

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

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.

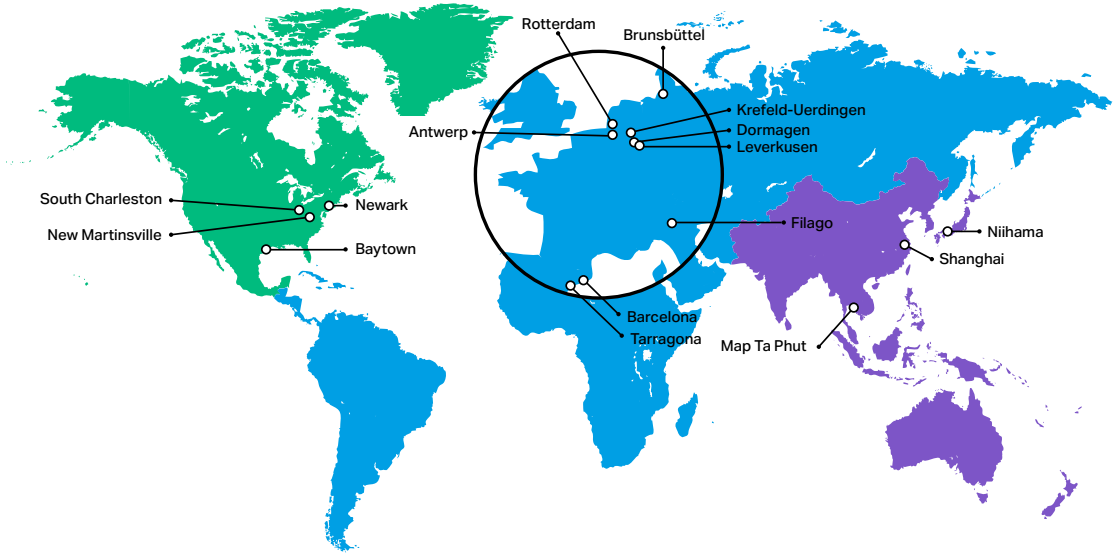
The Supervisory Board oversees and advises the Board of Management. The Supervisory Board has 12 members, half of whom are shareholder representatives and half employee representatives pursuant to the German Codetermination Act. The Chair of the Supervisory Board is Dr. Richard Pott. Petra Kronen was 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 <sup>1</sup>	EMLA <sup>2</sup>	APAC <sup>3</sup>
<b>Mexico</b> Santa Clara ●   S&S	<b>Belgium</b> Antwerp ●   ●   PM   S&S <b>France</b> Fos-sur-Mer ●   PM Romans-sur-Isère ●   S&S <b>Germany</b> Brunsbüttel ●   PM Dormagen ●   ●   PM   S&S Krefeld-Uerdingen ●   ●   PM   S&S Leverkusen ●   ●   S&S Bomlitz ●   S&S Meppen ●   S&S <b>Italy</b> Filago ●   S&S	<b>China</b> Shanghai ●   ●   PM   S&S Guangzhou ●   S&S Kunshan ●   S&S Qingdao ●   S&S Shenzhen ●   S&S Shunde (Foshan) ●   S&S <b>India</b> Ankleshwar ●   S&S Cuddalore ●   S&S Greater Noida ●   S&S <b>Taiwan, Greater China</b> Changhua ●   S&S Pingtung ●   S&S Taoyuan City ●   S&S Zhangbin ●   S&S <b>Thailand</b> Map Ta Phut ●   PM   S&S
<b>United States</b> 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	<b>Netherlands</b> Rotterdam ●   PM Geleen ●   ●   S&S Hoek van Holland ●   S&S Schoonebeek ●   S&S Waalwijk ●   ●   S&S Zwolle ● <b>Spain</b> Barcelona ●   S&S Tarragona ●   PM Parets ●   S&S Santa Margarida ●   S&S <b>United Kingdom</b> Cheadle Hulme ●   S&S	<b>Japan</b> Niihama ●   PM   S&S Amagasaki ● Sakai ●   S&S Tsuchiura ●   S&S <b>Greater Noida</b> Greater Noida ●   S&S

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

<sup>1</sup> NA: North America region (Canada, Mexico, United States).  
<sup>2</sup> EMLA: Europe, Middle East, Latin America (excluding Mexico), Africa region.  
<sup>3</sup> 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

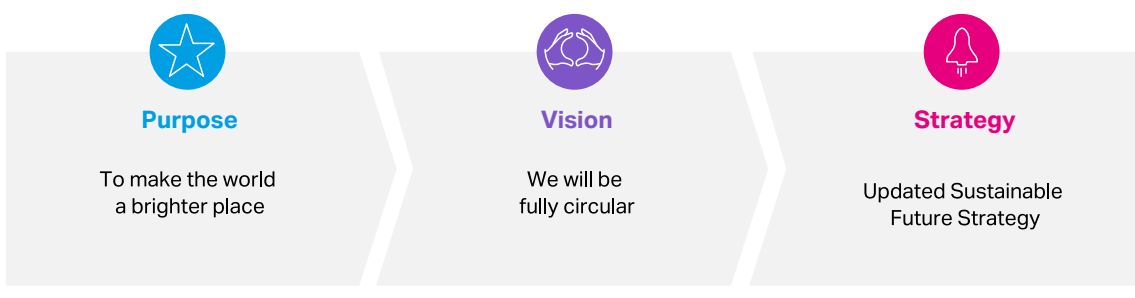
## Purpose and Vision

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>



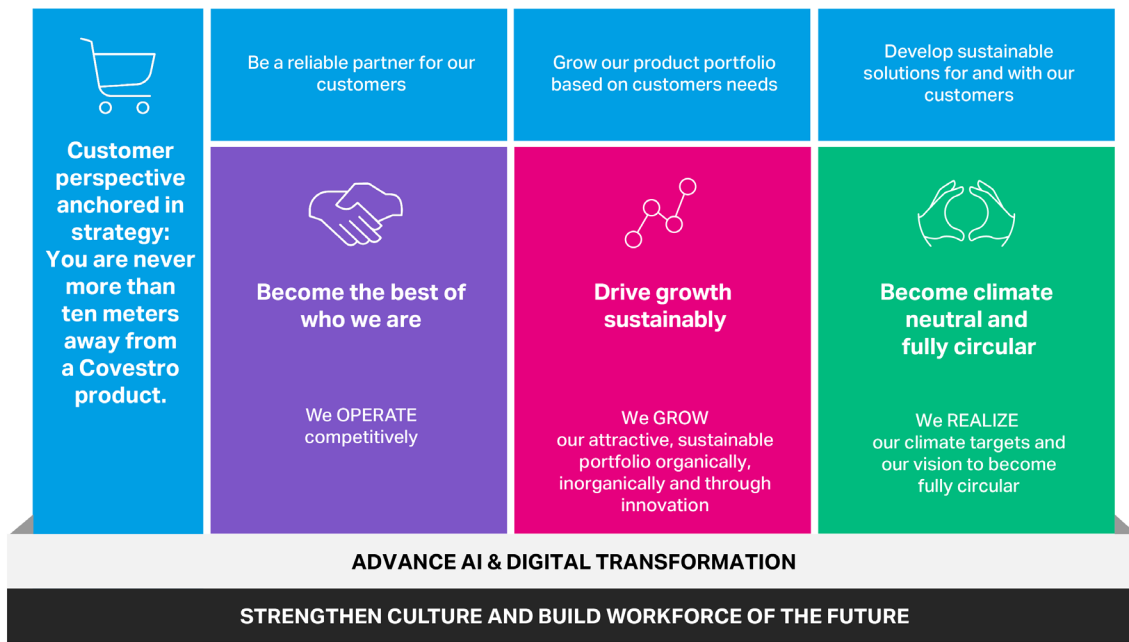
## Group Strategy

### 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 CO<sub>2</sub> 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 CO<sub>2</sub>-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.

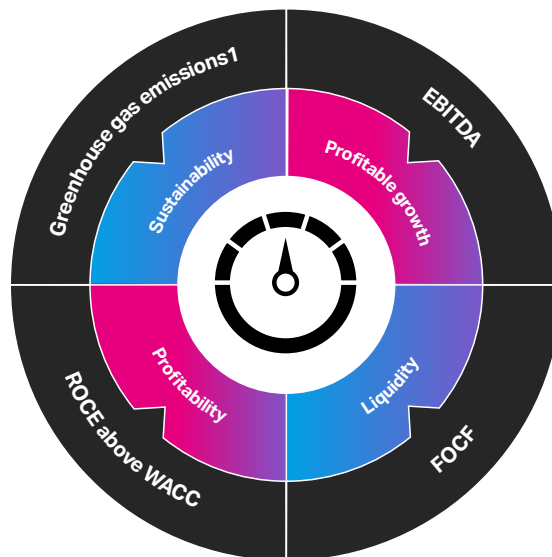
## Management System

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



<sup>1</sup> Direct and indirect GHG emissions (Scope 1 and Scope 2), measured in terms of CO<sub>2</sub> 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.

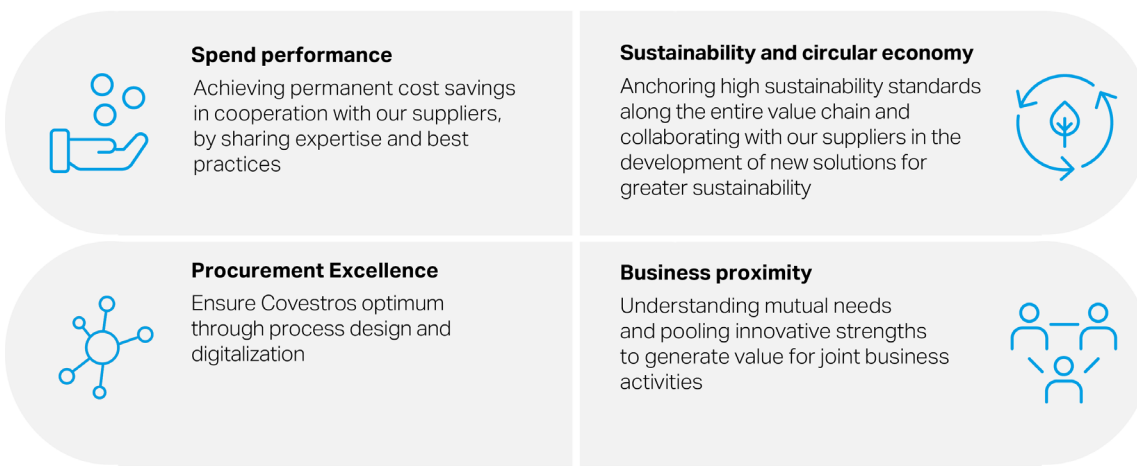
→ For further information, please refer to "ESRS S2: Workers in the Value Chain."

→ For further information, please refer to: [www.covestro.com/en/company/procurement/sustainability-in-procurement/supplier-code-of-conduct](https://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](http://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](http://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 environment<sup>1</sup>

	Growth 2023	Growth 2024
	%	%
<b>World</b>	<b>2.8</b>	<b>2.7</b>
<b>Europe, Middle East, Latin America<sup>2</sup>, Africa (EMLA)</b>	<b>1.3</b>	<b>1.5</b>
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 <sup>2</sup>	2.3	2.1
of which Africa	3.1	3.1
<b>North America<sup>3</sup> (NA)</b>	<b>2.8</b>	<b>2.6</b>
of which United States	2.9	2.8
<b>Asia-Pacific (APAC)</b>	<b>4.3</b>	<b>3.9</b>
of which China	5.2	4.8

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

<sup>2</sup> Latin America (excluding Mexico).

<sup>3</sup> 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 industries<sup>1</sup>

	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

<sup>1</sup> 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](http://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 CO<sub>2</sub> equivalents (previous year: 4.9 million metric tons of CO<sub>2</sub> 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 CO<sub>2</sub> equivalents and 5.0 million metric tons of CO<sub>2</sub> 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 <sup>1</sup>	€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 <sup>2</sup>	€232 million	Between €0 million and €300 million	Between €-100 million and €100 million	€89 million
ROCE above WACC <sup>3,4</sup>	-6% points	Between -7% points and -2% points	Between -7% points and -5% points	-7% points
Greenhouse gas emissions <sup>5</sup> (CO <sub>2</sub> 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

<sup>1</sup> 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.

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

<sup>3</sup> 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.

<sup>4</sup> 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%).

<sup>5</sup> 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 CO<sub>2</sub> 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
<b>Sales</b>	<b>€3,346 million</b>	<b>€3,376 million</b>	<b>0.9%</b>	<b>€14,377 million</b>	<b>€14,179 million</b>	<b>-1.4%</b>
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%
<b>EBITDA<sup>1</sup></b>	<b>€132 million</b>	<b>€191 million</b>	<b>44.7%</b>	<b>€1,080 million</b>	<b>€1,071 million</b>	<b>-0.8%</b>
Depreciation, amortization and impairment losses and impairment loss reversals	€222 million	€322 million	45.0%	€894 million	€984 million	10.1%
EBIT <sup>2</sup>	(€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%
<b>Net income<sup>3</sup></b>	<b>(€187 million)</b>	<b>(€192 million)</b>	<b>2.7%</b>	<b>(€198 million)</b>	<b>(€266 million)</b>	<b>34.3%</b>
Operating cash flows <sup>4</sup>	€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%
<b>Free operating cash flow<sup>5</sup></b>	<b>€73 million</b>	<b>€253 million</b>	<b>246.6%</b>	<b>€232 million</b>	<b>€89 million</b>	<b>-61.6%</b>
Net financial debt <sup>6</sup>				€2,487 million	€2,618 million	5.3%
Return on capital employed (ROCE) <sup>7</sup>				1.5%	0.7%	
Weighted average cost of capital (WACC) <sup>8</sup>				7.6%	8.1%	
<b>ROCE above WACC<sup>7, 8</sup></b>				<b>-6.1% points</b>	<b>-7.4% points</b>	

<sup>1</sup> 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.

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

<sup>3</sup> Net income: income after income taxes attributable to the shareholders of Covestro AG.

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

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

<sup>6</sup> As of December 31 in each case.

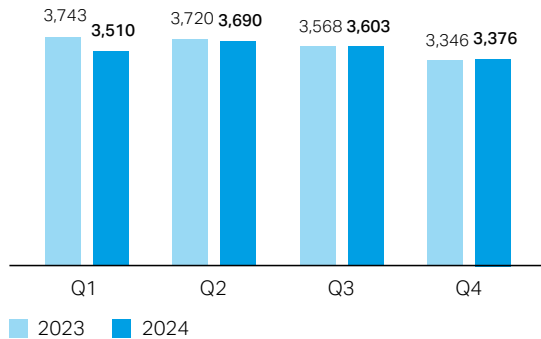
<sup>7</sup> Return on capital employed (ROCE): ratio of EBIT after imputed income taxes to capital employed. Imputed income taxes are calculated by multiplying an imputed tax rate of 25% by EBIT.

<sup>8</sup> 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

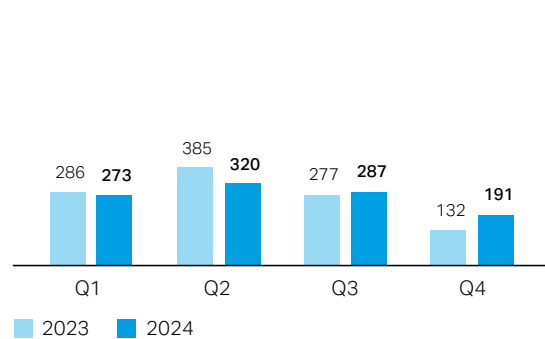
### Quarterly sales

€ million



### Quarterly EBITDA

€ million



### Sales

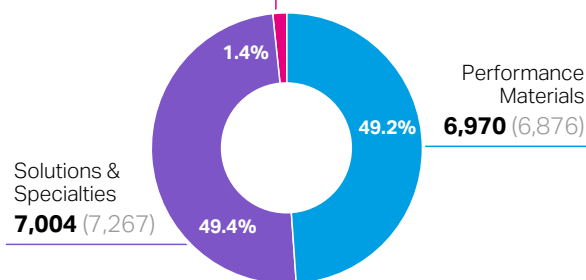
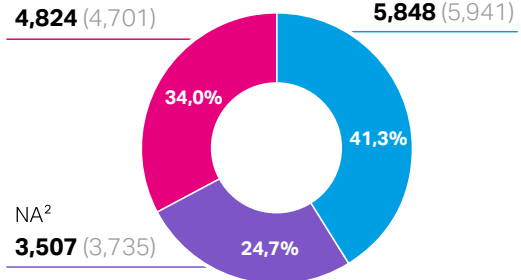
Group sales declined by 1.4% in fiscal 2024, to €14,179 million (previous year: €14,377 million). The decrease in sales was primarily attributable to a demand-related drop in the selling price level, accompanied by the decline in raw material prices being passed on to customers; these factors had a diminishing 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)APAC<sup>3</sup>**4,824** (4,701)EMLA<sup>1</sup>**5,848** (5,941)

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

<sup>2</sup> NA: North America region (Canada, Mexico, United States).

<sup>3</sup> 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
<b>Gross profit</b>	<b>2,306</b>	<b>2,177</b>	<b>-5.6</b>
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
<b>EBIT</b>	<b>186</b>	<b>87</b>	<b>-53.2</b>
Financial result	(113)	(114)	0.9
<b>Income before income taxes</b>	<b>73</b>	<b>(27)</b>	<b>.</b>
Income taxes	(275)	(245)	-10.9
<b>Income after income taxes</b>	<b>(202)</b>	<b>(272)</b>	<b>34.7</b>
attributable to noncontrolling interest	(4)	(6)	50.0
<b>attributable to Covestro AG shareholders (net income)</b>	<b>(198)</b>	<b>(266)</b>	<b>34.3</b>

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
<b>EBIT</b>	<b>186</b>	<b>87</b>
Depreciation, amortization, impairment losses, and impairment loss reversals	894	984
<b>EBITDA</b>	<b>1,080</b>	<b>1,071</b>

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 <sup>1</sup>	€ million	47	22
<b>Net operating profit after taxes (NOPAT)</b>	<b>€ million</b>	<b>139</b>	<b>65</b>
Average capital employed	€ million	9,550	9,370
<b>ROCE</b>	<b>%</b>	<b>1.5</b>	<b>0.7</b>
Weighted average cost of capital (WACC)	%	7.6	8.1
<b>ROCE above WACC</b>	<b>% points</b>	<b>–6.1</b>	<b>–7.4</b>

<sup>1</sup> 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 <sup>1,2</sup>	21	14	17
Other receivables <sup>2,3</sup>	452	501	523
Deferred tax assets <sup>4</sup>	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 <sup>5</sup>	18	–	–
<b>Gross capital employed</b>	<b>13,026</b>	<b>12,429</b>	<b>12,798</b>
Other provisions <sup>6</sup>	(349)	(548)	(599)
Other financial liabilities <sup>2,7</sup>	(136)	(114)	(118)
Other nonfinancial liabilities <sup>2,8</sup>	(258)	(228)	(247)
Deferred tax liabilities <sup>9</sup>	(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 <sup>10</sup>	(2)	–	–
<b>Capital employed</b>	<b>9,783</b>	<b>9,316</b>	<b>9,424</b>
<b>Average capital employed</b>	<b>9,785</b>	<b>9,550</b>	<b>9,370</b>

<sup>1</sup> Other financial assets were adjusted for nonoperating assets.

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

<sup>3</sup> Other receivables were adjusted for nonoperating receivables.

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

<sup>5</sup> Assets held for sale were adjusted for nonoperating and financial assets.

<sup>6</sup> Other provisions were adjusted for provisions for interest payments.

<sup>7</sup> Other financial liabilities were adjusted for nonoperating liabilities.

<sup>8</sup> Other nonfinancial liabilities were adjusted for nonoperating liabilities.

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

<sup>10</sup> 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
<b>EBITDA</b>	<b>132</b>	<b>191</b>	<b>1,080</b>	<b>1,071</b>
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
<b>Cash flows from operating activities</b>	<b>377</b>	<b>612</b>	<b>997</b>	<b>870</b>
Cash outflows for additions to property, plant, equipment and intangible assets	(304)	(359)	(765)	(781)
<b>Free operating cash flow</b>	<b>73</b>	<b>253</b>	<b>232</b>	<b>89</b>
<b>Cash flows from investing activities</b>	<b>(437)</b>	<b>(111)</b>	<b>(925)</b>	<b>(423)</b>
<b>Cash flows from financing activities</b>	<b>(363)</b>	<b>(542)</b>	<b>(639)</b>	<b>(565)</b>
<b>Change in cash and cash equivalents due to business activities</b>	<b>(423)</b>	<b>(41)</b>	<b>(567)</b>	<b>(118)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,052</b>	<b>539</b>	<b>1,198</b>	<b>625</b>
Change in cash and cash equivalents due to exchange rate movements	(4)	11	(6)	2
<b>Cash and cash equivalents at end of period</b>	<b>625</b>	<b>509</b>	<b>625</b>	<b>509</b>

#### 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
<b>Covestro Group</b>	<b>765</b>	<b>781</b>

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)
<b>Gross financial debt</b>	<b>3,388</b>	<b>3,150</b>
Cash and cash equivalents	(625)	(509)
Current financial assets	(276)	(23)
<b>Net financial debt</b>	<b>2,487</b>	<b>2,618</b>

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](http://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

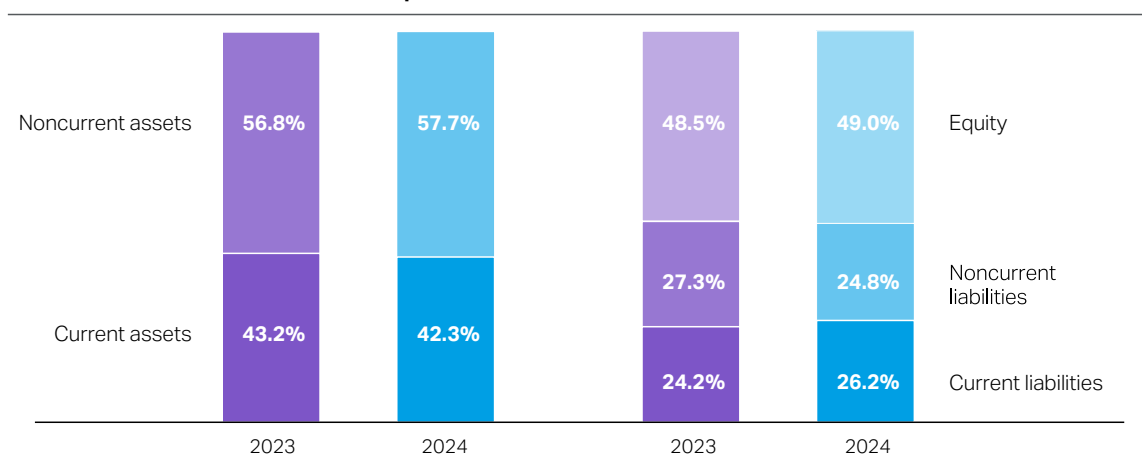
	Dec. 31, 2023	Dec. 31, 2024
	€ million	€ million
Noncurrent assets	7,746	7,865
Current assets	5,891	5,766
<b>Total assets</b>	<b>13,637</b>	<b>13,631</b>
<b>Equity</b>	<b>6,618</b>	<b>6,679</b>
Noncurrent liabilities	3,721	3,376
Current liabilities	3,298	3,576
<b>Liabilities</b>	<b>7,019</b>	<b>6,952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

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)
<b>Net defined benefit liability</b>	<b>398</b>	<b>315</b>

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

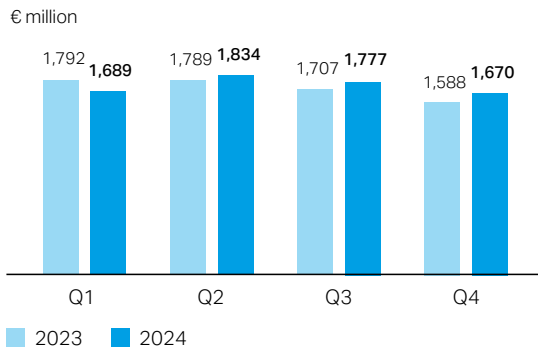
	4th quarter 2023	4th quarter 2024	Change	2023	2024	Change
<b>Sales (external)</b>	<b>€1,588 million</b>	<b>€1,670 million</b>	<b>5.2%</b>	<b>€6,876 million</b>	<b>€6,970 million</b>	<b>1.4%</b>
Intersegment sales	€488 million	€510 million	4.5%	€2,194 million	€2,228 million	1.5%
<b>Sales (total)</b>	<b>€2,076 million</b>	<b>€2,180 million</b>	<b>5.0%</b>	<b>€9,070 million</b>	<b>€9,198 million</b>	<b>1.4%</b>
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%
<b>EBITDA<sup>1</sup></b>	<b>€16 million</b>	<b>€145 million</b>	<b>806.3%</b>	<b>€576 million</b>	<b>€569 million</b>	<b>-1.2%</b>
EBIT <sup>1</sup>	(€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%
<b>Free operating cash flow</b>	<b>(€21 million)</b>	<b>€129 million</b>		<b>€162 million</b>	<b>€78 million</b>	<b>-51.9%</b>

<sup>1</sup> EBITDA and EBIT include the effect on earnings of intersegment sales.

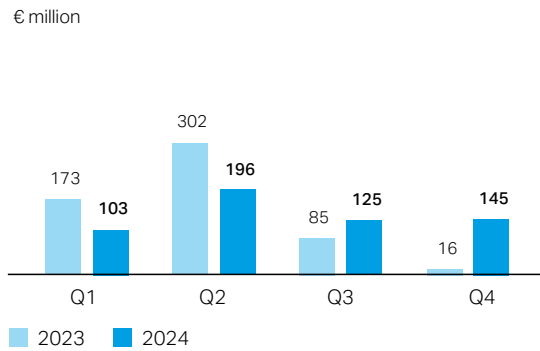
Sales in the Performance Materials segment were up 1.4% to €6,970 million in fiscal 2024 (previous year: €6,876 million). This was mainly driven by an 11.9% rise in volumes sold. In contrast, a demand-related 9.6% decrease in average selling prices had the effect of reducing sales. In addition, changes 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
<b>Sales (external)</b>	<b>€1,703 million</b>	<b>€1,654 million</b>	<b>-2.9%</b>	<b>€7,267 million</b>	<b>€7,004 million</b>	<b>-3.6%</b>
Intersegment sales	€6 million	€7 million	16.7%	€27 million	€27 million	0.0%
<b>Sales (total)</b>	<b>€1,709 million</b>	<b>€1,661 million</b>	<b>-2.8%</b>	<b>€7,294 million</b>	<b>€7,031 million</b>	<b>-3.6%</b>
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%
<b>EBITDA<sup>1</sup></b>	<b>€185 million</b>	<b>€150 million</b>	<b>-18.9%</b>	<b>€817 million</b>	<b>€740 million</b>	<b>-9.4%</b>
EBIT <sup>1</sup>	€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%
<b>Free operating cash flow</b>	<b>€264 million</b>	<b>€258 million</b>	<b>-2.3%</b>	<b>€551 million</b>	<b>€417 million</b>	<b>-24.3%</b>

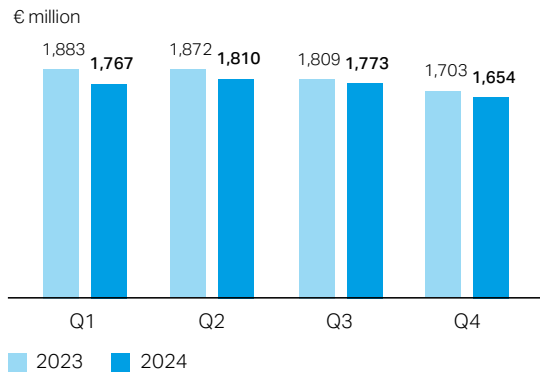
<sup>1</sup> EBITDA and EBIT include the effect on earnings of intersegment sales.

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%.

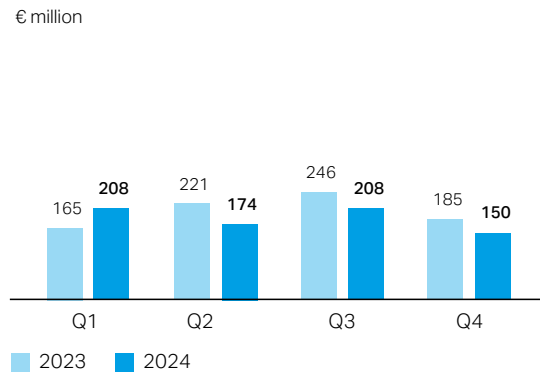
The EMLA region's sales went down by 5.3% to €2,585 million (previous year: €2,730 million), principally because of a considerable decline in average selling prices, which could only partially be offset by a slight rise in volumes sold. Exchange rate movements had no notable effect on sales. In the NA 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)
<b>Income before income taxes</b>	<b>(53)</b>	<b>(27)</b>
Income taxes	(71)	(28)
<b>Net loss</b>	<b>(124)</b>	<b>(55)</b>
Retained earnings brought forward from prior year	–	(124)
Withdrawal from other retained earnings	–	–
<b>Net accumulated losses</b>	<b>(124)</b>	<b>(179)</b>

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
<b>ASSETS</b>		
<b>Noncurrent assets</b>	<b>1,830</b>	<b>1,830</b>
Property, plant and equipment	–	–
Financial assets	1,830	1,830
<b>Current assets</b>	<b>4,953</b>	<b>4,668</b>
Trade accounts receivable	38	1
Receivables from affiliated companies	4,858	4,591
Other assets	57	76
<b>Deferred charges</b>	<b>10</b>	<b>8</b>
<b>Excess of plan assets over pension liability</b>	<b>1</b>	<b>2</b>
<b>Total assets</b>	<b>6,794</b>	<b>6,508</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>3,939</b>	<b>3,884</b>
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)
<b>Provisions</b>	<b>97</b>	<b>145</b>
Provisions for pensions	21	24
Provisions for taxes	34	50
Other provisions	42	71
<b>Liabilities</b>	<b>2,758</b>	<b>2,479</b>
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
<b>Total equity and liabilities</b>	<b>6,794</b>	<b>6,508</b>

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 growth<sup>1</sup>

	Growth 2024	Growth forecast 2025
	%	%
<b>World</b>	<b>2.7</b>	<b>2.8</b>
<b>Europe, Middle East, Latin America<sup>2</sup>, Africa (EMLA)</b>	<b>1.5</b>	<b>1.8</b>
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 <sup>2</sup>	2.1	2.3
of which Africa	3.1	3.9
<b>North America<sup>3</sup> (NA)</b>	<b>2.6</b>	<b>2.5</b>
of which United States	2.8	2.6
<b>Asia-Pacific (APAC)</b>	<b>3.9</b>	<b>3.9</b>
of which China	4.8	4.4

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

<sup>2</sup> Latin America (excluding Mexico).

<sup>3</sup> 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 industries<sup>1</sup>

	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

<sup>1</sup> 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 <sup>1</sup>	€1,071 million	Between €1,000 million and €1,600 million
Free operating cash flow <sup>2</sup>	€89 million	Between 0 million and €300 million
ROCE above WACC <sup>3,4</sup>	-7% points	Between -6% points and -2% points
Greenhouse gas emissions <sup>5</sup> (CO <sub>2</sub> equivalents)	4.9 million metric tons	Between 4.2 million metric tons and 4.8 million metric tons

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

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

<sup>3</sup> 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.

<sup>4</sup> 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%).

<sup>5</sup> 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 CO<sub>2</sub> 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**

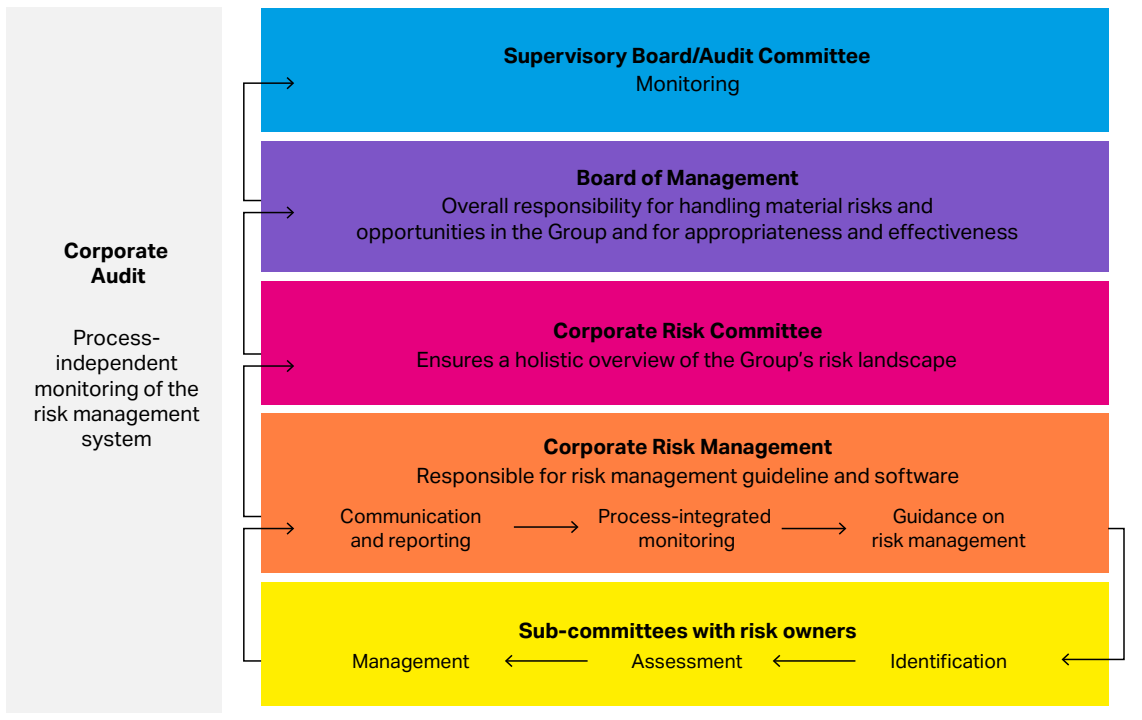
Compliance risks are systematically identified and assessed as part of Covestro's Group-wide risk management. Risk owners assess the compliance risks that have been identified. A risk matrix is used to define focal points of compliance tasks at Covestro. If the risk profile changes, new controls are 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) <sup>1</sup>	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

<sup>1</sup> 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
<b>...in the business environment</b>			
Geopolitical tensions and social upheavals		●	
Market development	●	●	
Laws and regulations		●	
<b>...in the company-specific environment</b>			
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](https://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](https://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](http://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](http://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 responsibility<sup>1</sup>

Name	Position	Areas of responsibility	Memberships <sup>2</sup>
Dr. Markus Steilemann	Chief Executive Officer	<ul style="list-style-type: none"> <li>• Communications</li> <li>• Corporate Audit</li> <li>• Human Resources</li> <li>• Strategy</li> <li>• Group Innovation &amp; Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Supervisory Board of Fuchs Petrolub SE<sup>3</sup></li> </ul>
Christian Baier	Chief Financial Officer <sup>4</sup>	<ul style="list-style-type: none"> <li>• Accounting</li> <li>• Controlling</li> <li>• Finance &amp; Insurance</li> <li>• Information Technology &amp; Digitalization</li> <li>• Investor Relations</li> <li>• Law, Intellectual Property &amp; Compliance</li> <li>• Portfolio Development</li> <li>• Taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Supervisory Board of TUI AG<sup>3</sup></li> </ul>
Dr. Thorsten Dreier	Chief Technology Officer Labor Director	<ul style="list-style-type: none"> <li>• Engineering</li> <li>• Process Technology</li> <li>• Group Health, Safety, Environment and Reliability</li> <li>• Group Procurement</li> </ul>	
Sucheta Govil	Chief Commercial Officer	<ul style="list-style-type: none"> <li>• Performance Materials</li> <li>• Tailored Urethanes</li> <li>• Coatings &amp; Adhesives</li> <li>• Engineering Plastics</li> <li>• Specialty Films</li> <li>• Elastomers</li> <li>• Thermoplastic Polyurethanes</li> <li>• Supply Chain &amp; Logistics EMLA, NA, APAC</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Mondi plc<sup>3</sup> (since October 2024)</li> </ul>

<sup>1</sup> As of December 31, 2024.

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

<sup>3</sup> Listed.

<sup>4</sup> 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 <sup>3</sup>	As of Dec. 31, 2024	Target by June 30, 2027 <sup>3</sup>
	%	%	%	%
Proportion of women in management level 1 <sup>1</sup>	0.0	25.0	25.0	31.0
Proportion of women in management level 2 <sup>2</sup>	42.9	31.6	23.4	30.2

<sup>1</sup> Direct reports to the Board of Management with management responsibilities.

<sup>2</sup> Direct reports to management level 1 with management responsibilities.

<sup>3</sup> 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 <sup>1</sup>	0 of 4	1 of 4	7 of 28	9 of 29
Proportion of women in management level 2 <sup>2</sup>	9 of 21	6 of 19	40 of 171	54 of 179

<sup>1</sup> Direct reports to the Board of Management with management responsibilities.

<sup>2</sup> 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](http://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](http://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 members<sup>1</sup>

Name/function	Membership on the Supervisory Board	Position	Memberships <sup>2</sup>
Dr. Christine Bortenlänger	Member of the Supervisory Board since October 2015	<ul style="list-style-type: none"> <li>Member of various supervisory boards</li> <li>Chair of the Managerial Employees' Committees of Covestro Deutschland AG and of Covestro group</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of MTU Aero Engines AG<sup>3</sup></li> <li>Member of the Supervisory Board of TÜV SÜD AG<sup>4</sup></li> <li>Member of the Supervisory Board of Siemens Energy AG<sup>3</sup></li> <li>Member of the Supervisory Board of Siemens Energy Management GmbH<sup>4</sup> (Siemens Energy group)</li> </ul>
Dr. Christoph Gürtler	Member of the Supervisory Board since April 2022	<ul style="list-style-type: none"> <li>Managerial Employee of Covestro Deutschland AG</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Vice Chair of the Supervisory Board of Mitteldeutsche Braunkohlegesellschaft<sup>4</sup> (Mibrag)</li> <li>Vice Chair of the Supervisory Board of Lausitz Energie Bergbau AG<sup>4</sup> (LEAG)</li> <li>Chairman of the Supervisory Board of CHEMIE Pensionsfonds AG<sup>4</sup></li> </ul>
Oliver Heinrich	Member of the Supervisory Board since May 2024	<ul style="list-style-type: none"> <li>Member of the Executive Board of IGBCE</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Independent Board Director of Danone SA<sup>3</sup>, France</li> <li>Independent Board Director of Sanofi SA<sup>3</sup>, France</li> <li>Member of the Board of Allianz Trade<sup>4</sup>, Belgium</li> </ul>
Lise Kingo	Member of the Supervisory Board since April 2021	<ul style="list-style-type: none"> <li>Member of various supervisory boards, governing bodies and committees</li> <li>Chair of the General Works Council of Covestro</li> <li>Member of the Group Works Council of Covestro</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> </ul>
Petra Kronen (Vice Chair)	Member of the Supervisory Board since October 2015 until December 2024	<ul style="list-style-type: none"> <li>Member of the Works Council of Covestro at the Uerdingen site</li> <li>Employee of Covestro Deutschland AG</li> </ul>	<ul style="list-style-type: none"> <li>Vice Chair of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> </ul>
Irena Küstner	Member of the Supervisory Board since October 2015	<ul style="list-style-type: none"> <li>Member of the Group Works Council of Covestro</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> </ul>
Frank Löllgen	Member of the Supervisory Board since April 2022	<ul style="list-style-type: none"> <li>North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union (IGBCE), Düsseldorf</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Bayer AG<sup>3</sup></li> </ul>
Dr. Richard Pott (Chair)	Member of the Supervisory Board since August 2015	<ul style="list-style-type: none"> <li>Member of various supervisory boards</li> </ul>	<ul style="list-style-type: none"> <li>Chair of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of Freudenberg SE<sup>4</sup></li> <li>Member of the Supervisory Board of SCHOTT AG<sup>4</sup> (until March 2024)</li> </ul>
Petra Reinbold-Knape	Member of the Supervisory Board from January 2020 until April 2024	<ul style="list-style-type: none"> <li>Secretary for IGBCE</li> <li>Chair of the Board of August-Schmidt-Stiftung</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> <li>Member of the Supervisory Board of Infineon Technologies Austria AG<sup>4</sup>, Austria (Infineon group)</li> <li>Member of the Board of Directors, Infineon Technologies China Co., Ltd.<sup>4</sup>, China (Infineon group)</li> <li>Member of the Board of Directors, Infineon Technologies Asia Pacific Pte., Ltd.<sup>4</sup>, Singapore (Infineon group)</li> <li>Member of the Board of Directors, Infineon Technologies Americas Corp.<sup>4</sup>, USA (Infineon group)</li> <li>Member of the Board of Directors, Infineon Technologies Japan K.K.<sup>4</sup>, Japan (Infineon group)</li> </ul>
Dr. Sven Schneider	Member of the Supervisory Board since April 2022	<ul style="list-style-type: none"> <li>Chief Financial Officer at Infineon Technologies AG</li> </ul>	<ul style="list-style-type: none"> <li>Member of the Supervisory Board of Covestro Deutschland AG<sup>4,5</sup></li> </ul>

**Supervisory Board members<sup>1</sup>**

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

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

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

<sup>3</sup> Listed.

<sup>4</sup> Non-listed.

<sup>5</sup> 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](http://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](http://www.covestro.com/en/company/management/supervisory-board)

ESRS 2.21 (c), (e), ESRS 2.23 (a) Qualification matrix<sup>1</sup>

Category	Field of expertise	Supervisory Board members												
		C. Bortenlänger <sup>2</sup>	C. Gürtler <sup>3</sup>	O. Heinrich <sup>3</sup>	L. Kingo <sup>2</sup>	P. Kronen <sup>3</sup>	I. Küstner <sup>3</sup>	F. Löllgen <sup>3</sup>	R. Pott <sup>2</sup>	P. Reinbold-Knape <sup>3</sup>	S. Schneider <sup>2</sup>	R. Stachelhaus <sup>2</sup>	M. Stothfang <sup>3</sup>	P. Thomas <sup>2</sup>
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	Light	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	Light	Light	Light	Light
	Financial statement audit	Dark	Light	Light	Light	Light	Light	Light	Dark	Light	Light	Light	Light	Light
	Management- and leadership experience	Leadership in an international enterprise	Light	Light	Light	Dark	Light	Light	Light	Dark	Light	Light	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
<b>Further information</b>														
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 <sup>4</sup>	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

<sup>1</sup> 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).

<sup>2</sup> Members representing shareholders.

<sup>3</sup> Members representing employees.

<sup>4</sup> 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](http://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](https://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](http://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	
<b>Environmental matters</b>								
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"
		Climate change	x		x		x	"ESRS E4: Biodiversity and ecosystems"
ESRS E4: Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	Pollution	x		x	x	x	
		Resource inflows, including resource use	x	x	x	x		"ESRS E5: Resource use and circular economy"
ESRS E5: Resource use and circular economy	Resource outflows related to products and services		x			x	x	
		Waste	x			x		"Sustainable Solutions"
Entity-specific matters	Sustainable Solutions		x				x	
<b>Social Matters</b>								
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	Other work-related rights	Forced labour	x		x	x		
		Gesundheitsschutz und Sicherheit	x	x	x		x	"ESRS S2: Workers in the value chain"
		Child labour	x		x			
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 (CO<sub>2</sub> 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 (CO<sub>2</sub> 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) <sup>1</sup>	Dr. Thorsten Dreier (Chief Technology Officer and Labor Director) <sup>1</sup>	Sucheta Govil (Chief Commercial Officer)
Share of compensation that is linked to climate-related considerations, in %	22.7	7.1	9.2	22.6

<sup>1</sup> 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**

<b>Core elements of due diligence</b>	<b>Paragraphs in the Group Sustainability Statement</b>
a) Embedding due diligence in governance, strategy and business model	<ul style="list-style-type: none"> <li>• Governance – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies</li> <li>• Governance – Integration of Sustainability-Related Performance in Incentive Schemes</li> <li>• Governance – Risk Management and Internal Controls Over Sustainability Reporting</li> <li>• ESRS E1: Climate Change – Strategy</li> <li>• ESRS E2: Pollution – Policies and Actions</li> <li>• ESRS E3: Water and Marine Resources – Policies and Actions</li> <li>• ESRS E5: Resource Use and Circular Economy – Policies and Actions</li> <li>• Sustainable Solutions – Policies and Actions</li> <li>• ESRS S1: Own Workforce – Strategy, Policies and Actions</li> <li>• ESRS S2: Workers in the Value Chain – Strategy</li> <li>• ESRS G1: Business Conduct – Policies and Actions</li> </ul>
b) Engaging with affected stakeholders in all key steps of the due diligence	<ul style="list-style-type: none"> <li>• Governance – Information Provided to and Sustainability Matters Addressed by the Undertaking's Administrative, Management and Supervisory Bodies</li> <li>• Strategy – Interests and Views of Stakeholders</li> <li>• Impact, Risk and Opportunity Management – Description of the Process to Identify and Assess Material Impacts, Risks, and Opportunities</li> </ul>
c) Identifying and assessing adverse impacts	<ul style="list-style-type: none"> <li>• Impact, Risk and Opportunity Management – Process to Identify and Assess Material Impacts, Risks, and Opportunities</li> <li>• Sustainable Solutions – Impacts, Risks, and Opportunities</li> <li>• ESRS S1: Own Workforce – Strategy</li> <li>• ESRS S2: Workers in the Value Chain – Strategy</li> </ul>

**Statement on due diligence**

<b>Core elements of due diligence</b>	<b>Paragraphs in the Group Sustainability Statement</b>
d) Taking actions to address those adverse impacts	<ul style="list-style-type: none"> <li>• ESRS E1: Climate Change – Our Transition Plan for Climate Change Mitigation, Policies and Actions</li> <li>• ESRS E2: Pollution – Policies and Actions</li> <li>• ESRS E3: Water and Marine Resources – Policies and Actions</li> <li>• ESRS E5: Resource Use and Circular Economy – Policies and Actions</li> <li>• ESRS S1: Own Workforce – Actions for Managing Impacts, Risks, and Opportunities</li> <li>• ESRS S2: Workers in the Value Chain – Policies and Actions</li> <li>• ESRS G1: Business Conduct – Policies and Actions</li> </ul>
e) Tracking the effectiveness of these efforts and communicating	<ul style="list-style-type: none"> <li>• ESRS E1: Climate Change – Policies and Actions, Targets, Metrics</li> <li>• ESRS E2: Pollution – Policies and Actions, Targets, Metrics</li> <li>• ESRS E3: Water and Marine Resources – Policies and Actions, Targets, Metrics</li> <li>• ESRS E4: Biodiversity – Policies and Actions, Targets, Metrics</li> <li>• ESRS E5: Resource Use and Circular Economy – Policies and Actions, Targets, Metrics</li> <li>• ESRS S1: Own Workforce – "Tracking the Effectiveness of Policies and Actions, Policies for Managing Impacts, Risks and Opportunities, Metrics</li> <li>• ESRS S2: Workers in the Value Chain – Policies and Actions, Targets, Metrics</li> <li>• ESRS G1: Business Conduct – Policies and Actions</li> </ul>

## 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](https://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: <a href="https://www.covestro.com/en/sustainability/what-drives-us/external-recognition-in-sustainability">https://www.covestro.com/en/sustainability/what-drives-us/external-recognition-in-sustainability</a>	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
<b>ESRS 2 – General disclosures</b>		
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
<b>ESRS 2 – General disclosures</b>		
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
<b>ESRS E1 – Climate change</b>		
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 <sub>2</sub> 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
<b>ESRS E2 – Pollution</b>		
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
<b>ESRS E3 – Water and marine resources</b>		
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
<b>ESRS E4 – Biodiversity and ecosystems</b>		
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
<b>ESRS E5 – Resource use and circular economy</b>		
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 Econom – 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
<b>ESRS S1 – Own workforce</b>		
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
<b>ESRS S2 – Workers in the value chain</b>		
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
<b>ESRS G1 – Business conduct</b>		
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
<b>Sustainable Solutions</b>		
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

<b>Disclosure Requirement</b>	<b>Datapoint</b>	<b>Section in Management Report</b>
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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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

<sup>1</sup> 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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Climate change adaptation</b>							
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			
<b>Climate change mitigation</b>							
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 <sup>1</sup>	Location <sup>2</sup>	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 <sub>2</sub> roadmap; HSEQ management system	More sustainable production processes, electricity from renewable sources; climate-neutral steam	Net-zero Scope 1 and Scope 2 GHG emissions
<b>Energy</b>							
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 <sub>2</sub> 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 <sub>2</sub> ). 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 <sub>2</sub> 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

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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

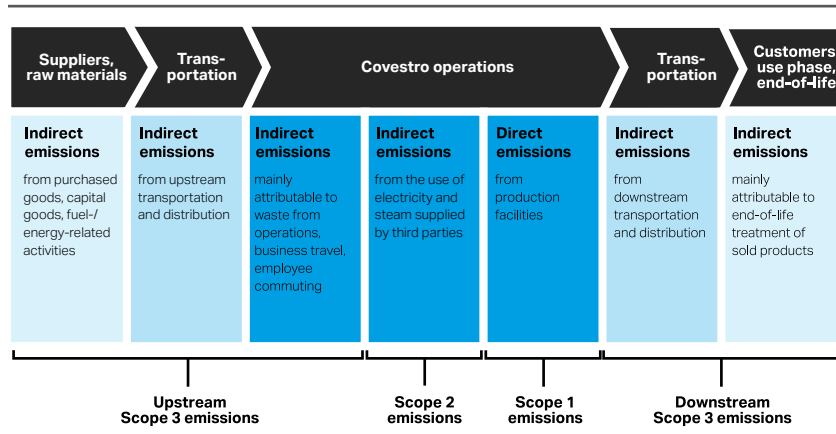
Our goal of transforming to climate neutrality is intended to prepare us for the future, mitigate the material impacts and risks identified, and actively take advantage of opportunities by manufacturing our products in a climate-neutral manner. For Covestro – an energy-intensive company with complex 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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](http://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 **CO<sub>2</sub> roadmap** and our **integrated HSEQ management system**. The CO<sub>2</sub> 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.

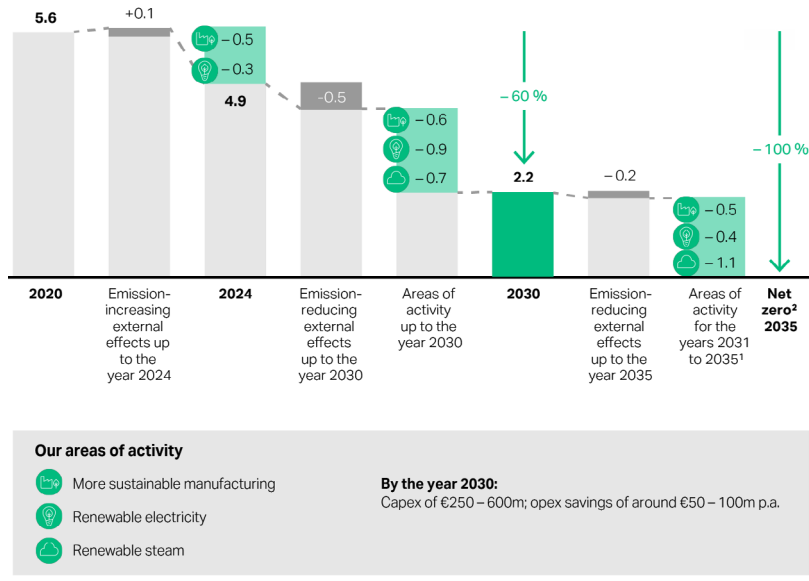
→ For further information, please refer to "ESRS E1: Climate Change – Resilience Analysis."

### 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 CO<sub>2</sub> equivalents per year



<sup>1</sup> Including compensation actions in the areas of activity to offset any residual emissions.  
<sup>2</sup> 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 CO<sub>2</sub> 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 CO<sub>2</sub> equivalents each year from 2025. Overall, we invested €33 million in actions connected with the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions per year.

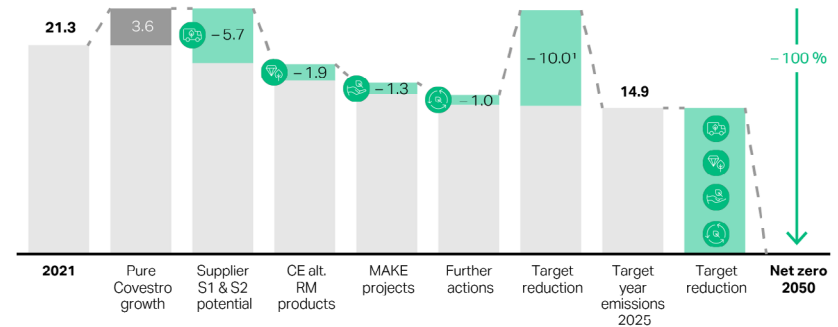
In the fiscal year, no significant operating expenditures (OpEx) were made in relation to the above actions. Likewise, no significant OpEx is planned for these actions in future fiscal years. Further details about planned expenditures can be found in “Our Transition Plan for Climate Change Mitigation.”

### 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 CO<sub>2</sub> 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

<sup>1</sup> Due to rounding, the volumes of the four action areas do not add up to exactly 10.0 million metric tons of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> equivalents in the baseline year of 2020 by 60% to 2.2 million metric tons of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> equivalents. As for the third action area – climate-neutral steam – a reduction in emissions by 1.8 million metric tons of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> equivalents. As for the third action area – MAKE projects – a reduction in emissions by 1.3 million metric tons of CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub>, the inventory of Scope 1 emissions comprises all relevant GHGs, including nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>), partly fluorinated hydrocarbons, sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). 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 CO<sub>2</sub> 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 CO<sub>2</sub>. Due to the very small amounts of relevant methane emissions (around 0.1% of the Group's Scope 1 emissions), the indicator only covers CO<sub>2</sub> 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 CO<sub>2</sub>equivalents)<sup>1,2</sup>**

	Retrospective				Milestones and target years			Annual % target/base year
	Base year <sup>3</sup>	2023	2024	Change	2030	2035	2050	
<b>Scope 1 GHG emissions</b>								
Gross Scope 1 GHG emissions	1.25	0.93	1.01 <sup>4</sup>	9%				
Percentage of Scope 1 GHG emissions from regulated emission trading schemes <sup>5</sup>			49.6					
<b>Scope 2 GHG emissions<sup>6</sup></b>								
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%				
<b>Scope 1 and 2 GHG emissions (market-based)</b>	<b>5.58</b>	<b>5.11</b>	<b>4.85</b>	<b>-5%</b>	<b>2.2</b>	<b>0,3-0,5</b>		<b>6%</b>
<b>Significant Scope 3 GHG emissions<sup>6,7</sup></b>								
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 CO<sub>2</sub>equivalents)<sup>1,2</sup>**

	Retrospective				Milestones and target years			Annual % target/base year
	Base year <sup>3</sup>	2023	2024	Change	2030	2035	2050	
<b>Total gross GHG emissions</b>								
Total location-based GHG emissions		20.78	23.31	12%				
Total market-based GHG emissions		20.86	22.83	9%				
<b>Total net GHG emissions</b>								
Sold compensation actions		0.65	0.56 <sup>8</sup>	-14%				
<b>Total market-based GHG emissions including compensation actions</b>		<b>21.51</b>	<b>23.39</b>	<b>9%</b>				
<b>GHG intensity<sup>9</sup> (million metric tons of CO<sub>2</sub> equivalents, location-based/€ million)</b>		<b>0.0014</b>	<b>0.0016</b>	<b>14%</b>				
<b>GHG intensity<sup>9</sup> (million metric tons of CO<sub>2</sub> equivalents, market-based/€ million)</b>		<b>0.0015</b>	<b>0.0016</b>	<b>11%</b>				

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Base years: fiscal 2020 for Scope 1 and Scope 2 emissions; fiscal 2021 for Scope 3 emissions.

<sup>4</sup> In the year 2024, 79.4% of emissions were CO<sub>2</sub> emissions, 20.1% were N<sub>2</sub>O emissions, 0.4% consisted of partly fluorinated hydrocarbons, 0.1% were attributable to CH<sub>4</sub> and less than 0.1% to SF<sub>6</sub>.

<sup>5</sup> 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.

<sup>6</sup> As a rule, CO<sub>2</sub> accounts for more than 99% of all GHG emissions from incineration processes. For this reason, we limit our calculation of indirect emissions to CO<sub>2</sub>.

<sup>7</sup> 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."

<sup>8</sup> 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.

<sup>9</sup> Ratio of total gross GHG emissions to the Sales line in the income statement in the Covestro Group consolidated financial statements.



Biogenic CO<sub>2</sub> emission equivalents stemming indirectly from the value chain totaled 54,306 metric tons of CO<sub>2</sub> equivalents (previous year: 73,605 metric tons of CO<sub>2</sub> 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
<b>Total fossil energy consumption</b>	<b>13,246,000</b>	<b>14,069,000</b>
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
<b>Total nuclear energy consumption<sup>1</sup></b>		<b>189,000</b>
Share of nuclear sources in total energy consumption		1%
<b>Total renewable energy consumption</b>	<b>1,018,000</b>	<b>1,008,000</b>
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 <sup>2</sup>
Consumption of self-generated non-fuel renewable energy	1,000	–
<b>Total energy consumption</b>	<b>14,264,000</b>	<b>15,266,000</b>
<b>Energy intensity<sup>3</sup> (MWh/€ million)</b>	<b>992.14</b>	<b>1,076.66</b>

<sup>1</sup> 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").

<sup>2</sup> 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.

<sup>3</sup> 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 CO<sub>2</sub> 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 CO<sub>2</sub> reductions. For investment projects, we use a matrix to visualize the compromise between the financial impact (ROCE above WACC) and CO<sub>2</sub> impact (CO<sub>2</sub> equivalents per €1 million of investment) as well as a ROCE calculation, which applies an internal CO<sub>2</sub> shadow price of €100 per metric ton of CO<sub>2</sub> equivalent. A standard sensitivity analysis uses a CO<sub>2</sub> shadow prices of €200 per metric ton of CO<sub>2</sub> 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 CO<sub>2</sub> shadow price is regularly reviewed and adjusted if necessary.

In the reporting year, the following volumes were measured at the CO<sub>2</sub> shadow price: 105 kt of CO<sub>2</sub> equivalents of Scope 1 emissions, 30 kt of CO<sub>2</sub> equivalents of Scope 2 emissions, and 22 kt of CO<sub>2</sub> 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 CO<sub>2</sub> 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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Pollution of air</b>							
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 <sub>x</sub> , and SO <sub>x</sub> . 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 <sub>x</sub> , SO <sub>x</sub> , 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	
<b>Pollution of water</b>							
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	

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**Material impacts, risks and opportunities in respect of "Pollution"**

Type	Description	Time horizon <sup>1</sup>	Location <sup>2</sup>	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	
<b>Pollution of soil</b>							
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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Substances of concern and substances of very high concern</b>							
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	
<b>Microplastics<sup>3</sup></b>							
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)	

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> Location within the value chain divided into upstream value chain (1), own operations (2), and downstream value chain (3).

<sup>3</sup> 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](http://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 CO<sub>2</sub> 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)<sup>1</sup>

Emissions	Substance	2024
		in t/a
Air	Particulate matter (PM <sub>10</sub> )	85.18
	Nitrogen oxides (NO <sub>x</sub> /NO <sub>2</sub> )	251.34
	Hydrochlorofluorocarbons (HCFCs)	0.65
	Tetrachloromethane (CCl <sub>4</sub> )	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	

<sup>1</sup> 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**

	<b>2024</b>
	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 <sup>1</sup>	Location <sup>2</sup>	Policies	Actions	Targets
<b>Water withdrawals</b>						
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		

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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 m<sup>3</sup> 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 <sup>1</sup>	Location <sup>2</sup>	Policies	Actions	Targets
<b>Climate Change</b>						
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
<b>Pollution</b>						
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 <sup>1</sup>	Location <sup>2</sup>	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	

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Resource inflows, including resource use</b>							
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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Resource outflows related to products and services</b>							
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	
<b>Waste</b>							
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	

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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](http://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](http://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
<b>Total amount of waste generated</b>	<b>259</b>
<b>Total amount diverted from disposal</b>	<b>207</b>
<b>Preparation for reuse</b>	<b>12</b>
hazardous waste	1
non-hazardous waste	11
<b>Recycling</b>	<b>185</b>
hazardous waste	140
non-hazardous waste	45
<b>Other recovery operations</b>	<b>10</b>
hazardous waste	4
non-hazardous waste	6
<b>Total amount directed to disposal</b>	<b>52</b>
<b>Incineration</b>	<b>22</b>
hazardous waste	18
non-hazardous waste	4
<b>Landfill</b>	<b>17</b>
hazardous waste	6
non-hazardous waste	11
<b>Other disposal operations</b>	<b>13</b>
hazardous waste	8
non-hazardous waste	5

<sup>1</sup> 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 <sup>1</sup>	Location <sup>2</sup>	Policies	Actions	Targets
<b>Sustainable Solutions</b>						
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

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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](http://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					
<b>Economic activities</b>	€ million	%	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E <sup>2</sup>	T <sup>2</sup>
A Taxonomy-eligible activities																			
<b>A.1 Environmentally sustainable activities (taxonomy-aligned)</b>																			
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	€ million	%	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>								%		
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>																			
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 <sup>3</sup>	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		
<b>Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>	5,524	39.0	39.0	-	-	-	-	-	-								37.6		
<b>Total (A.1 + A.2)</b>	5,524	39.0	39.0	-	-	-	-	-	-								37.6		
B Taxonomy-non-eligible activities	8,655	61.0																	
<b>Turnover of taxonomy-non-eligible activities (B)</b>	8,655	61.0																	
<b>Total (A+B)</b>	14,179	100.0																	

<sup>1</sup> 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.

<sup>2</sup> E – Enabling activity; T – Transitional activity.

<sup>3</sup> 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 <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A Taxonomy-eligible activities																		
<b>A.1 Environmentally sustainable activities (taxonomy-aligned)</b>																		
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>																		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		€ million	%	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>							%		
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>																		
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		
<b>CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		<b>273</b>	<b>29.5</b>	<b>29.1</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>-</b>							<b>33.2</b>	<b>-</b>	<b>-</b>
<b>Total (A.1 + A.2)</b>		<b>273</b>	<b>29.5</b>	<b>29.1</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>-</b>							<b>33.2</b>	<b>-</b>	<b>-</b>

**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
<b>CapEx of taxonomy-non-eligible activities (B)</b>		<b>655</b>	<b>70.5</b>
<b>Total (A+B)</b>		<b>928</b>	<b>100</b>

<sup>1</sup> 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.

<sup>2</sup> 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				Minimum safeguards
		€ million	%	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y;N; N/EL <sup>1</sup>	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E <sup>2</sup>	T <sup>2</sup>
A Taxonomy-eligible activities																			
<b>A.1 Environmentally sustainable activities (taxonomy-aligned)</b>																			
<b>OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		€ million	%	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>	EL;N/ EL <sup>1</sup>								%		
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)</b>																			
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		
<b>OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)</b>		425	30.3	30.3	-	-	<0,1	-	-								30.4	-	-
<b>Total (A.1 + A.2)</b>		425	30.3	30.3	-	-	<0,1	-	-								30.4	-	-
B Taxonomy-non-eligible activities		970	69.7																
<b>OpEx of taxonomy-non-eligible activities (B)</b>		970	69.7																
<b>Total (A+B)</b>		1,395	100.0																

<sup>1</sup> 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.

<sup>2</sup> 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)	–	–
<b>Total</b>	<b>–</b>	<b>39.0</b>

**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)	–	–
<b>Total</b>	<b>–</b>	<b>29.5</b>

**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)	–	–
<b>Total</b>	<b>–</b>	<b>30.3</b>

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 activities<sup>1</sup>

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

<sup>1</sup> 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 <sup>1</sup>		Climate change mitigation		Climate change adaptation		CCM + CCA <sup>1</sup>		Climate change mitigation		Climate change adaptation		CCM + CCA <sup>1</sup>	
		€ 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	<b>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</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	<b>Total applicable KPI</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> 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 <sup>1</sup>		Climate change mitigation		Climate change adaptation		CCM + CCA <sup>1</sup>		Climate change mitigation		Climate change adaptation		CCM + CCA <sup>1</sup>	
		€ 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	<b>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</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> 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 <sup>1</sup>		Climate change mitigation		Climate change adaptation		CCM + CCA <sup>1</sup>		Climate change mitigation		Climate change adaptation		CCM + CCA <sup>1</sup>	
		€ 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	<b>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</b>	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	<b>Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	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

<sup>1</sup> 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	<b>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</b>	<b>8,655</b>	<b>100.0</b>	<b>655</b>	<b>100.0</b>	<b>970</b>	<b>100.0</b>
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	<b>8,655</b>	<b>100.0</b>	<b>655</b>	<b>100.0</b>	<b>970</b>	<b>100.0</b>

# Social Matters

## ESRS S1: Own Workforce

### Impacts, Risks, and Opportunities

#### Material impacts, risks and opportunities in respect of "Own workforce"

Type	Description	Time horizon <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Working conditions – health and safety</b>							
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)	
<b>Working conditions – adequate wages</b>							
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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Equal treatment and opportunities for all – diversity</b>							
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
<b>Equal treatment and opportunities for all and gender equality and equal pay for equal work</b>							
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	
<b>Other work-related rights – child labor</b>							
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	
<b>Other work-related rights – forced labor</b>							
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	

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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:

#### Employees<sup>1</sup> broken down by gender in the year 2024

	HC
Women	4,256
Men	13,757
Diverse <sup>2</sup>	–
Not provided	8
<b>Total</b>	<b>18,021</b>

<sup>1</sup> 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.

<sup>2</sup> "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.

#### Employees<sup>1</sup> broken down by country in the year 2024

	HC
Germany	7,635
China	2,778
USA	2,511

<sup>1</sup> 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.

#### Employees<sup>1</sup> broken down by employment status in the year 2024

	Women	Men	Diverse <sup>2</sup>	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	–	–	–	–	–

<sup>1</sup> 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 gender<sup>1</sup> and management level in the year 2024

	Women		Men		Total
	HC	%	HC	%	HC
Proportion in management level 1 <sup>2</sup>	7	25	21	75	28
Proportion in management level 2 <sup>3</sup>	40	23	131	77	171

<sup>1</sup> No employees who identify with other gender options were represented at the management levels disclosed.

<sup>2</sup> Direct reports to the Board of Management with management responsibilities as of December 31, 2024.

<sup>3</sup> 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 accidents<sup>1</sup>

	2023	2024
<b>Number of recordable work-related accidents</b>		
in relation to own workforce <sup>2</sup>	50	52
in relation to contractor employees <sup>3</sup>	24	17
<b>Rate of recordable work-related accidents (Recordable incident rate, RIR)</b>		
in relation to own workforce <sup>2</sup>	1.55	1.70
in relation to contractor employees <sup>3</sup>	1.50	1.00
<b>Number of recordable accidents at work in connection with lost days</b>		
in relation to own workforce <sup>2</sup>	32	34
in relation to contractor employees <sup>3</sup>	16	14
<b>Rate of recordable accidents at work in connection with lost days (Lost time recordable incident rate, LTRIR)</b>		
in relation to own workforce <sup>2</sup>	1.00	1.10
in relation to contractor employees <sup>3</sup>	1.00	0.80
<b>Number of days lost to work-related injuries, ill health and fatalities</b>		
in relation to own workforce <sup>2</sup>	795	521
in relation to contractor employees <sup>3</sup>	506	168
<b>Number of fatalities as result of work-related injuries and work-related ill health on undertaking's sites</b>		
in relation to own workforce <sup>2</sup>	0	0
in relation to contractor employees <sup>3</sup>	0	0
<b>Number of cases of recordable work-related ill health<sup>4</sup></b>		
in relation to own workforce <sup>2</sup>	5	6
in relation to contractor employees <sup>3</sup>	0	0

<sup>1</sup> Includes work-related accidents and illnesses taking into account all fully consolidated companies, provided that they are part of the consolidation scope.

<sup>2</sup> Own workers, excluding self-employed workers (contractors), including interns, employees in vocational training.

<sup>3</sup> Self-employed workers (contractors): individuals engaged by Covestro whose accidents occurred on one of our company premises.

<sup>4</sup> 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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Working conditions - health and safety</b>							
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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Other work-related rights - child labour</b>							
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
<b>Other work-related rights - forced labour</b>							
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

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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. By 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](http://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](http://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 <sup>1</sup>	Location <sup>2</sup>	Financial effect	Policies	Actions	Targets
<b>Protection of whistle-blowers</b>							
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	

<sup>1</sup> Time horizon broken down into short-term (S), medium-term (M), and long-term (L).

<sup>2</sup> 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](http://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](http://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.](#)"