

Compensation Report

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Compensation Report

The Compensation Report outlines the principles for determining the compensation for the members of the Board of Management and the Supervisory Board of Covestro AG and explains the compensation of the individual members. The Report was prepared by the Board of Management and the Supervisory Board in accordance with the requirements of section 162 of the German Stock Corporation Act (AktG) and complies with the recommendations of the German Corporate Governance Code (GCGC) as amended on April 28, 2022. Relevant information is published on Covestro's website. Moreover, in terms of content and structure, the report is based on the Compensation Report for the year 2023, which was approved by the Annual General Meeting (AGM) on April 17, 2024 with a majority of 92.54%.

→ Additional information on the details of the compensation system, the report on the audit of the compensation report, and the resolution of the Annual General Meeting approving the compensation system is available at: www.covestro.com/en/company/management/corporate-governance

The compensation system for the Board of Management members was approved by the AGM on April 19, 2023, with a majority of 91.73%; it is available on the company's website.

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

Compensation of the Board of Management

The following section reports the compensation of the Board of Management of Covestro AG for fiscal 2024. The members of the Board of Management of Covestro AG are the same as the members of the Board of Management of Covestro Deutschland AG, which is a wholly owned subsidiary of Covestro AG. Compensation is not paid for the members' work on the Board of Management of Covestro Deutschland AG.

Guiding Principles for Compensation

The compensation system for the Board of Management of Covestro AG is based on the corporate strategy and designed to facilitate a long-term increase in the company's value and responsible corporate governance. We aim to position Covestro as an attractive employer in the competition for highly qualified executives and, at the same time, ensure statutory and regulatory compliance. Board of Management compensation is in line with the basic principles of the Covestro Group's compensation structure, which is standardized for all Covestro employees in line with our "We are 1" corporate culture:

- The variable compensation of the Board of Management and all participating employees is based on a uniform system and identical criteria.
- Differences exist only in the target percentages related to fixed compensation.

The variable compensation is based on Covestro's corporate performance, which is measured based on financial and sustainability targets and share performance:

- The system and criteria for short-term variable compensation are closely aligned to Covestro's annual performance.
- The system and the criteria are agreed upon and binding for a three-year period. The Covestro Profit Sharing Plan (Covestro PSP) is a bonus system based on the company's average expected performance. The targets set for the Covestro PSP are aimed at enabling an average payout level of 100% to be achieved over a period of up to 10 years.
- In very successful years, high payout percentages are achieved (such as 239.5% for fiscal 2021), while in challenging years they are significantly lower, or no short-term variable compensation is paid at all (such as for fiscal 2022).

- The Prisma share-based compensation program for long-term variable compensation is based on the absolute performance of Covestro AG shares, including dividends, as well as the relative performance compared with the STOXX Europe 600 Chemicals* index, and also includes a sustainability component.

The determination of variable compensation is simple, transparent, and based on objective criteria:

- The relation between target attainment and payout has been defined for the criteria used and documented in the Compensation Report.
- The payout is calculated on the basis of financial criteria and sustainability targets that are also included in the company's Management Report; the calculation is also documented in the Compensation Report.

Compensation system and structure at a glance

	% of total direct compensation ¹ (figures in % rounded)	Target compensation in € thousand	Modifiers / target compensation	Further components
Approx. 30% fixed	Approx. 30% fixed annual compensation²	CEO: 1,296 OBM: 653-850	Fixed	Fringe benefits
	Approx. 30% Covestro PSP	CEO: 1,296 OBM: 653-850	$\frac{1}{4} \text{ EBITDA } 0-300\% + \frac{1}{4} \text{ ROCE above WACC } 0-300\% + \frac{1}{4} \text{ FOCF } 0-300\% + \frac{1}{4} \text{ ESG criteria } 0-300\%$ <p style="text-align: center;">↓ Cap: 250%</p>	Malus (100%) Clawback (up to 3 years)
Approx. 70% variable	Approx. 40% Prisma	CEO: 1,685 OBM: 849-1,105	$\text{Prisma target} \times \text{Total shareholder return factor} \times \left[\frac{30\%}{\text{ESG criteria}} + \frac{70\%}{\text{Outperformance factor}} \right]$ <p style="text-align: center;">↓ Cap: 200%</p>	
	100%¹	CEO: 4,277 OBM: 2,155-2,805	Severance cap: 2 times annual compensation	Share ownership guidelines: 100% of fixed annual compensation within 3 years (CEO & OBM)
Pension benefits⁴	CEO: 403 OBM: 205-276	Pension benefits under a defined contribution plan (company pension): 8-10% of total direct compensation ¹		
Total target compensation⁵	CEO: 4,680 OBM: 2,360-3,081	Max. compensation limit (incl. fringe benefits and pension): €9,000 thousand (CEO); €5,500 thousand (OBM)		

¹ Fixed compensation plus variable target values.

² Excluding fringe benefits.

³ Chief Executive Officer (CEO), ordinary Board of Management member (OBM).

⁴ Expected pension service cost (IFRSs).

⁵ Fixed compensation plus variable target values and post-employment benefits.

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

Basic Principles for Determining Compensation

Determining Target Compensation

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

The fixed compensation of Board of Management members was not raised as of January 1, 2024. The Supervisory Board based its decision in this matter on the fact that no budget had been made available in the year 2024 for the salary round for employees in Germany not subject to collective bargaining agreements as well as for employees at equivalent contract levels worldwide. The target compensation of individual Board of Management members based on the compensation system in effect is outlined below.

Total target compensation of current Board of Management members¹

	Dr. Markus Steilemann (Chair)				Christian Baier ⁴ (Finance) since October 1, 2023				Dr. Thorsten Dreier ⁴ (Technology and Labor Director) since July 1, 2023				Sucheta Govil (Sales and Marketing)			
	2023		2024		2023		2024		2023		2024		2023		2024	
	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%
Fixed annual compensation	1,296	27.8	1,296	27.5	850	25.9	850	25.9	653	25.5	653	25.5	653	27.3	653	27.3
Fringe benefits ²	30	0.6	30	0.6	200	6.1	200	6.1	200	7.8	200	7.8	30	1.3	30	1.3
Total	1,326	28.5	1,326	28.2	1,050	32.0	1,050	32.0	853	33.3	853	33.3	683	28.6	683	28.6
Short-term variable compensation																
for fiscal 2023	1,296	27.8			850	25.9			653	25.5			653	27.3		
for fiscal 2024			1,296	27.5			850	25.9			653	25.5			653	27.3
Long-term variable compensation																
2023–2026 Prisma tranche	1,685	36.2			1,105	33.7			849	33.2			849	35.5		
2024–2027 Prisma tranche			1,685	35.8			1,105	33.7			849	33.2			849	35.5
Pension expense ³	352	7.6	403	8.6	277	8.4	276	8.4	206	8.0	205	8.0	206	8.6	205	8.6
Total target compensation	4,659	100.0	4,710	100.0	3,282	100.0	3,281	100.0	2,561	100.0	2,560	100.0	2,391	100.0	2,390	100.0

¹ Due to rounding, percentages may not always add up to exactly 100%.

² Included: Annual mobility allowance of €24 thousand, if still contractually agreed, and costs that are usually to be expected (e.g., for installation of security systems where this has not happened already and/or maintenance and repair of equipment already installed).

³ Expected pension service cost (employer portion) under IFRSs.

⁴ To make comparison easier, the compensation components for Board of Management members who were not in office for the full year 2023 was extrapolated to a full year.

Total target compensation of Board of Management members who left the company in the course of the year¹

	Dr. Klaus Schäfer ⁴ until June 30, 2023				Dr. Thomas Toepfer ⁴ until August 31, 2023			
	2023		2024		2023		2024	
	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%
Fixed annual compensation	653	27.5	–	–	792	27.3	–	–
Fringe benefits ²	30	1.3	–	–	30	1.0	–	–
Total	683	28.7	–	–	822	28.3	–	–
Short-term variable compensation								
for fiscal 2023	653	27.5			792	27.3		
for fiscal 2024			–	–			–	–
Long-term variable compensation								
2023–2026 Prisma tranche	849	35.7			1,030	35.5		
2024–2027 Prisma tranche			–	–			–	–
Pension expense ³	192	8.1	–	–	257	8.9	–	–
Total target compensation	2,377	100.0	–	–	2,901	100.0	–	–

¹ Due to rounding, percentages may not always add up to exactly 100%.

² Included: Annual mobility allowance of €24 thousand and costs that are usually to be expected (e.g., for maintenance and repair of security systems installed).

³ Expected pension service cost (employer portion) under IFRSs.

⁴ To make comparison easier, the compensation components for Board of Management members who were not in office for the full year 2023 was extrapolated to a full year.

Maximum Compensation

Pursuant to Section 87a, Paragraph 1, Sentence 2, No. 1 of the German Stock Corporation Act (AktG), the Supervisory Board stipulated maximum total compensation for the Board of Management members for the first time for fiscal 2021. The absolute amount in euros for the maximum possible payout includes fixed compensation, fringe benefits (e.g., mobility allowance, payments toward the cost of security equipment, etc.), capped variable compensation components, and pension expenses. As a result, the maximum total compensation for a full fiscal year for the Chair of the Board of Management amounts to €9.0 million, while this amount for the regular Board of Management members is €5.5 million.

The first review of compliance with this maximum compensation limit can only be conducted in the 2024 reporting year, in which the Board of Management members will receive a payout from the 2021–2024 tranche of the Prisma long-term variable compensation program. This review is presented in “Compliance with Maximum Compensation Limit.”

Review of Appropriateness

The Supervisory Board commissioned an expert opinion from an independent third-party consultant firm to ensure the compensation is appropriate compared to other companies. Since on the basis of relevant KPIs (sales, employees, and market capitalization), Covestro is positioned in the bottom quartile of DAX-listed companies and was included in the MDAX prior to its admission to the DAX in the year 2018, the entire group of DAX and MDAX companies was used as the peer group. Banks and insurance companies were, however, excluded because of their limited comparability. Based on these equally weighted KPIs, Covestro ranks 38th (out of 84), or in the 55th percentile of this group. The following Board of Management compensation components were compared with the market value for each, i.e., the compensation of board of management members in the peer group:

- Fixed annual compensation
- Target cash compensation = Fixed annual compensation + Target value for short-term variable compensation
- Target direct compensation = Target cash compensation + Target value for long-term variable compensation
- Total target compensation = Target direct compensation + Company pension plan

The costs of the company pension plan were determined by using actuarial methods to calculate a company pension plan premium. This premium indicates the amount that would have to be paid to a third-party pension provider to purchase the relevant pension benefits. Using the same parameters for the calculation, the premium

amount, and therefore the costs, can be compared to the pension benefits of the board of management members of other companies.

Based on the expert opinion, the target and maximum compensation of the Board of Management was deemed appropriate within the meaning of the AktG.

Furthermore, the Supervisory Board reviewed the company's compensation structure and, for this purpose, compared the fixed annual compensation, target cash compensation, and target direct compensation of the Board of Management members with the corresponding compensation components of the Executive Leadership Team (executives at the two highest contract levels below of the Board of Management) and the workforce as a whole (employees subject and not subject to collective bargaining agreements, including the Executive Leadership Team) at Covestro in Germany. The internal compensation structure was also determined to be appropriate in view of this comparison, which covered the period from the year 2015 to the year 2024. No adjustments were therefore made to the compensation structure or amount of compensation.

Application of the Compensation System in the Reporting Period

The application of the compensation system in fiscal 2024 is presented below.

Non-Performance-Related Components

Fixed Annual Compensation, Fringe Benefits

The decision not to adjust fixed annual compensation at the start of the fiscal year is described above in "Determining Target Compensation." Fringe benefits comprise maintenance and repair of security systems installed, use of the company car pool, and – for Board of Management members appointed before 2023 – a mobility allowance. Sucheta Govil additionally received reimbursement of the cost of tax preparation by an external consulting firm. Fringe benefits are reported at cost or the amount of the taxable benefit gained.

Post-Employment Benefits

Dr. Markus Steilemann will receive a lifelong company pension after leaving the Covestro Group, though not before the age of 62. These pension payments will be made monthly. The arrangements for surviving dependents basically provide for a widow's/widower's pension amounting to 60% of the member's pension entitlement, and an orphan's pension amounting to 12% of the member's pension entitlement for each child.

The annual pension entitlement is based on defined contributions. From September 1, 2015, onward, Covestro has provided a hypothetical benefit amounting to 33% of the respective fixed compensation beyond the relevant income threshold in the statutory pension plan. This percentage comprises a 6% basic contribution and an additional amount of three times the personal contribution chosen by the Board of Management member. This contribution is limited to a maximum of 9% so that the matching contribution by the company can be no higher than 27%. The total annual contribution is converted into a pension module according to the annuity table for the applicable tariff of the Rheinische Pensionskasse VVaG, Leverkusen (Germany), pension fund. The annual pension entitlement upon retirement is the total amount of the accumulated pension modules, including an investment bonus.

The actual pension entitlement cannot be precisely determined in advance. It depends on the development of the member's compensation, the number of years of service on the Board of Management, and the return on the assets contributed to the Rheinische Pensionskasse VVaG. Certain assets are administered under a pension trust, providing additional insolvency protection for pension entitlements resulting from direct commitments for the members of the Board of Management in Germany. As a rule, future pension payments are adjusted by at least 1% per year. Depending on the pension obligation, an additional adjustment may be made if the investment bonus of the Rheinische Pensionskasse VVaG or the consumer price index exceeds 1% per year.

Post-employment benefits for other Board of Management members are granted under a defined contribution plan. Covestro and the Board of Management members will each contribute 3% of their fixed annual compensation up to the social security contribution ceiling to a statutory pension plan. For the portion of compensation exceeding the contribution ceiling, Covestro will provide a basic contribution of 6% and a match of up to 30%, three times the Board of Management member's own contribution of up to 10%. Covestro invests the capital contributed on the capital market according to an age-based lifecycle model. The contributions made are guaranteed. On leaving the Board of Management, but not before the age of 62, the accumulated capital is paid

out to the Board member, normally as a one-time payment. Sucheta Govil switched her company pension to this model, which was newly introduced in the year 2021, as of April 1, 2021. The aforementioned pension arrangement, which continues to apply for Dr. Markus Steilemann, applied to her for the period from the date she joined Covestro on August 1, 2019 until March 31, 2021.

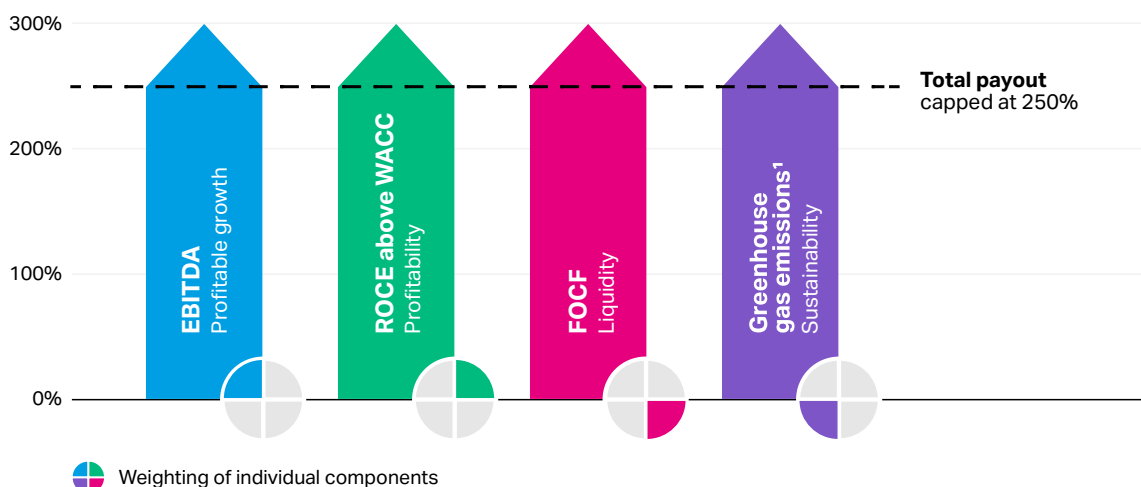
Short-Term Variable Compensation

The target value of the short-term variable compensation is currently 100% of the fixed annual compensation. The award is based on the four criteria of profitable growth, liquidity, profitability, and sustainability, which are used as part of Covestro’s management system to plan, manage, control, and report on business performance. This means that short-term variable compensation is directly linked to the Covestro Group’s success.

These performance indicators are applied to the Group-wide short-term Covestro Profit Sharing Plan (Covestro PSP). The Covestro PSP was introduced in fiscal 2016 and is applicable to all of Covestro’s employees worldwide (with a few exceptions due to stipulations in collective bargaining agreements). Board of Management members also currently participate in the Covestro PSP. The four components are taken into account in this process on an equally weighted basis: Profitable growth measured in terms of EBITDA (earnings before interest, taxes, depreciation and amortization), liquidity measured in terms of free operating cash flow (FOCF), profitability measured in terms of return on capital employed (ROCE) above the weighted average cost of capital (WACC), and sustainability measured in terms of selected environmental, social, and governance (ESG) criteria. Since the year 2022, the sustainability component was determined by direct and indirect Scope 1 and 2 greenhouse gas (GHG) emissions (CO₂ equivalents, CO₂e) of the main sites.

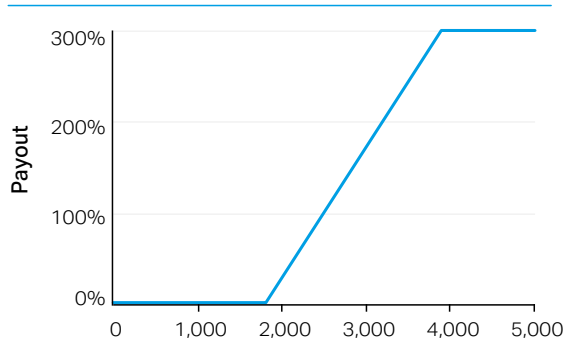
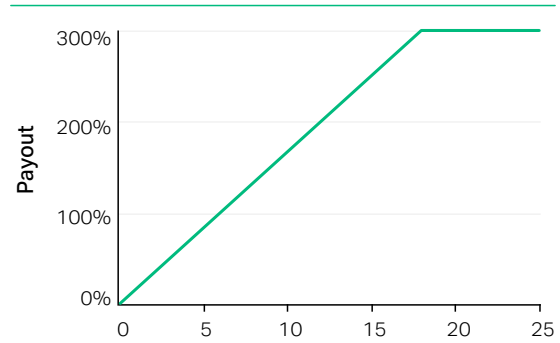
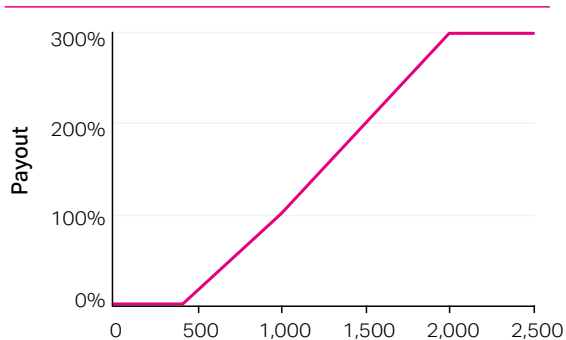
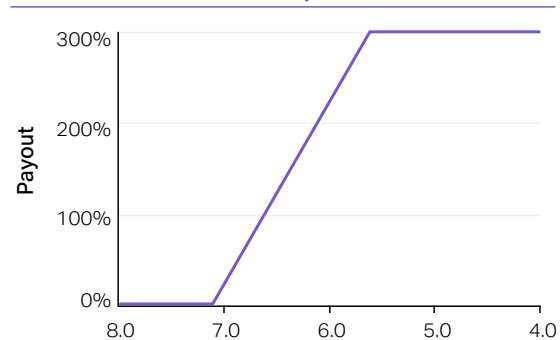
→ Information on the definition and calculation of these indicators is available in the “Key Management Indicators” section of the Combined Management Report.

Components of short-term variable compensation



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

In fiscal 2021, the Supervisory Board defined the global values for the threshold, 100% payout, and the maximum amount for each performance indicator, which are applied for a multi-year period from the year 2022 to the year 2024. Between these values, linear interpolation is used to determine the payout. There will be no adjustment after the fact.

Relation between payout and profitable growth (EBITDA), liquidity (FOCF), profitability (ROCE above WACC), and sustainability (greenhouse gas emissions)
**EBITDA
(€ million)**

**ROCE above WACC
(% points)**

**FOCF
(€ million)**

**Greenhouse gas emissions
(million metric tons of CO₂ equivalents)**


For each individual performance indicator, the payout can be between 0% (failure to meet minimum requirements) and 300%. The total payout is the arithmetic mean of the individual payouts for all four components. However, it is limited to 250% of the target value corresponding to a maximum payout of 2.5 times the fixed annual compensation. This wide bandwidth ties the short-term variable compensation to the normally cyclical course of our business and ensures that successful years result in attractive payouts, while in challenging ones, it can be lower or even zero.

Components of the Covestro Profit Sharing Plan 2022–2024

	Profitable growth: EBITDA	Liquidity: FOCF	Profitability: ROCE above WACC	Sustainability: GHG emissions
Threshold (0%)	€1,800 million	Cash inflow of €400 million	0%-points	7.1 million metric tons of CO ₂ equivalents
100% target attainment	€2,500 million	Cash inflow of €1,000 million	6%-points	6.6 million metric tons of CO ₂ equivalents
Ceiling (300%)	€3,900 million	Cash inflow of €2,000 million	18%-points	5.6 million metric tons of CO ₂ equivalents

On the basis of the values achieved for the reporting year 2024, a payout percentage of 75% would have been calculated; the table below shows how it was determined. The GHG emissions of 4.7 million metric tons of CO₂ equivalents were partly achieved through the company's own actions (optimization of production processes, increases in energy efficiency, electricity from renewable sources), which resulted in a reduction of 0.9 million metric tons of CO₂ equivalents compared with the year 2020. Other external factors led to a rise in emissions of around 0.1 million metric tons of CO₂ equivalents. Although, compared with the rates of volume growth assumed in the climate strategy planning from the years 2020/2021, the actual production volumes were on a similar level, a slight decrease in absolute CO₂ emissions was achieved.

The thresholds of the three financial indicators were missed and the capital costs (ROCE above WACC < 0) were therefore not earned in the reporting year. The Supervisory Board again used the discretion it was given by the last criterion mentioned, since a payout of 75% did not seem appropriate given Covestro's financial situation, and

reduced the payout to 40%. Following a resolution of the Board of Management, this figure was also used to calculate the bonus payout for employees.

On the basis of agreements with the employee representatives, all employees pay the solidarity contribution in the respective companies to help safeguard jobs at the German sites. For the 2024 reporting period, the contribution amounted to 0.95% of each employee’s Covestro PSP award. By resolution of the Supervisory Board, it is also deducted from Board of Management compensation.

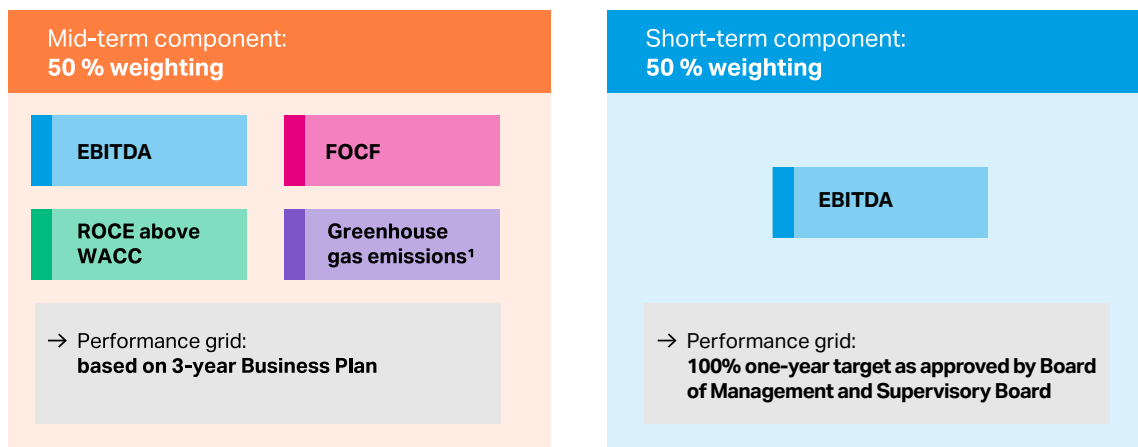
Payout of the Covestro Profit Sharing Plan for the year 2024

	Profitable growth: EBITDA	Liquidity: FOCF	Profitability: ROCE above WACC	Sustainability: GHG emissions
Achieved value	€1,071 million	Cash inflow of €89 million	-7.4%-points	4.7 million metric tons of CO ₂ equivalents
Resulting payout	0.0%	0.0%	0.0%	300.0%
Calculated total payout (arithmetic mean)	75.0%			
Actual total payout (Decision of the Supervisory Board)	40.0%			

Short-Term Variable Compensation from the Year 2025 onward

The Covestro Profit Sharing Plan (Covestro PSP) has been expanded, effective from fiscal 2025. In addition to the four performance metrics already used, for which the targets are derived from the medium-term planning for the years 2025 to 2027, a short-term component will be defined. This will be based on the EBITDA target of a single fiscal year and will be specified for the subsequent year by the Board of Management and Supervisory Board in the previous year, on the basis of the forecast made in the fourth quarter. For the purpose of calculating the total payout, the medium- and short-term components are each weighted at 50%.

PSP 2025–2027



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

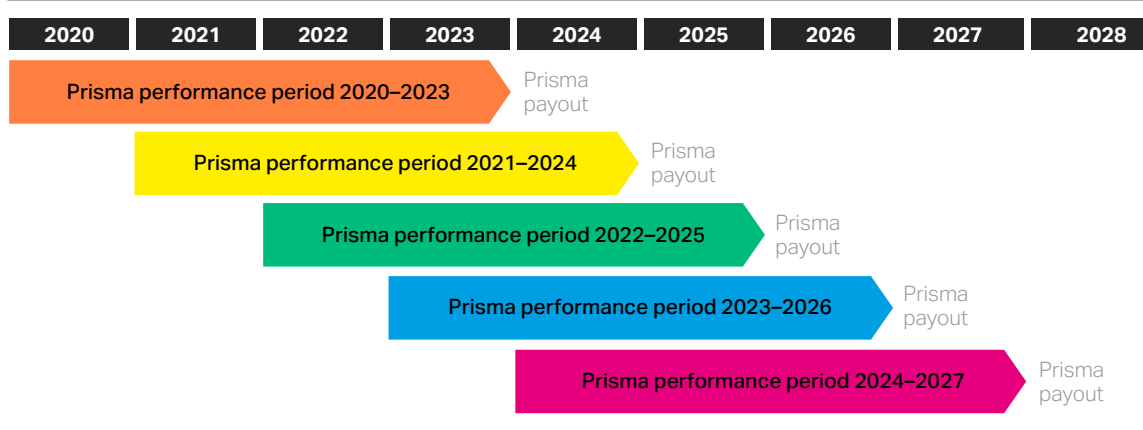
In December 2024, the Supervisory Board resolved that the members of the Board of Management should continue to receive their short-term variable compensation on the basis of the rules of the Covestro PSP. The plan, which has been expanded as from 2025, will apply to them in the same way as to the workforce. A detailed explanation of the compensation system, which has been revised for this purpose, will be published with the notice convening the Annual General Meeting 2025, where it will be presented for approval.

Long-Term Variable Compensation

The Prisma share-based compensation program for long-term variable compensation (long-term incentive, LTI) takes into account the performance of Covestro shares, including dividends (total shareholder return) and outperformance against the STOXX Europe 600 Chemicals* index over a period of four years. As from fiscal 2024, the sustainability component, which has included a CO₂ factor since its inception and has been part of the LTI plan since the year 2021, has been expanded by adding two metrics from the ESG "Social" aspect. The long-term variable compensation is geared toward the sustained, future-oriented, and continuous growth of the company's value and guarantees the implementation of Covestro's Sustainable Future corporate strategy, particularly since the introduction of the sustainability component. Prisma is applicable to both members of the Board of Management and to Covestro executives. The LTI target value amounts to 130% of fixed annual compensation for members of the Board of Management, and participation requires that they fulfill the share ownership guidelines applicable to them.

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

Prisma performance periods



Five factors are calculated to determine the payout: the TSR factor and the outperformance factor, as well as elements of the sustainability component (the CO₂ factor, the participation factor, and the RIR factor); they are explained in detail below.

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

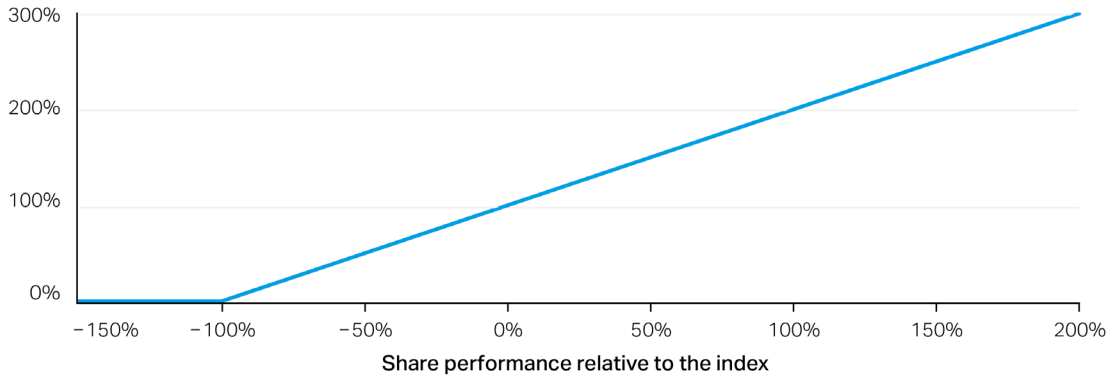
The outperformance factor is based on the performance of Covestro shares during the performance period relative to the performance of the STOXX Europe 600 Chemicals index. For the tranche beginning in fiscal year 2024, the following was determined:

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

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

Relation between the outperformance factor and Covestro's share performance

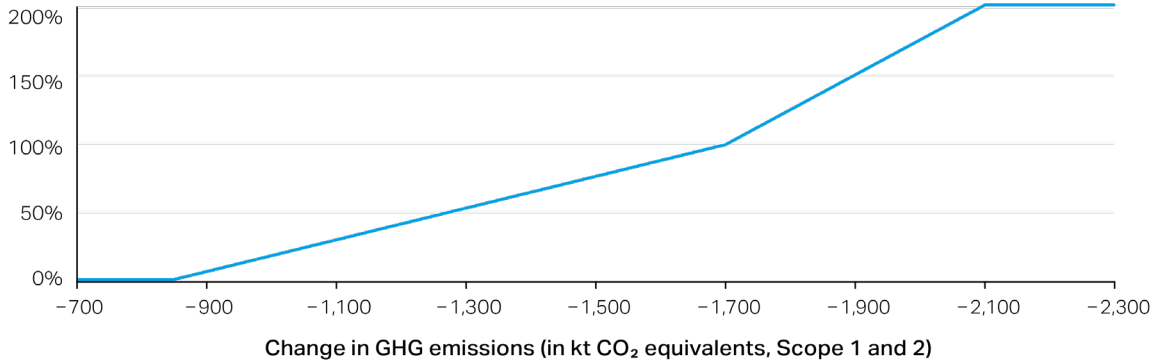
Outperformance factor



Starting with the tranche issued in fiscal 2024, a reduction target for annual greenhouse gas (GHG) emissions (CO₂ equivalents) classified in Scope 1 and Scope 2 emissions will be applied as part of the sustainability component. The CO₂ factor amounts to 100% if these emissions are reduced by 1,700 kilotons (kt) by the end of fiscal 2027 in relation to the baseline year of 2020. This corresponds to an emissions reduction of 30%. If the annual emissions are reduced by less than 850 kt, the CO₂ factor is 0%. Starting with a reduction of 2,100 kt, it reaches the maximum value of 200%. Between these defined reference values, linear interpolation is used to determine the factor. The Supervisory Board considers the defined reduction targets as significant in relation to the company's actual Scope 1 and Scope 2 emissions.

Relation between emissions and CO₂ factor

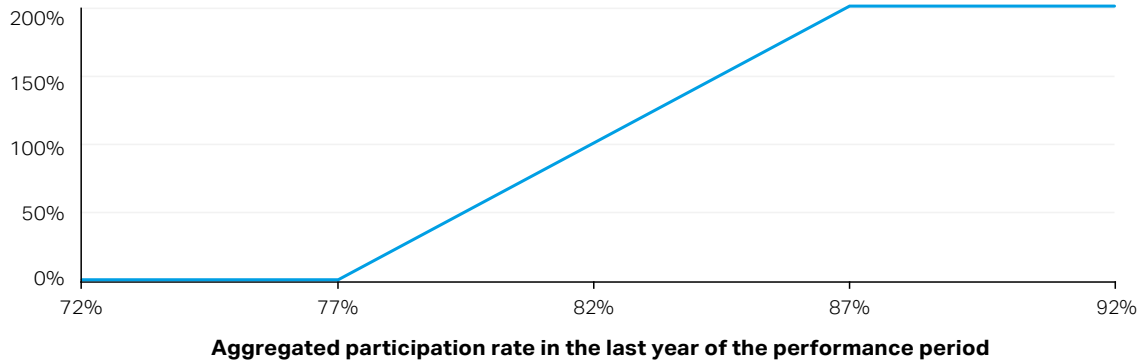
CO₂ factor



The metric used for the participation factor is the aggregated participation rate of all employees worldwide from all rounds of the employee survey conducted during the last calendar year of the performance period. The aim of extending the sustainability component to include the "Social" aspect is to create an incentive for senior executives entitled to take part in the long-term incentive program to make the employee survey a regular part of their management activities and to explain to employees how important their feedback and criticism are for us. For the tranche beginning in fiscal 2024, the participation factor is 100%, if an aggregated participation rate of 82% is achieved. If the aggregated participation rate achieved is 77% or less, the participation factor is 0%. For an aggregated participation rate of 87% and higher, it reaches the maximum of 200%. Between these values, linear interpolation is used to determine the factor.

Relation between participation rate and participation factor

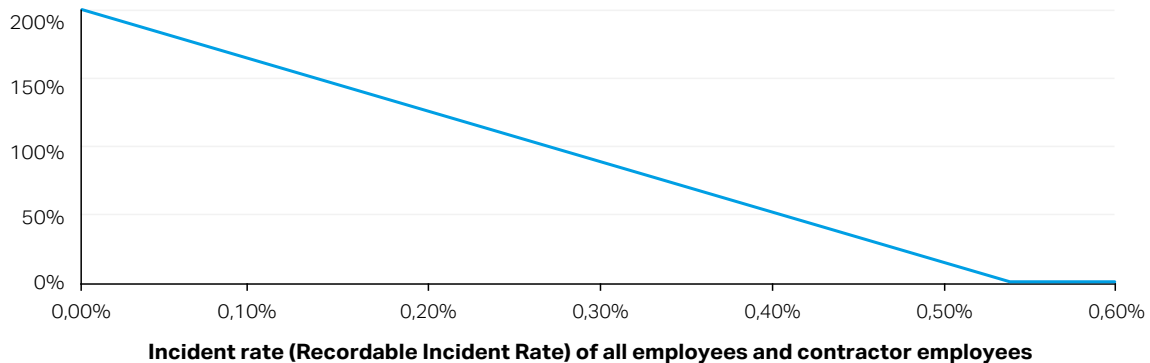
Participation factor



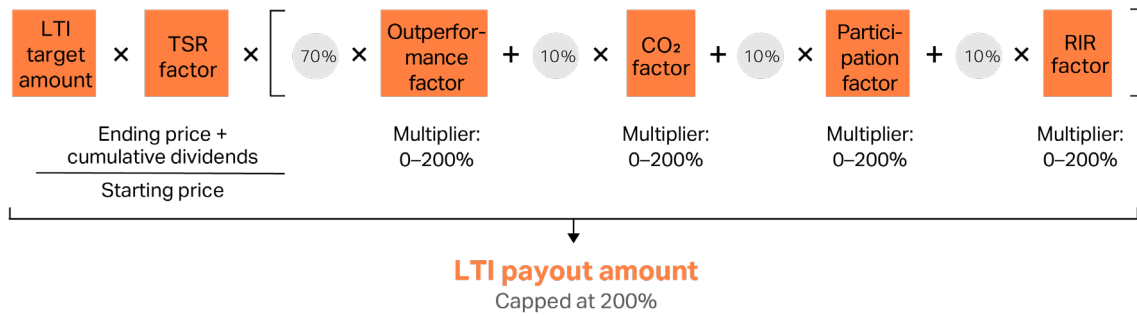
To boost our well developed safety culture even further, another metric under the "Social" aspect that will be used as a basis for assessment is the global recordable incident rate (RIR). The target is an incident rate of 0.27 in the last year of the performance period. This rate measures the number of recordable incidents against the hours worked by all employees and contractor employees of the Covestro Group worldwide. If this target is reached, the RIR factor is 100%. If the recordable incident rate is 0, the factor reaches the maximum value of 200%. For an incident rate of 0.54 or higher, the RIR factor is 0%. Between these values, linear interpolation is used to determine the factor.

Relation between incident rate and RIR factor

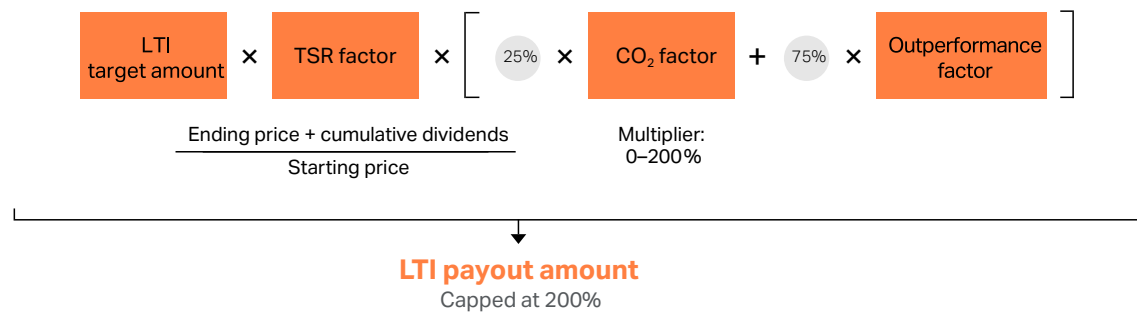
RIR factor



In order to calculate the total payout for the tranche beginning in fiscal 2024, the LTI target opportunity is multiplied by the TSR factor as well as by the total of the outperformance factor weighted at 70% and the three sustainability factors (CO₂ factor, participation factor, and RIR factor), each weighted at 10%. This means that the sustainability targets are weighted at 30% in total as compared to outperformance. The total distribution is limited to no more than 200% of the target opportunity. With the target opportunity being defined as 130% of the fixed compensation, the maximum payout is therefore 260% of the fixed annual compensation.

Components of the long-term variable compensation

For the tranches prior to the year 2024, which have only the CO₂ factor as sustainability component, the payout factor is calculated by multiplying the TSR factor by the total of the outperformance factor weighted at 75% and the CO₂ factor weighted at 25%; here, too, the total payout is limited to a maximum of 200% of the target opportunity.

Components of the long-term variable compensation up to and including the 2023 - 2026 tranche**2020–2023 and 2021–2024 Prisma Tranche Payouts**

In January of the 2024 reporting year, qualifying members of the Board of Management received payouts from the 2020–2023 Prisma tranche. The payout factor amounted to 119.9%. The 2021–2024 Prisma tranche ended on December 31 of the 2024 reporting year with a payout factor of 166.2%. The payouts for Dr. Thorsten Dreier were based on his respective compensation packages prior to becoming a Board of Management member. Christian Baier, who only joined the Board of Management in October 2023, will for the first time participate in the 2023–2026 Prisma tranche on a prorated basis, which will be paid out in the year 2027.

The following chart and table illustrate how the aforementioned payout factors are calculated. For the CO₂ factor, which has been incorporated in the 2021–2024 Prisma tranche for the first time, reductions of 150 kilotons per year in relation to the baseline year of 2020 by the end of fiscal 2024 had been set as the target set for Scope 1 GHG emissions (CO₂e). With reductions of 255.4 kilotons achieved, the resulting CO₂ factor is 170.3%, which is to be weighted at 25% in the calculation of the payout.

Calculation of the 2020 – 2023¹ Prisma tranche

Ending price	+	Cumulative dividends 2020 – 2023	=	Total shareholder return (TSR) factor

Starting price				
€49.76	+	€5.90	=	128.4%
-----		€43.36		

100%	+	(Change in Covestro share price ²	-	Change in index price ³)	=	Outperformance factor
100%	+	(14.8%	-	21.4%)	=	93.4%

TSR factor	X	Outperformance factor	=	Prisma payout factor
128.4%	X	93.4%	=	119.9%

¹ The relevant prices are calculated as the average of the applicable ending prices during the months of November and December in the years 2019 and 2023.

² Percentage change in the ending price of Covestro share for the year 2023 (€49.76) as compared with the starting price of Covestro share for the year 2020 (€43.36).

³ Percentage change in the ending price of the STOXX Europe 600 Chemicals index for the year 2023 (€1,226.08) as compared with the starting price of the STOXX Europe 600 Chemicals index for the year 2020 (€1,010.32).

Calculation of the payout factors for the 2020–2023 and 2021–2024 Prisma tranches

		2020–2023 Prisma tranche	2021–2024 Prisma tranche
Starting price, Covestro	€	43.36 ¹	47.05 ²
Ending price, Covestro	€	49.76 ³	57.45 ⁴
Change	%	14.8	22.1
Starting price, index	€	1,010.32 ¹	1,088.78 ²
Ending price, index	€	1,226.08 ³	1,209.19 ⁴
Change	%	21.4	11.1
Cumulative dividend	€	5.90	4.70
TSR factor	%	128.4	132.1
Outperformance factor	%	93.4	111.0
CO ₂ factor	%	–	170.3
Payout factor	%	119.9	166.2

¹ November/December 2019.

² November/December 2020.

³ November/December 2023.

⁴ November/December 2024.

The dividend payments for individual years can be accessed on Covestro's website.

→ For further information, please refer to: www.covestro.com/en/investors/stock-performance/dividends

The amounts calculated for these two tranches, including that for former Board of Management member Dr. Klaus Schäfer, are shown in the following table.

Payout amounts for 2020–2023 and 2021–2024 Prisma tranches

	2020–2023 Prisma tranche		2021–2024 Prisma tranche	
	Target value ¹ € thousand	Payout in January 2024 (payout factor 119.9%) € thousand	Target value ¹ € thousand	Payout in March 2025 (payout factor 166.2%) € thousand
Dr. Markus Steilemann	1,573	1,886	1,585	2,634
Christian Baier ²	–	–	–	–
Dr. Thorsten Dreier ³	43	52	45	75
Sucheta Govil	792	949	798	1,327
Dr. Klaus Schäfer ⁴	792	949	798	1,327

¹ The target value is based on the position and the corresponding fixed compensation of the respective Board Member at the beginning of each tranche.

² Member of the Board of Management since October 1, 2023.

³ Member of the Board of Management since July 1, 2023; previously Head of the Coatings & Adhesives Business Unit.

⁴ Member of the Board of Management until June 30, 2023.

Compliance with Maximum Compensation Limit

The maximum total compensation defined in the compensation system and specified in individual Board of Management contracts comprises fixed compensation, fringe benefits, and pension expense for the fiscal year, as well as the amounts of variable compensation components granted in the fiscal year concerned. Below is a summary of the corresponding amounts listed in the Annual Report for the year 2021 and the amounts paid out for the 2021–2024 Prisma tranche. For none of the current Board of Management members does the total exceed the specified maximum compensation of €9.0 million (CEO) or €5.5 million (ordinary Board of Management members).

Compensation for fiscal year 2021

	Fixed annual compensation	Fringe benefits	Short-term variable compensation	Service cost	Long-term variable compensation 2021–2024 Prisma tranche	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Markus Steilemann	1,219	28	2,909	954	2,634	7,744
Christian Baier ¹	–	–	–	–	–	–
Dr. Thorsten Dreier ²	–	–	–	–	75	75
Sucheta Govil	614	29	1,465	348	1,327	3,783

¹ Member of the Board of Management since October 1, 2023.

² Member of the Board of Management since July 1, 2023.

Overview of Current Prisma Tranches

The three currently running Prisma tranches with their starting prices and fair values calculated as of the reporting date are explained below.

On October 25, 2024, ADNOC International Germany Holding AG, a subsidiary of XRG P.J.S.C. (formerly ADNOC International Limited) submitted a voluntary public takeover offer with an offer price of €62 per Covestro share, which was accepted by shareholders with a majority of 81.77%. Against the background of this takeover offer, it no longer seems appropriate to continue to determine fair value using the market value of the respective tranche determined with a Monte Carlo simulation. Instead, the price of Covestro shares has been fixed at the offer price of €62 and the STOXX Europe 600 Chemicals has been set at the closing level of the 2021–2024 tranche (average of the trading days in November and December 2024). The metrics of the sustainability component apply unchanged; they are used according to the plan terms and conditions on the basis of target attainment as of the end of the tranche for calculating the payout.

The two new sustainability criteria relating to the “Social” aspect, the participation rate for the regularly held employee survey and the recordable incident rate (RIR), will only be reflected in the payout from the 2024–2027 Prisma tranche, which will be determined in the year 2027. Since the current status of these metrics does not permit any forecast for the year 2027, both payout factors for calculating fair value are set to 100%.

Current Prisma tranches

		2022–2025 Prisma tranche	2023–2026 Prisma tranche	2024–2027 Prisma tranche
Covestro share				
Starting price	€	53.53	36.40	49.76
Ending price (offer price)	€		62.00	
STOXX Europe 600 Chemicals				
Starting price	€	1,336.97	1,183.59	1,226.08
Ending price (end of December 2024)	€		1,209.19	
ESG components				
CO ₂ Factor ¹	%	153.0	114.0	98.0
Participation Factor	%	–	–	100.0
RIR Factor	%	–	–	100.0
Fair value, December 2024	%	159.4	191.7	139.9

¹ The figure used for the CO₂ factor, which was introduced with the 2021–2024 tranche, is based on the emission values forecast in October 2024 for the respective final years of the individual tranches.

Long-Term Variable Compensation from the Year 2025 onward

Against the backdrop of the takeover offer, the share price and, for the same reason, total shareholder return and outperformance no longer seem appropriate metrics for long-term compensation.

For this reason, the share-based portion of long-term compensation has been replaced by economic value added as a metric from 2025 onward. The sustainability component with its three parts (GHG emissions, participation rate, and recordable incident rate) will be retained unchanged. A detailed explanation of the new LTI program will be published with the notice convening the Annual General Meeting 2025, where the revised compensation system will be presented for approval.

Share Ownership Guidelines and Shareholdings

As a rule, the members of the Board of Management are contractually obligated to acquire Covestro shares equivalent to 100% of the fixed compensation (as set at the start of their term) on their own account within three years of their initial appointment and to hold these shares for the duration of their service on the Board of Management. If their contracts are extended, this obligation is increased to the amount of the new fixed compensation. The Board of Management member in question must acquire Covestro shares equivalent to the difference within four years of starting the new period of service.

On the basis of the takeover offer, whose acceptance the Board of Management and Supervisory Board had jointly recommended to shareholders, the Supervisory Board has decided to remove, until further notice, the obligations on Board of Management members in order to enable them to transfer the shares they hold in the company as part of the takeover offer.

The following table lists the number of Covestro shares held by currently serving Board of Management members as of the reporting date.

Number of shares held by Board of Management members at reporting date

Board of Management member	Number of Covestro shares held	Total value as of end of December, 2024	Compliance with share ownership guidelines
		in € thousand	
Dr. Markus Steilemann	30,000	1,685	fulfilled
Christian Baier	0		in progress
Dr. Thorsten Dreier	4,796	269	in progress; 39% fulfilled
Sucheta Govil	14,912	837	fulfilled

Malus and Clawback Clauses

According to the malus and clawback rules introduced in the year 2021, the Supervisory Board can withhold short-term and/or long-term variable compensation or request the return of variable compensation already paid out, either in whole or in part, at its discretion in the event of serious breaches of duty or compliance violations. Moreover, a clawback is possible when the calculation and payout was based on incorrect data.

The Supervisory Board has not exercised the right to claw back variable compensation, because no circumstances arose either before or during the reporting year 2024 that would have triggered this provision.

Benefits Associated with Ending Board of Management Service

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

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

Third-Party Benefits

In the reporting year, the Board of Management members were not promised nor did they receive, any benefits from third parties for their activities on the Board of Management.

Board of Management Compensation in the Fiscal Year Compensation Awarded and Due

The compensation for the fiscal year awarded and due is outlined below in accordance with Section 162, Paragraph 1 AktG. The amounts of short-term and long-term variable compensation are given for the fiscal year in which the activity for which the compensation is paid was performed in full.

Even if the pension expense for the company pension plan is not classified as compensation awarded and due within the meaning of Section 162 AktG, to ensure transparency, we additionally disclose the pension service cost according to IFRSs in the table below.

Compensation awarded and due to current Board of Management members (AktG)¹

	Dr. Markus Steilemann (Chair)				Christian Baier (Finance)				Dr. Thorsten Dreier (Technology and Labor Director)				Sucheta Govil (Sales and Marketing)			
	2023		2024		2023		2024		2023		2024		2023		2024	
	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%
Fixed annual compensation	1,296	33.6	1,296	28.9	213	66.5	850	71.6	327	55.1	653	65.8	653	33.4	653	28.7
Fringe benefits	30	0.8	39	0.9	–	0.0	–	0.0	2	0.3	5	0.5	30	1.5	35	1.5
Total	1,326	34.4	1,335	29.8	213	66.5	850	71.6	329	55.4	658	66.3	683	34.9	688	30.3
Short-term variable compensation																
for fiscal 2023	645	16.7			107	33.5			212	35.8			325	16.6		
for fiscal 2024			513	11.4			337	28.4			259	26.1			259	11.4
Long-term variable compensation																
2020–2023 Prisma tranche	1,886	48.9							52	8.8			949	48.5		
2021–2024 Prisma tranche			2,634	58.8							75	7.6			1,327	58.4
Total compensation awarded and due pursuant to section 162 AktG	3,857	100.0	4,482	100.0	320	100.0	1,187	100.0	593	100.0	992	100.0	1,957	100.0	2,274	100.0
Service cost ²	487		531		89		391		171		290		265		264	
Total compensation (including service cost)	4,344		5,013		409		1,578		764		1,282		2,222		2,538	

¹ Due to rounding, percentages may not always add up to exactly 100%.

² Including Board of Management members' own contributions derived from deferred fixed compensation.

Prisma Long-Term Variable Compensation

The fair value at the grant date of the long-term variable compensation (2024–2027 Prisma tranche) for current members of the Board of Management is €3,939 thousand (previous year: €2,899 thousand for the 2023–2026 Prisma tranche).

Provisions amounting to €14,370 thousand (previous year: €9,994 thousand) were recognized as of December 31, 2024 for all current tranches of long-term variable compensation in which active and former Board of Management members participate, of which €2,699 thousand (previous year: €2,421 thousand) was recognized for former Board of Management members.

Long-term variable compensation (IFRSs)

	Current Board of Management members									
	Dr. Markus Steilemann (Chair)		Christian Baier (Finance)		Dr. Thorsten Dreier (Technology and Labor Director)		Sucheta Govil (Sales and Marketing)		Total	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand
Total expenses/income in the reporting period for long-term variable compensation	3,030	3,831	28	560	257	725	1,527	1,930	4,842	7,046

Long-term variable compensation (IFRSs)

	Former Board of Management members					
	Dr. Klaus Schäfer		Dr. Thomas Toepfer		Total	
	2023	2024	2023	2024	2023	2024
	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand	€ thou- sand
Total expenses/income in the reporting period for long-term variable compensation	1,527	1,364	(1,454)	–	73	1,372

Pension Entitlements

The current pension service cost for the members of the Board of Management recognized through profit or loss in the reporting year totaled €1,476 thousand (previous year: €1,364 thousand) according to IFRSs. The service cost depends on the actuarial assumptions made, in particular the relevant discount rate. The contributions to pension commitments actually made are recognized as cash outflows in the operating cash flow. The service cost, present value of the pension obligations, and contributions made in accordance with pension plan rules are shown in the table below.

Pension entitlements (IFRSs)

	Service cost for pension entitlements earned in the respective year		Present value of defined pension obligation as of Dec. 31		Actual contribution made in the respective year in accordance with the pension plan	
	2023	2024	2023	2024	2023	2024
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Markus Steilemann	487	531	4,164	4,618	406	405
Christian Baier	89	391	117	509	69	276
Dr. Thorsten Dreier	171	290	1,154	1,464	130	205
Sucheta Govil	265	264	1,064	1,369	206	205
Dr. Klaus Schäfer	121	–	5,141	4,970	97	–
Dr. Thomas Toepfer	231	–	1,219	1,263	171	–
Total	1,364	1,476	12,859	14,193	1,079	1,091

Compensation of Former Members of the Board of Management

The compensation awarded and due to former Board of Management members for the fiscal year is outlined below in accordance with Section 162, Paragraph 1 AktG.

Compensation awarded and due to former Board of Management members (AktG)¹

	Dr. Klaus Schäfer (until June 30, 2023)				Patrick Thomas (until May 31, 2018)				Dr. Thomas Toepfer (until August 31, 2023)			
	2023		2024		2023		2024		2023		2024	
	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	%
Fixed annual compensation	327	20.8	–	0.0	–	–	–	–	528	65.3	–	–
Fringe benefits	14	0.9	–	0.0	–	–	–	–	18	2.2	–	–
Pensions ²	119	7.6	303	18.6	284	100.0	287	100.0	–	0.0	–	–
Total	460	29.3	303	18.6	284	100.0	287	100.0	546	67.6		
Short-term variable compensation												
for fiscal 2023	161	10.3	–	–	–	–	–	–	262	32.4	–	–
for fiscal 2024	–	–	–	0.0	–	–	–	–	–	–	–	–
Long-term variable compensation												
2020–2023 Prisma tranche	949	60.5	–	–	–	–	–	–	–	0.0	–	–
2021–2024 Prisma tranche	–	–	1,327	81.4	–	–	–	–	–	–	–	–
Total compensation awarded and due pursuant to section 162 AktG	1,570	100.0	1,630	100.0	284	100.0	287	100.0	808	100.0		
Service cost ³	121	–	–	–	–	–	–	–	231	–	–	–
Total compensation (including service cost)	1,691		1,630		284		287		1,039			

¹ Due to rounding, percentages may not always add up to exactly 100%.

² The figure disclosed for Dr. Klaus Schäfer includes one-time payments of €64 thousand. The entitlements had been funded by Dr. Schäfer himself before he was appointed to the Board of Management.

³ Including Board of Management members' own contributions derived from deferred fixed compensation.

A provision of €11,727 thousand (previous year: €12,060 thousand) is recognized in the Consolidated Financial Statements as of December 31, 2024, for current pensions for former Board of Management members. The settlement value of direct and indirect pension obligations in the Financial Statements of Covestro AG amounted to €14,405 thousand (previous year: €14,674 thousand).

Compensation of the Supervisory Board

Compensation System of the Supervisory Board

The compensation of the Supervisory Board is in line with the provisions of the Articles of Incorporation, which were approved by the Annual General Meeting (AGM) on April 21, 2022 with a majority of 99.30%.

The members of the Supervisory Board each receive fixed annual compensation of €120 thousand plus reimbursement of their expenses.

In accordance with the recommendations of the GCGC, additional compensation is paid to the Supervisory Board Chair and Vice Chair, and for chairing and membership in committees. The Supervisory Board Chair receives fixed compensation of €360 thousand, while €240 thousand is paid to the Vice Chair. This compensation includes chairmanship of and membership in committees. The other members of the Supervisory Board are entitled to additional compensation for membership in or chairmanship of committees. The Chair of the Audit Committee receives an additional €90 thousand, the other members of the Audit Committee €45 thousand each. The Chairs of the Presidial and Nominations Committees receive €30 thousand each, while members of these two committees receive €15 thousand each. Additional compensation of €60 thousand is paid to the chairs of other committees and of €30 thousand to all other committee members. Work on committees is eligible for compensation for no more than three committees. If this cap is exceeded, compensation is paid for the three highest paid positions. If changes are made to the Supervisory Board and/or its committees during the year, members receive compensation on a prorated basis. The members of the Supervisory Board also receive an attendance fee of €1 thousand each time they attend a meeting of the Supervisory Board or a committee. Attendance at a meeting is also considered to be participation by telephone or video conference or using other comparable customary means of telecommunication. The attendance fee is limited to €1 thousand per day.

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

Compensation of the Supervisory Board for the Fiscal Year

The following table outlines the components of each Covestro AG Supervisory Board member's compensation for the reporting period 2024 and the prior-year period:

Compensation of the members of the Supervisory Board of Covestro AG

	Fixed compensation		Attendance fee		Total	
	2023	2024	2023	2024	2023	2024
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Christine Bortenlänger	165	165	12	14	177	179
Dr. Christoph Gürtler	180	180	17	16	197	196
Oliver Heinrich (since May 2024)		80		7		87
Lise Kingo	180	180	14	14	194	194
Petra Kronen (Vice Chair)	240	240	21	20	261	260
Irena Küstner	165	165	12	14	177	179
Frank Löllgen	120	161	8	16	128	177
Dr. Richard Pott (Chair)	360	360	18	18	378	378
Petra Reinbold-Knape (until April 2024)	180	53	18	7	198	60
Dr. Sven Schneider	210	210	11	13	221	223
Regine Stachelhaus	180	180	16	18	196	198
Marc Stothfang	150	150	12	15	162	165
Patrick Thomas	210	210	16	17	226	227
Total	2,340	2,334	175	189	2,515	2,523

In addition to their compensation as members of the Supervisory Board, those employee representatives who are employees of Covestro Group companies receive compensation unrelated to their service on the Supervisory Board. The total amount of such compensation paid to the employee representatives was €671 thousand in the year 2024 (previous year: €555 thousand).

No compensation was paid or benefits granted to members of the Supervisory Board for personally performed services such as consulting or agency services. The company has purchased insurance for the members of the Supervisory Board to cover their personal liability arising from their service on the Supervisory Board. The recommendation for a deductible has been eliminated from the version of the GCGC dated December 16, 2019, so the Supervisory Board's rules of procedure were amended accordingly in the subsequent year. No deductible for liability insurance has applied since then.

Comparative Presentation of Annual Changes in Compensation and Earnings

The following is the presentation of the annual changes in compensation awarded and due to current and former Board of Management and Supervisory Board members compared with the company's earnings performance and the average compensation of employees (FTEs) from fiscal years 2020 to 2024 as required by Section 162, Paragraph 1, Sentence 2, No. 2 AktG.

Five-year comparison of compensation awarded and due to Board of Management members (AktG)¹

	2020		2021		2022		2023		2024	
	€ thou- sand	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	
Board of Management members as of December 31, 2022										
Dr. Markus Steilemann (Chair)	1,643	4,285	160.8	1,691	-60.5	3,857	128.1	4,482	16.2	
Christian Baier (since October 1, 2023)						320		1,187	270.9	
Dr. Thorsten Dreier (since July 1, 2023)						593		980	65.3	
Sucheta Govil	693	2,108	204.2	746	-64.6	1,957	162.3	2,274	16.2	
Former Board of Management members										
Dr. Thomas Toepfer (until August 31, 2023)	849	2,719	220.3	1,044	-61.6	808	-22.6	-	-100.0	
Dr. Klaus Schäfer (until June 30, 2023)	985	2,236	127.0	864	-61.4	1,570	81.7	1,630	3.8	
Patrick Thomas (until May 31, 2018)	597	202	-66.2	23	-88.6	284	.	287	1.1	
Frank H. Lutz (until June 2, 2017)	148	-	.							
Total	4,915	11,550	135.0	4,368	-62.2	9,389	114.9	10,840	15.5	

¹ Percentage changes always refer to the change from the respective previous year.

Five-year comparison of compensation awarded and due to Supervisory Board members (AktG)¹

	2020		2021		2022		2023		2024	
	€ thou- sand	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	€ thou- sand	%	
Supervisory Board members as of December 31, 2023										
Dr. Christine Bortenlänger	111	126	13.5	174	38.1	177	1.7	179	1.1	
Dr. Christoph Gürtler (since April 2022)				134		197	47.3	196	-0.5	
Oliver Heinrich (since May 2024)								87		
Lise Kingo (since April 2021)		84		189	125.0	194	2.6	194	0.0	
Petra Kronen (Vice Chair)	152	152	0.0	251	65.1	261	4.0	260	-0.4	
Irena Küstner	127	127	0.0	174	37.0	177	1.7	179	1.1	
Frank Löllgen (since April 2022)				88		128	45.7	177	38.3	
Dr. Richard Pott (Chair)	302	302	0.0	368	21.9	378	2.7	378	0.0	
Dr. Sven Schneider (since April 2022)				154		221	43.8	223	0.9	
Regine Stachelhaus	129	142	10.1	188	32.4	196	4.3	198	1.0	
Marc Stothfang	101	107	5.9	156	45.8	162	3.8	165	1.9	
Patrick Thomas (since July 2020)	53	132	149.1	225	70.5	226	0.4	227	0.4	
Former Supervisory Board members										
Petra Reinbold-Knape (until April 2024)	141	147	4.3	190	29.3	198	4.2	60	-69.7	
Dr. Ulrich Liman (until April 2022)	121	129	6.6	59	-54.5					
Prof. Dr. Rolf Nonnenmacher (until April 2022)	153	153	0.0	67	-56.3					
Frank Werth (until April 2022)	101	102	1.0	38	-62.3					
Ferdinando Falco Beccalli (until April 2021)	102	29	-71.6							
Johannes Dietsch (until July 2020)	86									
Total	1,679	1,732	3.2	2,454	41.7	2,515	2.5	2,523	0.3	

¹ Percentage changes always refer to the change from the respective previous year.

Five-year comparison of relevant performance indicators (AktG)¹

	2020	2021	2022	2023	2024
Net income/(loss) Covestro AG	(€45 million)	€648 million	(€316 million)	(€124 million)	-60.8%
EBITDA ²	€1,472 million	€3,085 million	109.6%	€1,617 million	-47.6%
Free operating cash flow ³	€530 million	€1,429 million	169.6%	€138 million	-90.3%
ROCE ⁴ above WACC ⁵	-0.3% points	12.9% points	-5.0% points	-6.1% points	-7.4% points
Greenhouse gas emissions ⁶ (CO ₂ equivalents)	-	€5.2 million	4.7 million metric tons	4.9 million metric tons	4.3%
Core volume growth ⁷	-5.6%	10.0%			

¹ Percentage changes always refer to the change from the respective previous year.

² Earnings before interest, taxes, depreciation and amortization (EBITDA): EBIT plus depreciation, amortization, and impairment losses; less impairment loss reversals on intangible assets and property, plant and equipment.

³ Free operating cash flow (FOCF): cash flows from operating activities less cash outflows for additions to property, plant, equipment and intangible assets.

⁴ Return on capital employed (ROCE): ratio of EBIT after imputed income taxes to capital employed. An imputed tax rate of 25% has been used for calculating ROCE since the year 2022 (previously: effective tax rate).

⁵ Weighted average cost of capital (WACC): weighted average cost of capital reflecting the expected return on the company's equity and debt capital. A figure of 8.1% has been taken into account for the year 2024 (2023: 7.6%). ROCE above WACC has been a key management indicator since the year 2022.

⁶ GHG emissions (Scope 1 and 2, GHG Protocol) at main production sites (responsible for more than 95% of our energy usage).

⁷ Until the year 2021, core volume growth, which refers to the core products in the operational reporting segments, was a key management indicator. It is calculated as the percentage change in externally sold volumes compared with the prior year. Covestro also takes advantage of business opportunities outside its core business, for example the sale of precursors and by-products such as hydrochloric acid, sodium hydroxide solution, and styrene. These transactions are not included in core volume growth. Retroactive calculation based on the definition of the core business as of March 31 of each subsequent year.

In addition to the net income/net loss of Covestro AG (which is legally required to be reported), earnings performance also includes the key figures of the Covestro Group underlying short-term variable compensation (EBITDA, free operating cash flow, ROCE above WACC, absolute annual direct and indirect Scope 1 and Scope 2 GHG emissions (CO₂ equivalents), and core volume growth). Since the year 2022, core volume growth has been replaced by EBITDA as a key management indicator.

Employee compensation was calculated by dividing personnel expenses (wages and salaries plus social expenses and expenses for pensions and other benefits) disclosed in the Consolidated Financial Statements for the relevant period by the number of employees expressed as full-time equivalents (FTEs) as of the reporting date.

Five-year comparison of employee compensation (AktG)¹

	2020	2021		2022		2023		2024	
Personnel expenses	€1,723 million	€2,298 million	33.4%	€1,995 million	-13.2%	€2,141 million	7.3%	€2,131 million	-0.5%
Employees ²	16,497 FTE	17,905 FTE	8.5%	17,981 FTE	0.4%	17,516 FTE	-2.6%	17,503 FTE	-0.1%
Personnel expenses per FTE	€104 thousand	€128 thousand	22.9%	€111 thousand	-13.6%	€122 thousand	10.1%	€122 thousand	-0.2%

¹ Percentage changes always refer to the change from the respective previous year.

² The number of permanent or temporary employees is stated in full-time equivalents (FTEs). Part-time employees are included on a pro-rated basis in line with their contractual working hours. Board of Management members, employees in vocational training, and interns are not included in this metric because of their special employment relationship.

Other Information

There were no advances or loans to members of the Board of Management or the Supervisory Board outstanding as of either December 31, 2023, or December 31, 2024.

Leverkusen, February 25, 2025

Covestro AG

For the Board of Management:

For the Supervisory Board:

Dr. Markus Steilemann

Christian Baier

Dr. Richard Pott

Independent Auditor's Report

To Covestro AG, Leverkusen,

Report on the Audit of the Compensation Report

We have audited the attached compensation report of Covestro AG, Leverkusen, for the financial year from January 1 to December 31, 2024, including the related disclosures, prepared to meet the requirements of Section 162 AktG [Aktiengesetz: German Stock Corporation Act].

The compensation report contains cross-references that are not required by law and which are marked as unaudited. We have not audited the cross-references and the information to which the cross-references refer.

Responsibilities of Management and the Supervisory Board

The management and the Supervisory Board of Covestro AG are responsible for the preparation of the compensation report, including the related disclosures, in accordance with the requirements of Section 162 AktG. The management and the Supervisory Board are also responsible for such internal controls as they have determined necessary to enable the preparation of the compensation report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on this compensation report, including the related disclosures, based on our audit. We conducted our audit in accordance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, including the related disclosures, in the compensation report. The procedures selected depend on the auditor's professional judgment. This includes an assessment of the risks of material misstatement, whether due to fraud or error, in the compensation report, including the related disclosures. In assessing these risks, the auditor considers the internal control system relevant for the preparation of the compensation report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the Supervisory Board, as well as evaluating the overall presentation of the compensation report, including the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the compensation report for the financial year from January 1 to December 31, 2024, including the related disclosures, complies in all material respects with the financial reporting requirements of Section 162 AktG.

Our opinion on the compensation report does not extend to the cross-references, which are marked as unaudited and not required by law, and the information to which the cross-references refer.

Other matter – formal examination of the compensation report

The substantive audit of the compensation report described in this independent auditor's report includes the formal examination of the compensation report required by Section 162 (3) AktG, including issuing an assurance report on this examination. As we have issued an unqualified opinion on the substantive audit of the compensation report, this opinion includes the conclusion that the disclosures pursuant to Section 162 (1) and (2) AktG have been made, in all material respects, in the compensation report.

Limitation of liability

The terms governing this engagement, which we fulfilled by rendering the aforesaid services to Covestro AG, are set out in the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as amended on January 1, 2024 (Appendix 2). By taking note of and using the information as contained in this auditor's report, each recipient confirms to have taken note of the terms and conditions laid down therein (including the limitation of liability of EUR 4 million for negligence under Clause 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Düsseldorf, February 25, 2025

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Ufer
Wirtschaftsprüfer
[German Public Auditor]

Dr. Ackermann
Wirtschaftsprüferin
[German Public Auditor]