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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.

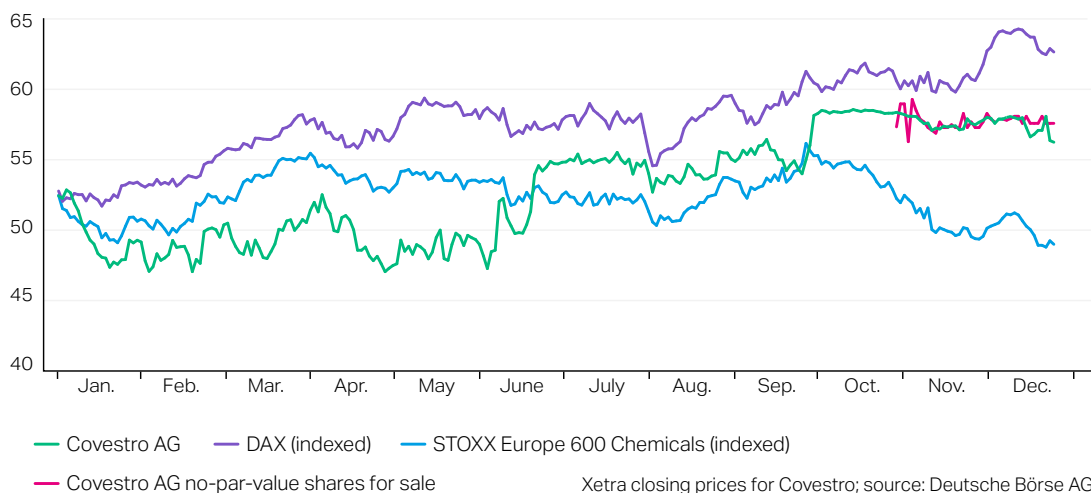
Leverkusen, February 25, 2025

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