls have been implemented in the ICS to ensure proper accounting and reporting. The control environment has been designed to ensure that the requirements for reliable reporting can be met, i.e., that all relevant business processes and transactions are recorded in a correct, timely, and consistent manner. It is intended as a way to prevent material misrepresentations with reasonable assurance.

Internal Control System to Ensure Compliance

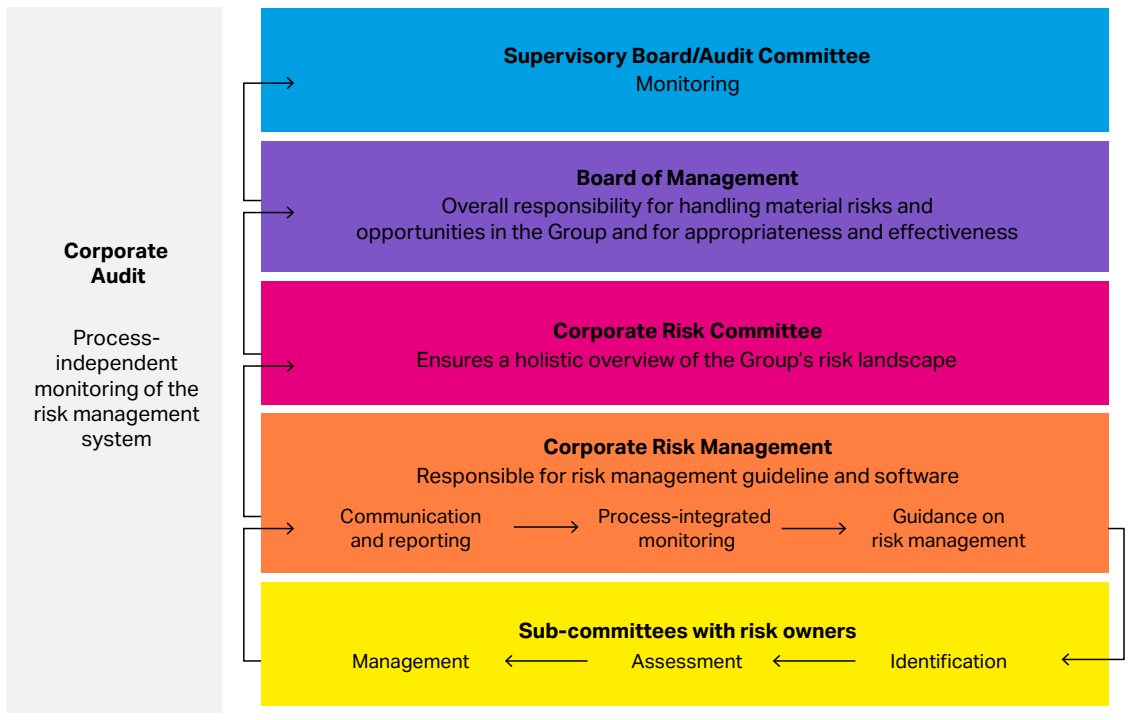
Compliance risks are systematically identified and assessed as part of Covestro's Group-wide risk management. Risk owners assess the compliance risks that have been identified. A risk matrix is used to define focal points of compliance tasks at Covestro. If the risk profile changes, new controls are implemented if needed.

Many controls have been implemented at both the global and local levels to reduce the number of compliance risks. To the extent possible, we integrate the compliance controls into our internal control system. The effectiveness of the compliance controls is evaluated on the basis of a cascaded self-assessment system, as are the other ICS processes. The results of the effectiveness evaluations are documented in the global system for the ICS processes. The Corporate Audit function regularly reviews the compliance activities in independent, objective audits as part of dedicated compliance checks in the larger companies. In the smaller companies, compliance aspects are part of a general review.

Risk Management System

»ESRS 2.36 (a) – (d) Covestro has implemented a structured risk management process for the early identification of any potentially disadvantageous developments that could have a material impact on our business or endanger the continued existence of the company. This process complies with the legal requirements regarding an early warning system for risks pursuant to Section 91, Paragraph 2 of the German Stock Corporation Act, and is aligned with the international risk management standard COSO II Enterprise Risk Management – Integrated Framework (2004).

Risk management system



Corporate Risk Management defines, coordinates, and monitors the framework and standards for this risk management system, ensuring adequate risk communication and reporting to both management and the responsible risk managers. Covestro uses risk management software that simplifies the aggregation of risks, provides displays of various interdependencies, and compares the risk exposure in relation to the risk bearing capacity.«

»ESRS 2.36 (e) Risks are identified, evaluated, and handled in the operating business entities and corporate functions by the respective risk managers, who are organized in various global sub-committees. The Covestro Corporate Risk Committee met three times in fiscal 2024 to review the risk landscape as well as the various risk management and monitoring mechanisms that are in place, and to take any necessary measures. Additionally, we conduct an ad-hoc process for newly identified risks throughout the year so that these are immediately incorporated into the risk management system. These ad-hoc risks are identified and their handling is determined based on risk assessments and depending on the defined thresholds. In addition, the Corporate Audit function complements the monitoring process with process-independent monitoring.«

»ESRS 2.53 (e) Risks are evaluated using estimates of the potential impact after taking into account countermeasures and the likelihood of their occurrence. The potential economic losses are projected using the expected EBITDA loss and, in some individual cases, the FOCF loss. If the financial impact cannot be estimated, a qualitative assessment is made of the extent of the damage on the basis of criteria such as strategic effect, influence on our reputation, or possible loss of confidence among groups of stakeholders. All material risks and the respective countermeasures are documented in the risk management software, which is used throughout the Group. The risk management system is reviewed regularly by Corporate Risk Management over the course of the year. Significant changes must be promptly entered in the software and reported to the Board of Management. In addition, a report on the risk portfolio is submitted to the Audit Committee several times a year and to the Supervisory Board at least once a year.«

»ESRS 2.36 (b), ESRS 2.53 (c) iii Risks in connection with material sustainability topics and in relation to our operating activities, business relationships, or products are taken into account as part of our Group-wide risk management with the same care as financial types of risks. We report in our Group Sustainability Statement on how these risks are taken into account during the double materiality assessment.«

→ For further information, please refer to "Impact, Risk and Opportunity Management."

The following matrix illustrates the quantitative and qualitative criteria for rating a risk as low, medium, or high. The same applies to the classification of nonfinancial risks.

Rating matrix

Potential accumulated impact (qualitative or quantitative in € million) ¹	Likelihood of occurrence within 1 year				
	Very low	Low	Medium	High	Very high
Critical/ >1,000	High	High	Moderate	Moderate	Moderate
Significant/ >300–1,000	High	High	High	Moderate	Moderate
High/ >150–300	Moderate	High	High	High	Moderate
Moderate/ ≥50–150	Moderate	Moderate	High	High	High

Weighted risk occurrence: ■ Low ■ Moderate ■ High

¹ An individual risk that could have both a direct financial and an indirect financial impact of different severities is always classified based on the higher level of risk.

Opportunities and Risks

Overall Assessment of Opportunities and Risks

Overall, Covestro was again exposed to a tense risk situation in the year 2024. The effects of geopolitical conflicts on the value chain continued to cause uncertainty. The overall opportunity and risk position of the Group has not changed significantly compared to the previous year. The latest assessment of financial and nonfinancial risks shows that none of the risks reported below endanger the company's continued existence. Nor could we identify any risk interdependencies that could combine to endanger the company's continued existence.

Based on our product portfolio, our know-how, and our innovation capability, we are confident that we can use the opportunities resulting from our business practices and successfully master the challenges resulting from the risks stated below.

Opportunities and Risks in General and in the Entity's Business Environment

»ESRS 2.53 (e) The risks outlined below may have material effects on EBITDA and, in individual cases, the FOCF of our Group within the one-year forecast period. In this context, risks are deemed material if the potential loss to Covestro is estimated at €50 million or more and/or they have at least a moderate potential qualitative impact. The likelihood of occurrence of the risks is used for internal management purposes to define focus areas for the Corporate Risk Committee. The risks are more highly aggregated in this report than in our internal documentation. Various individual risks are combined into risk categories we have defined for this purpose. The following overview shows the levels of risk allocated to the individual risks within each category. A risk category can therefore include more than one weighted risk occurrence level. The order in which the risk categories are listed does not reflect their significance. Unless explicit information to the contrary is provided, the opportunities and risks described below always refer to both segments of Covestro.

Financial opportunities and risks that affect neither EBITDA nor FOCF are presented separately at the end of the chapter.

Risk management considers risks that could threaten the attainment of the Group's objectives by having a negative impact on the existing business or strategic goals. They are included in our risk portfolio, which is in turn linked to the material sustainability topics.«

»ESRS 2.36 (c) We report on the impacts, risks, and opportunities identified as material for Covestro during the double materiality assessment in tabular format at the beginning of the relevant section of the Group Sustainability Statement. The tables also show the policies and actions we use to deal with these impacts, risks, and opportunities.«

→ For further information, please refer to "Group Sustainability Statement."

Risk categories by weighted risk occurrence

Risk categories...	Weighted risk occurrence		
	Low	Medium	High
...in the business environment			
Geopolitical tensions and social upheavals		●	
Market development	●	●	
Laws and regulations		●	
...in the company-specific environment			
Procurement		●	
Information security, data protection, and information technology (IT)	●		
Employees	●		
Production, value creation, and safety	●	●	
Product stewardship	●	●	
Law and compliance	●	●	

- The risk category includes at least one individual risk with this weighted risk occurrence.

Business Environment

Geopolitical Tensions and Social Upheavals

In the year 2024, we continued to see geopolitical tensions between regional powers. There is great general uncertainty about how existing trade conflicts and tensions will develop, including the associated macroeconomic implications, which could also have an impact on Covestro's business situation.

Market Development

General economic conditions worldwide and, in particular, in the geographic regions in which Covestro operates are a significant factor affecting the company's earnings, since their effect on the industries in which Covestro's direct and indirect customers operate affects demand for our company's products.

Negative economic developments triggered by a variety of events may have a negative impact on the global economy and international financial markets in general. As a rule, this also adversely affects the sales markets for our products, which then usually decreases Covestro's sales volumes and earnings. However, the extent of the impact of economic developments on sales volumes and earnings also depends on capacity utilization rates in the industry, which in turn depend on the balance between supply and demand for the industry's products. Downturns in demand lead to reduced sales volumes and, ultimately, to reduced capacity utilization, which negatively impacts margins.

Covestro operates in markets in which the long-term trend is toward a balance between supply and demand. However, in the event of planned or unplanned closures, interruptions, or even the elimination of one of our competitors, Covestro may have the opportunity to capture more of the market in terms of profitability and growth in the short to medium term.

Laws and Regulations

The international nature of Covestro's business exposes it to substantial changes in economic, political, and social conditions and the resulting statutory requirements of the countries in which Covestro operates. The associated risks can have both a negative effect on the company's business and significantly influence its prospects.

Company-Specific Environment

Procurement

Our Supplier Code of Conduct sets forth our sustainability principles and explains what we expect from our partners along the value chain. Covestro's overarching management approach to respecting human rights, and primarily the risk analysis conducted as part of the human rights due diligence, takes account of relevant laws such as the German Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains.

→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

Covestro requires significant quantities of petrochemical raw materials for its production processes. Procurement prices for these forms of raw materials may fluctuate significantly due to market conditions or legislation. Experience from the past has shown that higher production costs cannot always be passed on to our customers through price adjustments. Conversely, lower raw materials prices that do not directly reduce the selling price by the full amount can lead to improved margins.

We purchase important raw materials based on long-term supply agreements and pursue active supplier management to minimize procurement-related risks such as supply shortages or substantial price fluctuations.

Covestro makes sure that it is adequately protected from power failures. Potential incidents could force energy utilities to power down their grids, which could lead to power failures at our production sites and infrastructure facilities at short notice.

Information Security, Data Protection, and Information Technology (IT)

Business and production processes as well as the internal and external communications of the Covestro Group are increasingly dependent on global IT systems.

Technical precautions such as data recovery and continuity plans are defined and continuously updated in close cooperation with our internal IT organization.

Confidentiality during data processing is of fundamental importance for Covestro. A loss of data and information confidentiality, integrity, or authenticity could lead to manipulation and/or the uncontrolled outflow of data and expertise. We have measures in place to counter these, including a sophisticated authorization system.

Covestro's Chief Information Security Officer (CISO) and the department specially focused on this issue promote the IT security strategy and its implementation throughout the Group. These measures are designed to guarantee optimum protection based on state-of-the-art technology.

The digital transformation, which is an enabler and key element of our updated Group strategy and which Covestro is driving in all business entities and functions, is producing many different ways to unlock potential. For example, Covestro regards this as an opportunity to optimize its portfolio, safeguard growth through better links with customers, and to tap into new and profitable business models.

Innovation

We continually analyze global trends and develop innovative solutions to address them, thereby mastering the challenges and taking advantage of the opportunities that arise from these trends.

→ For further information, please refer to "Innovation."

A key focus of Covestro's strategy is sustainability and efficient production with the goal of making Covestro fully circular. To this end, we are developing new technologies, products, and business models that reduce energy usage and greenhouse gas emissions. Customers are, moreover, increasingly choosing sustainable products as a result of a growing environmental awareness and interest in environmental protection as well as increasing demands for fair working conditions. Our product portfolio offers such solutions for different areas of everyday life.

The finite nature of natural resources and efforts to protect the climate are boosting the demand for innovative products and technologies that reduce resource consumption and lead to lower emissions. This trend is being reinforced by increasingly stringent regulatory requirements and growing consumer awareness of the need to use resources sustainably. Covestro is therefore developing new materials that help to further increase energy efficiency and lower emissions. For example, the polyurethane we manufacture is used in the construction industry for thermal insulation, thus improving its positive energy balance, while our polycarbonate is used in the automotive industry to reduce vehicle weight and thus fuel consumption.

Ongoing technological advancements are changing the world we live in and the way we do business. The use of cutting-edge digital technologies will help us add value along the entire value chain by optimizing the supply chain, promoting growth, and developing new business models.

Employees

Skilled and dedicated employees are essential for the company's success. In countries with full employment, there is keen competition among companies for highly qualified personnel and employees in key positions in particular.

Covestro has introduced appropriate employee recruitment and development measures based on the analysis of future requirements. We aim to convince our target groups of the advantages of working for Covestro, among other things, through comprehensive human resources marketing. Our human resources policies are based on the principles enshrined in our position on human rights, the Corporate Compliance Policy, and our corporate values. Essential elements include competitive compensation containing performance-related components as well as an extensive range of training and development opportunities. In addition, our focus on diversity enables us to tap the full potential of the employment market.

Covestro cultivates good relationships with its employees, employee representatives, and unions so that all issues concerning HR policy, working conditions, and change processes can always be resolved by management and labor in a collaborative manner.

Production, Value Creation, and Safety

We place great importance not only on product safety but also on protecting our own workforce and the environment. Risks associated with the production, filling, storage, or shipping of products are mitigated using an integrated health, safety, environmental, energy, and quality management system.

→ For further information, please refer to "ESRS E2: Pollution."

→ For further information, please refer to "ESRS S1: Own Workforce."

Covestro uses large quantities of hazardous substances in its production operations, generating hazardous wastes and emitting wastewater and air pollutants

→ For further information, please refer to "ESRS E2: Pollution."

→ For further information, please refer to "ESRS E5: Resource Use and Circular Economy."

Covestro's operations are subject to extensive health, safety, and environmental (HSE) laws, regulations, rules, and ordinances at the international, national, and local levels in multiple jurisdictions. The company must dedicate substantial resources to complying with these HSE regulations and the additional voluntary commitments. Costs relating to the implementation of and compliance with HSE requirements are part of Covestro's operating costs and must therefore be covered by the prices at which the company is able to sell its products. Competitors of Covestro that are not affected by equally strict HSE requirements may have lower operating costs and, as a consequence, their products may be priced lower than those of Covestro.

Operations at our sites may be disrupted by external influences such as fires/explosions, sabotage, or supply shortages for our principal raw materials or intermediates. We mitigate this risk to the extent possible and

economically feasible by distributing production of certain products among multiple sites and by building up safety stocks. Furthermore, a security and crisis management system has been implemented for all our production sites as a mandatory component of our HSEQ management activities. It is aimed at protecting own workers, neighbors, the environment, and production facilities from the risks described. The "Corporate Security" and "Crisis Management" Group Regulations forms the foundation for this.

Organic growth through investment projects may involve risks in relation to the overall project scope, location, and timing. These risks are addressed through established processes that involve a variety of internal and external stakeholders. A robust investment assessment process helps to ensure that we are capitalizing on organic growth opportunities at the right time. These projects are reviewed throughout the project timeline so that any potential changes in the market situation are considered, enabling us to react in a timely manner, if necessary.

Product Stewardship

Concerns about product safety and environmental protection could influence public perceptions of Covestro's products and operations, the viability of certain products, its reputation, and its ability to attract and retain employees. Due to the technical expertise required to fully understand the possible effects of the chemical constituents of our products, the company's reputation may suffer due to claims that such compounds are of a harmful nature, even if these claims can be disproved by experts. Such statements may lead to changes in consumer preferences or additional governmental regulations even before any harm is scientifically substantiated and possibly despite scientific evidence to the contrary.

→ For further information, please refer to "ESRS E2: Pollution."

→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

Law and Compliance

The Covestro Group is exposed to risks from legal disputes or proceedings to which we are currently a party or that could arise in the future. This may affect, for example, the areas of product liability, competition law, tax law, and environmental law.

Investigations of possible legal or regulatory violations may result in the imposition of criminal, civil, and/or tax law penalties. These sanctions carry the risk of entailing substantial monetary fines and other adverse financial consequences. They can also harm Covestro's reputation and ultimately hamper our commercial success.

Legal proceedings currently considered to involve material risks are described in the Notes to the Consolidated Financial Statements.

→ For further information, please refer to note 26 "Legal Risks" in the Notes to the Consolidated Financial Statements.

Financial Opportunities and Risks

The Covestro Group is exposed to liquidity risks, foreign currency and interest-rate opportunities and risks, credit risks, and risks resulting from obligations for pensions and other post-employment benefits. Appropriate processes to manage financial opportunities and risks have been established and documented. One component of this is financial planning, which serves as the basis for establishing liquidity needs and foreign currency risk. Financial planning comprises a planning horizon of 12 months and is regularly updated.

The section below and the Notes to the Consolidated Financial Statements present the financial opportunities and risks material to the Covestro Group – independent of their likelihood of occurrence.

→ For further information, please refer to note 24.2 "Financial Risk Management and Information on Derivatives" in the Notes to the Consolidated Financial Statements.

Liquidity Risk

Liquidity risk is the risk of not being able to meet existing or future payment obligations. The liquidity status of all material Group companies is continuously planned and monitored. Liquidity is secured by cash pooling agreements as well as internal and external financing. A syndicated revolving credit facility totaling €2.5 billion, increased and renewed with a maturity to March 2027 in fiscal 2020 offers additional financial flexibility.

Foreign Currency Opportunities and Risks

For the Covestro Group, foreign currency opportunities and risks result from changes in exchange rates and the related changes in value.

Material foreign currency exposures from operating and financial activities are fully hedged through forward exchange contracts.

Anticipated foreign currency exposures were not hedged in the reporting year. These exposures are also hedged using forward exchange contracts if the foreign currency risk increases significantly.

Interest Rate Opportunities and Risks

Interest rate opportunities and risks for the Covestro Group result from changes in capital market interest rates, which could lead to changes in the fair value of fixed-rate financial instruments and in interest payments in the case of floating-rate instruments. To minimize adverse effects, interest rate risk is managed centrally based on an optimized debt maturity structure.

Credit Risks

Credit risks arise from the possibility that the value of receivables or other financial assets of the Covestro Group may be impaired because counterparties cannot meet their payment or other performance obligations. To manage credit risks from receivables, credit managers are appointed who regularly analyze customers' creditworthiness and set credit limits.

Risk to Pension Obligations from Capital Market Developments

The Covestro Group has obligations to current and former employees related to pensions and other post-employment benefits. Changes in relevant measurement parameters such as interest rates, mortality rates, and salary increase rates may raise the present value of these obligations, resulting in increased costs for pension plans. A proportion of the Covestro Group's pension obligations is covered by plan assets. Declining or even negative returns on the investment of the plan assets may adversely affect their future fair value. Both these effects may negatively impact the company's earnings and may necessitate additional payments by the company.

We address the risk of market-related fluctuations in the value of plan assets through balanced strategic investments and by constantly monitoring investment risks with regard to pension obligations. In addition, funding measures for pension obligations are regularly reviewed, taking into account country-specific regulatory requirements and liquidity to reduce funding gaps and thereby limit this risk.

→ For further information, please refer to note 19 "Provisions for Pensions and Other Post-Employment Benefits" in the Notes to the Consolidated Financial Statements.

CORPORATE GOVERNANCE

Declaration on Corporate Governance

Covestro's corporate governance is characterized by a sense of responsibility as well as ethical principles. Covestro places great importance on responsible corporate governance. This promise to shareholders, business partners, and our employees is based on our commitment to the German Corporate Governance Code (GCGC) and Articles of Incorporation that reflect these standards. In pursuing our business activities, we follow company principles that exceed the requirements of the law and the GCGC. A key concern is combining business success with environmental and social goals, so when making any business decision, we always consider the three dimensions of sustainability – people, planet, profit. The principles guiding our actions, which are also based on these dimensions, are documented in six policies applicable throughout the Group. These provide our employees with guidance for the following topics: value creation; sustainability; innovation; people; health, safety, environment, energy, and quality (HSEQ); and compliance. The standards contained in these policies are mandatory for all employees worldwide.

→ For further information, please refer to www.covestro.com/en/sustainability/documents-and-downloads/policies-and-commitments

The Board of Management and Supervisory Board provide information pertaining to corporate governance in the sections that follow, including a combined Declaration on Corporate Governance for Covestro AG pursuant to Section 289f and for the Covestro Group pursuant to Section 315d of the German Commercial Code (HGB).

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

The Board of Management and Supervisory Board issued the declaration of compliance with the GCGC pursuant to Section 161 AktG in December 2024:

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

Covestro AG has complied with the recommendations of the Commission of the German Corporate Governance Code, as amended on April 28, 2022, published by the Federal Ministry of Justice on June 27, 2022 in the official part of the Federal Gazette, since the last declaration of compliance was issued in December 2023. Covestro AG will continue to comply with these recommendations in the future, with the exception of the following deviation::

- **Recommendation G.10 sentence 2:** According to recommendation G.10 sentence 2, granted long-term variable remuneration components shall be accessible to Board of Management members only after a period of four years.

Against the backdrop of the tender offer by ADNOC International Germany Holding AG ("Takeover Offer"), the Supervisory Board of Covestro AG intends to adjust the compensation system and the long-term incentive program for the members of the Board of Management. In order to enable the members of the Board of Management to transfer the shares of Covestro AG held by them as part of the completion of the Takeover Offer, the acquisition and holding obligations incumbent on the members of the Board of Management of Covestro AG with regard to shares of Covestro AG ("Acquisition and Holding Obligations") are to be waived.

The Supervisory Board is convinced that it is in the interest of Covestro AG to enable the members of the Board of Management to transfer the shares of Covestro AG held by them as part of the completion of the Takeover Offer. This was and is necessary in particular in order to be able to allow the members of the Board of Management to decide freely on the acceptance of the Takeover Offer, as required by section 27 (1) no. 4 of the German Securities Acquisition and Takeover Act with regard to the reasoned statement on the Takeover Offer. Only through the corresponding abolition of the Acquisition and Holding Obligations is it possible for the members of the Board of Management to proceed with their own shares in the context of the Takeover Offer in accordance with their personal convictions and thus send a signal to the market.

Leverkusen, December 2024

For the Board of Management

For the Supervisory Board

Dr. Markus Steilemann

Dr. Richard Pott

Corporate governance disclosures and supplementary information on the Board of Management and Supervisory Board, along with the declaration of compliance with the GCGC of December 2024 and those of the past five years are published on Covestro's website.

→ For further information, please refer to: www.covestro.com/en/company/management/corporate-governance

Compensation Report/Compensation System

The compensation system applicable to members of the Board of Management, which was approved by the Annual General Meeting (AGM) on April 19, 2023, and the compensation of the members of the Supervisory Board set out in Section 12 of the Articles of Incorporation of Covestro AG, which was approved by the AGM on April 21, 2022, are available on our website. The Compensation Report, the auditor's report in accordance with Section 162, Paragraph 3 AktG, and the corresponding results of the latest AGM are also made accessible there. The Compensation Report for fiscal 2024 is part of this Annual Report.

→ For further information, please refer to: www.covestro.com/en/company/management/corporate-governance

Composition, Duties and Activities of the Board of Management and Supervisory Board Board of Management

Duties and Activities of the Board of Management

The Board of Management runs the company on its own responsibility with the goal of sustainably increasing the company's enterprise value and achieving defined corporate objectives. In doing so, it takes into account the interests of shareholders, employees, and other stakeholders. The Board of Management performs its duties according to the law, the Articles of Incorporation, the Board of Management's rules of procedure, and the recommendations of the GCGC as stated in the declaration of compliance. It ensures compliance with the law and internal company policies, and works with the company's other governance bodies in a spirit of trust.

→ The current rules of procedure for the Board of Management are available at:

www.covestro.com/en/company/management/corporate-governance

The Board of Management defines the long-term goals and strategy for the company and sets forth the principles and policies for the resulting corporate policies. Furthermore, it coordinates and monitors the most important activities, defines the company's portfolio, develops and deploys managerial staff, allocates resources, and decides on the management and reporting of the Covestro Group. In this context, the Board of Management ensures that both, the risks and opportunities for the company associated with social and environmental factors, and the ecological and social impact of the company's activities are systematically identified and assessed. In addition to the long-term economic goals, the corporate strategy also takes ecological and social goals into account. Corporate planning incorporates appropriate financial and sustainability-related goals.

During their period of service for Covestro, Board of Management members are subject to a comprehensive non-compete clause. They are obligated to work in the company's interests at all times and may not pursue any personal interests in making decisions for the company or take advantage of the company's business opportunities for themselves. All Board of Management members are required to disclose any conflicts of interest to the Chair of the Supervisory Board's Human Resources Committee and the Board of Management Chair, and inform the other Board of Management members of this fact. Other duties, particularly holding seats on Supervisory Boards or comparable governing bodies at companies outside the Group, may only be assumed with the approval of the Supervisory Board.

The members of the Board of Management bear joint responsibility for running the business as a whole. However, the individual members manage the areas assigned to them on their own responsibility within the framework of the decisions made by the full Board. The allocation of duties among the members of the Board of Management is defined in a written schedule appended to its rules of procedure and listed in the following table. The full Board of Management makes decisions on all matters of fundamental importance and in cases where a decision of the full Board is prescribed by law or otherwise mandatory. The rules of procedure of the Board of Management contain a list of topics that must be dealt with and resolved by the full Board.

Board of Management meetings are held regularly and are convened by the Chair of the Board of Management. Any member of the Board of Management may also request that a meeting be convened, notifying the other members of the matter for discussion. The Board of Management makes decisions by a simple majority of the votes cast, except where unanimity is required by law. In the event of a tie, the Chair casts the deciding vote.

According to the Board of Management's rules of procedure, the Chair bears particular responsibility for functional coordination of all Board of Management areas. The Chair represents the Board of Management as well as Covestro AG and the Group in dealings with the public and other third parties.

Composition of the Board of Management

[ESRS 2.21 \(a\)](#) The Supervisory Board appoints the Board of Management of Covestro AG, its Chair, and the Labor Director. The Board of Management currently has no committees. In the fiscal year 2024, the composition of the Board of Management was as follows:

Areas of responsibility¹

Name	Position	Areas of responsibility	Memberships ²
Dr. Markus Steilemann	Chief Executive Officer	<ul style="list-style-type: none"> • Communications • Corporate Audit • Human Resources • Strategy • Group Innovation & Sustainability 	<ul style="list-style-type: none"> • Member of the Supervisory Board of Fuchs Petrolub SE³
Christian Baier	Chief Financial Officer ⁴	<ul style="list-style-type: none"> • Accounting • Controlling • Finance & Insurance • Information Technology & Digitalization • Investor Relations • Law, Intellectual Property & Compliance • Portfolio Development • Taxes 	<ul style="list-style-type: none"> • Member of the Supervisory Board of TUI AG³
Dr. Thorsten Dreier	Chief Technology Officer Labor Director	<ul style="list-style-type: none"> • Engineering • Process Technology • Group Health, Safety, Environment and Reliability • Group Procurement 	
Sucheta Govil	Chief Commercial Officer	<ul style="list-style-type: none"> • Performance Materials • Tailored Urethanes • Coatings & Adhesives • Engineering Plastics • Specialty Films • Elastomers • Thermoplastic Polyurethanes • Supply Chain & Logistics EMLA, NA, APAC 	<ul style="list-style-type: none"> • Member of the Board of Directors of Mondi plc³ (since October 2024)

¹ As of December 31, 2024.

² Memberships on supervisory boards and memberships in comparable supervising bodies of German or foreign corporations.

³ Listed.

⁴ The Chief Financial Officer (CFO) is also responsible for country-specific topics in the United States and China. [↗](#)

Objectives and Concept for the Composition of the Board of Management

Assisted by the Human Resources Committee and the Board of Management, the Supervisory Board arranges long-term succession planning for individual Board of Management members. It conducts a systematic process for selecting candidates for the Board of Management, while following the recommendations of the GCGC. In accordance with Covestro's corporate values, it also observes the diversity principle, i.e., balancing the Board's composition in terms of age, educational and professional background as well as a balanced gender ratio among members. Board of Management members will generally not be appointed if they are over the age of 63.

[ESRS 2.21 \(c\)](#) The Board of Management as a whole should represent a variety of backgrounds and possess extensive experience in corporate strategy, innovation, production and technology, marketing and sales, finance, leadership and sustainability management. [↗](#) Members of the Board of Management are initially appointed for a maximum of three years.

[ESRS 2.21 \(c\)](#) When filling specific Board of Management positions, the Human Resources Committee also develops a skills profile that is based on the diversity criteria and used to evaluate candidates from within and outside the company. [↗](#) The Human Resources Committee conducts structured individual interviews with the eligible shortlisted candidates determined in this way. The committee then submits a proposed resolution to the Supervisory Board. Both the Human Resources Committee and the Supervisory Board make decisions in the company's interest, taking into account all the circumstances of each individual case. When necessary, external advisors support the Supervisory Board in preparing and executing specific succession decisions.

Implementation Status of the Objectives

Covestro AG's Board of Management currently has four members. The goals regarding age structure and function-specific expertise were generally met in fiscal 2024. The Board of Management additionally meets the education and professional background requirements. The Board of Management's members ranged in age from

48 to 61 in fiscal 2024. [ESRS 2.21 \(c\)](#) As a whole, the Board of Management features members with a range of different educational backgrounds. In particular, they possess many years of experience in the following areas: engineering, physics and chemistry, business administration, and finance. The members of the Board of Management have gathered extensive professional experience in Germany and abroad as well as in the chemical industry. In the course of their careers, they have held leadership positions in marketing and sales, innovation, corporate strategy, production and technology, and finance, among others, and possess extensive experience in human resources management and project management. [ESRS 2.21 \(c\)](#)

Promotion of Equal Participation of Women and Men in Leadership Positions

The Act Supplementing and Amending the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors of August 7, 2021, (FüPoG II) requires listed companies in Germany that are subject to codetermination rules and whose boards of management have more than three members to appoint at least one woman and one man to the board. The obligation stipulated as a general rule by the First Leadership Positions Act (FüPoG I) as far back as 2015 remains in effect: these companies are required to define target quotas for appointing women to their supervisory boards, boards of management, and the two management levels below, and to establish dates by which this quota is to be achieved in each case. If quotas are newly set in percent since FüPoG II entered into force, they must be specified as whole numbers.

In accordance with Section 96, Paragraph 2 AktG, the supervisory board of a company which is both listed and subject to codetermination rules should be composed of at least 30% women and at least 30% men. Although no targets need to be specified in this case, it is in the Supervisory Board's general interest to try to achieve gender parity in the Supervisory Board of Covestro AG. [ESRS 2.21 \(d\)](#) As of December 31, 2024, the Supervisory Board of Covestro AG comprised five women and seven men, which corresponds to a proportion of women of more than 40%. [ESRS 2.21 \(d\)](#) The minimum legal requirement has thus been met.

In accordance with Section 76, Paragraph 3a AktG, the board of management of a company which is both listed and subject to codetermination rules should be composed of at least one woman and at least one man, if it consists of more than three people. Although no targets need to be specified in this case, it is in the Supervisory Board's general interest to try to achieve gender parity in the Board of Management of Covestro AG. [ESRS 2.21 \(d\)](#) As of December 31, 2024, one woman and three men served on the Board of Management, which corresponds to a proportion of women of 25%. [ESRS 2.21 \(d\)](#) Covestro AG therefore also meets the legal minimum quota in accordance with Section 76, Paragraph 3a AktG.

In the year 2022, the Board of Management set new differentiated targets for the first two management levels below the Board of Management for the period through June 30, 2027, for both Covestro AG and the Covestro Group.

Targets for the proportion of women in the first two management levels below the Board of Management by June 30, 2027

	Covestro AG		Covestro Group	
	As of Dec. 31, 2024	Target by June 30, 2027 ³	As of Dec. 31, 2024	Target by June 30, 2027 ³
	%	%	%	%
Proportion of women in management level 1 ¹	0.0	25.0	25.0	31.0
Proportion of women in management level 2 ²	42.9	31.6	23.4	30.2

¹ Direct reports to the Board of Management with management responsibilities.

² Direct reports to management level 1 with management responsibilities.

³ The percentages are based on the employee numbers specified in the table below.

Targets for the proportion of women in the first two management levels below the Board of Management by June 30, 2027, in numbers of employees

	Covestro AG		Covestro Group	
	As of Dec. 31, 2024	Target by June 30, 2027	As of Dec. 31, 2024	Target by June 30, 2027
Proportion of women in management level 1 ¹	0 of 4	1 of 4	7 of 28	9 of 29
Proportion of women in management level 2 ²	9 of 21	6 of 19	40 of 171	54 of 179

¹ Direct reports to the Board of Management with management responsibilities.

² Direct reports to management level 1 with management responsibilities.

Supervisory Board

Duties and Activities of the Supervisory Board

The Supervisory Board advises and oversees the Board of Management. The Supervisory Board is directly involved in decisions on matters of fundamental importance to the company, regularly conferring with the Board of Management on the strategic alignment of Covestro AG and the Covestro Group, and on the implementation status of the business strategy. Monitoring and consulting also include sustainability issues that are dealt with not only in meetings of the full Supervisory Board, but also in committee meetings. The Supervisory Board Chair coordinates its work and presides over the meetings. The Chair also represents the Supervisory Board outside the company and holds discussions with investors on topics that fall within the Supervisory Board's tasks and responsibilities. In accordance with the Articles of Incorporation, the Supervisory Board has issued rules of procedure governing its activity. These rules of procedure are applicable to the Supervisory Board as a whole as well as to individual Supervisory Board committees. They also include rules concerning the composition and work of the committees.

→ The rules of procedure for the Supervisory Board are available at: www.covestro.com/en/company/management/corporate-governance

The Supervisory Board members are obligated to work in the company's interests at all times and may not pursue any personal interests in making decisions for the company or take advantage of the company's business opportunities for themselves. They are required to immediately disclose any conflicts of interest to the Chair of the Supervisory Board, in particular including those resulting from executive functions or consulting activities at customers, suppliers, lenders, or other third parties. If the conflict of interest is material and of more than a temporary nature, the Supervisory Board member must step down. In its report to the Annual General Meeting, the Supervisory Board discloses any conflicts of interest and how they were handled.

Another effectiveness and efficiency review of the Supervisory Board was performed in the 2024 reporting year. As in previous years, it was conducted in writing on the basis of a questionnaire. The Supervisory Board discussed the results of this written self-assessment, which deals with the organization and work of the Supervisory Board and its committees, at the first ordinary Supervisory Board meeting in fiscal 2024. The topics included in particular the structure and conduct of Supervisory Board meetings, cooperation with the Board of Management, the flow of information to the Supervisory Board, responsibilities, composition, and work of the committees, and cooperation among the members of the Supervisory Board. On the whole, members found the Supervisory Board's activity effective and efficient. They continued to value in particular the detailed discussions and exchanges with the Board of Management on issues relating to strategy, for which sufficient time was allowed at Supervisory Board meetings and the annual strategy workshop.

→ For further information, please refer to "Report of the Supervisory Board" in Capital Market.

The Board of Management informs the Supervisory Board about business policy, corporate planning, and strategy in regular and open discussions. Further details of how the Board of Management provides information to the Supervisory Board, including ongoing information of the Chair of the Supervisory Board by the Chair of the Board of Management, are governed by the Board of Management's rules of procedure.

→ The rules of procedure for the Board of Management are available at: www.covestro.com/en/company/management/corporate-governance

The Supervisory Board approves the corporate planning and financing framework. It also approves the Financial Statements of Covestro AG and the Consolidated Financial Statements of the Covestro Group, along with the Group Management Report, taking into account the auditor's reports and explanations. The Board of Management and Supervisory Board issue an annual compensation report in accordance with Section 162 of the German Stock Corporation Act. The Supervisory Board also regularly meets without the Board of Management in attendance. The members of the Supervisory Board representing employees regularly hold structured discussions with members of the Board of Management prior to Supervisory Board meetings. Prior meetings of shareholder representatives are held on a case-by-case basis when necessary.

Composition of the Supervisory Board

»ESRS 2.21 (a) (b) The Supervisory Board has 12 members, half of whom are shareholder representatives and half employee representatives pursuant to the German Codetermination Act. The members of the Supervisory Board representing shareholders are elected individually by the Annual General Meeting. The six employee representatives comprise four Covestro employees and two union representatives; they are elected in accordance with the provisions of the German Codetermination Act. There were no Supervisory Board elections for either the shareholder or the employee side in fiscal 2024. However, there was one change on the employee side. In May 2024, Oliver Heinrich was appointed by the court as a representative of the German Mining, Chemical and Energy Industrial Union (IG BCE) on the Supervisory Board. This was preceded by the resignation of Ms. Reinhold-Knape as the IG BCE representative. Ms. Petra Kronen also left the Supervisory Board as of the end of fiscal 2024.«

»ESRS 2.21 (c) The Supervisory Board discussed the requirements stipulated by Section 100, Paragraph 5 AktG. Based on its composition, the Supervisory Board as a whole has in-depth industry expertise in the chemical and polymer sector in which Covestro operates. This industry knowledge was acquired by the members either through their jobs or the requisite continuing education. In addition, the Supervisory Board has at least one member with expertise in the area of accounting and at least one other member with expertise in the area of auditing.«]

ESRS 2.21 (a) Supervisory Board members¹

Name/function	Membership on the Supervisory Board	Position	Memberships ²
Dr. Christine Bortenlänger	Member of the Supervisory Board since October 2015	<ul style="list-style-type: none"> Member of various supervisory boards Chair of the Managerial Employees' Committees of Covestro Deutschland AG and of Covestro group 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Member of the Supervisory Board of MTU Aero Engines AG³ Member of the Supervisory Board of TÜV SÜD AG⁴ Member of the Supervisory Board of Siemens Energy AG³ Member of the Supervisory Board of Siemens Energy Management GmbH⁴ (Siemens Energy group)
Dr. Christoph Gürtler	Member of the Supervisory Board since April 2022	<ul style="list-style-type: none"> Managerial Employee of Covestro Deutschland AG 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Vice Chair of the Supervisory Board of Mitteldeutsche Braunkohlegesellschaft⁴ (Mibrag) Vice Chair of the Supervisory Board of Lausitz Energie Bergbau AG⁴ (LEAG) Chairman of the Supervisory Board of CHEMIE Pensionsfonds AG⁴
Oliver Heinrich	Member of the Supervisory Board since May 2024	<ul style="list-style-type: none"> Member of the Executive Board of IG BCE 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Independent Board Director of Danone SA³, France Independent Board Director of Sanofi SA³, France Member of the Board of Allianz Trade⁴, Belgium
Lise Kingo	Member of the Supervisory Board since April 2021	<ul style="list-style-type: none"> Member of various supervisory boards, governing bodies and committees Chair of the General Works Council of Covestro Member of the Group Works Council of Covestro 	<ul style="list-style-type: none"> Member of the Board of Allianz Trade⁴, Belgium
Petra Kronen (Vice Chair)	Member of the Supervisory Board since October 2015 until December 2024	<ul style="list-style-type: none"> Member of the Works Council of Covestro at the Uerdingen site Employee of Covestro Deutschland AG 	<ul style="list-style-type: none"> Vice Chair of the Supervisory Board of Covestro Deutschland AG^{4,5}
Irena Küstner	Member of the Supervisory Board since October 2015	<ul style="list-style-type: none"> Member of the Group Works Council of Covestro 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Member of the Supervisory Board of Covestro Deutschland AG^{4,5}
Frank Löllgen	Member of the Supervisory Board since April 2022	<ul style="list-style-type: none"> North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union (IG BCE), Düsseldorf 	<ul style="list-style-type: none"> Member of the Supervisory Board of Bayer AG³
Dr. Richard Pott (Chair)	Member of the Supervisory Board since August 2015	<ul style="list-style-type: none"> Member of various supervisory boards 	<ul style="list-style-type: none"> Chair of the Supervisory Board of Covestro Deutschland AG^{4,5} Member of the Supervisory Board of Freudenberg SE⁴ Member of the Supervisory Board of SCHOTT AG⁴ (until March 2024)
Petra Reinbold-Knape	Member of the Supervisory Board from January 2020 until April 2024	<ul style="list-style-type: none"> Secretary for IG BCE Chair of the Board of August-Schmidt-Stiftung 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Member of the Supervisory Board of Infineon Technologies Austria AG⁴, Austria (Infineon group) Member of the Board of Directors, Infineon Technologies China Co., Ltd.⁴, China (Infineon group) Member of the Board of Directors, Infineon Technologies Asia Pacific Pte., Ltd.⁴, Singapore (Infineon group) Member of the Board of Directors, Infineon Technologies Americas Corp.⁴, USA (Infineon group) Member of the Board of Directors, Infineon Technologies Japan K.K.⁴, Japan (Infineon group)
Dr. Sven Schneider	Member of the Supervisory Board since April 2022	<ul style="list-style-type: none"> Chief Financial Officer at Infineon Technologies AG 	<ul style="list-style-type: none"> Member of the Board of Directors, Infineon Technologies Japan K.K.⁴, Japan (Infineon group)

Supervisory Board members¹

Name/function	Membership on the Supervisory Board	Position	Memberships ²
Regine Stachelhaus	Member of the Supervisory Board since October 2015	<ul style="list-style-type: none"> Member of various supervisory boards Chair of the Works Council of Covestro at the Brunsbüttel site 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Director of SPIE SA³, France Member of the Supervisory Board of SPIE Deutschland und Zentraleuropa GmbH⁴ (SPIE group)
Marc Stothfang	Member of the Supervisory Board since February 2017	<ul style="list-style-type: none"> Member of Covestro-European Forum Employee of Covestro Deutschland AG 	
Patrick Thomas	Member of the Supervisory Board since July 2020	<ul style="list-style-type: none"> Member of various supervisory boards 	<ul style="list-style-type: none"> Member of the Supervisory Board of Covestro Deutschland AG^{4,5} Non-Executive Director (Chair) of Johnson Matthey plc³, United Kingdom Non-Executive Director of Akzo Nobel N.V.³, Netherlands

¹ As of December 31, 2024, for members stepping down during the fiscal year, the information relates to the leaving date.

² Memberships on other supervisory boards and memberships in comparable supervising bodies of German or foreign corporations.

³ Listed.

⁴ Non-listed.

⁵ Covestro Group membership. [x](#)

Committees of the Supervisory Board

The Supervisory Board currently has the following committees:

Presidial Committee: The Presidial Committee comprises the Supervisory Board Chair and Vice Chair along with an additional shareholder representative and an additional employee representative. The Presidial Committee serves primarily as the mediation committee pursuant to the German Codetermination Act. It has the task of submitting proposals to the Supervisory Board on the appointment of members of the Board of Management if the necessary two-thirds majority is not achieved in the first vote at a plenary meeting. Certain decision-making powers in connection with capital measures, including the power to amend the Articles of Incorporation, have also been delegated to this committee. In addition, the Presidial Committee is responsible for dealing with tasks of the Supervisory Board in the case of takeover matters and has decision-making powers to a certain extent.

Members: Dr. Richard Pott (Chair), Petra Kronen (until December 2024), Petra Reinbold-Knape (until April 2024), Frank Löllgen (since May 2024), and Regine Stachelhaus

Audit Committee: The Audit Committee has six members of the Supervisory Board, with shareholders and employees equally represented. The requirements of the AktG and the GCGC for the expertise of members of the Audit Committee are met. Due to his many years of experience as Chief Financial Officer of international DAX-listed companies, the Chairman of the Audit Committee, Dr. Sven Schneider, has the required accounting expertise, i.e., special know-how and experience in the application of accounting policies and internal control and risk management systems, as well as auditing expertise. This also covers sustainability reporting and auditing. Dr. Sven Schneider meets the requirements of the GCGC for the qualifications and independence of the Chair of the Audit Committee. Dr. Christine Bortenlänger also has the required auditing expertise, primarily due to her many years of experience as a member of other audit committees of international listed companies. The accounting expertise also includes know-how in relation to sustainability reporting and auditing.

The Audit Committee's main responsibilities include auditing the accounts; monitoring the accounting and financial reporting process; monitoring the effectiveness of the internal control system, the risk management system, and the internal audit system; financial statement audits; and compliance. The accounting comprises in particular the Consolidated Financial Statements and the Group Management Report. The Audit Committee is responsible for conducting a preliminary examination of the Financial Statements, Consolidated Financial Statements, and Management Reports, including the mandatory sustainability reporting, and for discussing the quarterly and half-yearly reporting with the Board of Management. On the basis of the auditor's report, the Audit Committee develops proposals for resolutions by the Supervisory Board relating to the confirmation of the Financial Statements, the approval of the Consolidated Financial Statements, and the use of the distributable profit.

The Audit Committee is also responsible for the company's relationship with the external auditor. It submits a proposal to the full Supervisory Board concerning the auditor's appointment and is authorized to award the audit contract to the audit firm appointed on behalf of the Supervisory Board and to agree the auditor's remuneration. It also suggests areas of focus for the audit and monitors the quality of the audit as well as the independence and qualifications of the auditor. To this end, the Audit Committee has obtained a statement of independence from the auditor, who is required to immediately inform the Audit Committee about all possible grounds for exclusion or lack of impartiality arising during the audit or review, and all findings and incidents material to the Supervisory Board's responsibilities, particularly suspected accounting irregularities. The Audit Committee discusses the audit risk assessment, audit strategy and audit planning, and the audit results with the auditor. Moreover, the Audit Committee has requested that the auditor inform the Committee and make a note in the audit report if facts are identified during the financial statement audit process that indicate an error in the declaration of compliance with the GCGC submitted by the Board of Management and Supervisory Board. The Chairman of the Audit Committee has regular feedback sessions with the auditor on the audit progress and reports on this to the committee. During the respective meetings, the Audit Committee also has regular discussions with the auditor without the Board of Management.

Members: Dr. Sven Schneider (Chair), Dr. Christine Bortenlänger, Petra Kronen (until December 2024), Irena Küstner, Petra Reinbold-Knape (until April 2024), Frank Löllgen (since May 2024), and Patrick Thomas

Human Resources Committee: On the Human Resources Committee, too, there is parity of representation between shareholders and employees. It consists of the Supervisory Board Chair and three other members. The Committee prepares the personnel decisions of the full Supervisory Board, which resolves on appointments or dismissals of members of the Board of Management. The Human Resources Committee resolves on behalf of the Supervisory Board on the service contracts of the members of the Board of Management. However, it is the responsibility of the full Supervisory Board, based on the recommendations submitted by the Human Resources Committee, to resolve on the total compensation of the individual members of the Board of Management and the respective compensation components, as well as to regularly review the compensation system. The Human Resources Committee also discusses the long-term succession planning for the Board of Management.

Members: Dr. Richard Pott (Chair), Dr. Christoph Gürtler, Petra Kronen (until December 2024), and Regine Stachelhaus

Nomination Committee: The Nomination Committee carries out preparatory work when an election of shareholder representatives to the Supervisory Board is to be held. It suggests suitable candidates for the Supervisory Board to propose to the Annual General Meeting for election. The committee comprises the Supervisory Board Chair, the other Supervisory Board member representing shareholders on the Presidial Committee, and another elected Supervisory Board member representing shareholders.

Members: Dr. Richard Pott (Chair), Regine Stachelhaus, and Patrick Thomas

Sustainability Committee: The Sustainability Committee has four Supervisory Board members with parity of representation between shareholders and employees. The Chair of the Sustainability Committee is elected by the Supervisory Board from between the two shareholder representatives elected to the Committee. The committee advises the Supervisory Board, its committees, and the Board of Management, as well as working on sustainable corporate governance and the company's environmental, social, and governance (ESG) activities in particular. It supports, monitors, and issues recommendations on the Board of Management's ESG strategies, targets, and initiatives, including the environmental, social, societal, ethical, and circular economy aspects of Covestro's business along the entire value chain.

The Sustainability Committee additionally helps the Audit Committee examine sustainability-related statements in the context of the audit of the mandatory sustainability reporting. Furthermore, it advises the Human Resources Committee on setting ESG targets for Board of Management compensation.

Members: Lise Kingo (Chair), Dr. Christoph Gürtler, Marc Stothfang, and Patrick Thomas

Details on the Supervisory Board's activities and its committees are provided by the Supervisory Board in its Report. The resumes of the members of the Supervisory Board are published on Covestro's website and updated annually.

→ For further information, please refer to "Report of the Supervisory Board" in Capital Market.

→ For further information, please refer to: www.covestro.com/en/company/management/supervisory-board

Objectives for the Composition of the Supervisory Board and Diversity Concept

The composition of the Supervisory Board should be such that its members jointly possess the necessary expertise, skills, and professional experience to properly perform their duties, and are sufficiently independent. The Supervisory Board assesses the independence of its members according to the recommendation contained in the GCGC, as amended.

Covestro AG's Supervisory Board has agreed the following specific goals for its composition that align with the recommendations of the GCGC and at the same time provide for diversity in terms of age, independence, professional experience, and expertise in the sustainability topics important to the company, including particularly the circular economy, climate neutrality, and good corporate governance:

- The Supervisory Board has resolved that 75% of its members and more than half of the shareholder representatives on the Supervisory Board are to be independent.
- Absent of special circumstances, a Supervisory Board member should not serve more than three full terms of office and should not hold office beyond the end of the next Annual General Meeting following their 72nd birthday or, at the latest, the end of the Annual General Meeting following their 74th birthday.
- The Supervisory Board should not include more than two former members of the company's Board of Management. Supervisory Board members may not perform executive functions or consulting activities for major competitors of the company or any Group company, and they must not be exposed to other significant conflicts of interest.
- At least one member of the Supervisory Board should have accounting expertise and at least one other member should have auditing expertise.
- At least two Supervisory Board members must have function-specific knowledge in each of the following areas:
 - Strategy, mergers and acquisitions, capital markets
 - Marketing, sales, supply chain
 - Research and development, innovation
 - Sustainability (environment), circular economy and new technologies
 - Digitalization
 - Human resources, change management, sustainability (social)
 - Corporate governance, compliance
- The Supervisory Board must have at least two members with experience in industries, sales markets, and/or divisions of importance to Covestro, e.g., (polymer) chemistry, production, and technology.
- Taking into account the specific situation and international operations of Covestro and its affiliated companies, the Supervisory Board should strive to ensure sufficient diversity among its members. Moreover, at least three members should have managerial experience in an international enterprise and/or experience serving on other supervisory boards or supervisory bodies, and experience in relation to corporate culture and employee engagement.

The objectives described refer to the Supervisory Board as a whole unless resolved otherwise. However, since the Supervisory Board can only nominate candidates for election as shareholder representatives, it can only consider the objectives in making these nominations.

Implementation Status of the Objectives and Qualification Matrix

The Supervisory Board has several members with international business experience and an international background. The objectives pertaining to age limits, length of service, and independence are being met.

↳ **ESRS 2.21 (e)** In the Supervisory Board's opinion, the shareholder representative Dr. Richard Pott, Dr. Christine Bortenlänger, Lise Kingo, Dr. Sven Schneider, Regine Stachelhaus, and Patrick Thomas and the workers' representatives Petra Kronen, Dr. Christoph Gürtler, Oliver Heinrich, Irena Küstner, Frank Löllgen, and Marc Stothfang are independent within the meaning of the GCGC, meaning that 100% of the shareholder representatives and workers' representatives are independent.⌞ In principle, the requirements relating to function-specific knowledge are met.

→ For further information about Covestro AG's current Supervisory Board members, please refer to:

www.covestro.com/en/company/management/supervisory-board

ESRS 2.21 (c), (e), ESRS 2.23 (a) Qualification matrix¹

Category	Field of expertise	Supervisory Board members												
		C. Bortenlänger ²	C. Gürtler ³	O. Heinrich ³	L. Kingo ²	P. Kronen ³	I. Küstner ³	F. Löllgen ³	R. Pott ²	P. Reinbold-Knape ³	S. Schneider ²	R. Stachelhaus ²	M. Stothfang ³	P. Thomas ²
Industry- and company-specific knowledge/ experience	(Polymer)Chemistry	Light	Dark	Light	Light	Dark	Dark	Light	Dark	Light	Light	Light	Dark	Dark
	Production and technology	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light	Dark	Dark
Function-specific knowledge	Strategy, M&A, capital market	Dark	Light	Light	Dark	Dark	Light	Light	Dark	Light	Dark	Dark	Light	Dark
	Marketing/sales/supply chain	Dark	Light	Light	Light	Light	Light	Light	Light	Light	Light	Dark	Light	Dark
	R&D, innovation	Light	Dark	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light	Dark
	Sustainability (environment)/ circular economy/ new technologies	Light	Dark	Light	Dark	Light	Light	Light	Light	Light	Light	Light	Light	Dark
	Digitalization	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light	Light
	Human resources/ change management/ sustainability (social)	Light	Light	Dark	Dark	Dark	Dark	Dark	Dark	Dark	Dark	Dark	Dark	Light
	Corporate governance/ compliance	Dark	Light	Light	Dark	Light	Light	Light	Light	Light	Light	Dark	Light	Light
	Accounting	Light	Light	Light	Light	Light	Light	Light	Light	Light	Dark	Light	Light	Light
	Financial statement audit	Dark	Light	Light	Light	Light	Light	Light	Dark	Light	Dark	Light	Light	Light
	Management- and leadership experience	Leadership in an international enterprise	Light	Light	Light	Dark	Light	Light	Light	Dark	Light	Dark	Dark	Light
Corporate culture and employee engagement (Covestro focus)		Light	Dark	Light	Light	Dark	Dark	Dark	Dark	Dark	Light	Dark	Dark	
Membership in supervisory boards and governing bodies		Dark	Light	Dark	Dark	Dark	Light	Dark	Dark	Dark	Dark	Dark	Light	Dark
Further information														
Terms of office/ Appointments	Initial appointment	2015	2022	2024	2021	2015	2015	2022	2015	2020	2022	2015	2017	2020
	Re-appointment	2020				2017	2017		2020	2022		2020	2022	
	Re-appointment					2022	2022							
	End of term of office	2025	2027	2027	2025	2024	2027	2027	2025	2024	2026	2025	2027	2025
Diversity	Age (2024 reporting year minus year of birth)	58	57	47	63	60	58	63	71	65	58	69	58	67
	Gender (male, female, diverse)	F	M	M	F	F	F	M	M	F	M	F	M	M
	Nationality	D	D	D	DK	D	D	D	D	D	D	D	D	UK
	Independence ⁴	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Professional activity	Professional status/ "work stage" (executive vs. post-executive)	Post	Exec	Exec	Post	Exec	Exec	Exec	Post	Exec	Exec	Post	Exec	Post
	Overboarding	No	No	No	No	No	No	No	No	No	No	No	No	No

¹ Based on a self-assessment by the Supervisory Board, incorporating the individual assessments of individual Supervisory Board members and the recommendations of the Nomination Committee and Presidial Committee to the full Supervisory Board. The three shades of color refer to the levels of know-how, from basic know-how (light) through extensive know-how (medium) down to profound know-how (dark).

² Members representing shareholders.

³ Members representing employees.

⁴ In accordance with GCGC 2022.[¶](#)

[Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)]

»ESRS 2.22 (a), (c) i, ii At Covestro, the relevant expert functions are responsible for monitoring and controlling material impacts, risks, and opportunities. They report on current developments within their organizational structure to the responsible member of the Board of Management. »ESRS 2.22 (b) The Board of Management is responsible for managing the company and in this context defines the long-term targets and strategies for Covestro. The Board of Management also has a duty to approve the results of the double materiality assessment to identify and assess the impacts, risks, and opportunities material for Covestro. »ESRS 2.22 (b), (c) iii The Supervisory Board oversees and advises the Board of Management on these matters. Here, the Sustainability Committee has a special responsibility in advising on and overseeing the targets and strategies that the Board of Management has to define in connection with environmental, social, and governance matters.«

»ESRS 2.22 (c) iii As part of its sustainability management, Covestro has developed controls and procedures for managing the impacts, risks, and opportunities. Regular materiality assessments help Covestro identify and assess the key sustainability topics and their impacts, risks, and opportunities, thereby ensuring that they are up to date. This process taps into other internal analyses and management systems, such as assessment results from the human-rights-related risk analysis as well as existing risks in Group-wide risk management in relation to sustainability topics.«

→ For further information, please refer to "Impact, Risk and Opportunity Management."

»ESRS 2.22 (d) The management monitors progress, sets priorities, and, where necessary, adjusts the allocation of resources in relation to the material impacts, risks, and opportunities within the meaning of the ESRS. In this context, the Board of Management sets long-term targets, which it reviews regularly. The Supervisory Board and its committees, in particular the Audit Committee and the Sustainability Committee, monitor progress and advise the Board of Management in this regard. At the operational level, special bodies and functions and risk owners are responsible for implementing and monitoring actions, e.g., the Sustainability & Innovation Governance Body (SI GoB) for sustainability topics, the Group Human Rights Officer and the Human Rights Office for human rights.

»ESRS 2.22 (c) ii The CEO chairs the SI GoB and is therefore directly involved.«

Ensuring Sustainability Competence in the Board of Management and Supervisory Board

»ESRS 2.23 Covestro believes that it is important for the Board of Management and Supervisory Board to have suitable skills and professional knowledge for overseeing sustainability aspects.«

»ESRS 2.23 (a) Care is taken in the composition of the Board of Management to ensure that, in its entirety, it has many years of experience in sustainability management. The Human Resources Committee also takes this into account when putting together skills profiles for filling a Board of Management vacancy. Through regular exchanges between the Board of Management and the respective expert functions, it also has the requisite expertise related to sustainability.

The composition of the Supervisory Board is carefully planned so that at least two members each have function-specific knowledge in the areas of "sustainability (environment), circular economy, and new technologies" as well as "human resources, change management, sustainability (social)." Moreover, the Supervisory Board is committed to continuing education. Workshops are held for the Supervisory Board at which relevant Covestro-specific sustainability topics are highlighted and discussed, e.g., achieving climate neutrality through the circular economy.«

»ESRS 2.23 (b) By ensuring the required expertise related to sustainability in Covestro's Board of Management and Supervisory Board, the company is able to take account of the material impacts, risks, and opportunities within the meaning of the ESRS in its business decisions, to drive especially the transformation to the circular economy, and to take advantage of opportunities in the area of sustainable products. These specialist skills ensure, moreover, that sustainability risks are managed effectively.«

Securities Transactions by Members of Governing Bodies

In the reporting year, members of the Board of Management and Supervisory Board were required by law to report proprietary transactions in shares or debt instruments of Covestro AG or in related derivatives or other related financial instruments to Covestro AG and the German Federal Financial Supervisory Authority (BaFin)

without undue delay, no later than three business days after the date of the transaction, if the total value of the transactions is equal to or exceeds €20,000 in the calendar year. Covestro publishes the details of reportable transactions in suitable media in the European Union and on its website without delay, but no later than two business days after receipt of the disclosure, and also provides this information to the company register for archiving.

→ For further information about securities transactions by members of the Board of Management or Supervisory Board, please refer to: www.covestro.com/en/investors/share-details/disclosure-of-securities-transactions

Systematic Risk Management

Covestro's enterprise risk management system ensures early identification of any financial or nonfinancial risks. We attempt to avoid or mitigate identified risks, or to transfer them to third parties (such as insurers) to the extent possible and economically acceptable.

The internal control system (ICS) for accounting and financial reporting enables the timely monitoring of risks to prevent or correct potential errors in accounting for business transactions. It thus ensures the availability of reliable data on the company's financial situation.

However, the control and risk management system cannot provide absolute protection against losses arising from business risks or fraudulent actions.

Based on regular reports by the expert functions and audits conducted by Internal Audit (Corporate Audit function), the Board of Management is not aware of any matters that would lead to the assessment that the internal control system and the risk management system, which comprise a compliance management system aligned to the company's risk situation, are not largely appropriate and effective.

The main features of the internal control system, the risk management system, and the compliance management system, which is aligned with the company's risk situation, are described in the sections below.

→ For further information, please refer to "Group-wide Opportunity and Risk Management."

→ For further information, please refer to "ESRS G1: Business Conduct."

Detailed Reporting

We provide regular and timely information on the Covestro Group's position and significant changes in business activities to shareholders, financial analysts, shareholders' associations, the media, and the general public to maximize transparency. Four times a year, we report to our shareholders about the company's business performance and financial situation as well as on changes in the business prospects and risk situation. Covestro's reporting thus complies with the provisions of the GCGC.

In line with statutory requirements, the members of the company's Board of Management provide assurance that, to the best of their knowledge, the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, and the Combined Management Report provide a true and fair view.

The Financial Statements of Covestro AG, the Consolidated Financial Statements, and the Combined Management Report are published within 90 days following the end of each fiscal year. During the fiscal year, Covestro additionally informs shareholders and other interested parties about developments by means of the half-year financial report as well as quarterly statements after the end of the first and third quarters. The half-year financial report is voluntarily subjected to a review by the auditor appointed by the Annual General Meeting.

Covestro also provides information about the current corporate strategy, important growth areas, the financial position and results of operations, and financial targets at regular press conferences and analysts' meetings. The company uses the internet as a platform for the timely disclosure of information, with major publications, such as annual reports, half-year financial reports, and quarterly statements, and the dates of events, such as Annual General Meetings, posted on the Group's website.

In line with the principle of fair disclosure, all stockholders and other main target groups are treated equally as regards the communication of valuation-relevant information. All significant new facts are disclosed immediately to the general public. In addition to our regular reporting, we issue ad-hoc statements on developments that otherwise might not become publicly known but have the potential to materially affect the price of Covestro shares.

Shareholders and Annual General Meeting

Covestro's shareholders exercise their rights within the scope provided for by the law and the Articles of Incorporation at the Annual General Meeting and there exercise their right to vote. Each share of Covestro AG confers the same rights and carries one vote at the Annual General Meeting. Shareholders can exercise their voting rights by way of a proxy, e.g., a credit institution, a shareholders' association, or another third party. If made by means of a declaration to the company, the notification of the granting and cancellation of proxy authorizations may also be made electronically via the company's internet-based proxy system. The company also makes it easier for its shareholders to exercise their personal rights by appointing voting proxies to cast their votes, subject to their instructions. They are also available during the Annual General Meeting. The Board of Management can enable shareholders to take part in the Annual General Meeting without in-person attendance and without a proxy, and exercise all of their rights or individual rights in whole or in part through electronic means of communication. All of the company's shareholders and interested members of the public may watch the full Annual General Meeting live online on the company's website. All legally required documents and information on the Annual General Meeting are available to shareholders on Covestro's website as well.

In accordance with Article 13, Paragraph 2 of the Articles of Incorporation of Covestro AG, the Board of Management of Covestro AG decided to hold the Annual General Meeting on April 17, 2024, as a virtual AGM. As a result, no shareholders or their proxies (with the exception of the proxies nominated by the company) were physically present at the location of the AGM. Instead shareholders and their proxies were able to attend the meeting electronically via the InvestorPortal on the company's website and exercise their rights by way of electronic communication.

→ For further information about the Annual General Meeting, please refer to: www.covestro.com/en/investors/annual-general-meeting

Takeover-Relevant Information

Disclosures Pursuant to Sections 289a, 315a of the German Commercial Code (HGB) Investments in Capital Interest Held, Exceeding 10% of Total Voting Rights

In relation to its takeover offer to the company's shareholders dated October 25, 2024, ADNOC International Germany Holding AG, which has its registered office in Munich (Germany), announced on December 19, 2024 that the takeover offer had been accepted for a total of 154,541,806 shares of the company. That represents a share of 81.77% of the company's shares and voting rights. This means that, after completion of the takeover offer, ADNOC International Germany Holding AG will hold more than 75% of the shares and voting rights of the company.

In the same notification of December 19, 2024, ADNOC International Germany Holding AG also announced that XRG P.J.S.C. (formerly ADNOC International Limited), whose registered office is in Abu Dhabi (United Arab Emirates (XRG)), a person acting in concert with the Bidder pursuant to Section 2 (5) WpÜG, holds a total of 18,050,000 shares of the company and that the Abu Dhabi Investment Authority (ADIA), whose registered office is in Abu Dhabi (United Arab Emirates), likewise a person acting in concert with the Bidder pursuant to Section 2 (5) WpÜG, holds 305,897 shares of the company. Out of this total, ADIA accepted the takeover offer for 303,172 shares. In further notifications dated December 23, 2024 and December 24, 2024, ADNOC International Germany Holding AG also announced that XRG had acquired a further 500,000 shares of the company. In voting rights notification dated January 29, 2025, the Government of Abu Dhabi, which indirectly holds all shares of XRG, announced that cash-settled instruments within the meaning of Section 38 (1) No. 2 WpÜG were held for 6,500,000 shares of Covestro AG.

Subject to the completion of the takeover offer, this together corresponds to around 91.58% in relation to the shares and voting rights held directly and indirectly by XRG and to those held by the Government of Abu Dhabi (i.e., including the shares held by ADIA), and 3.44% of the shares and voting rights of the company in relation to the instruments.

For further information in this context, please refer to the latest voting rights notifications pursuant to the German Securities Trading Act (WpHG) published on our website.

→ <https://www.covestro.com/en/investors/share-details/voting-rights-announcements>

Apart from that, we are not aware of any other direct or indirect investments in the capital of Covestro AG equal to or exceeding 10% of the voting rights.

→ For further information on Covestro's ownership structure, please refer to: www.covestro.com/en/investors/stock-details/shareholder-structure

Appointment and Dismissal of Members of the Board of Management

The appointment and dismissal of members of the Board of Management are subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act, Section 31 of the German Codetermination Act, and Article 6 of the Articles of Incorporation of Covestro AG. Pursuant to Section 84, Paragraph 1 of the German Stock Corporation Act, the members of the Board of Management are appointed and dismissed by the Supervisory Board. The maximum term of service for a Board of Management member appointed for the first time is three years. Since Covestro AG falls within the scope of the German Codetermination Act, the appointment or dismissal of members of the Board of Management requires a majority of two-thirds of the votes of the members of the Supervisory Board on the first ballot pursuant to Section 31, Paragraph 2 of that act. If no such majority is achieved, the appointment is resolved pursuant to Section 31, Paragraph 3 of the Codetermination Act on a second ballot by a simple majority of the votes of the members of the Supervisory Board. If the required majority still is not achieved, a third ballot is held. Here again, a simple majority of the votes of the members suffices, but in this ballot, the Supervisory Board Chair has two votes pursuant to Section 31, Paragraph 4 of the Codetermination Act. Under Article 6, Paragraph 1 of the Articles of Incorporation, the number of members of the Board of Management is determined by the Supervisory Board but must be at least two. The Supervisory Board may appoint one member of the Board of Management to be its Chair and one member to be the Vice Chair pursuant to Section 84, Paragraph 2 of the German Stock Corporation Act and Article 6, Paragraph 1 of the Articles of Incorporation of Covestro AG.

Amendments to the Articles of Incorporation

Any amendments to the Articles of Incorporation are made pursuant to Section 179 of the German Stock Corporation Act and Articles 10 and 17 of the Articles of Incorporation. Under Section 179, Paragraph 1 of the German Stock Corporation Act, amendments to the Articles of Incorporation require a resolution of the Annual General Meeting. Pursuant to Section 179, Paragraph 2 of the German Stock Corporation Act, this resolution must be passed by a majority of three-quarters of the voting capital represented at the meeting, unless the Articles of Incorporation provide for a different majority. However, where an amendment relates to a change in the object of the company, the Articles of Incorporation may only specify a larger majority. Article 17, Paragraph 2 of the Articles of Incorporation utilizes the scope for deviation pursuant to Section 179, Paragraph 2 of the German Stock Corporation Act and provides that resolutions may be passed by a simple majority of the votes cast or, where a capital majority is required, by a simple majority of the capital represented. Pursuant to Article 10, Paragraph 9 of the Articles of Incorporation, the Supervisory Board may resolve on amendments to the Articles of Incorporation that relate solely to their wording.

Capital

Composition of the Capital Stock

The capital stock of Covestro AG amounted to €189,000,000 as of December 31, 2024, and is composed of 189,000,000 no-par value bearer shares. Each share confers equal rights and one vote at the Annual General Meeting (AGM).

Board of Management's Authorizations to Issue Shares

The AGM adopted a resolution on April 16, 2021, authorizing the Board of Management, with the approval of the Supervisory Board, to increase the capital stock by up to €57,960,000 in the period through April 15, 2026, by issuing new, shares against cash contributions and/or contributions in kind (Authorized Capital 2021); new shares will always participate in the profit from the beginning of the fiscal year of issue. The Board of Management is also authorized, with the approval of the Supervisory Board, to disapply the subscription rights of shareholders in certain cases. This applies initially to capital increases in return for contributions in kind, especially in the context of business combinations or acquisitions. In the case of capital increases in return for cash contributions, the authorization permits subscription rights to be disappplied for fractions to protect holders or creditors of warrants/conversion rights arising from bonds from dilution and if the issue price of the new shares, whose proportionate amount accounts for a maximum of 10% of the existing capital stock, is not significantly lower than the market price.

On July 30, 2020, the AGM additionally authorized the Board of Management to issue bonds with conversion or exchange rights or warrants, or with conversion obligations on up to 18,300,000 shares. Based on this authorization, convertible/warrant bonds can be issued up to a total nominal value of €2,000,000,000 in the period through July 29, 2025. The 2020 AGM also resolved to conditionally increase the capital stock by up to €18,300,000 by issuing up to 18,300,000 shares to grant shares to the holders or creditors of such convertible/warrant bonds (Conditional Capital 2020). The aforementioned bonds can be issued in return for cash contributions or contributions in kind. The Board of Management is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights when instruments are issued in return for contributions in kind, particularly as part of business combinations or acquisitions. When instruments are issued in return for cash contributions, subscription rights can be disappplied, with the approval of the Supervisory Board, for fractions to protect holders or creditors of warrants/conversion rights arising from (other) bonds from dilution and if the issue price of a bond is not significantly lower than its theoretical fair value calculated using accepted financial valuation methods, while at the same time limiting the volume of subscription shares to 10% of the existing capital stock.

In addition, the Board of Management declared in a Corporate Commitment ending no later than April 15, 2026, that it will not increase the company's capital stock from Authorized Capital 2021 and Conditional Capital 2020 by a total of more than 10% of the capital stock, insofar as capital increases are implemented while disapplying subscription rights.

Acquisition and Use of Treasury Shares

The AGM adopted a resolution on April 17, 2024 authorizing the Board of Management until April 16, 2029 to acquire treasury shares in an amount of up to 10% of the company's capital stock. The acquisition may only take place via the stock exchange or by means of a public purchase offer and must satisfy the principle of the equal treatment of shareholders, and the price must not be more than 10% higher or lower than the market price.

The Board of Management is furthermore authorized to use the treasury shares acquired for all purposes permitted by law, including their sale via the stock exchange or by means of an offer to all shareholders, while satisfying the principle of the equal treatment of shareholders; if they are sold via the stock exchange, shareholders' subscription rights are disappplied, and if they are sold by means of a public offer, the Board of Management is authorized to disapply subscription rights for fractions. In addition, the Board of Management is authorized: a) with the approval of the Supervisory Board, to sell the shares outside the stock exchange, if the selling price is not significantly lower than the market price, and with the proviso that this authorization is limited to a proportionate amount of up to 10% of the capital stock; b) with the approval of the Supervisory Board, to transfer the shares to third parties, in particular to acquire companies or equity investments; c) with the approval of the Supervisory Board, to use the shares to service warrants or conversion rights arising from bonds; d) to retire the shares without a further resolution by the AGM e) with the approval of the Supervisory Board, to use the shares to pay a scrip dividend. For the purposes specified in letters a), b), and c), shareholders' subscription rights are disappplied; for the purpose specified in letter e), the Board of Management is authorized to disapply subscription rights.

The transactions to acquire treasury shares may also be entered into by an independent financial institution using put or call options at a market-driven price, although the purchase of the shares using such derivatives must be made by April 16, 2029 and is at the same time limited to up to 5% of the capital stock.

Material Conditional Agreements

Some debt financing instruments contain clauses that refer to cases of change of control. Such clauses grant the respective investor additional rights of termination, which may be restricted by additional conditions – such as a rating being downgraded. Our syndicated credit line and our bonds, for example, are governed by change-of-control agreements.

For the case of a takeover offer for Covestro AG, agreements are in place that impose limits on the financial benefits in the event of early termination of the service contract of a Board of Management member due to a change of control. Such payments are subject to the severance cap set out in the German Corporate Governance Code as amended on April 28, 2022, and may not exceed compensation for the remaining term of the contract.

GROUP SUSTAINABILITY STATEMENT

General Information

Basis of Preparation

Our Group Sustainability Statement presents Covestro's material sustainability matters, broken down into environmental, social, and governance matters. These disclosures are supplemented with the general information on our reporting provided in this section. We report on entity-specific matters in the respective categories.

The Group Sustainability Statement was prepared on a consolidated basis. The scope of consolidation is identical to that used in financial reporting.

→ For further information, please refer to note 5.1 "Scope of Consolidation and Investments" in the Notes to the Consolidated Financial Statements.

In addition to our own business activities, our sustainability reporting also covers upstream and downstream value chains, if material impacts, risks, and opportunities in this regard were identified during the double materiality assessment.

→ For further information, please refer to "Impact, Risk and Opportunity Management."

Our sustainability reporting for the year 2024 was prepared for the first time in full application of the European Sustainability Reporting Standards (ESRS). Due to the resulting extensive changes to content and structure, comparability with the previous year's report is limited.

Disclosures based on other regulations or generally recognized pronouncements on sustainability reporting are presented in a corresponding table.

→ For further information, please refer to "Data Points that Derive from Other EU Legislation."

As a general rule, the company reports in compliance with the time horizons defined in ESRS 1.77. Any deviations from this are described in the respective section.

The material impacts, risks, and opportunities determined in the double materiality assessment are listed at the beginning of the respective sections on environmental, social, and governance matters, alongside any associated policies, actions, and targets. In the section texts, the policies, actions, and targets are highlighted in color to make them easier to find.

Covestro has not made use of the option to omit certain information relating to intellectual property, know-how, or the results of innovations.

At Covestro, we attach great importance to reporting metrics determined according to standardized and – where available – established methods. This guarantees a high standard of quality and enables comparability with other companies. The structure and complexity of the metrics presented in the Group Sustainability Statement in some cases requires the use of estimates and assumptions, which may change over time and impact the metrics presented. The specific methodology for determining our metrics is explained in detail in the sections concerned. Our aim is continually to improve the accuracy of the metrics reported as far as the underlying conditions allow.

As regards our Scope 3 emissions, it is in particular the method of calculating the "End-of-life treatment of sold products" category that is subject to greater uncertainty than that of other metrics in relation to the possible end-of-life treatment methods to be considered for our products. The breakdown of end-of-life treatment methods for each region is based on data from external studies, which represent the best estimate at the present time.

→ For further information, please refer to "ESRS E1: Climate Change – GHG Emissions."

We meet the ESRS disclosure requirements by using references in some cases. These references, which have been inserted in the respective sections of the Group Sustainability Statement, lead to further information in the general part of the Combined Management Report.

→ For further information, please refer to "ESRS References."

None of the metrics included in the Group Sustainability Statement have been validated by an external auditor who has not audited the entire Sustainability Statement.

Nonfinancial Group Statement

We publish the nonfinancial Group statement pursuant to Sections 315b and 315c in conjunction with Sections 289c through 289e HGB as an integrated part of the Group Management Report. The respective sections of the Group Sustainability Statement include the strategies we pursue in addressing environmental, employee, and social issues as well as protecting human rights and fighting corruption and bribery, including the due diligence processes followed and measures implemented, as well as the outcomes of these strategies. Covestro has not made use of the simplified procedure pursuant to Section 289e HGB.

Our business model is described in "Company Profile."

→ For further information, please refer to "Company Profile."

We applied the European Sustainability Reporting Standards (ESRS) as a framework for preparing the nonfinancial Group statement.

Key topics relevant to the nonfinancial Group statement were identified with the help of the double materiality assessment, taking the (sub- and sub-sub-)topics specified in ESRS 1.AR 16 into account. Topics were included in the nonfinancial Group statement if their impact on people and the environment and their financial effects, i.e., risks or opportunities, had been assessed as material. Materiality was determined on the basis of a rating of more than 3.5 on a scale from 1 to 5. Nonfinancial performance indicators are reported only when these are important to the Covestro Group.

A nonfinancial statement or nonfinancial report in accordance with Sections 289c through 289e of the HGB does not have to be provided for Covestro AG at present.

The following table provides an overview of the key sustainability topics with an eye to the relevant aspects and contains references to the specific sections in the Group Management Report.

Key sustainability topics of the Group's nonfinancial statement (HGB)

Key topics of the Group's nonfinancial statement (German Commercial Code)	Relevant aspects in accordance with the Group's nonfinancial statement (German Commercial Code)	Section in the Group Sustainability Statement
Protection of whistle-blowers	Employee matters, fighting corruption and bribery, respect for human rights, social matters	ESRS G1: Business Conduct
Resource inflows, including resource use	Environmental matters, social matters	Impact, Risk and Opportunity Management, ESRS E5: Resource Use & Circular Economy
Substances of concern	Environmental matters	Impact, Risk and Opportunity Management, ESRS E2: Pollution
Substances of very high concern	Environmental matters, respect for human rights	Impact, Risk and Opportunity Management, ESRS E2: Pollution
Working Conditions (Own workforce)	Employee matters, respect for human rights, social matters	ESRS S1: Own Workforce
Working Conditions (Value chain)	Respect for human rights, social matters	ESRS S2: Workers in the Value Chain

Summary of Covestro's material sustainability matters using the ESRS

Sustainability matter			Materiality Result		Location in the value chain			Section in Group Sustainability Statement
Topic	Sub topics	Sub-sub-topics	Impact on the environment and people	Financial impact	Upstream	Own operations	Downstream	
Environmental matters								
ESRS E1: Climate Change	Climate change adaptation			x		x		"ESRS E1: Climate Change"
	Climate change mitigation		x		x	x	x	
	Energy		x		x			
ESRS E2: Pollution	Pollution of air		x		x	x		"ESRS E2: Pollution"
	Pollution of water		x		x	x	x	
	Pollution of soil			x		x		
	Substances of concern		x	x		x	x	
	Substances of very high concern		x	x		x	x	
ESRS E3: Water and marine resources	Water	Water withdrawals	x		x	x	x	"ESRS E3: Water and marine resources"
ESRS E4: Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	Climate change	x		x		x	"ESRS E4: Biodiversity and ecosystems"
		Pollution	x		x	x	x	
ESRS E5: Resource use and circular economy	Resource inflows, including resource use		x	x	x	x		"ESRS E5: Resource use and circular economy"
	Resource outflows related to products and services		x			x	x	
	Waste		x			x		
Entity-specific matters	Sustainable Solutions		x				x	"Sustainable Solutions"
Social Matters								
ESRS S1: Own workforce	Working Conditions	Adequate wages	x			x		"ESRS S1: Own workforce"
		Health and safety	x	x		x		
		Gender equality and equal pay for work of equal value	x			x		
	Other work-related rights	Diversity	x			x		
		Child labour	x			x		
ESRS S2: Workers in the value chain	Working Conditions	Forced labour	x		x	x	x	"ESRS S2: Workers in the value chain"
		Gesundheitsschutz und Sicherheit	x	x				
	Other work-related rights	Child labour	x		x			
		Forced labour	x		x			
Governance Matters								
ESRS G1: Business conduct	Protection of whistle-blowers		x	x	x	x		"ESRS G1: Business conduct"

Governance

The Role of the Administrative, Management, and Supervisory Bodies

For the disclosures under ESRS 2.21-23, we have used the option to present them by reference; the corresponding disclosures can be found in the "Declaration on Corporate Governance" and are identified accordingly there.

→ For further information, please refer to the "Declaration on Corporate Governance."

Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies

At Covestro, the relevant expert functions are responsible for the operational monitoring and control of material impacts, risks, and opportunities. They continually report on current developments within their organizational structure to the responsible member of the Board of Management.

The objective of the central Sustainability & Innovation Governance Body (SI GoB) is to develop recommended actions for sustainability transformation, identify resources for research and development, and manage the innovation portfolio for relevant internal stakeholders. The body, which is staffed with top-level executives from the business entities and relevant corporate functions, meets four times a year. The Chief Executive Officer (CEO) chairs the body, while the head of the corporate GIS function, who also acts as Chief Sustainability Officer (CSO), is responsible for organizing and managing the body and reports to the CEO.

Alongside business-related R&D in the business entities centered on sustainability, the circular economy, climate neutrality, and digital transformation, GIS develops the sustainability strategy and drives cross-functional sustainability projects and programs in the company. GIS coordinates Covestro's sustainability activities and supports the other corporate functions and business entities in implementing them in operations.

GIS also supports communication with external stakeholders such as authorities, associations, and the general public, and represents Covestro's interests in these areas.

The Supervisory Board, and in particular its Sustainability Committee, are regularly given the latest information by the Board of Management about developments in the area of sustainability. These reports ensure that the Supervisory Board can fulfill the role and responsibility assigned to it, including in relation to sustainability matters and any associated impacts, risks, and opportunities.

→ For further information, please refer to "Report of the Supervisory Board" in Capital Market.

→ For further information, please refer to the "Declaration on Corporate Governance."

The Board of Management's decisions are aimed at sustainably increasing the company's enterprise value and achieving the corporate objectives. The purpose, vision, mission, and strategy are adopted for this purpose. The Board of Management is also responsible for approving all transactions that go beyond the ordinary course of business or are of strategic importance, including decisions on investments, acquisitions, and divestitures. In this context, the Board of Management deals on an ad hoc basis with specific impacts, risks, and opportunities as well as the associated policies, actions, metrics, and targets. In weighing up these kinds of transactions, it considers not only economic factors, but also potential impacts on people and the environment. Through selected ESG criteria, the management system, for example, has already been aligned with sustainability and, in particular, with impacts in connection with greenhouse gas emissions.

In fiscal 2024, critical adjustments were made to the Group's Sustainable Future strategy. In this process, the Board of Management firstly took account of the impacts, risks, and opportunities connected to our vision of becoming fully circular; i.e., in particular in relation to the circular economy and climate neutrality; secondly, a workforce that is fit for the future is now also firmly established as an enabler in addition to the strong corporate culture.

→ For further information, please refer to "Corporate Strategy – Group Strategy."

Group-wide risk management is likewise aimed at safeguarding the continued existence of the company, taking account of the strategy, legal framework, and developments. The risk portfolio considered there is interlinked with material sustainability topics and the associated financial risks and opportunities.

→ For further information, please refer to "Opportunities and Risks Report – Risk Management System."

→ For further information, please refer to "Impact, Risk, and Opportunity Management."

All decisions are made on the premise that we comply with applicable laws and stand by our corporate commitments, including in connection with industry agreements. Against this backdrop, no compromises are made in the management of impacts, risks, and opportunities.

In the course of approving the results of the double materiality assessment, the Board of Management received information on all the material impacts, risks, and opportunities disclosed in the Group Sustainability Statement. In fiscal 2024, the Supervisory Board's Sustainability Committee was informed firstly about the degree of implementation of the Corporate Sustainability Reporting Directive (CSRD) at Covestro and secondly about the results of the double materiality assessment.

Integration of Sustainability-Related Performance in Incentive Schemes

In accordance with our strategy and vision, we have integrated a sustainability component in both the short-term and long-term variable compensation of the members of the Board of Management and of employees.

Short-Term Variable Compensation

The payment of the short-term variable compensation (short-term incentive, STI) for fiscal 2024 is based on four equally weighted criteria: profitable growth, liquidity, profitability, and sustainability. This means that short-term variable compensation is directly linked to the Covestro Group's success. The sustainability component is determined by the direct and indirect Scope 1 and Scope 2 GHG emissions (CO₂ equivalents) of the main sites. The sustainability component accounts for a share of 25%. The targets for this component are derived from Covestro's target of making its operations climate-neutral by the year 2035, i.e., reducing its own emissions (Scope 1) and the emissions from external energy sources (Scope 2) to net zero.

→ For further information, please refer to "ESRS E1: Climate Change."

Long-Term Variable Compensation

The Prisma share-based compensation program for long-term variable compensation (long-term incentive, LTI) takes into account the performance of Covestro shares, including dividends (total shareholder return) and outperformance

against the STOXX Europe 600 Chemicals* index over a period of four years. For Prisma tranches from fiscal 2021, the LTI plan was expanded to also include a sustainability component. The target for the sustainability component is the reduction target for annual Scope 1 and Scope 2 GHG emissions (CO₂ equivalents); it has since the year 2022 been based on the target of making Covestro's operations climate-neutral by the year 2035. The LTI plan applies to members of Covestro's Board of Management and the company's senior executives. When the plan was introduced, the weighting of the sustainability component was set at 25%. Two additional sustainability criteria relating to social matters were added for the Prisma tranches starting in and after 2024. The two new sustainability criteria relating to the "Social" aspect, the participation rate in the regularly held employee survey and the recordable incident rate (RIR), which measures the number of recordable incidents against the hours worked by all employees and contractor employees of the Covestro Group worldwide, will only be reflected in the payout from the 2024–2027 Prisma tranche, which will be determined in the year 2027. Each sustainability criterion, including the emissions criterion, was weighted at 10%, resulting in a total of 30% for the sustainability criteria.

Share of Compensation Attributable to Sustainability-Related Performance

The sustainability component for short-term variable compensation, which is based on a reduction in GHG emissions, accounts for a share of 25%. This corresponds to the weighting for the target compensation, because the Supervisory Board's decision to set the payment for fiscal 2024 at a value of 40% means that partial amounts for the individual criteria cannot be calculated. The payout of the Prisma 2021–2024 tranche represents a share of 33.8% of the total payout based on the climate-related sustainability component. In total, this results in the following shares of compensation awarded and due for fiscal 2024 on the basis of climate-related considerations.

* STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

Share of compensation relating to GHG reduction targets in the reporting year

	Dr. Markus Steilemann (Chief Executive Officer)	Christian Baier (Chief Financial Officer) ¹	Dr. Thorsten Dreier (Chief Technology Officer and Labor Director) ¹	Sucheta Govil (Chief Commercial Officer)
Share of compensation that is linked to climate-related considerations, in %	22.7	7.1	9.2	22.6

¹ Due to their appointment to the Board of Management in the year 2023, Christian Baier and Dr. Thorsten Dreier had no or only a significantly lower entitlement to payment from the 2021–2024 Prisma tranche than the other two Board of Management members.

Board of Management compensation is determined by the Supervisory Board in accordance with Section 87 (1) of the German Stock Corporation Act (AktG). 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. 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.

Compensation of the Supervisory Board

The compensation of the Supervisory Board is in line with the provisions of the Articles of Incorporation, which were approved by the Annual General Meeting (AGM). In accordance with the recommendations of the German Corporate Governance Code, the members of the Supervisory Board receive only fixed compensation.

The compensation systems for the Board of Management and the Supervisory Board are described in detail in the Compensation Report of Covestro AG.

→ For further information, please refer to "Compensation Report."

Risk Management and Internal Controls Over Sustainability Reporting

For the disclosures under ESRS 2.34 and ESRS 2.36, we have used the option to present them by reference; the corresponding disclosures can be found in the "Group-wide Opportunity and Risk Management" section and are identified accordingly there.

→ For further information, please refer to "Opportunities and Risks Report – Group-wide Opportunity and Risk Management."

Statement on Due Diligence

In accordance with ESRS 2.30–33, we submit a summary of the information on the due diligence process provided in our Sustainability Statement. Our aim is to facilitate a clear understanding of our due diligence process. The table below is intended as a navigation aid; it shows where the application of the most important aspects and steps of this process can be found in our Statement.

Statement on due diligence

Core elements of due diligence	Paragraphs in the Group Sustainability Statement
a) Embedding due diligence in governance, strategy and business model	<ul style="list-style-type: none"> • Governance – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies • Governance – Integration of Sustainability-Related Performance in Incentive Schemes • Governance – Risk Management and Internal Controls Over Sustainability Reporting • ESRS E1: Climate Change – Strategy • ESRS E2: Pollution – Policies and Actions • ESRS E3: Water and Marine Resources – Policies and Actions • ESRS E5: Resource Use and Circular Economy – Policies and Actions • Sustainable Solutions – Policies and Actions • ESRS S1: Own Workforce – Strategy, Policies and Actions • ESRS S2: Workers in the Value Chain – Strategy • ESRS G1: Business Conduct – Policies and Actions
b) Engaging with affected stakeholders in all key steps of the due diligence	<ul style="list-style-type: none"> • Governance – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies • Strategy – Interests and Views of Stakeholders • Impact, Risk and Opportunity Management – Description of the Process to Identify and Assess Material Impacts, Risks, and Opportunities
c) Identifying and assessing adverse impacts	<ul style="list-style-type: none"> • Impact, Risk and Opportunity Management – Process to Identify and Assess Material Impacts, Risks, and Opportunities • Sustainable Solutions – Impacts, Risks, and Opportunities • ESRS S1: Own Workforce – Strategy • ESRS S2: Workers in the Value Chain – Strategy

Statement on due diligence

Core elements of due diligence	Paragraphs in the Group Sustainability Statement
d) Taking actions to address those adverse impacts	<ul style="list-style-type: none"> • ESRS E1: Climate Change – Our Transition Plan for Climate Change Mitigation, Policies and Actions • ESRS E2: Pollution – Policies and Actions • ESRS E3: Water and Marine Resources – Policies and Actions • ESRS E5: Resource Use and Circular Economy – Policies and Actions • ESRS S1: Own Workforce – Actions for Managing Impacts, Risks, and Opportunities • ESRS S2: Workers in the Value Chain – Policies and Actions • ESRS G1: Business Conduct – Policies and Actions
e) Tracking the effectiveness of these efforts and communicating	<ul style="list-style-type: none"> • ESRS E1: Climate Change – Policies and Actions, Targets, Metrics • ESRS E2: Pollution – Policies and Actions, Targets, Metrics • ESRS E3: Water and Marine Resources – Policies and Actions, Targets, Metrics • ESRS E4: Biodiversity – Policies and Actions, Targets, Metrics • ESRS E5: Resource Use and Circular Economy – Policies and Actions, Targets, Metrics • ESRS S1: Own Workforce – "Tracking the Effectiveness of Policies and Actions, Policies for Managing Impacts, Risks and Opportunities, Metrics • ESRS S2: Workers in the Value Chain – Policies and Actions, Targets, Metrics • ESRS G1: Business Conduct – Policies and Actions

Strategy

Strategy, Business Model, and Value Chain

For the following disclosures, we have used the option to present them by reference. The disclosures under ESRS 2.40 (a) can be found in the "Business Model" and "Organization" sections, the disclosures under ESRS 2.40 (e) in the "Impact, Risk and Opportunity Management" section, and the disclosures under ESRS 2.40 (f) in the "Business Model" and "Group Strategy" sections. The disclosures under ESRS 2.42 (a) can be found in the "Procurement" section, the disclosures under ESRS 2.42 (b) in the "Business Model" section, and the disclosures under ESRS 2.42 (c) in the "Business Model" and "Value Chain" sections. The disclosures under ESRS 2.45 (c) can be found in the "Group Strategy" section. The disclosures are identified accordingly there.

- For further information, please refer to "Company Profile – Business Model."
- For further information, please refer to "Company Profile – Organization."
- For further information, please refer to "Impact, Risk, and Opportunity Management."
- For further information, please refer to "Corporate Strategy – Group Strategy."
- For further information, please refer to "Value Chain."
- For further information, please refer to "Value Chain – Procurement."

United Nations Sustainable Development Goals (SDGs)

Against the backdrop of our commitment to sustainability, the SDGs are critically important to us as a guideline for improving living conditions worldwide. The SDGs serve primarily as a source of direction and inspiration for innovation and as a guide for the future positioning of the company. In this regard, they complement our purpose, "To make the world a brighter place." We have published our commitment to the United Nations Sustainable Development Goals on our website.

- For further information, please refer to „Corporate Strategy – Purpose and Vision.“
- For further information, please refer to www.covestro.com/en/sustainability/documents-and-downloads/policies-and-commitments

The Covestro Group generates modest sales in connection with fossil gas in accordance with Article 8(7)(a) of Commission Delegated Regulation (EU) 2021/2178.

- For further information, please refer to "Disclosures Pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation) – Reporting of Taxonomy KPIs."

We set sustainability targets as early as in fiscal 2016 and continually adapt these targets in line with our strategy and vision.

- For further information, please refer to "Impact, Risk and Opportunity Management."

The fact that a sustainability component has been embedded in our management system should also be considered in this context. This sustainability component covers direct and indirect GHG emissions (Scope 1 and Scope 2) of Covestro's main sites. From fiscal 2025, it will also include the Scope 1 and Scope 2 GHG emissions of all Covestro's environmentally relevant sites.

The sustainability matters of circular economy, climate neutrality, and sustainable solutions are an integral part of our Group's Sustainable Future strategy.

- For further information, please refer to "Corporate Strategy."

Interests and Views of Stakeholders

We distinguish between the stakeholder groups that might potentially be affected by the impacts of our business activities and relationships and the users of our sustainability reporting. Depending on the topic and its relevance, we identify and prioritize our stakeholders and select the appropriate dialogue format and frequency of contact in each case. The exchange may take place directly or indirectly.

An open and continuous exchange with our regional, national, and global stakeholders is the foundation for mutual understanding and societal acceptance of Covestro's decisions. Our stakeholders include: capital market representatives; customers and their workers; our employees; suppliers and their workers; the public and local communities; persons in vulnerable situations; nongovernmental organizations; associations; science; and regulators and public authorities. We view nature as a silent stakeholder that is represented by science or nongovernmental organizations, for example.

Internal representatives of relevant stakeholder groups were involved at various points of the materiality assessment, e.g., in identifying and assessing impacts, risks, and opportunities. In this context, relevant stakeholder groups include especially those that might potentially be affected by the impacts of our business activities and relationships. The internal representatives of these groups are usually in contact with members of the stakeholder groups in the course of their day-to-day work.

Exchanges with our stakeholders are conducted by the relevant internal expert groups. We have a number of different channels available to facilitate our dialogue.

Discussions with those stakeholders with which we have a close and collaborative relationship may provide us with new inspiration and important recommendations. They assess our company not only from a legal standpoint, but also according to whether we do business in a sustainable and ethical manner. In order to identify material sustainability matters, we continuously analyze the interests, expectations, and needs of our stakeholders and incorporate the results into our materiality assessment, our sustainability agenda, our human rights management system, and our opportunity and risk management activities throughout the Group.

The following table lists examples of our interactions with various stakeholder groups.

Stakeholder interaction

Stakeholders	Examples of interaction	Category
Own employees	Events for employees with the participation of the Board of Management and top management; ad hoc circulars and presentations; company intranet; social media; internal campaigns and dialogue between managers and employees; continuous dialogue between the Board of Management and works councils; reporting suspected or potential human rights abuses using our existing whistleblower tool	(Potentially) affected stakeholder group
Customers and their employees	Continuous personal dialogue via employees in the sales and marketing units; customer surveys, audits and inquiries; participation in international trade fairs, webinars, and digital showrooms; reporting suspected or potential human rights abuses using our existing whistleblower tool	Users of the sustainability report; (potentially) affected stakeholder group
Suppliers and their employees	Together for Sustainability initiative and the associated audits, events, and workshops with suppliers on the subject of sustainability; continuous exchange via employees responsible for procurement, including Supplier Code of Conduct; reporting suspected or potential human rights abuses using our existing whistleblower tool	Users of the sustainability report; (potentially) affected stakeholder group
Nature	We view nature as a silent stakeholder whose interests are represented by nongovernmental organizations, local communities, and legislators, for example.	(Potentially) affected stakeholder group
Non-government organizations	Ad hoc dialogue; press releases; collaborations	(Potentially) affected stakeholder group
General public and local communities	Ad hoc dialogue, e.g., in the event of investment projects, in the neighborhood and via the Chempark neighborhood offices (in Germany) and Community Advisory Panels (CAP, in the United States); press releases	(Potentially) affected stakeholder group
Regulators and authorities	Regular dialogue with authorities, ministries, and politicians	(Potentially) affected stakeholder group
Vulnerable groups	Some members of the various stakeholder groups, e.g., our own employees, the employees of our business partners, or local communities, may be particularly vulnerable. This may be the case if, for example, they have a limited capability to communicate their interests and needs. We seek to be especially attentive in our interactions with these stakeholder groups.	(Potentially) affected stakeholder group
Associations	Active membership of national and international associations, e.g., the German Chemical Industry Association (VCI), Plastics Europe, American Chemistry Council (ACC), and China Petroleum and Chemical Industry Federation (CPCIF); press releases and position papers	Users of the sustainability report; (potentially) affected stakeholder group
Capital market representatives	Annual General Meeting; Annual Report, Half-Year Financial Report, and Quarterly Statements; various events for investors and analysts with different focuses; online information on investor.covestro.com; active participation in ratings that provide the most added value for our stakeholders and for us. → For further information, please refer to: https://www.covestro.com/en/sustainability/what-drives-us/external-recognition-in-sustainability	Users of the sustainability report
Science	Long-term national and international collaborations with leading universities and public research institutes	(Potentially) affected stakeholder group

Covestro cultivates good relationships with its workers' representatives and unions so that all issues concerning HR policy, working conditions, and change processes can always be resolved by management and labor in a collaborative manner.

As part of our social responsibility, we regard respect for human rights as fundamental for our business activities. Covestro is a member of the United Nations Global Compact and is committed to respecting and safeguarding human rights on the basis of the United Nations (UN) Universal Declaration of Human Rights, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO), and the UN Guiding Principles on Business and Human Rights.

The Board of Management has appointed the head of the Group Quality department within the Group Innovation & Sustainability function as Group Human Rights Officer. This role reports directly to the Board of Management and is responsible for monitoring Covestro's human rights risk management processes.

Information from the Board of Management and/or the Supervisory Board on certain interests of the affected stakeholder groups in respect of sustainability-related impacts is provided via the reporting line. Material impacts may therefore result in material risks, which in turn are discussed along the designated reporting lines as part of the Group risk management process. Impacts, risks, and opportunities in connection with sustainability issues are discussed on an ad hoc basis by the relevant committees such as the Sustainability & Innovation Governance Body (SI GoB).

Material Effects, Risks, and Opportunities

Our sustainability reporting covers eight of the matters specified in ESRS 1 AR16 as well as the entity-specific topic of "Sustainable Solutions." We report on the impacts, risks, and opportunities identified as material for Covestro during the double materiality assessment in tabular format at the beginning of the chapter concerned. These tables contain a brief description of the material impacts, risks, and opportunities and their allocation to the respective relevant sub-topics and sub-sub-topics. In addition, the tables provide information on the point in the value chain where the impacts and risks have been identified, whether they are positive or negative as well as actual or potential impacts, and on the time horizon for which the impacts, risks, and opportunities have been classified as material. Furthermore, the tables show which policies and actions we use to counter them and whether we have set ourselves specific targets for this. The policies, actions, and targets are described in more detail after the tables, together with the specific ESRS disclosure requirements.

ESRS 2 generally also requires qualitative and quantitative disclosures on the anticipated financial effects of material risks and opportunities. In accordance with ESRS 1 appendix C, Covestro applies the phased-in disclosure requirements in the first year of preparing the Group Sustainability Statement. According to this expedient, the disclosures specified may be omitted in the first year.

Impact, Risk and Opportunity Management

Process to Identify and Assess Material Impacts, Risks, and Opportunities

By identifying material sustainability matters and the associated impacts on people and the environment, risks, and opportunities, we create the basis for Covestro's global sustainability activities and for the definition of the focus areas for our sustainability management.

Methods and Assumptions Applied

Regularly conducted materiality assessments help us to identify and assess the sustainability matters, as well as their related impacts, risks, and opportunities, that are most important to the company and potentially affected stakeholder groups. We perform both comprehensive materiality assessments every three to five years and annual reviews, an abridged process with reduced scope and effort. In the reporting year, a comprehensive materiality assessment was conducted in accordance with European Sustainability Reporting Standards (ESRS), taking account of "EFRAG IG 1: Materiality Assessment Implementation Guidance."

The comprehensive materiality assessment conducted in the reporting year followed on from the process used in previous years. For example, compared with the year 2023, a greater degree of detail was applied in identifying and assessing impacts, risks, and opportunities, in order to meet the requirements of ESRS.

In addition, the findings of the human-rights-related risk analysis were integrated into the impact assessment. Likewise, existing risks in Group-wide risk management in relation to sustainability matters are considered as a basis for financial materiality.

The Group perspective was considered by conducting a double materiality assessment that covered the companies included in the scope of consolidation used in financial reporting. In addition to the consolidated subsidiaries, joint operations, equity-accounted associates, financially immaterial subsidiaries, and immaterial associates were assessed with regard to their specific (potential) impacts, risks, and opportunities, e.g., on the basis of their business activities, location, or number of employees. All our own business activities were considered in direct connection with our products and for the upstream and downstream value chains. All material suppliers and customers were taken into account for the latter.

The double materiality assessment started by establishing the context of the company on the basis of information on its business activities and the value chain that had already been reported.

→ For further information, please refer to "Company Profile."

→ For further information, please refer to "Corporate Strategy."

→ For further information, please refer to "Value Chain."

In order to identify and assess the impacts, risks, and opportunities, the entire value chain was examined – from the extraction of raw materials (upstream value chain) through the manufacture of Covestro's products (own business activities) to the end of the final product life cycle (downstream value chain). We supplemented the topics named in ESRS 1 AR 16 with entity-specific topics, e.g., derived from previous materiality assessments, or with industry-specific topics. This list of topics included environmental, social, and governance topics. In addition, topic-specific inputs into the process were considered.

Relevant stakeholder groups were identified, especially those that might be affected by the impacts of our business activities, as were our formats for exchanging information with these groups. Their views and interests were taken into account with the help of internal representatives, especially for identifying and assessing impacts.

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

We identified potential and actual, positive and negative impacts for each topic, taking into account whether we have caused or contributed to these impacts, or whether they are connected with our business activities and/or products. For the impacts identified, if applicable, risks and current financial effects and opportunities connected directly with these impacts were determined. Lastly, if not already considered adequately, we identified further risks and current financial impacts and opportunities in connection with the respective topics.

Short-, medium-, and long-term time horizons were applied in identifying the relevant impacts, risks, and opportunities. We took a gross approach to the overall process, i.e., prior to implementing entity-specific mitigation or control actions.

The assessment of the identified impacts, risks, and opportunities complied with the requirements of ESRS 1 or the recommendations of "EFRAG IG 1: Materiality

Assessment Implementation Guidance” and was based on the severity and likelihood of occurrence in the case of potential negative impacts on people, including human rights and the environment. The severity was based on scale, scope, and irremediability of the impacts. Actual negative impacts were determined on the basis of their severity. The materiality of actual positive impacts was based on scale and scope; for potential positive impacts, it was based on scale, scope, and likelihood. In the case of (potential) negative impacts on human rights, only the severity was considered. The financial materiality of risks and opportunities was assessed based on the potential magnitude of the financial effects and the likelihood of occurrence.

Impacts, risks, and opportunities were considered material, if they had a rating of more than 3.5 on a scale from 1 to 5. Actual financial effects were assessed as material, irrespective of size.

Methods and Assumptions Relating to Climate Change

When the double materiality assessment was conducted, the focus was on actual and potential impacts on emissions of GHG gases within the company's own business activity as well as in the upstream or downstream value chain. When identifying and assessing the impacts, risks, and opportunities, the same assumptions about future developments and their influence on our GHG emissions were considered that had also been used when setting our reduction targets.

→ For further information, please refer to “ESRS E1: Climate Change – Targets.”

In addition, the explanatory information of our transition plan also contains details of the assumptions and parameters used when identifying and assessing actual and potential impacts, risks and opportunities.

→ For further information, please refer to “ESRS E1 Climate Change – Our Transition Plan for Climate Change Mitigation.”

In the reporting year, Covestro performed a physical climate risk analysis for 47 sites for the short-term time horizon through the year 2030, for the medium-term time horizon through the year 2040, and for the long-term time horizon through the year 2050. This selection of time horizons combines the need to investigate physical risks over extended periods to capture the impacts of climate change with the practice of using shorter, foreseeable time periods for strategic planning and capital allocation plans. The assessment of physical climate-related hazards through the year 2030 shows the current and immediate risks affecting Covestro, which should

be addressed as a priority. The increasing risks due to climate change, which could affect the sites in the latter parts of their expected service lives, are simultaneously captured by the assessment of climate-related hazards through the year 2050.

The high-emission scenario SSP5-8.5 based on the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) was chosen for the assessment; this gives the greatest weight to the physical risks and is therefore considered to be the worst-case scenario.

In the SSP5-8.5 scenario, global population numbers will peak mid-century and then start to decline. Total demand for final energy will increase sharply, with fossil fuels accounting for a significant proportion of the energy mix.* This scenario assumes no additional climate change mitigation actions. Covestro's physical climate risk analysis covers all 28 risks described by ESRS E1, including both acute and chronic risks.

The geospatial coordinates of the sites were used to obtain site-specific climate projections or to calculate distances to regions affected by certain hazards. The projections and distances were then compared with predefined, science-based thresholds for each risk. If the threshold for a risk at a site was exceeded, the facilities and business activities at this site were considered vulnerable to the respective risk. Depending on the risk, its magnitude, duration, likelihood of occurrence, or extent was used to assess exposure.

→ For further information, please refer to “ESRS E1: Climate Change – Resilience Analysis.”

The most significant limitation in the scenario analysis is the fact that the current generation of climate models is unable to simulate all 28 risks. On the one hand, climate variables with a resolution of 90 m × 90 m are used to map the largest possible number of the 28 risks. On the other, additional data sources, such as geographical information systems (GIS), publications, historical data, and others are used, both to ensure more precise reasoning and to describe specific risks. One example is the risk of glacial lake outburst, which cannot be simulated by climate models, although the distance from an existing glacier can be used to determine

* The Shared Socioeconomic Pathways and their energy, land use, and greenhouse gas emissions implications: An overview, Global Environmental Change, volume 42, 2017, pages 153-168.

whether there is a potential risk. For this reason, the analysis of some risks is based on historical data or distances rather than on climate projections.

As described, the climate risk analysis conducted is based on a worst-case scenario and considers the potential extent of the damage caused by physical climate-related hazards at our sites in combination with defined time horizons. The climate-related assumptions made during the preparation of the consolidated financial statements place the focus on the potential impairment and useful lives of Covestro's assets as of the respective reporting date. The climate risk analysis conducted did not provide any indications that our assets may be impaired or their useful lives have to be adjusted.

The physical climate risks in the upstream and downstream value chain were identified and assessed on the basis of qualitative assumptions derived from the high-emission scenario SSP5-8.5. No material risks were identified in this analysis.

In addition, we consider climate-related transition risks and opportunities as part of established Group-wide opportunity and risk management. These are opportunities and risks that may arise from climate-related transition events in the areas of policy and legal, technology, market, and reputation. If associated opportunities and risks were identified during the risk management process, they were taken into account accordingly in the double materiality assessment. The time horizons defined in ESRS 1.77 were considered in this process. The identification and assessment of the transition events was based on qualitative assumptions on the basis of the 1.5°C Net Zero Emissions by 2050 scenario of the International Energy Agency (IEA).

The assessment did not identify any material transition risks and opportunities with regard to the sustainability matters of "climate change adaptation," "climate change mitigation," and "energy." In the overall context, however, a material opportunity arose in connection with resource use and circular economy.

→ For further information, please refer to "ESRS E5: Resource Use and Circular Economy."

Methods and Assumptions Relating to Pollution

As part of the double materiality assessment, we considered our business activities and plausibility-checked the results for the most significant regions, in particular the production sites there. Specifically, the Dormagen (Germany), Leverkusen (Germany), and Krefeld-Uerdingen (Germany) sites in the EMLA region, the Baytown, Texas

(United States) site in the NA region, and the Shanghai (China) site in the APAC region were selected, since they are our largest production sites in the respective regions. These sites are the most significant, e.g., in relation to production volume, resource use, number of own workers in production, or the type of their work. This approach allowed us to identify and assess not only the (potential) environmental impacts relevant to the Group as a whole, but also regional focus areas, without resorting to a detailed assessment of individual sites. Since the potential impacts on people and the environment and the contribution to business performance are greatest at these sites, and other sites in the regions perform similar activities, mostly to a smaller extent, they are well suited to representing the respective regions and the other sites. Our methodology is based on the informed opinions of our professional experts, who made a holistic assessment. In this process, the regional experts consulted also acted as general counsel for local communities.

Methods and Assumptions Relating to Water and Marine Resources

As part of the double materiality assessment, we considered our business activities and plausibility-checked the results for the most significant regions, in particular the production sites there. Specifically, the Dormagen (Germany), Leverkusen (Germany), and Krefeld-Uerdingen (Germany) sites in the EMLA region, the Baytown, Texas (United States) site in the NA region, and the Shanghai (China) site in the APAC region were selected, since they are our largest production sites in the respective regions. These sites are the most significant, e.g., in relation to production volume, resource use, number of own workers in production, or the type of their work. This approach allowed us to identify and assess not only the (potential) environmental impacts relevant to the Group as a whole, but also regional focus areas, without resorting to a detailed assessment of individual sites. Since the potential impacts on people and the environment and the contribution to business performance are greatest at these sites, and other sites in the regions perform similar activities, mostly to a smaller extent, they are well suited to representing the respective regions and the other sites. Our methodology is based on the informed opinions of our professional experts, who made a holistic assessment. In this process, the regional experts consulted also acted as general counsel for local communities.

Methods and Assumptions Relating to Biodiversity and Ecosystems

During the double materiality assessment, we looked at our business activities and plausibility-checked the results for the most significant production sites. The impacts and dependencies relating to biodiversity were assessed using the

Exploring Natural Capital Opportunities, Risks, and Exposure (ENCORE) database. ENCORE is a database that assesses the impacts and dependencies of biodiversity at sector level. In its Locate Evaluate Assess Prepare (LEAP) approach, the Task Force on Nature-related Financial Disclosures (TNFD) describes it specifically as a tool for this purpose. The analysis revealed emissions of toxic soil and water pollutants in connection with our production as the only potentially significant impact. It was concluded on the basis of this analysis that no specific actions are required to mitigate the impact on biodiversity and that appropriate actions are covered by the climate change (ESRS E1) and pollution (ESRS E2) matters. As the data has been recorded for the first time in accordance with ESRS provisions, it is not possible to draw a comparison with the previous year. The analysis is to be reviewed annually.

→ For further information, please refer to "ESRS E4: Biodiversity and ecosystems – Metrics."

As part of the double materiality assessment, transition risks and opportunities were also assessed and systemic risks to biodiversity and ecosystems were taken into account. This approach allows us to identify and assess regional focus areas, in addition to the potential impacts relevant to the entire Group. Our methodology is based on the informed opinions of our professional experts, who made a holistic assessment. In this process, the regional experts consulted in writing or orally also acted as general counsel for local communities.

Methods and Assumptions Relating to Resource Use and Circular Economy

As part of the double materiality assessment, we considered our business activities and plausibility-checked the results for the most significant regions, in particular the production sites there. Specifically, the Dormagen (Germany), Leverkusen (Germany), and Krefeld-Uerdingen (Germany) sites in the EMLA region, the Baytown, Texas (United States) site in the NA region, and the Shanghai (China) site in the APAC region were selected, since they are our largest production sites in the respective regions. These sites are the most significant, e.g., in relation to production volume, resource use, number of own workers in production, or the type of their work. In this process, we assumed that, as a result of our flexible production processes, broad customer and supplier portfolios and the regional approach of our business activity, there are no material differences in relation to our assets. This approach allowed us to identify and assess not only the (potential) impacts, which are relevant to the Group as a whole, on resource use and the circular economy, but also regional focus areas, without resorting to a detailed assessment of individual sites. At the same time, it

enabled us to identify and assess not only the (potential) impacts on waste relevant to the Group as a whole, but also regional focus areas, without requiring a detailed assessment of individual sites. Since the potential impacts on people and the environment and the contribution to business performance are greatest at these sites, and other sites in the regions perform similar activities, mostly to a smaller extent, they are well suited to representing the respective regions and the other sites. Our methodology is based on the informed opinions of our professional experts, who made a holistic assessment. In this process, the regional experts consulted also acted as general counsel for local communities.

Methods and Assumptions Relating to Protection of Whistleblowers

As part of the double materiality assessment, we considered our business activities and plausibility-checked the results for the most significant regions, in particular the production sites there, as well as the business relationships with our local supply and value chains. Specifically, the Dormagen (Germany), Leverkusen (Germany), and Krefeld-Uerdingen (Germany) sites in the EMLA region, the Baytown, Texas (United States) site in the NA region, and the Shanghai (China) site in the APAC region were selected, since they are our largest production sites in the respective regions. These sites are the most significant, e.g., in relation to production volume, resource use, number of own workers in production, or the type of their work. This approach allows us to identify and assess regional focus areas, in addition to the potential impacts relevant to the entire Group. Since the potential impacts on people and the environment and the contribution to business performance are greatest at these sites, and other sites in the regions perform similar activities, mostly to a smaller extent, they are well suited to representing the respective regions and the other sites. Our methodology is based on the informed opinions of our professional experts, who made a holistic assessment. In this process, the regional experts consulted sometimes also acted as general counsel for stakeholders.

Identification, Assessment, and Monitoring of Material Impacts on People and the Environment, Risks, and Opportunities

The identification, assessment, and monitoring of impacts on people and the environment have been harmonized with the risk assessment method in the human rights management system. The latter one is based on the UN Guiding Principles on Business and Human Rights and on the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises.

The assessment of (potential) human-rights-related impacts on people and the environment was conducted as described above.

→ For further information, please refer to “Impact, Risk and Opportunity Management – Methods and Assumptions Applied.”

When identifying risks and opportunities, the risks and opportunities in Group-wide risk management, especially those that required disclosure under risk management rules and were sustainability-related, were used as a basis. Any risks and opportunities identified in addition were assessed under the same requirements. For risks and opportunities assessed as material that went beyond Group-wide risk management, a decision was taken with the experts responsible on a case-by-case basis whether to refer them to Group-wide risk management. This ensures that reportable risks and opportunities related to sustainability from Group-wide risk management are taken into account in the double materiality assessment so that non-financial reporting complements traditional financial reporting within the meaning of the ESRS. As part of Group-wide risk management, all risks are treated equally, including those that are sustainability-related.

→ For further information, please refer to “Opportunities and Risks Report – Group-wide Opportunity and Risk Management.”

Risks and opportunities that are directly connected with impacts may relate to, for example, potential claims or reputational damage, if there could be a connection with our business activities and the impacts on people and the environment were to be confirmed.

The magnitude of the financial effects and the likelihood of occurrence as applied in Group-wide risk management were used to assess the risks or current financial effects and opportunities for both the absolute and the relative values. The magnitude of the financial effect was assessed on a scale of 1 to 5, with 5 the largest financial effect that could be assumed. A scale of 1 to 5 was also used to assess the likelihood of occurrence, with 5 reflecting the highest likelihood. In the case of actual financial effects, only the magnitude of the impact was assessed that immediately led to materiality.

Despite harmonization with Group-wide risk management, there may be differences for the reporting requirement. This is due to the different approaches applied, such as the net approach to short-term risks and opportunities adopted in the

Opportunities and Risks Report and the gross approach to short-, medium, and long-term risks and opportunities used in the Sustainability Statement, and the associated reporting thresholds.

→ For further information, please refer to “Opportunities and Risks Report – Opportunities and Risks.”

Opportunities and how they are pursued are considered appropriately, e.g., in developing the Group strategy and the segment strategy.

Decision-Making Process and the Associated Internal Control Process

The process controls introduced for the double materiality assessment are aimed at ensuring that the impacts, risks, and opportunities identified are complete and correct, including how they are presented in the Sustainability Statement. The experts and representatives of stakeholder groups selected are intended to help ensure that the assessments are appropriate and balanced. The relevant professional experts are responsible for identifying and assessing impacts, risks, and opportunities. A central team of experts from the corporate GIS function has the project management responsibility for conducting the double materiality assessment. Once all the assessments have been reviewed by the experts and are deemed to be appropriate for the reporting year, a validation is performed. This process includes, e.g., validating whether material impacts, risks, and opportunities apply equally to all parts of the value chain. Internal representatives of stakeholder groups may be involved here. Upon conclusion of the calibration, the outcome is approved by the Chief Sustainability Officer and then reviewed and approved by the Board of Management.

For the Group Sustainability Statement, all information was classified as material if the corresponding topic or subtopic was assessed as material in the double materiality assessment due to the associated impacts, risks, and opportunities. If no targets were defined for a material matter in particular, this is noted in the corresponding section. Within the meaning of the materiality of information about performance indicators in accordance with ESRS 1.34, information was classified as relevant if it was necessary to understanding the reported sustainability topics or could play a significant role in taking decisions in respect of the interests and views of stakeholders considered in the double materiality assessment.

→ For further information, please refer to “Strategy – Interests and Views of Stakeholders.”

Covestro's Sustainability Targets

Sustainability targets are intended to facilitate mitigating impacts and risks and taking advantage of opportunities.

We have embedded sustainability-related factors in our company's management system in order to further drive the implementation of our Sustainable Future strategy.

→ For further information, please refer to "Management System."

Information about our sustainability targets is contained in "ESRS E1: Climate Change, Sustainable Solutions" and "ESRS S2: Workers in the Value Chain."

Our sustainability targets contribute to achieving the SDGs and we use them to pursue an approach that covers the entire product life cycle while reflecting some of our material sustainability matters and the associated impacts, risks, and opportunities. We continuously observe developments outside the company and develop our sustainability targets.

Our Scope 1 and Scope 2 reduction targets are not limited to specific products, services, or customers. The targets cover our environmentally relevant sites. The four relevant categories, "Purchased goods and services," "Fuel- and energy-related activities," "Upstream transportation and distribution," and "End-of-life treatment of sold products," are considered in our Scope 3 reduction targets. Apart from that, there is no limitation to certain customer categories or geographical areas. We believe that our climate-related targets meet the expectations of various stakeholders, such as the capital market or customers. Our goal in the area of sustainable solutions relates exclusively to our R&D-based innovation portfolio. Specific customer groups or geographical areas are not excluded. By setting this goal, we want to develop products that are even more closely aligned with the SDGs and will in turn lead to more sustainable solutions at our customers. Our supplier management goal does not exclude any products, services, or geographical areas either. Customer categories are irrelevant for this goal. The goal relates exclusively to suppliers with regular purchasing volumes of more than €1 million. We plan to revise our sustainability targets in the years ahead. They will then include our existing ambition relating to the circular economy, which aims, among other things, to create more value sustainably and increase carbon productivity by consistently reducing the use of carbon-based fossil resources, taking a regenerative approach and closing material loops.

ESRS Appendix

ESRS Index

The following tables cover all disclosure requirements classified as material to Covestro. These tables can be used to find the information on the respective ESRS disclosure requirements in the Statement.

General Disclosures

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS 2 – General disclosures		
BP-1	General basis for preparation of sustainability statements	Basis of Preparation
BP-2	Disclosures in relation to specific circumstances	Basis of Preparation
GOV-1	The role of the administrative, management and supervisory bodies	Governance – The Role of the Administrative, Management and Supervisory Bodies
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Governance – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies
GOV-3	Integration of sustainability-related performance in incentive schemes	Governance – Integration of Sustainability-Related Performance in Incentive Schemes
GOV-4	Statement on due diligence	Governance – Statement on Due Diligence
GOV-5	Risk management and internal controls over sustainability reporting	Governance – Risk management and internal controls over sustainability reporting

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
SBM-1	Strategy, business model and value chain	Strategy – Strategy, Business Model, and Value Chain, Strategy – United Nations Sustainable Development Goals (SDGs), Impact, Risk and Opportunity Management – Covestro's Sustainability Targets
SBM-2	Interests and views of stakeholders	Strategy – Interests and Views of Stakeholders
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Strategy – Material Effects, Risks and Opportunities
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Impact, Risk and Opportunity Management – Process to Identify and Assess Material Impacts, Risks, and Opportunities
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Impact, Risk and Opportunity Management – Decision-Making Process and the Associated Internal Control Process, ESRS Appendix – ESRS Index

General Disclosures

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS 2 – General disclosures		
BP-1	General basis for preparation of sustainability statements	Basis of Preparation
BP-2	Disclosures in relation to specific circumstances	Basis of Preparation
GOV-1	The role of the administrative, management and supervisory bodies	Governance – The Role of the Administrative, Management and Supervisory Bodies
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Governance – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies
GOV-3	Integration of sustainability-related performance in incentive schemes	Governance – Integration of Sustainability-Related Performance in Incentive Schemes
GOV-4	Statement on due diligence	Governance – Statement on Due Diligence
GOV-5	Risk management and internal controls over sustainability reporting	Governance – Risk management and internal controls over sustainability reporting
SBM-1	Strategy, business model and value chain	Strategy – Strategy, Business Model, and Value Chain, Strategy – United Nations Sustainable Development Goals (SDGs), Impact, Risk and Opportunity Management – Covestro's Sustainability Targets
SBM-2	Interests and views of stakeholders	Strategy – Interests and Views of Stakeholders
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Strategy – Material Effects, Risks and Opportunities
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Impact, Risk and Opportunity Management – Process to Identify and Assess Material Impacts, Risks, and Opportunities
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Impact, Risk and Opportunity Management – Decision-Making Process and the Associated Internal Control Process, ESRS Appendix – ESRS Index

Specific Standard Disclosures

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS E1 – Climate change		
ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	Governance – Integration of Sustainability-Related Performance in Incentive Schemes
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS E1: Climate Change – Resilience Analysis
ESRS 2 IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	Impact, Risk and Opportunity Management – Methods and Assumptions Relating to Climate Change
E1-1	Transition plan for climate change mitigation	ESRS E1: Climate Change – Our Transition Plan for Climate Change Mitigation
E1-2	Policies related to climate change mitigation and adaptation	ESRS E1: Climate Change – Policies and Actions
E1-3	Actions and resources in relation to climate change policies	ESRS E1: Climate Change – Actions for Reaching the Scope 1 and Scope 2 Net-Zero Target, ESRS E1: Climate Change – Actions for Reaching the Scope 3 Net-Zero Target
E1-4	Targets related to climate change mitigation and adaptation	ESRS E1: Climate Change – Targets
E1-5	Energy consumption and mix	ESRS E1: Climate Change – Energy Usage
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	ESRS E1: Climate Change – Greenhouse Gas Emissions
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	ESRS E1: Climate Change – Greenhouse Gas Emissions
E1-8	Internal carbon pricing	ESRS E1: Climate Change – Internal CO ₂ Pricing
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	ESRS E1: Climate Change – Anticipated Financial Effects

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS E2 – Pollution		
ESRS 2 IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	Impact, Risk and Opportunity Management – Methods and Assumptions Relating to Pollution
E2-1	Policies related to pollution	ESRS E2: Pollution – Policies and Actions
E2-2	Actions and resources related to pollution	ESRS E2: Pollution – Policies and Actions
E2-3	Targets related to pollution	ESRS E2: Pollution – Targets
E2-4	Pollution of air, water and soil	ESRS E2: Pollution – Metrics
E2-5	Substances of concern and substances of very high concern	ESRS E2: Pollution – Metrics
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	ESRS E2: Pollution – Anticipated Financial Effects

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS E3 – Water and marine resources		
ESRS 2 IRO-1	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	Impact, Risk and Opportunity Management – Methods and Assumptions Relating to Water and Marine Resources
E3-1	Policies related to water and marine resources	ESRS E3: Water and Marine Resources – Policies and Actions
E3-2	Actions and resources related to water and marine resources	ESRS E3: Water and Marine Resources – Water Program
E3-3	Targets related to water and marine resources	ESRS E3: Water and Marine Resources – Targets
Entity-specific	Water withdrawal	ESRS E3: Water and Marine Resources – Metrics

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS E4 – Biodiversity and ecosystems		
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS E4: Biodiversity and ecosystems – Impacts, Risks, and Opportunities
ESRS 2 IRO-1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	Impact, Risk and Opportunity Management – Methods and Assumptions Relating to Biodiversity and Ecosystems
E4-2	Policies related to biodiversity and ecosystems	ESRS E4: Biodiversity and Ecosystems – Policies and Actions
E4-3	Actions and resources related to biodiversity and ecosystems	ESRS E4: Biodiversity and Ecosystems – Policies and Actions
E4-4	Targets related to biodiversity and ecosystems	ESRS E4: Biodiversity and Ecosystems – Targets
E4-5	Impact metrics related to biodiversity and ecosystems change	ESRS E4: Biodiversity and Ecosystems – Metrics
E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	ESRS E4: Biodiversity and Ecosystems – Metrics

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS E5 – Resource use and circular economy		
ESRS 2 IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	Impact, Risk and Opportunity Management – Methods and Assumptions Relating to Resource Use and Circular Economy
E5-1	Policies related to resource use and circular economy	ESRS E5: Resource Use and Circular Economy – Policies and Actions
E5-2	Actions and resources related to resource use and circular economy	ESRS E5: Resource Use and circular economy – Policies and Actions
E5-3	Targets related to resource use and circular economy	ESRS E5: Resource Use and Circular Economy – Targets
E5-4	Resource inflows	ESRS E5: Resource Use and Circular Economy – Resource Inflows
E5-5	Resource outflows	ESRS E5: Resource Use and Circular Economy – Resource Outflows (Products and Waste)
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	ESRS E5: Resource Use and Circular Economy – Anticipated financial effects

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS S1 – Own workforce		
ESRS 2 SBM-2	Interests and views of stakeholders	Strategy – Interests and Views of Stakeholders
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS S1: Own Workforce – Strategy
S1-1	Policies related to own workforce	ESRS S1: Own Workforce – Policies, ESRS S1: Own Workforce – Actions on Impact, Risk, and Opportunity Management
S1-2	Processes for engaging with own workers and workers' representatives about impacts	ESRS S1: Own Workforce – Policies, ESRS S1: Own Workforce – Actions for Engaging with the Undertaking's Workers and Workers' Representatives about Impacts
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	ESRS S1: Own Workforce – Actions on Impact, Risk, and Opportunity Management
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	ESRS S1: Own Workforce – Actions on Impact, Risk, and Opportunity Management, ESRS S1: Own Workforce – Tracking Effectiveness of Policies and Actions
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	ESRS S1: Own Workforce – Strategy, ESRS S1: Own Workforce – Targets, ESRS S1: Own Workforce – Actions for Engaging with the Undertaking's Workers and Workers' Representatives about Impacts
S1-6	Characteristics of the undertaking's employees	ESRS S1: Own Workforce – Characteristics of the Undertaking's Employees
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	ESRS S1: Own Workforce – Characteristics of the Undertaking's Employees
S1-9	Diversity metrics	ESRS S1: Own Workforce – Diversity Metrics
S1-10	Adequate wages	ESRS S1: Own Workforce – Adequate Wages
S1-14	Health and safety metrics	ESRS S1: Own Workforce – Health and Safety
S1-16	Compensation metrics (pay gap and total compensation)	ESRS S1: Own Workforce – Compensation Metrics (Pay Gap and Total Compensation)
S1-17	Incidents, complaints and severe human rights impacts	ESRS S1: Own Workforce – Incidents, Complaints, and Severe Human Rights Impacts

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS S2 – Workers in the value chain		
ESRS 2 SBM-2	Interests and views of stakeholder	Strategy
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS S2: Workers in the Value Chain – Strategy, ESRS S2: Workers in the Value Chain – Health and Safety, ESRS S2: Workers in the Value Chain – Transport & Logistics Safety, ESRS S2: Workers in the Value Chain – Customer Sites, ESRS S2: Workers in the Value Chain – Product Stewardship
S2-1	Policies related to value chain workers	ESRS S2: Workers in the Value Chain – Corporate Commitment to Respect Human Rights, ESRS S2: Workers in the Value Chain – Supplier Code of Conduct, ESRS S2: Workers in the Value Chain – Opportunities for Offering Training and Dialogue, ESRS S2: Workers in the Value Chain – Actions for Suppliers with a Specific or Potential Human Rights Risk, ESRS S2: Workers in the Value Chain – Transport & Logistics Safety
S2-2	Processes for engaging with value chain workers about impacts	ESRS S2: Workers in the Value Chain – Supplier Code of Conduct, ESRS S2: Workers in the Value Chain – Preventive and Remedial Measures, ESRS S2: Workers in the Value Chain – Supplier Screening, ESRS S2: Workers in the Value Chain – Customer Sites, ESRS S2: Workers in the Value Chain – Processes for Engaging with Value Chain Workers about Impacts
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	ESRS S2: Workers in the Value Chain – Supplier Code of Conduct, ESRS S2: Workers in the Value Chain – Actions for Suppliers with a Specific or Potential Human Rights Risk, ESRS S2: Workers in the Value Chain – Processes to Remediate Negative Impacts and Channels for Value Chain Workers to Raise Concerns

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	ESRS S2: Workers in the Value Chain – Supplier Code of Conduct, ESRS S2: Workers in the Value Chain – Preventive and Remedial Measures, ESRS S2: Workers in the Value Chain – Supplier Screening, ESRS S2: Workers in the Value Chain – Actions for Suppliers with a Specific or Potential Human Rights Risk, ESRS S2: Workers in the Value Chain – Transport & Logistics Safety, ESRS S2: Workers in the Value Chain – Customer Sites, ESRS S2: Workers in the Value Chain – Product Stewardship, ESRS S2: Workers in the Value Chain – Metrics
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	ESRS S2: Workers in the Value Chain – Customer Sites, ESRS S2: Workers in the Value Chain – Targets

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
ESRS G1 – Business conduct		
ESRS 2 GOV-1	The role of the administrative, supervisory and management bodies	ESRS G1: Business Conduct
ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Impact, Risk and Opportunity Management
G1-1	Corporate culture and Business conduct policies and corporate culture	ESRS G1: Business Conduct

Entity-Specific Disclosures

Disclosure requirement	Disclosure requirement title	Section in Group Sustainability Statement
Sustainable Solutions		
MDR-P	Policies adopted to manage material sustainability matters	Sustainable Solutions – Policies and Actions
MDR-A	Actions and resources in relation to material sustainability matters	Sustainable Solutions, Sustainable Solutions – Policies and Actions
MDR-M	Metrics in relation to material sustainability matters	Sustainable Solutions – Policies and Actions, Sustainable Solutions – Targets
MDR-T	Tracking effectiveness of policies and actions through targets	Sustainable Solutions – Policies and Actions, Sustainable Solutions – Targets

ESRS references

We meet the ESRS disclosure requirements by using references in some cases. These references, which have been inserted in the respective sections of the Group Sustainability Statement, lead to further information in the general part of the Combined Management Report.

References to the general part of the combined management report

Disclosure Requirement	Datapoint	Section in Management Report
ESRS 2 GOV-1	21 (a)	Declaration on Corporate Governance – Composition of the Board of Management Declaration on Corporate Governance – Composition of the Supervisory Board
ESRS 2 GOV-1	21 (b)	Declaration on Corporate Governance – Composition of the Supervisory Board
ESRS 2 GOV-1	21 (c)	Declaration on Corporate Governance – Objectives and Concept for the Composition of the Board of Management Declaration on Corporate Governance – Implementation Status of the Objectives Declaration on Corporate Governance – Composition of the Supervisory Board Declaration on Corporate Governance – Implementation Status of the Objectives and Qualification Matrix
ESRS 2 GOV-1	21 (d)	Declaration on Corporate Governance – Promotion of Equal Participation of Women and Men in Leadership Positions
ESRS 2 GOV-1	21 (e)	Declaration on Corporate Governance – Implementation Status of the Objectives and Qualification Matrix
ESRS 2 GOV-1	22 (a)	Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)
ESRS 2 GOV-1	22 (b)	Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)
ESRS 2 GOV-1	22 (c) i	Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)

Disclosure Requirement	Datapoint	Section in Management Report
ESRS 2 GOV-1	22 (c) ii	Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)
ESRS 2 GOV-1	22 (c) iii	Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)
ESRS 2 GOV-1	22 (d)	Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)
ESRS 2 GOV-1	23	Declaration on Corporate Governance – Ensuring Sustainability Competence in the Board of Management and Supervisory Board
ESRS 2 GOV-1	23 (a)	Declaration on Corporate Governance – Implementation Status of the Objectives and Qualification Matrix Declaration on Corporate Governance – Ensuring Sustainability Competence in the Board of Management and Supervisory Board
ESRS 2 GOV-1	23 (b)	Declaration on Corporate Governance – Ensuring Sustainability Competence in the Board of Management and Supervisory Board
ESRS 2 GOV-5	36 (a)	Opportunities and Risks Report – Internal Control System Opportunities and Risks Report – Risk Management System
ESRS 2 GOV-5	36 (b)	Opportunities and Risks Report – Internal Control System Opportunities and Risks Report – Risk Management System
ESRS 2 GOV-5	36 (c)	Opportunities and Risks Report – Internal Control System Opportunities and Risks Report – Risk Management System Opportunities and Risks Report – Opportunities and Risks in General and in the Entity's Business Environment
ESRS 2 GOV-5	36 (d)	Opportunities and Risks Report – Internal Control System Opportunities and Risks Report – Risk Management System
ESRS 2 GOV-5	36 (e)	Opportunities and Risks Report – Internal Control System Opportunities and Risks Report – Risk Management System
ESRS 2 SBM-1	40 (a) i	Company Profile – Business Model
ESRS 2 SBM-1	40 (a) ii	Company Profile – Business Model Company Profile – Segments
ESRS 2 SBM-1	40 (a) iii	Company Profile – Organization
ESRS 2 SBM-1	40 (f)	Company Profile – Business Model Corporate Strategy – Become Climate-Neutral and Fully Circular

Disclosure Requirement	Datapoint	Section in Management Report
ESRS 2 SBM-1	42 (a) i	Value Chain – Procurement
ESRS 2 SBM-1	42 (b)	Company Profile – Business Model
ESRS 2 SBM-1	42 (c)	Company Profile – Business Model Value Chain
ESRS 2 SBM-2	45 (c)	Company Strategy – Strategic Goals and Activities
ESRS 2 SBM-2	45 (c) iii	Company Strategy – Strategic Goals and Activities
ESRS 2 IRO-1	53 (c) iii	Opportunities and Risks Report – Risk Management System
ESRS 2 IRO-1	53 (e)	Opportunities and Risks Report – Risk Management System Opportunities and Risks Report – Opportunities and Risks in General and in the Entity's Business Environment
ESRS 2	AR11	Opportunities and Risks Report – Internal Control System
ESRS 2	AR12	Company Profile – Business Model
ESRS 2	AR13	Company Profile – Business Model
ESRS 2	AR15	Company Profile – Business Model
ESRS E5-4	30	Value Chain – Procurement
ESRS E5-5	35	Company Profile – Segments

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement	Datapoint	Name of datapoint	SFDR ¹	Pillar 3	Benchmark Regulation	EU Climate Law	Section in Group Sustainability Statement
ESRS 2 GOV-1	21 (d)	Board's gender diversity	X		X		Governance – The Role of the Administrative, Management and Supervisory Bodies
ESRS 2 GOV-1	21 (e)	Percentage of board members who are independent			X		Governance – The Role of the Administrative, Management and Supervisory Bodies
ESRS 2 GOV-4	30	Statement on due diligence	X				Governance – Statement on Due Diligence
ESRS 2 SBM-1	40 (d) i	Involvement in activities related to fossil fuel activities	X	X	X		Strategy – United Nations Sustainable Development Goals (SDGs)
ESRS 2 SBM-1	40 (d) ii	Involvement in activities related to chemical production	X		X		Non-material datapoint
ESRS 2 SBM-1	40 (d) iii	Involvement in activities related to controversial weapons	X		X		Non-material datapoint
ESRS 2 SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco			X		Non-material datapoint
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				X	ESRS E1: Climate Change – Our Transition Plan for Climate Change Mitigation
ESRS E1-1	16 (g)	Undertakings excluded from Paris-aligned Benchmarks		X	X		ESRS E1: Climate Change – Our Transition Plan for Climate Change Mitigation
ESRS E1-4	34	GHG emission reduction targets	X	X	X		ESRS E1: Climate Change – Targets
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	X				ESRS E1: Climate Change – Energy Usage
ESRS E1-5	37	Energy consumption and mix	X				ESRS E1: Climate Change – Energy Usage
ESRS E1-5	40 bis 43	Energy intensity associated with activities in high climate impact sectors	X				ESRS E1: Climate Change – Energy Usage
ESRS E1-6	44	Gross Scope 1, 2, 3 and Total GHG emissions	X	X	X		ESRS E1: Climate Change – Greenhouse Gas Emissions
ESRS E1-6	53 bis 55	Gross GHG emissions intensity	X	X	X		ESRS E1: Climate Change – Greenhouse Gas Emissions
ESRS E1-7	56	GHG removals and carbon credits				X	ESRS E1: Climate Change – Greenhouse Gas Emissions
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			X		ESRS E1: Climate Change – Anticipated Financial Effects
ESRS E1-9	66a	Disaggregation of monetary amounts by acute and chronic physical risk		X			ESRS E1: Climate Change – Anticipated Financial Effects
ESRS E1-9	66c	Location of significant assets at material physical risk		X			ESRS E1: Climate Change – Anticipated Financial Effects
ESRS E1-9	67 (c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes		X			ESRS E1: Climate Change – Anticipated Financial Effects
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities			X		ESRS E1: Climate Change – Anticipated Financial Effects
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the E PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	X				ESRS E2: Pollution – Metrics
ESRS E3-1	9	Water and marine resources	X				ESRS E3: Water and Marine Resources – Water Program
ESRS E3-1	13	Dedicated policy	X				ESRS E3: Water and Marine Resources – Water Program

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement	Datapoint	Name of datapoint	SFDR ¹	Pillar 3	Benchmark Regulation	EU Climate Law	Section in Group Sustainability Statement
ESRS E3-1	14	Sustainable oceans and seas	X				ESRS E3: Water and Marine Resources – Water Program
ESRS E3-4	28 (c)	Total water recycled and reused	X				Non-material datapoint
ESRS E3-4	29	Total water consumption in m3 per net revenue on own operations	X				Non-material datapoint
ESRS 2 SBM-3 – E4	16 (a) i		X				ESRS E4: Biodiversity and Ecosystems – Policies and Actions
ESRS 2 SBM-3 – E4	16 (b)		X				ESRS E4: Biodiversity and Ecosystems – Metrics
ESRS 2 SBM-3 – E4	16 (c)		X				ESRS E4: Biodiversity and Ecosystems – Metrics
ESRS E4-2	24 (b)	Sustainable land / agriculture practices or policies	X				Non-material datapoint
ESRS E4-2	24 (c)	Sustainable oceans / seas practices or policies	X				ESRS E4: Biodiversity and Ecosystems – Policies and Actions
ESRS E4-2	24 (d)	Policies to address deforestation	X				Non-material datapoint
ESRS E5-5	37 (d)	Non-recycled waste	X				ESRS E5: Resource Use and Circular Economy – Resource Outflows (Products and Waste)
ESRS E5-5	39	Hazardous waste and radioactive waste	X				ESRS E5: Resource Use and Circular Economy – Resource Outflows (Products and Waste)
ESRS 2 SBM3 - S1	14 (f)	Risk of incidents of forced labour	X				ESRS S1: Own Workforce – Strategy
ESRS 2 SBM3 - S1	14 (g)	Risk of incidents of child labour	X				ESRS S1: Own Workforce – Strategy
ESRS S1-1	20	Human rights policy commitments	X				ESRS S1: Own Workforce – Policies
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			X		ESRS S1: Own Workforce – Policies
ESRS S1-1	22	processes and measures for preventing trafficking in human beings	X				ESRS S1: Own Workforce – Policies
ESRS S1-1	23	workplace accident prevention policy or management system	X				ESRS S1: Own Workforce – Actions on Impact, Risk, and Opportunity Management
ESRS S1-3	32 (c)	grievance/complaints handling mechanisms	X				ESRS S1: Own Workforce – Actions on Impact, Risk, and Opportunity Management
ESRS S1-14	88 (b) & (c)	Number of fatalities and number and rate of work-related accidents paragraph	X		X		ESRS S1: Own Workforce – Health and Safety
ESRS S1-14	88 (e)	Number of days lost to injuries, accidents, fatalities or illness	X				ESRS S1: Own Workforce – Health and Safety
ESRS S1-16	97 (a)	Unadjusted gender pay gap	X		X		ESRS S1: Own Workforce – Compensation Metrics (Pay Gap and Total Compensation)
ESRS S1-16	97 (b)	Excessive CEO pay ratio	X				ESRS S1: Own Workforce – Compensation Metrics (Pay Gap and Total Compensation)
ESRS S1-17	103 (a)	Incidents of discrimination	X				ESRS S1: Own Workforce – Incidents, Complaints, and Severe Human Rights Impacts
ESRS S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights and OECD	X		X		ESRS S1: Own Workforce – Incidents, Complaints, and Severe Human Rights Impacts
ESRS 2 SBM3 – S2	11 (b)	Significant risk of child labour or forced labour in the value chain	X				ESRS S2: Workers in the Value Chain – Strategy

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement	Datapoint	Name of datapoint	SFDR ¹	Pillar 3	Benchmark Regulation	EU Climate Law	Section in Group Sustainability Statement
ESRS S2-1	17	Human rights policy commitments	X				ESRS S2: Workers in the Value Chain – Supplier Code of Conduct, ESRS S2: Workers in the Value Chain – Opportunities for Offering Training and Dialogue, ESRS S2: Workers in the Value Chain – Actions for Suppliers with a Specific or Potential Human Rights Risk
ESRS S2-1	18	Policies related to value chain workers	X				ESRS S2: Workers in the Value Chain – Supplier Code of Conduct
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	X		X		ESRS S2: Workers in the Value Chain – Supplier Code of Conduct
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8			X		ESRS S2: Workers in the Value Chain – Supplier Code of Conduct
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	X				ESRS S2: Workers in the Value Chain – Preventive and Remedial Measures, ESRS S2: Workers in the Value Chain – Product Stewardship
ESRS S3-1	16	Human rights policy commitments	X				Non-material datapoint
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines	X		X		Non-material datapoint
ESRS S3-4	36	Human rights issues and incidents	X				Non-material datapoint
ESRS S4-1	16	Policies related to consumers and end-users	X				Non-material datapoint
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD guidelines	X		X		Non-material datapoint
ESRS S4-4	35	Human rights issues and incidents	X				Non-material datapoint
ESRS G1-1	10 (b)	United Nations Convention against Corruption	X				Non-material datapoint
ESRS G1-1	10 (d)	Protection of whistle blowers	X				Non-material datapoint
ESRS G1-4	24 (a)	Fines for violation of anti-corruption and anti-bribery laws	X		X		Non-material datapoint
ESRS G1-4	24 (b)	Standards of anti corruption and anti-bribery	X				Non-material datapoint

¹ Sustainable Finance Disclosure Regulation

Environmental Matters

ESRS E1: Climate Change

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Climate change"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Climate change adaptation							
Risk	Physical climate risks may have financial effects as a result of damage to assets and business disruptions at sites of Covestro.	M, L	2	Financial position, financial performance			
Climate change mitigation							
Impact (potential negative)	Due to the production, storage, and use of renewable energy and the related electrification in the upstream value chain, Covestro is directly linked to potential negative impacts on the environment. These activities often involve extracting minerals like lithium for batteries and rare earth elements for wind turbines, leading to habitat destruction, soil erosion, and water pollution. Affected stakeholders include local communities, persons in vulnerable situations, and nature.	M, L	1				
Impact (potential negative)	Covestro contributes to a potential negative impact on biodiversity loss as the downstream transportation, processing, and usage of goods increase greenhouse gas emissions and contribute to climate change. Affected stakeholders are local communities, persons in vulnerable situations, and nature.	M, L	3			Sale of products based on alternative raw materials; reduction of suppliers' Scope 1 and Scope 2 emissions; MAKE projects; further actions	Net-zero Scope 3 GHG emissions

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Climate change"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Impact (actual negative)	Covestro is directly linked to the undertaking's own operations, products, or services in the upstream value chains through its business relationships and the GHG emissions created as a result. This is reflected in Scope 3 upstream emissions, e.g., in the categories Scope 3.1 Purchased goods and products or Scope 3.4 Upstream transportation and distribution. An actual negative impact from climate change resulting from increased levels of GHG emissions indirectly induces effects on health, resources for livelihood or living space, such as: extreme weather events, changed weather patterns, sea level rise, and related social and geopolitical conflicts. Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M, L	1			Sale of products based on alternative raw materials; reduction of suppliers' Scope 1 and Scope 2 emissions; MAKE projects; further actions	Net-zero Scope 3 GHG emissions
Impact (actual negative)	Covestro contributes to climate change through GHG emissions from own operations (Scope -1 and Scope -2). This negatively impacts nature and indirectly impacts local communities.	S, M, L	2		CO ₂ roadmap; HSEQ management system	More sustainable production processes, electricity from renewable sources; climate-neutral steam	Net-zero Scope 1 and Scope 2 GHG emissions
Energy							
Impact (potential positive)	Covestro contributes to reducing GHG emissions through its intention to purchase more renewable energies for its own business activities and in this way make a contribution to the potential positive impacts in the upstream value chain. This affects nature and local communities.	S, M, L	1		CO ₂ roadmap; HSEQ management system	Electricity from renewable sources; climate-neutral steam	Net-zero Scope 1 and Scope 2 GHG emissions
Impact (actual negative)	The operation of our production facilities requires large amounts of energy, which we primarily procure from external sources in the form of electricity and steam generated from fossil fuels. This process leads to the release of a wide range of environmentally harmful gases, including carbon dioxide (CO ₂). They have an actual negative impact on climate change. Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M, L	1		CO ₂ roadmap; HSEQ management system	Electricity from renewable sources; climate-neutral steam, more sustainable production processes	Net-zero Scope 1 and Scope 2 GHG emissions, energy efficiency target

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Strategy

Our Transition Plan for Climate Change Mitigation

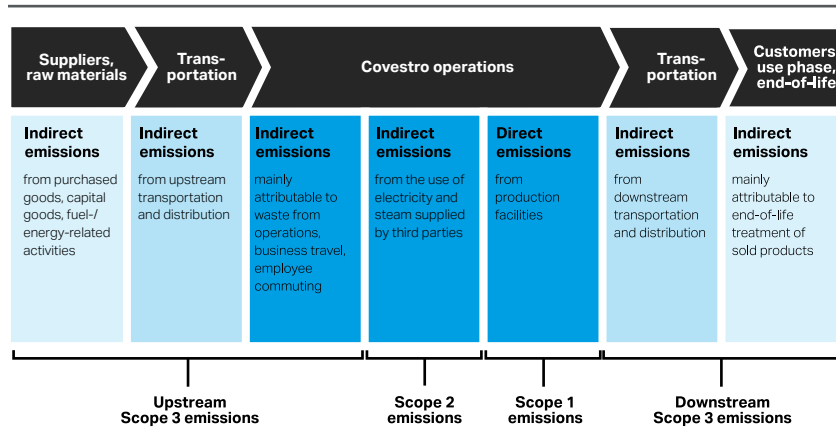
Our goal of transforming to climate neutrality is intended to prepare us for the future, mitigate the material impacts and risks identified, and actively take advantage of opportunities by manufacturing our products in a climate-neutral manner. For Covestro – an energy-intensive company with complex value chains – this means not only systematically driving energy efficiency, establishing more sustainable production processes, and using climate-neutral sources of energy, but also moving away from the use of fossil-based raw materials and embracing a holistic approach toward more sustainable production and business models. This transition will help us launch climate-friendly products on the market and meet specific climate targets.

→ For further information, please refer to “Corporate Strategy – Group Strategy.”

In accordance with the Intergovernmental Panel on Climate Change (IPCC) and the United Nations Framework Convention on Climate Change (UNFCCC), we understand and support climate neutrality as society’s collective goal of attaining net zero GHG emissions by the year 2050. This means that anthropogenic emissions can be removed by the planet through its natural ability to absorb them and as a result no longer impact on the climate. The time horizons of our climate targets are therefore defined in such a way that they conform to international and European ambitions to limit global warming to the 1.5°C required under the Paris Agreement.

→ For further information, please refer to “ESRS E1: Climate Change – Targets.”

Covestro’s GHG emissions along the value chain



In order to achieve our net-zero target at all environmentally relevant sites in respect of emissions from our own production (Scope 1) and emissions from the use of energy produced outside the company (Scope 2) by the end of 2035, we have defined three levers. We are planning to optimize our production processes to facilitate the more sustainable and energy-efficient manufacture of our products. In addition, we intend to increase significantly the proportion of electricity from renewable sources. We likewise aim to make greater use of climate-neutral steam in future.

In addition, we have identified four key levers for reducing emissions from upstream and downstream processes in the value chain (Scope 3). The first lever is that suppliers reduce their Scope 1 and Scope 2 emissions. Many of Covestro’s raw material suppliers have already defined their own Scope 1 and Scope 2 targets, which could contribute in turn to Covestro’s Scope 3 targets. The second lever is the profitable sale of products based on alternative raw materials. The third lever consists of our MAKE projects – investment projects for the manufacture by Covestro of alternative raw materials with a small carbon footprint. The fourth lever concerns a large number of different factors, e.g., increased recycling rates and changes in logistics and primary energy generation.

→ For further information, please refer to “ESRS E1: Climate Change – Policies and Actions.”

To enable the company to achieve net zero for Scope 1 and Scope 2 emissions at all environmentally relevant sites, Covestro anticipates investments of between €250 million and €600 million for more sustainable production processes by the year 2035. Greater energy efficiency is expected to cut operating expenses by €50 million to €100 million a year. Conversely, on the road to net-zero emissions, Covestro is anticipating higher annual operating costs for the procurement of renewable energy in a low three-digit million euro amount. These cost assumptions are based on past experience that prices for fossil-based sources of energy are lower than for renewable energy.

In the short term, Covestro does not anticipate any significant additional operating costs in order to achieve its Scope 3 targets. By the year 2035, we will invest approximately €600 million in our own recycling and bio-based technologies (MAKE projects). It is still necessary to evaluate additional operating costs and investments in the short and medium term. At present, it is difficult to quantify these investments

because of the still high degree of uncertainty regarding the maturity of technologies, regulations, and customer requirements.

The investments required are an integral part of resource and allocation planning and dedicated to specific projects.

This dedicated allocation of capital expenditure (CapEx) to CO₂ roadmap and MAKE projects can enable Covestro not only to achieve an efficient and cost-effective transformation, but also to deploy future-oriented technologies.

We seek to avoid any significant increases in GHG emissions in new investments by way of high heat recovery rates, the use of state-of-the-art process technologies, and a future-oriented infrastructure. When calculating our climate targets, we took account of increases in annual GHG emissions resulting from our growth strategy.

We see no risks to target achievement from locked-in emissions because Covestro can use existing facilities to make products with sustainable properties for its user industries. When it comes to renewable energy, the transition to alternative supply sources is established across the industry. The integration of climate-neutral raw materials in production is taking place, in particular by applying the mass balance approach. This consists of integrating alternative raw materials in the upstream stages of the value chain and of allocating the sustainable product attributes to specific end products along the value chain in accordance with internationally recognized, standardized processes. The mass balance approach makes it possible to integrate increasingly climate-neutral and circular raw materials into the existing asset structure. Our mass balance approach has already been certified by ISCC PLUS for several sites.

For fiscal 2024, we are not reporting any economic activities as taxonomy-aligned within the meaning of EU Regulation 2020/852 and the associated delegated acts. Many activities in our portfolio are not covered by the taxonomy at present, e.g., the manufacture of diisocyanates such as diphenylmethane diisocyanate, or MDI, toluylene diisocyanate, or TDI, which are required for processing into polyurethane. For this reason, only a small proportion of Covestro's portfolio is potentially taxonomy-aligned. It is therefore not practicable to make any statement as to whether and to what extent the aforementioned planned investments and operating

expenditures for achieving our GHG reduction targets will simultaneously result in an increase in the proportion of taxonomy-aligned activities.

→ For further information, please refer to "Disclosures Pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)."

Covestro purchases the energy required at most sites: electricity, steam, and cooling. A small number of sites produce their own energy on the basis of fossil fuels such as coal, oil, or gas. No significant investments were made in these facilities in fiscal 2024.

According to a self-assessment, Covestro AG fulfilled all requirements in principle to be included in the EU Paris-aligned Benchmarks (PABs) in fiscal 2024. In the reporting year, Covestro was neither involved in activities that would require exclusion, nor were relevant sales above the defined thresholds generated by activities that would require exclusion. The review was performed on the basis of the exclusion criteria in accordance with Article 12 of Delegated Regulation (EU) 2020/1818 (minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks). Moreover, Covestro was not informed of any exclusion from PABs.

Our alignment with climate neutrality and the circular economy is a core element of our corporate strategy. Other elements are our ambitious reduction targets for emissions from our own production facilities and from purchased energy sources, as well as for emissions from upstream and downstream value chains. The associated investment required, the savings potential, and additional operating costs are included in the regular internal planning processes.

→ For further information, please refer to "Corporate Strategy – Group Strategy."

The targets and actions for achieving net-zero emissions were approved by the Board of Management and presented to the Supervisory Board.

Since the publication of our Scope 1 and Scope 2 targets in 2022, the actions for achieving net-zero emissions were defined in our CO₂ roadmap; progress is assessed and reported regularly to the Board of Management. Different software solutions are used to assess the impact of investments on GHG emissions. The CO₂ roadmap is reviewed annually, updated, and discussed with the Chief Technology Officer.

Since the announcement of the Scope 3 targets at the start of 2024, implementation bodies have been established to operationalize the transitional plans in consultation with the various corporate functions. These bodies, consisting of managerial employees from the Group Innovation & Sustainability, Process Technology, Group Procurement, Controlling, Group Health, Safety, Environment and Reliability, and Strategy functions as well as from the business entities, discuss and allocate resources for the implementation of our transition plan.

Further information and examples of individual actions on the level of the different reduction levers can be found in the "Policies and Actions" section. Details of our GHG emissions in the reporting year and in the previous year can be found in the "Metrics" section.

→ For further information, please refer to "ESRS E1: Climate Change – Policies and Actions."

→ For further information, please refer to "ESRS E1: Climate Change – Metrics."

Resilience Analysis

Between August and September 2024, Covestro conducted a physical climate risk analysis for 47 sites, in which 11 potentially material physical risks were identified for the years 2030, 2040, and 2050 on the basis of the SSP5-8.5 scenario: heat stress, water stress, sea level rise, heatwave, tornado, tropical cyclone, storm, drought, flood, heavy precipitation, and subsidence.

A questionnaire is used as part of the resilience analysis in order to assess existing measures at each site that are suitable to adapt to the identified hazards.

The construction and organizational measures identified are suitable for mitigating the chronic and acute risks. For the risks of heat stress, water stress, sea level rise, tropical cyclone, storm, flood, subsidence, and heat wave, we are planning and assessing further measures in order to keep the risk to a minimum.

Based on what we know today, we have not identified any negative impacts on Covestro's business model.

Given the nature of the scenario-based analysis, uncertainty remains as to the specific magnitude of each of the hazards per site. Continuous monitoring of the physical risks and of the appropriateness of the associated adaptation measures ensures that additional measures can be implemented if new information comes to light.

Policies and Actions

The material impacts identified are addressed globally under our corporate Health, Safety, Environment and Energy, and Quality (HSEQ) policy. The basic principles it contains are published in the Policy Booklet on our website.

→ For further information, please refer to: www.covestro.com/en/sustainability/documents-and-downloads/policies-and-commitments

For the material impacts in the areas of climate change mitigation and energy, the global corporate policy is operationalized by our **CO₂ roadmap** and our **integrated HSEQ management system**. The CO₂ roadmap forms the basis for prioritizing specific GHG reduction actions and will fundamentally be used to address and analyze direct and indirect sources of emissions in accordance with the Greenhouse Gas Protocol (GHG Protocol). Prioritization on the global level is based on GHG avoidance costs, both for our own investments and for the procurement of renewable or climate-neutral energy and alternative raw materials.

Actions to reduce emissions are identified in close collaboration between our sites, the relevant corporate functions, such as Group Innovation & Sustainability, Group Procurement, and Logistics, and the business entities. Their joint task lies in developing and implementing new and more sustainable process technologies, energy efficiency projects, and procurement strategies. This also includes internal and external positioning in respect of relevant actions to achieve the climate neutrality targets, such as carbon capture and storage (CCS), carbon capture and usage (CCU), mass balancing, and carbon compensation. Following central prioritization by the implementation bodies, selected technical actions and procurement measures are considered in the annual resource and allocation planning that is approved by the Board of Management.

Further information and details on the integrated HSEQ management system can be found in ESRS E2 Pollution.

→ For further information, please refer to "ESRS E2: Pollution."

Although the climate risk analysis identified a material gross risk in connection with the sustainability matter of climate change adaptation, we do not see any need to develop Group-wide policies or actions that require the use of significant resources. Individual actions for selected sites are assessed on the basis of the resilience analysis.

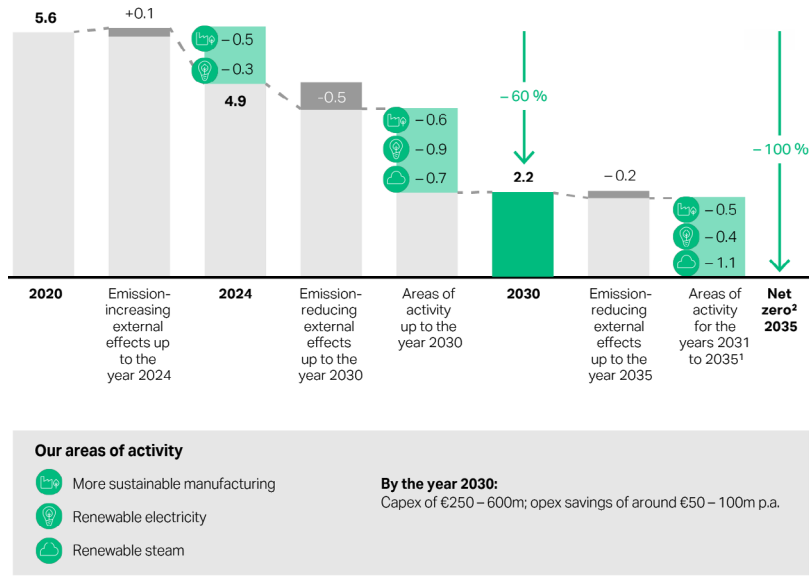
→ For further information, please refer to "ESRS E1: Climate Change – Resilience Analysis."

Actions for Reaching the Scope 1 and Scope 2 Net-Zero Target

The three levers for achieving our reduction target and our progress in attaining our target are presented in detail below.

Actions for reaching the Scope 1 and Scope 2 net-zero target

million metric tons of CO₂ equivalents per year



¹ Including compensation actions in the areas of activity to offset any residual emissions.
² Achievement of net-zero GHG emissions is defined as a balance between anthropogenic production of GHG emissions (caused by the company's own production activities and by the provision and use of energy produced outside the company) and anthropogenic reduction of GHG emissions.

More Sustainable Production Processes

We invest continuously in expanding existing production capacities and building new capacities. In doing so, we undertake to use state-of-the-art, climate-friendly technologies for **more sustainable production processes**. The focus here is both on reducing energy consumption through increased efficiency and on cutting process emissions during production. The projects of our long-term investment planning have already been included in formulating our climate targets and the associated CO₂ roadmap. In the reporting year, we implemented two projects at the

Baytown (Texas, United States) and Shanghai (China) sites to reduce nitrogen oxide emissions. The installation of plant units with improved catalysts makes it possible to achieve a significant reduction of around 160,000 metric tons of CO₂ equivalents each year from 2025. Overall, we invested €33 million in actions connected with the CO₂ roadmap in the reporting year. This is equivalent to 3.8% of the investments in property, plant, and equipment in the fiscal year. Of this amount, €6 million was attributable to taxonomy-eligible economic activities. The CO₂ roadmap addresses a significantly broader range of our economic activities than are currently covered by the Taxonomy Regulation.

→ For further information, please refer to “Disclosures Pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).”

→ For further information, please refer to note 13.2 “Property, Plant, and Equipment” in the Notes to the Consolidated Financial Statements.

Electricity from Renewable Sources

In addition to more efficient energy usage in our production processes, the transition to renewable energy is an important lever on the road to climate neutrality. In the future, Covestro therefore intends to meet all of its energy needs with renewable energy. Actions we have taken toward this goal include developing new supply plans and signing purchase contracts for renewable energy, particularly electricity. To further drive the shift toward more sustainable sources of energy (in relation to Scope 2 emissions), we will above all apply innovative collaborative models and technologies.

In the reporting year, in addition to the existing agreements for the purchase of **electricity from renewable sources** in Belgium, China, and Germany, we concluded further agreements worldwide, e.g., for our sites in the United States and in Tarragona (Spain). In this process, Covestro made use of special power purchase agreements and power certificates (e.g., Guarantees of Origin in Europe). This is intended to contribute to shrinking the carbon footprint in production, in our products, and in our customers’ applications.

→ For further information, please refer to “Value Chain – Procurement.”

Climate-Neutral Steam

We continue to evaluate options for using biogenic and renewable sources of energy, such as hydrogen and hydrogen derivatives or direct electrification, as well as the use of carbon capture technologies to supply climate-neutral process heat to our sites. These technologies for providing **climate-neutral steam** can contribute substantially to reducing GHG emissions in the future, e.g., by using hydrogen and its derivatives for generating energy and as a production input in CO₂ conversion in the chemical industry.

For the first time, Covestro is investing in an innovative heat battery at the Brunsbüttel (Germany) site. The Rondo Heat Battery stores intermittent renewable electricity and delivers continuous high-temperature steam – thus offering a sustainable alternative to steam generation with fossil fuels. The RHB100 heat battery is scheduled to begin operation at the end of 2026. It will then produce 10% of the steam required at the site, saving up to 13,000 metric tons of CO₂ emissions per year.

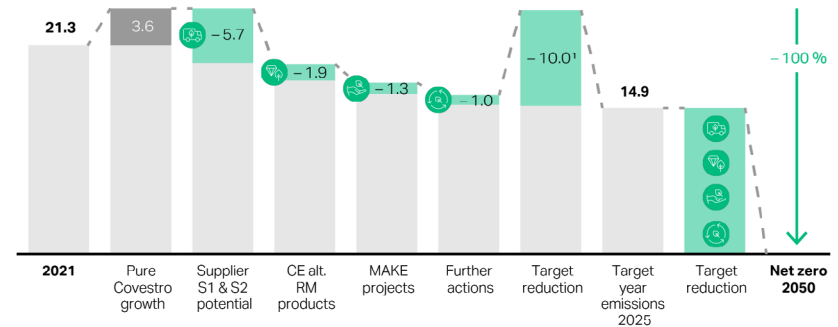
In the fiscal year, no significant operating expenditures (OpEx) were made in relation to the above actions. Likewise, no significant OpEx is planned for these actions in future fiscal years. Further details about planned expenditures can be found in “Our Transition Plan for Climate Change Mitigation.”

Actions for Reaching the Scope 3 Net-Zero Target

The four levers for achieving our reduction target are presented in detail below.

Actions for reaching the Scope 3 net-zero target

million metric tons of CO₂ equivalents per year



Our areas of activity

- Reductions of suppliers' Scope 1 and Scope 2 emissions
- Sale of products based on alternative raw materials
- MAKE projects
- Further actions

¹ Due to rounding, the volumes of the four action areas do not add up to exactly 10.0 million metric tons of CO₂ equivalents.

Reduction of Suppliers' Scope 1 and Scope 2 Emissions

Many of Covestro's raw material suppliers have already defined their own Scope 1 and Scope 2 targets, which could contribute in turn to Covestro's Scope 3 targets. To **reduce the Scope 1 and Scope 2 emissions of suppliers**, Covestro maintains an active dialogue with its suppliers, e.g., in the context of a Scope 3 supplier event organized in the reporting year. A further example is the long-term supply agreement for chemically recycled raw materials concluded in 2024 by Covestro and Encina Development Group LLC, The Woodlands, Texas (United States). It covers the supply of raw materials recovered from used plastics, thereby reducing Covestro's Scope 3 emissions. Other key short-term action areas include electrification, improved efficiency, and CCS in suppliers' manufacturing processes.

→ For further information, please refer to “Value Chain – Procurement.”

Sale of Products Based on Alternative Raw Materials

With its CQ (Circular Intelligence) label, Covestro already has circular solutions in its product portfolio that contribute to the **sale of products based on alternative raw materials**. CQ products contain at least 25% alternative, nonfossil raw materials.

→ For further information, please refer to “ESRS E5: Resource Use and Circular Economy.”

→ For further information, please refer to “Sustainable Solutions.”

MAKE Projects

MAKE projects are our own investments in the development of more sustainable process technologies. These include, e.g., the production of biobased aniline or the use of our own recycling technologies to enable the use of recycled raw materials. Another example of a MAKE project is Covestro’s Evocycle CQ technology, which is used to recycle mattresses. Overall, we invested €4 million in MAKE projects in the reporting year, which accounted for 0.4% of investments in property, plant, and equipment in the fiscal year. Of this amount, €1 million was attributable to taxonomy-eligible economic activities.

→ For further information, please refer to “Innovation – Process Technology Innovations.”

→ For further information, please refer to “Disclosures Pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).”

→ For further information, please refer to note 13.2 “Property, Plant, and Equipment” in the Notes to the Consolidated Financial Statements.

Further Actions

The **further actions** include, e.g., increasing recycling rates to reduce emissions from waste incineration, changes in logistics processes such as the use of electric trucks, and changes in primary energy generation. In addition, innovation processes are to be accelerated by means of digital research and development and artificial intelligence.

The Scope 3 targets are based on the levers described above and their contributions (see chart). In the coming fiscal year, we plan to be able to assess our progress in attaining our targets at the lever level. The latest metrics on our Scope 3 emissions are presented in “GHG Emissions.”

No significant operating expenditure (OpEx) was made in fiscal 2024 to reduce Scope 1 and Scope 2 emissions of suppliers or in connection with the sale of products based on alternative raw materials and other actions. Likewise, no significant OpEx is planned for the above actions in future fiscal years. Further details about planned expenditures can be found in “Our Transition Plan for Climate Change Mitigation.”

Targets

Climate Change Adaptation

In connection with the sustainability matter of climate change adaptation, Covestro has not set itself a Group-wide target within the meaning of the ESRSs at this stage, as no material negative impacts on the business model are expected.

→ For further information, please refer to “ESRS E1: Climate Change – Resilience Analysis.”

Climate Change Mitigation

Absolute reduction targets were published in fiscal 2022 for reducing our Scope 1 and Scope 2 emissions at all environmentally relevant sites. In 2023, an absolute reduction target for Scope 3 GHG emissions was also set.

In terms of potential residual emissions in the future, i.e., those that are technically unavoidable, the use of technical and natural CO₂ sinks, or compensation actions to potentially balance all GHG emissions (Scope 1, Scope 2, and Scope 3) are currently being evaluated.

In the baseline year of 2020, Scope 1 emissions accounted for 22% and (market-based) Scope 2 emissions for 78% of the combined Scope 1 and Scope 2 emissions. Fiscal 2020 was chosen as the base year because the emissions represented the mean for the last three years before the targets were defined and published in the year 2022. In the reporting year, the ratio was 21% Scope 1 emissions to 79% Scope 2 emissions. **Net-zero Scope 1 and Scope 2 GHG emissions** are to be attained at all environmentally relevant sites by the year 2035. We are currently assuming that residual emissions of 0.3 to 0.5 million metric tons of CO₂ equivalents could remain in the year 2035. This means that our net-zero target for the year 2035 corresponds to a reduction in gross emissions by 91.1% to 94.6% compared with the baseline year of 2020. On the way to meeting this target, the company plans to reduce direct and indirect GHG emissions of 5.6 million metric tons of CO₂ equivalents in the baseline year of 2020 by 60% to 2.2 million metric tons of CO₂ equivalents by the year 2030 (excluding compensation actions). Since Covestro has not set any annual targets, the reduction percentages should be read as averages over a ten-year period.

Covestro pursues a growth strategy, although this is not expected to have a significant impact on our annual Scope 1 and Scope 2 GHG emissions through the year 2035. External factors that are having a beneficial effect on our climate neutrality are expected to make an annual contribution of 0.7 million metric tons of CO₂ equivalents by the year 2035. This includes, for example, Germany's target to reach a renewable energy share of 80% in the German power mix by the year 2030 and Germany's plans to phase out coal.

The implementation of sustainable production processes as the first action area is expected to contribute to a reduction of 1.1 million metric tons of CO₂ equivalents in future, while the transition to electricity from renewable sources – the second action area – should enable savings of 1.3 million metric tons of CO₂ equivalents. As for the third action area – climate-neutral steam – a reduction in emissions by 1.8 million metric tons of CO₂ equivalents is to be achieved by changing the supply of process heat.

In the base year of 2021, Scope 3 emissions accounted for 80% of Covestro's total emissions. This figure was 79% in the reporting year. Fiscal 2021 was chosen as the base year because Scope 3 emissions were recorded and reported from that year onward. **Net-zero Scope 3 GHG emissions** are to be attained by the year 2050. We

are currently assuming that residual emissions of 5% to 10% could remain in the year 2050. On the way to meeting this target, the company plans, by the year 2035, to reduce GHG emissions from upstream and downstream processes in the value chain by 10 million metric tons of CO₂ equivalents (equivalent to 30%) compared with the baseline year of 2021* (excluding compensation actions). The four relevant categories, "Purchased goods and services," "Fuel- and energy-related activities," "Upstream transportation and distribution," and "End-of-life treatment of sold products," are considered in our Scope 3 reduction targets.

Covestro pursues a growth strategy, and we therefore assume that our annual Scope 3 GHG emissions will gradually increase by 3.6 million metric tons of CO₂ equivalents by the year 2035.

The reduction of suppliers' Scope 1 and Scope 2 emissions as the first action area is expected to contribute to a reduction of 5.7 million metric tons of CO₂ equivalents, while the sale of products based on alternative raw materials – the second action area – should enable savings of 1.9 million metric tons of CO₂ equivalents. As for the third action area – MAKE projects – a reduction in emissions by 1.3 million metric tons of CO₂ equivalents is to be achieved by our own investment in, e.g., recycling technologies. Further reductions, e.g., in logistics or primary energy generation, are expected to amount to 1.0 million metric tons of CO₂ equivalents.

Until the year 2030, we will focus closely on the Scope 1 and Scope 2 targets that we can influence directly. Attainment of our Scope 3 targets is based on both upstream and downstream dependencies in the value chain; that is why the year 2035 was chosen for the interim Scope 3 reduction target. By 2030, we anticipate more clarity about the timing of implementation, regulatory trends, and technological developments.

The Scope 1 and Scope 2 targets were developed using the methodology of the Science Based Targets initiative (SBTi) and exceed its requirements. We are aiming for a reduction of 60%, while the Science Based Targets initiative specifies 42% by the year 2030. The Science Based Targets initiative provides companies with a clearly defined, science-based pathway to reducing emissions in line with the goals

* This figure already includes some growth-related emissions projected up to the year 2035.

of the Paris Agreement. The targets of the Science Based Targets initiative continue to be accepted and are considered "science-based" for being able to meet the targets of the Paris Agreement: to limit global warming to 1.5°C above pre-industrial levels. These targets are subject to inherent uncertainty in relation to more recent scientific findings and methods.

Progress in implementing our CO₂ roadmap and reducing our Scope 1 and Scope 2 emissions indicates that we will be able to attain the targets we have set for our company.

In principle, the long-term Scope 3 reduction target to be met by the year 2050 is also in line with requirements of the Science Based Targets initiative to achieve net-zero emissions by the year 2050 at the latest and aimed at limiting global warming to 1.5°C.

The Science Based Targets initiative is in the process of developing industry-specific reduction pathways. Since no reduction pathways or interim targets have been published yet for the chemical industry, it is not possible at present to assess the Scope 3 interim target for the year 2035 in accordance with the Science Based Targets initiative framework. Our interim target for the year 2035 does not correspond to the cross-sector Science Based Targets initiative-framework.

Our climate targets have not been certified by the Science Based Targets initiative at this stage.

By aligning ourselves with international and European ambitions to limit global warming to 1.5°C, we have indirectly taken the expectations of affected stakeholders, such as local communities, persons in vulnerable situations, and nature, into account.

The Scope 1 and Scope 2 emissions of Covestro's main sites have been integrated into our management system. From fiscal 2025, it will also include the Scope 1 and Scope 2 emissions of all Covestro's environmentally relevant sites.

→ For further information, please refer to "Management – Management System."

By using a structured process, we guarantee continuous monitoring of our progress, a prompt response to changes, and the goal-oriented management of our efforts to reduce Scope 1 and Scope 2 emissions. Firstly, we evaluate changes in our Scope 1 and Scope 2 GHG emissions for the current fiscal year on a quarterly basis. Secondly, as part of our strategic planning cycle, we prepare a detailed annual forecast up to the year 2035. If there are significant variances between forecast and targets, we review and adjust our policies and actions for reducing emissions.

We are at the same time working on a similar process for our Scope 3 emissions.

When setting reduction targets, assumptions were made as to future developments and their influence on our emissions and reduction options. Both the effects of the company's own business growth and external effects, such as regulatory changes and the development of Germany's energy mix, were included in this process.

We are seeing a fundamental transition toward sustainable business practices in Covestro's core markets. This transition is resulting in changing product requirements such as lower weight, better insulating properties, a reduced carbon footprint, recyclability, and a higher recycled material content. In concrete terms, the transition is generating a positive change in the demand for materials from our main customer industries. Looking ahead, for example, more lightweight materials like those produced by Covestro will be needed in the mobility and transport areas to facilitate energy-efficient electromobility. In the construction sector, it is insulating materials that will (help) enable the transition to climate-neutral buildings. Therefore, our customers' efforts to achieve climate neutrality in the core markets surveyed are the drivers of greater demand for our products, including those from our fossil-based portfolio.

We assume that the pace of decline in Scope 3 emissions will increase from the year 2030 because the technological innovations for industrial-scale applications are still at the early stage of development and will not be available until the end of the decade. We also expect regulatory trends to drive the demand for alternative solutions from the year 2030, thus resulting in emission reductions.

Energy

For an energy-intensive company like ours, the reduction in the amount of energy we use plays a key role in efforts to reduce our Scope 1 and Scope 2 emissions.

Covestro's energy usage includes the primary energy used in production and during self-generation of electricity and steam as well as additionally acquired quantities of electricity, steam, cooling, and process heat (secondary energy).

In the reporting year, in order to align our energy usage more closely with our Scope 1 and Scope 2 reduction targets, we introduced a new **energy efficiency target** in place of the previous one. By the year 2030, we aim to improve our energy efficiency (total energy usage in MWh in relation to our production volume in metric tons) at all environmentally relevant sites by 20% compared with 2020 levels. Unlike the energy target pursued previously, the parameters now correspond to those of the climate neutrality target (same base year and scope of relevant sites). Due to the time horizon for this target, we see no need to define an interim target. As this target is a sub-target of the Scope 1 and Scope 2 reduction targets, stakeholder engagement has been implemented accordingly in connection with this target. Actions are covered by the "More Sustainable Production Processes" section and also contribute to our target of improving our energy efficiency. We will assess progress toward target attainment at least once a year.

Our energy efficiency amounted to 0,97 MWh per metric ton in the base year of 2020. We have achieved an improvement of 12.8% since then.

→ For further information, please refer to "ESRS E1: Climate Change – Energy Usage."

Metrics

{Greenhouse Gas Emissions

The reporting of direct GHG emissions, e.g., from burning fossil energy sources and from our production processes (Scope 1), of indirect GHG emissions from the provision and use of energy produced outside the company (Scope 2), and of GHG emissions from upstream and downstream processes in the value chain (Scope 3), is based on the requirements of the GHG Protocol Corporate Standard (2004 version) as well as the GHG Protocol Scope 2 Guidance (2015 version) and the Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain (2013 version).

In addition to CO₂, the inventory of Scope 1 emissions comprises all relevant GHGs, including nitrous oxide (N₂O), methane (CH₄), partly fluorinated hydrocarbons, sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). Where available, our sites use local emission factors that are as precise as possible. If these are not known, we use the standard factors provided by Germany's Federal Environment Agency. All Scope 1 emissions are disclosed as CO₂ equivalents using the global warming potential (GWP) factors. The relevant factors are those from the IPCC's Sixth Assessment Report. Scope 1 emissions comprise stationary, mobile, process-related, and fugitive sources of emissions. At present, the Group does not generate any significant biogenic emissions. If this were to change, we will report these quantities separately in the future.

If, in our efforts to achieve climate neutrality, compensation actions are taken in relation to our Scope 1 and Scope 2 GHG emissions, they are disclosed in accordance with the GHG Protocol. We currently sell carbon certificates to third parties and, in accordance with the GHG Protocol, do not use these volumes as offsets.

In fiscal 2024, the Covestro Group did not implement any projects to reduce and/or store greenhouse gases within its own operating activities. Moreover, it did not contribute to any such projects in the upstream and downstream value chain, and no climate change mitigation projects outside the company's own value chain were financed by the purchase of carbon credits.

In our greenhouse gas balance, we report GHG emissions from facilities and sites that are subject to emissions trading. Most of these facilities are in Europe and are subject to German or European emissions trading. Some of the trading systems cover methane as well as CO₂. Due to the very small amounts of relevant methane emissions (around 0.1% of the Group's Scope 1 emissions), the indicator only covers CO₂ emissions. As there are different disclosure dates and methodologies for the Group Sustainability Statement and the individual emissions trading systems, this may result in slight deviations at site level which are negligible at Group level.

Scope 2 emissions are reported using the location-based and market-based methods. Location-based emissions factors from generally accepted sources (e.g.,

International Energy Agency* emissions factors) were used when calculating location-based Scope 2 GHG emissions. Market-based emissions factors were used when calculating market-based Scope 2 GHG emissions; where these were not available, location-based emissions factors were used. For Covestro, the market-based method is the leading calculation method for Scope 2 GHG emissions. Market-based instruments are used at almost all major production sites; they may include specific purchasing contracts for electricity from renewable sources or separately purchased certificates (e.g., Guarantees of Origin). Moreover, some smaller production sites already purchase up to 100% of their electricity from renewable sources. In the reporting year, the proportion of all contractual instruments with "green" attributes in total energy usage was 7%.

At present, we have no information concerning any significant biogenic emissions by our suppliers. If this were to change, we will report these quantities separately in the future.

We record our Scope 1 and Scope 2 GHG emissions for all consolidated companies. All nonconsolidated companies in the scope of consolidation were examined to determine whether Covestro has operational control as defined by ESRS. No emissions of associates, joint ventures, or non-consolidated subsidiaries under merely operational control have to be reported for Covestro on the basis of this examination. Joint arrangements, over which we have no operational control, are reported to reflect the rights and obligations of the Covestro Group, in the same way as in financial reporting. Since these metrics are calculated only at the end of the year, they include the group of companies consolidated as it stands at year-end. In this process, we incorporate data from all environmentally relevant Covestro sites, i.e., all production sites and relevant administrative sites. In order to meet the disclosure deadlines, the sites estimate the environmental data for the last weeks of the current fiscal year using established extrapolation methods (e.g., on the basis of operations planning, averages, or data from the prior-year months) to ensure that data reporting is as precise as possible and close to the actual values for the year. If, however, in the course of the following year, we become aware of material deviations

based on internally defined thresholds, the figures in question are corrected retroactively. This was not required in fiscal 2024 for the preceding fiscal year 2023.

→ For further information on the scope of consolidation, please refer to note 5 "Changes in the Scope of Consolidation" in the Consolidated Financial Statements.

At Covestro, upstream and downstream GHG emissions data along the value chain (Scope 3 emissions) is determined for all sites and business activities that indirectly cause relevant GHG emissions according to the categories and methods of the GHG Protocol and the Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain by the World Business Council for Sustainable Development (WBCSD). Accordingly, all categories as defined in the GHG Protocol were reviewed for relevance in order to quantify all emissions associated with Covestro's business activities as completely as possible. Out of the total of 15 categories, nine are relevant for Covestro and we report the appropriate emission values for them. The basis for calculating the other indirect GHG emissions (Scope 3) are internal activity data and emission factors.

The six main categories reported separately in the "Metrics" section cover 99.7% (previous year: 99.7%) of our Scope 3 emissions. The activity data used for these categories is based exclusively on actual operating data collected through standardized processes with system support. The emission factors used for these categories are based exclusively on commercially and publicly available sources, or sources recommended by the GHG Protocol. For the "End-of-life treatment of sold products" category, we use the results of an external study on the global plastics flows, including the treatment of post-consumer plastics waste for the breakdown of end-of-life treatment methods for each region in which we distribute our products (Conversio Study 2018**). In this context, we assume that the products are used and disposed of in the countries to which they were sold. The breakdown of waste treatment derived from the Conversio Study 2018 is assumed to be stable until a more reliable or more specific source of information on (plastics) waste is available for Covestro products. The individual calculations of the emissions for each Scope 3 category are described in detail in our latest Carbon Disclosure Project (CDP) questionnaire, which is publicly available.

* International Energy Agency (IEA), document entitled "IEA Emission Factors 2024." All rights to this document reserved to the IEA.

** Conversio Market & Strategy GmbH "Global Plastics Flow 2018"

The share of total emissions determined directly with primary supplier data is 34%.

By continuously improving the data basis and calculation methods used, we will further advance the accuracy of our Scope 3 emissions reporting on an ongoing basis.

Scope 1 and Scope 2 emissions declined by 5% in total in the reporting year. Scope 1 emissions rose by 9% for reasons such as the increase in production and the associated energy demand, while Scope 2 emissions went down 8%. The main drivers of the reduction were primarily emission factors at our largest sites in Germany and in Baytown, Texas (United States).

Scope 3 emissions rose in the year 2023 in almost all subcategories reported. The main drivers are an increase in the volumes purchased and sold, as well as higher emission factors, which are primarily attributable to a methodology update of the databases used for emission factors.

GHG emissions (million metric tons of CO₂equivalents)^{1,2}

	Retrospective				Milestones and target years			Annual % target/base year
	Base year ³	2023	2024	Change	2030	2035	2050	
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions	1.25	0.93	1.01 ⁴	9%				
Percentage of Scope 1 GHG emissions from regulated emission trading schemes ⁵			49.6					
Scope 2 GHG emissions⁶								
Gross location-based Scope 2 GHG emissions	4.48	4.10	4.32	5%				
Gross market-based Scope 2 GHG emissions	4.33	4.18	3.84	-8%				
Scope 1 and 2 GHG emissions (market-based)	5.58	5.11	4.85	-5%	2.2	0,3-0,5		6%
Significant Scope 3 GHG emissions^{6,7}								
Gross Scope 3 GHG emissions	21.84	15.75	17.98	14%				
1 Purchased goods and services	16.44	11.86	13.57	14%				
2 Capital goods	0.34	0.52	0.29	-44%				
3 Fuel and energy-related activities	1.02	0.81	1.05	30%				
4 Upstream transportation and distribution	0.49	0.52	0.59	13%				
5 Waste generated in operations	0.16	0.10	0.11	10%				
12 End-of-life treatment of sold products	3.34	1.89	2.33	23%				
Other categories	0.05	0.05	0.06	20%				
Scope 3 target-relevant categories (3.1; 3.3; 3.4; 3.12)	21.30	15.08	17.54	16%		14.9	1.1-2.1	3%

TABLE CONTINUED ON THE NEXT PAGE

GHG emissions (million metric tons of CO₂equivalents)^{1,2}

	Retrospective				Milestones and target years			Annual % target/base year
	Base year ³	2023	2024	Change	2030	2035	2050	
Total gross GHG emissions								
Total location-based GHG emissions		20.78	23.31	12%				
Total market-based GHG emissions		20.86	22.83	9%				
Total net GHG emissions								
Sold compensation actions		0.65	0.56 ⁸	-14%				
Total market-based GHG emissions including compensation actions		21.51	23.39	9%				
GHG intensity⁹ (million metric tons of CO₂ equivalents, location-based/€ million)		0.0014	0.0016	14%				
GHG intensity⁹ (million metric tons of CO₂ equivalents, market-based/€ million)		0.0015	0.0016	11%				

¹ Scope 1, Scope 2, and Scope 3 GHG emissions determined as set out in the GHG Protocol; global warming potential (GWP) factors according to the IPCC's Sixth Assessment Report.

² Since the external auditor did not review the Scope 3 emissions with reasonable assurance in the base year, these figures and figures calculated using them as a basis were reviewed only with limited assurance.

³ Base years: fiscal 2020 for Scope 1 and Scope 2 emissions; fiscal 2021 for Scope 3 emissions.

⁴ In the year 2024, 79.4% of emissions were CO₂ emissions, 20.1% were N₂O emissions, 0.4% consisted of partly fluorinated hydrocarbons, 0.1% were attributable to CH₄ and less than 0.1% to SF₆.

⁵ At the date of publication, the authorities had not yet verified the ETS volumes for the 2024 reporting year. The percentage of Scope 1 GHG emissions from regulated emissions trading systems has only been determined since the 2024 reporting year. No comparative prior-year value is available.

⁶ As a rule, CO₂ accounts for more than 99% of all GHG emissions from incineration processes. For this reason, we limit our calculation of indirect emissions to CO₂.

⁷ Non relevant emissions categories: 8 "Upstream leased assets"; 11 "Use of sold products"; 15 "Investments." Estimates indicate that these categories account for <1% of Covestro's total Scope 3 emissions. Their levels are therefore insignificant according to the definition in the GHG Protocol.

Nonapplicable emissions categories: 13 "Downstream leased assets"; 14 "Franchises." Covestro does not operate any plants that are leased to third parties and whose emissions are not already included in Scope 1 and Scope 2 emissions reporting. Moreover, Covestro does not own or operate any franchises.

Unreported emissions category: 10 "Processing of sold products." Since data could not always be obtained and there are numerous applications for Covestro's products, calculating these emissions would require disproportionate effort. In this case, Covestro refers to the WBCSD guidance, according to which a chemical company whose product portfolio contains a broad range of intermediates is not required to report Scope 3, category 10 "Processing of sold products."

The calculation of emissions categories 2 "Capital goods" and 1 "Purchased goods and services," in relation to the share that is not attributable to raw materials, is based on spend-based emission factors of the Department for Environment, Food & Rural Affairs (DEFRA) from the year 2021, which have been updated using inflation rates according to the German consumer price index.

"Other categories" includes the following: 6 "Business travel," 7 "Employee commuting," 9 "Downstream transportation and distribution."

⁸ Since certification of the reductions from October to December 2024 has not yet been completed, the expected reduction volumes are presented here. The plan is to sell the emission reductions made in the fiscal year as emission credits once they have been certified.

⁹ Ratio of total gross GHG emissions to the Sales line in the income statement in the Covestro Group consolidated financial statements.

Biogenic CO₂ emission equivalents stemming indirectly from the value chain totaled 54,306 metric tons of CO₂ equivalents (previous year: 73,605 metric tons of CO₂ equivalents) in the reporting period in absolute terms and are disclosed separately from the total volume of Scope 3 emissions in accordance with the GHG Protocol and the WBCSD.

Energy Usage

We record energy volumes using the same method as for GHG emissions, i.e., we capture our data at all environmentally relevant sites. This includes both primary energy usage (e.g., natural gas) for production and our own energy generation and secondary energy usage from purchased electricity, steam, and cooling. Moreover, we record energy from renewable sources separately and only report energy volumes from renewable sources that have been specifically assigned to Covestro through contractual instruments (e.g., specific energy purchase agreements or Guarantees of Origin). If the "renewable energy" attribute cannot be reliably proven (e.g., on the basis of Guarantees of Origin), these volumes are recorded as non-renewable energy. If a utility mix also includes a proportion of renewable energy, this is currently not explicitly reported.

Where necessary, our sites use local emission factors that are as accurate as possible for conversion into units of energy. If these factors are not known, the standard values from the German Federal Ministry for Economic Affairs and Energy are used.

Due to the manufacture of chemical products, Covestro belongs to a group of companies attributed to the high climate impact sectors, and this requires us to make detailed disclosures on our fossil fuel consumption. According to Annex 2 of the ESRS, climate-sensitive sectors are: sectors that are listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council (15) (as defined in Commission Delegated Regulation (EU) 2022/1288). Detailed disclosures on energy consumption from fossil sources can be found in the table entitled "Energy consumption and energy mix."

In addition, we measure our energy efficiency because we believe that energy usage is closely linked with our production volume. We calculate energy efficiency as the ratio of total energy usage to our production volume.

Energy consumption and energy mix

	2023	2024
	in MWh	in MWh
Total fossil energy consumption	13,246,000	14,069,000
Share of fossil sources in total energy consumption	93%	92%
Coal	–	–
Liquid fuels	70,000	71,000
Natural gas	2,453,000	2,747,000
Other fossil sources	131,000	93,000
Secondary energy consumption from fossil sources	10,592,000	11,158,000
Total nuclear energy consumption¹		189,000
Share of nuclear sources in total energy consumption		1%
Total renewable energy consumption	1,018,000	1,008,000
Share of renewable sources in total energy consumption	7%	7%
Fuel consumption for renewable sources	–	–
Secondary energy consumption from renewable sources	1,017,000	1,008,000 ²
Consumption of self-generated non-fuel renewable energy	1,000	–
Total energy consumption	14,264,000	15,266,000
Energy intensity³ (MWh/€ million)	992.14	1,076.66

¹ Calculation of the share of nuclear energy on the basis of statistical information of the Energy Institute ("2024 Energy Institute Statistical Review of World Energy").

² Due to the legal deadline set by Section 42 of the German Energy Industry Act (EnWG) for making an individual fuel mix disclosure, which occurs only after the preparation of the Annual Report 2024, the volumes (around 257,000 MWh) that have not yet been canceled at the time of preparing the Annual Report can only be duly canceled by the legal deadline at Germany's Federal Environment Agency in the year 2025. This guarantees that, as a minimum, the total volume of electricity from renewable sources for North Rhine-Westphalia has been achieved.

³ Ratio of total energy consumption to sales in high climate impact sectors. As shown in the table, the energy intensity relating to activities in high impact climate sectors was calculated on the basis of Covestro Group sales. These are disclosed in the income statement and in note 6 "Sales" in the Notes to the Consolidated Financial Statements.

Covestro generates energy itself at many of its sites worldwide and, in most cases, uses this energy itself. In the reporting year, Covestro generated a total of 5,832,000 MWh of electricity and steam from nonrenewable sources. The amount of electricity and steam the company generated from renewable sources in the same period was around 300 MWh.]

Energy efficiency (energy usage as a ratio of production volume) is currently 0.85 MWh/metric ton. This equates to an improvement of 12.8% compared with the baseline year of 2020.

Internal CO₂ Pricing

In order to meet the climate neutrality target, we assess our company's (Scope 1 and Scope 2) GHG emissions and our investment projects as part of the investment project management process. We perform a sensitivity analysis on worldwide investments in excess of €5 million, in addition to calculating standard project ROCE (return on capital employed). We use two complementary policies to create incentives for CO₂ reductions. For investment projects, we use a matrix to visualize the compromise between the financial impact (ROCE above WACC) and CO₂ impact (CO₂ equivalents per €1 million of investment) as well as a ROCE calculation, which applies an internal CO₂ shadow price of €100 per metric ton of CO₂ equivalent. A standard sensitivity analysis uses a CO₂ shadow prices of €200 per metric ton of CO₂ equivalents. The price range selected has been derived from the forecast by enervis energy advisors GmbH, taking account of existing and anticipated EU legislation, e.g., on emissions trading and on the Carbon Border Adjustment Mechanism (CBAM) until the year 2045. The internally applied CO₂ shadow price is regularly reviewed and adjusted if necessary.

In the reporting year, the following volumes were measured at the CO₂ shadow price: 105 kt of CO₂ equivalents of Scope 1 emissions, 30 kt of CO₂ equivalents of Scope 2 emissions, and 22 kt of CO₂ equivalents of Scope 3 emissions. This corresponds to the following shares of total gross GHG emissions: 10.4% of Scope 1 emissions, 0.8% of Scope 2 emissions, and 0.1% of Scope 3 emissions.

The above-mentioned CO₂ shadow prices are used exclusively in the context of managing investment projects. They are not used in the consolidated financial statements, neither when determining useful lives or for measuring the net carrying amounts of assets, nor for determining impairment losses on assets or measuring the fair values of assets acquired in business combinations.

Anticipated Financial Effects

ESRS E1 Climate change in principle also provides for qualitative and quantitative disclosures on anticipated financial effects from material physical and transition risks and potential climate-related opportunities. In accordance with ESRS 1 Appendix C, Covestro applies the phased-in disclosure requirements in the first year of preparing the Group Sustainability Statement. According to this expedient, the disclosures specified may be omitted in the first year.

ESRS E2: Pollution

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Pollution"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Pollution of air							
Impact (potential negative)	The failure of systems in place for emission prevention, measurement, and control has the potential to adversely impact human health or the environment: Covestro contributes to a potential negative impact on human health due to non-climate related emissions caused by its own operations in case there is an incident involving the use of chlorine and phosgene. Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M, L	2		HSEQ management system	Environmental performance, internal audits, individual local actions	
Impact (actual negative)	Covestro's upstream value chain contributes to air pollution by driving demand for products from mining, extraction, and material production industries. Covestro is linked to the demand through its procurement activities. This results in emissions like particulate matter, VOCs, NO _x , and SO _x . This results in negative impacts on nature.	S, M, L	1		ESRS S2: Supplier Code of Conduct	ESRS S2: Supplier assessments, training	
Impact (actual negative)	Due to non-climate related emissions caused by our production in regular operation at our production sites, Covestro contributes to a negative impact on air pollution as these emissions contribute to the release of substances such as CO, NO _x , SO _x , and VOC. These emissions occur in our own operations and can lead to pollution-related issues with negative effects on animals, plants, and other living organisms (due to e.g., eutrophication or acid rain), or negative effects on the inanimate environment. This has negative impacts on nature.	S, M, L	2		HSEQ management system	Environmental performance, internal audits, individual local actions	
Pollution of water							
Impact (potential negative)	Due to the production of raw materials, refined materials, and intermediates from our upstream value chain, Covestro is directly linked to a potential negative impact on the pollution of water as water discharges containing pollutants which could alter water quality and may contribute to pollution-related issues, negative human health effects, limited access to clean water for local communities, negative effects on animals, plants, and other living organisms, aquatic ecosystems, biodiversity (due to, e.g., eutrophication or acid rain). Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M	1		HSEQ management system; ESRS S2: Supplier Code of Conduct	ESRS S2: Supplier assessments, training	

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Pollution"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Impact (potential negative)	Covestro contributes to a potential negative impact on water resources as the production and processing of chemical and hazardous materials can lead to the release of harmful substances into nearby water bodies. Affected stakeholders are persons in vulnerable situations, local communities, and nature.	M, L	2		HSEQ management system	Environmental performance, internal audits, individual local actions	
Impact (potential negative)	Due to the production of consumer products from our downstream value chain, Covestro is linked to a potential negative impact on the pollution of water as water discharges containing pollutants which could alter water quality and may contribute to pollution-related issues, negative human health effects, limited access to clean water for local communities, negative effects on animals, plants, and other living organisms, aquatic ecosystems, biodiversity (due to, e.g., eutrophication or acid rain). Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M	3		HSEQ management system		
Impact (actual negative)	Covestro contributes to an actual negative impact in the upstream operations and value chain activities, including the production, runoff, and potential spills of raw materials and chemicals, which negatively impact water quality. In case of an incident, these actions can lead to water pollution, indirectly affecting human health, access to clean water, aquatic life, ecosystems, and biodiversity. Pollutants from mining, extraction industries, and industrial sites can cause issues such as eutrophication and acid rain. Affected stakeholders include local communities, persons in vulnerable situations, and nature.	S, M	1		HSEQ management system; ESRS S2: Supplier Code of Conduct	ESRS S2: Supplier assessments, training	
Impact (actual negative)	Due to emissions from our production in regular operations at our production sites, Covestro contributes to an actual negative impact on the pollution of water. These emissions include nitrogen, phosphor, TOC, heavy metals, and inorganic salts, which can contribute to pollution-related issues, indirect negative human health effects, negative effects on animals, plants, and other living organisms, aquatic ecosystems, biodiversity (due to, e.g., eutrophication or acid rain), and negative effects on the inanimate environment. Affected stakeholder is nature.	S, M	2		HSEQ management system	Environmental performance, internal audits, individual local actions	
Pollution of soil							
Risk	Covestro recognizes environmental provisions, mainly in connection with the remediation of contaminated soil sites and the recultivation of landfill at sites in the United States and Spain.	S, M	2	Financial position, financial performance, cash flows, access to financial resources, or cost of capital			

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Pollution"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Substances of concern and substances of very high concern							
Impact (potential negative)	The transportation and use of Covestro products that are or contain substances of concern (SoC) or substances of very high concern (SVHC) in the downstream value chain by direct or indirect customers is linked to a potential negative impact. Despite compliance with all legislation, the use of SoCs/SVHCs in downstream production processes and during transport could lead to employees being exposed to these substances and to the contamination of air, water, and soil by the production processes and the associated waste disposal, which will indirectly lead to health and environmental problems in the long term. In the case of an incident or incorrect handling by downstream entities, these substances may contaminate air, water, and soil, as well as emissions discharged from the site, and this may lead to various health and environmental problems. Affected stakeholders are employees and other workers, local communities, and persons in vulnerable situations in the proximity of production sites, as well as nature.	M, L	3		HSEQ management system, ESRS S2: Group "Product Stewardship" policy	ESRS S2: Risk assessments, information, product surveillance	
Risk	Business and reputation loss could arise due to discussed and planned regulatory restrictions and legislative actions at global, U.S., and EU level on PFAS (per- and polyfluoroalkyl substances).	M	2	Financial position, financial performance, cash flows, access to financial resources, or cost of capital	HSEQ management system, ESRS S2: Group "Product Stewardship" policy, Risk management system ("Group-Wide Opportunities and Risk Management")	Association activities, internal interdisciplinary working group	
Microplastics³							
Impact (potential negative)	Due to incidental leakage in our own operations, Covestro contributes to a potential negative impact on the environment as microplastics could be emitted into nature. This occurs during our production, use, and disposal processes. If remediation measures are incomplete, there is a potential risk of harm to nature. Affected stakeholders are local communities and nature.	M, L	2		HSEQ management system;	Operation Clean Sweep® (OCS)	

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

³ Covestro uses raw materials and manufactures intermediates and products for internal use that are considered microplastics based on the following definition in accordance with ESRS E2: polymer-containing material that is used as a feedstock in extrusion or injection-molding processes in the manufacture of plastics and has a particle size greater than or equal to 0.1 µm (0.0001 mm) and smaller than or equal to 5 mm (height x width x depth).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Policies and Actions

Pollution of Air, Water and Soil

The environmental impacts associated with our business activities are an integral part of our integrated **Health, Safety, Environment, Energy and Quality (HSEQ) management system**, which consists of various Group policies that form a holistic, integrated approach to cover all material environmental aspects. Due to the holistic approach, the Group policies do not contain specific lists of pollutants or other substances covered.

Responsibility for the integrated management system has been assigned to the corporate Group Health, Safety, Environment and Reliability (HSER) function.

Our corporate Health, Safety, Environment and Energy, and Quality (HSEQ) policy commits us to working continuously on reducing environmental impacts resulting from our activities, products, and services. This ensures that resource-conserving processes help to protect the environment and cut costs. Additionally, all of our plants are subject to permits that define minimum requirements for the operation of the plants in line with local legislation. Nevertheless, unintended releases of emissions into the air, water, or soil may impact human health and the environment. The sites are responsible for compliance with the approved thresholds and must take measures to ensure that impacts on the environment and society remain within permissible limits.

The basic principles contained in the corporate HSEQ policy are published in the Policy Booklet on our website.

→ For further information, please refer to: www.covestro.com/en/sustainability/documents-and-downloads/policies-and-commitments

To avoid any types of incident and emergency situation or to minimize their impacts in the worst-case scenario, globally applicable processes and workflows include detailed rules governing the safety of production facilities and manufacturing processes, the investigation of accidents, as well as environmental and transportation incidents, health care and occupational safety, and emergency management at Covestro. The rules stipulated by international standards (e.g., ISO 45001 or ISO 14001) comprise the minimum requirements applicable worldwide and are supplemented with additional regulations if needed. They are intended to prevent work-related health impacts, accidents and incidents at the workplace or on transportation routes that could have adverse consequences for people or the

environment. In addition, we offer support to our customers, for example by providing training on the safe handling of our products in and outside of our facilities. We increasingly rely on the support of third-party databases to help us identify, review, and update our compliance with mandatory legal and other requirements.

Moreover, minimum environmental standards applicable worldwide were specified to ensure that our high standards for resource conservation and emissions reduction are met. These requirements are based on internationally recognized standards and rules such as ISO 14001 (environmental management systems).

Each year we analyze and evaluate the effects of our activities on the environment, including emissions into the air, water, and soil. From our **environmental performance** assessment, we derive measures to reduce and minimize environmental impacts. Global process and workflow descriptions help us implement these measures throughout the Group.

Adherence to processes and workflows is continuously reviewed through regularly conducted **internal audits**, annual self-assessments, and external certifications. The insights we gain from these measures are incorporated into our annual management review. Every process is thus subject to continuous monitoring and is updated as required.

In the context of local and national legislation, it is also the responsibility of each site to take **individual local actions** to mitigate the influence and impacts on people and the environment. For this reason, the measures described above for the impacts on each site may vary considerably. An example of an improvement measure in the reporting year is the commissioning of new waste gas reduction technology at our sites in Shanghai (China) and Baytown, Texas (United States). In addition to making a positive contribution to CO₂ reduction, this will enable us to cut our nitrogen oxide emissions significantly.

Microplastics

In our HSEQ management system, we record emission events and the associated data to help us avoid future events. Since the year 2015, **Operation Clean Sweep® (OCS)** has been the key action for preventing the emission of microplastics at Covestro. This initiative aims to prevent plastic particles from entering waterways and oceans. In recent years, the sites and facilities that produce and process microplastics have taken locally appropriate measures to prevent such emissions. The measures are regularly reviewed and optimized when necessary.

Substances of Concern and Substances of Very High Concern

Covestro uses chemical substances to manufacture products as starting materials for further processing in the value chain. Our products are used and transformed industrially in downstream processes. Their safe use and the provision of information to our customers are governed by law.

The reactivity and suitability of the substances are essential to achieving the desired product properties. The chemical substances used may result in properties which, in the context of sustainability reporting in accordance with ESRS, lead to classification as substances of concern (SoC) or substances of very high concern (SVHC). These properties also result in a potential negative impact in the downstream supply chain on people and the environment if employees are exposed to hazardous substances or if air, water, and soil are contaminated. Our actions to counter this potential negative impact are described in "ESRS S2: Workers in the Value Chain" under "Product Stewardship." The actions and policies described there comprehensively consider product-related hazards. This covers both the potential impacts of the substances of concern and substances of very high concern mentioned here and other potential hazards.

→ For further information, please refer to "ESRS S2: Workers in the Value Chain – Product Stewardship."

Apart from the above, Covestro does not have any dedicated policies to substitute and minimize the use of substances of concern and to phase out substances of very high concern, not even for essential societal purposes and in consumer products. This does not affect individual actions and optimization initiatives.

We identified a material risk for per- and polyfluoroalkyl substances (PFAS).

PFAS are in the focus of public debate on account of their potential negative impacts on people and the environment. Covestro may be affected through the procurement of plant components and raw materials. We monitor the regulatory debate on PFAS and support proportionate, implementable, and enforceable regulations based on robust scientific results and a reliable risk assessment. To this end, we get involved in appropriate **association activities** and have established an **internal interdisciplinary working group** on this matter.

We include in our safety data sheets in the EU any PFAS that are classified as SVHC in accordance with REACH and are contained in our products at a concentration of more than 0.1% by weight.

Targets

We currently have no Group-wide targets for emissions into the air, water, and soil that go beyond the climate targets described in the "ESRS E1: Climate Change" section. In light of local regulatory requirements, which are also specified as minimum requirements in our operating licenses, we do not consider it necessary to set global targets.

We have not set ourselves a Group-wide target for microplastics either within the meaning of the ESRS at this stage. We very carefully consider the emissions of microplastics that arise within the production steps for which Covestro is responsible. As described earlier, we have already taken actions to avoid incidents in recent years.

In the future, we aim to produce and market more sustainable products. In this connection, it is essential to use SoCs or SVHCs on the basis of legal requirements. As described in "ESRS S2: Workers in the Value Chain" and in this section, we work continuously to provide information on the safe handling and use of our products in the value chain. Covestro does not set itself any specific targets for the procurement, use, manufacture, and placing on the market of SoCs and SVHCs in our production and products.

→ For further information, please refer to "Sustainable Solutions."

→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

Metrics

We record our emissions into the air, water, and soil for all consolidated companies. All nonconsolidated companies in the scope of consolidation were examined to determine whether Covestro has operational control as defined by ESRS and acts in accordance with the rights and obligations of the Covestro Group. Since these metrics are calculated only at the end of the year, they include the group of companies consolidated as it stands at year-end. In this process, we incorporate data from all environmentally relevant Covestro sites, i.e., all production sites and relevant administrative sites. In order to meet the disclosure deadlines, the sites estimate the environmental data for the last weeks of the current fiscal year using established extrapolation methods (e.g., on the basis of operations planning, averages, or data from the prior-year months) to ensure that data reporting is as precise as possible and close to the actual values for the year. If, however, in the course of the following year, we become aware of material deviations based on internally defined thresholds, the figures in question are corrected retroactively. As the emissions data has been recorded for the first time in accordance with the new provisions of the ESRS, it is not possible to draw a comparison with the previous year.

Depending on local legislation and the operating licenses, emissions into the air, water, and soil are subject to very different measuring specifications. Therefore, substances may be measured continuously in some facilities but only in selected years in other facilities. The measured data is then calculated for the facility's annual run time to obtain a meaningful value for the reporting year. Measurements are carried out by Covestro and third parties engaged for the purpose. The emissions reported here also include emissions caused by environmental incidents with unplanned discharges of substances.

The quantities reported are also used in reporting to the local authorities.

Emissions into the air and water (consolidated values in metric tons)¹

Emissions	Substance	2024
		in t/a
Air	Particulate matter (PM ₁₀)	85.18
	Nitrogen oxides (NO _x /NO ₂)	251.34
	Hydrochlorofluorocarbons (HCFCs)	0.65
	Tetrachloromethane (CCl ₄)	0.13
	Nickel and compounds (as Ni)	0.05
Water	Total Organic Carbon (TOC) (as total C)	272.13
	Total phosphorus	6.62
	Arsenic and compounds (as As)	0.08
	Chromium and compounds (as Cr)	0.13
	Copper and compounds (as Cu)	0.32
	Nickel and compounds (as Ni)	0.87
	Lead and compounds (as Pb)	0.03
	Zinc and compounds (as Zn)	1.18
	Dichloromethane (DCM)	0.04
	Trichloromethane	0.14
	Di-(2-ethyl hexyl)phthalate (DEHP)	0.01
	Phenols (as total C)	0.03
	Chlorides (as total Cl)	458,889.36
Fluorides (as total F)	5.28	

¹ This table contains only consolidated values for emissions into the air and water that exceed the threshold values defined in Annex II of Regulation (EC) No. 166/2006. In the 2024 reporting year, there were no emissions into the soil above the thresholds.

The quantity of microplastics leaving Covestro as product is recorded in a system-based approach using sales data. Given the lack of standardized measurement methods for emissions of microplastics, the quantity of microplastics emitted into the environment can only be estimated. For this purpose, Covestro uses the information on emission events, which must be reported by the sites in a central database. Generally only those emissions that arise within the production steps for which Covestro is responsible are considered. Covestro's sphere of influence and thus its responsibility end as soon as products are transferred to logistics companies. The quantity of microplastics that left our company as product amounted to 1.6 million metric tons in the fiscal year. No emission volumes were determined that have an influence on the metric presented in million metric tons.

Covestro uses raw materials and manufactures intermediates and products that contain components that must be considered SoCs and SVHCs in accordance with the definition in Annex 2 of ESRS.

Part of the definition of “substances of concern” refers to the EU’s Ecodesign for Sustainable Products Regulation (ESPR), which was adopted in the year 2024. By the end of the reporting period, no delegated acts relating to this Regulation had been published that specifically mention substances of concern, which means that no further substances of concern can currently be identified in this context. This means that it is not possible at this stage to make a final assessment of the double materiality assessment in accordance with the ESPR Regulation.

The quantities shown below were recorded in a system-based approach. External procurement and sales volumes and the exact composition – including the hazard classification of the individual components at the reporting date – of our products and raw materials are documented in our IT systems. For the raw materials supplied externally, our internal information contains all the details on their composition available to us. The metrics reported here have been collated according to the best of our knowledge. To determine the quantities generated and used, we rely on the data from process orders or determine the reduction in inventories of the relevant materials compared to the previous reporting date. The metrics reflect SoCs/SVHCs carried in our inventory. This may lead to SoCs/SVHCs produced in situ not being recorded if they have been used up completely in the same production process and are not carried in our inventory. Due to the complex system and process landscape in the Group, specific micro quantities are not captured by the system-based calculation methods. They relate exclusively to quantities that have no influence on the figures presented in kilotons below. The volumes of emissions are likewise negligible and are therefore not included in the volumes reported.

The information contained in the table headed “Total quantity of substances of concern (SoCs) and substances of very high concern (SVHCs) in the reporting period” refer to the aggregate quantity of all quantities generated or used or procured by Covestro in the reporting period and to the quantities that left our facilities in the form of products, or parts of products.

“Allocation of substances of concern to the main hazard classes” includes exactly those substances in each hazard class which can be allocated to one of the hazard classes in accordance with the definition of SoC. As there are substances with more than one classification, i.e., they can be assigned to several hazard classes, some substances may be included more than once. As a result, the sum of the individual quantities may be larger than the total quantity.

Total quantity of substances of concern (SoCs) and substances of very high concern (SVHCs) in the reporting period

	2024
	in kt
Substances of concern (SoCs) that were generated or used or procured	14,850
of which substances of very high concern (SVHCs)	5,443
Substances of concern (SoCs) that have left the facilities as products or as part of products	2,701
of which substances of very high concern (SVHCs)	69

Allocation of substances of concern to the main hazard classes

Hazard classes	Generated or used or procured		Products or as part of products	
	SoCs	thereof SVHCs	SoCs	thereof SVHCs
	in kt	in kt	in kt	in kt
Carcinogenicity categories 1 and 2	9,594	3,366	2,314	22
Germ cell mutagenicity categories 1 and 2	6,193	1,866	72	22
Reproductive toxicity categories 1 and 2	5,321	3,194	309	59
Endocrine disruption for human health	0	0	0	0
Endocrine disruption for the environment	0	0	0	0
Persistent, bioaccumulative and toxic or very persistent, very bioaccumulative properties	0	0	0	0
Persistent, mobile and toxic or very persistent, very mobile properties	0	0	0	0
Respiratory sensitisation category 1	3,265	4	2,317	<1
Skin sensitisation category 1	7,293	2,261	2,421	67
Chronic hazard to the aquatic environment categories 1 to 4	5,188	3,765	759	67
Hazardous to the ozone layer	<1	0	<1	0
Specific target organ toxicity, single exposure categories 1 and 2	702	570	8	8
Specific target organ toxicity, repeated exposure categories 1 and 2	10,307	2,488	1,902	22

Anticipated Financial Effects

ESRS E2 Pollution in principle also provides for qualitative and quantitative disclosures on anticipated financial effects of material risks and opportunities in connection with pollution. In accordance with ESRS 1 Appendix C, Covestro applies the phased-in disclosure requirements in the first year of preparing the Group Sustainability Statement. According to this expedient, the disclosures specified may be omitted in the first year.

ESRS E3: Water and Marine Resources

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Water and Marine Resources"

Type	Description	Time horizon ¹	Location ²	Policies	Actions	Targets
Water withdrawals						
Impact (potential negative)	Due to the production of raw materials, refined materials, and intermediates, Covestro is linked to a potential negative impact on water scarcity due to water withdrawal as this may lead for example to decreased availability of drinking water or reduced groundwater levels. Affected stakeholders are persons in vulnerable situations, local communities, and nature.	S, M	1	HSEQ management system, ESRS S2; Supplier Code of Conduct		
Impact (potential negative)	The unsustainable withdrawal of water in water-scarce areas could lead to reduced agricultural productivity and potential conflicts over limited water resources affecting access to food and water. Covestro contributes to this potential negative impact with its own operations in areas with water stress. The unsustainable use of water resources impacts local communities and their access to food and water. Affected stakeholders are persons in vulnerable situations, local communities, and nature.	M, L	2	Risk-based water program; HSEQ management system	Covestro Water Program	
Impact (potential negative)	Due to water withdrawal in our downstream value chain, Covestro is linked to a potential negative impact on water scarcity as it can lead to decreased availability of drinking water, reduced flow rates/water levels affecting aquatic ecosystems, decreased groundwater levels resulting in decreased availability of drinking water, subsidence depending on geological setting leading to infrastructure damage, saltwater intrusion near coastal areas, and decreased dilution capacity leading to poor water quality. Affected stakeholders are persons in vulnerable situations, local communities, and nature.	S, M	3	HSEQ management system		

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Policies and Actions

Covestro takes a holistic view of water as a resource. The company uses water mostly for cooling and in production. The availability of and access to clean water is vital for our production sites. That is why water withdrawal is our main focus. However, we take not only our water withdrawal and the related problems of water scarcity and quality into consideration, but also the wastewater we generate together with growing concern about the pollution of this resource and the potential consequences for people and the environment. For this reason, our wastewater is subject to stringent monitoring and analysis in accordance with the applicable local legal requirements before it is discharged into disposal channels.

The basis for our activities in this area is our Corporate Commitment on Water. However, our production sites face a number of different situations to which we respond with a risk-based Water Program. This enables us to concentrate on those sites which currently face a risk or will do so in the future and to identify site-specific solutions. This is intended to strengthen the effectiveness of the Water Program and increase resilience for future challenges at our sites. In this context, we consider the water issue holistically, but also look in particular at the availability of and access to clean water.

In addition, the matter of water is also part of our integrated HSEQ management system, which sets out minimum standards at all Covestro sites. Our corporate Health, Safety, Environment and Energy, and Quality (HSEQ) policy commits us to working continuously on reducing environmental impacts resulting from our activities, products, and services. This also includes the protection of the oceans.

→ For further information, please refer to "ESRS E2: Pollution."

Water Program

The availability of and access to clean water are vital for our production sites. As part of our Corporate Commitment on Water, we initiated and have continuously refined a global risk assessment covering water availability, quality, and accessibility at all of our production sites.

Responsibility for the **Water Program** has been assigned to the corporate Group Health, Safety, Environment and Reliability (HSER) function, which reports to the Chief Technology Officer. The relevant sites are responsible for implementing locally defined goals and measures.

Areas with water stress were determined using the latest available data of the Aqueduct Water Risk Atlas of the World Resources Institute (WRI), based in Washington, D.C. (United States). In addition to physical risks such as water stress, our water risk assessment also includes potential regulatory risks at our production sites. Regulatory risks comprise, for example, access to drinking water or drinking water directives and other legal requirements. We also use other recognized tools to this end, such as the Water Risk Filter of the World Wide Fund for Nature (WWF).

In order to establish a suitable format to enhance understanding of the local and future water situation, a water dashboard, which also covers physical water risks, was created in the reporting year and shared with our production sites. By analyzing the local water management at the sites, risks can be spotted at an early stage and potential for improvement can be identified. To drive water management and water protection, we have also set up a platform for regularly exchanging information and sharing best practice.

In 2023, we began the roll-out of a new context-based Covestro Water Program that aims to address water risks strategically and systematically. This program concentrates specifically on sites that are currently located in areas with water stress or could be located in such areas in the future, based on data from the World Resources Institute (WRI). The Program not only assesses direct and long-term water-related challenges such as water scarcity, pollution, and flooding, but also contributes to developing a better understanding of how this could impact the continuity and efficiency of operations at our production sites. By understanding the interactions between a site and the local watershed, the initiative can identify specific risks and opportunities, leading to the development of customized medium- and long-term action plans that may include the definition of local water-related targets. To ensure effective implementation, the necessary resources are provided at both Group and site level. The Program is to be rolled out by 2030 and underscores our commitment to sustainable water management in areas with water stress.

Targets

We have currently not set any targets in accordance with ESRS for this target. As the Water Program progresses, we will get more insights into the matter and examine on an ongoing basis whether it makes sense to set Group-wide targets. Regardless of that, as a general rule, we strive to minimize the use of water and to use it several times and recycle it wherever possible.

Metrics

We record our water figures to include all consolidated companies. All nonconsolidated companies in the scope of consolidation were considered in accordance with the rights and obligations of the Covestro Group. Since these metrics are calculated only at the end of the year, they include the group of companies consolidated as it stands at year-end. In this process, we incorporate data from all environmentally relevant Covestro sites, i.e., all production sites and relevant administrative sites. In order to meet the disclosure deadlines, the sites estimate the environmental data for the last weeks of the current fiscal year using established extrapolation methods (e.g., on the basis of operations planning, averages, or data from the prior-year months) to ensure that data reporting is as precise as possible and close to the actual values for the year. If, however, in the course of the following year, we become aware of material deviations based on internally defined thresholds, the figures in question are corrected retroactively. This was not required in fiscal 2024 for the preceding fiscal year 2023.

Overall water withdrawal by the Group amounted to 247 million m³ in the reporting year. The majority of the total volume of water used by Covestro is once-through cooling water. This water is used only for cooling and does not come into contact with products. After use, the cooling water is normally returned to its original source. Other quantities are disposed of as wastewater, which is discharged with or without treatment, depending on the wastewater quality. The remaining quantity is used by Covestro. Typically, this includes evaporation losses from cooling towers or the water contained in products.

Sites in current areas with water stress account for 7% of our total water withdrawal.

ESRS E4: Biodiversity and Ecosystems

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Biodiversity and Ecosystems"

Type	Description	Time horizon ¹	Location ²	Policies	Actions	Targets
Climate Change						
Impact (potential negative)	Due to the production, storage, and use of renewable energy and the related electrification in the upstream value chain, Covestro is directly linked to potential negative impacts on the environment. These activities often involve extracting minerals like lithium for batteries and rare earth elements for wind turbines, leading to habitat destruction, soil erosion, and water pollution. Affected stakeholders include local communities, persons in vulnerable situations, and nature.	M, L	1			
Impact (potential negative)	Covestro contributes to a potential negative impact on biodiversity loss as the downstream transportation, processing, and usage of goods increase greenhouse gas emissions and contribute to climate change. Affected stakeholders are local communities, persons in vulnerable situations, and nature.	M, L	3		ESRS E1: Sale of products based on alternative raw materials; reduction of suppliers' Scope 1 and Scope 2 emissions; MAKE projects; further actions	ESRS E1: Net-zero Scope 3 GHG emissions
Impact (actual negative)	Covestro is directly linked to the undertaking's own operations, products, or services in the upstream value chains through its business relationships and the GHG emissions created as a result. This is reflected in Scope 3 upstream emissions, e.g. in Scope 3.1 Purchased goods and products or Scope 3.4 Upstream transportation and distribution. An actual negative impact from climate change indirectly induces effects on health, resources for livelihood or living space resulting from increased levels of GHG emissions, such as: extreme weather events, changed weather patterns, sea level rise etc. and related social and geopolitical conflicts. Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M, L	1		ESRS E1: Sale of products based on alternative raw materials; reduction of suppliers' Scope 1 and Scope 2 emissions; MAKE projects; further actions	ESRS E1: Net-zero Scope 3 GHG emissions
Pollution						
Impact (potential negative)	Due to the production of raw materials, refined materials, and intermediates from our upstream value chain, Covestro is directly linked to a potential negative impact on the pollution of water as water discharges containing pollutants which could alter water quality and may contribute to pollution-related issues, negative human health effects, limited access to clean water for local communities, negative effects on animals, plants, and other living organisms, aquatic ecosystems, biodiversity (due to, e.g., eutrophication or acid rain). Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M	1	ESRS E2: HSEQ management system, ESRS S2: Supplier Code of Conduct	ESRS S2: Supplier assessments, training	

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Biodiversity and Ecosystems"

Type	Description	Time horizon ¹	Location ²	Policies	Actions	Targets
Impact (potential negative)	Due to the production of consumer products from our downstream value chain, Covestro is linked to a potential negative impact on the pollution of water as water discharges containing pollutants which could alter water quality and may contribute to pollution-related issues, negative human health effects, limited access to clean water for local communities, negative effects on animals, plants, and other living organisms, aquatic ecosystems, biodiversity (due to, e.g., eutrophication or acid rain). Affected stakeholders are local communities, persons in vulnerable situations, and nature.	S, M	3	ESRS E2: HSEQ management system		
Impact (actual negative)	Covestro's upstream value chain contributes to air pollution by driving demand for products from mining, extraction, and material production industries. Covestro is linked to the demand through its procurement activities. This results in emissions like particulate matter, VOCs, NOx, and SOx. Affected stakeholder is nature.	S, M, L	1	ESRS S2: Supplier Code of Conduct	ESRS S2: Supplier assessments, training	
Impact (actual negative)	Covestro contributes to an actual negative impact in the upstream operations and value chain activities, including the production, runoff, and potential spills of raw materials and chemicals, which negatively impact water quality. In case of an incident, these actions can lead to water pollution, indirectly affecting human health, access to clean water, aquatic life, ecosystems, and biodiversity. Pollutants from mining, extraction industries, and industrial sites can cause issues such as eutrophication and acid rain. Affected stakeholders include local communities, persons in vulnerable situations, and nature.	S, M	1	ESRS E2: HSEQ management system, ESRS S2: Supplier Code of Conduct	ESRS S2: Supplier assessments, training	
Impact (actual negative)	Due to non-climate related emissions caused by our production in regular operation at our production sites, Covestro contributes to a negative impact on the pollution of air as these emissions contribute to the release of substances such as CO, NOx, SOx, and VOC. These emissions occur in our own operations and can lead to pollution-related issues with negative effects on animals, plants, and other living organisms (due to e.g., eutrophication or acid rain), or negative effects on the inanimate environment. This results in negative impacts on nature.	S, M, L	2	ESRS E2: HSEQ management system	ESRS E2: Environmental performance, internal audits, individual local actions	

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

→ For further information on the policies, actions, and targets listed in the table, please refer to "ESRS E1: Climate Change," "ESRS E2: Pollution," and "ESRS S2: Workers in the Value Chain."

Policies and Actions

The impacts identified as material in relation to biodiversity and ecosystems refer to the matter of climate change (ESRS E1) and pollution (ESRS E2). That is why the policies and actions are embedded in the corresponding subject matters (ESRS E1 and E2) and there are no specific policies and actions for biodiversity and ecosystems.

Our sustainability targets for reaching net-zero GHG emissions for Scope -1 and Scope -2 emissions by the year 2035 and for Scope -3 emissions by the year 2050 are contributing to limiting the negative impacts of climate change on biodiversity and ecosystems.

The impacts and dependencies relating to biodiversity near our production sites were assessed and the analysis revealed emissions of toxic soil and water pollutants as the only potentially significant impact. The environmental impacts associated with our business activities are an integral part of our integrated Health, Safety, Environment, Energy and Quality (HSEQ) management system, which means that the impacts described above are addressed there. The integrated management system consists of various Group policies that form a holistic, integrated approach to cover all material environmental and other aspects. Each year we analyze and evaluate the effects of our activities on the environment. From our environmental performance assessment, we derive measures to reduce and minimize environmental impacts. Global process and workflow descriptions help us implement these measures throughout the Group. Adherence to processes and workflows is continuously reviewed through regularly conducted internal audits, annual self-assessments, and external certifications. The insights we gain from these measures are incorporated into our annual management review. Every process is thus subject to continuous monitoring and is updated as required.

On this basis, Covestro will continue to examine the resilience of its strategy and economic activities in relation to biodiversity and ecosystems, especially in relation to climate change (ESRS E1) and pollution (ESRS E2), since these impacts were identified as material. These impacts affect Covestro's own operations and its upstream and downstream value chains.

For further details about the respective policies and actions, please refer to sections "ESRS E1: Climate Change" and "ESRS E2: Pollution."

→ For further information, please refer to "ESRS E1: Climate Change."

→ For further information, please refer to "ESRS E2: Pollution."

Targets

We have currently not set ourselves any specific targets for biodiversity and ecosystems in accordance with the target definition of the ESRS, because the materiality arises due to the impacts of climate change and pollution. The relevant matters are addressed in the sections below.

→ For further information, please refer to "ESRS E1: Climate Change."

→ For further information, please refer to "ESRS E2: Pollution."

Metrics

The analysis of the proximity of Covestro production sites to biodiversity-sensitive areas (BSAs) was conducted by an external service provider and not validated by any additional external body. It used firstly the exact geo-coordinates of the Covestro sites and secondly various datasets that contain the respective BSAs. Specifically, these were the Natura 2000 areas, a network of nature protection areas in the territory of the European Union, the World Heritage Sites, landmarks and areas that enjoy legal protection on the basis of a UNESCO-administered international convention, as well as the Key Biodiversity Areas, a list of the most important places in the world for species and their habitats. A geographical information system was used to determine the distance of all sites to the surrounding BSAs. In a first step, only areas at a distance of less than ten kilometers were taken into account. In a second step, these BSAs were examined more closely and broken down into three categories: land, sea, and rivers. The differences in the way different areas are examined is due to the fact that the ranges of the potential impacts on the BSAs differ, depending on which of the three categories they fall into. Since the impacts on land are the most limited, the BSAs for the "land" category were considered within a distance of one kilometer or less. For BSAs in the sea, a larger radius of five kilometers was considered. The largest range of impacts can occur if BSAs are downstream from a site. Here a radius of ten kilometers was taken into account. All areas meeting these conditions were added to the list of nearby BSAs. No Covestro site is within close proximity (< 10 km) of a natural or mixed World Heritage Site.

Production sites in or near Natura 2000 areas

Production site	Country	Land environment (<1 km)	Sea environment (<5 km)	River environment (<10 km)	Name of Natura 2000 area
Antwerp	Belgium			X	Schelde- en Durme-estuarium van de Nederlandse grens tot Gent
Barcelona	Spain		X	X	Delta del Llobregat, Espacio marino del Baix Llobregat-Garraf
Brunsbüttel	Germany		X		Untereibe, Schleswig-Holsteinisches Elbästuar und angrenzende Flächen, Vorland St. Margarethen
Dormagen	Germany			X	Rhein-Fischschutzzonen zwischen Emmerich und Bad Honnef
Fos-sur-Mer	France		X	X	Camargue
Tarragona (La Canonja)	Spain		X		Espacio marino del Delta de l'Ebre-Illes Columbretes
Leverkusen	Germany			X	Rhein-Fischschutzzonen zwischen Emmerich und Bad Honnef
Parets del Vallès	Spain			X	Riu Congost
Santa Margarida i els Monjos	Spain			X	Serres del Litoral central

A total of nine production sites are close to Natura 2000 areas.

Production sites in or near Key Biodiversity Areas (KBA)

Production site	Country	Land environment (<1 km)	Sea environment (<5 km)	River environment (<10 km)	Name of KBA
Barcelona	Spain		X	X	Delta del Llobregat, Aguas del Baix Llobregat - Garraf
Brunsbüttel	Germany		X		Pinneberger Elbmarschen, Elbmarsch Stade-Otterndorf
Changua (district)	Taiwan, Greater China		X		Tatu Rivermouth Wildlife Refuge
East Providence	United States			X	Hundred Acre Cove
Hoek van Holland	Netherlands		X	X	Oostvoornse Meer, Hollandse Kust
Tarragona (La Canonja)	Spain		X		Plataforma Marina del Delta del Ebro - Columbretes
Meppen	Germany	X			Groß Fullener Moor
Qingdao	China	X			Qingdao-Rizhao coastal wetland and islands
Tsuchiura	Japan			X	Lake Kasumigaura, Ukisima
Waalwijk	Netherlands			X	Getijde - beïnvloede Maas

A total of ten production sites are close to key biodiversity areas (KBAs). A total of 16 sites are close to Natura 2000 areas and KBAs. The total land area occupied by these sites is 800 hectares.

The tables below list the sites by ecological status of the areas concerned. All sites are close to Natura 2000 areas or KBAs, with the exception of the site in Qingdao, which is located within a KBA. To determine the ecological status of the areas, the biodiversity intactness was measured using the abundance-based Biodiversity Intactness Index (BII) and the richness-based BII. The abundance-based BII looks at the total number of animals and plants of the different species, while the richness-based BII looks at the number of different species. Both indices are measured on a scale from 0% to 100%, they were last determined in the year 2019.

→ For further information, please refer to: <https://data.nhm.ac.uk/dataset/global-maps-of-biodiversity-intactness-index-sanchez-ortiz-et-al-2019-biorxiv>

Sites by ecological condition of areas based on abundance-based BII

Ecological condition	Sites
80.1% to 100.0%	Qingdao
60.1% to 80.0%	Antwerp, Fos-Sur-Mer, Hoek van Holland
40.1% to 60.0%	Barcelona, Brunsbüttel, Dormagen, East Providence, Leverkusen, Meppen, Parets del Valles, St. Margarida i els Monjos, Tarragona (La Canonja), Tsuchiura, Waalwijk
20.1% to 40.0%	Changhua (County)
0.0% to 20.0%	

Sites by ecological condition of areas based on richness-based BII

Ecological condition	Sites
80.1% to 100.0%	
60.1% to 80.0%	Hoek van Holland, Qingdao
40.1% to 60.0%	Antwerp, Barcelona, Brunsbüttel, Dormagen, Fos-Sur-Mer, Meppen, Parets del Valles, St. Margarida i els Monjos, Tarragona (La Canonja), Tsuchiura, Waalwijk
20.1% to 40.0%	Changhua (County), East Providence, Leverkusen
0.0% to 20.0%	

ESRS E4 Biodiversity and Ecosystems in principle also provides for qualitative and quantitative disclosures on anticipated financial effects of material risks and opportunities in connection with biodiversity and ecosystems. In accordance with ESRS 1 Appendix C, Covestro applies the phased-in disclosure requirements in the first year of preparing the Group Sustainability Statement. There is accordingly no need to make the specified disclosures in the first year.

ESRS E5: Resource Use and Circular Economy

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Resource use and circular economy"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Resource inflows, including resource use							
Impact (potential negative)	Covestro contributes to a potential negative impact on resource depletion as the extraction and use of petrochemical precursors require significant amounts of non-renewable fossil feedstock. Affected stakeholders are nature and local communities.	M, L	1			Use of alternative raw materials	
Impact (potential positive)	Covestro has a potential positive impact through its long-term vision to implement a circular economy in its business model. This results in positive impacts on nature.	L	2			Use of alternative raw materials; market design for circular products	
Impact (actual positive)	Covestro has an actual positive impact on resource inflows as the company is focusing on using ISCC PLUS-certified raw materials and intermediates, which are recycled in upstream stages of the value chain. In addition Covestro causes a positive impact through pilots and partnerships exploring new technologies and products (CQ-labeled products under the "sustainable solutions" matter). This initiative reduces dependence on fossil-based materials and closes carbon loops. Affected stakeholder is nature.	S, M, L	2			Use of alternative raw materials; market design for circular products	
Opportunity	The circular economy will offer numerous opportunities to Covestro, e.g., the development of recycling technologies that will allow Covestro to retrieve raw materials from scrap and waste. This can offer potential cost reductions, especially compared to fossil sources of carbon, which could become scarcer and/or more expensive as regulatory measures are introduced and external factors are priced in. We also expect rising demand for products with a smaller carbon footprint and a higher proportion of alternative raw materials (e.g., percentage of recycled content). The development toward a circular economy will create new value-adding potential and business models and strengthen Covestro's position in the competition for capital, because companies with good ESG performance are preferred by investors and funders alike.	M	1, 2	Results of Operations		Use of alternative raw materials; increasing the recyclability of our materials	

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Resource use and circular economy"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Resource outflows related to products and services							
Impact (potential positive)	Covestro contributes to a potential positive impact on resource outflows related to products and services as the company is engaged in developing innovative chemical and biochemical recycling processes. These processes aim to convert plastic waste back into raw materials necessary for Covestro's production, thereby lowering the carbon footprint of its products. Affected stakeholders are consumers, customers, end consumers, local communities, and nature.	M, L	2			Increasing the recyclability of our materials; market design for circular products	
Impact (actual negative)	Covestro is linked to an actual negative impact through the loss of resources in the downstream value chain when Covestro products are manufactured and used in its customer industries in such a way that they cannot be recycled. The loss of resources leads to the production of more virgin materials causing GHG emissions, pollution and contributes to climate change. Affected stakeholders are nature and local communities.	S, M	3			Increasing the recyclability of our materials; market design for circular products	
Waste							
Impact (potential negative)	Due to waste generated from the production of chemicals and industrial products in our own operations, in case of an incident, Covestro causes a potential negative impact on human health, the environment, and biodiversity. In case of treatment at Covestro's own site, this waste can harm the environment on-site. This affects nature.	S, M, L	2		Integrated management system	Efficient and safe handling of waste, Waste to Value initiative	
Impact (actual negative)	By producing hazardous waste in its own operations, Covestro contributes to an actual negative impact on nature and local communities, since the incineration of waste can cause toxic emissions or the storage in landfill can lead to soil contamination. Affected stakeholders are nature and local communities.	S, M, L	2		Integrated management system	Efficient and safe handling of waste, Waste to Value initiative	

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Policies and Actions

Our intention is to return products and materials to the value cycle at the end of their life cycle – as a whole, in the form of polymers, or in molecular or other chemical forms. The use of other renewable carbon sources and the intended full transition to regenerative production methods, e.g., with the aid of renewable energy, are complementary steps by Covestro to achieve an entirely circular economy in the future and, on this basis, the company's climate neutrality.

Looking forward, Covestro's long-term focus on the circular economy, i.e., consistent with the long-term Scope 3 target for the year 2050, is to be underpinned by specific policies. These are in the process of development and consolidation in order to achieve a specific exit from the use of primary raw materials and transition to sustainable procurement. Material aspects of this approach are already being addressed indirectly via the ESRS E1 policies, especially via action E1 "Reduction of Suppliers' Scope 1 and Scope 2 Emissions."

In the short term, Covestro does not anticipate any significant additional operating costs in the transformation to the circular economy. By the year 2035, we will invest approx. €600 million in our own recycling and bio-based technologies. It is still necessary to evaluate additional operating costs and investments in the short and medium term. At present, it is difficult to quantify these investments because of the still high degree of uncertainty regarding the maturity of technologies, regulations, and customer requirements. The investments required are an integral part of resource and allocation planning and dedicated to specific projects.

→ For further information, please refer to "ESRS E1: Climate Change – Transition Plan for Climate Change Mitigation."

→ For further information, including on expenses in the reporting year, see "ESRS E1: Climate Change – MAKE Projects."

Covestro intends to revise its sustainability targets in the years ahead. This will also include our ambition relating to the circular economy.

In addition, Covestro has been promoting the circular economy through targeted actions for many years. These actions are aimed at reducing fossil resource inflows and outflows as well as production waste in order to cut the overall use of primary raw materials within the entire value chain. The actions described below make a contribution.

Use of Alternative Raw Materials

As a resource-intensive company, we believe that addressing the issue of raw material procurement is an important factor in achieving a steady increase in the **use of alternative raw materials** compared with the use of fossil-based primary raw materials. This is why alternative raw materials are an essential pillar of our Sustainable Future strategy. We firstly want to produce these raw materials in our own innovative processes and secondly drive their use by pursuing a procurement strategy focused on circular raw materials.

Increasing the Recyclability of our Materials

Our core technical competence is the development and application of complex chemical procedures and processes. In particular, we want to use this expertise to establish innovative chemical and biochemical recycling and production processes for a circular economy. We want to establish specific processes that will allow us to focus on producing from plastic waste the raw materials that Covestro requires. The use of these recycled raw materials in our production processes will lead to products with a lower carbon footprint and increase the recycling rate (**increasing the recyclability of our materials**). In addition, we also want to use raw materials that were recycled in upstream stages of the value chain. To this end, we use ISCC PLUS-certified raw materials and intermediates. On the whole, chemical recycling processes are an important tool to help Covestro in gradually replacing the use of fossil-based materials and in closing carbon loops. We therefore want to use the circular economy and our climate targets as a way to reduce the environmental footprint of our product portfolio and make it climate-neutral. These processes will be verified continuously by means of a life cycle assessment (LCA), in other words, taking into account effects and contributions throughout the entire life cycle.

Covestro is currently researching recycling processes for its own products and materials in more than 20 projects. Of particular importance for Covestro are processes with which materials can be chemically or enzymatically transformed back into their molecules. The secondary raw materials obtained in this manner are of a comparable quality and have properties similar to conventionally manufactured raw materials, and can therefore be reused to manufacture products and materials.

→ For further information, please refer to "Sustainable Solutions."

Market Design for Circular Products

With the Circular Intelligence (CQ) label for specific solutions, we are laying the foundation for a clearly identifiable circular portfolio for the **market design for circular products**. An important lever we have observed in this regard is the constantly changing regulatory environment, which is leading to higher minimum recycled content in various plastics applications and will be among the factors influencing our circular strategy.

→ For further information, please refer to “Sustainable Solutions.”

The CQ concept offers the potential for comprehensive implementation throughout Covestro’s entire product portfolio. This would allow it to offer all core products under the CQ label. The concept is used in selected MDI and polycarbonate products at present.

→ For further information, please refer to: www.covestro.com/en/sustainability/what-drives-us/circular-economy/circular-intelligence

In R&D projects as well as in collaborations, we cooperate closely with recycling companies for generating raw materials to develop the recyclate market and the corresponding availability of raw materials; we integrate experience gathered in this market environment into the product design in customer projects and into appropriate guidelines in the “Design for Recycling.”

→ For further information, please refer to “Innovation – Strategic Partnerships and Collaborations.”

→ For further information, please refer to: www.covestro.com/en/sustainability/what-drives-us/circular-economy/innovative-recycling/innovators-for-recycling

Efficient and Safe Handling of Waste

Hazardous and non-hazardous waste is primarily attributable to the use of materials in our production. Where possible, we try to keep our impacts on the environment and society to a minimum. For this reason, and under economic considerations, we endeavor to apply a maximum of efficiency when it comes to the use of materials in our production processes around the world. We observe and evaluate our manufacturing processes on an ongoing basis to minimize material consumption and disposal volumes and reuse materials internally wherever possible. If waste cannot be avoided, reused, or recycled in an economically expedient way, we make a point in our waste management of applying safe disposal methods, separated by type of waste. Some of the waste created by our production processes with a high heating value is burned as fuel to generate steam for our production facilities. There

may also be cases where local regulations require us to take waste to landfill. Production fluctuations, building demolition and refurbishment, and land remediation can also influence waste volumes and recycling paths.

These and other rules for handling waste are addressed as part of Covestro’s integrated management system and are therefore subject to Group-wide minimum requirements that also exceed local provisions.

→ For further information on the integrated management system, please refer to “ESRS E2: Pollution.”

As part of Covestro’s internal **Waste to Value initiative**, we aim to achieve greater transparency in respect of our waste streams and to collect and share ideas for their improved use. The findings from the initiative are intended to help in the assessment and continuous improvement of recovery and disposal options in order to ensure the responsible handling of waste.

Targets

Efforts toward building a circular economy in the company can be measured by verifying the degree to which we can replace fossil sources of carbon for production with alternative raw materials and produce renewable inorganic compounds to run each of them in loops. This also entails sales of solutions that qualify as circular in the marketplace. We are therefore working to develop suitable targets for Covestro that will increase performance in all areas that are key to the circular economy and will in the long term lead to an absolute reduction in the use of primary raw materials.

Covestro intends to revise its sustainability targets in the years ahead. This will also include our ambition relating to the circular economy.

Moreover, the targets set in the area of climate change mitigation contribute indirectly to the circular economy, e.g., by opting to procure alternative raw materials in order also to reduce Scope 3 emissions.

Metrics

Resource Inflows

Further information on the procurement of raw materials can be found in "Procurement." Covestro drives the procurement of alternative raw materials. In the reporting year, the inflows of resources used as alternative raw materials within the meaning of the ESRS were analyzed. The resource inflows are managed in our ERP system for this purpose. This allows them to be captured and analyzed with the help of a product life cycle-related system. Mass-based flows are recorded in this process. Technical goods and services are not material and not included. This process involves the use of the following two categories, "biological materials" and "reusable and recycled materials."

Resource inflows

	2024	
	in t	in %
Total weight of products used	9,947,341	
of which biological materials	30,979	0.3
of which secondary reused or recycled	6,975	0.1

Resource Outflows (Products and Waste)

Covestro analyzed its products with regard to recyclability in the reporting year. We follow a conservative approach by focusing on mechanical recyclability. Products that could be melted down and repelleted or reintegrated into the production process at Covestro's outlets are considered theoretically mechanically recyclable. The recyclable product portfolio accounted for 15.0% of total resource outflows. If you consider the core business, mechanically recyclable products made up 28.4% of the product portfolio attributable to the core business.

→ For further information on the core business, please refer to "Company Profile – Business Model."

We record our waste figures to include all consolidated companies. All nonconsolidated companies in the scope of consolidation were considered in accordance with the rights and obligations of the Covestro Group. Since these metrics are calculated only at the end of the year, they include the group of companies consolidated as it stands at year-end. In this process, we incorporate data from all environmentally relevant Covestro sites, i.e., all production sites and relevant administrative sites. As a rule, the data for waste volumes are measured

data. In order to meet the disclosure deadlines, the sites estimate the environmental data for the last weeks of the current fiscal year using established extrapolation methods (e.g., on the basis of operations planning, averages, or data from the prior-year months) to ensure that data reporting is as precise as possible and close to the actual values for the year. If, however, in the course of the following year, we become aware of material deviations based on internally defined thresholds, the figures in question are corrected retroactively. As the data has been recorded for the first time in accordance with the new provisions of the ESRS, it is not possible to draw a comparison with the previous year.

In nearly all countries, the law also stipulates exhaustive reporting on waste volumes and waste streams, a requirement complied with accordingly by Covestro's sites. In Germany, for example, there are waste-tracking procedures between the source of the waste and its disposal that enable end-to-end traceability of the waste flows. We continue in our aim to keep comparable the waste volumes generated at our sites around the world, but due to local legislation, this is not always possible. In particular the identification and disposal of hazardous waste is subject to local definitions and regulations. It is not possible at present to record all waste volumes in accordance with EU legislation. Around 40% of the total waste volume is currently attributable to sites within the EU, of which 64% is classified as hazardous waste under EU legislation. For the non-EU sites, we estimated the proportion of hazardous waste at 72% of the total waste volume generated outside Europe. The estimate was based on the definitions in local legislation, which we had analyzed to identify major differences to EU legislation; we did not identify any need to make adjustments in this process.

Covestro generates waste mainly in production, for example TDI or BPA residue. In addition, Covestro also produces waste in demolition and construction projects. The volume of this waste can vary widely from year to year. Since we also operate waste water treatment plants, waste is also produced here.

Overall, the composition of waste materials is very diverse.

In the reporting year, the volume of hazardous waste amounted to 177 kt. A total of 74 kt of waste did not undergo any recycling process; this represents a percentage of non-recycled waste of 29%.

Waste by means of disposal

	2024
	kt
Total amount of waste generated	259
Total amount diverted from disposal	207
Preparation for reuse	12
hazardous waste	1
non-hazardous waste	11
Recycling	185
hazardous waste	140
non-hazardous waste	45
Other recovery operations	10
hazardous waste	4
non-hazardous waste	6
Total amount directed to disposal	52
Incineration	22
hazardous waste	18
non-hazardous waste	4
Landfill	17
hazardous waste	6
non-hazardous waste	11
Other disposal operations	13
hazardous waste	8
non-hazardous waste	5

¹ A variance between the volume of waste generated and waste disposed of may arise due to the different times the waste is generated or disposed of and any resulting internal temporary storage.

Anticipated financial effects

ESRS E5 Resource Use and Circular Economy in principle also provides for qualitative and quantitative disclosures on anticipated financial effects of material risks and opportunities in connection with resource use and circular economy. In accordance with ESRS 1 Appendix C, Covestro applies the phased-in disclosure requirements in the first year of preparing the Group Sustainability Statement. According to this expedient, the disclosures specified may be omitted in the first year.

Sustainable Solutions

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Sustainable Solutions"

Type	Description	Time horizon ¹	Location ²	Policies	Actions	Targets
Sustainable Solutions						
Impact (potential positive)	Covestro contributes to a potential positive impact on environmental sustainability in the downstream value chain, e.g. climate change, as its continuous focus on developing applications with sustainability contributions (e.g., insulation in construction, light weight solutions in automotive, wind energy, and water-based coatings and adhesives) promotes eco-friendly innovations. Affected stakeholders are customers, end-consumers, persons in vulnerable situations, and nature.	M, L	3	R&D Sustainability Assessment Policy	R&D Sustainability Assessment Policy	Updating of our sustainable R&D-based innovation portfolio

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

A sustainable product portfolio plays a key role for us in implementing our Sustainable Future strategy. The continued expansion of such a portfolio is supported by our research- and development-based innovation portfolio. Support will go particularly to product innovations that contribute to the SDGs and drive sustainable development, taking account of our circular and climate neutrality goals.

→ For further information, please refer to: www.solutions.covestro.com/en

At the same time, we enhanced our Portfolio Sustainability Assessment (PSA) methodology to assess also the sustainability of our existing products, especially in relation to the circular economy and climate neutrality, and to align our product portfolio even more closely in this direction, while taking legal requirements into account. We also report on how and the extent to which our activities are associated with economic activities which qualify as environmentally sustainable economic activities under the European Union's Taxonomy Regulation.

→ For further information, please refer to "Disclosures Pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)."

Covestro is building a future-proof and sustainable product portfolio using the Portfolio Sustainability Assessment (PSA) based on the methodology developed by the World Business Council for Sustainable Development (WBCSD). This process entails identifying changes in the regulatory and market environment early on with the help of the PSA and considering these as part of the decision-making processes. The results of the PSA are to be integrated in decisions about the product portfolio and in relation to corporate governance. In the reporting year, the method was finalized and piloted internally in collaboration with external consultants and also reviewed by an external expert. It is planned to implement the PSA method in a gradual process. The roadmap for this is being developed with a clear focus on digitalization. To drive the development of our circular product portfolio, we want, in the long term, to offer all products in a climate-neutral version that pursues the principles of the circular economy. Our Circular Intelligence (CQ) solutions are based on alternative raw materials and sources of energy as well as chemical recycling; they currently contain at least 25% alternative or recycled raw materials.

→ For further information, please refer to "Corporate Strategy – Group Strategy."

It goes without saying that our products can only be sustainable if handling them is safe for people and the environment. For this reason, our product portfolio, too, reflects product stewardship requirements. Our activities in this area are part of the

integrated HSEQ management system to ensure that our requirements and standards are met.

→ For further information, please refer to "ESRS S2: Workers in the Value Chain – Product Stewardship."

While the business entities managed their product portfolios independently in the reporting year, the Sustainability & Innovation Governance Body (SI GoB), dealt with such matters as progress in revising the sustainability assessment methodology for our product portfolio.

→ For further information, please refer to "Declaration on Corporate Governance – Responsibilities and Duties of the Board of Management and Supervisory Board in Relation to Impacts, Risks, and Opportunities within the Meaning of the European Sustainability Reporting Standards (ESRS)."

Policies and Actions

At Covestro, we aim to find answers to global challenges such as climate change, increasing urbanization and mobility, as well as population growth. We endeavor to integrate sustainability into the center of our research and development (R&D) activities by aligning our assessment processes for the R&D project portfolio with the United Nations Sustainable Development Goals (SDGs). This alignment enables us to identify, investigate, and test unconventional and innovative approaches at an early stage. In this way, our R&D results are contributing to meeting the SDGs. Covestro has defined the R&D Sustainability Assessment Policy to steer the R&D project portfolio toward making a positive contribution to sustainability. This R&D assessment with regard to the UN Sustainable Development Goals is a global process. Stakeholders affected in this process are employees, in particular innovation project managers and corresponding steering committees. In addition, we comply with the Three Ps principle (people, planet, and profit) and ensure that R&D decisions support at least two of these aspects without doing harm to any of them, while aiming to maximize economic, ecological, and societal value.

Covestro's policy for sustainable solutions comprises product and application, process and technology innovation projects that ensure a positive environmental impact in the value chain by concentrating on the development of applications that contribute to sustainability – such as the development of an impact damper structure from a thermoplastic material for e-mobility, especially battery electric

vehicles, in order to protect the battery in the case on an accident and in this way contribute to traffic safety.

For Covestro, an essential pillar of sustainable solutions is to ensure that our product portfolio is recyclable. To this end, Covestro is currently conducting research in over 20 R&D projects on specific recycling solutions for our products, especially in the area of chemical recycling.

The Head of Group Innovation and Sustainability, who reports directly to the Board of Management, is responsible for implementing this policy in consultation with the business entities and the Sustainability & Innovation Governance Body (SI GoB).

When assessing our projects, we only consider projects that make an additional contribution to meeting the SDGs when measuring our progress. We have implemented the R&D Sustainability Assessment Policy as part of the existing innovation process; it measures what the projects have added to quantify this additional contribution. As part of this process, each R&D project is assessed on the basis of internal expert interviews. Specific questions are used to assess the impacts of a project and its outcomes on all 17 SDGs. Only those projects are considered that are assessed significantly better than the benchmark system from the perspective of SDG impacts. The benchmark system must be an established technology, defined as a technology with a market penetration of more than 5%. If the intended solution from the perspective of SDG impacts is significantly better than the benchmark system, the impact is assessed as "positive drive." The assessment involves continuously performed actions.

Targets

In accordance with our sustainability targets, we aim to continuously enhance our sustainable R&D-based innovation portfolio. Specifically, by the year 2025, 80% of project costs for research and development are to be allocated to areas that contribute to meeting the United Nations Sustainable Development Goals. The assessment is mandatory for projects covered by the R&D Sustainability Assessment Policy; neither the assessment nor the metric has been modified. This is a qualitative assessment where data on the end product or on the technologies is not yet available for conclusive scientific evidence in the early phase of the stage-gate process. The target is reviewed annually, based on actual project costs and the result of assessing the project. This target is a global target that comprises product and application, process, and technology innovation projects. The target for the metric has been set by the Board of Management with a focus on internal stakeholders. External stakeholders were not included. Since it is a forward-looking target, we have not defined a base year for comparison. In addition, the contribution is based on the qualitative assessment and the project costs.

Metrics

In the reporting year, we saw the metric improve to 54% (previous year: 52%). This corresponds to project costs of €45.3 million (previous year: €39.8 million) for research and development; they are allocated to areas that contribute to meeting the United Nations Sustainable Development Goals.

Disclosures Pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)

The EU Taxonomy Regulation is an instrument of the European Union under the European Green Deal and the Action Plan: Financing Sustainable Growth aimed at making Europe climate-neutral by the year 2050. The EU Taxonomy is intended to help direct investments to the economic activities needed to achieve climate neutrality.

The EU Taxonomy is a classification system that classifies economic activities as environmentally sustainable if specified assessment criteria are met. An economic activity is deemed taxonomy-eligible if it can be assigned to one of the economic activities defined by the EU Taxonomy and can potentially contribute to achieving one of the following six environmental objectives:

- Climate change mitigation (CCM)
- Climate change adaptation (CCA)
- Water and marine resources (WTR)
- Circular economy (CE)
- Pollution prevention and control (PPC)
- Biodiversity and ecosystems (BIO)

A taxonomy-eligible economic activity can moreover be classified as taxonomy-aligned within the meaning of the EU Taxonomy, if it meets all of the additional requirements:

- Complies with the technical screening criteria to make a substantial contribution to the respective environmental objective,
- Complies with the technical screening criteria to avoid doing significant harm to one or more environmental objectives,
- Complies with the minimum safeguards.

Since the Regulation and the complementary delegated acts entered into force, we have reported the share of our Group-wide taxonomy-eligible turnover (sales), capital expenditure (CapEx), and operating expenditure (OpEx) for the “climate change mitigation” and “transition to a circular economy” objectives.

Unfortunately, a large proportion of our portfolio is still not covered by the EU Taxonomy and can therefore not be reported as taxonomy-eligible. For this reason, we can only report a small proportion of our business under the EU Taxonomy. This means that, unfortunately, we are unable to report some activities that make a contribution to climate change mitigation and environmental protection, such as our bio-based aniline.

Taxonomy-Eligible Economic Activities

In order to calculate the financial metrics, we conducted a comprehensive analysis and assessment of our portfolio and business activities in connection with the requirements of the EU Taxonomy. This process identified activities that fall under the environmental objectives of climate change mitigation and transition to a circular economy.

For our core business, we have identified the following economic activities at Group level under the environmental objective of climate change mitigation:

- Activity 3.10 – “Manufacture of hydrogen”
- Activity 3.13 – “Manufacture of chlorine”
- Activity 3.14 – “Manufacture of organic basic chemicals”
- Activity 3.16 – “Manufacture of nitric acid”
- Activity 3.17 – “Manufacture of plastics in primary form”*

In addition, we have identified activities outside our core business as taxonomy-eligible under the following environmental objectives:

* Covestro applies a narrow definition of plastics: If polymers such as polyester, polyether, and polyols require a chemical reaction to become a plastic, and require a chemical reaction with a reactive group first, they are not taxonomy-eligible. Prepolymers and oligomers are not taxonomy-eligible for the same reason.

Climate Change Mitigation

- Activity 4.9 – “Transmission and distribution of electricity”
- Activity 4.30 – “High-efficiency co-generation of heat/cool and power from fossil gaseous fuels”
- Activity 6.2 – “Freight rail transport”
- Activity 6.5 – “Transport by motorbikes, passenger cars and light commercial vehicles”
- Activity 6.8 – “Inland freight water transport”
- Activity 6.10 – “Sea and coastal freight water transport, vessels for port operations and auxiliary activities”
- Activity 7.1 – “Construction of new buildings”
- Activity 7.2 “Renovation of existing buildings”
- Activity 7.7 – “Acquisition and ownership of buildings”

Activities 4.9 “Transmission and distribution of electricity” and 7.2 “Renovation of existing buildings” were additionally identified as taxonomy-eligible in the reporting year.*

Transition to a Circular Economy

- Activity 3.1 – “Construction of new buildings”
- Activity 3.3 – “Demolition and wrecking of buildings and other structures”
- Activity 3.4 – “Maintenance of roads and motorways”

In the 2024 reporting year, activity 4.1 “Provision of IT/OT data-driven solutions and software” could not again be reported as taxonomy-eligible.

Potentially, economic activity 3.1 – “Construction of new buildings” is also taxonomy-eligible for the environmental objective of “transition to a circular economy.” Taking

* Due to organizational conditions, both activities could only be identified as taxonomy-eligible in fiscal 2024.

account of the technical screening criteria (TSCs), new construction projects were reviewed and allocated to the environmental objective of climate change mitigation.

Fundamentally, Covestro does not disclose any taxonomy-eligible activities under the environmental objective of climate change adaptation. There are two reasons for this: Firstly, this is to avoid economic activities already identified under climate change mitigation from being counted twice. Secondly, our business model is primarily aimed at climate change mitigation in the activities covered by the EU Taxonomy.

The economic activities associated with the environmental objectives of “sustainable use and protection of water and marine resources,” “pollution prevention and control,” and “protection and restoration of biodiversity and ecosystems” were assessed by experts with regard to their implementation at Covestro. No need for additions or extensions were identified for fiscal 2024.

Taxonomy-Aligned Economic Activities

The TSCs for all six of the above environmental objectives were in force for fiscal 2024. In addition, compliance with the minimum safeguards pursuant to Article 18 of the Taxonomy Regulation must be examined.

Consequently, the taxonomy-eligible activities identified under the objectives of climate change mitigation and transition to a circular economy could be classified as taxonomy-aligned if they are able to meet all the requirements for attaining taxonomy alignment. That was examined accordingly.

Substantial Contribution

In the year 2024, we checked again whether we can make a substantial contribution to the environmental objectives mentioned. For example, we continue to make a small substantial contribution to the environmental objective of climate change mitigation at selected sites for economic activity 3.10 – “Manufacture of hydrogen.” We are, however, unable to meet the stringent requirements for a material contribution. The reasons include that the benchmarks of production facilities applied by the EU Taxonomy are exceeded or that evidence for the supply chain cannot be provided.

Do No Significant Harm (DNSH)

For an activity to qualify as a substantial contribution to one environmental objective, the EU Taxonomy requires that it does not cause significant harm to the five other environmental objectives.

In connection with the environmental objective of climate change mitigation, a climate risk and vulnerability assessment was conducted in the 2022 reporting year for activity 3.10 – “Manufacture of hydrogen” at site level, using Representative Concentration Pathways RCP 2.6, 4.5, and 8.5. With regard to the environmental objective of “sustainable use and protection of water and marine resources,” a risk assessment was likewise performed in the 2022 reporting year to establish any potential environmental damage at site level. This was not separately repeated for the subsequent reporting years. At the same time, in the year 2022, compliance with the emission values in connection with the best available techniques (BATs) was verified for the sites at which products are manufactured with which we make a substantial contribution to meeting the environmental objective of climate change mitigation. Finally, and also most recently in the year 2022, a check was performed at site level to make sure that no significant harm is done to the environmental objective of protection and restoration of biodiversity and ecosystems. As no appropriate evidence of a substantial contribution could again be provided for the 2024 reporting year, the DNSH analysis described here from fiscal 2022 was not repeated for the reporting year under review.

Taxonomy-eligible products that either do not make a substantial contribution to meeting the environmental objective of climate change mitigation or cause significant harm to at least one environmental objective are not classified as taxonomy-aligned. For example, since the criteria for a substantial contribution to activity 3.10 – “Manufacturing of hydrogen” cannot be fully met and this activity therefore does not qualify for taxonomy alignment, no additional review of the subitems in Appendix C of Annex 1 was conducted.

Minimum Safeguards

Article 18 of the Taxonomy Regulation requires companies to establish processes and procedures to ensure compliance with different rules and regulations on minimum safeguards. They relate in particular to human rights (including labor and consumer rights), corruption and bribery, taxation, and fair competition. There was no specific review of the minimum safeguards under the EU Taxonomy.

Meeting the minimum safeguards is part of Covestro’s culture. This culture, which is founded on existing corporate commitments, on our Code of Conduct for Suppliers, and on various Group-wide regulations, is an integral part of our everyday activities. We have implemented processes and controls to ensure compliance with all legal requirements, international standards, and internal policies. They include our compliance management system and the integrated Management System for Health, Safety, Environment, Energy, and Quality.

Result of the Alignment Check

In fiscal 2024, we did not identify any taxonomy-aligned economic activity associated with the environmental objectives of “climate change mitigation” and “climate change adaptation” and the environmental objectives of “sustainable use and protection of water and marine resources,” “transition to a circular economy,” “pollution prevention and control,” and “protection and restoration of biodiversity and ecosystems.” Since we can only provide evidence of taxonomy eligibility, the focus of determining the metrics is therefore on taxonomy eligibility rather than taxonomy alignment.

Calculation of Taxonomy KPIs

We calculate and report taxonomy KPIs in accordance with Article 10(3) and Article 11(3) of the Taxonomy Regulation. We are required to report the share of turnover, capital expenditure (CapEx), and operating expenditure (OpEx) generated by taxonomy-eligible and (where verifiable) taxonomy-aligned activities. The KPIs are determined with system support in established processes. The KPIs are mainly determined by allocating master data directly to the economic activities. In the case of CapEx and OpEx, this is unfortunately not always possible due to the complexity of the value flows. In these cases, the taxonomy-eligible shares are allocated on the basis of the taxonomy-eligible turnover determined for each economic activity. Validation steps are taken and the data is checked against the figures in the Group’s Consolidated Financial Statements to ensure the data is complete and correct. Controls in our Internal Control System are used to support the underlying systems and processes.

→ For further information, please refer to “Opportunities and Risks Report – Internal Control System.”

Turnover

In order to determine the turnover generated by Covestro from taxonomy-eligible economic activities, we allocated the relevant Covestro products to these activities. The corresponding turnover (sales) recognized in the Consolidated Income Statement for the reporting year was then calculated for the identified products (numerator) and a ratio derived using the Covestro Group's sales reported in the Income Statement (denominator). Turnover from activity 4.30 – "High-efficiency co-generation of heat/cool and power from fossil gaseous fuels" and activity 4.9 – "Transmission and distribution of electricity" is determined in the same way.

→ For further information, please refer to "Covestro Group Consolidated Income Statement."

Capital Expenditure

In order to determine capital expenditure (CapEx) associated with taxonomy-eligible and/or taxonomy-aligned economic activities as defined in the Taxonomy Regulation, we use the investments in and acquisitions of property, plant and equipment and intangible assets, excluding acquired goodwill, as well as additions of right-of-use assets pursuant to IFRS 16, as reported in the Notes to the Consolidated Financial Statements in this Annual Report (denominator). This must always be used as the basis for determining the proportion of taxonomy-eligible and taxonomy-aligned CapEx relating primarily to additions to noncurrent assets (numerator). CapEx associated with activity 4.30 – "High-efficiency co-generation of heat/cool and power from fossil gaseous fuels" and activity 4.9 – "Transmission and distribution of electricity" is determined accordingly.

→ For further information, please refer to note 13.1 "Goodwill and Other Intangible Assets" in the Notes to the Consolidated Financial Statements.

→ For further information, please refer to note 13.2 "Property, Plant, and Equipment" in the Notes to the Consolidated Financial Statements.

The decline in taxonomy-eligible CapEx compared with the previous year was due firstly to an overall decrease in CapEx by the Covestro Group in the reporting year and secondly to the fact that fewer individual projects met the criteria for taxonomy-eligible CapEx.

Operating Expenditure

In order to determine operating expenditure (OpEx) as defined in the Taxonomy Regulation, we use the Covestro Group's expenditure on maintenance and repairs, renovations, research and development, and short-term leasing costs (numerator). In general, the share of taxonomy-eligible or taxonomy-aligned OpEx must be determined (numerator). The OpEx data determined is gathered exclusively for taxonomy reporting. OpEx associated with activity 4.30 – "High-efficiency co-generation of heat/cool and power from fossil gaseous fuels" and activity 4.9 – "Transmission and distribution of electricity" is determined accordingly.

Reporting of Taxonomy KPIs

The Taxonomy Regulation classifies the chemical industry, for example, as a sector with transitional activities because it operates at a point of transition from fossil-based raw materials toward renewable and alternative raw materials.

Covestro makes a contribution to achieving a circular economy and climate neutrality that is not directly covered by the EU Taxonomy. Our objectives are reflected in particular in our vision of becoming fully circular, from which our Group's Sustainable Future strategy and our sustainability targets – including a focus on climate neutrality – are derived. The review of sustainability in accordance with this vision and with our sustainability targets relates to Covestro's entire product portfolio.

→ For further information, please refer to "Group Sustainability Statement."

→ For further information, please refer to "Corporate Strategy – Group Strategy."

→ For further information, please refer to "Company Profile."

The KPIs below were calculated according to the abovementioned methods:

Proportion of turnover from products or services associated with taxonomy-aligned economic activities – disclosure covering fiscal 2024

Code(s)	Absolute turnover	Proportion of turnover in 2024	Substantial contribution criteria						Do no significant harm (DNSH) criteria						Minimum safeguards	Taxonomy-aligned proportion (A.1) or taxonomy-eligible proportion (A.2) of turnover 2023	Category "enabling activity"	Category "transitional activity"	
			Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
Economic activities	€ million	%	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E ²	T ²
A Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	€ million	%	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹								%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Manufacture of hydrogen	CCM 3.10	20	0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1		
Manufacture of chlorine	CCM 3.13	99	0.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.5		
Manufacture of organic basic chemicals	CCM 3.14	263	1.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.5		
Manufacture of nitric acid	CCM 3.16	2	<0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1		
Manufacture of plastics in primary form	CCM 3.17	5,134	36.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL								35.3		
Transmission and distribution of electricity ³	CCM 4.9	2	<0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								< 0,1		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	4	<0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								< 0,1		
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	5,524	39.0	39.0	-	-	-	-	-	-								37.6		
Total (A.1 + A.2)	5,524	39.0	39.0	-	-	-	-	-	-								37.6		
B Taxonomy-non-eligible activities	8,655	61.0																	
Turnover of taxonomy-non-eligible activities (B)	8,655	61.0																	
Total (A+B)	14,179	100.0																	

¹ Y – Yes, taxonomy-eligible activity that is taxonomy-aligned with the relevant environmental objective; N – No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective; N/EL – Taxonomy-non-eligible activity for the respective environmental objective; EL – Taxonomy-eligible activity for the respective environmental objective.

² E – Enabling activity; T – Transitional activity.

³ This activity had not yet been reported as taxonomy-eligible in the previous year. For purposes of comparison, the proportion of taxonomy-eligible turnover for the previous year was determined retrospectively.

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – disclosure covering fiscal 2024

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx in 2024	Substantial contribution criteria						Do no significant harm (DNSH) criteria						Taxonomy-aligned proportion (A.1) or taxonomy-eligible proportion (A.2) of CapEx 2023	Category "enabling activity"	Category "transitional activity"
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
		€ million	%	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A Taxonomy-eligible activities																		
A.1 Environmentally sustainable activities (taxonomy-aligned)																		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		€ million	%	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹	EL;N/ EL ¹							%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																		
Manufacture of hydrogen	CCM 3.10	2	0.3	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.1		
Manufacture of chlorine	CCM 3.13	45	4.8	EL	N/EL	N/EL	N/EL	N/EL	N/EL							3.7		
Manufacture of organic basic chemicals	CCM 3.14	10	1.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL							1.0		
Manufacture of nitric acid	CCM 3.16	13	1.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL							1.4		
Manufacture of plastics in primary form	CCM 3.17	146	15.8	EL	N/EL	N/EL	N/EL	N/EL	N/EL							18.4		
Transmission and distribution of electricity	CCM 4.9	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL							-		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	<1	<0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.8		
Freight rail transport	CCM 6.2	22	2.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL							3.0		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	5	0.6	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.3		
Inland freight water transport	CCM 6.8	4	0.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.5		
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM 6.10	<1	<0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.2		
Construction of new buildings	CCM 7.1	16	1.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.9		
Renovation of existing buildings	CCM 7.2	2	0.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL							-		
Acquisition and ownership of buildings	CCM 7.7	4	0.4	EL	N/EL	N/EL	N/EL	N/EL	N/EL							2.8		
Demolition and wrecking of buildings and other structures	CE 3.3	3	0.3	N/EL	N/EL	N/EL	N/EL	EL	N/EL							-		
Maintenance of roads and motorways	CE 3.4	1	0.1	N/EL	N/EL	N/EL	EL	N/EL	N/EL							< 0.1		
Provision of IT/OT data-driven solutions and software	CE 4.1	-	-	N/EL	N/EL	N/EL	EL	N/EL	N/EL							< 0.1		
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		273	29.5	29.1	-	-	0.4	-	-							33.2	-	-
Total (A.1 + A.2)		273	29.5	29.1	-	-	0.4	-	-							33.2	-	-

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – disclosure covering fiscal 2023

	Code(s)	Absolute CapEx	Proportion of CapEx in 2024
Economic activities		€ million	%
B Taxonomy-non-eligible activities		655	70.5
CapEx of taxonomy-non-eligible activities (B)		655	70.5
Total (A+B)		928	100

¹ Y – Yes, taxonomy-eligible activity that is taxonomy-aligned with the relevant environmental objective; N – No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective; N/EL – Taxonomy-non-eligible activity for the respective environmental objective; EL – Taxonomy-eligible activity for the respective environmental objective.

² E – Enabling activity; T – Transitional activity.

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – disclosure covering fiscal 2024

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx in 2024	Substantial contribution criteria						Do no significant harm (DNSH) criteria						Taxonomy-aligned proportion (A.1) or taxonomy-eligible proportion (A.2) of OpEx 2023	Category "enabling activity"	Category "transitional activity"
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
		€ million	%	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y;N; N/EL ¹	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E ²	T ²
A Taxonomy-eligible activities																		
A.1 Environmentally sustainable activities (taxonomy-aligned)																		
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		€ million	%	EL;N/EL ¹	EL;N/EL ¹	EL;N/EL ¹	EL;N/EL ¹	EL;N/EL ¹	EL;N/EL ¹							%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																		
Manufacture of hydrogen	CCM 3.10	3	0.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.3		
Manufacture of chlorine	CCM 3.13	55	3.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL							3.7		
Manufacture of organic basic chemicals	CCM 3.14	11	0.8	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.8		
Manufacture of nitric acid	CCM 3.16	7	0.5	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0.8		
Manufacture of plastics in primary form	CCM 3.17	346	24.8	EL	N/EL	N/EL	N/EL	N/EL	N/EL							24.7		
Transmission and distribution of electricity	CCM 4.9	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL							-		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	2	0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL							< 0.1		
Demolition and wrecking of buildings and other structures	CE 3.3	1	<0.1	N/EL	N/EL	N/EL	EL	N/EL	N/EL							0.1		
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		425	30.3	30.3	-	-	<0,1	-	-							30.4	-	-
Total (A.1 + A.2)		425	30.3	30.3	-	-	<0,1	-	-							30.4	-	-
B Taxonomy-non-eligible activities																		
OpEx of taxonomy-non-eligible activities (B)		970	69.7															
Total (A+B)		1,395	100.0															

¹ Y – Yes, taxonomy-eligible activity that is taxonomy-aligned with the relevant environmental objective; N – No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective; N/EL – Taxonomy-non-eligible activity for the respective environmental objective; EL – Taxonomy-eligible activity for the respective environmental objective.

² E – Enabling activity; T – Transitional activity.

Pursuant to Annex V of Commission Delegated Regulation 023/2486 of 27 June 2023, the disclosure requirements for the turnover, CapEx, and OpEx key performance indicators have been expanded. Nonfinancial undertakings are now additionally required to report the magnitude of the taxonomy-eligible and taxonomy-aligned activities for each environmental objective. Activities that materially contribute to more than one objective must be reported for each environmental objective. The corresponding disclosures are shown in the tables below:

Proportion of turnover from products or services for each environmental objective – disclosure covering fiscal 2024

Objective	taxonomy-aligned	taxonomy-eligible
	%	%
Climate change mitigation (CCM)	–	39.0
Climate change adaptation (CCA)	–	–
Water and marine resources (WTR)	–	–
Circular economy (CE)	–	–
Pollution (PPC)	–	–
Biodiversity and ecosystems (BIO)	–	–
Total	–	39.0

Proportion of CapEx from products or services for each environmental objective – disclosure covering fiscal 2024

Objective	taxonomy-aligned	taxonomy-eligible
	%	%
Climate change mitigation (CCM)	–	29.1
Climate change adaptation (CCA)	–	–
Water and marine resources (WTR)	–	–
Circular economy (CE)	–	0.4
Pollution (PPC)	–	–
Biodiversity and ecosystems (BIO)	–	–
Total	–	29.5

Proportion of OpEx from products or services for each environmental objective – disclosure covering fiscal 2024

Objective	taxonomy-aligned	taxonomy-eligible
	%	%
Climate change mitigation (CCM)	–	30.3
Climate change adaptation (CCA)	–	–
Water and marine resources (WTR)	–	–
Circular economy (CE)	–	<0.1
Pollution (PPC)	–	–
Biodiversity and ecosystems (BIO)	–	–
Total	–	30.3

Activities covered by separate reporting requirements in the Complementary Climate Delegated Act must be disclosed on the basis of templates. In this context, Covestro has identified activity 4.30 – “High-efficiency co-generation of heat/cool and power from fossil gaseous fuels.” Following completion of the alignment check, Covestro has only taxonomy-eligible activities to report here.

Template 1: Nuclear- and fossil-gas-related activities¹

Row	Nuclear-energy-related activities	Result
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
Row	Fossil-gas-related activities	Result
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

¹ Based on our understanding, the activities presented in template 1 refer to the activities defined in the Complementary Climate Delegated Act.

Template 2: Taxonomy-aligned economic activities (denominator)

Row	Economic activity	Amount and proportion of turnover						Amount and proportion of CapEx						Amount and proportion of OpEx					
		Climate change mitigation		Climate change adaptation		CCM + CCA ¹		Climate change mitigation		Climate change adaptation		CCM + CCA ¹		Climate change mitigation		Climate change adaptation		CCM + CCA ¹	
		€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Total applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

¹ Climate change mitigation (CCM) and climate change adaptation (CCA).

Template 3: Taxonomy-aligned economic activities (numerator)

Row	Economic activity	Amount and proportion of turnover						Amount and proportion of CapEx						Amount and proportion of OpEx					
		Climate change mitigation		Climate change adaptation		CCM + CCA ¹		Climate change mitigation		Climate change adaptation		CCM + CCA ¹		Climate change mitigation		Climate change adaptation		CCM + CCA ¹	
		€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

¹ Climate change mitigation (CCM) and climate change adaptation (CCA).

Template 4: Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activity	Amount and proportion of turnover						Amount and proportion of CapEx						Amount and proportion of OpEx					
		Climate change mitigation		Climate change adaptation		CCM + CCA ¹		Climate change mitigation		Climate change adaptation		CCM + CCA ¹		Climate change mitigation		Climate change adaptation		CCM + CCA ¹	
		€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4	<0,1	0	0.0	4	<0,1	<1	<0,1	0	0.0	0	0.0	2.00	0.10	0	0.0	2.00	0.10
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	5,520	100.0	0	0.0	5,520	100.0	273	100.0	0	0.0	273	100.0	423	99.9	0	0.0	423	99.9
8	Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	5,524	100.0	0	0.0	5,524	100.0	273	100.0	0	0.0	273	100.0	425	100.0	0	0.0	425	100.0

¹ Climate change mitigation (CCM) and climate change adaptation (CCA).

Template 5: Taxonomy-non-eligible activities

Row	Economic activity	Turnover		CapEx		OpEx	
		Amount	Proportion	Amount	Proportion	Amount	Proportion
		€ million	%	€ million	%	€ million	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	8,655	100.0	655	100.0	970	100.0
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	8,655	100.0	655	100.0	970	100.0

Social Matters

ESRS S1: Own Workforce

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Own workforce"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Working conditions – health and safety							
Impact (potential negative)	Covestro causes a potential negative impact in own operations in case of violation of sufficient safety standards in the provision and maintenance of the workplace and work equipment. This can have a negative effect on physical and mental health (especially applicable in the areas of plant and process safety, transportation safety, and occupational health and safety). Affected stakeholders are employees.	S, M, L	2		HSEQ management system, Group "Occupational Health and Safety" policy	Workplace health management; integrated information management system (IIMS)	
Impact (potential negative)	Health impacts resulting from the handling of hazardous substances or from incidents in the company's own operations or in traffic are very difficult to reverse. Affected stakeholders are local communities, own workers, and the environment (some substances/processes have greater potential for negative impacts than others).	S, M	2		HSEQ management system, Group "Occupational Health and Safety" policy	Workplace health management; integrated information management system (IIMS)	
Impact (actual negative)	Accidents and incidents occur in connection with our activities that have negative impacts on own workers (health and safety) and impacts on communities and the environment. Affected stakeholders are employees.	S, M	2		HSEQ management system, Group "Occupational Health and Safety" policy	Workplace health management; integrated information management system (IIMS)	
Risk	Working in the production facilities as well as working in the office can lead to injuries and absenteeism in own workforce, thereby increasing personnel costs.	M, L	2	Business performance, results of operations, financial position, cash flows	HSEQ management system, Group "Occupational Health and Safety" policy	Workplace health management; integrated information management system (IIMS)	
Working conditions – adequate wages							
Impact (actual positive)	Covestro has an actual positive impact in own operations due to a comprehensive package that includes market-oriented compensation, benefits, individual development opportunities, and a good working environment with the aim of having a positive effect on workers, attracting and retaining engaged and qualified workers, and motivating them to achieve top performance. Affected stakeholders are employees.	S, M	2		"How Values Translate into Performance and Culture" Group policy	Comprehensive and transparent compensation package	

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Own workforce"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Equal treatment and opportunities for all – diversity							
Impact (potential negative)	In case of a non-diverse workforce and unequal treatment affecting workforce engagement, overall satisfaction, and potentially health, Covestro contributes to a potential negative impact on workers. Affected stakeholders are employees and persons in vulnerable situations.	S, M	2		"Fairness and Respect in the Workplace" policy and local versions	Web-based training; employee networks and diversity bodies	Targets for the percentage of women in the first two management levels below the Board of Management
Equal treatment and opportunities for all and gender equality and equal pay for equal work							
Impact (potential negative)	Every worker has the right to equal pay for equal work. Covestro causes potential negative impacts, if it does not maintain a compensation system or existing systems are not aimed at wage equality, there are no or only inadequate measures to eliminate pay disparity, there is no analysis of the gender pay gap, or cases where workers feel unfairly treated are not investigated or explained. Affected stakeholders are employees and persons in vulnerable situations.	S, M, L	2		"How Values Translate into Performance and Culture" Group policy	Salary comparison analyses, comprehensive and transparent compensation package	
Other work-related rights – child labor							
Impact (potential negative)	Mothers and children are entitled to special care and assistance. All children, whether born in or out of wedlock, enjoy the same social protection. Covestro is associated with potential negative impacts on the rights of children if it makes use of child labor in its operations (i.e., has individuals work for it who are younger than 15 years old). Affected stakeholders are (potentially underage) workers.	S, M, L	2		Corporate commitment to respect human rights	Company's internal structures (e.g., Human Rights Office), roles, and over-arching management approach	
Other work-related rights – forced labor							
Impact (potential negative)	Under the Universal Declaration of Human Rights, no one must be held in slavery or servitude. Potentially negative impacts on human rights would arise if Covestro were to use forced labor in its own operations through, e.g., involuntary overtime, housing on site with restrictions on leaving the site after working hours, workers that do not understand the language of the contract. Affected stakeholders are persons in vulnerable situations and own workers.	S, M, L	2		Corporate commitment to respect human rights	Company's internal structures (e.g., Human Rights Office), roles, and overarching management approach	

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Strategy

Covestro's strategic alignment with climate neutrality and the circular economy has positive impacts on its employees. As a result, Covestro products that are aligned to the sustainability strategy are increasingly appreciated by our customers in the market and may therefore result in competitive advantages for Covestro. Competitive advantages safeguard jobs and have the potential to create new jobs in the future. We therefore consider there to be no relevant negative impacts at present arising from Covestro's strategic alignment, e.g., to achieve climate neutrality and a circular economy. To prepare employees for the gradual shift toward sustainability, a range of different courses and programs on the topic of sustainability have been prepared as part of the global "Expedition C" training initiative. This training offering prepares employees for the transformation, including on this key topic, and enables them to be actively involved in this process, as internal expert knowledge is passed on and dialog promoted on the matter.

Developing the people strategy is an iterative process that also draws on the results of discussions with workers' representatives and findings from employee surveys.

The status of implementing the targets and ambitions under the people strategy is tracked at various levels, including with workers' representatives in the usual information and participation processes. In Germany, this is done, for example, through the local and translocal codetermination bodies (e.g., local works councils, General Works Council, and Group Works Council, including their competent committees, as well as the (Group) Managerial Employees' Committee) on various employee-related matters.

Own workers are made up of employees and non-employees. At Covestro, own workers mainly comprise employees who are employed in the operation of chemical production facilities and administrative departments. We always take the totality of all employees in all regions into account. By this we mean all temporary and permanent employees working for one of our consolidated companies. We do not count employees in vocational training, interns, and Board of Management members as part of the workforce because of their special employment relationship, nor do we include employees with an inactive employment contract or planned long-term periods of absence. The metrics specified are calculated according to the above definition and include the totality of all employees in all regions. The analysis of the

definition of employee in all countries where Covestro operates showed that there are no material deviations from this definition.

Among the non-employees, we additionally use self-employed workers (contractors), who are mainly deployed for maintenance and repair work.

With regard to the topic of health and safety, the materiality assessment identified in the context of Covestro working conditions a risk of workplace accidents in production, which could lead to increased personnel costs for Covestro. Other than that, no operations or activities have been identified that are exposed to significant risk. In relation to child and forced labor, no specific divisions, countries or geographic areas in Covestro's operations have been identified as being exposed to significant risk either.

The risk to health and safety identified as material is clearly integrated into the Covestro people strategy and positioned as a particularly important topic for the company.

According to the assessment, the identified negative impacts are neither widespread nor systemic. They would only be applicable in connection with individual incidents.

In the reporting year, Covestro was directly linked to actual incidents and accidents, causing negative impacts on own workers and non-employees (in terms of health and safety) and minor impacts on communities and the environment.

The analysis also identified activities that lead to positive impacts for employees: Adequate wages are an important element for Covestro to position itself as an attractive employer. Here Covestro aims to achieve positive retention with the company worldwide, at all employee levels, and to successfully compete for skilled workers and talent.

Covestro assesses for which groups of persons there is a greater risk with regard to child labor, forced labor, diversity, gender equality and equal pay for equal work, as well as health and safety. In the area of health and safety, Covestro continuously enhances its understanding of the potential hazards to its own workforce. Using the hazard assessment as a basis, possible sources of hazards at workplaces and the corresponding corrective actions are described, e.g., the handling of chemicals.

Particular focus is placed on persons in vulnerable situations handling chemicals and machinery while working in the production environment, as there is naturally a higher risk of injury events in the production environment than in the administrative environment. Injuries in the working environment present a hazard to our own workforce and can result in worker absenteeism.

Groups of persons at greater risk in relation to child and forced labor are minors and lower-skilled workers. When considering the areas of diversity, equity, and equal pay for equal work, all employees are regarded as potentially at risk, irrespective of age, gender, origin, qualifications, medical condition, or other reasons for vulnerability.

The material impacts on employees identified for our undertaking have already been taken into due consideration in our strategy and business model, which follows our strategic priorities. No additional adjustment is therefore made to the strategy and business model.

→ For further information, please refer to “ESRS S1: Own Workforce – Targets.”

Policies and Actions

Policies

These policies, which apply to all employees, are generally easily accessible and freely available on Covestro’s intranet. They were prepared after consultation with workers’ representatives.

Covestro’s strategic alignment with climate neutrality and the circular economy does not entail any amendments to existing policies.

Policies Relating to Health and Safety

Our integrated **HSEQ management system** documents Covestro’s standardized Group-wide approach to occupational safety and health management in Covestro’s “Health, Safety, Environment, Energy, and Quality” (HSEQ) policy – in combination with the **Occupational Health and Safety** policy. The main ambitions are:

- ensure safe and healthy workplaces,
- proactively prevent workplace accidents, injuries, and illnesses,
- continuously improve its occupational safety performance,
- maintain a globally harmonized system of reporting on occupational safety, and
- take psychosocial risks into account, in addition to physical safety.

The “Occupational Health and Safety” policy outlines a comprehensive process for monitoring and improving occupational health and safety performance based on the Plan-Do-Check-Act (PDCA) cycle, which forms the basis for continuous improvement in the areas of occupational health and safety. Both policies mentioned focus on instructions and safeguards to prevent workplace accidents, occupational illnesses, and psychosocial risks. They also underline the continuous improvement and global implementation of safety initiatives. The policies are applicable to all employees Group-wide. Responsibility for the policies is assigned to the Chief Technology Officer.

Policies Relating to Adequate Wages and Gender Equality and Equal Pay for Equal Work

Our Group policies set out six principles that define how we should think and act. Building a value- and performance-based culture is one of these principles and is described in this section.

We value our employees and offer them transparent, fair, and competitive pay. We appreciate performance that stands for our targets and values and is delivered transparently. In order to recruit and retain the most qualified employees, we offer them a competitive base salary commensurate with their responsibilities as well as performance-related compensation components and additional benefits. We communicate transparently to our employees how their wages and salaries break down. Salaries at Covestro are determined regardless of gender, which means that

equal work gets equal pay. The comprehensive and transparent package includes market-based compensation, benefits, individual development opportunities, and a good working environment. We thus exert a positive influence on working conditions and in turn greatly promote employee engagement, and this makes a significant contribution to our success.

The policy applies to all employees Group-wide, irrespective of gender. Responsibility for the policy lies with the Head of the corporate Human Resources function.

Policies Relating to Diversity

Covestro's policy "**Fairness and Respect at Work**" establishes the framework for a fair and respectful working environment at Covestro and aims to prevent discrimination and harassment. A fair and respectful working environment is an essential prerequisite for our innovative performance and business success, and for diversity, equity, and inclusion. These principles are therefore embedded in Covestro's Code of Conduct and form part of our commitment to safeguarding human rights, particularly with respect to fair working conditions. Based on the global directive, we understand harassment to mean unwanted, intimidating, insulting, or hostile behavior that creates a negative working environment, makes someone feel threatened, or negatively impacts a person's work performance. "Bullying" and/or "mobbing" are forms of harassment.

In addition to the global policy, there are other statements of commitment, such as the inclusiveness agreement in Germany. The core elements of the policy are:

- treating each other with respect and preventing harassment,
- communicating openly about concerns without fear of reprisal,
- ensuring fair processes, such as in recruitment, promotion, and development, as well as
- increasing awareness and providing training on the matter for all employees.

The policy, which applies to all employees, sets out responsibilities, minimum standards, and guidelines for local processes in Covestro companies. Covestro aims to achieve an inclusive work environment that is free of discrimination and to

promote the corporate culture. Responsibility for the Group-wide policy lies with the Head of the corporate Human Resources function.

The Group-wide policy covers grounds for discrimination in terms of race, color, religion, sex (including pregnancy), national origin, age, disability, genetic information, veteran status, sexual orientation, gender identity/gender expression. In our respective local procedures, these grounds have been complemented by or adapted to national specifics.

Our corporate targets and ambitions, as well as the culture needed for diversity, equity, and inclusion are driven, among others, by our employee resource groups and diversity committees.

Since the year 2024, the entire workforce worldwide has been obliged to complete web-based training on fairness and respect at work. In this way, a common understanding is achieved of what we mean by discrimination and what behaviors will not be tolerated. The "Compliance Telegram" publishes reported and confirmed breaches of the principles governing fairness and respect. Our employees can use the company's grievance mechanism to report instances of discrimination. The prevention and mitigation of discrimination forms part of our Code of Conduct.

→ For further information, please refer to "**ESRS G1: Business Conduct – Grievance Mechanism and Investigations of Suspected Compliance Cases.**"

Policies Relating to Child and Forced Labor

Our **corporate commitment to respect human rights** (Human Rights Policy Statement) describes Covestro's human rights strategy to exercise proper regard for its due diligence obligations. This corporate commitment is in line with the UN Guiding Principles on Business and Human Rights. Covestro considers that the Guiding Principles refer to the International Bill of Human Rights, which consist of the Universal Declaration of Human Rights and the two Covenants that implement it as well as the International Labour Organisation's Declaration on Fundamental Rights and Principles at Work and the core conventions that underpin it. A further key component of our corporate commitment is the zero-tolerance policy on child labor, forced labor, modern slavery, and human trafficking. The principles contained in the corporate commitment to safeguard human rights apply to all employees. The corporate commitment has been approved by the entire Board of Management. Responsibility for this corporate commitment lies with our Chief Executive Officer.

Covestro has established a comprehensive due diligence process to safeguard human rights in our business activities. This is based on the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and is in accordance with applicable national laws on the human rights due diligence of companies.

The principles of our human rights due diligence are described in our Human Rights Policy Statement and in our own and our Supplier Code of Conduct. In these documents, we have specified key international conventions and principles as the basis of our conduct and our expectations of business partners worldwide. These documents are published either on Covestro's website or on our internal intranet to ensure accessibility for the relevant stakeholders.

Covestro explicitly encourages reporting of suspected human rights abuses in the Group, as well as at our direct and indirect suppliers. If Covestro has directly caused a human rights violation, Covestro is committed to working quickly to stop or change the responsible business activities in order to end the violation. There were no indications of human rights abuses within the Covestro organization in the reporting year.

→ For further information, please refer to "ESRS G1: Business Conduct – Grievance Mechanism and Investigations of Suspected Compliance Cases."

Actions for Engaging with the Undertaking's Workers and Workers' Representatives about Impacts

At Covestro, the views of employees are taken into account in decisions or activities aimed at managing the actual and potential impacts. A significant instrument adopted to achieve this is the company's actively applied social partnership between management and employee representatives within the employee codetermination processes. In this way, the insights gained from discussions with workers' representatives are likewise taken into account in the review and assessment of strategy and business model.

Engagement at Local Level

The processes for involving workers and workers' representatives are rolled out at local level in accordance with legal requirements and within the bodies specially set up for this purpose. There are information and advisory processes in which constructive cooperation takes place on a basis of trust and with a focus on

solutions. In Germany, these are, e.g., the Economic Committee and Joint Committee of the General Works Council.

A number of different ways of engaging workers exist at local level. For example, it should be noted that an event for all employees is organized at each individual site at least once a year (town hall meeting), including the option to submit individual questions. In addition, some sites hold round tables between the management teams and their employees from different levels in the hierarchy, offering the opportunity for communication across all levels.

By way of example, the processes for including the views of workers' representatives applicable in Germany, the United States, and China – together making up approx. 70% of Covestro employees – are shown below:

Germany

The most senior role in Germany with responsibility for ensuring that the perspectives of workers' representatives are taken into account is the Labor Director.

Covestro notifies the workers' representatives on the Economic Committee of the undertaking's business situation and outlook on an aggregate basis, as well as of key matters concerning its employees. The agenda of the Economic Committee is jointly agreed with proposed topics from the works council and the corporate Human Resources function.

There are a number of different discussion options, attended by various experts depending on the matter being discussed. Ad-hoc meetings are arranged on request. The German Economic Committee and Joint Committee meet at least ten times a year.

United States

In the United States, responsibility for including the views of workers' representatives lies with a team comprising the Site Director and internal experts specializing in cooperation with trade unions.

Covestro is legally required to discuss any topics concerning working conditions with the workers' representatives. The workers' representatives raise topics for discussion at the ad-hoc meetings and negotiate possible solutions and/or improvements

China

The most senior role in China with this responsibility for including the views of workers' representatives is the General Manager of the Covestro company, together with the Site Director and Head of HR.

At the annual conference, which is consultative by nature, the corporate Human Resources function informs attendees of the undertaking's business situation and aggregated outlook, and any important workforce-related matters.

The trade union representatives discuss government guidelines with Covestro management and provide an overview of the general mood or demands of the company's employees. These discussions are held on an ad-hoc basis, as required.

Engagement at Global Level:

At global level, Covestro deploys three key instruments to engage its employees. Firstly, a "We Are 1" global town hall meeting with the Board of Management is convened once a year, where questions and feedback presented by the company's employees to the Board of Management beforehand and at the meeting are centrally recorded. We also conduct the Group-wide employee survey, ENGAGE, three times a year. All findings from these surveys are centrally consolidated and then shared electronically with the entire workforce by the Chief Executive Officer three times a year. Our people development approach plays a particularly important role, as it provides for regular discussions between management and individual employees, thus facilitating dialog, good leadership behavior, and transparency.

There is no global framework agreement with employee representatives on child and forced labor, since there are local corporate commitments at company level.

Given the importance of engaging employees (e.g., in town hall meetings), Covestro annually invests the corresponding financial and human resources from various corporate functions, such as Communications, Human Resources, and Information Technology (IT), so that the specified instruments and programs can be planned, implemented, and enhanced.

Covestro has implemented a number of steps to gain insight into the perspectives of its own workers who may be particularly vulnerable to impacts or marginalized. The relevant actions are as follows:

- **General employee survey:** Covestro regularly conducts an anonymous employee survey (ENGAGE), giving all employees the opportunity to express their opinion on various aspects of their working environment, including a free-text comment function.
- **Health surveys:** These are used to initiate actions to promote health-focused working and boost the health resources available to individuals.
- **Speak-up culture:** Covestro promotes free and open communication in order to speak up about concerns.
- **Fairness and respect:** The policy stresses respect for the diversity of opinions, perspectives, and lifestyles of the employees.
- **Equity:** It is acknowledged that a fair working environment can entail compensating for existing disadvantages so that equity can be established.
- **Non-discrimination:** When recruiting and developing employees, emphasis is placed on not letting any decisions be based on discriminatory factors, such as social origin, national or ethnic origin, sex, religion or ideology, disability, age, sexual orientation, or identity.
- **Employee resource groups:** In our employee resource groups worldwide, employees from marginalized groups share their experiences and have the opportunity to discuss them with the diversity, equity, and inclusion officers.

Inviting employee feedback and effectiveness monitoring

The effectiveness of interaction with employees within the company can be ascertained from the engagement values, which are collated three times a year in the ENGAGE employee survey. Employee engagement is a metric calculating the degree of engagement, motivation, and emotional connection of employees with Covestro.

Feedback from employees obtained in the ENGAGE survey is recorded via an advanced technology platform, enabling each individual management employee to view the relevant findings for their own team, once at least five team members have completed the survey. Covestro provides employees with feedback at various levels on how the ENGAGE findings have had an impact on decision-making. Based on best practice, the ENGAGE results are primarily shared by managers at team level and actions are then defined that reflect any need identified. At corporate governance level, feedback on how decision-making has been impacted is published globally on the intranet at reasonable intervals: One such impact was the introduction of a global further training initiative, "Expedition C," which prepares all employees for transformational topics, and, in turn, enables them to be actively involved in the process. In the context of "Expedition C," internal experts share knowledge and tools and promote dialog and discussion.

The engagement values collated during the ENGAGE employee survey have consistently remained at a high level since July 2023 and lie significantly above cross-industry benchmarks, providing the company with a positive signal and feedback from its employees.

Lessons and potential improvements are obtained from sources such as the above-mentioned ENGAGE employee survey and the Idea Management platform. Findings from the employee survey and the resulting action areas in Germany are presented to and discussed with the workers' representatives.

The insight gained from the ENGAGE survey is useful, particularly for three of the impacts identified in the materiality assessment. Not only are questions on health and wellbeing included under "Health and Safety," but also, the survey generates insight into questions relating to the material impact of "Diversity." In addition, the survey has questions on equal treatment and opportunities with a focus on equal and fair pay as well as transparent processes for allocation to pay grades and promotion.

Actions on Impact, Risk, and Opportunity Management

Our grievance mechanism defines the way in which the issues raised and addressed are tracked and monitored. To regularly check whether the channels we provide are effective and employee interests are sufficiently taken into account, we use specific findings from the ENGAGE survey in response to the following survey question: "If I were to experience serious misconduct at work, I am confident that suitable actions would be taken." The positive survey responses to this question show that Covestro's employees have faith in the company on this point, as the values remain at a high level and are above cross-industry benchmarks.

Employees have the opportunity, in the ENGAGE employee survey and via the whistleblower hotline, to communicate negative impacts and are in this way directly involved in remedial action.

→ For further information, please refer to "ESRS G1: Business Conduct."

For further information about the channels to raise concerns and needs; grievance mechanisms; processes to handle grievances; quality control to check how the issues raised are handled; and means by which the effectiveness of grievance mechanisms and channels is checked, please refer to "ESRS G1: Business Conduct."

→ For further information, please refer to "ESRS G1: Business Conduct – Grievance Mechanism and Investigations of Suspected Compliance Cases."

Actions Relating to Material Impacts and Management of Material Risks and Opportunities

The following overview of action plans and resources describes Covestro's approach to preventing or mitigating material negative impacts on employees. Adjustments are made on a continuous basis as required.

Covestro has not identified any material opportunities and therefore no need to develop actions relating to opportunities arises.

Actions Relating to Health and Safety

Insufficient safety standards in the provision and maintenance of the workplace and work equipment can have a negative impact on the physical and mental health of employees. Covestro takes a wide range of suitable countermeasures to prevent this. The following have proved successful: Continuous monitoring of accident rates, cause-effect analyses, the organization of Safety Days, awareness campaigns, and

health management policies and network structures to ensure alignment with local needs. Two key components of **workplace health management** are also applied: firstly, environmental prevention, with the aim of creating health-promoting working conditions and work environments and secondly, a further behavioral prevention component, with the aim of strengthening the individual health resources and potential of employees.

If, despite the above actions, employees are harmed, the company ensures that all necessary steps for the care, treatment, and recuperation of the individual concerned are taken so that they can regain their health and fitness for work. A network of various local resources – such as first-aiders, medical officers, and medical services – are available, each adapted to local requirements. Accident metrics are globally consolidated. There is no centralized global system for recording the use of local resources.

For the specific case that incidents have negative impacts on employees and non-employees as well as on surrounding communities and the environment, Covestro has established emergency systems at its sites, including, e.g., through trained emergency personnel.

The internal company HSEQ management system is built on the basis of the PDCA cycle, thus ensuring continuous improvement through regular reviews and feedback loops.

→ For further information, please refer to “ESRS S1: Own Workforce – Policies Relating to Health and Safety.”

Incidents occurring at our sites are reported in accordance with Group-wide rules in the **integrated information management system (IIMS)**, electronically recorded, classified in terms of their impact, and processed using root cause analyses. The results obtained are communicated Group-wide monthly so that any recurrence, even at different sites, can be prevented as far as possible. Negative impacts are also examined on a business-specific basis in safety assessments, and then remedial actions are defined in assessment reports and subsequently implemented. This is how negative impacts are mitigated or prevented.

Our integrated management system always also takes external developments and requirements into account to mitigate material risks for employees. Covestro takes actions to mitigate material risks for employees and tracks their effectiveness.

A key element of Covestro’s approach is the active involvement of its employees. The undertaking promotes the participation of workers in safety actions and encourages an open communication culture. This is supported through various initiatives, such as employee involvement in regular safety inspections and the successful completion of training sessions.

Preventive actions play a central role in Covestro’s safety policy. These include:

- **identifying risks:** Systematic assessments to identify potential workplace risks,
- **assessing risks:** Evaluation of the identified hazards in terms of their probability and potential impacts,
- **establishing feedback mechanisms:** use of systems enabling employees to report safety concerns and make suggestions for improvement,
- **investigating incidents:** Thorough assessment of accidents or near-accidents, to learn the necessary lessons and prevent similar incidents from occurring in the future.

Continuous improvement is a further cornerstone of safety management at Covestro. By regularly reviewing and making adjustments to safety measures, it is possible to ensure that the system always stays up to date and can respond effectively to changing conditions.

The health and safety procedure, which entered into force in the reporting year for all Covestro AG companies, underscores the undertaking’s long-term commitment to the health and safety of its workers. It applies to all work-related activities and encompasses own workers, contractors, and visitors to company premises.

Actions Relating to Adequate Wages and Gender Equality and Equal Pay for Equal Work

Covestro achieves the actual positive impact of adequate wages by means of a **comprehensive and transparent package**, meeting important parameters such as market-based compensation, benefits, individual development opportunities, and a good working environment. Covestro has numerous tools and regulations to ensure adequate wages.

Specific actions are **salary comparison analyses**, an annual feasibility review of regular pay increases for non-payscale employees, and internal rules governing working time. Moreover, central works agreements are entered into with workers' representatives following a collective bargaining process; these agreements may result in salary adjustments forayscale employees.

The package of measures referred to above is another way in which the potentially negative impact caused by a lack of equal treatment and opportunities is systematically addressed.

Actions Relating to Diversity

Issues such as a non-diverse workforce, harassment, or unequal treatment can affect the engagement, general satisfaction, and health of employees. Covestro has therefore implemented two actions for its worldwide organization. Firstly, globally mandatory **web-based training** on fairness and respect in the workplace for all workers worldwide. The web-based training is available worldwide and rolled out across the entire Group. Secondly, Covestro consistently promotes its **employee resource groups and diversity committees** (DEI councils) around the world.

Actions Relating to Child and Forced Labor

Covestro undertakes to avoid potentially negative impacts of child and forced labor. The company therefore adopts a zero tolerance policy toward child and forced labor, and has also translated this commitment into action with its whistleblower system, enabling potential breaches to be reported.

Covestro has successfully implemented **internal structures, roles, and statements of commitment** in the area of human rights. The Head of Group Quality within the Group Innovation & Sustainability function has been appointed as Group Human Rights Officer. This role reports directly to the Board of Management and is

responsible for monitoring Covestro's human rights risk management processes. Furthermore, Covestro adopts a cross-management due diligence approach. Its Corporate Commitment within the Human Rights Policy Statement and Code of Conduct plays a particularly important role.

An example of its actions in this matter is the preventive measures that Covestro has integrated into its global recruitment process, such as a verification to check the age of applicants based on proof of age and a legal verification to check whether the applicant is legally allowed to work in the country in which they are to be employed.

As described in "Impact Management," material risks in connection with our workers are integrated into our Group-wide risk management.

Tracking Effectiveness of Policies and Actions

In relation to health and safety, we regularly determine accident rates and use them to review the effectiveness of our actions.

Covestro's zero tolerance policy in relation to child and forced labor is also reflected in the actual compliance statistics, where these types of incidents are recorded. No tracking is carried out as there are no such incidents.

As for equity and inclusion, completion of the mandatory web-based training is monitored by the system, with an escalation mechanism to manager level if anyone fails to complete the training, despite reminders to do so. The progress/effectiveness of the web-based training can in future be tracked by examining responses from the ENGAGE employee survey, which contains nine questions that could provide insight into this topic.

The effectiveness of our actions in the area of adequate wages is mainly tracked and assessed through regular salary comparison analyses. We also use external data on minimum and living wages, which we obtain from a non-profit organization to ascertain the global adequacy of our employees' compensation. This comprehensive approach enables us to provide fair and competitive wages, in line with market standards as well as our social responsibility obligations.

As a basis for the assessment of which actions are required and appropriate to respond to actual or potential negative impacts for workers, Covestro uses the

results of the ENGAGE employee survey, which is conducted three times a year, e.g., relating to the topics of "Health and safety" and "Diversity." Responsibility lies with the corresponding manager to address and assess the issues within the team, and then define the necessary actions.

To ensure that its own corporate practices do not cause or contribute to material negative impacts on employees, Covestro again uses the employee survey ENGAGE as an early warning system. On average, approx. 25,000 individual comments in free text are submitted per survey worldwide. These comments are then analyzed by topic using artificial intelligence, so that important sensitive feedback can be detected and addressed at an early stage.

Covestro provides personnel, structural, process, and financial resources for managing the material impacts. They also comprise personnel resources such as the corresponding global and local expert functions covering the topics of "Health and Safety," "Adequate Wages," "Diversity," "Gender Equality and Equal Pay for Equal Work," "Child Labor," and "Forced Labor." Structural resources are also made available, such as the creation and support of internal employee resource groups and process structures within the company for developing and implementing action plans, which are backed up with the financial resources needed.

Terminating Business Relationships

Every business decision at Covestro, such as the termination of business relationships and the impact this would have on workers, is taken by considering the benefits and drawbacks for the company as a whole. Wherever possible, decisions with longer-term consequences also take account of aspects of how the potential negative impacts of such decisions are mitigated. Where necessary, employee representatives are additionally involved and invited to take part to protect their participation rights.

Targets

In the context of our company, targets are set as part of a strategy. The people strategy at Covestro forms the foundation for managing employee-related matters, including material impacts and risks for workers. All matters identified as material have been embedded there and defined as priorities. Some of the targets and ambitions under the people strategy are defined as time-bound and measurable targets.

As for "Diversity," Covestro is committed, among other things, to gender equality worldwide. This is also reflected in the "Fairness and Respect in the Workplace" policy. The Board of Management has **set targets for the percentage of women in the first two management levels below the Board of Management**. The targets were set based on the Act Supplementing and Amending the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FüPoG II). Covestro uses data from the global personnel management system to record the employees at the level directly below the Board of Management and the employees with management responsibilities directly below them.

As of June 30, 2022, the proportion of women at Covestro AG was 0% at the first management level below the Board of Management and 26% at the second management level below the Board of Management. In the Covestro Group, the proportion was 24% at each level. The new targets for the year 2027 are as follows:

Covestro AG:

- First management level: 25% (1 woman out of 4 employees)
- Second management level: 31.6% (6 women out of 19 employees)

Covestro Group:

- First management level: 31.0% (9 women out of 29 employees)
- Second management level: 30.2% (54 women out of 179 employees)

The Board of Management was involved in the process of defining the targets, and monitors the trend in the figures on a regular basis – at least once a year. When vacant positions are filled, target attainment remains constantly in focus. Since the new targets were set, Covestro has already managed to increase its proportion of women.

The targets for Covestro AG refer to positions in Germany, while the targets for the Covestro Group apply worldwide. These actions form part of Covestro's broader efforts to create a sustainable and inclusive working environment and promote equality in executive positions.

Covestro will continue to carefully monitor progress in achieving these targets and ambitions and make adjustments where necessary to ensure that its endeavors to promote gender diversity in leadership positions are successful.

There are currently no targets for the matter of "Adequate Wages." However, we continuously use externally provided data on adequate wages on an annual basis, which can be used to derive possible action areas. There is no need to take any action at present since adequate wages are guaranteed everywhere.

No targets and ambitions are currently available for "Gender Equality and Equal Pay for Equal Work." We perform the legally required calculation of the unadjusted gender pay gap. In addition, internal analyses are conducted in which we eliminate the influence of the variables of country, internal contract level, length of service on particular contract level, or professional group.

Similarly, we have not defined any time-bound and measurable targets for the matters of "Health and Safety," "Child Labor," or "Forced Labor." The effectiveness of our policies and actions relating to the material impacts and risks of these matters is nevertheless tracked as part of our ambitions; a brief description follows.

For the matter of "Health and Safety," Covestro has established a comprehensive and ambitious occupational health and safety program that is deeply rooted in the corporate culture and strategy. Covestro's foremost occupational health vision is clearly defined: "zero incidents." This applies Group-wide to all Covestro companies and covers both workers and self-employed workers (contractors). Specific indicators are defined each year within the scope of the "HSEQ Operations Objectives" and discussed with the Chief Technology Officer. Similar requirements are specified at local operational level; they are not disclosed separately in this report.

Covestro adopts a number of different methods and assumptions to measure and monitor progress. Work-related injuries and illnesses are recorded in accordance with the definitions laid down in Regulation (EU) 2023/2772 Annex II Table 2, while an integrated Information management system (IIMS) is used to record hazards, accidents, and incidents. In addition to the above actions, internal and external audits and health surveys are performed on a regular basis.

To measure its performance, Covestro also uses specific indicators, such as the recordable incident rate (RIR) for workplace accidents. Progress and challenges ahead are published each year in the Group Sustainability Statement, including an analysis of trends and significant changes in corporate performance.

The integrated information management system (IIMS) plays a key role in recording and analyzing incidents and near-accidents. Regular internal and external audits of the management system, annual health surveys to determine potential for improvements, and ongoing employee training and actions to increase employees' awareness complete the scope of this comprehensive approach.

Covestro has established a zero tolerance policy for the matters of "Child Labor" and "Forced Labor." The zero tolerance policy toward child labor, forced labor, modern slavery, and human trafficking is documented in the global corporate commitment to the UK Modern Slavery Act Statement. Potential violations of this policy would be identified and assessed on the basis of information submitted through the grievance mechanism. For this reason, specific requirements under the zero tolerance policy are not listed separately in this report. The prevention of child and forced labor forms part of our commitment to compliant conduct and is one of our compliance objectives and ambitions.

Metrics

Characteristics of the Undertaking's Employees

As of December 31, 2024, Covestro had 18,021 employees worldwide. The following gender representation was present in the workforce:

Employees¹ broken down by gender in the year 2024

	HC
Women	4,256
Men	13,757
Diverse ²	–
Not provided	8
Total	18,021

¹ Number of employees is determined on the basis of the head count (HC) as of December 31, 2024. Number of employees in full-time equivalents (FTE) amounted to 17,503 (previous year: 17,516). Part-time employees are included on a pro-rated basis in line with their contractual working hours. Board of Management members, employees in vocational training, and interns are not included in this metric because of their special employment relationship.

² "Other" comprises all specified third gender options. This data is not available in all countries in which Covestro operates due to legal circumstances in these countries.

In three countries, Covestro employed over 10% of the total workforce in each case as of the reporting date.

Employees¹ broken down by country in the year 2024

	HC
Germany	7,635
China	2,778
USA	2,511

¹ Number of employees is determined on the basis of the head count (HC) as of December 31, 2024. Board of Management members, employees in vocational training, and interns are not included in this metric because of their special employment relationship.

The majority of employees were under a permanent contract with Covestro as of the reporting date.

Employees¹ broken down by employment status in the year 2024

	Women	Men	Diverse ²	Not provided	Total
	HC	HC	HC	HC	HC
Own workforce with permanent contracts	4,165	13,566	–	8	17,739
Own workforce with temporary contracts	91	191	–	–	282
Own workforce without guaranteed working hours	–	–	–	–	–

¹ Number of employees is determined on the basis of the head count (HC) as of December 31, 2024, based on the groups of employees and genders stored in the global personnel management system. Board of Management members, employees in vocational training, and interns are not included in this metric because of their special employment relationship.

Temporary employment contracts are often entered into to provide cover for longer-term absences, e.g., as a result of parental leave or due to other temporary staff limitations. There are also country-specific temporary early retirement schemes that fall under this type of employment relationship.

A total of 1,127 employees worldwide left the Group in the reporting year. This translated into an employee turnover of 6.2%.

The specified data is based on the employee master data entered in our global personnel management system as of the balance sheet date. This data is maintained by the local HR departments and is therefore in line with local regulations. The head count (HC) was reported in all metrics.

The specified metrics cover all temporary and permanent employees working for one of the consolidated companies. Board of Management members, employees in vocational training and interns are not included because of their special employment relationship, nor are employees with an inactive employment contract or planned long-term periods of absence.

The number of employees who have left the company is based on the number of actual employees leaving the company due to employee- and employer-initiated terminations, the end of fixed-term contracts, retirements, and deaths and whose exit has been recorded in the appropriate process of our global personnel management system. This figure was compared with the average number of

employees to determine the employee turnover figure. The average number of employees is calculated from the 12 month-end figures of the reporting year.

The most representative metric for this in the financial statements is the average number of full-time employees (FTEs).

→ For further information, please refer to note 9 "Personnel Expenses and Employee Numbers" in the Notes to the Consolidated Financial Statements.

In accordance with ESRS 1 Appendix C, Covestro applies the phased-in disclosure requirements on the characteristics of non-employee workers in the undertaking's own workforce in the first year of preparing the Group Sustainability Statement. According to this expedient, the disclosures specified may be omitted in the first year.

Diversity Metrics

Based on the requirements set out in the corporate governance statement, gender representation in the first and second management levels of the Group as of December 31, 2024 is as follows:

Employees broken down by gender¹ and management level in the year 2024

	Women		Men		Total
	HC	%	HC	%	HC
Proportion in management level 1 ²	7	25	21	75	28
Proportion in management level 2 ³	40	23	131	77	171

¹ No employees who identify with other gender options were represented at the management levels disclosed.

² Direct reports to the Board of Management with management responsibilities as of December 31, 2024.

³ Direct reports to management level 1 with management responsibilities as of December 31, 2024.

In Covestro's global workforce, there are 1,994 persons under the age of 30 years, 10,309 persons in the 30 to 50 years age group, and 5,718 employees over the age of 50 years.

Adequate Wages

Adequate wages are an important element for Covestro to position itself as an attractive employer. Our target is therefore to achieve positive retention with the company worldwide, at all employee levels, and to successfully compete for skilled employees and talent.

Adequate wages are therefore paid to all employees of Covestro. When paying our employees, we exceed the minimum wage level legally applicable in the respective countries and pay at least a living wage, which is reviewed and set worldwide by the non-profit organization Wage Indicator Foundation on a yearly basis.

Health and Safety

The integrated management system for health and safety applies to all employees Group-wide. In the year 2024, we recorded the following ESRS data relating to employees and self-employed workers:

Work-related accidents¹

	2023	2024
Number of recordable work-related accidents		
in relation to own workforce ²	50	52
in relation to contractor employees ³	24	17
Rate of recordable work-related accidents (Recordable incident rate, RIR)		
in relation to own workforce ²	1.55	1.70
in relation to contractor employees ³	1.50	1.00
Number of recordable accidents at work in connection with lost days		
in relation to own workforce ²	32	34
in relation to contractor employees ³	16	14
Rate of recordable accidents at work in connection with lost days (Lost time recordable incident rate, LTRIR)		
in relation to own workforce ²	1.00	1.10
in relation to contractor employees ³	1.00	0.80
Number of days lost to work-related injuries, ill health and fatalities		
in relation to own workforce ²	795	521
in relation to contractor employees ³	506	168
Number of fatalities as result of work-related injuries and work-related ill health on undertaking's sites		
in relation to own workforce ²	0	0
in relation to contractor employees ³	0	0
Number of cases of recordable work-related ill health⁴		
in relation to own workforce ²	5	6
in relation to contractor employees ³	0	0

¹ Includes work-related accidents and illnesses taking into account all fully consolidated companies, provided that they are part of the consolidation scope.

² Own workers, excluding self-employed workers (contractors), including interns, employees in vocational training.

³ Self-employed workers (contractors): individuals engaged by Covestro whose accidents occurred on one of our company premises.

⁴ The notified illnesses are those known to the company; the records may not be complete due to legal restrictions.

In its occupational health reporting, Covestro distinguishes between work-related ill health and recognized occupational diseases. Incidents of work-related ill health that have identifiable causes and can be influenced by current occupational health measures are included in our recordable incident rate (RIR). Occupational diseases resulting from long-term exposure that cannot be influenced directly by ongoing safety measures are not included in the RIR. This approach guarantees that our reporting is consistent and enables more accurate presentation of our current performance in the area of occupational health and safety.

In the reporting year, the number of workplace accidents involving our employees went up by 2 to 52 (previous year: 50), raising our employees' recordable incident rate (RIR) according to ESRSs by 0.15 points. The number of accidents involving self-employed workers (contractors) went down by 7 to 17 (previous year: 24), reducing the RIR of our self-employed workers (contractors) by 0.50 points.

Compensation Metrics (Pay Gap and Total Compensation)

We undertake to provide transparent information about our gender pay gap and pay disparity. The disclosure is aimed at giving an insight into the extent of any potential pay gap between women and men among our employees and using it as a basis to develop appropriate actions for continuous convergence.

We believe in equal pay for equal work and therefore strive for transparency in our pay structure. The gender pay gap, defined exclusively as the difference in average earnings between our female and male employees and expressed as a percentage of the average earnings of male employees, amounts to 6.0%.

When disclosing the gender pay gaps, we submit detailed contextual information on the methodologies used to calculate the data. Our data was collected taking into account the different types of employment and the countries in which we operate. It was captured by means of standardized queries of compensation data from our payroll systems. This allows us to get a better understanding of the gender pay gaps and their causes and to develop appropriate actions.

The data collected was initially analyzed without adjustments (unadjusted gender pay gap), as currently required by ESRS S1.16. In reality, the unadjusted metric is impacted by different factors, such as type of work, hierarchy level, professional experience, and different histories of employment or geographies. Internal analyses in which we have eliminated the influence of the variables of country, internal contract level, length of service on particular contract level, and professional group indicate that the pay gap is significantly smaller if these factors are taken into account.

In relation to compensation, we disclose the ratio of the total annual compensation of our highest-paid individual to the median of total annual compensation of all employees. This ratio stands at 58.9.

Incidents, Complaints, and Severe Human Rights Impacts

Covestro defines human rights abuses as actions breaching international standards such as the United Nations (UN) Universal Declaration of Human Rights, the Declaration of Principles of the International Labour Organisation, and the UN Guiding Principles on Business and Human Rights.

We received zero complaints relating to child and forced labor through the internal grievance mechanism. No grievances were received by the National Contact Points for Responsible Business Conduct under the OECD Guidelines for Multinational Enterprises.

The fines, penalties, and compensation payments for these incidents and complaints relating to child and forced labor amounted to zero in total.

All suspected cases are recorded in a central database and evaluated for the reporting year. The evaluation is carried out on the basis of confirmed cases categorized as "Discrimination" as well as the total number of confirmed and unconfirmed cases categorized as "Labor rights."

There were no concrete indications of human rights abuses within the Covestro organization in the reporting year.

ESRS S2: Workers in the Value Chain

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Workers in the value chain"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Working conditions - health and safety							
Impact (potential negative)	Individuals have a right to the highest attainable standards of physical and mental health. Covestro may contribute or be linked to a potential negative impact in the upstream and downstream value chain in case of an incident at a customer or supplier site, e.g., no training records on safety precautions available, noise emissions, own workers not engaged on health and safety issues through employee committees or other worker voice mechanisms, no review of health and safety policies, or no health care professional available. Affected stakeholders are suppliers and workers in the value chain.	S, M	1, 3		Corporate commitment to respect human rights; Supplier Code of Conduct; Group "Occupational Health and Safety" policy; Group "Transport & Logistics Safety" policy	Supplier risk analyses Supplier assessments Training, security and quality checks, and assessing transport risks	Suppliers comply with sustainability requirements
Impact (potential negative)	In individual scenarios, Covestro contributes to a potential negative impact in the downstream value chain on the personal safety of workers employed in production at direct customers. The use of Covestro products as raw materials with hazardous chemicals can lead to health risks due to unintentional exposure/spill. A negative impact on human health occurs if safety measures and information provided by Covestro are not considered by the direct customers or safety sheets are missing. Affected stakeholders are consumers, customers, and nature.	S, M	3		Group "Occupational Health and Safety" policy; Group "Product Stewardship" policy	Risk assessments, information, product surveillance	
Risk	Product liability claims may arise due to personal injury or damage to property caused by faults in our products, including insufficient instructions for use or safeguards.	M, L	3	Financial position, financial performance	Group "Occupational Health and Safety" policy; Group "Product Stewardship" policy	Risk assessments, information, product surveillance	

TABLE CONTINUED ON THE NEXT PAGE

Material impacts, risks and opportunities in respect of "Workers in the value chain"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Other work-related rights - child labour							
Impact (potential negative)	Under the Universal Declaration of Human Rights, motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, enjoy the same social protection. Covestro may contribute to a potential negative impact in the upstream value chain in cases of child labor at supplier sites (refers to a person under the age of 15 years) in case of no documentation of age verification, overtime, hazardous and night work, conflict with compulsory education, combined hours (transportation to and from work and school, school attendance, work) exceed 10 hours a day or low income of parents. Affected stakeholders are (underage) workers in the value chain.	S, M, L	1		Corporate commitment to respect human rights; Supplier Code of Conduct	Supplier risk analyses Supplier assessments	Suppliers meet sustainability requirements
Other work-related rights - forced labour							
Impact (potential negative)	Under the Universal Declaration of Human Rights, no one must be held in slavery or servitude. Covestro may contribute to a potential negative impact in the upstream value chain in the case of forced labor at supplier sites through, e.g., involuntary overtime, housing on site with restrictions on leaving the site after working hours, workers cannot understand language of contract. Affected stakeholders are persons in vulnerable situations and workers in the value chain.	S, M, L	1		Corporate commitment to respect human rights; Supplier Code of Conduct	Supplier risk analyses Supplier assessments	Suppliers comply with sustainability requirements
Impact (potential negative)	No one must be subjected to torture or to cruel, inhuman, or degrading treatment or punishment, e.g., through the use of security forces. Covestro is linked to a potential negative impact in the upstream value chain in case of incidents at supplier sites, e.g., security for the protection of the enterprise's project lacks instruction or control on the part of the enterprise, there is deliberate treatment causing very serious and cruel suffering, or there is sufficiently severe treatment which causes actual bodily or mental harm. Affected stakeholders are workers in the value chain and persons in vulnerable situations.	S, M, L	1		Corporate commitment to respect human rights; Supplier Code of Conduct	Supplier risk analyses Supplier assessments	Suppliers comply with sustainability requirements

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Strategy

Material potentially negative impacts resulting from activities of Covestro may extend to workers in the upstream and/or downstream value chain. In the upstream value chain, we consider workers at our suppliers' sites. We also consider workers of independent businesses (contractors) engaged by Covestro on our company premises. In the downstream value chain, we consider Transport and Logistics workers as well as workers at our customers' sites.

In relation to health and safety, Covestro continuously enhances its understanding of the potential hazards to workers in the value chain. Particular focus is placed on persons in vulnerable situations working with chemicals and machinery in the production environment, as there is naturally a higher risk of injury events in the production environment than in the administrative environment. Other than that, no operations or groups of workers exposed to significant health or safety risk have been identified.

Groups of persons at greater risk in relation to child and forced labor are minors and lower-skilled workers.

We have no information that suggests that potential impacts could be of a systematic nature. In this context, we also analyze any feedback that we may receive via our grievance mechanism.

→ For further information, please refer to "ESRS G1: Business Conduct – Policies and Actions."

→ For further information, please refer to "ESRS G1: Business Conduct – Grievance Mechanism, and Investigations."

Through the policies and actions described in this section, we are addressing the material potentially negative impacts and risks for workers in the value chain; no additional adjustment is therefore made to the strategy and business model.

Policies and Actions

Corporate Commitment to Respect Human Rights

Covestro is committed to respecting and safeguarding human rights. The principles contained in the [corporate commitment to safeguard human rights](#) extend to all workers in the value chain.

→ For further information, please refer to "ESRS S1: Own Workforce – Policies and Actions."

Supplier Code of Conduct

Procurement is responsible for selecting and managing suppliers to ensure that they act in accordance with Covestro's standards, for example, with regard to labor standards, health and safety, the circular economy, anti-corruption, human rights, product safety, transparency, and environmental protection.

These standards are laid down in the [Supplier Code of Conduct](#), which was updated in the reporting year and published following approval by the Chief Procurement Officer (CPO). The Code of Conduct applies to existing and new suppliers; it is available online in 13 languages. It is based on the principles of the United Nations Global Compact as well as our corporate commitment to respect human rights and thus explicitly addresses critical matters such as human trafficking, child and forced labor, and health and safety. As a matter of principle, new and renewed supply agreements in particular contain special clauses requesting suppliers to observe the sustainability requirements contained in the Code of Conduct and entitle Covestro to review their compliance. All suppliers must agree in principle to comply with the Code of Conduct when they accept the terms and conditions of our contracts and orders; in addition, we expect them to implement these standards in their own upstream supply chains.

Covestro is a member of Together for Sustainability (TfS), Brussels (Belgium), a joint initiative of the chemical industry that aims to harmonize assessment methods for suppliers worldwide. DBy including the criteria of the TfS initiative in the [Supplier Code of Conduct](#), we foster good working conditions and safe workflows in the supply chain and support environmentally friendly and resource-conserving practices by our suppliers.

→ For further information, please refer to: www.covestro.com/en/company/procurement/sustainability-in-procurement/supplier-code-of-conduct

Preventive and Remedial Measures

Two members of the corporate Group Procurement function support the cross-functional Human Rights Office. Additionally, our CPO is the risk owner for procurement-related issues in Group-wide risk management. Procurement's responsibilities include the identification and assessment of risks in the upstream supply chain and the implementation of appropriate measures. Numerous measures are implemented with regard to suppliers in order to support sustainability in sourcing and the protection of human rights in the supply chain.

Supplier Risk Analysis

Covestro conducts annual **supplier risk analyses** as part of the human rights due diligence. The risk analysis focuses on direct suppliers; but Covestro also considers the upstream supply chain. We prioritize human rights risks using a combination of country and industry or sector risks based on external sources.

In the reporting year, our procurement managers were specifically trained in how to analyze suppliers who are potentially at risk in greater depth. On the basis of the results of the analysis, we sent questionnaires to suppliers who are potentially at risk to identify specific areas for improvement and make them aware of actions required. This information was systematically documented in our system to ensure effective tracking and administration.

Based on our analysis, we have not identified any indication of child or forced labor in our value chain. The key issues we identified at our direct suppliers relate primarily to working conditions and health impacts on workers in the supply chain.

Supplier Screening

As a member of TfS, Covestro is responsible for monitoring and auditing the sustainability performance of its suppliers. TfS supports this effort by providing the supplier assessment infrastructure for online assessments and on-site **audits of suppliers** by third parties. In addition, TfS and the European Chemical Industry Council (Cefic) collaborate in auditing logistics service providers. Cefic uses the SQAS (Safety & Quality Assessment for Sustainability) system. The resulting SQAS reports prepared by Cefic are recognized by TfS as equivalent to a TfS audit report.

Using a standardized TfS assessment process, Covestro evaluates whether the suppliers maintain the required sustainability standards. A structured prioritization

process is then carried out to select the suppliers to be evaluated and either an online assessment or an on-site audit is initiated for these suppliers – provided that there are no current results. In prioritizing the suppliers for these evaluations, Covestro considers a combination of country and commodity risks. The risk assessment for country and material groups that we use for our risk analysis is based on external sources.

EcoVadis SAS (EcoVadis), Paris (France), an established external provider accredited by TfS, conducts the online assessments. It evaluates the degree to which suppliers' business practices are aligned with sustainability principles.

External, independent auditors trained and accredited by TfS or Cefic conduct on-site audits of selected companies – and follow-up audits, if necessary, based on defined sustainability criteria. Depending on the topic, workers from various departments may be involved in conducting the audits. For the purpose of monitoring the quality of the audits, the initiating TfS member takes part in audits selected on a random basis and evaluates them using a standardized checklist.

All the results from the online assessments and on-site audits are available to members of the initiative on an online platform, thereby enabling continuous monitoring of suppliers with a view to improvements. The TfS initiative also benefits suppliers because their standardized evaluations can be viewed by all TfS members.

Covestro analyzes and documents the online assessments and on-site audits. The number of supplier evaluations conducted and the overall results are reviewed regularly and reported to the CTO. In the event of noncompliance with our sustainability requirements, we work with suppliers to define specific improvement measures and corresponding targets, and Covestro constantly verifies the implementation of the required improvements, e.g., through future supplier assessments.

Opportunities for Offering Training and Dialogue

For Covestro, it is important for our own procurement staff has, in particular, to have comprehensive understanding of the significance of sustainability in sourcing. Awareness of this issue was raised among employees again in fiscal 2024 in company-wide **training** on sustainability plus region- and country-specific training on evaluation methods and processes. Function-wide training events on the topic of human rights were held in the reporting year. These training events were used to teach employees of the corporate Group Procurement function the principles of human rights and to explain our human rights management approach, risk analysis of direct suppliers, including the results, and the planned future steps. Dialogue and close collaboration are essential in enabling suppliers to successfully comply with Covestro's sustainability requirements. We therefore offer our suppliers a range of opportunities for training and dialogue. This provides the foundation for building reliable relationships and enables us to identify and eliminate issues at an early stage. Continuously improving our suppliers' sustainability performance is a priority for Covestro and is supported by the Tfs initiative, which regularly organizes annual education and training courses, for example. The Tfs Academy – a knowledge-sharing platform for procurement employees and their suppliers – provides access to a large number of courses in several languages.

→ For further information, please refer to: www.tfs-initiative.com

Actions for Suppliers with a Specific or Potential Human Rights Risk

Further actions were defined for suppliers where a specific or potential human rights risk was identified. These actions include targeted human rights training, contractual obligations, and online assessments or on-site audits. Supplier dialogues may also be performed. These are based on a dialogue guideline containing questions on all material matters. Depending on the questions, workers from various supplier departments are involved. The actions were published in a guidebook for supplier managers and, together with other support materials, made available to these workers.

Health and Safety

We counter potential negative impacts on the health and safety of workers in the upstream and downstream value chain who work at our sites with strategies and policies defined in our **Group "Occupational Health and Safety" policy**. We derive actions against negative impacts from continuous monitoring of accident rates and cause-effect analyses.

→ For further information, please refer to "ESRS S1: Own Workforce – Policies Relating to Health and Safety."

→ For further information, please refer to "ESRS S1: Own Workforce – Actions Relating to Health and Safety."

Transport & Logistics Safety

We address potential negative impacts on the health and safety of workers in the downstream value chain in the area of transportation, handling, and storage of raw materials, intermediates, and end products with policies and actions that we group under transport & logistics safety. The applicable **Group "Transport & Logistics Safety" policy** defines the obligations and responsibilities in this regard for safe transport and logistics operations. Overall responsibility lies with the corporate Supply Chain & Logistics function, whereas the management teams of the Covestro Group companies are responsible for implementation. The key actions taken to counter negative impacts include selecting logistics service providers on the basis of **security and quality checks** and **assessing transport risks** and risk management. Actions taken under the HSEQ management system, such as monitoring of accident rates and cause-effect analyses, are also relevant. These actions follow the PDCA cycle described in ESRS S1, which ensures continuous improvement through regular reviews and feedback loops.

→ For further information, please refer to "ESRS S1: Own Workforce – Actions Relating to Health and Safety."

Customer Sites

We have identified a material impact on workers in the downstream value chains, namely the negative impact of potentially inadequate health and safety standards of workers at the sites of our customers. Covestro's has limited interactions with workers at customer sites and does not have access to data on health- and safety-relevant incidents of customers. Apart from technical consulting support relating to our products, which at the request of customers could be provided at their production sites in the presence of their workers, we mostly interact with customers through their procurement, technology development, and/or sustainability departments.

The health and safety of workers – not only in our own operations but also along our value chains – is of utmost importance to Covestro. By implementing stringent policies and actions under the **Group "Product Stewardship" policy** and **training** on the safe handling of products, we are contributing indirectly to a good health and safety standard for workers at customer sites. Since the extent of compliance and liability is shared with our customers and downstream business partners, we do not pursue any targets relating to the above-mentioned potential negative impact. Our strategy or business model has not been adjusted in this regard either.

Product Stewardship

As described "Impacts, Risks, and Opportunities," we identify potential negative impacts resulting from the use of our products on the personal health and safety of employees in the downstream value chain. This gives rise to a potential financial risk due to resulting liability claims. We report elsewhere on potential impacts of our business activities on the environment.

→ For further information, please refer to "ESRS E2: Pollution."

We counter these potential impacts and risks of our products on people and the environment with a large number of activities, most of which are grouped under the term "product stewardship" at Covestro.

We want our products to be safe throughout their entire life cycle when used as intended. To Covestro, product stewardship means comprehensively evaluating health, safety, and environmental risks in connection with the use of our products. In this context, we concentrate on the safe processing of our products at our direct customers with a focus on those workers in the global downstream value chain who

could come into contact with our products during their handling and further processing. Further potential impacts on other work-related rights of workers in the value chain are dealt with elsewhere in this section.

The actions on product stewardship, which are described in more detail below, are part of the Health, Safety, Environment, Energy and Quality (HSEQ) integrated management system (IMS).

→ For further information on the HSEQ IMS, please refer to "ESRS E2: Pollution – Policies and Actions."

The **Group "Product Stewardship" policy**, which applies to all own workers, defines minimum requirements on our products and business activities for the legally compliant and safe use of products, thereby addressing the potential impacts on people and the environment, including in the downstream value chain, described in "Impacts, Risks, and Opportunities." The rules and regulations can be accessed by all own workers, and training anchors the topic within the organization. Overall responsibility lies with the Group Innovation & Sustainability function, whereas the management of the Covestro Group companies is responsible for implementation.

As explained in "ESRS E2: Pollution," there may be hazards associated with the desired function of our products.

→ For further information, please refer to "ESRS E2: Pollution."

In line with legal requirements, we analyze the resulting risks for our products (**risk assessments**) and take any necessary action to mitigate these risks. All product groups at Covestro undergo a multiple-step product evaluation process before they are placed on the market for the first time or if there are any relevant modifications. At first, we identify chemicals that are subject to statutory regulation and record the corresponding rules. We then examine the risk potential of our products. Should the assessment or new findings reveal that it is not safe to use a certain product, we take the necessary risk mitigation measures. They include, for example, technical measures such as protective equipment and revised application recommendations. Finally, we produce safety data sheets and labeling for all products in up to 40 different languages.

Given the global trade in chemical products, it is important to promote broad-based communication on their safe handling and use. Accordingly, our customers receive **information** about the risk potential and safe handling and use – even beyond the legal minimum. This includes access to comprehensive information via our information portals as well as safety data sheets and labeling – including for non-hazardous products. As a result, our customers can safely process our products and design their products to be safe for the end user. Compliance with global chemical control regulations is an essential prerequisite for the ability to market chemicals and chemical products. This is particularly important for products intended for use by especially vulnerable groups (e.g., children) or applications covered by specific legislation.

We continually collect, document, and analyze all information about the safe and compliant use of our products in a global information system, which provides the basis for further improvements. We also use these processes to review the effectiveness of the above product stewardship actions. This includes **product surveillance** and reporting on product-related and compliance incidents. Our global regulations for the Group contain rules and guidance on when and how this information is to be used. For example, this helps us improve the information on the safe handling of our products and provide customers with specific training. They also govern the process for any product recalls.

For fiscal 2024, we know of no material incidents of noncompliance with regulations or voluntary codes – either concerning the health and safety impacts of products and services, or relating to product information and labeling. As a consequence, there were no product recalls in this context in the reporting period.

In the context of product stewardship, our compliance management system and the actions on transportation safety are additionally relevant.

→ For further information, please refer to “ESRS G1: Business Conduct – Policies, and Actions.”

→ For further information, please refer to “ESRS S2: Workers in the Value Chain – Transport & Logistics Safety.”

Processes for Engaging with Value Chain Workers about Impacts

We report on the engagement of potentially affected stakeholders in “Interests and Views of Stakeholders.” This engagement also extends to the upstream and downstream value chain.

Examples of interaction with suppliers and their workers include

- the Together for Sustainability initiative and the associated audits, events, and workshops with suppliers on the subject of sustainability;
- as well as continuous exchange via employees responsible for procurement, including Supplier Code of Conduct and reporting suspected or potential human rights abuses using our existing whistleblower tool.

Examples for customers and their workers are

- personal dialogue via employees in the sales and marketing units; customer surveys, audits and inquiries;
- participation in international trade fairs, webinars, and digital showrooms;
- reporting suspected or potential human rights abuses using our existing whistleblower tool.

Exchanges with our stakeholders are conducted by the relevant internal expert groups. We have a number of different channels available to facilitate the dialogue.

Beyond that there is no direct cooperation with workers in the value chain or their legitimate representatives; we address the potential negative impacts identified on workers in the value chain with the interactions described above and the strategies, actions, and policies detailed above.

→ For further information, please refer to “Strategy – Interests and Views of Stakeholders.”

Processes to Remediate Negative Impacts and Channels for Value Chain Workers to Raise Concerns

All workers in the value chain have access to the different confidential and anonymous ways of reporting illegal and unethical conduct on which we report in "ESRS G1: Business Conduct."

Covestro explicitly encourages reporting of suspected human rights abuses in the Group, as well as at our direct and indirect suppliers. If there are reasonable grounds for suspicion or concrete indications of human rights abuses in Covestro's supply chain, it investigates them carefully and consistently. Covestro expects its business partners to cooperate in clarifying the surrounding facts within a reasonable timeframe. If Covestro determines that its business activities have contributed to human rights abuses through one of its direct or indirect suppliers, Covestro is prepared to take measures to address the violation. Depending on the severity of the violation, Covestro reserves the right to respond appropriately in connection with its business partners. There were no indications of human rights abuses within Covestro's supply chain in the reporting year.

→ For further information, please refer to "ESRS G1: Business Conduct – Grievance Mechanism and Investigations of Suspected Compliance Cases."

Moreover, our integrated HSEQ management system has been established to mitigate and avoid negative impacts on health and safety; this system is aimed, for example, at proactively preventing accidents and continuously improving occupational safety performance. This also applies to contractors working at our sites.

→ For further information, please refer to "ESRS S1: Own workforce – Policies Relating to Health and Safety."

Targets

In the year 2019, Covestro set itself ambitious measurable targets, to be met by the year 2025, aimed at systematically promoting sustainability in supplier management: 100% of our target-relevant suppliers are expected to comply with our sustainability requirements by the year 2025. **Suppliers comply with Covestro's sustainability requirements** by achieving the minimum result as defined by us in the supplier evaluations described in this section. This minimum result of 45% applies to all target-relevant suppliers. This target is in direct relation to our policies and actions described above, which comprise the suppliers' agreement with Covestro's standards in key areas such as labor standards, health and safety, or human rights. We consider target-relevant suppliers to be suppliers with regular purchasing volumes of more than €1 million per year and suppliers belonging to a corporate group that reaches an aggregate regular purchasing volume of more than €1 million. The supplier evaluation is conducted at the individual level or at the level of the corporate group. They covered 82% (previous year: 84%) of our total purchasing value in the reporting year. The findings of the evaluations are the starting point for our active supplier management, which reduces the potentially negative impacts on workers in the value chain,

Our supplier management goal is broken down each year for the individual procurement categories and communicated by the head of our Corporate Procurement function (CPO). The status of target attainment is reported internally on a regular basis. The CPO reports directly to the company's Chief Technology Officer (CTO).

Our commitment to the Universal Declaration of Human Rights, the fundamental International Labour Organisation Conventions, the United Nations Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and compliance with applicable laws is reflected in our Code of Conduct and our sustainability target for suppliers. Since our target comprehensively considers sustainability matters and is in line with internationally recognized standards, we do not pursue any direct cooperation with workers in the value chain or their legitimate representatives in defining the target.

Metrics*

The total number of supplier assessments performed amounted to 1,615 (previous year: 1,590), 56 of which (previous year: 67) were conducted as on-site audits. At the end of fiscal 2024, the number of supplier evaluations whose results met our sustainability requirements amounted to 1,386 (previous year: 1,289). Of these supplier assessments, 571 involved our target-relevant suppliers. Based on this figure, 79% (previous year: 76%) of target-relevant suppliers met our sustainability requirements.

Of our target-relevant suppliers who underwent a repeat assessment in fiscal 2024, 63% have improved compared with their previous results.

None of the supplier assessments conducted revealed any indication of child or forced labor. In addition, Covestro saw no reason to terminate a supplier relationship in the reporting year or in the previous year solely on account of an externally determined result or a serious sustainability deficit.

In the year 2024, assessment results considered critical by Covestro were identified for one target-relevant supplier (previous year: one target-relevant supplier), meaning that the required minimum result was not met by a significant margin.

In analyzing the supplier evaluations for the year 2024, we identified deviations from our sustainability requirements in all listed areas. This was due to factors including missing documentation of policies and measures relating to waste, water, and environmental management as well as a lack of occupational safety measures such as insufficient or no signage installed at emergency exits or exceeding the weekly working hours according to the TfS standard.

* The assessments provided by the external providers EcoVadis SAS, Together for Sustainability AISBL, and the European Chemical Industry Council (Cefic) were not subject to the audit by KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany).

Governance Matters

ESRS G1: Business Conduct

Impacts, Risks, and Opportunities

Material impacts, risks and opportunities in respect of "Business conduct"

Type	Description	Time horizon ¹	Location ²	Financial effect	Policies	Actions	Targets
Protection of whistle-blowers							
Impact (potential positive)	Covestro contributes to a potential positive impact in the upstream value chain as Covestro's ethical sourcing policies and transparency create a safe environment for whistle-blowers to report unethical activities related to procurement. This benefits workers of third companies and suppliers.	S, M, L	1		Corporate Compliance Policy, ESRS S2: Supplier Code of Conduct	Global compliance SpeakUp! Line (hotline and online form); raise awareness, educate, and share specific skills	
Impact (actual positive)	Covestro causes an actual positive impact through our global compliance hotline and our online tool (SpeakUp! line), which allow employees and third parties to confidentially and anonymously report suspected illegal or unethical conduct related to Covestro or its suppliers. Additionally, employees can contact their local Compliance Officer or use internal reporting channels. Affected stakeholders are persons in vulnerable situations, workers in the value chain, and own workers.	S, M, L	2		Corporate Compliance Policy, ESRS S2: Supplier Code of Conduct	Global compliance SpeakUp! Line (hotline and online form); raise awareness, educate, and share specific skills	
Opportunity	Employees and third parties feel confident raising concerns about suspected or observed illegal and unethical conduct, helping to prevent issues or minimize the consequences of such actions.	S, M, L	2	Business development, financial position	Code of Conduct	Global compliance SpeakUp! Line (hotline and online form); raise awareness, educate, and share specific skills	

¹ Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

² Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "Strategy – Interests and Views of Stakeholders."

Policies and Actions

Our corporate conduct is characterized by a sense of responsibility as well as ethical principles. Compliance with legal and regulatory requirements is integral to our operations. It is only in this manner that we can sustainably increase the company's enterprise value and safeguard our reputation.

In its **Corporate Compliance Policy**, Covestro has specified a Group-wide code of conduct that mandates fundamental principles and rules for all own workers. Our Corporate Compliance Policy covers, e.g., whistleblower protection and provides information on how to report concerns anonymously.

Our expectations from suppliers in relation to Covestro's values are laid down in the **Supplier Code of Conduct**. These requirements apply within the company as well as to all interactions with external partners and the general public.

→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

The Corporate Compliance Policy and the Supplier Code of Conduct have been published both on the intranet and on our website, which means that they are accessible for Covestro's entire value chain. In addition, the Corporate Compliance Policy is part of an information package distributed to new employees when they are hired. We communicate the Supplier Code of Conduct to our suppliers, and we have integrated it into the electronic ordering system.

→ For further information, please refer to: www.covestro.com/en/sustainability/documents-and-downloads/policies-and-commitments

→ For further information, please refer to "Impact, Risk and Opportunity Management."

→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

Covestro is aware that employees will likely embrace and exhibit integrity if managers are excellent role models. The Board of Management states very clearly in its Corporate Compliance Policy for all staff that, above and beyond any legal requirements, Covestro elects not to conduct any business activities that would violate our rules and that management staff is prohibited from instructing employees otherwise. In this way, management continuously fosters our compliance culture by,

for example, regularly drawing employees' attention to compliance topics and their significance to the company.

Our Supplier Code of Conduct has positive impacts on our supply chain as we require our suppliers to maintain ethical standards such as fair working conditions. If there are contraventions by suppliers of the Supplier Code of Conduct among our suppliers, the affected individuals as well as all other stakeholders have the opportunity to report these via our SpeakUp! line. The SpeakUp! line helps us detect compliance misconduct, such as corruption and bribery, at an early stage.

A local Compliance Officer has also been appointed for each country in which Covestro has employees. This person serves as a local point of contact for employees on all questions regarding legally and ethically correct conduct in business situations.

We want to utilize our compliance management system in order to:

- Foster and reinforce conduct in accordance with compliance requirements,
- Minimize or even eliminate compliance violations,
- Identify risks for potential violations,
- Implement preventive measures, and
- Uncover, halt, and proactively eliminate a repeat occurrence of any compliance violations committed by individuals acting without authorization and in breach of clear rules.

We have taken steps to meet our targets, including implementing an internal control system to ensure compliance rules are followed.

→ For further information, please refer to "Group-wide Opportunity and Risk Management – Internal Control System to Ensure Compliance."

Grievance Mechanism and Investigations of Suspected Compliance Cases

Covestro expressly encourages its employees to openly address any doubts about proper conduct in business situations and to solicit advice. Information on the different reporting channels can be found on the intranet. Covestro has established a **global compliance SpeakUp! line** (hotline and online form), which is operated by external service providers.

→ For further information, please refer to:

www.covestro.com/en/company/management/compliance

This allow employees and third parties to confidentially and anonymously report suspected illegal or unethical conduct related to Covestro or its suppliers. These actions protect persons in vulnerable situations, workers in the value chain, and own workers. By creating an environment of trust, we encourage employees and third parties to voice any concerns, and this contributes to preventing and minimizing misconduct.

Suspected human rights abuses in the supply chain can also be reported via Covestro's grievance mechanism. We regard as human rights abuses any violations of international standards such as the United Nations (UN) Universal Declaration of Human Rights, the Declaration of Principles of the International Labour Organisation, and the UN Guiding Principles on Business and Human Rights. Cases of potential human rights abuses are investigated according to a set procedure, which is based on the involvement of (potentially) affected stakeholders. To enhance the transparency of how reported complaints are handled, an operating procedure for the Group's grievance mechanism is published on our website.

We have laid down important basic principles for our actions in the "Compliance" policy, which is applicable throughout the Group. The principles laid down in this policy must be adhered to by all own workers worldwide. The framework for action is provided in the directive. For example, there is one directive on the topic for

performing compliance investigations, including whistle-blower protection. It implements the requirements of EU Directive 2019/1937. The following principles apply when conducting an internal compliance investigation: protection of the whistleblower, confidentiality, the rights of those affected, the independence of the compliance organization, and the lawfulness of all investigative measures. All suspected cases are recorded in a central database. Confirmed violations are evaluated, and organizational, disciplinary, or legal measures are taken if necessary. In the concluding phase of an investigation, the person who made the report is notified of its outcome.

On the basis of these actions we are creating an environment of trust where persons in vulnerable situations, workers in the value chain, and own workers can feel safe. This increases the readiness to raise concerns about suspected or observed illegal and unethical conduct, prevent non-compliant conduct, or minimize the consequences of such actions. The effectiveness of the hotline is reviewed annually by the Global Compliance Office. In addition, workers can also report any compliance incidents to their supervisors or to the Compliance organization.

Compliance incidents are regularly reported by the Chief Compliance Officer to the Supervisory Board, the Board of Management, and the business entities' management teams. Moreover, a current overview of incidents, including additional information on various aspects and developments related to this topic, is published in a monthly Compliance Telegram on the intranet. This ensures a high degree of transparency for all workers

Training is a key instrument to **raise awareness, educate, and share specific skills** for ensuring compliant behavior. All new employees are required to complete general compliance training. In addition, the global web-based training offered by the Compliance organization includes information on possible reporting channels.

→ For further information on the Board of Management and Supervisory Board, please refer to "[Corporate Governance – Declaration on Corporate Governance.](#)"

Compensation Report

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Compensation Report

The Compensation Report outlines the principles for determining the compensation for the members of the Board of Management and the Supervisory Board of Covestro AG and explains the compensation of the individual members. The Report was prepared by the Board of Management and the Supervisory Board in accordance with the requirements of section 162 of the German Stock Corporation Act (AktG) and complies with the recommendations of the German Corporate Governance Code (GCGC) as amended on April 28, 2022. Relevant information is published on Covestro's website. Moreover, in terms of content and structure, the report is based on the Compensation Report for the year 2023, which was approved by the Annual General Meeting (AGM) on April 17, 2024 with a majority of 92.54%.

→ Additional information on the details of the compensation system, the report on the audit of the compensation report, and the resolution of the Annual General Meeting approving the compensation system is available at: www.covestro.com/en/company/management/corporate-governance

The compensation system for the Board of Management members was approved by the AGM on April 19, 2023, with a majority of 91.73%; it is available on the company's website.

→ For further information, please refer to: www.covestro.com/en/company/management/corporate-governance

Compensation of the Board of Management

The following section reports the compensation of the Board of Management of Covestro AG for fiscal 2024. The members of the Board of Management of Covestro AG are the same as the members of the Board of Management of Covestro Deutschland AG, which is a wholly owned subsidiary of Covestro AG. Compensation is not paid for the members' work on the Board of Management of Covestro Deutschland AG.

Guiding Principles for Compensation

The compensation system for the Board of Management of Covestro AG is based on the corporate strategy and designed to facilitate a long-term increase in the company's value and responsible corporate governance. We aim to position Covestro as an attractive employer in the competition for highly qualified executives and, at the same time, ensure statutory and regulatory compliance. Board of Management compensation is in line with the basic principles of the Covestro Group's compensation structure, which is standardized for all Covestro employees in line with our "We are 1" corporate culture:

- The variable compensation of the Board of Management and all participating employees is based on a uniform system and identical criteria.
- Differences exist only in the target percentages related to fixed compensation.

The variable compensation is based on Covestro's corporate performance, which is measured based on financial and sustainability targets and share performance:

- The system and criteria for short-term variable compensation are closely aligned to Covestro's annual performance.
- The system and the criteria are agreed upon and binding for a three-year period. The Covestro Profit Sharing Plan (Covestro PSP) is a bonus system based on the company's average expected performance. The targets set for the Covestro PSP are aimed at enabling an average payout level of 100% to be achieved over a period of up to 10 years.
- In very successful years, high payout percentages are achieved (such as 239.5% for fiscal 2021), while in challenging years they are significantly lower, or no short-term variable compensation is paid at all (such as for fiscal 2022).

- The Prisma share-based compensation program for long-term variable compensation is based on the absolute performance of Covestro AG shares, including dividends, as well as the relative performance compared with the STOXX Europe 600 Chemicals* index, and also includes a sustainability component.

The determination of variable compensation is simple, transparent, and based on objective criteria:

- The relation between target attainment and payout has been defined for the criteria used and documented in the Compensation Report.
- The payout is calculated on the basis of financial criteria and sustainability targets that are also included in the company's Management Report; the calculation is also documented in the Compensation Report.

Compensation system and structure at a glance

	% of total direct compensation ¹ (figures in % rounded)	Target compensation in € thousand	Modifiers / target compensation	Further components
Approx. 30% fixed	Approx. 30% fixed annual compensation²	CEO: 1,296 OBM: 653-850	Fixed	Fringe benefits
	Approx. 30% Covestro PSP	CEO: 1,296 OBM: 653-850	$\frac{1}{4} \text{ EBITDA } 0-300\% + \frac{1}{4} \text{ ROCE above WACC } 0-300\% + \frac{1}{4} \text{ FOCF } 0-300\% + \frac{1}{4} \text{ ESG criteria } 0-300\%$ <p style="text-align: center;">↓ Cap: 250%</p>	Malus (100%) Clawback (up to 3 years)
Approx. 70% variable	Approx. 40% Prisma	CEO: 1,685 OBM: 849-1,105	$\text{Prisma target} \times \text{Total shareholder return factor} \times \left[\frac{30\%}{\text{ESG criteria}} + \frac{70\%}{\text{Outperformance factor}} \right]$ <p style="text-align: center;">↓ Cap: 200%</p>	
	100%¹	CEO: 4,277 OBM: 2,155-2,805	Severance cap: 2 times annual compensation	Share ownership guidelines: 100% of fixed annual compensation within 3 years (CEO & OBM)
Pension benefits⁴	CEO: 403 OBM: 205-276	Pension benefits under a defined contribution plan (company pension): 8-10% of total direct compensation ¹		
Total target compensation⁵	CEO: 4,680 OBM: 2,360-3,081	Max. compensation limit (incl. fringe benefits and pension): €9,000 thousand (CEO); €5,500 thousand (OBM)		

¹ Fixed compensation plus variable target values.
² Excluding fringe benefits.
³ Chief Executive Officer (CEO), ordinary Board of Management member (OBM).
⁴ Expected pension service cost (IFRSs).
⁵ Fixed compensation plus variable target values and post-employment benefits.

* STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

Basic Principles for Determining Compensation

Determining Target Compensation

The Supervisory Board determines the total target compensation for the upcoming 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 fixed compensation of Board of Management members was not raised as of January 1, 2024. The Supervisory Board based its decision in this matter on the fact that no budget had been made available in the year 2024 for the salary round for employees in Germany not subject to collective bargaining agreements as well as for employees at equivalent contract levels worldwide. The target compensation of individual Board of Management members based on the compensation system in effect is outlined below.

Total target compensation of current Board of Management members¹

	Dr. Markus Steilemann (Chair)				Christian Baier ⁴ (Finance) since October 1, 2023				Dr. Thorsten Dreier ⁴ (Technology and Labor Director) since July 1, 2023				Sucheta Govil (Sales and Marketing)			
	2023		2024		2023		2024		2023		2024		2023		2024	
	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%
Fixed annual compensation	1,296	27.8	1,296	27.5	850	25.9	850	25.9	653	25.5	653	25.5	653	27.3	653	27.3
Fringe benefits ²	30	0.6	30	0.6	200	6.1	200	6.1	200	7.8	200	7.8	30	1.3	30	1.3
Total	1,326	28.5	1,326	28.2	1,050	32.0	1,050	32.0	853	33.3	853	33.3	683	28.6	683	28.6
Short-term variable compensation																
for fiscal 2023	1,296	27.8			850	25.9			653	25.5			653	27.3		
for fiscal 2024			1,296	27.5			850	25.9			653	25.5			653	27.3
Long-term variable compensation																
2023–2026 Prisma tranche	1,685	36.2			1,105	33.7			849	33.2			849	35.5		
2024–2027 Prisma tranche			1,685	35.8			1,105	33.7			849	33.2			849	35.5
Pension expense ³	352	7.6	403	8.6	277	8.4	276	8.4	206	8.0	205	8.0	206	8.6	205	8.6
Total target compensation	4,659	100.0	4,710	100.0	3,282	100.0	3,281	100.0	2,561	100.0	2,560	100.0	2,391	100.0	2,390	100.0

¹ Due to rounding, percentages may not always add up to exactly 100%.

² Included: Annual mobility allowance of €24 thousand, if still contractually agreed, and costs that are usually to be expected (e.g., for installation of security systems where this has not happened already and/or maintenance and repair of equipment already installed).

³ Expected pension service cost (employer portion) under IFRSs.

⁴ To make comparison easier, the compensation components for Board of Management members who were not in office for the full year 2023 was extrapolated to a full year.

Total target compensation of Board of Management members who left the company in the course of the year¹

	Dr. Klaus Schäfer ⁴ until June 30, 2023				Dr. Thomas Toepfer ⁴ until August 31, 2023			
	2023		2024		2023		2024	
	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%
Fixed annual compensation	653	27.5	–	–	792	27.3	–	–
Fringe benefits ²	30	1.3	–	–	30	1.0	–	–
Total	683	28.7	–	–	822	28.3	–	–
Short-term variable compensation								
for fiscal 2023	653	27.5			792	27.3		
for fiscal 2024			–	–			–	–
Long-term variable compensation								
2023–2026 Prisma tranche	849	35.7			1,030	35.5		
2024–2027 Prisma tranche			–	–			–	–
Pension expense ³	192	8.1	–	–	257	8.9	–	–
Total target compensation	2,377	100.0	–	–	2,901	100.0	–	–

¹ Due to rounding, percentages may not always add up to exactly 100%.

² Included: Annual mobility allowance of €24 thousand and costs that are usually to be expected (e.g., for maintenance and repair of security systems installed).

³ Expected pension service cost (employer portion) under IFRSs.

⁴ To make comparison easier, the compensation components for Board of Management members who were not in office for the full year 2023 was extrapolated to a full year.

Maximum Compensation

Pursuant to Section 87a, Paragraph 1, Sentence 2, No. 1 of the German Stock Corporation Act (AktG), the Supervisory Board stipulated maximum total compensation for the Board of Management members for the first time for fiscal 2021. The absolute amount in euros for the maximum possible payout includes fixed compensation, fringe benefits (e.g., mobility allowance, payments toward the cost of security equipment, etc.), capped variable compensation components, and pension expenses. 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.

The first review of compliance with this maximum compensation limit can only be conducted in the 2024 reporting year, in which the Board of Management members will receive a payout from the 2021–2024 tranche of the Prisma long-term variable compensation program. This review is presented in “Compliance with Maximum Compensation Limit.”

Review of Appropriateness

The Supervisory Board commissioned an expert opinion from an independent third-party consultant firm to ensure the compensation is appropriate compared to other companies. Since on the basis of relevant KPIs (sales, employees, and market capitalization), Covestro is positioned in the bottom quartile of DAX-listed companies and was included in the MDAX prior to its admission to the DAX in the year 2018, the entire group of DAX and MDAX companies was used as the peer group. Banks and insurance companies were, however, excluded because of their limited comparability. Based on these equally weighted KPIs, Covestro ranks 38th (out of 84), or in the 55th percentile of this group. The following Board of Management compensation components were compared with the market value for each, i.e., the compensation of board of management members in the peer group:

- Fixed annual compensation
- Target cash compensation = Fixed annual compensation + Target value for short-term variable compensation
- Target direct compensation = Target cash compensation + Target value for long-term variable compensation
- Total target compensation = Target direct compensation + Company pension plan

The costs of the company pension plan were determined by using actuarial methods to calculate a company pension plan premium. This premium indicates the amount that would have to be paid to a third-party pension provider to purchase the relevant pension benefits. Using the same parameters for the calculation, the premium

amount, and therefore the costs, can be compared to the pension benefits of the board of management members of other companies.

Based on the expert opinion, the target and maximum compensation of the Board of Management was deemed appropriate within the meaning of the AktG.

Furthermore, the Supervisory Board reviewed the company's compensation structure and, for this purpose, compared the fixed annual compensation, target cash compensation, and target direct compensation of the Board of Management members with the corresponding compensation components of the Executive Leadership Team (executives at the two highest contract levels below of the Board of Management) and the workforce as a whole (employees subject and not subject to collective bargaining agreements, including the Executive Leadership Team) at Covestro in Germany. The internal compensation structure was also determined to be appropriate in view of this comparison, which covered the period from the year 2015 to the year 2024. No adjustments were therefore made to the compensation structure or amount of compensation.

Application of the Compensation System in the Reporting Period

The application of the compensation system in fiscal 2024 is presented below.

Non-Performance-Related Components

Fixed Annual Compensation, Fringe Benefits

The decision not to adjust fixed annual compensation at the start of the fiscal year is described above in "Determining Target Compensation." Fringe benefits comprise maintenance and repair of security systems installed, use of the company car pool, and – for Board of Management members appointed before 2023 – a mobility allowance. Sucheta Govil additionally received reimbursement of the cost of tax preparation by an external consulting firm. Fringe benefits are reported at cost or the amount of the taxable benefit gained.

Post-Employment Benefits

Dr. Markus Steilemann will receive a lifelong company pension after leaving the Covestro Group, though not before the age of 62. These pension payments will be made monthly. The arrangements for surviving dependents basically provide for a widow's/widower's pension amounting to 60% of the member's pension entitlement, and an orphan's pension amounting to 12% of the member's pension entitlement for each child.

The annual pension entitlement is based on defined contributions. From September 1, 2015, onward, Covestro has provided a hypothetical benefit amounting to 33% of the respective fixed compensation beyond the relevant income threshold in the statutory pension plan. This percentage comprises a 6% basic contribution and an additional amount of three times the personal contribution chosen by the Board of Management member. This contribution is limited to a maximum of 9% so that the matching contribution by the company can be no higher than 27%. The total annual contribution is converted into a pension module according to the annuity table for the applicable tariff of the Rheinische Pensionskasse VVaG, Leverkusen (Germany), pension fund. The annual pension entitlement upon retirement is the total amount of the accumulated pension modules, including an investment bonus.

The actual pension entitlement cannot be precisely determined in advance. It depends on the development of the member's compensation, the number of years of service on the Board of Management, and the return on the assets contributed to the Rheinische Pensionskasse VVaG. Certain assets are administered under a pension trust, providing additional insolvency protection for pension entitlements resulting from direct commitments for the members of the Board of Management in Germany. As a rule, future pension payments are adjusted by at least 1% per year. Depending on the pension obligation, an additional adjustment may be made if the investment bonus of the Rheinische Pensionskasse VVaG or the consumer price index exceeds 1% per year.

Post-employment benefits for other Board of Management members are granted under a defined contribution plan. 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 up to 10%. Covestro invests the capital contributed on the capital market according to an age-based lifecycle model. The contributions made are guaranteed. On leaving the Board of Management, but not before the age of 62, the accumulated capital is paid

out to the Board member, normally as a one-time payment. Sucheta Govil switched her company pension to this model, which was newly introduced in the year 2021, as of April 1, 2021. The aforementioned pension arrangement, which continues to apply for Dr. Markus Steilemann, applied to her for the period from the date she joined Covestro on August 1, 2019 until March 31, 2021.

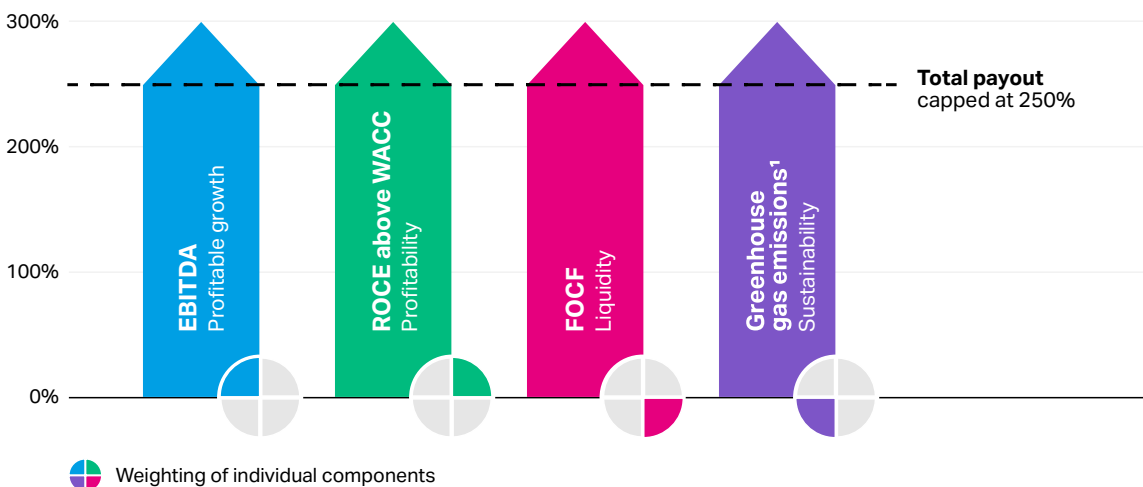
Short-Term Variable Compensation

The target value of the short-term variable compensation is currently 100% of the fixed annual compensation. The award is based on the four criteria of profitable growth, liquidity, profitability, and sustainability, 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 Covestro Group's success.

These performance indicators are applied to the Group-wide short-term Covestro Profit Sharing Plan (Covestro PSP). The Covestro PSP was introduced in fiscal 2016 and is applicable to all of Covestro's employees worldwide (with a few exceptions due to stipulations in collective bargaining agreements). Board of Management members also currently participate in the Covestro PSP. The four components are taken into account in this process on an equally weighted basis: Profitable growth measured in terms of EBITDA (earnings before interest, taxes, depreciation and amortization), liquidity measured in terms of free operating cash flow (FOCF), profitability measured in terms of return on capital employed (ROCE) above the weighted average cost of capital (WACC), and sustainability measured in terms of selected environmental, social, and governance (ESG) criteria. Since the year 2022, the sustainability component was determined by direct and indirect Scope 1 and 2 greenhouse gas (GHG) emissions (CO₂ equivalents, CO₂e) of the main sites.

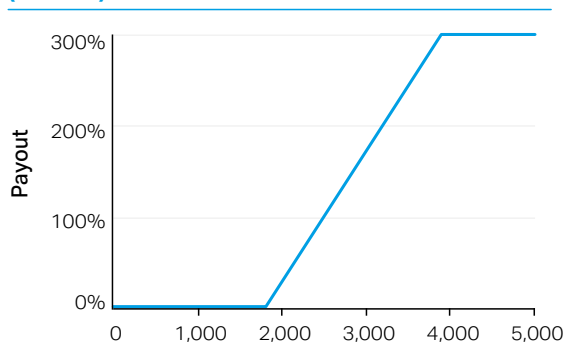
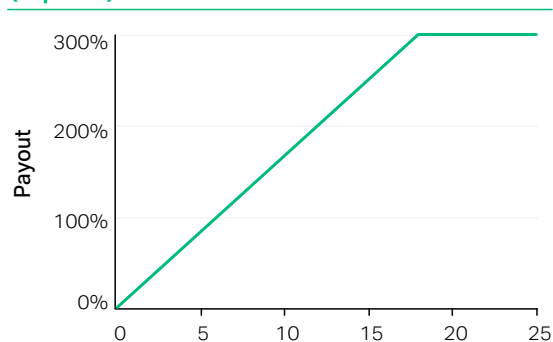
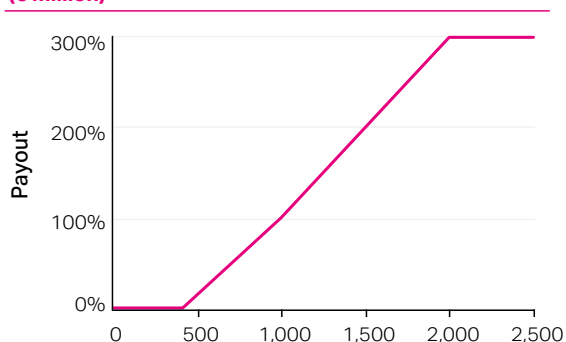
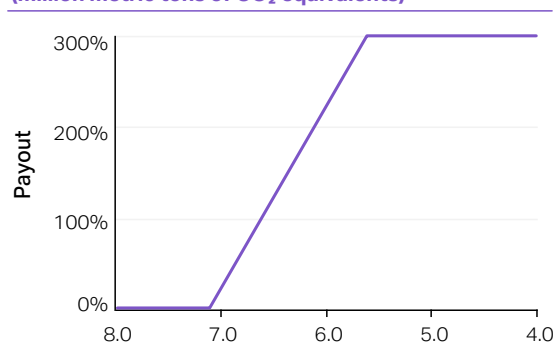
→ Information on the definition and calculation of these indicators is available in the "Key Management Indicators" section of the Combined Management Report.

Components of short-term variable compensation



¹ Direct and indirect GHG emissions (Scope 1 and Scope 2), measured in terms of CO₂ equivalents, of the main sites.

In fiscal 2021, 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 the year 2022 to the year 2024. Between these values, linear interpolation is used to determine the payout. There will be no adjustment after the fact.

Relation between payout and profitable growth (EBITDA), liquidity (FOCF), profitability (ROCE above WACC), and sustainability (greenhouse gas emissions)
**EBITDA
(€ million)**

**ROCE above WACC
(% points)**

**FOCF
(€ million)**

**Greenhouse gas emissions
(million metric tons of CO₂ equivalents)**


For each individual performance indicator, the payout can be between 0% (failure to meet minimum requirements) and 300%. The total payout is the arithmetic mean of the individual payouts for all four 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 successful years result in attractive payouts, while in challenging ones, it can be lower or even zero.

Components of the Covestro Profit Sharing Plan 2022–2024

	Profitable growth: EBITDA	Liquidity: FOCF	Profitability: ROCE above WACC	Sustainability: GHG emissions
Threshold (0%)	€1,800 million	Cash inflow of €400 million	0%-points	7.1 million metric tons of CO ₂ equivalents
100% target attainment	€2,500 million	Cash inflow of €1,000 million	6%-points	6.6 million metric tons of CO ₂ equivalents
Ceiling (300%)	€3,900 million	Cash inflow of €2,000 million	18%-points	5.6 million metric tons of CO ₂ equivalents

On the basis of the values achieved for the reporting year 2024, a payout percentage of 75% would have been calculated; the table below shows how it was determined. The GHG emissions of 4.7 million metric tons of CO₂ equivalents were partly achieved through the company's own actions (optimization of production processes, increases in energy efficiency, electricity from renewable sources), which resulted in a reduction of 0.9 million metric tons of CO₂ equivalents compared with the year 2020. Other external factors led to a rise in emissions of around 0.1 million metric tons of CO₂ equivalents. Although, compared with the rates of volume growth assumed in the climate strategy planning from the years 2020/2021, the actual production volumes were on a similar level, a slight decrease in absolute CO₂ emissions was achieved.

The thresholds of the three financial indicators were missed and the capital costs (ROCE above WACC < 0) were therefore not earned in the reporting year. The Supervisory Board again used the discretion it was given by the last criterion mentioned, since a payout of 75% did not seem appropriate given Covestro's financial situation, and

reduced the payout to 40%. Following a resolution of the Board of Management, this figure was also used to calculate the bonus payout for employees.

On the basis of agreements with the employee representatives, all employees pay the solidarity contribution in the respective companies to help safeguard jobs at the German sites. For the 2024 reporting period, the contribution amounted to 0.95% of each employee’s Covestro PSP award. By resolution of the Supervisory Board, it is also deducted from Board of Management compensation.

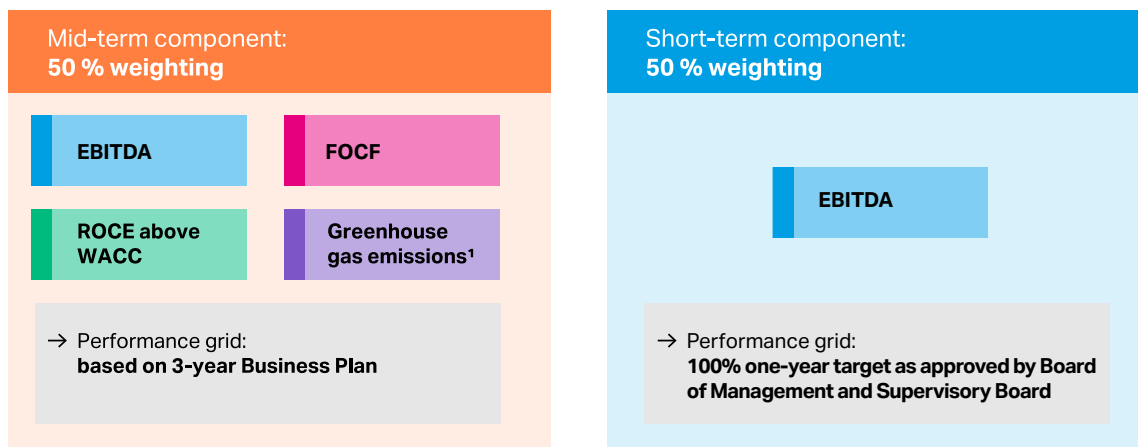
Payout of the Covestro Profit Sharing Plan for the year 2024

	Profitable growth: EBITDA	Liquidity: FOCF	Profitability: ROCE above WACC	Sustainability: GHG emissions
Achieved value	€1,071 million	Cash inflow of €89 million	-7.4%-points	4.7 million metric tons of CO ₂ equivalents
Resulting payout	0.0%	0.0%	0.0%	300.0%
Calculated total payout (arithmetic mean)	75.0%			
Actual total payout (Decision of the Supervisory Board)	40.0%			

Short-Term Variable Compensation from the Year 2025 onward

The Covestro Profit Sharing Plan (Covestro PSP) has been expanded, effective from fiscal 2025. In addition to the four performance metrics already used, for which the targets are derived from the medium-term planning for the years 2025 to 2027, a short-term component will be defined. This will be based on the EBITDA target of a single fiscal year and will be specified for the subsequent year by the Board of Management and Supervisory Board in the previous year, on the basis of the forecast made in the fourth quarter. For the purpose of calculating the total payout, the medium- and short-term components are each weighted at 50%.

PSP 2025–2027



¹ Direct and indirect GHG emissions (Scope 1 and Scope 2), measured in terms of CO₂ equivalents, of the environmentally relevant sites.

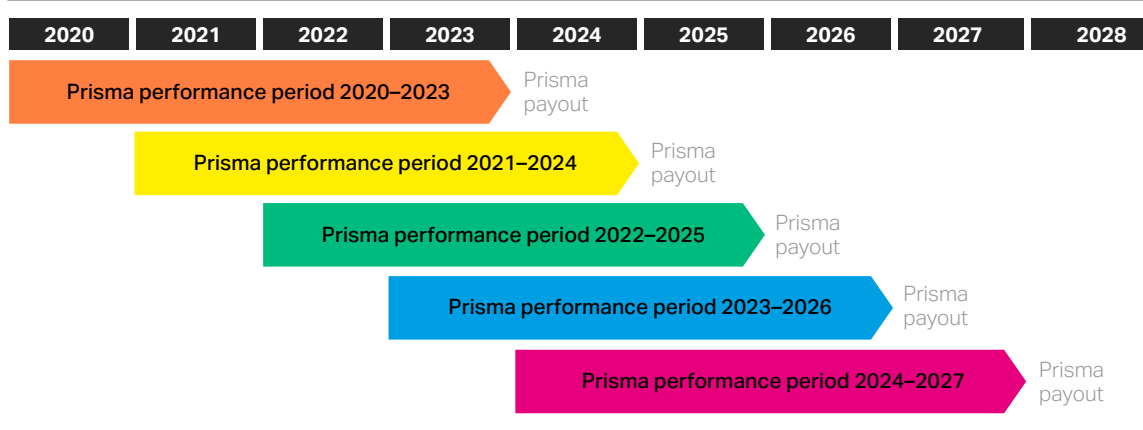
In December 2024, the Supervisory Board resolved that the members of the Board of Management should continue to receive their short-term variable compensation on the basis of the rules of the Covestro PSP. The plan, which has been expanded as from 2025, will apply to them in the same way as to the workforce. A detailed explanation of the compensation system, which has been revised for this purpose, will be published with the notice convening the Annual General Meeting 2025, where it will be presented for approval.

Long-Term Variable Compensation

The Prisma share-based compensation program for long-term variable compensation (long-term incentive, LTI) takes into account the performance of Covestro shares, including dividends (total shareholder return) and outperformance against the STOXX Europe 600 Chemicals* index over a period of four years. As from fiscal 2024, the sustainability component, which has included a CO₂ factor since its inception and has been part of the LTI plan since the year 2021, has been expanded by adding two metrics from the ESG "Social" aspect. 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 Sustainable Future corporate strategy, particularly since the introduction of the sustainability component. Prisma is applicable to both members of the Board of Management and to Covestro executives. The LTI target value amounts to 130% of fixed annual compensation for members of the Board of Management, and participation requires that they fulfill the share ownership guidelines applicable to them.

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 criteria, which are linked to the overall criterion of total shareholder return (TSR) as multipliers.

Prisma performance periods



Five factors are calculated to determine the payout: the TSR factor and the outperformance factor, as well as elements of the sustainability component (the CO₂ factor, the participation factor, and the RIR factor); they are explained in detail below.

The TSR factor is the return generated by a share 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).

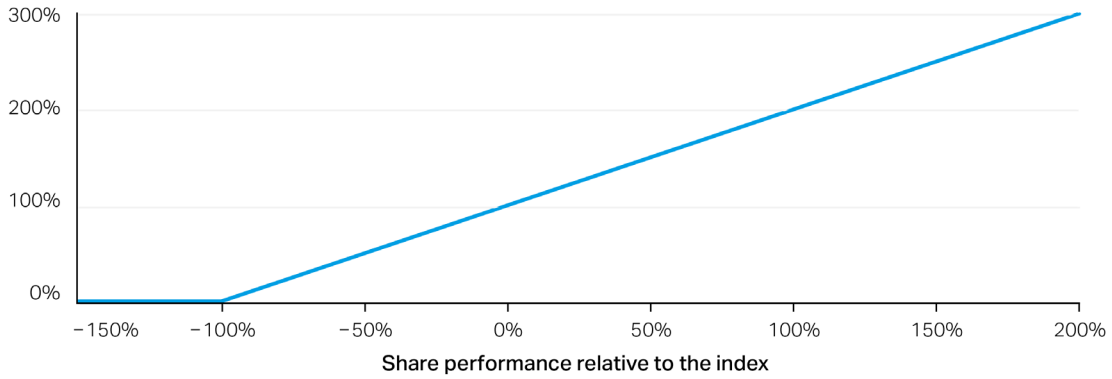
The outperformance factor is based on the performance of Covestro shares during the performance period relative to the performance of the STOXX Europe 600 Chemicals index. For the tranche beginning in fiscal year 2024, the following was determined:

- The outperformance factor amounts to 100% if Covestro's share performance (in %) matches the performance of the index (in %).
- The outperformance factor is 0% if the performance of Covestro shares (in %) underperforms the index by 100 percentage points or more.
- The outperformance factor increases in proportion with the deviation if Covestro's share 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.

* STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

Relation between the outperformance factor and Covestro's share performance

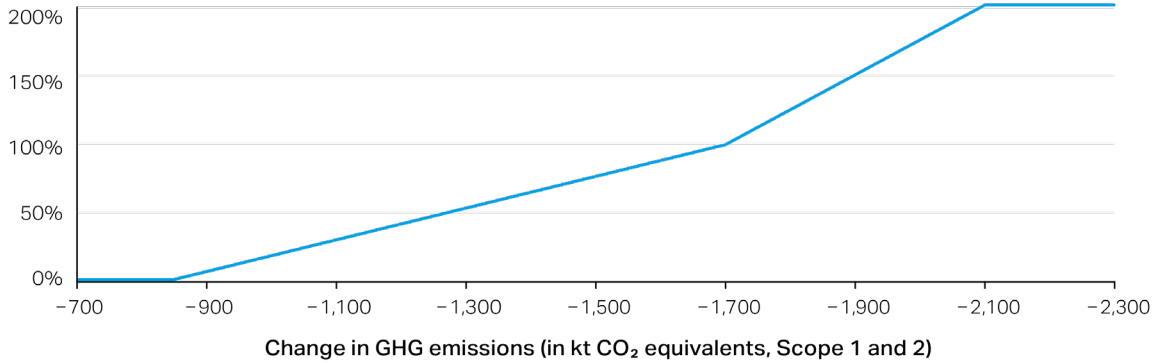
Outperformance factor



Starting with the tranche issued in fiscal 2024, a reduction target for annual greenhouse gas (GHG) emissions (CO₂ equivalents) classified in Scope 1 and Scope 2 emissions will be applied as part of the sustainability component. The CO₂ factor amounts to 100% if these emissions are reduced by 1,700 kilotons (kt) by the end of fiscal 2027 in relation to the baseline year of 2020. This corresponds to an emissions reduction of 30%. If the annual emissions are reduced by less than 850 kt, the CO₂ factor is 0%. Starting with a reduction of 2,100 kt, it reaches the maximum value of 200%. Between these defined reference 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 and Scope 2 emissions.

Relation between emissions and CO₂ factor

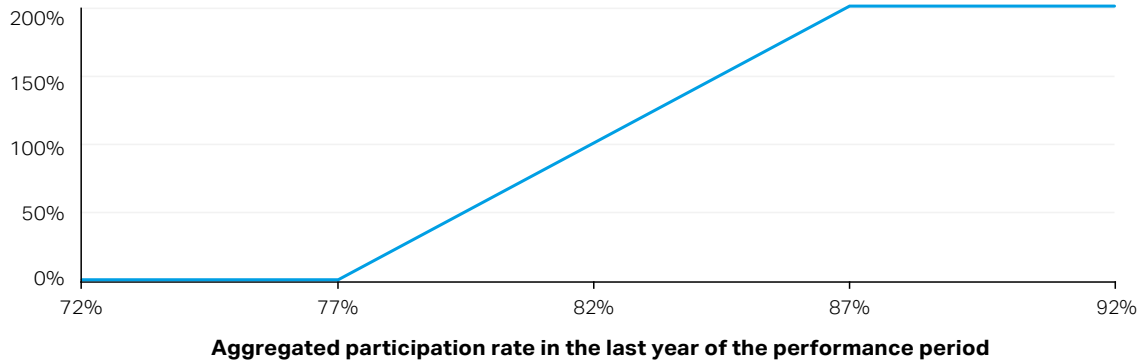
CO₂ factor



The metric used for the participation factor is the aggregated participation rate of all employees worldwide from all rounds of the employee survey conducted during the last calendar year of the performance period. The aim of extending the sustainability component to include the "Social" aspect is to create an incentive for senior executives entitled to take part in the long-term incentive program to make the employee survey a regular part of their management activities and to explain to employees how important their feedback and criticism are for us. For the tranche beginning in fiscal 2024, the participation factor is 100%, if an aggregated participation rate of 82% is achieved. If the aggregated participation rate achieved is 77% or less, the participation factor is 0%. For an aggregated participation rate of 87% and higher, it reaches the maximum of 200%. Between these values, linear interpolation is used to determine the factor.

Relation between participation rate and participation factor

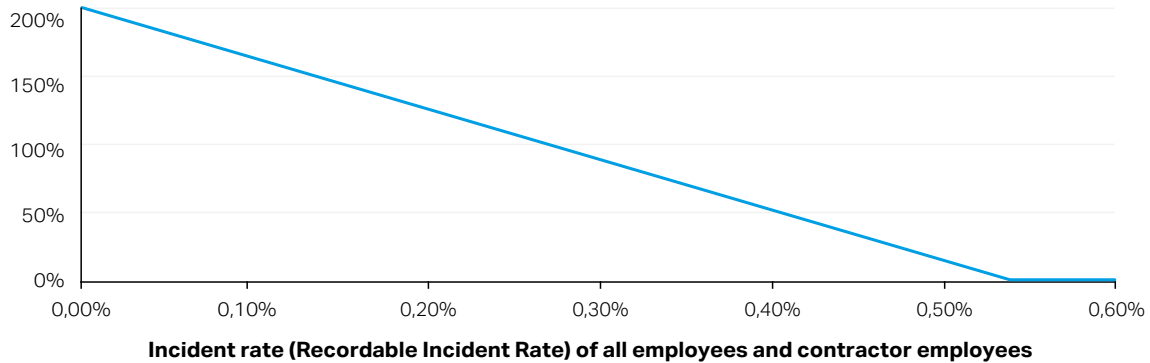
Participation factor



To boost our well developed safety culture even further, another metric under the "Social" aspect that will be used as a basis for assessment is the global recordable incident rate (RIR). The target is an incident rate of 0.27 in the last year of the performance period. This rate measures the number of recordable incidents against the hours worked by all employees and contractor employees of the Covestro Group worldwide. If this target is reached, the RIR factor is 100%. If the recordable incident rate is 0, the factor reaches the maximum value of 200%. For an incident rate of 0.54 or higher, the RIR factor is 0%. Between these values, linear interpolation is used to determine the factor.

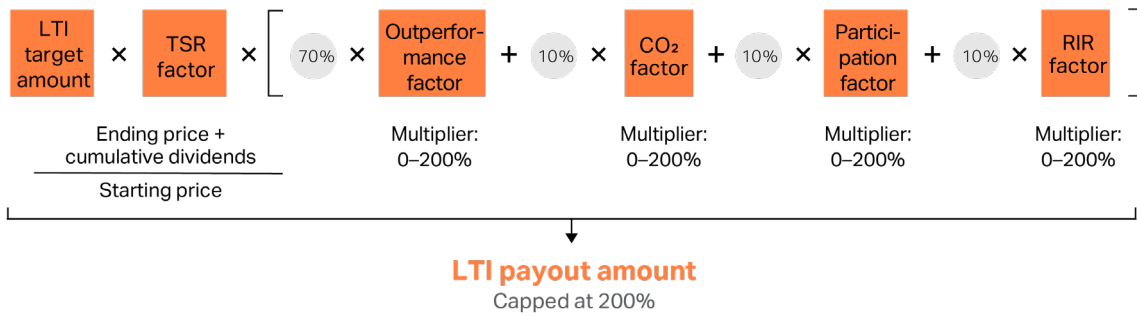
Relation between incident rate and RIR factor

RIR factor



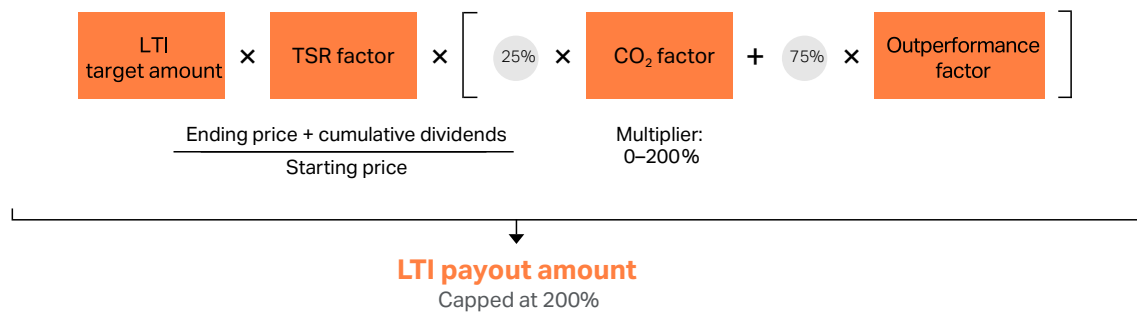
In order to calculate the total payout for the tranche beginning in fiscal 2024, the LTI target opportunity is multiplied by the TSR factor as well as by the total of the outperformance factor weighted at 70% and the three sustainability factors (CO₂ factor, participation factor, and RIR factor), each weighted at 10%. This means that the sustainability targets are weighted at 30% in total as compared to outperformance. The total distribution is limited to no more than 200% of the target opportunity. With the target opportunity being defined as 130% of the fixed compensation, the maximum payout is therefore 260% of the fixed annual compensation.

Components of the long-term variable compensation



For the tranches prior to the year 2024, which have only the CO₂ factor as sustainability component, the payout factor is calculated by multiplying the TSR factor by the total of the outperformance factor weighted at 75% and the CO₂ factor weighted at 25%; here, too, the total payout is limited to a maximum of 200% of the target opportunity.

Components of the long-term variable compensation up to and including the 2023 - 2026 tranche



2020–2023 and 2021–2024 Prisma Tranche Payouts

In January of the 2024 reporting year, qualifying members of the Board of Management received payouts from the 2020–2023 Prisma tranche. The payout factor amounted to 119.9%. The 2021–2024 Prisma tranche ended on December 31 of the 2024 reporting year with a payout factor of 166.2%. The payouts for Dr. Thorsten Dreier were based on his respective compensation packages prior to becoming a Board of Management member. Christian Baier, who only joined the Board of Management in October 2023, will for the first time participate in the 2023–2026 Prisma tranche on a prorated basis, which will be paid out in the year 2027.

The following chart and table illustrate how the aforementioned payout factors are calculated. For the CO₂ factor, which has been incorporated in the 2021–2024 Prisma tranche for the first time, reductions of 150 kilotons per year in relation to the baseline year of 2020 by the end of fiscal 2024 had been set as the target set for Scope 1 GHG emissions (CO₂e). With reductions of 255.4 kilotons achieved, the resulting CO₂ factor is 170.3%, which is to be weighted at 25% in the calculation of the payout.

Calculation of the 2020 – 2023¹ Prisma tranche

Ending price	+	Cumulative dividends 2020 – 2023	=	Total shareholder return (TSR) factor
—————				
Starting price				
€49.76	+	€5.90	=	128.4%
—————		€43.36		

100%	+	(Change in Covestro share price ²	–	Change in index price ³)	=	Outperformance factor
100%	+	(14.8%	–	21.4%)	=	93.4%

TSR factor	X	Outperformance factor	=	Prisma payout factor
128.4%	X	93.4%	=	119.9%

¹ The relevant prices are calculated as the average of the applicable ending prices during the months of November and December in the years 2019 and 2023.

² Percentage change in the ending price of Covestro share for the year 2023 (€49.76) as compared with the starting price of Covestro share for the year 2020 (€43.36).

³ Percentage change in the ending price of the STOXX Europe 600 Chemicals index for the year 2023 (€1,226.08) as compared with the starting price of the STOXX Europe 600 Chemicals index for the year 2020 (€1,010.32).

Calculation of the payout factors for the 2020–2023 and 2021–2024 Prisma tranches

		2020–2023 Prisma tranche	2021–2024 Prisma tranche
Starting price, Covestro	€	43.36 ¹	47.05 ²
Ending price, Covestro	€	49.76 ³	57.45 ⁴
Change	%	14.8	22.1
Starting price, index	€	1,010.32 ¹	1,088.78 ²
Ending price, index	€	1,226.08 ³	1,209.19 ⁴
Change	%	21.4	11.1
Cumulative dividend	€	5.90	4.70
TSR factor	%	128.4	132.1
Outperformance factor	%	93.4	111.0
CO ₂ factor	%	–	170.3
Payout factor	%	119.9	166.2

¹ November/December 2019.

² November/December 2020.

³ November/December 2023.

⁴ November/December 2024.

The dividend payments for individual years can be accessed on Covestro's website.

→ For further information, please refer to: www.covestro.com/en/investors/stock-performance/dividends

The amounts calculated for these two tranches, including that for former Board of Management member Dr. Klaus Schäfer, are shown in the following table.

Payout amounts for 2020–2023 and 2021–2024 Prisma tranches

	2020–2023 Prisma tranche		2021–2024 Prisma tranche	
	Target value ¹ € thousand	Payout in January 2024 (payout factor 119.9%) € thousand	Target value ¹ € thousand	Payout in March 2025 (payout factor 166.2%) € thousand
Dr. Markus Steilemann	1,573	1,886	1,585	2,634
Christian Baier ²	–	–	–	–
Dr. Thorsten Dreier ³	43	52	45	75
Sucheta Govil	792	949	798	1,327
Dr. Klaus Schäfer ⁴	792	949	798	1,327

¹ The target value is based on the position and the corresponding fixed compensation of the respective Board Member at the beginning of each tranche.

² Member of the Board of Management since October 1, 2023.

³ Member of the Board of Management since July 1, 2023; previously Head of the Coatings & Adhesives Business Unit.

⁴ Member of the Board of Management until June 30, 2023.

Compliance with Maximum Compensation Limit

The maximum total compensation defined in the compensation system and specified in individual Board of Management contracts comprises fixed compensation, fringe benefits, and pension expense for the fiscal year, as well as the amounts of variable compensation components granted in the fiscal year concerned. Below is a summary of the corresponding amounts listed in the Annual Report for the year 2021 and the amounts paid out for the 2021–2024 Prisma tranche. For none of the current Board of Management members does the total exceed the specified maximum compensation of €9.0 million (CEO) or €5.5 million (ordinary Board of Management members).

Compensation for fiscal year 2021

	Fixed annual compensation	Fringe benefits	Short-term variable compensation	Service cost	Long-term variable compensation 2021–2024 Prisma tranche	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Markus Steilemann	1,219	28	2,909	954	2,634	7,744
Christian Baier ¹	–	–	–	–	–	–
Dr. Thorsten Dreier ²	–	–	–	–	75	75
Sucheta Govil	614	29	1,465	348	1,327	3,783

¹ Member of the Board of Management since October 1, 2023.

² Member of the Board of Management since July 1, 2023.

Overview of Current Prisma Tranches

The three currently running Prisma tranches with their starting prices and fair values calculated as of the reporting date are explained below.

On October 25, 2024, ADNOC International Germany Holding AG, a subsidiary of XRG P.J.S.C. (formerly ADNOC International Limited) submitted a voluntary public takeover offer with an offer price of €62 per Covestro share, which was accepted by shareholders with a majority of 81.77%. Against the background of this takeover offer, it no longer seems appropriate to continue to determine fair value using the market value of the respective tranche determined with a Monte Carlo simulation. Instead, the price of Covestro shares has been fixed at the offer price of €62 and the STOXX Europe 600 Chemicals has been set at the closing level of the 2021–2024 tranche (average of the trading days in November and December 2024). The metrics of the sustainability component apply unchanged; they are used according to the plan terms and conditions on the basis of target attainment as of the end of the tranche for calculating the payout.

The two new sustainability criteria relating to the “Social” aspect, the participation rate for the regularly held employee survey and the recordable incident rate (RIR), will only be reflected in the payout from the 2024–2027 Prisma tranche, which will be determined in the year 2027. Since the current status of these metrics does not permit any forecast for the year 2027, both payout factors for calculating fair value are set to 100%.

Current Prisma tranches

		2022–2025 Prisma tranche	2023–2026 Prisma tranche	2024–2027 Prisma tranche
Covestro share				
Starting price	€	53.53	36.40	49.76
Ending price (offer price)	€		62.00	
STOXX Europe 600 Chemicals				
Starting price	€	1,336.97	1,183.59	1,226.08
Ending price (end of December 2024)	€		1,209.19	
ESG components				
CO ₂ Factor ¹	%	153.0	114.0	98.0
Participation Factor	%	–	–	100.0
RIR Factor	%	–	–	100.0
Fair value, December 2024	%	159.4	191.7	139.9

¹ The figure used for the CO₂ factor, which was introduced with the 2021–2024 tranche, is based on the emission values forecast in October 2024 for the respective final years of the individual tranches.

Long-Term Variable Compensation from the Year 2025 onward

Against the backdrop of the takeover offer, the share price and, for the same reason, total shareholder return and outperformance no longer seem appropriate metrics for long-term compensation.

For this reason, the share-based portion of long-term compensation has been replaced by economic value added as a metric from 2025 onward. The sustainability component with its three parts (GHG emissions, participation rate, and recordable incident rate) will be retained unchanged. A detailed explanation of the new LTI program will be published with the notice convening the Annual General Meeting 2025, where the revised compensation system will be presented for approval.

Share Ownership Guidelines and Shareholdings

As a rule, the members of the Board of Management are contractually obligated to acquire Covestro shares equivalent to 100% of the fixed compensation (as set at the start of their term) 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.

On the basis of the takeover offer, whose acceptance the Board of Management and Supervisory Board had jointly recommended to shareholders, the Supervisory Board has decided to remove, until further notice, the obligations on Board of Management members in order to enable them to transfer the shares they hold in the company as part of the takeover offer.

The following table lists the number of Covestro shares held by currently serving Board of Management members as of the reporting date.

Number of shares held by Board of Management members at reporting date

Board of Management member	Number of Covestro shares held	Total value as of end of December, 2024	Compliance with share ownership guidelines
		in € thousand	
Dr. Markus Steilemann	30,000	1,685	fulfilled
Christian Baier	0		in progress
Dr. Thorsten Dreier	4,796	269	in progress; 39% fulfilled
Sucheta Govil	14,912	837	fulfilled

Malus and Clawback Clauses

According to the malus and clawback rules introduced in the year 2021, 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, a clawback is possible when the calculation and payout was based on incorrect data.

The Supervisory Board has not exercised the right to claw back variable compensation, because no circumstances arose either before or during the reporting year 2024 that would have triggered this provision.

Benefits Associated with Ending Board of Management Service

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 service 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.

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 service contract within 12 months of 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 service contract and is subject to the severance cap.

Third-Party Benefits

In the reporting year, the Board of Management members were not promised nor did they receive, any benefits from third parties for their activities on the Board of Management.

Board of Management Compensation in the Fiscal Year Compensation Awarded and Due

The compensation for the fiscal year awarded and due is outlined below in accordance with Section 162, Paragraph 1 AktG. The amounts of short-term and long-term variable compensation are given for the fiscal year in which the activity for which the compensation is paid was performed in full.

Even if the pension expense for the company pension plan is not classified as compensation awarded and due within the meaning of Section 162 AktG, to ensure transparency, we additionally disclose the pension service cost according to IFRSs in the table below.

Compensation awarded and due to current Board of Management members (AktG)¹

	Dr. Markus Steilemann (Chair)				Christian Baier (Finance)				Dr. Thorsten Dreier (Technology and Labor Director)				Sucheta Govil (Sales and Marketing)			
	2023		2024		2023		2024		2023		2024		2023		2024	
	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%
Fixed annual compensation	1,296	33.6	1,296	28.9	213	66.5	850	71.6	327	55.1	653	65.8	653	33.4	653	28.7
Fringe benefits	30	0.8	39	0.9	–	0.0	–	0.0	2	0.3	5	0.5	30	1.5	35	1.5
Total	1,326	34.4	1,335	29.8	213	66.5	850	71.6	329	55.4	658	66.3	683	34.9	688	30.3
Short-term variable compensation																
for fiscal 2023	645	16.7			107	33.5			212	35.8			325	16.6		
for fiscal 2024			513	11.4			337	28.4			259	26.1			259	11.4
Long-term variable compensation																
2020–2023 Prisma tranche	1,886	48.9							52	8.8			949	48.5		
2021–2024 Prisma tranche			2,634	58.8							75	7.6			1,327	58.4
Total compensation awarded and due pursuant to section 162 AktG	3,857	100.0	4,482	100.0	320	100.0	1,187	100.0	593	100.0	992	100.0	1,957	100.0	2,274	100.0
Service cost ²	487		531		89		391		171		290		265		264	
Total compensation (including service cost)	4,344		5,013		409		1,578		764		1,282		2,222		2,538	

¹ Due to rounding, percentages may not always add up to exactly 100%.

² Including Board of Management members' own contributions derived from deferred fixed compensation.

Prisma Long-Term Variable Compensation

The fair value at the grant date of the long-term variable compensation (2024–2027 Prisma tranche) for current members of the Board of Management is €3,939 thousand (previous year: €2,899 thousand for the 2023–2026 Prisma tranche).

Provisions amounting to €14,370 thousand (previous year: €9,994 thousand) were recognized as of December 31, 2024 for all current tranches of long-term variable compensation in which active and former Board of Management members participate, of which €2,699 thousand (previous year: €2,421 thousand) was recognized for former Board of Management members.

Long-term variable compensation (IFRSs)

	Current Board of Management members									
	Dr. Markus Steilemann (Chair)		Christian Baier (Finance)		Dr. Thorsten Dreier (Technology and Labor Director)		Sucheta Govil (Sales and Marketing)		Total	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand
Total expenses/income in the reporting period for long-term variable compensation	3,030	3,831	28	560	257	725	1,527	1,930	4,842	7,046

Long-term variable compensation (IFRSs)

	Former Board of Management members					
	Dr. Klaus Schäfer		Dr. Thomas Toepfer		Total	
	2023	2024	2023	2024	2023	2024
	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand
Total expenses/income in the reporting period for long-term variable compensation	1,527	1,364	(1,454)	–	73	1,372

Pension Entitlements

The current pension service cost for the members of the Board of Management recognized through profit or loss in the reporting year totaled €1,476 thousand (previous year: €1,364 thousand) according to IFRSs. The service cost depends on the actuarial assumptions made, in particular the relevant discount rate. The contributions to pension commitments actually made are recognized as cash outflows in the operating cash flow. The service cost, present value of the pension obligations, and contributions made in accordance with pension plan rules are shown in the table below.

Pension entitlements (IFRSs)

	Service cost for pension entitlements earned in the respective year		Present value of defined pension obligation as of Dec. 31		Actual contribution made in the respective year in accordance with the pension plan	
	2023	2024	2023	2024	2023	2024
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Markus Steilemann	487	531	4,164	4,618	406	405
Christian Baier	89	391	117	509	69	276
Dr. Thorsten Dreier	171	290	1,154	1,464	130	205
Sucheta Govil	265	264	1,064	1,369	206	205
Dr. Klaus Schäfer	121	–	5,141	4,970	97	–
Dr. Thomas Toepfer	231	–	1,219	1,263	171	–
Total	1,364	1,476	12,859	14,193	1,079	1,091

Compensation of Former Members of the Board of Management

The compensation awarded and due to former Board of Management members for the fiscal year is outlined below in accordance with Section 162, Paragraph 1 AktG.

Compensation awarded and due to former Board of Management members (AktG)¹

	Dr. Klaus Schäfer (until June 30, 2023)				Patrick Thomas (until May 31, 2018)				Dr. Thomas Toepfer (until August 31, 2023)			
	2023		2024		2023		2024		2023		2024	
	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%
Fixed annual compensation	327	20.8	–	0.0	–	–	–	–	528	65.3	–	–
Fringe benefits	14	0.9	–	0.0	–	–	–	–	18	2.2	–	–
Pensions ²	119	7.6	303	18.6	284	100.0	287	100.0	–	0.0	–	–
Total	460	29.3	303	18.6	284	100.0	287	100.0	546	67.6		
Short-term variable compensation												
for fiscal 2023	161	10.3	–	–	–	–	–	–	262	32.4	–	–
for fiscal 2024	–	–	–	0.0	–	–	–	–	–	–	–	–
Long-term variable compensation												
2020–2023 Prisma tranche	949	60.5	–	–	–	–	–	–	–	0.0	–	–
2021–2024 Prisma tranche	–	–	1,327	81.4	–	–	–	–	–	–	–	–
Total compensation awarded and due pursuant to section 162 AktG	1,570	100.0	1,630	100.0	284	100.0	287	100.0	808	100.0		
Service cost ³	121	–	–	–	–	–	–	–	231	–	–	–
Total compensation (including service cost)	1,691		1,630		284		287		1,039			

¹ Due to rounding, percentages may not always add up to exactly 100%.

² The figure disclosed for Dr. Klaus Schäfer includes one-time payments of €64 thousand. The entitlements had been funded by Dr. Schäfer himself before he was appointed to the Board of Management.

³ Including Board of Management members' own contributions derived from deferred fixed compensation.

A provision of €11,727 thousand (previous year: €12,060 thousand) is recognized in the Consolidated Financial Statements as of December 31, 2024, for current pensions for former Board of Management members. The settlement value of direct and indirect pension obligations in the Financial Statements of Covestro AG amounted to €14,405 thousand (previous year: €14,674 thousand).

Compensation of the Supervisory Board

Compensation System of the Supervisory Board

The compensation of the Supervisory Board is in line with the provisions of the Articles of Incorporation, which were approved by the Annual General Meeting (AGM) on April 21, 2022 with a majority of 99.30%.

The members of the Supervisory Board each receive fixed annual compensation of €120 thousand plus reimbursement of their expenses.

In accordance with the recommendations of the GCGC, additional compensation is paid to the Supervisory Board Chair and Vice Chair, and for chairing and membership in committees. The Supervisory Board Chair receives fixed compensation of €360 thousand, while €240 thousand is paid to the Vice Chair. This compensation includes chairmanship of and membership in committees. The other members of the Supervisory Board are entitled to additional compensation for membership in or chairmanship of committees. The Chair of the Audit Committee receives an additional €90 thousand, the other members of the Audit Committee €45 thousand each. The Chairs of the Presidial and Nominations Committees receive €30 thousand each, while members of these two committees receive €15 thousand each. Additional compensation of €60 thousand is paid to the chairs of other committees and of €30 thousand to all other committee members. Work on committees is eligible for compensation for no more than three committees. If this cap is exceeded, compensation is paid for the three highest paid positions. If changes are made to the Supervisory Board and/or its committees during the year, members receive compensation on a prorated basis. The members of the Supervisory Board also receive an attendance fee of €1 thousand each time they attend a meeting of the Supervisory Board or a committee. Attendance at a meeting is also considered to be participation by telephone or video conference or using other comparable customary means of telecommunication. The attendance fee is limited to €1 thousand per day.

→ For further information, please refer to "Report of the Supervisory Board" in Capital Market.

Compensation of the Supervisory Board for the Fiscal Year

The following table outlines the components of each Covestro AG Supervisory Board member's compensation for the reporting period 2024 and the prior-year period:

Compensation of the members of the Supervisory Board of Covestro AG

	Fixed compensation		Attendance fee		Total	
	2023	2024	2023	2024	2023	2024
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Christine Bortenlänger	165	165	12	14	177	179
Dr. Christoph Gürtler	180	180	17	16	197	196
Oliver Heinrich (since May 2024)		80		7		87
Lise Kingo	180	180	14	14	194	194
Petra Kronen (Vice Chair)	240	240	21	20	261	260
Irena Küstner	165	165	12	14	177	179
Frank Löllgen	120	161	8	16	128	177
Dr. Richard Pott (Chair)	360	360	18	18	378	378
Petra Reinbold-Knape (until April 2024)	180	53	18	7	198	60
Dr. Sven Schneider	210	210	11	13	221	223
Regine Stachelhaus	180	180	16	18	196	198
Marc Stothfang	150	150	12	15	162	165
Patrick Thomas	210	210	16	17	226	227
Total	2,340	2,334	175	189	2,515	2,523

In addition to their compensation as members of the Supervisory Board, those employee representatives who are employees of Covestro Group companies receive compensation unrelated to their service on the Supervisory Board. The total amount of such compensation paid to the employee representatives was €671 thousand in the year 2024 (previous year: €555 thousand).

No compensation was paid or benefits granted to members of the Supervisory Board for personally performed services such as consulting or agency services. The company has purchased insurance for the members of the Supervisory Board to cover their personal liability arising from their service on the Supervisory Board. The recommendation for a deductible has been eliminated from the version of the GCGC dated December 16, 2019, so the Supervisory Board's rules of procedure were amended accordingly in the subsequent year. No deductible for liability insurance has applied since then.

Comparative Presentation of Annual Changes in Compensation and Earnings

The following is the presentation of the annual changes in compensation awarded and due to current and former Board of Management and Supervisory Board members compared with the company's earnings performance and the average compensation of employees (FTEs) from fiscal years 2020 to 2024 as required by Section 162, Paragraph 1, Sentence 2, No. 2 AktG.

Five-year comparison of compensation awarded and due to Board of Management members (AktG)¹

	2020		2021		2022		2023		2024	
	€ thou- sand	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	
Board of Management members as of December 31, 2022										
Dr. Markus Steilemann (Chair)	1,643	4,285	160.8	1,691	-60.5	3,857	128.1	4,482	16.2	
Christian Baier (since October 1, 2023)						320		1,187	270.9	
Dr. Thorsten Dreier (since July 1, 2023)						593		980	65.3	
Sucheta Govil	693	2,108	204.2	746	-64.6	1,957	162.3	2,274	16.2	
Former Board of Management members										
Dr. Thomas Toepfer (until August 31, 2023)	849	2,719	220.3	1,044	-61.6	808	-22.6	-	-100.0	
Dr. Klaus Schäfer (until June 30, 2023)	985	2,236	127.0	864	-61.4	1,570	81.7	1,630	3.8	
Patrick Thomas (until May 31, 2018)	597	202	-66.2	23	-88.6	284	.	287	1.1	
Frank H. Lutz (until June 2, 2017)	148	-	.							
Total	4,915	11,550	135.0	4,368	-62.2	9,389	114.9	10,840	15.5	

¹ Percentage changes always refer to the change from the respective previous year.

Five-year comparison of compensation awarded and due to Supervisory Board members (AktG)¹

	2020		2021		2022		2023		2024	
	€ thou- sand	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	
Supervisory Board members as of December 31, 2023										
Dr. Christine Bortenlänger	111	126	13.5	174	38.1	177	1.7	179	1.1	
Dr. Christoph Gürtler (since April 2022)				134		197	47.3	196	-0.5	
Oliver Heinrich (since May 2024)								87		
Lise Kingo (since April 2021)		84		189	125.0	194	2.6	194	0.0	
Petra Kronen (Vice Chair)	152	152	0.0	251	65.1	261	4.0	260	-0.4	
Irena Küstner	127	127	0.0	174	37.0	177	1.7	179	1.1	
Frank Löllgen (since April 2022)				88		128	45.7	177	38.3	
Dr. Richard Pott (Chair)	302	302	0.0	368	21.9	378	2.7	378	0.0	
Dr. Sven Schneider (since April 2022)				154		221	43.8	223	0.9	
Regine Stachelhaus	129	142	10.1	188	32.4	196	4.3	198	1.0	
Marc Stothfang	101	107	5.9	156	45.8	162	3.8	165	1.9	
Patrick Thomas (since July 2020)	53	132	149.1	225	70.5	226	0.4	227	0.4	
Former Supervisory Board members										
Petra Reinbold-Knape (until April 2024)	141	147	4.3	190	29.3	198	4.2	60	-69.7	
Dr. Ulrich Liman (until April 2022)	121	129	6.6	59	-54.5					
Prof. Dr. Rolf Nonnenmacher (until April 2022)	153	153	0.0	67	-56.3					
Frank Werth (until April 2022)	101	102	1.0	38	-62.3					
Ferdinando Falco Beccalli (until April 2021)	102	29	-71.6							
Johannes Dietsch (until July 2020)	86									
Total	1,679	1,732	3.2	2,454	41.7	2,515	2.5	2,523	0.3	

¹ Percentage changes always refer to the change from the respective previous year.

Five-year comparison of relevant performance indicators (AktG)¹

	2020	2021	2022	2023	2024
Net income/(loss) Covestro AG	(€45 million)	€648 million	(€316 million)	(€124 million)	-60.8%
EBITDA ²	€1,472 million	€3,085 million	109.6%	€1,617 million	-47.6%
Free operating cash flow ³	€530 million	€1,429 million	169.6%	€138 million	-90.3%
ROCE ⁴ above WACC ⁵	-0.3% points	12.9% points	-5.0% points	-6.1% points	-7.4% points
Greenhouse gas emissions ⁶ (CO ₂ equivalents)	-	€5.2 million	4.7 million metric tons	4.9 million metric tons	4.3%
Core volume growth ⁷	-5.6%	10.0%			

¹ Percentage changes always refer to the change from the respective previous year.

² Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on intangible assets and property, plant and equipment.

³ Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

⁴ Return on capital employed (ROCE): ratio of EBIT after imputed income taxes to capital employed. An imputed tax rate of 25% has been used for calculating ROCE since the year 2022 (previously: effective tax rate).

⁵ Weighted average cost of capital (WACC): weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 8.1% has been taken into account for the year 2024 (2023: 7.6%). ROCE above WACC has been a key management indicator since the year 2022.

⁶ GHG emissions (Scope 1 and 2, GHG Protocol) at main production sites (responsible for more than 95% of our energy usage).

⁷ Until the year 2021, core volume growth, which refers to the core products in the operational reporting segments, was a key management indicator. It is calculated as the percentage change in externally sold volumes compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of precursors and by-products such as hydrochloric acid, sodium hydroxide solution, and styrene. These transactions are not included in core volume growth. Retroactive calculation based on the definition of the core business as of March 31 of each subsequent year.

In addition to the net income/net loss of Covestro AG (which is legally required to be reported), earnings performance also includes the key figures of the Covestro Group underlying short-term variable compensation (EBITDA, free operating cash flow, ROCE above WACC, absolute annual direct and indirect Scope 1 and Scope 2 GHG emissions (CO₂ equivalents), and core volume growth). Since the year 2022, core volume growth has been replaced by EBITDA as a key management indicator.

Employee compensation was calculated by dividing personnel expenses (wages and salaries plus social expenses and expenses for pensions and other benefits) disclosed in the Consolidated Financial Statements for the relevant period by the number of employees expressed as full-time equivalents (FTEs) as of the reporting date.

Five-year comparison of employee compensation (AktG)¹

	2020	2021		2022		2023		2024	
Personnel expenses	€1,723 million	€2,298 million	33.4%	€1,995 million	-13.2%	€2,141 million	7.3%	€2,131 million	-0.5%
Employees ²	16,497 FTE	17,905 FTE	8.5%	17,981 FTE	0.4%	17,516 FTE	-2.6%	17,503 FTE	-0.1%
Personnel expenses per FTE	€104 thousand	€128 thousand	22.9%	€111 thousand	-13.6%	€122 thousand	10.1%	€122 thousand	-0.2%

¹ Percentage changes always refer to the change from the respective previous year.

² The number of permanent or temporary employees is stated in full-time equivalents (FTEs). Part-time employees are included on a pro-rated basis in line with their contractual working hours. Board of Management members, employees in vocational training, and interns are not included in this metric because of their special employment relationship.

Other Information

There were no advances or loans to members of the Board of Management or the Supervisory Board outstanding as of either December 31, 2023, or December 31, 2024.

Leverkusen, February 25, 2025

Covestro AG

For the Board of Management:

For the Supervisory Board:

Dr. Markus Steilemann

Christian Baier

Dr. Richard Pott

Independent Auditor's Report

To Covestro AG, Leverkusen,

Report on the Audit of the Compensation Report

We have audited the attached compensation report of Covestro AG, Leverkusen, for the financial year from January 1 to December 31, 2024, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

The compensation report contains cross-references that are not required by law and which are marked as unaudited. We have not audited the cross-references and the information to which the cross-references refer.

Responsibilities of Management and the Supervisory Board

The management and the Supervisory Board of Covestro AG are responsible for the preparation of the compensation report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal controls as they have determined necessary to enable the preparation of the compensation report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on this compensation report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the compensation report. The procedures selected depend on the auditor's professional judgment. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the compensation report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the compensation report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the compensation report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the compensation report for the financial year from January 1 to December 31, 2024, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Our opinion on the compensation report does not extend to the cross-references, which are marked as unaudited and not required by law, and the information to which the cross-references refer.

Other matter – formal examination of the compensation report

The substantive audit of the compensation report described in this independent auditor's report includes the formal examination of the compensation report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the compensation report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the compensation report.

Limitation of liability

The terms governing this engagement, which we fulfilled by rendering the aforesaid services to Covestro AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on January 1, 2024 (Appendix 2). By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Düsseldorf, February 25, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Ufer
Wirtschaftsprüfer
[German Public Auditor]

Dr. Ackermann
Wirtschaftsprüferin
[German Public Auditor]

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COVESTRO GROUP CONSOLIDATED INCOME STATEMENT

	Note	2023	2024
		€ million	€ million
Sales	6	14,377	14,179
Cost of goods sold		(12,071)	(12,002)
Gross profit		2,306	2,177
Selling expenses		(1,489)	(1,513)
Research and development expenses		(374)	(392)
General administration expenses		(360)	(343)
Other operating income ¹	7	272	228
Other operating expenses ²	8	(169)	(70)
EBIT³		186	87
Equity-method loss		(20)	(4)
Result from other affiliated companies		1	2
Interest income		70	56
Interest expense		(160)	(145)
Other financial result		(4)	(23)
Financial result	10	(113)	(114)
Income before income taxes		73	(27)
Income taxes	11	(275)	(245)
Income after income taxes		(202)	(272)
attributable to noncontrolling interest		(4)	(6)
attributable to Covestro AG shareholders (net income)		(198)	(266)
		€	€
Basic/diluted earnings per share⁴	12	(1.05)	(1.41)

¹ Other operating income contains reversals of impairment losses amounting to €3 million (previous year: €3 million) on financial assets measured at amortized cost.

² Other operating expenses contain impairment losses of €10 million (previous year: €6 million) on financial assets measured at amortized cost.

³ EBIT: income after income taxes plus financial result and income tax

⁴ Earnings per share: according to IAS 33 (Earnings per Share), net income divided by the weighted average number of outstanding no-par value voting shares of Covestro AG. The calculation for fiscal 2024 was based on 188,740,330 no-par value shares (previous year: 189,262,192). For further information, please refer to note 12 "Earnings per Share."

COVESTRO GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2023 € million	2024 € million
Income after income taxes		(202)	(272)
Remeasurements of the net defined benefit liability for post-employment benefit plans	19	9	157
Income taxes	11	1	(5)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans		10	152
Changes in fair values of equity instruments	24	–	(8)
Income taxes	11	–	3
Other comprehensive income from equity instruments		–	(5)
Other comprehensive income that will not be reclassified subsequently to profit or loss		10	147
Gains from derivative financial instruments (cash flow hedge reserve)	24	–	7
Income taxes	11	–	(2)
Other comprehensive income from cash flow hedges		–	5
Exchange differences of foreign operations		(261)	184
Other comprehensive income from exchange differences		(261)	184
Other comprehensive income that may be reclassified subsequently to profit or loss		(261)	189
Total other comprehensive income		(251)	336
attributable to noncontrolling interest		(3)	–
attributable to Covestro AG shareholders		(248)	336
Total comprehensive income		(453)	64
attributable to noncontrolling interest		(7)	(6)
attributable to Covestro AG shareholders		(446)	70

COVESTRO GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Dec. 31, 2023	Dec. 31, 2024
		€ million	€ million
Noncurrent assets			
Goodwill	13	711	719
Other intangible assets	13	519	471
Property, plant and equipment	13	5,795	5,898
Investments accounted for using the equity method	14	182	269
Other financial assets	15	109	107
Other receivables	17	114	125
Deferred taxes	11	316	276
		7,746	7,865
Current assets			
Inventories	16	2,459	2,851
Trade accounts receivable		1,898	1,749
Other financial assets	15	311	48
Other receivables	17	496	517
Claims for income tax refunds	11	102	92
Cash and cash equivalents		625	509
		5,891	5,766
Total assets		13,637	13,631
Equity	18		
Capital stock of Covestro AG		189	189
Capital reserves of Covestro AG		3,740	3,740
Retained earnings incl. total income		2,291	2,171
Accumulated other comprehensive income		370	558
Equity attributable to Covestro AG shareholders		6,590	6,658
Equity attributable to noncontrolling interest		28	21
		6,618	6,679
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	19	464	387
Other provisions	20	192	253
Financial debt	21	2,740	2,444
Other financial liabilities	22	16	12
Income tax liabilities	11	29	49
Other nonfinancial liabilities	23	24	27
Deferred taxes	11	256	204
		3,721	3,376
Current liabilities			
Other provisions	20	356	348
Financial debt	21	667	712
Trade accounts payable		1,895	2,101
Other financial liabilities	22	128	133
Income tax liabilities	11	48	61
Other nonfinancial liabilities	23	204	221
		3,298	3,576
Total equity and liabilities		13,637	13,631

COVESTRO GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2023	2024
		€ million	€ million
Income after income taxes		(202)	(272)
Income taxes	11	275	245
Financial result	10	113	114
Income taxes paid		(383)	(219)
Depreciation, amortization, impairment losses and impairment loss reversals	13	894	984
Change in pension provisions		(33)	47
(Gains)/losses on retirements of noncurrent assets		(33)	(65)
Decrease/(increase) in inventories		278	(322)
Decrease/(increase) in trade accounts receivable		76	184
(Decrease)/increase in trade accounts payable		(104)	181
Change in other working capital, other noncash items		116	(7)
Cash flows from operating activities	27.1	997	870
Cash outflows for additions to property, plant, equipment and intangible assets		(765)	(781)
Cash inflows from sales of property, plant, equipment and other assets		2	76
Cash inflows from divestments less divested cash		55	–
Cash outflows for noncurrent financial assets		(23)	(81)
Cash inflows from noncurrent financial assets		41	6
Interest and dividends received		70	61
Cash inflows from other current financial assets / Cash outflows for other current financial assets		(305)	296
Cash flows from investing activities	27.2	(925)	(423)
Acquisition of treasury shares	18	(49)	–
Dividend payments	18	(4)	(1)
Issuances of debt		419	1,195
Repayments of debt		(836)	(1,609)
Interest paid		(169)	(150)
Cash flows from financing activities	27.3	(639)	(565)
Change in cash and cash equivalents due to business activities		(567)	(118)
Cash and cash equivalents at beginning of year		1,198	625
Change in cash and cash equivalents due to exchange rate movements		(6)	2
Cash and cash equivalents at end of year		625	509

COVESTRO GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital stock of Covestro AG	Capital reserves of Covestro AG	Retained earnings incl. total income	Accumulated other comprehensive income		Equity attributable to Covestro AG shareholders	Equity attributable to noncontrolling interest	Equity
				Currency translation	Cashflow hedges			
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2022	190	3,788	2,480	628	-	7,086	36	7,122
Acquisition and redemption of treasury shares	(1)	(48)				(49)		(49)
Dividend payments			-			-	(1)	(1)
Other changes ¹		-	(1)			(1)	-	(1)
Income after income taxes			(198)			(198)	(4)	(202)
Other comprehensive income			10	(258)	-	(248)	(3)	(251)
Total comprehensive income			(188)	(258)	-	(446)	(7)	(453)
Transfer of cash flow hedge reserve to inventories						-		-
Dec. 31, 2023	189	3,740	2,291	370	-	6,590	28	6,618
of which treasury shares	-	(12)				(12)		(12)
Dec. 31, 2023	189	3,740	2,291	370	-	6,590	28	6,618
Dividend payments			-			-	(1)	(1)
Other changes		-	(1)			(1)	-	(1)
Income after income taxes			(266)			(266)	(6)	(272)
Other comprehensive income			147	184	5	336	-	336
Total comprehensive income			(119)	184	5	70	(6)	64
Transfer of cash flow hedge reserve to inventories					(1)	(1)		(1)
Dec. 31, 2024	189	3,740	2,171	554	4	6,658	21	6,679
of which treasury shares	-	(12)				(12)		(12)

¹ Other changes in the year 2023 resulted from the sale of long-term investments in equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COVESTRO GROUP

Principles and Methods

1. General Information

Covestro AG (registered at the district trade register, or Amtsgericht, for Cologne, number: HRB 85281) is a stock exchange-listed corporation headquartered at Kaiser-Wilhelm-Allee 60, 51373 Leverkusen (Germany), (Covestro AG). The consolidated financial statements of Covestro AG as of December 31, 2024, cover Covestro AG and its subsidiaries, joint arrangements and associated companies. They have been prepared according to the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London (United Kingdom), as endorsed by the European Union (EU) and in effect at the reporting date, the Interpretations (IFRICs) of the IFRS Interpretations Committee (IFRS IC) and the Interpretations published by the Standing Interpretations Committee (SIC), as well as the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) for the exempting IFRS consolidated financial statements.

The declaration pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued and made available to the shareholders.

If certain items in the income statement, statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Covestro Group are condensed for the sake of clarity, this is explained in the notes. The income statement has been prepared using the cost-of-sales method. Assets and liabilities are classified by maturity. They are classified as current if they mature or are intended for sale within one year or within the normal business cycle of the Covestro Group. Trade accounts receivable and payable, inventories, and assets held for sale are consistently presented as current. Deferred tax assets, deferred tax liabilities and pension provisions are consistently presented as noncurrent.

The consolidated financial statements are drawn up in euros. Amounts are stated in millions of euros (€ million) unless otherwise noted.

The Board of Management of Covestro AG prepared the consolidated financial statements as of December 31, 2024, on February 20, 2025, submitted the prepared consolidated financial statements to the Audit Committee and the Supervisory Board for examination and approval, and authorized their publication.

Exchange Rates

In the reporting period, the following exchange rates were used for the major currencies of relevance from the Covestro Group's perspective:

Average rates for major currencies

€1/		Average rates	
		2023	2024
BRL	Brazil	5.40	5.80
CNY	China	7.66	7.80
HKD	Hong Kong ¹	8.46	8.44
INR	India	89.26	90.53
JPY	Japan	151.54	163.69
MXN	Mexico	19.17	19.70
USD	United States	1.08	1.08

Closing rates for major currencies

€1/		Closing rates	
		2023	2024
BRL	Brazil	5.36	6.43
CNY	China	7.87	7.63
HKD	Hong Kong ¹	8.63	8.07
INR	India	91.90	88.93
JPY	Japan	156.33	163.06
MXN	Mexico	18.72	21.55
USD	United States	1.11	1.04

¹ Special Administrative Region (China)

2. Effects of New Financial Reporting Standards

2.1 Financial Reporting Standards Applied for the First Time in the Reporting Period

IFRS pronouncement (published on)	Title	Effective for annual periods beginning on or after
Amendments to IAS 1 (January 23, 2020, July 15, 2020 and October 31, 2022)	Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16 (September 22, 2022)	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7 (May 25, 2023)	Disclosures: Supplier Finance Arrangements	January 1, 2024

Initial application of the standards listed in the table had no or no material impact on the presentation of the net assets, financial position and results of operations of the Covestro Group.

The amendments to IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures) are intended to increase transparency with regard to supplier finance arrangements and their impact on a company's liabilities, cash flows, and liquidity risk. The existing disclosure requirements have been expanded to require a company to provide qualitative and quantitative information, in particular about payment term arrangements with suppliers. For Covestro, additional disclosure requirements arose in relation to supplier finance arrangements (see Note 24.1).

2.2 Published Financial Reporting Standards that have not yet been Applied

The IASB issued the following standards and amendments to standards which have already been adopted by the European Union (EU) but are not mandatory for financial statements 2024. The Covestro Group has not made use of the option to apply these before their effective date.

IFRS pronouncement (published on)	Title	Effective for annual periods beginning on or after
Amendments to IAS 21 (August 15, 2023)	Lack of Exchangeability	January 1, 2025

The effects of the initial application of the aforementioned financial reporting standards are currently being reviewed. At the time the financial statements were prepared, no, or no material, impact on the presentation of the net assets, financial position, and results of operations of the Covestro Group was expected.

The application of the following other standards and amendments to standards issued by the IASB is conditional upon their endorsement by the EU. The effective date for the standards is assumed to be the effective date designated by the IASB.

IFRS pronouncement (published on)	Title	Effective for annual periods beginning on or after
Amendments to IFRS 9 and IFRS 7 (May 30, 2024)	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to the IFRS (July 18, 2024)	Annual Improvements Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 (December 18, 2024)	Contracts Referencing Nature-dependent Electricity	January 1, 2026
IFRS 18 (April 9, 2024)	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19 (April 9, 2024)	Subsidiaries without Public Accountability: Disclosures	January 1, 2027

The effects of the initial application of the aforementioned financial reporting standards are currently being reviewed. At the time the financial statements were prepared, no, or no material, impact on the presentation of the net assets, financial position, and results of operations of the Covestro Group was expected.

The IASB issued final amendments to IFRS 9 (Financial Instruments) and IFRS 7 (Financial Instruments: Disclosures) entitled "Contracts Referencing Nature-dependent Electricity" on December 18, 2024. These amendments are aimed at adapting the IFRS standards to the increasing use by companies of electricity from renewable sources, whose timing and volume of generation cannot be forecast or controlled. A key aspect of the amendments concerns the application of the "own-use exemption" to nature-dependent power purchase agreements. Under the amendment, this exemption can be applied when a company acts as a "net purchaser" of electricity, meaning that it purchases sufficient electricity to offset sales of unused electricity in the same market. The assessment period for this should not be more than 12 months. In addition, the hedge accounting requirements have been amended to permit a company using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument. Here it will be possible in future to designate a variable volume of forecast electricity transactions as the hedged item in a cash flow hedge and to measure the hedged item using the same volume assumptions as those used for the hedging instrument. The amendments to IFRS 7 require additional disclosures on significant contractual terms. The new requirements are effective for fiscal years beginning on or after January 1, 2026, subject to endorsement by the EU.

IFRS 18 (Presentation and Disclosure in Financial Statements) will replace the existing requirements of IAS 1 (Presentation of Financial Statements) and aims to enhance the comparability and relevance of financial information. Covestro's management is currently analyzing the impact of the new standard on the consolidated financial statements and has already prepared initial estimates. The new standard will not impact net income, but it will have significant consequences for the allocation of income and expense items in the income statement and therefore affect the operating result. Depending on the underlying transaction, foreign exchange differences previously recognized in the financial result will in the future be recognized in the operating result or in the "investing" category. For derivatives, IFRS 18 requires gains or losses to be recognized in the category affected by the hedged risk, and potential changes in this area for Covestro are still being evaluated. No material changes in the content of the notes disclosures are expected, but the grouping of information could change because of new aggregation and disaggregation principles. In addition, new requirements are being introduced, such as the disaggregation of certain types of expenses in the "operating" category by function and a reconciliation in the year of initial application. The Group plans to apply the new standard from January 1, 2027, subject to EU endorsement.

3. Accounting Policies and Valuation Principles

Accounting policies and valuation principles classified as material for the Covestro Group under IAS 1 and the Practice Statement are described in the following. Accounting policies and valuation principles may be material by their nature, even if the associated amounts are immaterial. Examples include disclosures on accounting policies and valuation principles that are discretionary, that are based on options, or that are not already obvious from the wording of an IFRS pronouncement itself, and that appear relevant overall for an understanding of the Covestro Group's financial statements. The main focus of the accounting policies and valuation principles presented in the following is on particular aspects that are at the specific discretion of Covestro's management and on options exercised.

Items in the statement of financial position	Measurement principle
Assets	
Goodwill	Cost or lower recoverable amount
Other intangible assets	
• with indefinite useful lives	Cost or lower recoverable amount
• with definite useful lives	Amortized cost less any impairment losses or reversals of impairment losses
Property, plant and equipment including	Amortized cost less any impairment losses or reversals of impairment losses.
• Right of use assets	Amortized cost includes expected future restoration or recultivation costs in the event of an obligation.
• Investment property	
Investments accounted for using the equity method	
• Joint Ventures	Amortised cost less any impairment losses or reversals of impairment losses
• Associates	
Other financial assets	Depending on measurement category: amortized cost or fair value through profit or loss or fair value through other comprehensive income
Deferred taxes	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized, a tax loss or interest carryforward is used or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period
Inventories	Lower of net realizable value and cost
Trade accounts receivable	Amortized cost less a risk allowance for expected credit losses
Other receivables	Amortized cost less allowance for expected credit losses or fair value
Claims for income taxes	Amount expected to be recovered from the tax authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.
Cash and cash equivalents	Amortized cost
Assets held for sale/ disposal groups	Lower of carrying amount and fair value less costs to sell (including allocable liabilities)

Items in the statement of financial position	Measurement principle
Liabilities	
Provisions for pensions and other post-employment benefits	Actuarial projected unit credit method
Other provisions	Present value of the settlement amount
Financial debt including lease liabilities	Depending on measurement category: amortized cost using the effective interest method or fair value through profit or loss
Trade accounts payable	Amortized cost
Other financial liabilities	Amortized cost, in the case of embedded derivatives subject to separation requirements and standalone derivatives at fair value through profit or loss
Income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period
Other nonfinancial liabilities	Amortized cost
Deferred taxes	Non-discounted amount measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

Judgements and Estimation Uncertainties

In preparing the consolidated financial statements, Covestro management has to make assumptions and estimates to a certain extent that may substantially impact the presentation of the Covestro Group's net assets, financial position, and results of operations and could deviate from the actual results.

Judgements are made when applying accounting policies that may materially affect the financial statements. These include:

- Identifying indications of impairment (triggering events), determining an appropriate peer group to derive the weighted cost of capital, and defining cash-generating units or groups of cash-generating units, in each case for the purposes of centralized impairment tests for noncurrent assets
- The identification of impairment losses or reversals of impairment losses on noncurrent assets, taking individual lower value thresholds into account
- The identification and valuation of intangible assets and liabilities in the context of purchase price allocation in connection with the acquisition of companies

Such assumptions and estimates mainly relate to the following areas:

- Defining the useful life of noncurrent assets
- Impairment testing of goodwill and of noncurrent assets within the scope of centralized impairment tests, including long-term planning assumptions with respect to growth and profitability using discounted cash flows
- Accounting for income taxes and assessing the recoverability of deferred tax assets in respect to future taxable income and the recognition of tax effects in the future as well as the recognition of uncertain tax positions due to any different findings made during tax audits
- Recognition and measurement of provisions, e.g., for litigation, pensions and other employee benefits, termination benefits (e.g., in the case of restructurings), other taxes, environmental protection, and product liability
- The determination of assumptions underlying the recognition, measurement, and disclosure of financial instruments

Risks related to the impact of geopolitical conflicts (e.g., Russia's war against Ukraine) are considered on a case-by-case basis.

In addition, Covestro's management must decide which information in the financial and nonfinancial notes is relevant to readers of the IFRS consolidated financial statements and should be included in the notes. Information about exercising discretion in the application of accounting policies that most significantly affect the amounts reported in the consolidated financial statements, and about estimates and assumptions, is disclosed in the following notes. The following estimates are based on historical experience and assumptions that are believed to be reasonable. They are reviewed on an ongoing basis, but may differ from the actual values subsequently recognized.

Climate-Related Impacts

Covestro is pursuing an ambitious business strategy with the aim of fully aligning itself with climate neutrality and the circular economy. The company aims to achieve net zero emissions at all environmentally relevant sites in its own production (Scope 1) and in the procurement and use of externally generated energy (Scope 2) by 2035, with an interim target of a 60% reduction by the year 2030. An interim target for the relevant upstream and downstream greenhouse gas emissions across the entire value chain (Scope 3) has been defined, which aims to achieve a reduction of 10 million metric tons of CO₂ equivalents by 2035 compared with the year 2021. The strategy is based, among other things, on alternative raw materials, renewable energies, and innovative recycling technologies. Covestro considers this to be an important contribution to accelerating the transition to a climate-neutral, resource-conserving economy.

All the assumptions and estimates in these financial statements are based on the circumstances and assessments on the reporting date. On this basis, in terms of the business strategy and the associated actions, there are no identifiable specific indications of any material need to recognize impairment losses on noncurrent assets or for any material adjustment to the remaining useful lives of assets at the reporting date. The Group is continuously reviewing the basic assumptions made and adjusting them if necessary. Covestro continuously monitors legislation regarding climate change and climate change mitigation.

Consolidation

The Consolidated Financial Statements of Covestro AG as of December 31, 2024, include all material subsidiaries and associates as well as one joint operation. Subsidiaries that, in the aggregate, are immaterial for the Group's net assets, financial position, and results of operations are not consolidated. Such subsidiaries are recognized at cost.

→ See note 5.1 "Scope of consolidation and investment."

Joint Operations and Associates

Joint operations are based on joint arrangements. A joint arrangement is deemed to exist if Covestro AG, through a contractual agreement, indirectly or directly jointly controls an activity or a separate legal entity together with one or more third parties. Joint control is only deemed to exist if decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

The Covestro Group recognizes the share of assets, liabilities, revenues, and expenses in its consolidated financial statements in accordance with its rights and obligations in joint operations.

The only entity classified as a joint operation is LyondellBasell Covestro Manufacturing Maasvlakte V.O.F, Rotterdam (Netherlands). This company was formed together with Lyondell PO-11 C.V., Rotterdam (Netherlands). The two venturers each own a 50% interest in the capital and voting rights. The company operates production facilities for the sole account of the venturers, who therefore receive substantially all the economic benefits of the assets. The venturers are the sole source of cash flows. Liabilities incurred are primarily settled through cash flows resulting from sales to the venturers. Variable costs are reimbursed by the shareholders depending on the specific purchase quantities.

Associates over which Covestro AG is able to exercise significant influence, directly or indirectly, generally through an ownership interest between 20% and 50%, are accounted for using the equity method.

Currency Translation

The financial statements of the individual companies included in the consolidated financial statements are prepared in their respective functional currencies. As a rule, the functional currency of the consolidated company is the applicable local currency, as these companies operate their business autonomously from a financial, economic, and organizational point of view.

In the separate financial statements of the foreign companies, receivables and liabilities in currencies other than the respective functional currency are translated at closing rates. Related exchange differences are recognized in profit or loss and recorded as exchange gains or losses under other financial result.

In the consolidated financial statements, the assets and liabilities of Covestro companies whose functional currency is not the euro are translated into euros at closing rates at the start and end of the reporting period, while income and expense items and cash flows are translated into euros at average rates.

Sales

All revenues in connection with customer contracts, primarily from product sales, are recognized as sales. This also includes sales from services rendered and licensing agreements.

Sales are generated primarily from the sale of chemical products. In most cases, control over these products is transferred to the customer at a point in time.

Depending on the contractual agreements made and transportation clauses agreed upon with the customer, in the majority of cases control is transferred to the customer upon delivery at the place of destination, furthermore at the point in time of collection by the customer or upon handover to the freight carrier. In some cases, sales are made through consignment warehouses in which customers primarily obtain control over the delivered goods upon delivery to the consignment warehouse.

Determining the point in time of the transfer of control involves considering additional indicators. In particular, it is considered at which point in time Covestro has a present right to payment for the product and when physical possession of the product or, in a broader sense, the possibility of sole access to the product, is transferred to

the customer. Depending on the transportation clauses, the possibility of sole access to the product may be transferred even prior to arrival or physical handover of the product to the customer. Furthermore, the point in time when the legal title passes to the customer is also considered to the extent that it constitutes more than a protective right. The point in time when the significant rewards and risks of ownership of a product are transferred to the customer is usually linked closely with the aforementioned indicators and is therefore considered with these. Based on experience, it is assumed that products sold fulfill the agreed-upon specifications, thus acceptance by the customer is an indicator that does not generally affect the point in time at which control is transferred.

As a result, the point in time at which control is transferred depends on the contractual agreement concluded with the customer in each case and the stipulated transportation clauses.

In the case of products sold through a consignment warehouse, the customer generally obtains physical possession of this product upon delivery to the consignment warehouse. In addition, the right to payment for the delivered goods generally arises upon delivery. To the extent that the other three indicators do not lead to a contrary conclusion, control of the products in the case of a sale through a consignment warehouse transfers to the customer upon delivery to the consignment warehouse. The corresponding sales are therefore realized at the time of delivery.

Exceptionally, certain products are only sold to one customer. Some of these customer-specific products have no alternative use for Covestro. Insofar as Covestro has an enforceable right to payment for performance completed to date, sales are recognized on the basis of progress towards complete satisfaction of the performance obligation. As a rule, control over an individual customer-specific product is considered to be transferred when the generally short production process is completed successfully and the product has been tested to confirm that the agreed-upon specifications have been met.

Invoices are usually payable in 0 to 90 days. Contracts may contain early payment discounts or rebates. Rebates are generally retroactively granted based on the sales or volume of a period customarily spanning up to 12 months. Some contracts include pricing formulas used to determine the billable price at the time of delivery. Moreover, the final prices for certain contracts with customers are not yet fixed at the time of transfer of control. Instead, provisional prices are billed initially.

Sales are recognized in the amount of the transaction price that Covestro is expected to receive. Sales do not include amounts collected on behalf of third parties (e.g., sales tax). Where consideration includes a variable component, for example due to the contractual clauses described, this component of the consideration is estimated either based on the expected value method or the most likely amount. The method producing the best estimate is used in this case. However, variable consideration is only taken into account to the extent it is not constrained as defined by IFRS 15 (Revenue from Contracts with Customers). Refund liabilities result particularly from rebates granted and total the amount of the rebate expected to be refunded, which is calculated based on the methods described. Refund liabilities are reported in other financial liabilities.

As a rule, no warranties are issued beyond normal warranties that products will fulfill the agreed-upon specifications.

In the case of contracts with customers, Covestro generally does not expect more than one year to pass between the transfer of a product to a customer and the payment thereof. As a result, the agreed consideration is not adjusted for significant financing components. When incremental costs of obtaining a contract arise, these are immediately recognized as expenses, if the potential amortization period is one year or less.

Government Grants

Government grants are recognized if there is sufficient certainty that the benefits will be granted and the related conditions are met. Asset-related grants from third parties, such as investment grants, are reported under other receivables and other nonfinancial liabilities and are recognized in profit or loss in accordance with the asset's useful life. Depending on the circumstances, income-related grants are either offset against expenses or are recognized under other operating income. If realized in the income statement before the payment is received or if it is dependent on specific conditions, these are recognized as other receivables or other nonfinancial liabilities. The Covestro Group mainly receives income-related grants.

Covestro regularly verifies that conditions attaching to grants received are fulfilled.

Emission rights granted free of payment by government authorities are recognized in the statement of financial position at zero euros or at a reminder value. Emission rights acquired on the market in return for payment are capitalized at cost of acquisition and, if the fair value is lower than the acquisition cost, are impaired. Emissions caused generally result in return obligations which have to be recognized.

Functional Cost

Functional cost is calculated using the cost of sales method for the functions that incur them on the basis of cost center accounting. The Covestro Group distinguishes between the following functions: cost of goods sold, selling expenses, research and development expenses, and general administrative expenses. Operating expenses that cannot be allocated to the functions that caused them are presented as other operating expenses.

Cost of goods sold includes all production costs for products and services sold in the fiscal year as well as the cost of products acquired and resold in the fiscal year. This also includes impairment losses on inventories and overheads attributable to the production process.

In addition to transportation and logistics costs, selling expenses primarily include the costs of selling, advertising, and marketing activities, as well as the costs of sales representatives and distribution warehouses.

Research and development expenses are incurred in the Covestro Group for in-house research and development activities as well as research and development collaborations and alliances with third parties. Capitalized development costs also include material IT projects if the recognition criteria are met.

Expenses that are not related to the functions described are reported under general administrative expenses. These include administrative personnel costs, depreciation of and impairment losses on other equipment, and external audit costs.

Income Taxes

Income taxes comprise the taxes levied on taxable income in the individual countries along with changes in deferred tax assets and liabilities that are recognized in profit or loss. Detailed explanations of impairment testing of deferred tax assets can be found in "Judgements and Estimation Uncertainties" in this note.

Deferred tax liabilities are recognized on planned dividend payments by subsidiaries. Where no dividend payment or disposal of corresponding equity investments is planned for the foreseeable future, no deferred tax liability is recognized on the difference between the proportionate equity according to IFRSs and the tax base of the carrying amount of the investment in the subsidiary (outside basis differences).

The expected effects of uncertain deferred and actual income tax positions are estimated based on the expected value method or the most likely amount. The method producing the best estimate is used in this case. Tax audits in which the relevant tax authority could take a view differing from Covestro's legal position are by far the most important sources of estimation uncertainties for uncertain tax positions. Uncertain tax positions are accounted for under the assumption that the tax authorities will investigate all relevant matters and have all relevant information at their disposal.

Business Combinations

Businesses acquired are accounted for pursuant to IFRS 3 (Business Combinations) using the acquisition method, which requires that all identifiable assets acquired and all (contingent) liabilities assumed be recognized and measured at their respective fair values on the date control is obtained.

The Covestro Group recognizes the components of noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identified net assets. The Covestro Group exercises this option separately for each business combination in accordance with the standard.

Noncurrent Assets

Noncurrent assets include property, plant and equipment and intangible assets, with definite or indefinite useful lives in each case.

If the construction phase or manufacturing process of noncurrent assets extends over a period of 12 months or more, the interest incurred on borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction in accordance with IAS 23 (Borrowing Costs).

Depreciation and amortization charges, which are recognized on a straight-line basis in the Covestro Group, impairment losses, and any reversals of impairment losses on finite-lived noncurrent assets are allocated to the relevant functions.

The following useful lives are applied to other intangible assets, except where the actual depletion demands a different amortization pattern:

Useful life of other intangible assets

Patents and technologies	3 to 20 years
Production rights, trademarks and licenses	10 to 20 years
Customer relationships and distribution rights	7 to 20 years
Software	3 to 4 years
Other rights and assets	max. 20 years

Determination of the expected useful lives of other intangible assets is based in particular on estimates of the period for which they will generate cash flows.

In the Covestro Group, intangible assets with an indefinite useful life relate mainly to goodwill. Impairment losses on goodwill are reported in other operating expenses.

→ See Note 13.3 "Impairment Testing."

The criteria for recognizing development costs as assets are defined in IAS 38 (Intangible Assets). If the recognition criteria are met, internally generated intangible assets are capitalized, while research costs are recognized as an expense. The fulfillment of the recognition and measurement criteria for intangible assets resulting from internal development projects, including IT and software projects, are subject to judgement. The capitalization requirements are reviewed on a project- and contract-specific basis.

Depreciation of property, plant and equipment is largely based on the following useful lives, which are standard throughout the Group:

Useful life of property, plant and equipment

Buildings	20 to 50 years
Infrastructure	10 to 20 years
Storage tanks and pipelines	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	6 to 12 years
Furniture and fixtures	4 to 10 years
Vehicles	5 to 8 years
Computer equipment	3 to 5 years
Laboratory and research facilities	3 to 5 years

Significant asset components with different useful lives are accounted for and depreciated separately. In cases where the special recognition criteria are met, the associated costs may be capitalized as a separate component, for example if extensive maintenance work is carried out regularly (such as the general overhaul of a machine).

When assets are sold, closed down, or scrapped, the difference between the recoverable amount, which normally amounts to the fair value less costs of disposal, and the net carrying amount of the assets is recognized as a gain or loss in other operating income or expenses, respectively.

Leases

When Covestro is the lessee in a lease, as a rule a right-of-use asset and a corresponding liability (lease liability) are recognized in the statement of financial position on the date the underlying asset is made available for use to Covestro. Lease liabilities are reported under financial debt and classified as current or noncurrent according to their maturity.

For low-value leased assets and short-term leases (lease term of less than twelve months), use is made of the practical expedients and corresponding contractual payments are reported in cash flows from operating activities and as an expense in the operating result. Covestro also exercises the option not to recognize any leased intangible assets as leases.

Upon initial recognition, the right-of-use asset is generally capitalized at the amount of the corresponding lease liability plus any initial direct costs, any dismantling obligations, and lease payments made prior to the commencement date less any lease incentives received. For subsequent measurement, the right-of-use asset is depreciated over the lease term. Contract modifications, as long as these are not measured as separate leases, and reassessment of the lease liability are also reflected in the right-of-use asset.

Lease liabilities are measured at the present value of the lease payments to be made over the term of the lease, which are generally discounted using the incremental borrowing rate, as the interest rate implicit in the lease cannot generally be determined. Lease liabilities are measured at amortized cost using the effective interest method. They are adjusted in the event of modifications to or reassessment of the lease.

At Covestro, lease agreements usually include fixed contractual terms. If there are additional options to extend or terminate the lease, all relevant facts are examined to determine the existence of economic incentives to exercise or not to exercise these options. The lease term is only adjusted to reflect changes in the expectations regarding whether or not such options will be exercised if there is reasonable certainty.

For leases in which Covestro is the lessor, a differentiation is made between finance leases and operating leases in accordance with IFRS 16. Leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee are treated as finance leases. At the commencement date, Covestro recognizes a lease receivable in the statement of financial position in the amount of the net investment in the lease and derecognizes the underlying asset from property, plant and equipment. In an operating lease, the underlying asset continues to be shown under Covestro's property, plant and equipment and depreciated over its useful life. Lease payments received are recognized in income.

Investment Property

Investment property is measured at cost unless a lower carrying amount is required. The carrying amount of investment property is depreciated using the straight-line method. The useful lives are the same as those described above for property, plant and equipment. The fair value to be determined for disclosure purposes is mainly calculated on the basis of internally prepared valuations. In the case of buildings and developed land, this is carried out using a method known as the German income approach, and in the case of undeveloped land, using the sales comparison approach.

Inventories

Inventories are recognized at their cost of acquisition or production (production-related full cost) – calculated by the weighted-average method – or at their net realizable value, whichever is lower. The net realizable value is the estimated selling price in the ordinary course of business less estimated cost to complete and selling expenses. Impairment losses on inventories are recognized if their net realizable value on the reporting date is lower than the value calculated using the weighted-average method. Impairment losses are reversed if the net recoverable amount subsequently exceeds the carrying amount.

Financial Instruments

Contracts are recognized as financial instruments in the financial statements which simultaneously give rise to a financial asset at one entity while resulting in a financial liability or equity instrument at another entity.

Financial Assets

Financial assets comprise loans, acquired equity and debt instruments, cash and cash equivalents, trade accounts receivable, other financial assets, as well as derivatives with positive fair values. Regular-way purchases and sales of financial assets are generally recognized on the settlement date.

The "at amortized cost" measurement category comprises trade accounts receivable, the loans included in other financial assets, and cash and cash equivalents. Interest income from financial assets assigned to this category is determined using the effective interest method.

Debt instruments like purchased bonds can be classified as financial assets at fair value through other comprehensive income if the purpose of the investment is to hold the financial asset to collect the contractual cash flows or to sell it. Interest income, foreign currency gains and losses, and impairment losses or impairment loss reversals are recognized in the income statement for financial assets in this category. The remaining changes in fair value are recognized in other comprehensive income. Upon derecognition, the cumulative net gains or losses included in other comprehensive income are reclassified to the income statement.

The Covestro Group exercises the option of recognizing changes in the fair value of equity instruments that are not held for trading in other comprehensive income. In contrast to the treatment of debt instruments, the gains and losses recognized in other comprehensive income are not reclassified to the income statement upon derecognition. At the time of disposal, the Covestro Group reclassifies all gains and losses recognized in other comprehensive income, including any recognized impairment losses and reversals of impairment losses, to retained earnings. Examples of this category of other strategically held instruments classified as equity are certain investments made under the Covestro Venture Capital (COVeC) initiative.

Depending on the contractual design, COVeC investments are also recognized as debt instruments at fair value through profit or loss. This category also includes all financial assets not allocated to any of the abovementioned categories. These are in particular derivatives with a positive fair value.

The gross carrying amount of a financial asset is derecognized when the Covestro Group comes to the conclusion that the counterparty is no longer able to meet its payment obligations. Following derecognition, the Covestro Group assumes that it will no longer be able to recover any significant amounts.

Financial Liabilities

Financial liabilities generally comprise financial debt, lease liabilities and negative fair values of derivatives and other financial liabilities.

Derivatives

Derivatives – such as forward exchange contracts – are used to mitigate the risk of fluctuations in exchange rates. Derivatives are recognized at the trade date. Further, assets and liabilities from certain energy contracts that are intended to be settled net are also recognized as derivatives.

Contracts concluded in order to receive or deliver nonfinancial goods for the company's own purposes are not accounted for as derivatives but treated as pending transactions in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Where embedded derivatives are identified that are required to be separated from the pending transactions, they are accounted for separately. To cover possible peak demand, a nonmaterial volume of transactions may be entered into for which the possibility of immediate resale cannot be excluded.

Reportable derivatives are carried at fair value. This applies to what are known as stand-alone derivatives as well as derivatives embedded in certain types of contracts and required to be accounted for separately from their host contracts. Positive fair values at the end of the reporting period are reflected in financial assets, negative fair values in financial liabilities. Changes in the fair values of these derivatives are recognized directly in profit or loss in other operating income or expenses. Changes in the fair values of forward exchange contracts and currency options serving as hedging instruments for items in the statement of financial position are divided into an interest and a currency component. The interest component is recognized in interest expense or income and the currency component is recognized as exchange gains or losses in the other financial result. Changes in the fair

value of forward exchange contracts used to hedge forecasted transactions in foreign currencies are recognized in other operating income or expenses.

Covestro has entered into virtual power purchase agreements. These are required to be measured at fair value. Gains and losses on forward electricity contracts are recognized under other operating expenses or other operating income.

Covestro has entered into master netting or similar agreements for derivative financial instruments. These take effect in particular in the event of the insolvency of one of the contractual partners involved.

Hedge Accounting

Derivatives are either accounted for as stand-alone derivatives as described in the "Derivatives" section or as part of a hedging relationship with an associated hedged item. Covestro has had hedging relationships to hedge energy price risks, particularly for electricity and natural gas purchases, since the year 2024. The hedges are based on swaps designated as cash flow hedges.

For derivatives designated as cash flow hedges, the effective portion of the change in fair value is initially recognized in other comprehensive income. Any ineffectiveness, on the other hand, is recognized immediately in profit or loss. The effective portion of the hedge is not reclassified to the income statement until the time when the hedged item is recognized in profit or loss. There, it is recognized under cost of sales.

→ See Note 24.2 "Raw Material Price Risk."

Fair Value

The valuation techniques and input factors of fair value hierarchy Level 1 and Level 2 that are used to determine the fair value of financial instruments are shown in the following table:

Fair-Value-Level	Item in the statement of financial position	Financial instruments included	Valuation technique	Significant input factors for determination of fair values
Level 1	Other financial assets	Other investments	Derivation from active market	Quoted, unadjusted prices
Level 1	Financial debt	Bonds	Derivation from active market	Quoted, unadjusted prices
Level 2	Other financial assets	Loans and bank deposits	Present value of future cash inflows	Current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the respective contractual partner
Level 2	Financial debt	Liabilities to banks, other financial debt	Present value of future cash outflows	Current interest rate for the appropriate term on the reporting date and reflecting the creditworthiness of the respective contractual partner
Level 2	Other financial assets and financial debt	Derivatives that do not qualify for hedge accounting	Case-by-case basis with valuation techniques based on observable market data	Forward rate or price on the reporting date derived from spot rates and prices, taking into account forward premiums and discounts, Credit value adjustments and debt value adjustments for both the contracting party's credit risk and Covestro's own credit risk
Level 2	Other financial assets and financial debt	Derivatives for hedge accounting	Discounted cash flow method based on commodity prices	Changes in energy prices

The valuation techniques and input factors of fair value hierarchy Level 3 are shown in the following table:

Item in the statement of financial position	Financial instruments included	Valuation technique	Significant input factors for determination of fair values	Effects of changes in key input factors
Other financial assets	Other investments and loans, respectively including COVeC investments	The results of market-price-based valuation methods and the results of financing rounds	Non-observable market data or performance indicators available for certain financial assets and market multiples	Increasing (decreasing) fair value with decreasing (increasing) interest rates or larger (smaller) market multiples
Other financial assets/other financial liabilities	Embedded derivative from certain long-term power supply contracts	Discounted cash flow method	Expected electricity prices and volumes, electricity purchase terms, discount factors	Increasing (decreasing) market value with higher (lower) electricity prices, electricity volumes and decreasing (increasing) discount rates

The gains and losses from Level 3 financial assets and liabilities are reported as follows:

- Gains and losses from embedded derivatives recognized in profit or loss are reported in other operating income or expenses;
- Gains and losses from contingent purchase price receivables, from divestments, and debt instruments recognized in profit or loss are reported in other financial result; and
- Gains and losses from other financial investments are reported in other comprehensive income from equity instruments

Expected Credit Losses (ECL) Model

The Covestro Group calculates a risk provision for expected credit losses for the following items:

- Financial assets measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income
- Financial guarantees and loan commitments
- Contract assets

The credit risk the Covestro Group is exposed to through its trade accounts receivable and contract assets depends largely on the creditworthiness of the customer. In order to manage this risk, the corporate Supply Chain & Logistics function implemented a process in the framework of the Covestro Group's Credit Management that uses internal and external data to assess each customer in terms of its creditworthiness. Quantitative and qualitative data that can be obtained with reasonable effort are evaluated during the assessment process. The assessment reflects financial data, ratings, payment history, and data on the customer's environment. The customer is allocated to one of five risk categories on the basis of the final assessment. The categories range from A to E, with risk category A representing the most creditworthy companies and risk category E the least.

Meaningful data is used to determine an expected loss rate for each risk category. Data such as default probabilities from rating agencies and credit insurance firms, historical impairment losses recognized by the Covestro Group, and the empirical data from Credit Management are used to determine the expected loss rates. In addition, forward-looking information such as the country rating is also used in determining the expected loss rates. The expected and actual losses are compared regularly (backtesting) to validate the method.

A default event has occurred when the Covestro Group comes to the conclusion that the counterparty is highly unlikely to be able to meet its payment obligations in full.

Covestro uses a general, three-stage approach for measuring the risk provision for expected credit losses as follows:

- Stage 1: The risk provision is calculated as the 12-month expected credit loss, whereby the default probability is derived from historical data published by recognized rating agencies. The Covestro Group assumes that investment-grade ratings imply a low level of credit risk.
- Stage 2: The amount of the risk provision is measured as the expected credit loss over the lifetime of the debt instrument if the credit risk has increased significantly since its initial recognition. Changes in credit risk are assessed using the actual payment history and external information. Whenever available, Covestro uses credit default swap prices and other forward-looking information such as ratings outlooks in addition to external ratings. If no specific information relating to the case in question is available, it is assumed that a significant increase in credit risk has occurred when the financial asset is more than 30 days past due.
- Stage 3: Covestro reclassifies a debt instrument to Level 3 if it determines that its creditworthiness is impaired. This is the case, for instance, when a counterparty has obtained insolvency status, when there is sufficient information available to show that the counterparty has applied for insolvency proceedings, or when debt instruments are more than 90 days overdue.

Indicators of possible credit impairment of a financial asset include observable data regarding the following events:

- Significant financial difficulties of the issuer or borrower
- A breach of contract, such as default or delinquency
- Concessions that Covestro makes to the borrower for financial or legal reasons relating to the financial difficulties of the borrower that it would not otherwise make
- Impending bankruptcy or other impending reorganization proceedings on the part of the borrower
- The loss of an active market for this financial asset

Cash and Cash Equivalents

Cash and cash equivalents comprise cash, checks received, and balances with banks. Cash equivalents are highly liquid short-term financial investments that are subject to an insignificant risk of changes in value, are easily convertible into a known amount of cash, and have a maturity of three months or less from the date of acquisition or investment.

Cash Flows

The statement of cash flows shows how the Covestro Group's cash and cash equivalents changed in the reporting year.

The effect due to exchange rate movements is recognized in the separate line "Change in cash and cash equivalents due to exchange rate movements."

When determining the cash flows from financing activities, Covestro exercises the option of recognizing dividend payments and profit withdrawals in cash flows from financing activities.

Cash flows from interest and dividends received are presented under cash flows from investing activities in the separate line "Interest and dividends received."

Provisions for Pensions and Other Post-Employment Benefits

Within the Covestro Group, post-employment benefits are provided under defined contribution and defined benefit plans. In the case of defined contribution plans, the company pays contributions to publicly or privately administered pension plans on a mandatory, contractual, or voluntary basis. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute expenses for the year in which they are due. As such, they are included in the functional cost items. All other post-employment benefit systems are defined benefit plans, which may be either unfunded, i.e., financed by provisions, or funded, i.e., financed through pension funds.

Future obligations under defined benefit pension plans are calculated using the actuarial projected unit credit method and are allocated over the employees' entire period of employment. This requires specific assumptions to be made regarding the beneficiary structure and the economic environment. These relate mainly to the discount rate, future salary and pension increases, variations in health care costs, and mortality rates.

The discount rates used are calculated from the yields of high-quality corporate bond portfolios in specific currencies with cash flows approximately equivalent to the expected disbursements from the pension plans. The uniform discount rate derived from this interest rate structure is thus based on the yields, on the closing date, of a portfolio of corporate bonds with at least an AA or AAA rating whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

The fair value of plan assets is deducted from the present value of the defined benefit obligation for pensions and other post-employment benefits to determine the net defined benefit liability. Plan assets in excess of the benefit obligation are reflected in other receivables, subject to the asset ceiling specified in IAS 19. Comprehensive actuarial valuations for all major plans are performed annually as of December 31.

The balance of all income and expenses relating to defined benefit plans, except the net interest on the net liability, is recognized in the functional cost items. The net interest is reflected in the financial result.

Other Provisions

As a company with international operations, the Covestro Group is exposed to numerous legal risks for which provisions for litigation must be recognized under certain conditions – especially in the areas of product liability, competition and antitrust law, patent disputes, tax law, environmental law, and compliance issues such as corruption and export control. It is possible that legal judgments, regulatory decisions, or settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect the earnings of the Covestro Group.

The Covestro Group considers whether, and if so, in which amount, provisions for litigation need to be recognized for pending or future legal proceedings on the basis of the information available to its Law, Intellectual Property & Compliance corporate function and in close consultation with legal counsel acting for the Covestro Group. Such provisions cover the estimated unavoidable payments to the plaintiffs, court and procedural costs, attorney costs, and the cost of potential settlements.

It is often impossible to reliably determine the existence of a present obligation or reasonably estimate the probability that a potential outflow of resources will result from pending or future litigation. Due to the special nature of these litigation, provisions are generally not established until initial settlements allow an estimate of potential amounts or judgments have been issued, and not before at least a range of possible legal outcomes of such litigations can be determined. Provisions for legal defense costs are recognized if it is probable that material costs will have to be incurred for external legal counsel to defend the company's legal position and an outflow of resources can generally be expected.

Internal and external legal counsels evaluate the current status of the material legal risks to the Covestro Group at the end of each reporting period. The need to recognized or adjust a provision and the amount of the provision or adjustment are determined on this basis. Adjusting events are reflected up to the date of preparation of the consolidated financial statements.

→ See note 26 "Legal Risks."

Provisions for restructuring are based either on a legal or a constructive external obligation. They only cover expenses that arise directly from restructuring measures, are necessary for restructuring, and are not related to future business operations. Such expenses include severance payments to employees and compensation payments in respect of rented property that can no longer be used. Prior to recognition of this type of provision, the associated assets are tested for impairment. Provisions are recognized when a detailed restructuring plan has been drawn up, resolved by the responsible decision-making level of management, and communicated to the affected employees and/or their representatives.

Personnel-related provisions are mainly those recorded for variable one-time payments, individual performance awards, long-service awards, severance payments in connection with early retirement arrangements, surpluses

on long-term accounts, and other personnel costs. Calculation of provisions for short-term variable compensation ("Covestro Profit Sharing Plan," Covestro PSP) is based on the following financial performance indicators: profitable growth measured in terms of earnings before interest, taxes, depreciation, and amortization (EBITDA), liquidity measured in terms of free operating cash flow (FOCF), and profitability measured in terms of return on capital employed (ROCE) above weighted average cost of capital (WACC). This contains a sustainability component (environment).

Personnel-related provisions also include obligations under cash-settled share-based payment transactions ("Prisma"). The compensation of the Board of Management of Covestro AG and of managerial employees includes cash compensation based on the share price that are earned with lock-up periods and are reflected in profit or loss as personnel expenses in line with the consideration paid in the performance period. It is measured on the basis of a mathematical option pricing model at the grant date and at each reporting date. The sustainability component reduction target for annual reductions in greenhouse gas emissions (CO₂ equivalents) is determined when calculating long-term variable compensation.

Provisions for environmental protection are recognized if future cash outflows are likely to be necessary to ensure compliance with environmental regulations or to carry out remediation work based on an obligation, such costs can be reliably estimated, and no future benefits are expected from such measures.

Estimating the future costs of environmental protection and remediation involves many uncertainties, particularly with regard to the status of laws, regulations, and the information available about conditions in the various countries and at the individual sites. Significant factors in estimating the costs include previous experiences in similar cases, the conclusions in expert opinions obtained for existing environmental programs, current costs, and new developments affecting these costs. Also taken into consideration are management's interpretation of current environmental laws and regulations, the number and financial position of third parties that may become obligated to participate in any remediation costs on the basis of joint liability, and the remediation methods likely to be deployed. Changes in these assumptions could impact future reported results.

Taking into consideration experience gained to date regarding environmental matters of a similar nature, Covestro's management believes the existing provisions to be adequate based upon currently available information. Given the business environment in which the Covestro Group operates and the inherent difficulties in accurately estimating environmental liabilities, material additional costs beyond the amounts accrued may be incurred under certain circumstances. It may transpire during remediation work that additional expenditures are necessary over an extended period and that these exceed existing provisions and cannot be reasonably estimated.

Provisions for trade-related commitments are disclosed separately within other provisions. Miscellaneous provisions include those for other liabilities, for restoration obligations, for product liability, for warranty, and insurance payments.

If the projected obligation declines as a result of a change in the estimate, the provision is reversed by the corresponding amount and the resulting income generally recognized in the functional cost item(s) in which the original charge was recognized. To reflect uncertainty about the likelihood of the assumed events actually occurring, the impact of a five-percentage-point change in the probability of occurrence is examined for certain provisions in each case.

Claims for reimbursements from third parties are separately recognized in other receivables if their realization is virtually certain.

Trade Accounts Payable

Trade accounts payable comprise current liabilities arising from the supply of goods and services, i.e., from the receipt of goods or services. These are based on agreements with the supplier, are invoiced and, in total, are part of working capital within Covestro's normal business cycle. At Covestro, these also include payment terms agreed with certain suppliers (supplier finance arrangements). For information on assessing the contract terms and conditions, see note 24.1 "Financial Instruments by Category."

Pending Transactions

Pending transactions relating to contributions in kind (“executory contracts”), i.e., agreements in relation to which (to a degree) neither the service nor the consideration has been rendered, are not recognized in the statement of financial position on the reporting date if there is no risk of a loss on the reporting date. If there is the risk of a loss, this is generally anticipated in the form of provisions if all the other requirements are met. In contrast, gains anticipated from such agreements on the reporting date may not be recognized in the statement of financial position. Examples of executory procurement contracts include contracts regarding the procurement of energy for the operation of production facilities (“own requirements”), which also includes power purchase agreements.

4. Segment and Regional Reporting

The Board of Management of Covestro AG, as the chief operating decision maker of the Covestro Group, allocates resources to the reportable segments and assesses their performance. The reportable segments are identified, and the disclosures selected, in line with the internal financial reporting system (management approach).

The segments pursue the following activities:

Performance Materials

The Performance Materials segment focuses on developing, producing, and reliably supplying high-performance materials such as polyurethanes and polycarbonates, as well as base chemicals. This includes diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI), long-chain polyols, and polycarbonate resins, among others. These materials are used in sectors such as the furniture and wood processing industry, the construction industry as well as the automotive and transportation industry, for example in roof structures, insulation for buildings and refrigerators, mattresses, and car seats, among other applications.

Solutions & Specialties

The Solutions & Specialties segment comprises Covestro's solutions and specialties business, in which we combine chemical products with application technology services and customer-specific system solutions. A fast pace of innovation is a key success factor since customer requirements change quickly. Covestro's Solutions & Specialties business comprises a variety of polymer products including polycarbonates, precursors for coatings and adhesives, MDI specialties and polyols, thermoplastic polyurethanes, specialty films, and elastomers. They are used in sectors such as the automotive and transportation industry; the electrical, electronics, and household appliances industry; the construction industry; and the healthcare industry. These materials include composite resins for solar panel frames, precursors for coatings and adhesives, high-quality specialty films; laptop cases, floodlights, and electric vehicle batteries.

Business activities that cannot be allocated to any of the aforementioned segments are reported under **"All other segments."** The external sales presented there are generated primarily from the sale of energy, site management services, and rentals and leasing.

Costs associated with central corporate functions, higher or lower expenses resulting from the variance between forecast and 100% target achievement as part of long-term variable compensation, the difference between the imputed income tax payments of the reportable operating segments and the actual income taxes paid by the Covestro Group, and intragroup reinsurance can be found in the segment reporting under **"Reconciliation."**

As a general rule, the segment data is calculated in accordance with the International Financial Reporting Standards (IFRSs) listed in note 3 "Accounting Policies and Valuation Principles" with the following exceptions:

- Intersegment sales are generally based on arm's length transactions between the units that make up Covestro's segments. Market prices and, in exceptional cases, cost of goods sold serve as the settlement basis.
- Property, plant and equipment and intangible assets – except goodwill – including noncurrent assets used jointly by both segments and the associated depreciation, amortization, and impairment losses are allocated according to a principle based on major use. Goodwill is allocated at the level of the business entities or strategic business entities. The strategic business entity level corresponds to the reporting level below the seven business entities, which form the two reportable segments Performance Materials and Solutions & Specialties.
- EBIT and EBITDA are not defined in the IFRSs. EBIT is equal to income after income taxes plus financial result and income taxes. EBITDA is EBIT plus amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment, less impairment loss reversals.
- Free operating cash flow, which is not defined in the IFRSs either, equals cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets. The income taxes paid that make up part of cash flows from operating activities are not directly allocated to any of the company's

units. For purposes of calculating cash flows from operating activities, the income taxes paid by a reportable segment are determined by multiplying the imputed tax rate of 25% by that segment's EBIT.

- Trade working capital comprises inventories, trade accounts receivable, and contract assets, less trade accounts payable, contract liabilities, and refund liabilities.

EBIT, EBITDA, and free operating cash flow per segment include intersegment sales and, in each case, the effects of the aforementioned allocation of property, plant and equipment and intangible assets, including noncurrent assets used jointly by both segments, and the associated depreciation, amortization, impairment losses, and impairment loss reversals.

The following tables show the segment reporting data:

Key data by segment

	Performance Materials	Solutions & Specialties	Other /Reconciliation		Covestro Group
			All other segments	Reconciliation	
	€ million	€ million	€ million	€ million	€ million
2024					
Sales (external)	6,970	7,004	205	–	14,179
Intersegment sales	2,228	27	–	(2,255)	–
Sales (total)	9,198	7,031	205	(2,255)	14,179
Cost of goods sold	(6,243)	(5,541)	(164)	(54)	(12,002)
EBITDA ¹	569	740	47	(285)	1,071
EBIT ¹	(42)	374	41	(286)	87
Free operating cash flow ²	78	417	(6)	(400)	89
Cash outflows for additions to property, plant and equipment and intangible assets	496	254	5	26	781
Depreciation, amortization and impairment losses	(611)	(366)	(6)	(1)	(984)
of which impairment losses	(63)	(79)	–	–	(142)
2023					
Sales (external)	6,876	7,267	234	–	14,377
Intersegment sales	2,194	27	–	(2,221)	–
Sales (total)	9,070	7,294	234	(2,221)	14,377
Cost of goods sold	(6,115)	(5,738)	(178)	(40)	(12,071)
EBITDA ¹	576	817	27	(340)	1,080
EBIT ¹	9	497	21	(341)	186
Free operating cash flow ²	162	551	18	(499)	232
Cash outflows for additions to property, plant and equipment and intangible assets	490	270	5	–	765
Depreciation, amortization and impairment losses	(567)	(320)	(6)	(1)	(894)
of which impairment losses	(2)	(43)	–	–	(45)

¹ EBITDA and EBIT include the effect on earnings of intersegment sales.

² The difference between the income tax payments by the reportable operating segments and the income taxes actually paid by the Covestro Group is taken into account under "Reconciliation" and amounted to €–136 million for fiscal 2024 (previous year: €–256 million).

Trade working capital by segment

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Performance Materials	975	964
Solutions & Specialties	1,437	1,447
Total of reportable segments	2,412	2,411
All other segments	(5)	7
Reconciliation	(21)	(27)
Trade working capital	2,386	2,391
of which inventories	2,459	2,851
of which trade accounts receivable	1,898	1,749
of which trade accounts payable	(1,895)	(2,101)
of which IFRS 15 items ¹	(76)	(108)

¹ The item includes contract assets, contract liabilities, and refund liabilities.

Information by Geographical Area

The following table shows information by geographical area. The EMLA region consists of Europe, the Middle East, Africa and Latin America except Mexico, which together with the United States and Canada forms the NA region. The APAC region includes Asia and the Pacific region.

Regional reporting¹

	EMLA	NA	APAC	Total
	€ million	€ million	€ million	€ million
2024				
Sales (external) by market	5,848	3,507	4,824	14,179
Sales (external) by point of origin	5,762	3,597	4,821	14,179
2023				
Sales (external) by market	5,941	3,735	4,701	14,377
Sales (external) by point of origin	5,869	3,815	4,693	14,377

¹ No further presentation of interregional sales is provided, as these are neither reported separately to, nor do they influence the EBIT and EBITDA reported to the Board of Management of Covestro AG.

External sales by market and noncurrent assets can be broken down by country as follows:

Sales (external) by market and noncurrent assets by country

	Sales (external) by market	Noncurrent assets ¹
	€ million	€ million
2024		
Germany	1,609	2,188
United States	2,943	1,756
China	3,200	1,283
Other	6,427	2,255
Total	14,179	7,482
2023		
Germany	1,742	2,098
United States	3,128	1,655
China	3,076	1,266
Other	6,431	2,302
Total	14,377	7,321

¹ Noncurrent assets do not include other financial assets or deferred tax assets.

Information on Major Customers

In fiscal 2024 and the previous year, no customer accounted for 10% or more of the Covestro Group's total sales.

Reconciliation

The following table shows the reconciliation of EBITDA of the segments to income before income taxes of the Group:

Reconciliation of segments' EBITDA to group income before income taxes

	2023	2024
	€ million	€ million
EBITDA of reportable segments	1,393	1,309
EBITDA of all other segments	27	47
EBITDA of reconciliation	(340)	(285)
EBITDA	1,080	1,071
Depreciation, amortization, impairment losses and impairment loss reversals of reportable segments	(887)	(977)
Depreciation, amortization, impairment losses and impairment loss reversals of all other segments	(6)	(6)
Depreciation, amortization, impairment losses and impairment loss reversals of reconciliation	(1)	(1)
Depreciation, amortization, impairment losses and impairment loss reversals	(894)	(984)
EBIT of reportable segments	506	332
EBIT of all other segments	21	41
EBIT of reconciliation	(341)	(286)
EBIT	186	87
Financial result	(113)	(114)
Income before income taxes	73	(27)

The material items under "Reconciliation" are the payments for central corporate functions, intragroup reinsurance, and the higher performance of Covestro shares in the context of long-term variable compensation.

5. Changes in the Scope of Consolidation

5.1 Scope of Consolidation and Investments

As of December 31, 2024, the scope of consolidation comprised Covestro AG and 55 (previous year: 57) consolidated companies.

The decrease in the number of consolidated companies in fiscal 2024 is due on the one hand to the intragroup merger of Covestro Resins (Germany) GmbH, Meppen (Germany), with Covestro Deutschland AG, Leverkusen (Germany), effective January 1, 2024, and on the other to the liquidation of Covestro Coating Resins China Holding B.V., Zwolle (Netherlands), as of September 23, 2024.

The scope of consolidation included the joint operation LyondellBasell Covestro Manufacturing Maasvlakte V.O.F, Rotterdam (Netherlands), as of December 31, 2024, which is unchanged from the previous year. Pursuant to IFRS 11 (Joint Arrangements), Covestro's shares of this company's assets, liabilities, revenues, and expenses are included in the consolidated financial statements in accordance with Covestro's rights and obligations. The main purpose of LyondellBasell Covestro Manufacturing Maasvlakte V.O.F is the joint production of propylene oxide (PO) for Covestro and its partner LyondellBasell.

Additionally, two (previous year: two) associates are accounted for in the consolidated financial statements using the equity method.

Six (previous year: six) subsidiaries and two (previous year: two) associates that in aggregate are immaterial to the Covestro Group's net assets, financial position, and results of operations are not consolidated or accounted for using the equity method, but recognized at cost. As in the previous year, the immaterial subsidiaries each accounted for no more than 0.1% of Group sales, equity, or total assets of the Group in the 2024 reporting year.

The information on the companies included in the consolidated financial statements and on the Covestro Group's shareholdings pursuant to Section 313 (2) of the German Commercial Code (HGB) and the list of domestic subsidiaries that made use of the exemption provisions pursuant to Section 264 (3) of the German Commercial Code (HGB) in fiscal 2024 are components of the consolidated financial statements submitted for publication to Germany's Federal Gazette (Bundesanzeiger).

The disclosures on shareholdings in accordance with the requirements of Section 313 (2) HGB are shown in the following tables. The interests held in the companies listed did not change significantly compared with the previous year.

Fully consolidated companies

Company name	Place of business	Covestro's interest in %
EMLA		
Covestro (France)	Fos-sur-Mer (France)	100
Covestro (Netherlands) B.V.	Geleen (Netherlands)	100
Covestro (Slovakia) Services s.r.o.	Bratislava (Slovakia)	100
Covestro Amulix V.o.F.	Zwolle (Netherlands)	72
Covestro Bio-Based Coatings B.V.	Zwolle (Netherlands)	100
Covestro Brunsbüttel Energie GmbH	Brunsbüttel (Germany)	100
Covestro Deutschland AG	Leverkusen (Germany)	100
Covestro Elastomers	Romans-sur-Isère (France)	100
Covestro Films GmbH	Walsrode (Germany)	100
Covestro First Real Estate GmbH	Leverkusen (Germany)	100
Covestro Indústria e Comércio de Polímeros Ltda.	São Paulo (Brazil)	100
Covestro International SA	Fribourg (Switzerland)	100
Covestro Invest GmbH	Leverkusen (Germany)	100
Covestro Niaga B.V.	Zwolle (Netherlands)	100
Covestro NV	Antwerp (Belgium)	100
Covestro Polyurethanes B.V.	Geleen (Netherlands)	100
Covestro Resins China Holding B.V.	Zwolle (Netherlands)	100
Covestro S.r.l.	Filago (Italy)	100
Covestro Second Real Estate GmbH	Leverkusen (Germany)	100
Covestro UK Limited	Cheadle Hulme (United Kingdom)	100
Covestro Vermittlung GmbH	Leverkusen (Germany)	100
Covestro, S.L.	Barcelona (Spain)	100
MS Global AG in Liquidation	Köniz (Switzerland)	100
Solar Coating Solutions B.V.	Zwolle (Netherlands)	100
NA		
Covestro International Re, Inc.	South Burlington, Vermont (United States)	100
Covestro International Trade Services Corp.	Wilmington, Delaware (United States)	100
Covestro LLC	Pittsburgh, Pennsylvania (United States)	100
Covestro PO LLC	Pittsburgh, Pennsylvania (United States)	100
Covestro, S.A. de C.V.	Mexico City (Mexico)	100
APAC		
Covestro (Hong Kong) Limited	Hong Kong (Special Administrative Region, China)	100
Covestro (India) Private Limited	Navi Mumbai (India)	100
Covestro (Shanghai) Investment Company Limited	Shanghai (China)	100
Covestro (Taiwan) Ltd.	Taipei City (Taiwan, Greater China)	97.4
Covestro (Thailand) Co., Ltd.	Bangkok (Thailand)	100
Covestro (Viet Nam) Company Limited	Ho Chi Minh City (Vietnam)	100
Covestro Eternal Resins (Far East) Ltd.	Pingtung (Taiwan, Greater China)	60
Covestro Eternal Resins (Kunshan) Co., Ltd.	Kunshan (China)	50
Covestro Far East (Hong Kong) Limited	Hong Kong (Special Administrative Region, China)	100
Covestro Invest (Far East) Company Limited	Hong Kong (Special Administrative Region, China)	100
Covestro Japan Ltd.	Tokyo (Japan)	100
Covestro Korea Corporation	Seoul (South Korea)	100
Covestro Material Science and Technology (Shanghai) Company Limited	Shanghai (China)	100
Covestro Polymers (China) Company Limited	Shanghai (China)	100
Covestro Polymers (Qingdao) Company Limited	Qingdao (China)	100
Covestro Polymers (Shenzhen) Co., Ltd.	Shenzhen (China)	100
Covestro Polymers (Zhuhai) Company Limited	Zhuhai (China)	100
Covestro Pty Ltd	Mulgrave (Australia)	100
Covestro Resins (Foshan) Company Ltd.	Foshan (China)	100
Covestro Resins (Shanghai) Co., Ltd.	Shanghai (China)	100
DIC Covestro Polymer Ltd.	Tokyo (Japan)	80
Guangzhou Covestro Polymers Company Limited	Guangzhou (China)	100

Fully consolidated companies

Company name	Place of business	Covestro's interest in %
Japan Fine Coatings Co., Ltd.	Ibaraki (Japan)	100
PT Covestro Polymers Indonesia	Jakarta (Indonesia)	99.9
Sumika Covestro Urethane Company, Ltd.	Hyogo (Japan)	60

According to IFRS 10 (Consolidated Financial Statements), Covestro's interest in the amount of 50% in Covestro Eternal Resins (Kunshan) Co., Ltd., Kunshan (China), is classified as a fully consolidated company due to the 57% share of voting rights.

In addition, the following joint operation has been included in the consolidated financial statements in line with Covestro's shares of its assets, liabilities, revenues and expenses:

Joint operation

Company name	Place of business	Covestro's interest in %
LyondellBasell Covestro Manufacturing Maasvlakte V.O.F	Rotterdam (Netherlands)	50

The following associates are accounted for in the consolidated financial statements using the equity method:

Associates accounted for using the equity method

Company name	Place of business	Covestro's interest in %
Paltough Industries (1998) Ltd.	Kibbutz Ramat Yohanan (Israel)	25
PO JV, LP	Houston, Texas (United States)	39.4

The following subsidiaries were reflected in the consolidated financial statements at amortized cost due to their immateriality:

Immaterial subsidiaries

Company name	Place of business	Covestro's interest in %
Asellion (Shanghai) Information Technology Co., Ltd.	Shanghai (China)	100
Covestro Middle East FZ-LLC	Dubai (United Arab Emirates)	100
Covestro Polimer Anonim Şirketi	Istanbul (Turkey)	100
Covestro Polymers (Tianjin) Co., Ltd.	Tianjin (China)	100
Covestro sp. z o.o.	Warsaw (Poland)	100
Epurex Films Geschäftsführungs-GmbH	Walsrode (Germany)	100

The following associates were recognized at cost due to their immateriality:

Immaterial associates

Company name	Place of business	Covestro's interest in %
Pure Salt Baytown, LLC	Baytown, Texas (United States)	0 ¹
Technology JV, LP	Houston, Texas (United States)	33.3

¹ In accordance with IAS 28 (Investments in Associates and Joint Ventures), Covestro has significant influence on the basis of specific contractual rights, even though it does not hold the requisite share of the capital.

The following consolidated domestic subsidiaries made use of the exemption provisions pursuant to Section 264 (3) of the German Commercial Code (HGB) in fiscal 2024:

German exempt subsidiaries

Company name	Place of business	Covestro's interest in %
Covestro Films GmbH	Walsrode (Germany)	100
Covestro First Real Estate GmbH	Leverkusen (Germany)	100
Covestro Invest GmbH	Leverkusen (Germany)	100
Covestro Second Real Estate GmbH	Leverkusen (Germany)	100
Covestro Vermittlung GmbH	Leverkusen (Germany)	100

5.2 Acquisitions and Divestitures

There were no reportable acquisitions and divestitures in the 2024 reporting year.

Notes to the Income Statement

6. Sales

Sales are categorized according to "geographical regions and key countries" and mainly comprise sales from contracts with customers. The table also contains a reconciliation of the breakdown of sales by reportable segment.

Breakdown of sales

	Performance Materials	Solutions & Specialties	All other segments	Covestro Group
	€ million	€ million	€ million	€ million
2024				
EMLA	3,102	2,585	161	5,848
of which Germany	730	772	106	1,609
NA	1,720	1,755	32	3,507
of which United States	1,469	1,443	30	2,943
APAC	2,148	2,664	12	4,824
of which China	1,587	1,611	2	3,200
Total	6,970	7,004	205	14,179
2023				
EMLA	3,021	2,730	190	5,941
of which Germany	780	836	126	1,742
NA	1,844	1,860	31	3,735
of which United States	1,582	1,517	29	3,128
APAC	2,011	2,677	13	4,701
of which China	1,433	1,640	3	3,076
Total	6,876	7,267	234	14,377

The following table presents the opening and closing balances of trade accounts receivable, contract assets, and contract liabilities.

Contract balances

	Jan. 1, 2023	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million	€ million
Trade accounts receivable	2,011	1,898	1,749
Contract assets	64	65	45
Contract liabilities	56	44	49

Contract assets are recognized in case the right to consideration in exchange for goods or services that have been transferred is conditional. This occurs primarily in the event of goods delivered to external customers' consignment warehouses. Where sales are made through consignment warehouses, customers primarily obtain control over the delivered goods upon delivery to the consignment warehouse. Accordingly, contract assets are generally reclassified to trade accounts receivable when invoiced.

Contract liabilities are recognized for advance payments received from customers prior to transferring goods or services. These contract liabilities are recognized as sales when the goods or services have been transferred.

Sales from performance obligations satisfied (or partially satisfied) in previous periods and recognized in fiscal 2024 amounted to €4 million (previous year: €5 million).

The changes in contract assets and contract liabilities in the reporting period resulted from the following circumstances:

Reconciliation of contract assets

	2023	2024
	€ million	€ million
Reclassification of contract assets recognized at the beginning of the reporting period to trade accounts receivable	(64)	(65)
Additions from goods and services transferred but not yet invoiced in the reporting period	65	45
Total changes	1	(20)

Reconciliation of contract liabilities

	2023	2024
	€ million	€ million
Sales included in the balance of contract liabilities at the beginning of the reporting period	(56)	(44)
Additions from payments received less amounts recognized as sales in the reporting period	44	49
Total changes	(12)	5

The following table presents the transaction price allocated to remaining performance obligations as of the reporting date. It is broken down by the reporting periods in which the performance obligations are expected to be met:

Transaction price allocated to remaining performance obligations

	Dec. 31, 2023		Dec. 31, 2024	
	€ million		€ million	
2024	726	2025	407	
2025	331	2026	255	
2026	260	2027	91	
2027	74	2028	65	
2028	74	2029	57	
2029 or later	161	2030 or later	104	
Total	1,626	Total	979	

The disclosures on the transaction price allocated to remaining performance obligations are based on long-term supply contracts within the meaning of IFRS 15 (Revenue from Contracts with Customers) which stipulate minimum volumes to be purchased as agreed between both parties.

Performance obligations from contracts with an original expected term of 12 months or less are excluded. Similarly, the disclosure excludes performance obligations satisfied over a certain period of time for which Covestro has the right to consideration in an amount that corresponds directly with the value of the performance completed to date and for which Covestro may recognize sales in the amount to which Covestro has the right to invoice.

The transaction price only includes variable consideration arising from contracts with customers, like sales-based or volume-based rebates or price formulas, for which the prices are derived from external, market-based indices, to the extent that they are not constrained as defined in IFRS 15.

7. Other Operating Income

Other operating income was comprised as shown in the following table:

Other operating income

	2023	2024
	€ million	€ million
Gains on retirements of noncurrent assets	52	67
Reversals of impairment losses on receivables	3	3
Gains from derivatives	3	3
Miscellaneous operating income	214	155
Total	272	228

Gains from derivatives in fiscal years 2023 and 2024 resulted from changes in the fair values of embedded derivatives.

Gains on retirements of noncurrent assets mainly result from gains of €46 million (previous year: €0 million) on the sale of intangible assets, primarily in the Performance Materials segment.

Miscellaneous operating income in fiscal 2024 primarily included insurance compensation due to production stoppages in the amount of €55 million (previous year: €75 million), primarily in the Performance Materials segment, and insurance premiums received in the amount of €37 million (previous year: €41 million), which are presented in the "Reconciliation" category. They also include business development subsidies of €26 million (previous year: €53 million) received in China, mainly in the Solutions & Specialties segment.

→ See note 4 "Segment and Regional Reporting."

8. Other Operating Expenses

Other operating expenses were comprised as shown in the following table:

Other operating expenses

	2023	2024
	€ million	€ million
Losses on retirements of noncurrent assets	(20)	(2)
Impairment losses on receivables	(6)	(10)
Losses from derivatives	(2)	(1)
Miscellaneous operating expenses	(141)	(57)
Total	(169)	(70)

Losses from derivatives in fiscal years 2023 and 2024 resulted from changes in the fair values of embedded derivatives.

Miscellaneous operating expenses in fiscal 2024 primarily included insurance expenses of €26 million (previous year: €104 million), which are reported in the "Reconciliation" category. In the previous year, insurance expenses had also included the reimbursement of the insurance amount for production stoppages by the intragroup reinsurance company Covestro International Re, Inc., Colchester, Vermont (United States), to the primary insurer, which had amounted to €75 million.

→ See note 4 "Segment and Regional Reporting."

9. Personnel Expenses and Employee Numbers

Personnel expenses consisted of the following:

Personnel expenses

	2023	2024
	€ million	€ million
Salaries	(1,743)	(1,723)
Social expenses and expenses for pensions and other benefits	(398)	(408)
of which for defined contribution pension plans	(113)	(116)
of which for defined benefit and other pension plans	(64)	(74)
Total	(2,141)	(2,131)

Personnel expenses in fiscal 2024 decreased mainly due to lower expenses for short-term variable compensation.

Average number of employees

	2023	2024
Production	11,955	12,053
Marketing and distribution	2,881	2,784
Research and development	1,376	1,338
General administration	1,403	1,347
Total	17,615	17,522
Employees in vocational training	517	523

The average number of permanent or temporary employees is stated in full-time equivalents. Part-time employees are included on a pro-rated basis in line with their contractual working hours. The figures do not include Board of Management members and employees in vocational training.

10. Financial Result

10.1 Result from Investments in Affiliated Companies

The result from investments in affiliated companies mainly comprises the result of equity-method measurement of the €9 million (previous year: €22 million) loss from the associate PO JV, LP, Houston, Texas (United States), and the €5 million (previous year: €2 million) gain from Paltough Industries (1998) Ltd., Kibbutz Ramat Yohanan (Israel). This figure also included €2 million (previous year: €1 million) in dividend income from other affiliated companies.

→ See note 14 "Investments Accounted for Using the Equity Method."

10.2 Net Interest Expense

Net interest expense was comprised as shown in the following table:

Net interest expense

	2023	2024
	€ million	€ million
Expenses		
Interest and similar expenses	(102)	(103)
Interest expenses from forward exchange contracts	(58)	(42)
Income		
Interest and similar income	44	37
Interest income from forward exchange contracts	26	19
Total	(90)	(89)

Interest and similar expenses primarily resulted from interest expenses on bonds issued by Covestro AG totaling €44 million (previous year: €46 million), on leases totaling €30 million (previous year: €28 million), and on Schuldschein loans issued by Covestro AG in the amount of €19 million (previous year: €27 million).

Interest and similar income resulted mainly from short-term investments and bank balances.

Interest income and expenses from forward exchange contracts included interest rate-driven changes in the fair value and the forward element.

10.3 Other Financial Result

The other financial result was comprised as shown in the following table:

Other financial result

	2023	2024
	€ million	€ million
Interest portion of interest-bearing provisions	(9)	(14)
Exchange gain/(loss)	7	(4)
Miscellaneous financial expenses	(2)	(5)
Total	(4)	(23)

Expenses from the interest portion of interest-bearing provisions mainly include net interest expense from pension provisions and similar obligations amounting to €14 million (previous year: €16 million).

Other financial expenses (net presentation) primarily included expenses relating to fees in connection with financing arrangements amounting to €3 million (previous year: €3 million).

11. Taxes

The breakdown of tax expenses by type is shown in the table below:

Income taxes

	2023	2024
	€ million	€ million
Current taxes	(299)	(262)
tax expense current year	(288)	(264)
(tax expense) / tax income previous years	(11)	2
Deferred taxes	24	17
from temporary differences	55	32
from tax loss carryforwards and tax credits	(31)	(15)
Total	(275)	(245)

The deferred tax assets and liabilities were allocated to the items in the statements of financial position as shown in the table below:

Deferred tax assets and liabilities

	Dec. 31, 2023			Dec. 31, 2024		
	Deferred tax assets	Deferred tax liabilities	of which recognized in profit or loss	Deferred tax assets	Deferred tax liabilities	of which recognized in profit or loss
	€ million	€ million	€ million	€ million	€ million	€ million
Intangible assets	55	(57)	(2)	55	(64)	(9)
Property, plant and equipment	132	(269)	(137)	153	(219)	(66)
of which right-of-use assets from application of IFRS 16	–	(129)	(129)	–	(128)	(128)
Financial assets	–	(57)	(53)	–	(92)	(90)
Inventories	58	(3)	55	73	–	73
Receivables	2	(88)	(86)	1	(90)	(89)
Provisions for pensions and other post-employment benefits	70	(15)	(11)	66	(24)	(22)
Other provisions	99	(8)	91	73	(8)	65
Liabilities	163	(41)	122	184	(40)	144
of which lease liabilities from application of IFRS 16	121	–	121	126	–	126
Tax loss and interest carryforwards and tax credits	19	–	19	4	–	4
Total	598	(538)	(2)	609	(537)	10
of which noncurrent	533	(435)		514	(444)	
Offsetting	(282)	282		(333)	333	
Recognition	316	(256)		276	(204)	

No deferred tax assets were recognized for tax deductible temporary differences in the amount of €780 million (previous year: €665 million) as it is unlikely that these can be utilized within a foreseeable period.

Of the total tax loss and interest carryforwards of €4,284 million (previous year: €3,117 million), an amount of €10 million (previous year: €80 million) is expected to be usable within a foreseeable period. The increase in loss carryforwards was due to additional loss carryforwards in the reporting year and tax reassessments for prior years. Deferred tax assets of €2 million (previous year: €17 million) were recognized for the amount of tax loss and interest carryforwards expected to be usable.

The use of €4,274 million (previous year: €3,037 million) of existing tax loss and interest carryforwards was subject to legal or economic restrictions. Of this amount, €1,832 million is attributable to German corporation tax, €1,985 million to German trade tax, and €50 million to interest carryforwards in Germany. A loss carryforward of

€318 million is attributable to Switzerland. The possible takeover by ADNOC could have a negative impact on the amount of tax loss carryforwards.

Expiration of unusable tax loss and interest carryforwards

	Tax loss and interest carryforwards	
	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Within one year	-	-
Within two years	-	-
Within three years	-	-
Within four years	-	-
Within five years	-	177
Thereafter	3,037	4,097
Total	3,037	4,274

In the reporting year, tax credits of €2 million (previous year: €2 million) were recognized.

In fiscal 2024, subsidiaries that reported losses for the reporting year or the previous year recognized net deferred tax assets totaling €22 million (previous year: €6 million) from temporary differences and tax loss carryforwards. Of this amount, €4 million (previous year: €4 million) was attributable to net deferred tax assets from tax loss and interest carryforwards. All deferred tax assets are considered to be unimpaired because the companies concerned are expected to generate taxable income and tax strategies ensure that the deferred tax assets will be utilized.

Deferred tax liabilities of €21 million (previous year: €27 million) were recognized in the reporting year for planned dividend payments by subsidiaries. No deferred tax liabilities were recognized for temporary differences of €133 million (previous year: €22 million) relating to shares in subsidiaries, as the parent company can control the timing of the reversal of the temporary differences, and it is unlikely that these temporary differences will reverse in the foreseeable future.

The reported tax expense of €245 million for fiscal 2024 (previous year: €275 million) was €283 million lower (previous year: €288 million lower) than the expected tax income of €38 million (previous year: €13 million) that would have resulted from applying an expected weighted average tax rate to the pretax income of the Covestro Group. This average tax rate was derived from the nominal tax rates of the individual Group companies. As losses and profits of different Group companies were offset using local tax rates, the average tax rate was different from the nominal tax rates of the companies. This average tax rate was 140.4% in the year 2024 (previous year: -17.0%). The effective tax rate was -907.4% (previous year: 376.7%).

The Covestro Group operates in various countries. As in the previous year, the tax rates ranged from 14.1% to 34.0% due to national regulations.

The reconciliation of expected to actual income tax expense and of the expected to the effective tax rate for the Covestro Group is shown in the following table:

Reconciliation of expected to actual income tax expense

	2023		2024	
	€ million	%	€ million	%
Income before income taxes	73	100.0	(27)	100.0
Expected income tax expense / (income) and expected tax rate	(13)	-17.0	(38)	140.4
Reduction in taxes due to tax-free income	(14)	-19.1	(14)	51.9
Increase in taxes due to non-tax-deductible expenses	40	54.5	27	-99.8
New tax loss carryforwards and temporary differences unlikely to be usable	197	269.5	176	-651.8
Existing tax loss carryforwards and temporary differences on which deferred tax assets were previously recognized but which are unlikely to be usable	42	57.4	46	-170.4
Tax income (-) and expenses (+) relating to other periods	8	10.9	(3)	11.1
Tax effects of change in tax rates	(4)	-5.5	(17)	63.0
Other tax effects	19	26.0	68	-251.8
Actual income tax expense and effective tax rate	275	376.7	245	-907.4

Other tax effects are primarily the result of ineligible foreign withholding taxes, in particular on investment income of subsidiaries totaling €54 million (previous year: €62 million) and of the change in deferred tax liabilities on planned dividend payments by subsidiaries in the amount of -€6 million (previous year: -€47 million).

Global Minimum Taxation

The Covestro Group falls within the scope of the OECD's Global Anti-Base Erosion (GloBE) Model Rules (Pillar Two). The regulations of the German Minimum Taxation Act came into force on January 1, 2024. Under the legislation, Covestro is required to pay additional tax per country in the amount of the difference between the effective tax rate and a minimum tax rate of 15%. All Group companies (with the exception of Covestro International SA in Switzerland, which is being wound up) are subject to a nominal tax rate of more than 15%. Even if the nominal tax rate is more than 15%, the new legislation could theoretically result in a tax expense due to the minimum taxation. Covestro AG regularly reviews the impact of global minimum taxation legislation in the relevant jurisdictions. As of December 31, 2024, the Covestro Group is subject to an effective tax rate of more than 15% in all jurisdictions in which it operates.

Covestro applies the temporary mandatory exemption relating to the recognition of deferred taxes resulting from the introduction of global minimum taxation and recognizes these taxes as current tax expense/income when they are incurred.

12. Earnings per Share

Earnings per share are calculated according to IAS 33 (Earnings per Share) as the relationship of the Group's income after income taxes (net income) for the fiscal year to the weighted average number of outstanding no-par voting shares of Covestro AG. In fiscal 2024, a weighted average number of outstanding no-par voting shares of 188,740,330 was used to calculate earnings per share, while in fiscal 2023, these shares amounted to 189,262,192.

Earnings per share

	2023	2024
	€ million	€ million
Income after income taxes	(202)	(272)
attributable to noncontrolling interest	(4)	(6)
attributable to Covestro AG shareholders (net income)	(198)	(266)
	Shares	Shares
Weighted average number of outstanding no-par voting shares of Covestro AG	189,262,192	188,740,330
	€	€
Basic/diluted earnings per share	(1.05)	(1.41)

Notes to the Statement of Financial Position

13. Noncurrent Assets

13.1 Goodwill and Other Intangible Assets

Changes in intangible assets in fiscal 2024

	Acquired goodwill	Patents and technologies	Marketing and distribution rights	Production rights	Software	Other rights	Advance payments and intangible assets under development	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Cost of acquisition or generation, December 31, 2023	744	179	451	20	206	221	42	1,863
Capital expenditures	–	1	1	3	2	1	39	47
Retirements	–	–	(11)	–	(1)	(12)	–	(24)
Transfers	–	–	2	1	4	–	(8)	(1)
Transfers (IFRS 5)	–	–	–	–	–	–	–	–
Exchange differences	11	3	8	1	1	3	(1)	26
Cost of acquisition or generation, December 31, 2024	755	183	451	25	212	213	72	1,911
Accumulated amortization, impairment losses and impairment loss reversals	36	82	210	18	192	183	–	721
Carrying amounts, December 31, 2024	719	101	241	7	20	30	72	1,190
Amortization, impairment losses and impairment loss reversals	–	35	42	1	18	6	–	102
Amortization	–	16	36	1	17	5	–	75
Impairment losses	–	19	6	–	1	1	–	27
Impairment loss reversals	–	–	–	–	–	–	–	–

In the reporting year, impairment losses of €27 million were recognized on other intangible assets, in particular patents and technologies. These were primarily due to impairment testing of cash-generating units. As in the previous year, no impairment loss reversals were recognized.

→ See Note 13.3 "Impairment Testing."

Changes in intangible assets in fiscal 2023

	Acquired goodwill	Patents and technologies	Marketing and distribution rights	Production rights	Software	Other rights	Advance payments and intangible assets under development	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Cost of acquisition or generation, December 31, 2022	763	212	466	133	181	229	58	2,042
Capital expenditures	–	–	–	2	5	1	6	14
Retirements	(7)	(27)	(6)	(116)	(2)	(4)	(1)	(163)
Transfers	–	–	1	1	23	–	(21)	4
Transfers (IFRS 5)	–	–	–	–	–	–	–	–
Exchange differences	(12)	(6)	(10)	–	(1)	(5)	–	(34)
Cost of acquisition or generation, December 31, 2023	744	179	451	20	206	221	42	1,863
Accumulated amortization, impairment losses and impairment loss reversals	33	46	176	17	174	187	–	633
Carrying amounts, December 31, 2023	711	133	275	3	32	34	42	1,230
Amortization, impairment losses and impairment loss reversals	7	28	37	–	14	6	1	93
Amortization	–	17	37	–	13	5	–	72
Impairment losses	7	11	–	–	1	1	1	21
Impairment loss reversals	–	–	–	–	–	–	–	–

In the previous year, impairment losses of €21 million were recognized on goodwill and other intangible assets.

13.2 Property, Plant and Equipment

Changes in property, plant and equipment in fiscal 2024

	Land, land rights and buildings, including buildings on third-party land	Plant installations and machinery	Furniture, fixtures and other equipment	Construction in progress and advance payments	Total
	€ million	€ million	€ million	€ million	€ million
Cost of acquisition or construction, December 31, 2023	4,049	14,170	959	1,043	20,221
Capital expenditures	36	243	48	554	881
Retirements	(79)	(356)	(33)	(1)	(469)
Transfers	64	277	13	(353)	1
Transfers (IFRS 5)	(12)	–	(1)	–	(13)
Exchange differences	91	353	29	19	492
Cost of acquisition or construction, December 31, 2024	4,149	14,687	1,015	1,262	21,113
Accumulated depreciation, impairment losses and impairment loss reversals	2,691	11,750	761	13	15,215
Carrying amounts, December 31, 2024	1,458	2,937	254	1,249	5,898
Depreciation, impairment losses and impairment loss reversals	168	619	84	11	882
Depreciation	136	547	82	2	767
Impairment losses	32	72	2	9	115
Impairment loss reversals	–	–	–	–	–

In the reporting year, impairment losses of €115 million were recognized on property, plant and equipment. These were primarily due to impairment testing of cash-generating units. As in the previous year, no impairment losses were reversed in the reporting year.

→ See Note 13.3 "Impairment Testing."

Covestro invests in projects that drive success and progress in achieving a circular economy and climate neutrality. In the reporting year, various investment projects were pursued in the areas of pollution prevention and control, energy efficiency improvements, and recycling management with a particular focus on technical equipment and machinery. Examples include investments in energy efficiency by the implementation of hot phosgene generation in Dormagen (Germany), the upgrade of chlor-alkali production at our Leverkusen (Germany) site, and the reduction in nitrogen oxide emissions from nitric acid production in Baytown (United States) and Caojing (China).

Borrowing costs of €15 million (previous year: €12 million) were capitalized as part of the cost of qualifying assets under property, plant and equipment in the reporting year. The capitalization rate applied amounted to 2.9% on average (previous year: 2.9%).

Changes in property, plant and equipment in fiscal 2023

	Land, land rights and buildings, including buildings on third-party land	Plant installations and machinery	Furniture, fixtures and other equipment	Construction in progress and advance payments	Total
	€ million	€ million	€ million	€ million	€ million
Cost of acquisition or construction, December 31, 2022	4,052	14,106	935	937	20,030
Capital expenditures	90	284	63	539	976
Retirements	(42)	(168)	(28)	(2)	(240)
Transfers	62	331	18	(415)	(4)
Transfers (IFRS 5)	(10)	-	(1)	(1)	(12)
Exchange differences	(103)	(383)	(28)	(15)	(529)
Cost of acquisition or construction, December 31, 2023	4,049	14,170	959	1,043	20,221
Accumulated depreciation, impairment losses and impairment loss reversals	2,536	11,197	689	4	14,426
Carrying amounts, December 31, 2023	1,513	2,973	270	1,039	5,795
Depreciation, impairment losses and impairment loss reversals	144	571	83	3	801
Depreciation	140	553	83	1	777
Impairment losses	4	18	-	2	24
Impairment loss reversals	-	-	-	-	-

In the previous year, impairment losses of €24 million were recognized on property, plant and equipment.

13.2.1 Leasing

Covestro as Lessee

The recognized right-of-use assets from leases are reported under property, plant and equipment.

Changes in right-of-use assets in 2024

	Land and buildings	Plant installations and machinery	Furniture, fixtures and other equipment	Total
	€ million	€ million	€ million	€ million
Carrying amounts, January 1, 2024	271	324	168	763
Additions	28	75	34	137
Retirements	(9)	(1)	(1)	(11)
Depreciation, impairment losses and impairment loss reversals	(62)	(68)	(51)	(181)
Other changes	7	9	7	23
Carrying amounts, December 31, 2024	235	339	157	731

Changes in right-of-use assets in 2023

	Land and buildings	Plant installations and machinery	Furniture, fixtures and other equipment	Total
	€ million	€ million	€ million	€ million
Carrying amounts, January 1, 2023	288	305	185	778
Additions	50	102	45	197
Retirements	(6)	(5)	(7)	(18)
Depreciation, impairment losses and impairment loss reversals	(46)	(66)	(52)	(164)
Other changes	(15)	(12)	(3)	(30)
Carrying amounts, December 31, 2023	271	324	168	763

Right-of-use assets relate mainly to leases for production and logistics infrastructure and real estate leases. Leases for production and logistics infrastructure are mainly related to the rental of tanks and containers as well as rail tank cars. For tanks and containers, the average lease term is 16 years (previous year: 16 years) and for rail tank cars, 14 years (previous year: 12 years). Leases for renting real estate, particularly buildings, are for an average lease term of 18 years (previous year: 16 years). Some of the underlying leases include variable lease payments as well as options to extend or terminate the lease.

→ See note 3 "Accounting Policies and Valuation Principles."

The following table presents the amounts recognized in the statement of cash flows and the income statement for all leases:

Cash outflows and expenses from leases

	2023	2024
	€ million	€ million
Amounts reported in the statement of cash flows		
Total cash outflow for leases	202	205
Amounts reported in the income statement		
Depreciation, impairment losses and impairment loss reversals	164	181
Interest expense	28	30
Expenses relating to short-term leases	14	15
Expenses relating to leases of low-value assets	2	2
Expenses relating to variable lease payments not included in the lease liability	2	3

As of December 31, 2024, the lease commitments for short-term leases not recognized in the statement of financial position amount to €7 million (previous year: €4 million).

Further information on the liabilities arising from leases and details on payments from leases are described in the following notes:

→ See Note 21 "Financing and Financial Debt."

→ See Note 27 "Notes to the Statement of Cash Flows."

Covestro as Lessor

In the reporting year, leasing income generated from lease contracts under IFRS 16 (Leases) was €7 million (previous year: €9 million). These are mainly related to real estate. In addition, lease payments from rentals of €4 million (previous year: €4 million) are expected to be received in the following year, not including the investment property as outlined below. Lease payments totaling €4 million are expected to be received in the period from 2026–2029, and lease payments totaling €2 million after the year 2029.

At Covestro, risks from renting real estate are usually limited by building insurance policies and by the contractual obligation of the tenant to return the property to its original condition. In addition, contractual agreements provide for price adjustment mechanisms based primarily on the relevant consumer price indices.

13.2.2 Investment Property

The total carrying amount of investment property as of December 31, 2024, amounted to €21 million (previous year: €21 million), and its fair value totaled €158 million (previous year: €150 million). Rental income from investment property was €16 million (previous year: €16 million) and the operating expenses directly allocable to this property amounted to €10 million (previous year: €10 million). In the reporting period and in the previous year, no material operating expenses were recognized for investment property not generating any rental income.

Rental income generated from the leasing of properties classified as investment properties stemmed in part from contracts for hereditary building rights and leases granted by the Covestro Group. These contracts with a weighted average remaining term of 34 years relate to space used by companies in the chemical industry and contractual partners of Covestro at production sites in Germany. Based on current rental prices, around €6 million in rental income will be received annually from these long-term contracts in the coming years.

13.3 Impairment Testing

If there are indications that an individual asset that does not constitute goodwill may be impaired, the recoverable amount is compared to the carrying amount to determine whether it is higher or lower. If the recoverable amount does not exceed the respective carrying amount, an impairment loss is recognized in profit or loss in the amount of the difference between the carrying amount and the recoverable amount. An impairment loss is reversed in profit or loss if the reasons for impairment no longer apply. Impairment losses and any impairment loss reversals are recognized in the functional cost in the same way as depreciation and amortization, depending on the use of the respective assets.

In addition to impairment testing of individual items of property, plant and equipment and other intangible assets, cash-generating units are globally tested if there is indication of impairment. Goodwill is tested for impairment in the fourth quarter at the level of (groups of) cash-generating units. As a rule, Covestro considers strategic business entities to be cash-generating units. They represent the reporting level below the seven business entities that form the two reportable segments, Performance Materials and Solutions & Specialties. If the annual impairment test of goodwill is performed at the level of groups of cash-generating units or if a business entity comprises only one cash-generating unit, the level tested is the relevant business entity.

If recognizing an impairment loss is required at the level of a CGU or group of CGUs, goodwill is written down first. In cases where the necessary impairment loss exceeds the goodwill written down, the remaining charge is distributed across other noncurrent, nonfinancial assets in proportion to their carrying amount. However, no individual asset is written down below its recoverable amount. Impairment losses on goodwill are recognized in other operating expenses.

The recoverable amount of a CGU or group of CGUs is equal to the fair value less costs of disposal. This calculation is based on the present value of the future cash flows since no market price can be determined for the individual units. The forecasts of future cash flows for determining the recoverable amount are based on the Covestro Group's current planning, which generally extends over five years. In certain cases, shorter or longer planning horizons are also considered if advisable due to CGU-specific assumptions underlying the planning. Assumptions

made for purposes of forecasting cash flows mainly concern future selling prices and sales volumes, costs, market growth rates, economic cycles, and exchange rates. Changes in these assumptions are based on the Group's own estimates and external sources of information. Where the recoverable amount is the fair value less costs of disposal, this is measured from the viewpoint of an independent market participant. Cash flows beyond the detailed planning period are determined on the basis of the respective individual growth rates derived from market information and the associated long-term business expectations. The measurement of fair value less costs of disposal is based on unobservable inputs ("Level 3" of the fair value hierarchy).

The net cash inflows are discounted at the weighted average cost of capital (WACC), which is calculated as the weighted average cost of equity and cost of debt. To take into account the risk and return profile of the Covestro Group, an after-tax cost of capital is calculated, and a specific capital structure is defined via benchmarking against comparable companies in the same industry sector ("peer group"). The cost of equity corresponds to the return expected by shareholders, while the cost of debt is based on the terms at which the peer group can obtain long-term financing. Both components are derived from capital market information.

The monitoring and management structure for recognized goodwill and the capital cost factors and growth rates used in annual impairment testing are presented in the following table for each CGU or group of CGUs. The growth assumptions reflect, in particular, economic cycles over several years as well as expectations for capacity and the market for each unit to be tested.

Steering- and monitoring level of goodwill and important valuation parameters for the central impairment test in the 4th quarter

Impairment testing level or goodwill carrying unit	Testing level ¹	Segment	Goodwill in million €		Cost of capital in %		Terminal value growth rate in %
			2023	2024	2023	2024	2024
Standard Diphenylmethan-Diisocyanat (SMDI)	Strategic Business Area	Performance Materials	49	52	8.2	7.5	1.5
Standard Polycarbonate (SPCS)	Strategic Business Area	Performance Materials	43	44	8.3	7.6	1.0
Standard Polyether-Polyols (SPET)	Strategic Business Area	Performance Materials	-	-	8.2	7.5	1.0
Engineering Plastics (EP)	Strategic Business Area	Solutions & Specialties	71	72	8.3	7.6	1.5
Coatings & Adhesives (CA)	Business Entity	Solutions & Specialties	529	532	8.5	7.9	1.5
Powder Coating Resins (PCR)	Strategic Business Area	Solutions & Specialties	-	-	8.5	7.9	2.0
Energy Curable Solutions (ECS)	Strategic Business Area	Solutions & Specialties	-	-	8.5	7.9	1.8
Thermoplastic Polyurethanes (TPU)	Strategic Business Area	Solutions & Specialties	15	15	8.2	7.6	1.5
Other	Strategic Business Area	Solutions & Specialties	4	4	8.2–8.5	7.6	0–1.5

¹ The business entity level is used for impairment testing of recognized goodwill if this is performed at the level of groups of cash-generating units. At the level of the strategic business area as a cash-generating unit, the central impairment test is performed on property, plant and equipment and other intangible assets, as well as any directly allocated goodwill. If a business entity comprises only a single strategic business area, the level tested is designated as a strategic business area.

Due to the continued difficult economic conditions and a deterioration in the business outlook compared with the previous year in individual sub-areas, ad-hoc impairment tests were carried out at the level of cash-generating units in the fourth quarter. These tests indicated that the recoverable amount of the cash-generating units SPET in the Performance Materials segment and PCR and ECS in the Solutions & Specialties segment was lower than the relevant carrying amounts. In consequence, impairment losses of €106 million were recognized in the fourth quarter of 2024 as a result of the central impairment tests. These expenses were recognized in cost of goods sold (€77 million), selling expenses (€6 million), and research and development expenses (€23 million).

The results of these impairment tests are presented in the following:

Overview of the results of the central impairment testing activities of 4th quarter 2024

Impairment Testing Level	Recoverable Amount	Impairment in million €	Other Intangibles, especially marketing rights and technology	Plant installations and machinery	Land, land rights and buildings	Construction in progress	Others
Standard Polyether-Polyole (SPET)	26	59	-	35	19	5	-
Powder Coating Resins (PCR)	122	8	-	6	1	1	-
Energy Curable Solutions (ECS)	193	39	25	9	4	-	1

The recognized impairment losses are attributable in particular to reduced business expectations in light of the ongoing difficult supply and demand situation in large parts of the chemical industry, which was reflected in the corporate planning underlying the measurement model for forecasting future cash flows. In the case of SPET, low demand combined with increased supply is leading to high price pressure, which is having a lasting impact on achievable operating margins. The key planning assumption is that the current unsustainable price levels will stabilize at a low level starting in the coming fiscal year. In the case of PCR, reduced unit sales expectations, especially in comparison to the previous year, in light of the continued sluggish demand from key customer industries, are leading to reduced business expectations, which are impacting the forecast cash flows. Within the detailed planning period, average annual volume increases in the mid-single-digit percentage range and disproportionate EBITDA growth were factored in. At ECS, by contrast, this is due to increased competitive pressure in the optical fiber coatings business and reduced unit sales expectations due to a persistently low level of infrastructure investments. Average volume increases in the high single-digit percentage range and disproportionate EBITDA growth were factored in.

The carrying amount of the CA business entity includes a considerable proportion of goodwill valued at €532 million. The impairment test was based on a detailed planning period of three years, in which it was assumed that there would be average volume increases in the mid-single-digit percentage range and above-average EBITDA growth. A key planning assumption is that the current difficult economic environment will largely stabilize by the year 2026.

Taking into account the impairment of individual property, plant and equipment and other intangible assets, impairment losses in fiscal 2024 totaled €142 million (previous year: €45 million). Of this amount, €79 million (previous year: €43 million) was attributable to the Solutions & Specialties segment and €63 million (previous year: €2 million) to the Performance Materials segment. In the future, changes in assumptions or circumstances could require adjustments leading to additional impairment losses or, in the case of items other than goodwill, to reversals of impairment losses if developments run counter to expectations. The sensitivity analysis for all tested cash-generating units and the CA business entity assumed a linear 10% reduction in future free operating cash flow, a 10% increase in WACC, or a one percentage point reduction in the long-term growth rate. Except for the cash-generating units that were subject to impairment in previous fiscal years and whose carrying amount was confirmed by testing in fiscal 2024, no carrying amount would exceed the recoverable amount in these scenarios of the tested unit. These areas do not include any recognized goodwill. However, the gradual normalization of the economic situation assumed for the determination of the recoverable amount of the individual cash-generating units, in particular the imbalance of global supply and demand, and capacity utilization at Covestro's own plants, can materially affect the recoverability of the individual cash-generating units in the next fiscal year and lead to reversals of impairment losses.

14. Investments Accounted for Using the Equity Method

The figures in the following two tables are estimated on the basis of the first three quarters for the full 2024 reporting year and show summarized data from the income statement and statement of financial position of the associate PO JV, LP, Houston, Texas (United States), which is accounted for using the equity method, and show the respective amounts recognized in the financial statements of the Covestro Group.

→ See note 5.1 "Scope of Consolidation and Investments" for an overview of the companies accounted for using the equity method.

In 2000, the polyols business and parts of the propylene oxide (PO) production operations of former Lyondell Chemicals Company, Houston, Texas (United States), were acquired with the objective of ensuring access to patented technologies and safeguarding the long-term supply of PO, a precursor for polyurethanes. As part of this strategy, a company was established to jointly produce PO (PO JV, LP, in which Covestro continues to hold a 39.4% interest, as in the prior year). Covestro benefits from fixed long-term supply quotas/volumes of PO produced by this company.

Income statement data of PO JV, LP, Houston, Texas (United States)

	2023	2024
	€ million	€ million
Sales	2,029	1,969
Net loss after taxes	(56)	(29)
Share of net loss after taxes	(22)	(9)
Share of total comprehensive income after taxes	(22)	(9)

Statement of financial position data of PO JV, LP, Houston, Texas (United States)

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Noncurrent assets	317	473
Equity	317	473
Share of equity	154	227
Other	(3)	6
Carrying amount	151	233

The following table summarizes the income statement data and the carrying amount of the equity-accounted associate Paltough Industries (1998) Ltd., Kibbutz Ramat Yohanan (Israel) (Covestro's interest remained unchanged from the prior year at 25%) and estimated on the basis of the first three quarters for the full 2024 reporting year:

Income statement data and carrying amount of Paltough Industries (1998) Ltd., Kibbutz Ramat Yohanan (Israel)

	2023	2024
	€ million	€ million
Income after taxes	17	27
Share of income after taxes	2	5
Share of total comprehensive income after taxes	2	5
Carrying amount	31	36

15. Other Financial Assets

Other financial assets consisted of the following items:

Other financial assets

	Dec. 31, 2023		Dec. 31, 2024	
	Total	Of which current	Total	Of which current
	€ million	€ million	€ million	€ million
Loans and bank deposits	352	279	96	27
Other investments	22	–	15	–
Receivables from derivatives	21	19	18	12
Receivables under lease agreements	10	–	12	–
Miscellaneous financial assets	15	13	14	9
Total	420	311	155	48

Loans and bank deposits as of December 31, 2024 mainly included initial funding loans of €64 million (previous year: €63 million), which are measured at fair value. In addition, the item contained in particular bank deposits of €23 million, which declined by €253 million in the fiscal year under review.

→ See note 25 "Contingent Liabilities and Other Financial Commitments."

→ See note 24.1 "Financial Instruments by Category" for further information regarding loans and bank deposits and other investments.

Receivables from derivatives consisted of the following items:

Receivables from derivatives

	Dec. 31, 2023		Dec. 31, 2024	
	Total	Of which current	Total	Of which current
	€ million	€ million	€ million	€ million
Receivables from forward exchange contracts	19	19	6	6
Receivables from commodity derivatives	–	–	7	6
Receivables from embedded derivatives	2	–	5	–
Total	21	19	18	12

→ See note 24.2 "Financial Risk Management and Information on Derivatives."

Receivables under lease agreements relate to finance leases where Covestro is the lessor and the counterparty is the economic owner of the leased assets. Receivables under lease agreements are based on expected future lease payments of €55 million (previous year: €50 million) including an interest component of €43 million (previous year: €40 million). In the reporting year, interest income from finance leases of €2 million (previous year: €1 million) was recognized. Of the expected lease payments, €1 million is due within one year (previous year: €1 million), €6 million is due within the following four years (previous year: €5 million), and €48 million is due in subsequent years (previous year: €44 million).

The impairment losses determined as of the reporting date for financial assets not included in trade accounts receivable were not material.

16. Inventories

Inventories were comprised as follows:

Inventories

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Raw materials and supplies	790	831
Work in process, finished goods and goods purchased for resale ¹	1,665	2,016
Advance payments	4	4
Total	2,459	2,851

¹ In fiscal 2024, work in process comprises approximately 19% of inventories (previous year: approximately 19%).

In fiscal 2024, impairment losses on inventories of €45 million (previous year: €56 million) and reversals of impairment losses of €14 million (previous year: €25 million) were recognized through profit or loss in cost of goods sold.

The cost of goods sold included cost of inventories recognized as an expense of €11,671 million (previous year: €11,776 million).

17. Other Receivables

Other receivables consisted of the following:

Other receivables

	Dec. 31, 2023		Dec. 31, 2024	
	Total	Of which current	Total	Of which current
	€ million	€ million	€ million	€ million
Other tax receivables	224	222	221	214
Prepaid expenses	95	92	99	95
Net defined benefit asset	66	–	72	–
Contract assets	65	64	45	45
Reimbursement claims	23	23	1	1
Receivables from employees	1	1	1	1
Miscellaneous receivables	136	94	203	161
Total	610	496	642	517

→ See note 6 "Sales" for further information on contract assets.

In fiscal 2024, Covestro was entitled to receive government grants of €115 million (previous year: €64 million) on the basis of the guideline entitled "Subsidies for indirect CO₂ costs" published by the German Federal Ministry for Economic Affairs and Climate Action on September 1, 2022; these subsidies are subject to specific measures to improve energy efficiency being carried out in accordance with section 4.2.1a of this guideline. These requirements must be met by no later than December 31, 2025, and Covestro expects to be able to meet these requirements, as in the previous years. There were receivables of €115 million at the reporting date (previous year: €57 million) related to these grants, which are reported as miscellaneous receivables.

18. Equity

The individual components of equity and changes in equity in fiscal years 2023 and 2024 are presented in the Covestro Group consolidated statement of changes in equity.

Authorized and Conditional Capital

The Annual General Meeting (AGM) adopted a resolution on April 16, 2021, authorizing the Board of Management, with the approval of the Supervisory Board, to increase the capital stock of the company by up to €57,960,000 in the period through April 15, 2026 by issuing new, no-par value bearer shares against cash contributions and/or contributions in kind (Authorized Capital 2021).

The Authorized Capital 2021 has not been utilized to date.

On July 30, 2020, the AGM authorized the Board of Management to issue bonds with conversion or exchange rights or warrants, or with conversion obligations, or a combination of these instruments on up to 18,300,000 no-par value bearer shares of Covestro AG. Based on this authorization, convertible/warrant bonds can be issued up to a total nominal value of €2.0 billion by the company or a Group company in the period through July 29, 2025. The AGM in the year 2020 also resolved to conditionally increase the capital stock by up to €18.3 million by issuing up to 18,300,000 no-par value bearer shares to grant shares to the holders or creditors of such convertible/warrant bonds (Conditional Capital 2020).

The Conditional Capital 2020 has not been utilized to date.

Capital Stock

Covestro AG's capital stock as of December 31, 2024, was unchanged at €189 million (previous year: €189 million).

Change in capital stock

	Number of shares	Of which treasury shares	Shares carrying dividend rights	Capital stock
	number	number	number	€ million
Dec. 31, 2023	189,000,000	(259,670)	188,740,330	189
Dec. 31, 2024	189,000,000	(259,670)	188,740,330	189

Covestro AG's capital stock as of December 31, 2024, is divided into 189,000,000 (previous year: 189,000,000) no-par value bearer shares and is fully paid up. Each share confers the right to one vote.

As of December 31, 2024, the company held 259,670 treasury shares (previous year: 259,670), corresponding to 0.1% of the capital stock. The number of shares outstanding as of December 31, 2024, was unchanged at 188,740,330 (previous year: 188,740,330). As in the previous year, Covestro AG did not issue any treasury shares to employees as part of the Covestment share-based participation program.

Capital Reserves

Covestro AG's capital reserves as of December 31, 2024, were unchanged at €3,740 million (previous year: €3,740 million).

The capital reserves include premiums from the issue of shares.

Retained Earnings and Other Comprehensive Income

Retained earnings totaled €2,171 million (previous year: €2,291 million) as of December 31, 2024.

Retained earnings consist of the net income earned both in the current fiscal year and in the past less the dividends paid. This item also includes all remeasurements of the net defined benefit liability for post-employment benefit plans recognized in other comprehensive income and changes in equity instruments measured at fair value through other comprehensive income. Accumulated other comprehensive income includes foreign

currency effects from the translation of the annual financial statements of foreign subsidiaries that are recognized directly in equity as well as the effects of changes in the value of derivatives used in cash flow hedges.

→ See note 24.2 "Financial Risk Management and Information on Derivatives" for further information on derivatives and changes in the cash flow hedge reserve from derivatives.

Dividend

The dividend available for distribution is based on the distributable profit reported in the annual financial statements of Covestro AG, which were prepared according to the provisions of the German Commercial Code (HGB). Since the 2020 annual financial statements, Covestro AG's dividend policy has been more closely linked to the Group's overall business situation and specifies that Covestro AG will distribute a portion of the Group's net income to shareholders of Covestro AG.

Since the Group again generated negative net income in fiscal 2024, no dividend will be paid to Covestro AG shareholders for fiscal 2024, as for fiscal 2023, in accordance with the current dividend policy. Due to the negative net income, in the year 2024, no dividend per share carrying dividend rights was paid for fiscal 2023.

Equity Attributable to Noncontrolling Interests

The noncontrolling interests mainly relate to the equity of Covestro Eternal Resins (Kunshan) Co, Ltd, Kunshan (China), Covestro Eternal Resins (Far East) Ltd, Pingtung (Taiwan, Greater China), DIC Covestro Polymer Ltd, Tokyo (Japan), and Sumika Covestro Urethane Company, Ltd, Hyogo (Japan).

The changes in equity attributable to noncontrolling interests are presented in the following table:

Changes in equity attributable to noncontrolling interests

	2023	2024
	€ million	€ million
January 1	36	28
Exchange differences on translation of operations outside the eurozone	(3)	–
Dividend payments	(1)	(1)
Change in equity recognized in profit or loss	(4)	(6)
December 31	28	21

Takeover Offer by the ADNOC Group

On October 1, 2024, Covestro AG signed an investment agreement with certain companies of the ADNOC Group, including XRG P.J.S.C. (XRG), Abu Dhabi (United Arab Emirates), (formerly: ADNOC International Limited, Abu Dhabi (United Arab Emirates)) and its subsidiary ADNOC International Germany Holding AG ("Bidder"). The investment agreement specifies, among other things, that the Bidder will submit to the shareholders of Covestro AG a public takeover offer for all outstanding shares of Covestro at a price of €62.00 per share. The offer was subject to a minimum acceptance ratio of 50% plus one share and the normal conditions of completion, including antitrust and foreign trade clearance, and clearance under EU law on foreign subsidies. The publication of the takeover offer on October 24, 2024 marked the start of the first offer period, which ended on November 27, 2024 with an acceptance ratio of 60.39%. During the second offer period from December 3, 2024 to December 16, 2024, the acceptance ratio increased to 81.77%. Together with the 9.81% of shares acquired by XRG directly and the shares tendered, this corresponds to a proportion of 91.58% of Covestro's share capital at the end of 2024.

→ See also Capital Market in the "Covestro Shares" and "Significant Events" sections of the Management Report.

19. Provisions for Pensions and Other Post-Employment Benefits

Provisions for pensions and other post-employment benefits were recognized for defined benefit obligations.

→ See note 9 "Personnel Expenses and Employee Numbers" for the expenses for defined contribution obligations.

The net defined benefit liability for post-employment benefit plans was accounted for as follows:

Net defined benefit liability recognized in the statement of financial position

	Pensions		Other post-employment benefits		Total	
	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million	€ million	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	346	269	118	118	464	387
Germany	228	143	–	–	228	143
Other countries	118	126	118	118	236	244
Net defined benefit asset	66	72	–	–	66	72
Germany	66	71	–	–	66	71
Other countries	–	1	–	–	–	1
Net defined benefit liability	280	197	118	118	398	315
Germany	162	72	–	–	162	72
Other countries	118	125	118	118	236	243

Expenses for defined benefit plans and for other post-employment benefits included the following components:

Expenses for defined benefit plans

	Pension plans						Other post-employment benefit plans	
	Germany		Other countries		Total		Other countries	
	2023	2024	2023	2024	2023	2024	2023	2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Current service cost	46	50	11	11	57	61	2	2
Past service cost	6	12	–	–	6	12	–	–
Plan settlements	–	–	(1)	(1)	(1)	(1)	–	–
Service cost	52	62	10	10	62	72	2	2
Interest expense from defined benefit obligation	107	104	21	19	128	123	6	6
Interest income from plan assets	(102)	(101)	(16)	(14)	(118)	(115)	–	–
Net interest	5	3	5	5	10	8	6	6
Total expenses	57	65	15	15	72	80	8	8

In fiscal 2024, gains totaling €157 million (previous year: €9 million) from remeasurements of the net defined benefit liability were also recognized in other comprehensive income. This resulted largely from actuarial gains attributable to the increase in discount rates. Of this amount, €152 million (previous year: €17 million) relates to pension obligations and €5 million (previous year: €–8 million) to other post-employment benefit obligations.

The changes in the net defined benefit liability for post-employment benefit plans were as follows:

Changes in the present value of the defined benefit obligation

	2023			2024		
	Germany	Other countries	Total	Germany	Other countries	Total
	€ million	€ million	€ million	€ million	€ million	€ million
January 1	2,931	614	3,545	3,194	596	3,790
Current service cost	46	13	59	50	13	63
Past service cost	6	–	6	12	–	12
(Gains) / losses from plan settlements	–	(1)	(1)	–	(1)	(1)
Interest expense from defined benefit obligation	107	27	134	104	25	129
Net actuarial (gain) / loss	166	19	185	(107)	(14)	(121)
Due to change in financial assumptions	137	18	155	(97)	(27)	(124)
Due to change in demographic assumptions	–	8	8	–	4	4
Due to experience adjustments	29	(7)	22	(10)	9	(1)
Employee contributions	16	1	17	18	1	19
Payments due to plan settlements	–	(7)	(7)	–	(22)	(22)
Benefits paid out of plan assets	(36)	(42)	(78)	(84)	(36)	(120)
Benefits paid by the company	(42)	(15)	(57)	(5)	(18)	(23)
Exchange differences	–	(13)	(13)	–	22	22
December 31	3,194	596	3,790	3,182	566	3,748
of which other post-employment benefits	–	121	121	–	122	122

Changes in plan assets measured at fair value

	2023			2024		
	Germany	Other countries	Total	Germany	Other countries	Total
	€ million	€ million	€ million	€ million	€ million	€ million
January 1	2,751	379	3,130	3,047	362	3,409
Interest income from plan assets	102	16	118	101	14	115
Return or (loss) on plan assets excluding amounts recognized as interest result	182	14	196	55	(13)	42
Employer contributions ¹	33	8	41	(5)	9	4
Employee contributions	16	1	17	18	1	19
Payments due to plan settlements	–	(7)	(7)	–	(22)	(22)
Benefits paid out of plan assets	(36)	(42)	(78)	(84)	(36)	(120)
Plan administration cost paid out of plan assets	(1)	–	(1)	(1)	–	(1)
Exchange differences	–	(7)	(7)	–	10	10
December 31	3,047	362	3,409	3,131	325	3,456
of which other post-employment benefits	–	3	3	–	4	4

¹ Employer contributions may contain refunds of pension benefits paid for previous fiscal years.

Effects of the asset ceiling

	2023			2024		
	Germany	Other countries	Total	Germany	Other countries	Total
	€ million	€ million	€ million	€ million	€ million	€ million
January 1	14	1	15	15	2	17
Net interest	–	–	–	–	–	–
Remeasurement of asset ceiling	1	1	2	6	–	6
Exchange differences	–	–	–	–	–	–
December 31	15	2	17	21	2	23
of which other post-employment benefits	–	–	–	–	–	–

Changes to the net defined benefit liability

	2023			2024		
	Germany	Other countries	Total	Germany	Other countries	Total
	€ million	€ million	€ million	€ million	€ million	€ million
January 1	194	236	430	162	236	398
Current service cost	46	13	59	50	13	63
Past service cost	6	–	6	12	–	12
(Gains) / losses from plan settlements	–	(1)	(1)	–	(1)	(1)
Net interest	5	11	16	3	11	14
Net actuarial (gain) / loss	166	19	185	(107)	(14)	(121)
(Return) or loss on plan assets excluding amounts recognized as interest result	(182)	(14)	(196)	(55)	13	(42)
Remeasurement of asset ceiling	1	1	2	6	–	6
Employer contributions ¹	(33)	(8)	(41)	5	(9)	(4)
Employee contributions	–	–	–	–	–	–
Payments due to plan settlements	–	–	–	–	–	–
Benefits paid out of plan assets	–	–	–	–	–	–
Benefits paid by the company	(42)	(15)	(57)	(5)	(18)	(23)
Plan administration cost paid out of plan assets	1	–	1	1	–	1
Exchange differences	–	(6)	(6)	–	12	12
December 31	162	236	398	72	243	315
of which other post-employment benefits	–	118	118	–	118	118

¹ Employer contributions may contain refunds of pension benefits paid for previous fiscal years.

The pension obligations pertained mainly to Germany (85%; previous year: 84%) and the United States (11%; previous year: 11%). In Germany, current employees accounted for approximately 46% (previous year: approximately 48%) of entitlements under defined benefit plans, retirees or their surviving dependents for approximately 48% (previous year: approximately 46%), and former employees with vested pension rights for approximately 6% (previous year: approximately 6%). In the United States, current employees accounted for approximately 31% (previous year: approximately 32%) of entitlements under defined benefit plans, retirees or their surviving dependents for approximately 64% (previous year: approximately 63%), and former employees with vested pension rights for approximately 5% (previous year: approximately 5%).

Actual gains on plan assets relating to pension obligations amounted to €157 million (previous year: losses of €314 million). No income was accrued from plan assets for other post-employment benefits either in the reporting period or the prior year.

The present value of the defined benefit obligation for pensions and other post-employment benefits and the funded status of the funded obligations are presented in the following table:

Defined benefit obligation and funded status

	Pension obligations		Other post-employment benefit obligations		Total	
	2023	2024	2023	2024	2023	2024
	€ million	€ million	€ million	€ million	€ million	€ million
Defined benefit obligation	3,669	3,626	121	122	3,790	3,748
Unfunded	94	96	116	116	210	212
Funded	3,575	3,530	5	6	3,580	3,536
Funded status of funded obligations						
Overfunding	83	95	–	–	83	95
Underfunding	252	173	2	2	254	175

Pension Entitlements and Other Post-Employment Benefit Obligations

The Covestro Group provides retirement benefits for most of its employees, either directly or by contributing to privately or publicly administered funds. Benefits vary according to the legal, tax, and economic conditions of each country and are generally based on employee compensation and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees.

Funded pension plans exist for employees in various countries. As a general rule, an individual investment strategy is determined for each of the Covestro Group's defined benefit pension plans taking into account the risk structure of the obligations (especially demographics, the current funded status, the structure of the expected future cash flows, interest sensitivity, biometric risks, etc.), the regulatory environment, and the existing level of risk tolerance or risk capacity. A strategic target investment portfolio is then developed in line with the plan's risk structure, taking capital market factors into consideration. Further determinants include risk diversification, portfolio efficiency, and the need for both a country-specific and a global risk/return profile centered on ensuring the payment of all future benefits. Since the capital investment strategy for each pension plan is always developed individually in light of the plan-specific conditions listed above, the investment strategies for different pension plans may vary considerably. The investment strategies are generally geared less toward maximizing absolute returns and more toward ensuring that the pension commitments can be financed with a sufficient degree of probability. For plan assets, stress scenarios are simulated and other risk analyses (such as value at risk) are undertaken with the aid of risk management systems.

In addition to investment strategies tailored to the obligations, funding in the form of regular or unscheduled contributions is also an effective instrument for reducing risk. Potential funding measures for pension obligations are therefore selected taking specific national regulatory requirements and liquidity into account. If an unscheduled contribution is made, the funded status may increase significantly under certain circumstances and thereby reduce the volatility of the net defined benefit liability recognized. As a consequence the level of liability-driven investments in plan assets can be further increased. In addition, the expected future liability on operating cash flows is reduced due to the increase in plan assets that are available to settle pension payments.

Bayer-Pensionskasse VVaG, Leverkusen (Germany), (Bayer-Pensionskasse) constitutes a major pension plan for Covestro. It has been closed to new members since January 1, 2005. This legally independent fund operates as a life insurance company and is therefore subject to the German Insurance Supervision Act (VAG). The benefit obligations covered by Bayer-Pensionskasse comprise retirement, surviving dependents', and disability pensions. It is financed with contributions from active members and their employers. The company contribution is a certain percentage of the employee contribution. This percentage is the same for all participating employers and is set by agreement between the plan's executive committee and supervisory board, acting on a proposal from the responsible actuary. It takes into account the differences between the actuarial estimates and the actual values for the factors used to determine liabilities and contributions. Bayer AG, Leverkusen (Germany), may adjust the

company contribution in agreement with the plan's executive committee and supervisory board, acting on a proposal from the responsible actuary. The plan's liability is governed by Section 1, Paragraph 1, Sentence 3 of Germany's Occupational Pensions Act (BetrAVG). This means that if the pension plan exercises its right under the articles of association to reduce benefits, each participating employer has to make up the resulting difference. Covestro is not liable for the obligations of other participating employers, even if they cease to participate in the plan.

Pension entitlements were granted via Rheinische Pensionskasse VVaG, Leverkusen (Germany), (Rheinische Pensionskasse) between January 1, 2005, and December 31, 2020. It has been closed to new members since January 1, 2021. Future pension payments from this plan are based among other aspects on contributions and the return on plan assets; a guaranteed interest rate applies.

The Bayer-Pensionskasse and the Rheinische Pensionskasse pension obligations are classified as multi-employer plans as defined by IAS 19 (Employee Benefits). A defining characteristic of multi-employer plans is that assets from various employers not under common control are pooled at plan level and used to collectively grant pension benefits to employees. Allocation mechanisms that would permit an exact distribution of the plan assets managed by the pension plan to individual employers often do not exist, as in the case of Bayer-Pensionskasse and Rheinische Pensionskasse. Covestro therefore applies an estimation method that is adequately suited to this purpose to calculate its proportional share of the assets of these pension plans.

Pension entitlements for newly hired employees have been granted in accordance with Pensionplan2021 since January 1, 2021. This is a funded company pension plan. Contributions are invested in an age-based investment model at the individual employee level. Future pension payments are determined based on the contributions paid in and the return achieved. The pension entitlements are managed by Metzler Trust e.V., Frankfurt am Main (Germany) (Metzler Trust). Individuals employed at Covestro prior to January 1, 2021, who acquired pension entitlements via Rheinische Pensionskasse were entitled to switch to Pensionsplan2021 until the beginning of 2024.

Metzler Trust is also used as a pension vehicle for further obligations than Pensionplan2021. It covers further retirement provision arrangements for German employees of the Covestro Group, such as the conversion of salary entitlements into pension entitlements, pension obligations, and components of other direct commitments. Metzler Trust covers the majority of the funded pension commitments in Germany. In this context, approximately 40% (previous year: approximately 28%) of the investment total is subject to ESG (environmental, social, and governance) criteria.

The defined benefit pension plans in the United States have been frozen for some years, and no significant new entitlements can be earned under these plans. The assets of all the U.S. pension plans are held by a master trust for reasons of efficiency. The applicable regulatory framework is based on the Employee Retirement Income Security Act (ERISA). Covestro continues to bear the actuarial risks such as investment risk, interest rate risk, and longevity risk.

The other post-employment benefit obligations outside Germany are mainly related to retirees' health care benefit payments in the United States.

The fair value of the plan assets to fund pensions and other post-employment benefit obligations was as follows:

Fair Value of Plan Assets as of December 31

	Germany		Other countries		Total	
	2023	2024	2023	2024	2023	2024
	€ million	€ million	€ million	€ million	€ million	€ million
Plan assets based on quoted prices in active markets						
Real estate and special real estate funds	–	–	6	–	6	–
Equities and equity funds	229	191	39	29	268	220
Callable debt instruments	–	–	8	–	8	–
Noncallable debt instruments	1,072	1,061	36	29	1,108	1,090
Bond funds	323	336	159	147	482	483
Cash and cash equivalents	230	275	7	12	237	287
Other	–	–	1	–	1	–
	1,854	1,863	256	217	2,110	2,080
Plan assets for which quoted prices in active markets are not available						
Real estate and special real estate funds	300	314	–	–	300	314
Equities and equity funds	127	156	–	–	127	156
Callable debt instruments	300	343	–	–	300	343
Noncallable debt instruments	261	268	–	–	261	268
Derivatives	27	23	–	–	27	23
Other	178	164	106	108	284	272
	1,193	1,268	106	108	1,299	1,376
Total plan assets	3,047	3,131	362	325	3,409	3,456
of which other post-employment benefits	–	–	3	4	3	4

No properties leased by Group companies were included in the fair value of the domestic plan assets. Likewise, there were no Covestro shares or bonds held through funds. Other plan assets comprise mortgage loans granted, other receivables, and qualified insurance policies.

Risks

The risks from defined benefit plans arise partly from the defined benefit obligations and partly from the investment in plan assets. The risks lie in the possibility that higher direct pension payments will have to be made to the beneficiaries and/or that additional contributions will have to be made to plan assets in order to meet current and future pension obligations.

→ For further information, please refer to "Financial Opportunities and Risks" in the Combined Management Report.

Demographic/Biometric Risks

Since a large proportion of the defined benefit obligations consists of lifelong pensions or surviving dependents' pensions, longer claim periods or earlier claims may result in higher benefit obligations, higher benefit expenses and/or higher pension payments than previously anticipated.

Investment Risks

If the actual return on plan assets were below the return anticipated on the basis of the discount rate, the net defined benefit liability would increase, assuming there were no changes in other parameters. This could happen as a result of a drop in share prices, increases in market rates of interest, default of individual debtors, or the purchase of low-risk but low-interest bonds.

Interest Rate Risks

Declining capital market interest rates, especially for high-quality corporate bonds, would increase the defined benefit obligation. This effect would be at least proportionately offset by the ensuing increase in the market values of the debt instruments held in plan assets.

Measurement Parameters and their Sensitivities

The bond portfolio consists exclusively of high-quality corporate bonds with a rating of at least AA or AAA. The portfolio does not include any government-guaranteed or secured bonds. The following weighted parameters were used to measure the pension obligations as of December 31 and the expense for pensions and other post-employment benefits in the respective reporting year.

Parameters for benefit obligations

	Germany		Other countries		Total	
	2023	2024	2023	2024	2023	2024
	%	%	%	%	%	%
Pension obligations						
Discount rate	3.30	3.50	4.45	4.85	3.45	3.65
Projected future salary increases	3.00	3.00	3.65	3.60	3.10	3.05
Projected future benefit increases	2.00	2.00	3.15	3.15	2.15	2.15
Other post-employment benefit obligations						
Discount rate	–	–	4.90	5.55	4.90	5.55

In Germany, the Heubeck 2018 G mortality tables were used, and in the United States the MP-2021 Mortality Tables. The parameters for measuring the benefit expense are the same as those used to measure the benefit obligations in the most recent annual financial statements.

The parameter sensitivities were computed by expert actuaries based on a detailed evaluation similar to that performed to determine the net defined benefit liability. Altering individual parameters by 0.5 percentage points (mortality by 10% per beneficiary) while leaving the other parameters unchanged would have impacted pension and other post-employment benefit obligations as of the end of fiscal 2024 as follows:

Sensitivity analysis of benefit obligations

	Germany		Other countries		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	€ million	€ million	€ million	€ million	€ million	€ million
Pension obligations						
0.5 percentage points change in discount rate	(227)	256	(17)	18	(244)	274
0.5 percentage points change in projected future salary increases	11	(10)	2	(2)	13	(12)
0.5 percentage points change in projected future benefit increases	153	(139)	–	–	153	(139)
10% change in mortality	(78)	87	(7)	8	(85)	95
Other post-employment benefit obligations						
0.5 percentage points change in discount rate	–	–	(5)	6	(5)	6
10% change in mortality	–	–	(2)	3	(2)	3

Sensitivity analysis of benefit obligations (previous year)

	Germany		Other countries		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	€ million	€ million	€ million	€ million	€ million	€ million
Pension obligations						
0.5 percentage points change in discount rate	(240)	271	(18)	20	(258)	291
0.5 percentage points change in projected future salary increases	12	(12)	2	(2)	14	(14)
0.5 percentage points change in projected future benefit increases	159	(145)	1	–	160	(145)
10% change in mortality	(80)	89	(8)	8	(88)	97
Other post-employment benefit obligations						
0.5 percentage points change in discount rate	–	–	(6)	6	(6)	6
10% change in mortality	–	–	(2)	3	(2)	3

Due to their nature as pension benefits, the obligations of Covestro LLC, Pittsburgh, Pennsylvania (United States), in particular, for employees' post-employment health care costs are also recognized under obligations similar to pensions. The valuation of health care costs was based on the assumption that they will increase at a rate of 7% (previous year: 7%), which should gradually decline to 5% (previous year: 5%) by 2034. The following table shows the impact of a one-percentage-point change in the assumed health care cost increase rates:

Sensitivity analysis of health care cost increases

	2023		2024	
	Increase of one percentage point	Decrease of one percentage point	Increase of one percentage point	Decrease of one percentage point
	€ million	€ million	€ million	€ million
Impact on other post-employment benefit obligations	7	(6)	6	(6)

Employer Contributions Made or Expected

The following payments or transfers correspond to the employer contributions made or expected to be made to funded benefit plans:

Employer contributions made or expected

	Germany				Other countries			
	2023	2024 expected	2024	2025 expected	2023	2024 expected	2024	2025 expected
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Pension obligations	33	35	(5)	37	7	6	8	8
Other post-employment benefit obligations	–	–	–	–	1	–	1	–
Total	33	35	(5)	37	8	6	9	8

Employer contributions paid in fiscal 2024 contain refunds of pension benefits paid for previous fiscal years.

Pensions and other post-employment benefits payable in the future from funded and unfunded plans are estimated as follows:

Future benefit payments

	Payments from plan assets				Payments by the company			
	Pensions		Other post-employment benefits	Total	Pensions		Other post-employment benefits	Total
	Germany	Other countries	Other countries		Germany	Other countries	Other countries	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
2025	48	39	–	87	59	8	9	76
2026	51	32	1	84	59	7	9	75
2027	55	38	–	93	62	7	9	78
2028	58	39	1	98	65	7	9	81
2029	62	37	–	99	68	7	9	84
2030–2034	357	152	3	512	383	35	47	465

The weighted average term of the pension obligations is 16.1 years (previous year: 16.8 years) in Germany and 8.6 years (previous year: 8.4 years) in other countries. The weighted average term of the obligations for other post-employment benefits in other countries is 9.5 years (previous year: 9.6 years).

20. Other Provisions

Changes in other provisions

	Taxes	Environ- mental protection	Restruc- turing	Trade- related commit- ments	Litigations	Personnel commit- ments	Miscella- neous	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
December 31, 2023	1	52	4	27	2	369	93	548
Additions	3	2	20	33	4	313	86	461
Utilization	(4)	(1)	(14)	(32)	(2)	(280)	(39)	(372)
Reversal	–	(1)	(4)	(6)	–	(22)	(18)	(51)
Interest cost	–	–	–	–	–	3	1	4
Exchange differences	1	2	1	–	1	7	(1)	11
December 31, 2024	1	54	7	22	5	390	122	601
of which noncurrent	–	50	3	–	–	152	48	253

Taxes

Provisions for taxes comprised provisions for other types of non-income taxes amounting to €1 million (previous year: €1 million).

Environmental Protection

Provisions for environmental protection mainly relate to the rehabilitation of contaminated land and recultivation of landfills as well as water protection measures at sites in the United States and Spain.

Restructuring

As of December 31, 2024, provisions for restructuring included €6 million (previous year: €4 million) for severance payments.

Personnel

Personnel-related provisions are mainly those recorded for short-term and long-term variable compensation and other personnel-related provisions.

Long-term Incentive Programs

The Covestro Group's long-term incentive programs entail commitments offered collectively to different groups of employees. As a general rule, all obligations from long-term compensation programs are covered by provisions. As of the reporting date, their amount corresponds to the fair value of the entitlement earned of the respective commitments to the employee groups. All resulting valuation adjustments are recognized in profit or loss.

The Board of Management, senior executives, and other managerial employees at Covestro are entitled to participate in the Prisma long-term, share-based compensation program. A percentage of the employee's annual base salary – based on his/her position – is defined as a target for variable payments (Prisma target opportunity). The payout is calculated by multiplying the Prisma target opportunity by the total shareholder return (total of Covestro's closing stock price* and all of the dividends distributed in the relevant performance period divided by the opening stock price) and the performance of Covestro's stock relative to the STOXX Europe 600 Chemicals index**. In 2021, Prisma was expanded to include a sustainability component that encompasses Covestro's target for reducing annual greenhouse gas emissions [CO₂ equivalents] at the Scope 1 emissions level. For the tranche beginning in fiscal 2023, Scope 2 emissions were added to the sustainability component. Starting in fiscal 2024, Prisma was extended by a further two metrics from the ESG "Social" aspect, the participation factor, and the RIR factor.

→ See Compensation Report, section "Long-Term Variable Compensation" for more information on the LTI sustainability component

* Calculated as the average value of the last 30 exchange trading days in the relevant performance period.

** STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

The payout is capped at 200% of the Prisma target opportunity. The target achievement for the 2020–2023 tranche amounted to 119.9% and was distributed in the amount of €29 million, mainly in January 2024.

The net expense for all long-term incentive programs amounted to €68 million (previous year: €57 million).

The fair value of the Prisma share-based incentive program recognized in the provision amounted to €129 million as of December 31, 2024 (previous year: €87 million). As of December 31, 2024, Covestro's stock price and the STOXX Europe 600 Chemical Index were fixed for measuring the Prisma provision. The fair value was calculated on the basis of a Covestro share price of €62 and a STOXX Europe 600 Chemical level of 1,209.19 points.

Miscellaneous

The rise in miscellaneous provisions relates primarily to provisions for restoration obligations.

21. Financing and Financial Debt

The €5.0 billion Debt Issuance Program launched in the first quarter of 2016 is a key form of external financing. Of the euro bonds issued in March 2016, the final tranche outstanding with a volume of €500 million was repaid as scheduled in fiscal 2024. The fixed-rate euro bonds issued in 2020 with a total volume of €1.0 billion will mature in February 2026 (a coupon of 0.875% and a volume of €500 million) and in June 2030 (a coupon of 1.375% and a volume of €500 million).

In addition, Covestro published a Green Financing Framework in May 2022, on the basis of which the first green euro bond was issued in November 2022 with a fixed coupon of 4.75% and a volume of €500 million, maturing in November 2028. All the proceeds from the bond issue were used to finance sustainable projects.

As of December 31, 2024, the Group had total credit facilities of €2,700 million (previous year: €2,700 million) at its disposal. Of this amount, €2.5 billion is attributable to the five-year syndicated revolving credit facility arranged in March 2020. This credit facility's term has been extended until March 2027 due to the exercising of two options to extend the term by one year in each case. A feature of the credit line is its link to an ESG (environment, social, and governance) rating: The better (worse) the externally calculated ESG score is, the lower (higher) the interest component of the credit facility.

All existing credit lines of €2,700 million remained unused as of the reporting date (previous year: €2,700 million unused).

Covestro issued Schuldschein loans in the equivalent amount of approximately €650 million in October 2022. The proceeds from the issue were used for general corporate financing and to replace short-term with long-term liquidity. The Schuldschein loans are likewise linked to an ESG rating. As of the reporting date December 31, 2024, obligations from Schuldschein loans amounted to of €392 million.

Covestro AG took out a €200 million research and development loan from the European Investment Bank (EIB) in September 2024. The focus here is, in particular, on sustainability and the circular economy in the European Union. This EIB loan has a term until September 2030. In addition, there are liabilities to the EIB from loans taken out in fiscal 2020 in the amount of €225 million and a term until September 2025.

As of December 31, 2024, commercial papers amounting to €40 million were outstanding under the Euro Commercial Paper Program (ECPP) established in fiscal 2022 with a potential total volume of €1.5 billion.

Financial debt consisted of the following:

Financial debt

	Dec. 31, 2023		Dec. 31, 2024	
	Total	Of which current	Total	Of which current
	€ million	€ million	€ million	€ million
Bonds	1,990	500	1,492	–
Liabilities to banks	657	41	870	519
Lease liabilities	743	110	736	143
Liabilities from forward exchange contracts	15	15	17	10
Other financial debt	2	1	41	40
Total	3,407	667	3,156	712

Maturities of financial debt

Maturity	Dec. 31, 2023		Maturity	Dec. 31, 2024	
	€ million			€ million	
2024	667		2025	712	
2025	578		2026	651	
2026	592		2027	241	
2027	233		2028	571	
2028	556		2029	88	
2029 or later	781		2030 or later	893	
Total	3,407		Total	3,156	

The Covestro Group's financial debt is unsecured.

Lease Liabilities

Lease payments of €874 million (previous year: €886 million) are to be made to the respective lessors in future years; of this amount, the interest component amounts to €138 million (previous year: €143 million). The lease liabilities mature as follows:

Lease liabilities

Maturity	Dec. 31, 2023			Maturity	Dec. 31, 2024		
	Lease payments	Interest component	Lease liabilities		Lease payments	Interest component	Lease liabilities
	€ million	€ million	€ million		€ million	€ million	€ million
2024	132	22	110	2025	167	24	143
2025	137	23	114	2026	169	23	146
2026	109	16	93	2027	129	15	114
2027	119	13	106	2028	86	11	75
2028	69	9	60	2029	72	9	63
2029 or later	320	60	260	2030 or later	251	56	195
Total	886	143	743	Total	874	138	736

22. Other Financial Liabilities

Other financial liabilities were comprised as follows:

Other financial liabilities

	Dec. 31, 2023		Dec. 31, 2024	
	Total	Of which current	Total	Of which current
	€ million	€ million	€ million	€ million
Refund liabilities	97	97	104	104
Accrued interest on liabilities	19	16	16	16
Liabilities from derivatives	–	–	1	1
Miscellaneous financial liabilities	28	15	24	12
Total	144	128	145	133

Liabilities from derivatives mainly comprised liabilities from embedded derivatives amounting to €1 million (previous: €0 million).

→ See note 24.2 "Financial Risk Management and Information on Derivatives."

Other financial liabilities include a commitment to acquire the remaining 20% interest in DIC Covestro Polymers Ltd., Tokyo (Japan). If this put option is exercised by the seller, the sale to Covestro would be effective in fiscal 2030.

23. Other Nonfinancial Liabilities

Other nonfinancial liabilities were comprised as follows:

Other nonfinancial liabilities

	Dec. 31, 2023		Dec. 31, 2024	
	Total	Of which current	Total	Of which current
	€ million	€ million	€ million	€ million
Other tax liabilities	58	58	84	84
Deferred income	22	22	17	17
Public grants and subsidies	33	13	34	9
Liabilities to employees	52	48	43	42
Social security liabilities	19	19	16	16
Contract liabilities	44	44	49	49
Miscellaneous liabilities	–	–	5	4
Total	228	204	248	221

→ See note 6 "Sales" for further information on contract liabilities.

24. Financial Instruments

24.1 Financial Instruments by Category

The following tables show the carrying amounts and fair values of the individual financial assets and liabilities in accordance with IFRS 9 (Financial Instruments):

Carrying amounts of financial instruments and their fair values as of December 31, 2024

	Measurement according to IFRS 9					
	Carrying amount	Amortized cost	Fair value through other comprehensive income	Fair value recognized through profit or loss	Measurement according to IFRS 16	Fair value
	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets						
Trade accounts receivable	1,749	1,749				1,749
Other financial assets	155					
Loans and bank deposits	96	24	–	72		96
Other investments	15		15	–		15
Receivables from forward exchange contracts ¹	6			6		6
Receivables from commodity derivatives ²	7		7			7
Receivables from embedded derivatives ¹	5			5		5
Receivables under lease agreements	12				12	26
Miscellaneous financial assets	14	14	–	–		14
Cash and cash equivalents	509	509				509
Financial liabilities						
Financial debt	3,156					
Bonds	1,492	1,492				1,492
Liabilities to banks	870	870				877
Lease liabilities	736				736	
Liabilities from forward exchange contracts ¹	17			17		17
Other financial debt	41	41		–		41
Trade accounts payable	2,101	2,101				2,101
Other financial liabilities	145					
Refund liabilities	104	104				104
Accrued interest on liabilities	16	16				16
Liabilities from commodity derivatives ²			–			
Liabilities from embedded derivatives ¹	1			1		1
Miscellaneous financial liabilities	24	24	–	–		24

¹ Derivatives that do not qualify for hedge accounting.

² Derivatives that qualify for hedge accounting.

Carrying amounts of financial instruments and their fair values as of December 31, 2023

	Measurement according to IFRS 9					
	Carrying amount	Amortized cost	Fair value through other comprehensive income	Fair value recognized through profit or loss	Measurement according to IFRS 16	Fair value
	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets						
Trade accounts receivable	1,898	1,898				1,898
Other financial assets	420					
Loans and bank deposits	352	277	–	75		352
Other investments	22		22	–		22
Receivables from forward exchange contracts ¹	19			19		19
Receivables from commodity derivatives ²			–			
Receivables from embedded derivatives ¹	2			2		2
Receivables under lease agreements	10				10	30
Miscellaneous financial assets	15	15	–	–		15
Cash and cash equivalents	625	625				625
Financial liabilities						
Financial debt	3,407					
Bonds	1,990	1,990				1,971
Liabilities to banks	657	657				664
Lease liabilities	743				743	
Liabilities from forward exchange contracts ¹	15			15		15
Other financial debt	2	2		–		2
Trade accounts payable	1,895	1,895				1,895
Other financial liabilities	144					
Refund liabilities	97	97				97
Accrued interest on liabilities	19	19				19
Liabilities from commodity derivatives ²			–			
Liabilities from embedded derivatives ¹	–			–		–
Miscellaneous financial liabilities	28	28	–	–		28

¹ Derivatives that do not qualify for hedge accounting.

² Derivatives that qualify for hedge accounting.

The fair values of financial instruments are determined and reported in accordance with IFRS 13 (Fair Value Measurement) on the basis of the fair value hierarchy described below:

Level 1 covers fair values determined on the basis of quoted, unadjusted prices that exist in active markets.

Level 2 comprises fair values determined on the basis of parameters that are observable in an active market.

Level 3 applies to fair values determined using parameters whose input factors are not based on observable market data.

Because of the generally short maturities of cash and cash equivalents, loans and bank deposits, trade accounts receivable and payable, and other financial assets and liabilities, their carrying amounts do not significantly differ from the fair values.

The fair values of noncurrent receivables under lease agreements are calculated on the basis of interest curves observable in the market. Additionally, a discount for cash flows that are very far in the future is applied as an unobservable factor.

The following table shows the assignment of the financial instruments to the three-level fair value hierarchy:

Fair value hierarchy of financial instruments

	Fair value				Fair value			
	Dec. 31, 2023	Level 1	Level 2	Level 3	Dec. 31, 2024	Level 1	Level 2	Level 3
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Financial assets carried at fair value								
Loans and bank deposits	75	–	66	9	72	–	67	5
Other investments	22	–	–	22	15	–	1	14
Receivables from forward exchange contracts ¹	19	–	19	–	6	–	6	–
Receivables from commodity derivatives ²	–	–	–	–	7	–	7	–
Receivables from embedded derivatives ¹	2	–	–	2	5	–	–	5
Financial liabilities carried at fair value								
Liabilities from forward exchange contracts ¹	15	–	15	–	17	–	17	–
Liabilities from embedded derivatives ¹	–	–	–	–	1	–	–	1
Financial liabilities not carried at fair value								
Bonds	1,971	1,971	–	–	1,492	1,492	–	–
Liabilities to banks	664	–	664	–	877	–	877	–
Other financial debt	2	–	2	–	41	–	41	–

¹ Derivatives that do not qualify for hedge accounting.

² Derivatives that qualify for hedge accounting.

Reallocation between the different levels of the fair value hierarchy takes place at the end of the reporting period in which the change occurred. During the fiscal year, no financial instruments were reallocated to a different level of the fair value hierarchy.

→ See note 3 "Accounting policies" for detailed information on the calculation of the fair value of financial instruments and their assignment to the fair value hierarchy.

The table below shows the changes in Level 3 financial instruments:

Changes in the net amount of financial assets and liabilities allocated to Level 3

	2023	2024
	€ million	€ million
Net carrying amounts, Jan. 1	33	33
Gains/(losses) recognized in profit or loss	–	2
of which related to assets/liabilities recognized in the statement of financial position	–	2
Gains/(losses) recognized outside profit or loss	–	(8)
Additions of assets/(liabilities)	–	1
Settlements of (assets)/liabilities	–	(5)
Net carrying amounts, Dec. 31	33	23

The gains and losses from Level 3 financial assets and liabilities are reported as follows:

- Gains and losses from embedded derivatives recognized in profit or loss are reported in other operating income or expenses
- Gains and losses from other debt instruments recognized in profit or loss are reported in the other financial result
- Gains and losses from other financial investments are reported in other comprehensive income from equity instruments

The classification of income, expenses, gains, and losses from financial instruments by measurement category in accordance with IFRS 9 is shown in the table below:

Net result by measurement category in accordance with IFRS 9

	2023	2024
	€ million	€ million
Financial assets carried at amortized cost	77	63
of which net interest	40	33
Equity instruments measured at fair value through other comprehensive income	1	1
of which net interest	–	–
Financial instruments measured at fair value through profit or loss	(78)	(6)
of which net interest	(30)	(20)
Financial liabilities carried at amortized cost	(88)	(155)
of which net interest	(101)	(99)

Investments in Equity Instruments Measured at Fair Value through Other Comprehensive Income

Covestro acts as a start-up investor as part of the Covestro Venture Capital (COVeC) approach newly developed in fiscal 2020. Investments associated with COVeC activities are recognized either as debt instruments at fair value through profit and loss or as other financial investments at fair value directly in equity, depending on the contractual design.

Other financial investments are recognized at fair value directly in equity because they are held for the long term for strategic reasons. Other financial investments amount to €15 million (previous year: €22 million), of which €11 million (previous year: €18 million) was attributable to Hydrogenious LOHC Technologies GmbH, Erlangen (Germany), and €3 million (previous year: €3 million) to Hi-Bis GmbH, Bitterfeld-Wolfen (Germany). In fiscal 2024, the Covestro Group received dividends of €1 million (previous year: €1 million) from other financial investments, of which €1 million (previous year: €1 million) was attributable to Hi-Bis GmbH.

Supplier Finance Arrangements

A small number of Covestro's suppliers are participating in a prefinancing program (supplier finance arrangements, SFAs) as part of efforts to improve supplier relations. Under this program, suppliers are given the opportunity to have the invoice underlying the current trade payable paid before it is due, with a discount. Covestro does not incur any additional costs as a result of the program.

Such scenarios could lead to a change in the presentation of the original liability in the consolidated financial statements if the nature, function, and risk of the liability subject to the financing program differs from other trade payables. In the case of the current programs, however, the underlying conditions do not result in any changes to the presentation in the consolidated financial statements because neither is the liability legally extinguished, nor are the contractual terms substantially modified. For this reason, the corresponding amounts continue to be reported under trade payables and the associated cash flows are therefore included in cash flows from operating activities in the statement of cash flows.

As of the December 31, 2024, reporting date, there are outstanding liabilities to 70 suppliers that are part of a supplier finance arrangement, amounting to a total of €93 million and thus accounting for approximately 4.4% of the total reported trade payables (€2,101 million). Of this amount, the suppliers in question have already received €85 million.

The periods for the payment terms of these SFA liabilities outstanding as of the reporting date can be broken down into "up to 60 days" (as of the reporting date, 5 suppliers with outstanding liabilities of €11 million), "61 to 120 days" (as of the reporting date, 33 suppliers with outstanding liabilities of €33 million), "121 to 180 days" (as of the reporting date, 30 suppliers with outstanding liabilities of €47 million), and "more than 180 days" (as of the reporting date, 2 suppliers with outstanding liabilities of €2 million).

The periods for the payment terms of trade accounts payable not covered by a supplier finance arrangement also range from 0 to 360 days. This breakdown reflects the diversity of our supplier relationships, although the focus is on standard market payment terms.

The change in liabilities included in supplier finance arrangements primarily results from increases attributable to the purchase of goods and services and subsequent payment. There were no significant non-cash changes in these liabilities.

24.2 Financial Risk Management and Information on Derivatives

Capital Management

The main purpose of financial management is to ensure solvency at all times, continuously optimize capital costs, and reduce the risks of financing measures. Financial management for the Covestro Group is performed centrally by Covestro AG.

Capital management pursues a prudent debt management strategy, drawing on a balanced financing portfolio, which is based primarily on bonds, Schuldschein loans, commercial papers, syndicated credit facilities, and bilateral loan agreements.

Covestro intends to maintain financing structures and financial ratios that support a solid investment-grade rating in the future. As in fiscal 2023, Covestro AG currently holds a Baa2 investment-grade rating with a stable outlook from the rating agency Moody's Investors Service, London (United Kingdom).

For its capital management, Covestro uses, among other tools, debt ratios published by recognized rating agencies, such as gross financial debt including provisions for pensions (adjusted gross financial debt) in relation to EBITDA as well as cash flow figures in relation to net financial debt including provisions for pensions.

Adjusted gross financial debt/EBITDA

	2023	2024
	€ million	€ million
Gross financial debt	3,388	3,150
Provisions for pensions	346	269
Adjusted gross financial debt	3,734	3,419
EBITDA	1,080	1,071
Adjusted gross financial debt/EBITDA	3.5x	3.2x

→ For information on the composition of gross financial debt and net financial debt, see the explanations in the Group Management Report on "Net Financial Debt."

→ See also the explanations in the Group Management Report on "Financial Management."

Credit Risk

Credit risk is the risk of a loss for the Covestro Group when a counterparty is unable to meet its payment obligations arising from a financial instrument as contractually stipulated. Payment obligations to the Covestro Group primarily comprise trade accounts receivable, debt instruments, other financial assets, and contract assets.

The carrying amount of the financial assets and the contract assets represents the maximum credit risk exposure.

The impairment loss for financial assets and contract assets recognized during the year resulted almost exclusively from impairment losses on trade accounts receivable. Net impairment losses amounted to €7 million (previous year: €3 million) in the reporting year.

Trade Accounts Receivable and Contract Assets

The following table presents the gross carrying amounts and the expected losses for trade accounts receivable and contract assets:

Expected credit loss by category as of December 31

2024	Cluster					Total
	A	B	C	D	E	
Expected loss rate (%)	0.01	0.03	0.12	0.70	6.00	
Gross amount (€ million)	319	648	660	129	43	1,799
Expected loss (€ million)	-	-	(1)	(1)	(3)	(5)
2023	A	B	C	D	E	Total
Expected loss rate (%)	0.01	0.03	0.12	0.70	6.00	
Gross amount (€ million)	335	626	806	157	44	1,968
Expected loss (€ million)	-	-	(1)	(1)	(3)	(5)

The accumulated impairment losses amounted to €30 million (previous year: €30 million) for those customers that the Covestro Group considers credit impaired on the basis of this assessment. The corresponding gross carrying amount was €31 million (previous year: €30 million). Indicators for customers being credit impaired include significant financial difficulties of the customer and a breach of contract such as default or delinquency. Determining that a customer is credit impaired does not occur automatically when payments are overdue for more than 90 days but is instead always based on the individual assessment conducted by Credit Management.

Total impairment losses for trade accounts receivable and contract assets changed as follows:

Reconciliation of expected credit loss

	2023	2024
	€ million	€ million
Valuation allowances, Jan. 1	(36)	(35)
Net remeasurement of valuation allowances	(3)	(7)
Write-offs	4	7
Valuation allowances, Dec. 31	(35)	(35)

The Covestro Group limits the credit risk exposure from trade accounts receivable by stipulating the shortest payment terms possible. In addition, the Covestro Group has a widely diversified customer portfolio. In order to avoid concentration of risk, customer limits are set, regularly monitored, and exceeded only in agreement with Credit Management.

Receivables of €19 million (previous year: €17 million) are secured mainly by letters of credit.

Debt Instruments

The Covestro Group generally pursues a conservative investment policy based on a strategy of maintaining liquidity and safeguarding value. Consequently, investments are mainly limited to counterparties with investment-grade ratings, simple debt instruments, and short-term investment horizons. Credit risks, particularly concentration of risk with individual counterparties, are managed by means of a Group-wide limit system in conjunction with ongoing monitoring. Covestro also acts as a start-up investor as part of the Covestro Venture Capital (COVeC) approach newly developed in fiscal 2020. Investments associated with COVeC activities are recognized either as debt instruments at fair value through profit and loss or as other financial investments at fair value directly in equity, depending on the contractual design.

As in the previous year, Covestro did not undertake any material reclassifications of debt instruments between the levels of the general impairment model during the fiscal year. The Covestro Group held no collateral for debt instruments in fiscal 2024 or in the previous year.

Because of the low credit risk profile, the Covestro Group is not exposed to significant credit risk from debt instruments. For fiscal 2024 and for the previous year, the risk provision calculated using the general approach is immaterial both overall and for the individual stages.

Currency Risks

Currency opportunities for and risks to the Covestro Group result from changes in exchange rates and the related changes in the value of financial instruments (including receivables and payables) and future cash inflows

and outflows denominated in foreign currencies. Material receivables and payables in liquid currencies from operating and financial activities are generally fully hedged through forward exchange contracts. A value-at-risk approach is used to manage foreign currency exposures arising from planned receivables and liabilities. As in the previous year, the planned foreign currency exposure was not hedged. It will be hedged using forward contracts if the foreign currency risk increases significantly. The extent of the currency risk is presented below by means of a sensitivity analysis.

The currency risk shown in the sensitivity analysis results from the following:

- The unsecured portion of receivables and payables in nonfunctional currencies
- Unsecured bank deposits and liabilities to banks in nonfunctional currencies

Sensitivities were determined based on a hypothetical scenario in which the euro depreciates by 10% against all other currencies compared with the year-end exchange rates. Under this scenario, the estimated hypothetical gains recognized in profit or loss as of December 31, 2024, would have totaled €5.5 million (previous year: €3.8 million). The table below shows the distribution of these effects among the individual currencies:

Sensitivity by currency - depreciation of €

Currency	2023	Currency	2024
	€ million		€ million
CNY	1.6	USD	3.0
USD	1.4	CNY	1.3
MXN	0.2	MXN	0.6
Other	0.6	Other	0.6
Total	3.8	Total	5.5

A hypothetical scenario in which the euro appreciates by 10% against all other currencies compared with the year-end exchange rates would lead to losses recognized in profit or loss in approximately the same amount.

Sensitivity by currency - appreciation of €

Currency	2023	Currency	2024
	€ million		€ million
CNY	(2.3)	USD	(3.0)
USD	(1.5)	CNY	(1.2)
MXN	(0.2)	MXN	(0.6)
Other	(0.5)	Other	(0.6)
Total	(4.6)	Total	(5.4)

Liquidity Risk

Liquidity risk is the risk of not being able to meet existing or future payment obligations. The liquidity status of all material Group companies is continuously planned and monitored. Liquidity is secured via cash pooling agreements as well as internal and external financing. The syndicated, revolving credit facility of €2.5 billion, which is available through March 2027, particularly provides additional financial flexibility.

The liquidity risks to which the Covestro Group was exposed from its financial instruments can be divided into obligations for interest and repayment installments on financial liabilities, payment obligations arising from derivatives and loan commitments. The following tables show the maturity structure of the nondiscounted contractually agreed payments arising from these line items:

Maturity analysis of financial liabilities and derivative financial instruments

	Carrying amount	Contractual cash flows					
	Dec. 31, 2024	2025	2026	2027	2028	2029	after 2029
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Financial debt							
Bonds	1,492	24	535	31	530	7	507
Liabilities to banks	870	539	11	139	7	32	204
Lease liabilities	736	167	169	129	86	72	251
Other financial debt	41	40	-	-	-	-	1
Trade accounts payable	2,101	2,101	-	-	-	-	-
Other financial liabilities							
Refund liabilities	104	104	-	-	-	-	-
Accrued interest on liabilities	16	16	-	-	-	-	-
Miscellaneous financial liabilities	24	12	2	-	-	-	10
Liabilities from derivatives							
Liabilities from forward exchange contracts ¹	17	10	7	-	-	-	-
Liabilities from embedded derivatives ¹	1	-	-	-	-	-	1
Receivables from derivatives							
Receivables from forward exchange contracts ¹	6	6	-	-	-	-	-
Receivables from commodity derivatives ²	7	6	1	-	-	-	-
Receivables from embedded derivatives ¹	5	-	-	-	-	-	5
Loan commitments	-	160	-	-	-	-	-
	Carrying amount	Contractual cash flows					
	Dec. 31, 2023	2024	2025	2026	2027	2028	after 2028
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Financial debt							
Bonds	1,990	544	35	535	31	531	513
Liabilities to banks	657	64	482	6	133	1	26
Lease liabilities	743	132	137	109	119	69	320
Other financial debt	2	1	-	-	-	-	1
Trade accounts payable	1,895	1,895	-	-	-	-	-
Other financial liabilities							
Refund liabilities	97	97	-	-	-	-	-
Accrued interest on liabilities	19	16	2	-	1	-	-
Miscellaneous financial liabilities	28	15	3	-	-	-	10
Liabilities from derivatives							
Liabilities from forward exchange contracts ¹	15	15	-	-	-	-	-
Receivables from derivatives							
Receivables from forward exchange contracts ¹	19	19	-	-	-	-	-
Receivables from embedded derivatives ¹	2	-	2	-	-	-	-
Loan commitments	-	156	-	-	-	-	-

¹ Derivatives that do not qualify for hedge accounting.

² Derivatives that qualify for hedge accounting.

In addition to recognized nonderivative liabilities and derivative financial instruments, there are loan commitments of €160 million (previous year: €156 million), which are mainly attributable to the obligation, under certain conditions, to grant initial funding loans to Bayer-Pensionskasse VVaG, Leverkusen (Germany), and Rheinische Pensionskasse VVaG, Leverkusen (Germany). As of December 31, 2024, this resulted in unchanged obligations of €156 million (previous year: €156 million), which may result in disbursements by Covestro AG in subsequent years.

→ See note 28.1 "Related Companies."

In this analysis, foreign currencies were translated at closing rates. Derivative financial instruments are reported as net amounts.

Interest Rate Risks

Interest rate opportunities and risks for the Covestro Group arise from changes in capital market interest rates, which could lead to changes in the fair value of fixed-rate financial instruments and in interest payments in the case of floating-rate instruments. To minimize adverse effects, interest rate risk is managed centrally based on an optimized debt maturity structure.

A sensitivity analysis based on our net floating-rate receivables and payables position at the end of fiscal 2024, taking into account the interest rates relevant to our receivables and payables in all principal currencies, produced the following result: A hypothetical increase in the interest rates by 100 basis points or one percentage point would (assuming currency exchange rates remain constant) result in an increase in interest expense of €15.3 million (previous year: €6.3 million). A corresponding hypothetical reduction in interest rates would lead to a decline in interest expenses by the same amount.

Raw Material Price Risks

The Covestro Group requires significant quantities of different forms of energy and petrochemical feedstocks for its production processes. Procurement prices for energy and raw materials may fluctuate significantly. Important raw materials are procured on the basis of long-term supply agreements and active supplier management to minimize substantial price fluctuations.

In addition, the energy price risk for electricity and natural gas at Covestro's German sites has been hedged in advance for a portion of the projected electricity and natural gas requirements with a rolling time horizon of 18 months since fiscal 2024 using derivatives. The energy price risk relating to natural gas is also hedged for the natural gas price component in the price paid for steam by Covestro Deutschland AG. The identifiability and measurability of this steam risk component are based on the existing relevant contractual arrangement.

Energy price risk relating to electricity and natural gas is hedged using fixed-for-floating swaps based on the average day-ahead price for a given month and a given energy volume in megawatt hours, which are designated as cash flow hedges as part of hedge accounting. The risk of variability in payments due under a group of highly probable forecast electricity and natural gas purchase transactions based on the average day-ahead price is exactly offset using fixed-for-floating swaps that specify net cash settlement of the payments. A direct hedging ratio is used, i.e., the hedge ratio is 1:1. Potential hedge ineffectiveness could result primarily from the cancellation of originally planned purchases, which would lead to a different average realized monthly energy price due to the difference between expected demand falling below the hedged notional amount. The average hedging price of the designated fixed-for-floating swaps held as of December 31, 2024, to hedge energy price risk was €93.4/MWh for electricity and €41.4/MWh for natural gas.

The effects of the hedging relationships on the statement of financial position, the hedged notional amount, and the hedge ineffectiveness to be determined are presented for fiscal 2024 in the following table:

Cash flow hedge accounting effects in fiscal 2024¹

	2024
	€ million
Carrying amount of hedging instruments	
Financial assets	7
Financial liabilities	–
Nominal value of hedging instruments	89
of which current	72
of which noncurrent	17
Change in fair values for assessing ineffectiveness	
Hedging instrument	7
Hedged transaction	(7)

¹ No prior-year figures are shown as hedge accounting was not used until fiscal 2024.

The carrying amounts of cash flow hedges are reported under the "other financial assets" item in the statement of financial position in the case of financial assets and under the "other financial liabilities" item in the case of financial liabilities.

A reconciliation of the cash flow hedge reserve (before tax) in equity is shown in the table below:

Changes in the cash flow hedge reserve (before tax) in fiscal 2024¹

	2024
	€ million
January 1, 2024	–
Hedging effects recognized in other comprehensive income	7
Transfer of cash flow hedge reserve to inventories	(1)
December 31, 2024	6

¹ No prior-year figures are shown as hedge accounting was not used until fiscal 2024.

To determine the sensitivities, an increase or decrease of 10% in the price of natural gas or electricity compared with the average hedging price of the designated fixed-for-floating swaps held as of December 31, 2024, was assumed. Measurement of the fixed-for-floating swaps held at the reporting date would result in a corresponding increase in other components of equity from hedging transactions by €3.5 million for natural gas and by €5.9 million for electricity. A reduction would lead to a decrease in other components of equity from hedging transactions in the same amount.

Other Market Risks

As of the reporting date, Covestro had recognized embedded derivatives from virtual power plant agreements (vPPAs) at a positive fair value of €5 million. These derivatives result from long-term agreements to purchase electricity from renewable sources of energy, which were entered into to further the company's sustainability targets.

To determine the sensitivities, it was assumed that the underlying price of electricity and the underlying production volume in MWh would increase or decrease by 10% in each case. If the assumed price of electricity increased by 10%, the fair value of the embedded derivatives would be unchanged at €5 million. The same applies to an increase in the assumed production volume in MWh by 10%. If the assumed price of electricity decreased by 10%, the fair value of the embedded derivatives would decline to €3 million, and if the assumed production volume in MWh decreased by 10%, their fair value would fall to €4 million.

Global Netting or Similar Agreements

As of the reporting date, the nominal volume of the forward exchange contracts used to hedge currency risk amounted to €1,800 million (previous year: €2,415 million).

Covestro has entered into master netting or similar agreements for derivative financial instruments. These take effect in particular in the event of the insolvency of one of the contractual partners involved. The derivative financial instruments covered by netting agreements from the perspective of the Covestro Group are presented in the table below:

Disclosures for netting of financial assets and liabilities as of December 31

	Gross amounts of financial assets/liabilities	Net amounts of financial assets/liabilities presented in the statement of financial position	Amounts in the statement of financial position eligible for netting covered by netting agreements	Net amounts after possible netting
	€ million	€ million	€ million	€ million
2024				
Receivables from forward exchange contracts	6	6	1	5
Liabilities from forward exchange contracts	17	17	1	16
2023				
Receivables from forward exchange contracts	19	19	5	14
Liabilities from forward exchange contracts	15	15	5	10

25. Contingent Liabilities and Other Financial Commitments

Contingent Liabilities

The following table shows contingent liabilities from warranty agreements and other contingent liabilities as of the reporting date:

Contingent liabilities

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Warranty contracts	2	2
Other contingent liabilities	5	7
Total	7	9

Other Financial Commitments

Other financial obligations consisted of the following:

Other financial commitments

	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Orders already placed for started or planned investment projects	376	383
Loan commitments to pension funds	156	156
Agreement on investment in BioBTX, Groningen (Netherlands)	–	4
Total	532	543

Some of the pension obligations allocable to the Covestro Group are funded through pension institutions used jointly with other companies (especially Bayer AG, Leverkusen (Germany)). In such cases, it can generally be contractually ensured that Covestro participates accordingly in funding measures that serve to guarantee adequate funding status and/or adequate solvency capital of these pension institutions for the long term. To this end, Covestro AG agreed to grant interest-bearing loans of up to €208 million to Bayer-Pensionskasse VVaG, Leverkusen (Germany), and up to €11 million to Rheinische Pensionskasse VVaG, Leverkusen (Germany), for the effective initial fund to be drawn down as required. There was no change compared with the previous year in loan commitments to pension funds as of December 31, 2024 (December 31, 2023: €156 million).

→ See note 28.1 "Related Companies."

In fiscal 2024, Covestro acquired an equity investment in BioBTX, Groningen (Netherlands), to promote chemical recycling as part of the circular economy. The investment, which amounts to €5 million is part of the Covestro Venture Capital program. The aim is to accelerate the transition to intelligent recycling technologies and to obtain chemical raw materials for Covestro's supply chains. The first tranche of €1 million was already paid in June 2024. The remaining €4 million will be paid in two tranches in fiscal 2025.

26. Legal Risks

The litigation described in the following represents a material legal risk from today's perspective, although the existence of other potential material legal risks cannot be ruled out.

Civil Class Action Lawsuits over Diisocyanates (in the United States)

On July 9, 2018, Covestro LLC, Pittsburgh, Pennsylvania (United States) – as one of numerous other defendants – was served the first of now 12 class action lawsuits initiated by various U.S. diphenylmethane diisocyanate (MDI) and toluene diisocyanate (TDI) customers. The plaintiffs allege that the defendants have violated various provisions of the Sherman Antitrust Act since January 1, 2015, by acting in coordination to limit production capacities of MDI and TDI and, at the same time, raising prices for these products in the market. On October 3, 2018, the Judicial Panel on Multidistrict Litigation ruled that all class action lawsuits in pretrial proceedings would be centralized in the District Court for the Western District of Pennsylvania. Based in essence on the same assertions and the violations of federal consumer protection and antitrust laws allegedly resulting from them, the attorney general of the state of Mississippi filed a separate civil complaint against Covestro LLC and numerous other defendants on behalf of the state and its citizens in September 2019. In November 2020, the parties suspended these lawsuits without prejudice for a period of two years. Owing to the time which has passed, the suspension of the limitation period agreed at the time with regard to the claims of the state and its citizens expired again in November 2022. Covestro currently considers these claims without merit and will therefore use all legal means to defend itself against these allegations – also in light of the official conclusion in November 2018 of the six-month investigation by the U.S. Department of Justice into possible anticompetitive practices in relation to MDI. The case is still in the discovery phase.

The following legal case reported in the past has been concluded:

Carbon Monoxide Pipeline from Dormagen to Krefeld-Uerdingen

The carbon monoxide pipeline is intended to connect the chemical production sites at Dormagen (Germany) and Krefeld-Uerdingen (Germany) and complement the network already existing between Dormagen and Leverkusen (Germany). The aim is to ensure a safe and reliable supply of carbon monoxide to and across all sites. Although the pipeline was almost completed by the end of year 2009, it cannot currently be brought into operation because of ongoing court proceedings. Following confirmation by the Düsseldorf Administrative Court in the year 2011 that there were no grounds to challenge the material aspects of the planning permission decision, in particular the safety of the materials used and the legal conformity of the relevant pipeline act (Rohrleitungsgesetz), the plaintiffs and the regional government against which legal proceedings had been instituted lodged appeals before the Higher Administrative Court for the state of North Rhine-Westphalia in Münster (Higher Administrative Court). In the year 2014, the Higher Administrative Court raised no objections in principle to the safety and routing of the pipeline, but questioned the constitutionality of the pipeline act which forms the legal basis for the project. On December 21, 2016, Germany's Federal Constitutional Court dismissed the corresponding constitutionality question referred to it by the Higher Administrative Court as inadmissible and confirmed the legal opinion of the Covestro Group. Subsequently, the Higher Administrative Court again considered the facts of the appeal and, in a decision rendered on August 31, 2020, dismissed the actions against the planning permission decision. In addition, the Higher Administrative Court rejected an appeal against its ruling. The plaintiffs then filed a complaint against the denial of leave to appeal with the Federal Administrative Court in Leipzig in February 2021. The German Federal Constitutional Court dismissed the denial of leave to appeal on December 14, 2021. The judgment by the Higher Administrative Court is therefore final. In rulings dated February 28, 2023, May 2, 2023, and June 13, 2023, the Düsseldorf Administrative Court dismissed the only remaining actions brought by two private plaintiffs, Bund für Umwelt und Naturschutz Deutschland e.V. (BUND), and four cities/municipalities against the planning permission decision by reference to the final ruling of the Higher Administrative Court and did not allow an appeal. The application for permission to appeal, which was nonetheless possible, was submitted by the due date by the city of Hilden alone. With a decision dated January 24, 2025, the Higher Administrative Court in Münster rejected the applications by the city of Hilden.

Other Information

27. Notes to the Statement of Cash Flows

27.1 Cash Flows from Operating Activities

The net cash inflow from operating activities of €870 million (previous year: €997 million) reflects the operating surplus and also takes into account changes in working capital and noncash income and expenses.

The €127 million (12.7%) decrease in cash flows from operating activities compared with the previous year resulted primarily from a €9 million decline in EBITDA and a €330 million decline in funds freed up from working capital, which were partially offset by €164 million lower income tax payments. The change in working capital was predominantly driven by a rise in inventories, which was partially offset by lower trade accounts receivable.

27.2 Cash Flows from Investing Activities

Net cash outflow for investing activities in 2024 amounted to €423 million (previous year: €925 million).

This mainly related to cash outflows for additions to property, plant, equipment, and intangible assets of €781 million (previous year: €765 million). These were offset in particular by cash inflows from other current financial assets in the amount of €296 million (previous year: cash outflows of €305 million), which resulted primarily from net cash proceeds of €252 million from short-term bank deposits. There were also cash inflows from sales of property, plant, equipment and other assets of €76 million (previous year: €2 million), which resulted in particular from the sale of intangible assets amounting to €46 million.

27.3 Cash Flows from Financing Activities

The net cash outflow from financing activities amounted to €565 million in fiscal 2024 (previous year: €639 million). Net credit repayment amounted to €414 million (previous year: €417 million). Short-term borrowing and debt repayment were netted.

As in the previous year, no dividend was paid to Covestro AG shareholders in 2024.

The total interest payments of €150 million (previous year: €169 million) in the year 2024 presented in cash flows from financing activities were mainly attributable to bonds and liabilities to banks, forward exchange transactions to hedge foreign currency risk, and lease liabilities. In addition, capitalized interest amounting to €15 million (previous year: €12 million) was recognized together with the associated assets under cash outflows for additions to property, plant, equipment, and intangible assets in cash flows from investing activities.

The following table shows the reconciliation of the changes in liabilities from financing activities to the cash flows from financing activities reported in the statement of cash flows.

Starting in the 2024 reporting year, interest payments are presented as part of the cash changes in liabilities from financing activities. In addition, the carrying amounts of liabilities from accrued interest and miscellaneous other financial liabilities are reconciled. The prior-year presentation has been modified accordingly.

Reconciliation of liabilities from financing activities in fiscal 2024

	Carrying amounts Dec. 31, 2023	Cash changes ¹	Noncash changes					Carrying amounts Dec. 31, 2024	
			Changes due to exchange rate move- ments	Changes in measure- ment	Divest- ments	Lease contracts	Other changes ²		Other ³
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Bonds	1,990	(500)	–	–	–	–	2	1,492	
Liabilities to banks	657	202	11	–	–	–	–	870	
Lease liabilities	743	(185)	22	–	–	126	30	736	
Receivables / liabilities from forward exchange contracts	(4)	(43)	–	8	–	–	–	50	
Other financial debt	2	39	–	–	–	–	–	41	
Accrued interest on liabilities	19	(64)	–	–	–	–	76	(15)	
Other miscellaneous financial liabilities ⁴	–	(3)	–	–	–	–	3	–	
Total	3,407	(554)	33	8	–	126	111	35	3,166

¹ In addition to payments related to equity transactions, the difference compared with the statement of cash flows is mainly attributable to the interest payments shown. The interest payments shown in the statement of cash flows also include fees and other financial expenses for obtaining money and credit, as well as payments that do not relate to liabilities from financing activities.

² In addition to accrued interest, these relate mainly to discount unwinding.

³ Includes cash changes outside cash flows from financing activities.

⁴ The differences of €24 million (previous year: €28 million) compared with the other financial liabilities presented in note 22 "Other Financial Liabilities" arise from items not related to financing activities.

Reconciliation of liabilities from financing activities in fiscal 2023

	Carrying amounts Dec. 31, 2022	Cash changes ¹	Noncash changes					Carrying amounts Dec. 31, 2023	
			Changes due to exchange rate move- ments	Changes in measure- ment	Divest- ments	Lease contracts	Other changes ²		Other ³
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Bonds	1,988	–	–	–	–	–	2	1,990	
Liabilities to banks	922	(261)	(10)	–	–	(4)	10	657	
Lease liabilities	746	(184)	(23)	–	–	176	28	743	
Receivables / liabilities from forward exchange contracts	(10)	(61)	(1)	81	–	–	–	(13)	
Other financial debt	1	–	–	–	–	4	(3)	2	
Accrued interest on liabilities	20	(67)	–	–	–	–	78	(12)	
Other miscellaneous financial liabilities ⁴	–	(3)	–	–	–	–	3	–	
Total	3,667	(576)	(34)	81	–	176	118	(25)	3,407

¹ In addition to payments related to equity transactions, the difference compared with the statement of cash flows is mainly attributable to the interest payments shown. The interest payments shown in the statement of cash flows also include fees and other financial expenses for obtaining money and credit, as well as payments that do not relate to liabilities from financing activities.

² In addition to accrued interest, these relate mainly to discount unwinding.

³ Includes cash changes outside cash flows from financing activities.

⁴ The differences of €28 million (previous year: €37 million) compared with the other financial liabilities presented in note 22 "Other Financial Liabilities" arise from items not related to financing activities.

28. Related Companies and Persons

28.1 Related Companies

Related entities as defined in IAS 24 (Related Party Disclosures) are those legal entities that are able to exert at least significant influence on Covestro AG and its subsidiaries or over which Covestro AG or its subsidiaries exercise control or have at least a significant influence, or which are controlled by a related person or a close family member of such a person. These include unconsolidated subsidiaries, joint ventures and associates, post-employment benefit plans, and other related parties.

Receivables from and liabilities to related companies

	Dec. 31, 2023		Dec. 31, 2024	
	Receivables	Liabilities	Receivables	Liabilities
	€ million	€ million	€ million	€ million
Nonconsolidated subsidiaries and associates	–	7	–	3
Associates accounted for using the equity method	7	3	7	5
Post-employment benefit plans	63	–	64	–

Receivables from and payables to related companies mainly relate to leases and financing arrangements, supply and service relationships, and other transactions. No impairment losses were recognized on receivables from related companies in the reporting year or in the previous year.

Receivables from pension plans (excluding interest) with a fair value of €64 million as of December 31, 2024 (previous year: €63 million) resulted from initial funding loans granted. Covestro AG has agreed to provide Bayer-Pensionskasse VVaG, Leverkusen (Germany), with an interest-bearing initial funding loan of up to €208 million and Rheinische Pensionskasse VVaG, Leverkusen (Germany), with an interest-bearing initial funding loan of up to €11 million, both at their request. The pension funds are entitled to draw down amounts necessary to meet their regulatory solvency requirements at any time up to the amounts disclosed. The outstanding receivables are subject to a five-year interest rate adjustment mechanism. The loan commitments to the pension funds are recognized as other financial obligations.

→ See note 25 "Contingent Liabilities and Other Financial Commitments."

Sales and purchases of goods and services to/from related companies

	2023		2024	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services
	€ million	€ million	€ million	€ million
Nonconsolidated subsidiaries and associates	45	74	44	68
Associates accounted for using the equity method	16	689	25	755

The goods and services received from associates accounted for using the equity method mainly resulted from the ongoing business operations with PO JV, LP, Houston, Texas (United States). Covestro benefits from fixed long-term supply quotas/volumes of propylene oxide (PO) from this company's production.

→ See note 14 "Investments Accounted for Using the Equity Method."

28.2 Related Persons

Related persons as defined in IAS 24 include the corporate officers of Covestro AG, who are the members of the Board of Management and Supervisory Board.

Compensation of the Corporate Officers

The compensation for corporate officers of Covestro AG in fiscal 2024 amounted to €15,932 thousand (previous year: €13,944 thousand), including the compensation of the Supervisory Board amounting to €2,523 thousand (previous year: €2,515 thousand).

This compensation is shown below:

Compensation of the corporate officers according to IFRSs

	2023	2024
	€ thousand	€ thousand
Total short-term compensation	7,665	7,410
Total share-based compensation (long-term incentive)	4,915	7,046
Service cost for pension entitlements earned in the respective year	1,364	1,476
Aggregate compensation (IFRSs)	13,944	15,932

Aggregate compensation of the members of the Board of Management according to the German Commercial Code (HGB) amounted to €8,826 thousand (previous year: €8,430 thousand).

Since 2016, the members of the Board of Management have been entitled to participate in the Prisma long-term share-based compensation program, as long as they are employed by the Covestro Group, and acquire for their own account and hold an individually defined number of Covestro shares as specified by the guidelines. The fair value of the long-term share-based compensation (Prisma) granted to the Board of Management in fiscal 2024 was €3,939 thousand (previous year: €2,899 thousand).

Provisions of €13,038 thousand (previous year: €11,706 thousand) were recognized for short-term and long-term variable cash compensation for the members of the Board of Management serving during fiscal 2024. At the end of the year, the present value of the defined benefit pension obligations for the current members of the Board of Management was €7,960 thousand (previous year: €6,499 thousand). For former members of the Board of Management, provisions of €2,699 thousand (previous year: €2,421 thousand) were recognized for long-term share-based cash compensation. The present value of the defined benefit pension obligations for former members of the Board of Management was €11,727 thousand (previous year: €12,060 thousand).

Supervisory Board compensation is exclusively non-performance-related. In addition to their compensation as members of the Supervisory Board, those employee representatives who are employees of Covestro Group companies receive compensation unrelated to their service on the Supervisory Board. The total amount of such compensation was €671 thousand (previous year: €555 thousand). Pension obligations for employee representatives on the Supervisory Board amounted to €2,258 thousand (previous year: €2,229 thousand). Pension obligations for employee representatives who had left the Supervisory Board and the company totaled €1,108 thousand (previous year: €1,137 thousand).

As in the previous year, the company did not grant any advances or loans to members of the Board of Management or the Supervisory Board in fiscal 2024.

→ [For further information, please refer to the Compensation Report](#)

29. Audit Fees

Since fiscal 2018, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (Germany) (KPMG AG), has been the elected statutory auditor of Covestro AG and the Covestro Group. Dr. Kathryn Ackermann has been the auditor primarily responsible for carrying out the audit of the consolidated financial statements since April 21, 2022. Dr. Kathryn Ackermann and Marc Ufer were responsible for carrying out the 2024 audit of the consolidated financial statements. Dr. Kathryn Ackermann and Mr. Marc Ufer first signed the Independent Auditor's Report on December 31, 2022.

The following fees were recognized as expenses in the given fiscal year for the services provided by KPMG AG:

Audit fees

	2023	2024
	€ million	€ million
Audit services	3.4	3.6
Other assurance services	1.1	2.3
Total	4.5	5.9

The fees for the auditing of financial statements in fiscal 2024 mainly comprise those for the statutory audit of the consolidated financial statements and the single-entity financial statements of Covestro AG and its subsidiaries in Germany.

The fees for other assurance services in fiscal 2024 include, in particular, the review of financial information between reporting dates, the audit of sustainability information, and special energy industry audits. The audit of sustainability information essentially comprises the separate audit of the Group Sustainability Report, which was prepared for the first time this year in full application of the European Sustainability Reporting Standards (ESRS).

30. Events after the End of the Reporting Period

No events have occurred since January 1, 2025, that have a material impact on the net assets, financial position and results of operations of the Covestro Group.

Leverkusen, February 20, 2025
Covestro AG
The Board of Management

Further Information

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- 359 Five-Year Summary**
- 360 Financial Calendar**

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Covestro Group, and the Group Management Report, which has been combined with the Management Report of Covestro AG, includes a fair review of the development and performance of the business and the position of the Covestro Group and Covestro AG, together with a description of the principal opportunities and risks associated with the expected development of the Covestro Group and Covestro AG.

Leverkusen, February 20, 2025
Covestro AG
The Board of Management

Dr. Markus Steilemann
(Chairman)

Christian Baier

Dr. Thorsten Dreier

Sucheta Govil

Independent Auditor's Report

To Covestro AG, Leverkusen

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Covestro AG, Leverkusen, and its subsidiaries (the Group), which comprise the income statement, the statement of comprehensive income of the Covestro Group for the financial year from January 1 to December 31, 2024, the statement of financial position of the Covestro Group as of December 31, 2024, the statement of cash flows and the statement of changes in equity of the Covestro Group for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including significant information on the accounting policies. In addition, we have audited the management report of the Company and the Group (hereinafter the "combined management report") of Covestro AG for the financial year from January 1 to December 31, 2024.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

The combined management report contains cross-references that are not provided for by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) (hereinafter referred to as "IFRS Accounting Standards") as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2024, and of its financial performance for the financial year from January 1 to December 31, 2024, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The combined management report contains cross-references that are not provided for by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with

the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to note 13.3 "Impairment testing" in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the amount of goodwill can be found under Note 13.1 "Goodwill and other intangible assets" in the notes to the consolidated financial statements and information on the economic development of the business segments in the combined management report in the section "Performance of the segments".

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 719 million as of December 31, 2024, thus representing 5.3% of total assets.

Irrespective of any indication of impairment, goodwill is tested for impairment once a year on the level of the cash-generating units (strategic business areas) and on the level of the groups of CGUs (business units). If impairment triggers arise during the financial year, an indicator-based impairment test is also carried out during the year.

For goodwill impairment testing, the carrying amount is compared with the recoverable amount of the respective strategic business area or the respective business unit. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs to sell and value in use of the units or groups of cash-generating units. The annual goodwill impairment was conducted in Q4 2024.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgment. These include the expected business and earnings performance as well as the investment spending of the respective cash-generating unit/groups of cash-generating units over the planning horizon, the assumed long-term growth rates and the discount rate used.

Based on the annual impairment tests, Covestro AG did not identify any need to recognize impairment losses.

There is the risk for the consolidated financial statements that an existing need to recognize an impairment loss is not identified. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

First, we obtained an understanding of the process for impairment testing of goodwill through explanations provided by accounting staff with the involvement of the controlling function, as well as an assessment of the Company's documentation.

With the involvement of our valuation experts, we then assessed (among other things) the appropriateness of the significant assumptions and the Company's calculation method for the annual impairment testing. To this end, we discussed the expected business and earnings performance, the investment spending as well as the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts and reconciled the cash flows used for the impairment test with the budget prepared by the Board of Management and approved by the Supervisory Board. We also evaluated the consistency of the assumptions with external market assessments.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To assess the computational accuracy of the method used, we verified the Company's calculations.

To take account of the existing forecast uncertainty for impairment testing, we examined the effects of possible changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount using the sensitivity analyses prepared by the Company.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate.

OUR OBSERVATIONS

The calculation method used for the annual impairment testing of goodwill is appropriate and in line with the accounting policies to be applied. The Company's assumptions and data used for measurement are within an acceptable range and are appropriate. The related disclosures in the notes are appropriate.

Impairment testing of property, plant and equipment

Please refer to note 13.3 "Impairment Testing" to the consolidated financial statements for more information on the accounting policies applied and the assumptions used. Disclosures on the amount of property, plant and equipment can be found under note 13.2 "Property, Plant and Equipment" to the consolidated financial statements and disclosures on the financial performance of the business segments in the section "Performance of the Segments" of the combined management report.

THE FINANCIAL STATEMENT RISK

Property, plant and equipment amounted to EUR 5,898 million as of December 31, 2024, and at 43.2% of total assets accounted for a considerable share of assets.

If impairment triggers for property, plant and equipment arise or if there are indications that previously recognized impairment losses on property, plant and equipment no longer apply or have decreased (reversal of an impairment loss), an indicator-based impairment test is carried out. For the impairment testing, the carrying amount is compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is calculated regularly on the level of cash-generating units (strategic business areas) using the discounted cash flow method. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. Any identified impairment loss must be allocated to the individual assets. However, the carrying amount of an individual asset may not fall below its minimum carrying amount. The minimum carrying amount is the higher of fair value less costs to sell, value in use and zero. If the carrying amount is less than the recoverable amount, the impairment loss is reversed. The reversal of impairment losses is limited by the amortized cost.

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgment. These include the expected business and earnings performance as well as the investment spending of the respective cash-generating units over the planning horizon, the assumed long-term growth rates and the discount rate used.

Due to the ongoing challenging economic conditions and a deterioration in the business outlook in certain areas in comparison to the prior year, impairment testing was carried out at the level of the cash-generating unit in the fourth quarter. As a result of the indicator-based impairment test, Covestro AG recognized an impairment loss of EUR 106 million for the property, plant and equipment of the cash-generating units. Thereof, EUR 59 million was attributable to the cash-generating units Standard Polyether Polyols (SPET), EUR 39 million to Energy Curable Solutions (ECS) and EUR 8 million to Powder Coating Resins (PCR). No need to reverse impairment losses was identified.

There is the risk for the consolidated financial statements that an existing need to recognize an impairment loss or potentially reverse an impairment loss was not recognised, or not recognised at an appropriate amount. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

First, we obtained an understanding of the process for impairment testing of property, plant and equipment through explanations provided by accounting staff with the involvement of the controlling function, as well as an assessment of the Company's documentation.

With the involvement of our valuation experts, we then assessed the indicator-based impairment test to determine (among other things) the appropriateness of the key assumptions and the Company's calculation method. To this end, we discussed the expected business and earnings development, the investment spending, the cash flow forecast derived from those expectations, as well as the assumed long-term growth rates, with those responsible for planning. We also reconciled this information with other internally available forecasts and reconciled the cash flows used for the impairment test with the budget prepared by the Board of Management and approved by the Supervisory Board. We also evaluated the consistency of the assumptions with external market assessments.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta factor with our own assumptions and publicly available data.

To evaluate the computational accuracy of the method used, we verified the Company's calculations on the basis of selected risk-based elements.

To take account of the existing forecast uncertainty for impairment testing, we examined the effects of possible changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount using the sensitivity analyses prepared by the Company.

Finally, we assessed whether the disclosures in the notes on the impairment of property, plant and equipment are appropriate.

OUR OBSERVATIONS

The calculation method used for impairment testing of property, plant and equipment is appropriate and in line with the accounting policies to be applied. The Company's assumptions and data used for measurement are within an acceptable range and are reasonable overall. The related disclosures in the notes are appropriate.

Other Information

The Board of Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the Group's sustainability report, including the Group's non-financial statement pursuant to Sections 315b and 315c, contained in the combined management report,
- the combined declaration on corporate governance of the Company and the Group, which is contained in the "Declaration on Corporate Governance" section of the combined management report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

As part of a separate engagement, we performed an assurance engagement to obtain limited and reasonable assurance with respect to the Group Sustainability Report. Please refer to our assurance report dated February 21, 2025, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of the Board of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Board of Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control or of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.
- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business segments within the Group to provide a basis for our opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the 'ESEF documents') contained in the electronic file „covestroag-2024-12-31-0-de.zip“ (SHA256-hash value: 9c9fb972e050ecde17fdc4efa4ec73e6f2404b544110f0f311d56c303a20532b) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2024, contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised)]. Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1) (09.2022).

The Company's Board of Management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Board of Management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor of the consolidated financial statements at the Annual General Meeting on April 17, 2024. We were engaged by the Audit Committee of the Supervisory Board on November 13, 2024. We have been the auditor of the consolidated financial statements of Covestro AG without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the German Company Register [Unternehmensregister] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Kathryn Ackermann.

Essen, February 21, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

[signature] Ufer
Wirtschaftsprüfer
[German Public Auditor]

[signature] Dr. Ackermann
Wirtschaftsprüferin
[German Public Auditor]

Assurance report of the independent German Public Auditor on an assurance engagement to obtain limited and reasonable assurance in relation to the group sustainability statement

To the Covestro AG

Assurance Conclusion and Opinion

We have conducted a limited assurance engagement on the Group Sustainability Statement, taking into account, as set forth in the subsequent paragraph, the reasonable assurance engagement on disclosures marked with a curly bracket '{ }' in the Group Sustainability Statement included in section Group Sustainability Report of the combined management report, of Covestro AG for the financial year from January 1, 2024 to December 31, 2024. The Group Sustainability Statement was prepared to fulfil the requirements of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 (Corporate Sustainability Reporting Directive, CSRD) and Article 8 of Regulation (EU) 2020/852 as well as Sections 315b and 315c of the HGB [Handelsgesetzbuch: German Commercial Code] for a group non-financial statement.

Based on the particular engagement, we have conducted a reasonable assurance engagement on the disclosures marked with a curly bracket '{ }' in the Group Sustainability Statement. A reasonable assurance engagement on these disclosures fulfils the requirements for a limited assurance engagement and, in accordance with Recital 60 to the CSRD, thereby complies with the requirements of the CSRD relating to assurance of the Group Sustainability Statement.

Based on the procedures performed and the evidence obtained as part of our limited assurance engagement, nothing has come to our attention that causes us to believe that the accompanying Group Sustainability Statement, taking into account the disclosures in the Group Sustainability Statement marked with a curly bracket '{ }' and subject to a reasonable assurance engagement, is not prepared, in all material respects, in accordance with the requirements of the CSRD and Article 8 of Regulation (EU) 2020/852, Sections 315b and 315c HGB for a group non-financial statement and the supplementary criteria presented by the executive directors of the Company. This assurance conclusion includes that nothing has come to our attention that causes us to believe that:

- the accompanying Group Sustainability Statement does not comply, in all material respects, with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the entity to identify information to be included in the Group Sustainability Statement (the materiality assessment) is not, in all material respects, in accordance with the description set out in section 'Management of impacts, risks and opportunities' of the Group Sustainability Statement, or
- the disclosures in the Group Sustainability Statement marked with 'Information pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)' do not comply, in all material respects, with Article 8 of Regulation (EU) 2020/852.

In our opinion, on the basis of our reasonable assurance engagement, the disclosures marked with a curly bracket '{ }' in the Group Sustainability Statement were prepared, in all material respects, in accordance with the requirements applicable to these disclosures and the supplementary criteria presented by the executive directors of the Company.

Basis for the Assurance Conclusion and Opinion

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB).

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under ISAE 3000 (Revised) are further described in the section "German Public Auditor's Responsibilities for the Assurance Engagement on the Group Sustainability Statement".

We are independent of the entity in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Our audit firm has applied the requirements for a system of quality control as set forth in the IDW Quality Management Standard issued by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW): Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)) and International Standard on Quality Management (ISQM) 1 issued by the IAASB. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion and opinion.

Responsibilities of the Executive Directors and the Supervisory Board for the Group Sustainability Statement

The executive directors are responsible for the preparation of the Group Sustainability Statement in accordance with the requirements of the CSRD and the applicable German legal and other European requirements as well as with the supplementary criteria presented by the executive directors of the Company and for designing, implementing and maintaining such internal control that they have considered necessary to enable the preparation of the Group Sustainability Statement in accordance with these requirements that is free from material misstatement, whether due to fraud (i.e., fraudulent sustainability reporting in the Group Sustainability Statement) or error.

This responsibility of the executive directors includes establishing and maintaining the materiality assessment process, selecting and applying appropriate reporting policies for preparing the Group Sustainability Statement, as well as making assumptions and estimates and ascertaining forward-looking information for individual sustainability-related disclosures.

The Supervisory Board is responsible for overseeing the process for the preparation of the Group Sustainability Statement.

Inherent Limitations in Preparing the Group Sustainability Statement

The CSRD and the applicable German legal and other European requirements contain wording and terms that are subject to considerable interpretation uncertainties and for which no authoritative, comprehensive interpretations have yet been published. As such wording and terms may be interpreted differently by regulators or courts, the legality of measurements or evaluations of sustainability matters based on these interpretations is uncertain.

These inherent limitations also affect the assurance engagement on the Group Sustainability Statement.

German Public Auditor's Responsibilities for the Assurance Engagement on the Group Sustainability Statement

Our objectives are

- a) to express a limited assurance conclusion, based on the assurance engagement we have conducted, on whether any matters have come to our attention that cause us to believe that the Group Sustainability Statement, taking into account the disclosures in the Group Sustainability Statement marked with a curly bracket '{ }' and subject to a reasonable assurance engagement, has not been prepared, in all material respects, in accordance with the CSRD, the applicable German legal and other European requirements and the supplementary criteria presented by the company's executive directors, and to issue an assurance report that includes our assurance conclusion on the Group Sustainability Statement, taking into account the disclosures in the Group Sustainability Statement marked with a curly bracket '{ }' and subject to a reasonable assurance engagement.

b) to express a reasonable assurance opinion, based on the assurance engagement we have conducted on whether the disclosures marked with a curly bracket '{ }' in the Group Sustainability Statement are prepared, in all material respects, in accordance with the requirements applicable to these disclosures and the supplementary criteria presented by the executive directors of the Company.

As part of an assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgment and maintain professional skepticism. We also:

a) for the limited assurance engagement

- obtain an understanding of the process used to prepare the Group Sustainability Statement, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Group Sustainability Statement.
- identify disclosures where a material misstatement due to fraud or error is likely to arise, design and perform procedures to address these disclosures and obtain limited assurance to support the assurance conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. In addition, the risk of not detecting a material misstatement in information obtained from sources not within entity's control (value chain information) is ordinarily higher than the risk of not detecting a material misstatement in information obtained from sources within the entity's control, as both the entity's executive directors and we as practitioners are ordinarily subject to restrictions on direct access to the sources of the value chain information.
- consider the forward-looking information, including the appropriateness of the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

b) for the reasonable assurance engagement

- perform risk assessment procedures, including obtaining an understanding of the internal controls that are relevant to the assurance engagement on the disclosures marked with a curly bracket '{ }' in the Group Sustainability Statement in order to identify and assess the risks of material misstatement at the assertion level due to fraud or error, but not for the purpose of expressing an assurance opinion on the effectiveness of these internal controls of the Company. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. In addition, the risk of not detecting a material misstatement in information obtained from sources in the value chain not within the entity's control (value chain information) is ordinarily higher than the risk of not detecting a material misstatement in information obtained from sources within the entity's control, as both the entity's executive directors and we as practitioners are ordinarily subject to restrictions on direct access to the sources of the value chain information.
- evaluate the appropriate derivation of the forward-looking disclosures from the significant assumptions and the appropriateness of these assumptions. We do not express a separate assurance opinion either on the forward-looking disclosures nor on the assumptions on which they are based. There is a substantial unavoidable risk that future events will differ materially from the forward-looking disclosures.

Summary of the Procedures Performed for the Limited Assurance Engagement by the German Public Auditor

A limited assurance engagement involves the performance of procedures to obtain evidence about the sustainability information. The nature, timing and extent of the selected procedures are subject to our professional judgment.

In performing our limited assurance engagement, we:

- evaluated the suitability of the criteria as a whole presented by the executive directors in the Group Sustainability Statement

- inquired of the executive directors and relevant employees involved in the preparation of the Group Sustainability Statement about the preparation process, including the materiality assessment process carried out by the entity to identify the disclosures to be reported in the Group Sustainability Statement, and about the internal controls relating to this process
- evaluated the reporting policies used by the executive directors to prepare the Group Sustainability Statement
- evaluated the reasonableness of the estimates and related information provided by the executive directors. If, in accordance with the ESRS, the executive directors estimate the value chain information to be reported for a case in which the executive directors are unable to obtain the information from the value chain despite making reasonable efforts, our assurance engagement is limited to evaluating whether the executive directors have undertaken these estimates in accordance with the ESRS and assessing the reasonableness of these estimates, but does not include identifying information in the value chain that the executive directors were unable to obtain
- performed analytical procedures and made inquiries in relation to selected information in the Group Sustainability Statement
- conducted site visits
- considered the presentation of the information in the Group Sustainability Statement
- considered the process for identifying taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Group Sustainability Statement].

Restriction of Use / Clause on General Engagement Term

This assurance report is solely addressed to Covestro AG

The engagement, in the performance of which we have provided the services described above on behalf of Covestro AG, was carried out on the basis of the General Engagement Terms for Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) dated as of January 1, 2024 (www.kpmg.de/AAB_2024). By taking note of and using the information as contained in our report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Düsseldorf, February 21, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Oliver Geier
Wirtschaftsprüfer
[German Public Auditor]

Claudia Fielenbach
Wirtschaftsprüferin
[German Public Auditor]

Segment and Quarterly Overview

Segment information, 4th quarter

	Performance Materials		Solutions & Specialties		Others/Reconciliation		Covestro Group	
	4th quarter 2023	4th quarter 2024	4th quarter 2023	4th quarter 2024	4th quarter 2023	4th quarter 2024	4th quarter 2023	4th quarter 2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	1,588	1,670	1,703	1,654	55	52	3,346	3,376
Intersegment sales	488	510	6	7	(494)	(517)	–	–
Sales (total)	2,076	2,180	1,709	1,661	(439)	(465)	3,346	3,376
Change in sales								
Volume	7.7%	5.6%	–0.3%	1.3%	–	–	3.1%	3.2%
Price	–22.0%	–0.1%	–10.2%	–4.0%	–	–	–15.7%	–2.1%
Currency	–2.8%	–0.3%	–3.3%	–0.2%	–	–	–3.0%	–0.2%
Sales by region								
EMLA	674	739	586	556	47	40	1,307	1,335
NA	414	400	427	420	5	9	846	829
APAC	500	531	690	678	3	3	1,193	1,212
EBITDA¹	16	145	185	150	(69)	(104)	132	191
EBIT ¹	(126)	(55)	107	30	(71)	(106)	(90)	(131)
Depreciation, amortization, impairment losses, and impairment loss reversals	142	200	78	120	2	2	222	322
Cash flows from operating activities	169	355	374	368	(166)	(111)	377	612
Cash outflows for additions to property, plant, equipment, and intangible assets	190	226	110	110	4	23	304	359
Free operating cash flow	(21)	129	264	258	(170)	(134)	73	253
Trade working capital ²	975	964	1,437	1,447	(26)	(20)	2,386	2,391

¹ EBITDA and EBIT include the effect of intersegment sales on earnings.

² Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of December 31, 2024/2023.

Segment information, full year

	Performance Materials		Solutions & Specialties		Others /Reconciliation		Covestro Group	
	2023	2024	2023	2024	2023	2024	2023	2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	6,876	6,970	7,267	7,004	234	205	14,377	14,179
Intersegment sales	2,194	2,228	27	27	(2,221)	(2,255)	–	–
Sales (total)	9,070	9,198	7,294	7,031	(1,987)	(2,050)	14,377	14,179
Change in sales								
Volume	–6.7%	11.9%	–6.2%	4.0%	–	–	–6.8%	7.4%
Price	–15.7%	–9.6%	–6.4%	–6.8%	–	–	–11.0%	–8.0%
Currency	–2.0%	–0.9%	–2.5%	–0.8%	–	–	–2.2%	–0.8%
Sales by region								
EMLA	3,021	3,102	2,730	2,585	190	161	5,941	5,848
NA	1,844	1,720	1,860	1,755	31	32	3,735	3,507
APAC	2,011	2,148	2,677	2,664	13	12	4,701	4,824
EBITDA¹	576	569	817	740	(313)	(238)	1,080	1,071
EBIT ¹	9	(42)	497	374	(320)	(245)	186	87
Depreciation, amortization, impairment losses, and impairment loss reversals	567	611	320	366	7	7	894	984
Cash flows from operating activities	652	574	821	671	(476)	(375)	997	870
Cash outflows for additions to property, plant, equipment, and intangible assets	490	496	270	254	5	31	765	781
Free operating cash flow	162	78	551	417	(481)	(406)	232	89
Trade working capital ²	975	964	1,437	1,447	(26)	(20)	2,386	2,391

¹ EBITDA and EBIT include the effect of intersegment sales on earnings.

² Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of December 31, 2024/2023.

Quarterly Overview

	1st quarter 2023	2nd quarter 2023	3rd quarter 2023	4th quarter 2023	1st quarter 2024	2nd quarter 2024	3rd quarter 2024	4th quarter 2024
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	3,743	3,720	3,568	3,346	3,510	3,690	3,603	3,376
Performance Materials	1,792	1,789	1,707	1,588	1,689	1,834	1,777	1,670
Solutions & Specialties	1,883	1,872	1,809	1,703	1,767	1,810	1,773	1,654
EBITDA	286	385	277	132	273	320	287	191
Performance Materials ¹	173	302	85	16	103	196	125	145
Solutions & Specialties ¹	165	221	246	185	208	174	208	150
EBIT	39	166	71	(90)	61	81	76	(131)
Performance Materials ¹	29	158	(52)	(126)	(35)	59	(11)	(55)
Solutions & Specialties ¹	63	149	178	107	135	75	134	30
Financial result	(29)	(36)	(35)	(13)	(30)	(29)	(24)	(31)
Income before income taxes	10	130	36	(103)	31	52	52	(162)
Income after income taxes	(27)	45	(31)	(189)	(37)	(74)	31	(192)
Net income	(26)	46	(31)	(187)	(35)	(72)	33	(192)
Cash flows from operating activities	(19)	149	490	377	(23)	19	262	612
Cash outflows for additions to property, plant, equipment, and intangible assets	120	159	182	304	106	166	150	359
Free operating cash flow	(139)	(10)	308	73	(129)	(147)	112	253

¹ The results of the reportable Performance Materials and Solutions & Specialties segments contain the effect of intersegment sales on earnings.

Five-Year Summary

Five-Year Summary

	2020	2021	2022	2023	2024
	€ million	€ million	€ million	€ million	€ million
Sales (external)	10,706	15,903	17,968	14,377	14,179
Performance Materials ¹	5,468	8,142	9,095	6,876	6,970
Solutions & Specialties ¹	5,060	7,554	8,558	7,267	7,004
EBITDA	1,472	3,085	1,617	1,080	1,071
EBIT	696	2,262	267	186	87
Financial result	(91)	(77)	(137)	(113)	(114)
Net income	459	1,616	(272)	(198)	(266)
Earnings per share (€) ²	2.48	8.37	(1.42)	(1.05)	(1.41)
Operating cash flows	1,234	2,193	970	997	870
Cash outflows for additions to property, plant, equipment, and intangible assets	704	764	832	765	781
Free operating cash flow	530	1,429	138	232	89
Trade working capital ³	1,949	2,952	2,706	2,386	2,391
Net financial debt	356	1,405	2,434	2,487	2,618
ROCE	+7.0%	+19.5%	+2.0%	+1.5%	+0.7%
Employees (in FTE) ⁴	16,497	17,905	17,981	17,516	17,503

¹ Reference information for the segments for fiscal 2020 are based on unaudited figures due to the new organizational structure changed in 2021.

² Figures based on weighted average number of voting shares outstanding that were subject to relevant changes resulting from, among other factors, the share buyback program between March 21, 2022 and October 26, 2023, and the capital increase on October 19, 2020.

³ Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of the December 31 reporting date for the years 2020 to 2024.

⁴ Board of Management members, employees in vocational training, and interns are not included in this metric.

FINANCIAL CALENDAR

Annual General Meeting 2025.....	April 17, 2025
Quarterly Statement First Quarter 2025.....	May 06, 2025
Half-Year Financial Report 2025.....	July 31, 2025
Quarterly Statement Third Quarter 2025.....	October 30, 2025

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