



Annual General Meeting 2023

From the remarks of the Chairman of the Supervisory Board, Dr. Richard Pott
(Check against delivery)

Last update: April 12, 2023

Ladies and Gentlemen,

[...]

The past year 2022 was once again no ordinary year – not for any of us and not for our company.

The Russian war in Ukraine overshadowed the past year and continues to do so. Many other problems have arisen or been exacerbated as a result. Here are a few keywords to illustrate this: energy crisis, world hunger, high inflation, and a significantly weakening economy. This is a scenario in which our company has faced and continues to face enormous challenges. But I am pleased to say that Covestro has come through these difficult times – many call them a polycrisis – quite well to date.

The Board of Management will shortly describe in more detail how we are meeting these challenges.

But now I would first like to talk about the topics of this Annual General Meeting.

In view of the progress of digitalization and what it sees as the positive experience with virtual shareholders' meetings during the coronavirus pandemic, legislators amended the German Stock Corporation Act in July 2022 to allow virtual shareholders' meetings to continue to be held.

Against this background, the Board of Management and Supervisory Board have jointly decided to hold the Annual General Meeting in virtual format again this year. However, this is no longer the virtual format that we all became familiar with over the past three years during the coronavirus pandemic.

Rather, it is a fundamentally revised and improved format with significantly more extensive shareholder rights. Unlike in previous years, you, our shareholders, will therefore have the opportunity again to enter into dialog with the Board of Management and Supervisory Board of your company – and we are very pleased about this.

In particular, today you will be able to submit an electronic request to speak. Then, when I call on you, you will have the opportunity to address us and your fellow shareholders and put your questions to us live via video link. I will explain the procedure for this in more detail later.

All I want to say at this point is that, with the new legal basis, German legislators have largely put virtual annual general meetings on an equal footing with physical meetings and significantly strengthened shareholders' rights. The new virtual AGM will be more interactive, more lively, and certainly also much more expressive of opinions than we have seen in previous years.

Of course, we are aware that many of you still value direct contact and exchanges with us on site and also with each other.



And rest assured: We, too, have always appreciated this direct contact and exchange and continue to do so. Nevertheless, having considered all the points for this year's Annual General Meeting, we have found that the advantages of the virtual format outweigh the disadvantages. These include:

- a greater reach, as the virtual format allows us to reach investors who are geographically far away;
- a significant reduction in effort and costs;
- savings in time and costs for you, our shareholders, as you no longer have to travel to the Annual General Meeting;
- and last but not least: a significantly more positive environmental footprint, which, calculated over a large number of companies, can make a significant contribution to climate protection.

It is for exactly these reasons that the Board of Management and Supervisory Board propose to you under today's agenda item 7 that the Articles of Association authorize the Board of Management to hold Annual General Meetings in virtual format in future – similar to what almost all other listed companies are proposing to their shareholders at the present time.

The authorization is to be limited in time in line with statutory requirements. However, we do not intend to exhaust the statutory maximum of five years and are instead proposing an authorization for a two-year term.

We want to show that we can handle our authorization responsibly over the next two years – and choose a setup for the Annual General Meeting that gives you comprehensive information and allows you to exercise your shareholder rights effectively and in the best possible way.

If you adopt our proposal, the Board of Management will continue to decide on the format of the respective Annual General Meeting on this basis, taking into account the specific agenda. If the Board of Management decides in favor of the virtual format, it will also decide, within the permissible legal framework, on how to structure it, in particular with regard to the shareholders' right to ask questions.

From today's perspective, the likely aim is for shareholders to continue to ask their questions during a virtual Annual General Meeting in the future – as we are planning for our company's 2023 AGM today. In principle, we do not intend to limit your questions to the run-up to the Annual General Meeting and then only allow follow-up questions during the meeting.

We have already given you this information in the invitation document because you will rightly want to get an idea of how we intend to handle the discretionary powers granted to us in the future.

[...]

Ladies and Gentlemen,

Before we get to the agenda, let me take a brief look back at the past year from the Supervisory Board's perspective.

As already mentioned, 2022 was predominantly a year of hardship and worry. After decades of peace and stability, war is back in Europe. As a result, the energy supply situation has worsened dramatically,



with a massive impact on our industry and our company. Added to this is the deterioration in the economic environment.

In this situation, Covestro was and still is confronted with a double challenge, so to speak. On the one hand, everything had to be done at the operational level to maintain operations and business. On the other hand, our company had to continue to pursue its strategic goals and growth opportunities, even during this difficult period.

We succeeded in both.

Covestro has withstood the energy crisis, which had its peak so far last fall and winter. Thanks to the outstanding, tireless efforts and flexibility of our employees, we quickly adapted to the situation, reduced energy requirements and improved efficiencies. Among other things, we switched from gas to oil as a fuel at some sites.

Covestro has also stayed on course strategically, and we have continued to drive forward our focus on the circular economy – our grand vision. In this way, we are taking the right approach by combining the preservation of the earth's resources with sustainable value creation.

A milestone in Covestro's sustainability strategy is the ambitious climate targets published by our company in the past fiscal year. We aim to become operationally climate-neutral by 2035. This applies firstly to our direct greenhouse gas emissions generated in our own production. These mainly relate to nitrous oxide, which is particularly climate-intensive. Secondly, indirect emissions from energy we source from third parties are to be reduced to net zero.

But we don't want to stop there. Covestro is also working on a climate target for indirect emissions from purchased raw materials and other upstream and downstream processes in the value chain.

Covestro's product portfolio is also becoming increasingly climate-neutral and circular. Overall, our materials and solutions continued to be in demand last year. However, volumes declined as a result of the recessionary environment.

However, because we achieved higher selling prices in the market, sales rose to a new record level.

However, the picture was different in terms of profits. Due to the sharp rise in energy and raw material costs as well as special items, such as exceptional impairment charges on noncurrent assets and valuation allowances on deferred tax assets, Group earnings were negative for the first time.

For this reason we will, for the first time, not pay a dividend to our shareholders. We very much regret this and hope you will understand. However, I am convinced that thanks to our company's fundamentally sound position, we will be able to resume the dividend payments of previous years in the future.

Please allow me also to mention that the negative consolidated earnings for 2022 have not only led to no dividend being paid. The difficult economic situation of Covestro has also meant that the Board of Management and employees will not receive an annual bonus for fiscal 2022.

In their speeches, CEO Dr. Markus Steilemann and CFO Dr. Thomas Toepfer will shortly go into detail about business performance and strategic development.



[...]

Ladies and Gentlemen,

I now come to the report of the Supervisory Board, which you will find on pages 19-27 of this year's Annual Report. I will make specific reference to this detailed report and therefore provide a little less detail here today.

As I have already mentioned several times, the past fiscal year for Covestro was dominated by the energy crisis and declining growth in the global economy. The coronavirus pandemic also had a negative impact on our business in the first half of the year. For example, lockdowns in China led to logistical difficulties and disrupted supply chains.

In these critical times, the Board of Management made the necessary decisions to keep the business running well and preserve the future viability of our company. This included safeguarding liquidity and profitability.

At the same time, Covestro continued on its path toward full alignment to the circular economy and embarked on a path toward climate neutrality, which is to be achieved by 2035.

We as the Supervisory Board have closely accompanied the Board of Management and supported its decisions.

In February of this year, we accepted the request of our CFO Dr. Toepfer to terminate his contract prematurely. He will leave Covestro on August 31, 2023, to take up a new position as Chief Financial Officer at the European aircraft manufacturer Airbus. Until then, Dr. Toepfer will remain fully committed to his activities as Chief Financial Officer and Labor Director. The Supervisory Board has started the process of finding a successor and will announce this in due course.

I would like to take this opportunity to thank you, Dr. Toepfer, for your dedication to our company. We very much regret your departure and wish you all the best for the future.

On the subject of personnel matters, I would also like to inform you that the Supervisory Board took important steps to ensure the continuity of the company's management in the past financial year.

For example, the contract of our CEO was extended ahead of schedule by five years, so congratulations to you once again, Mr. Steilemann.

In addition, the contract of Chief Technology Officer Dr. Klaus Schäfer, which would originally have expired at the end of 2022, has been extended by six months in view of the tense situation on the energy market. He will be succeeded by Dr. Thorsten Dreier in July of this year. Dr. Dreier currently heads the Coatings & Adhesives business unit at Covestro.

I would also like to thank Dr. Schäfer for his many years of service in our company and its predecessor organizations. You have made a significant contribution to the success of Covestro in many different functions, Mr. Schäfer. We wish you all the best for your new phase of life.

Our best wishes also go to you, Mr. Dreier. Over many years, you have enriched our company with your technological expertise, customer focus, market orientation, and management qualities. We, the



members of the Supervisory Board, are convinced that you will be an asset to the Technology department.

Together with Dr. Schäfer, Dr. Dreier is preparing for the smooth takeover of his new duties and familiarizing himself with all the tasks of his future area of responsibility.

The Supervisory Board is convinced that Dr. Dreier will continue to successfully drive Covestro's transformation toward a circular economy and climate neutrality together with the other members of the Board of Management.

Ladies and gentlemen, there have been some personnel changes not only in the Board of Management, but also in the Supervisory Board. At last year's Annual General Meeting, Dr. Sven Schneider was elected to the Supervisory Board as a shareholder representative and as successor to Prof. Dr. Rolf Nonnenmacher. Upon his subsequent election to the Audit Committee, Dr. Schneider assumed the chairmanship of this body.

Furthermore, at the end of the last Annual General Meeting, the two employee representatives, Dr. Christoph Gürtler and Frank Löllgen, also joined the Supervisory Board – as successors to Dr. Ulrich Liman and Frank Werth.

We already introduced you to the three new members at the last Annual General Meeting. They all actively supported the work of the Supervisory Board through the challenges of the past year.

The entire Supervisory Board was in regular contact with the Board of Management in 2022. In doing so, we convinced ourselves of the effectiveness of the course and measures taken by management.

In addition, we continuously monitored and advised the Board of Management in the past fiscal year. This took place in particular at the six meetings of the Supervisory Board, which were generally attended by all members.

One Supervisory Board member was unable to attend one single meeting of the Supervisory Board due to personal reasons – but was able to support the resolutions passed at this meeting on the basis of an advance briefing by means of a written vote. Another Supervisory Board member was unable to attend the two meetings in the second half of the year due to illness.

The Supervisory Board focused on the following topics at its meetings in the past year: The current crisis situation in connection with the Russian war on Ukraine and its impact on the company were the subject of all Supervisory Board meetings in 2022. This was also the subject of several additional reports by the Board of Management outside Supervisory Board meetings. Also the continued transformation of the Group and the integration of the Resins & Functional Materials business acquired from DSM in 2021 were topics discussed at almost all Supervisory Board meetings. In the Supervisory Board, we received very detailed reports on these topics from the Board of Management and dealt in detail with the existing challenges and the progress made, reviewing the respective assumptions and discussing them with the Board of Management.

At the first meeting of the reporting year in February, the Supervisory Board dealt in detail with the annual and consolidated financial statements for fiscal 2021, the audit report and the auditor's oral report – as well as the proposal for the appropriation of net income. Other important topics were the risk



situation and the path to climate neutrality presented for the company by the Board of Management – which we approved, including the associated emissions reduction targets.

The Supervisory Board meeting on April 21 focused on the virtual Annual General Meeting held on the same day.

A constituent meeting of the Supervisory Board was held following the Annual General Meeting, as the six employee representatives newly elected by the Covestro workforce in March began their term of office at the end of the meeting. The same applied to Dr. Sven Schneider, the new shareholder representative elected at the Annual General Meeting. At this meeting, Ms. Petra Kronen was elected Vice Chair of the Supervisory Board – and the employee representative members of the Supervisory Board committees were also elected. Dr. Sven Schneider, who was appointed to the Supervisory Board by the Annual General Meeting, was elected to the Audit Committee and as its Chair.

Ladies and gentlemen, we continue with the walk through the year. At the meeting in June, the Supervisory Board dealt in detail with the concept for the externally supported self-assessment of the effectiveness and efficiency of the Supervisory Board's activities to be carried out in 2022. Other topics included the gender quota on the Board of Management and Supervisory Board and the amendments to the German Corporate Governance Code published shortly before. At this meeting, the Supervisory Board also passed a resolution – as already mentioned – to reappoint and extend the contract of CEO Dr. Steilemann for a further five years after his current appointment expires.

In the period from July to the beginning of October, the Supervisory Board dealt with four time-critical issues and decisions, in each case by circular resolution:

- On July 29, it dealt with the sale of the Additive Manufacturing business.
- On August 4, the Supervisory Board approved an increase in the credit facility
- and on August 25, it approved the establishment of a euro commercial paper program and the issuance of Schuldschein loans.
- On October 4, the Supervisory Board approved the six-month extension of Dr. Schäfer's contract mentioned earlier.

At the Supervisory Board meeting on November 9 and 10, the Supervisory Board then decided to appoint Dr. Dreier as Dr. Schäfer's successor. This fall meeting of the Supervisory Board is its so-called strategy meeting. This meeting is traditionally accompanied by a strategy workshop held in advance and organized by the Board of Management. This strategy meeting focused on the current framework for the Group's strategy, the trends and challenges shaping the short, medium, and long term, and the strategic scope.

At the meeting in December, the Supervisory Board dealt with compensation issues in accordance with its regular schedule. This included a review of the fixed salaries of the Board of Management and a discussion of the long-term variable compensation of the Board of Management. Another regular key topic of this last Supervisory Board meeting of each year is the discussion of the corporate planning proposed by the Board of Management for the following fiscal year – in this case for 2023 – and the associated medium-term outlook. The Supervisory Board approved both the corporate planning and the financing framework for fiscal 2023. At this meeting, we also dealt with the planning for today's Annual General Meeting, the agenda, and the proposed resolutions, and approved the Board of Management's decision to hold it as a virtual meeting.



There were also regular exchanges between the Chairman of the Board of Management and myself between meetings – in particular on strategy and planning issues, business development, and upcoming important decisions.

In the reporting year 2022, the members of the Supervisory Board were once again furthered their personal training – despite the challenges posed by the coronavirus pandemic and the associated restrictions on attendance at events and travel in some cases. This took place in particular in the form of the full-day strategy workshop in November, which I have already mentioned, in connection with the strategy meeting of the Supervisory Board. In connection with the externally supported effectiveness and efficiency review, a two-day externally facilitated workshop of the Supervisory Board was held in October. The topics discussed in greater depth included the special tasks and roles of the Supervisory Board in the context of the current crisis situation – the Russian war against Ukraine and the energy crisis. In October, the Supervisory Board took advantage of a visit to the plastics trade fair K2022 in Düsseldorf to learn about the plastics industry and current trends and challenges – the focus here was on the aspects of sustainability and the circular economy. In November, a training session on capital market issues and capital markets law was also held with the support of external experts.

Let me now briefly comment on the activities of the committees of the Supervisory Board. As you know, the committees prepare for and continue the work of the Supervisory Board.

The committees met as follows during the reporting period:

- the Presidial Committee met once,
- the Audit Committee four times,
- the Human Resources Committee five times,
- the Nomination Committee once,
- and the Sustainability Committee five times.

All of these committee meetings were generally attended by all members – with the exception of the Supervisory Board member who fell ill in the second half of the year. In addition, some Supervisory Board members also attended committee meetings as guests – in particular the meetings of the Sustainability Committee, which very explicitly kept its meetings open to guests from the Supervisory Board body.

The Audit Committee monitored the accounting process and the effectiveness of the internal control system and risk management system. It was kept informed on an ongoing basis about the further development of the compliance management system and other issues, including risk assessment. It continually exchanged information with the auditor about the material audit risks and the necessary direction of the audit.

Special topics discussed by the Audit Committee were the

- current and future regulatory requirements for sustainability reporting and their implementation,
- the amendments to the GCGC,
- asset management of pension assets,
- and information security and cyber risk management.

The Personnel Committee dealt, among other things, with the achievement of targets by the members of the Board of Management and with compensation issues, as well as with the reappointment and contract extension of the CEO, Dr. Steilemann, and with succession planning for the Chief Technology Officer, Dr. Schäfer.

An important topic for the Nomination Committee this year was the competence profile of the Supervisory Board, which was reviewed and supplemented to take account of the requirements of the new version of the German Corporate Governance Code (GCGC). The Nomination Committee also prepared the qualification matrix required by the GCGC, which was then processed further by the Presidial Committee.

At its meeting, the Presidial Committee continued the work on this qualification matrix and helped prepare the decision-making process in the Supervisory Board.

The Sustainability Committee dealt with Covestro's climate program, the "Path to Climate Neutrality" – including the related target proposals and implementation measures relating to Scope 1 and Scope 2 emissions. This refers to the greenhouse gases that are produced in the company's own production or are attributable to purchased energy.

In the course of the year, the Sustainability Committee dealt with Scope 3 emissions, i.e., the emission of greenhouse gases from purchased raw materials and other upstream and downstream processes in the value chain. They also discussed the circular economy, as well as the EU chemicals strategy and Covestro's approach in this regard.

Other topics included

- the environmental, social, and governance (ESG) ratings of external rating agencies and Covestro's approach to this,
- the ESG aspect of "Compliance with human rights," and
- and the topic of "Transparency of our reporting."

To return to the Audit Committee, there were also regular exchanges between the Chair of the Audit Committee –Prof. Nonnenmacher at the beginning of the year and subsequently Dr. Schneider – and our Chief Financial Officer, Dr. Toepfer, to discuss in depth the risk and compliance management system and the accounting process at Covestro.

The Audit Committee and Supervisory Board discussed in detail the financial statements and combined management report, all of which received an unqualified audit opinion, and the auditor's reports. We are in agreement with these financial statement documents and in particular with the assessment of the future development of the company.

As in the past, I am convinced that close, transparent, and trusting cooperation has continued between the Board of Management and the Supervisory Board, and we attach particular importance to the principles of good corporate governance in this process.

And with this, I have come to the end of the report of the Supervisory Board.

[...]