



ESG @ Covestro

September 2018

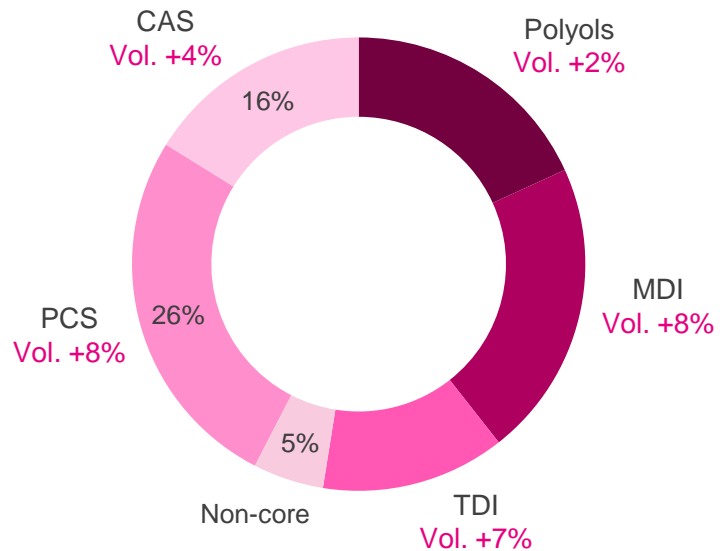
Global leader in high-tech material solutions

Covestro at a glance



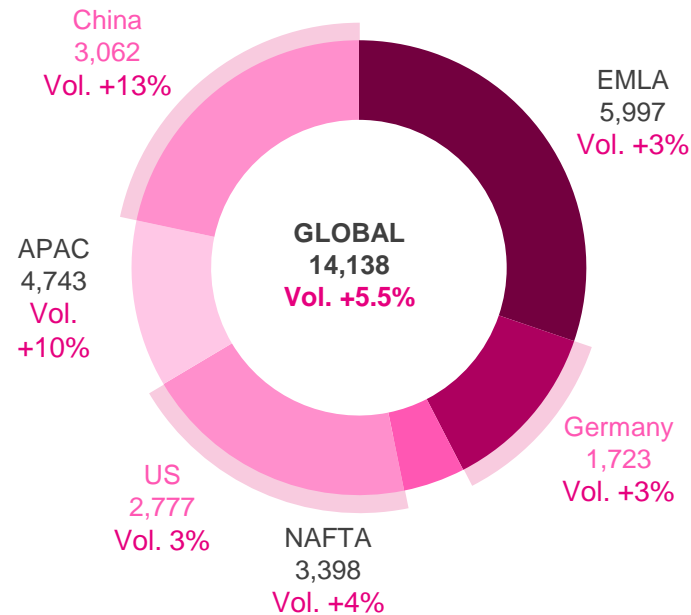
Sales split by segments

% of 2017 Group sales
Core volume growth, CAGR 2015-2017



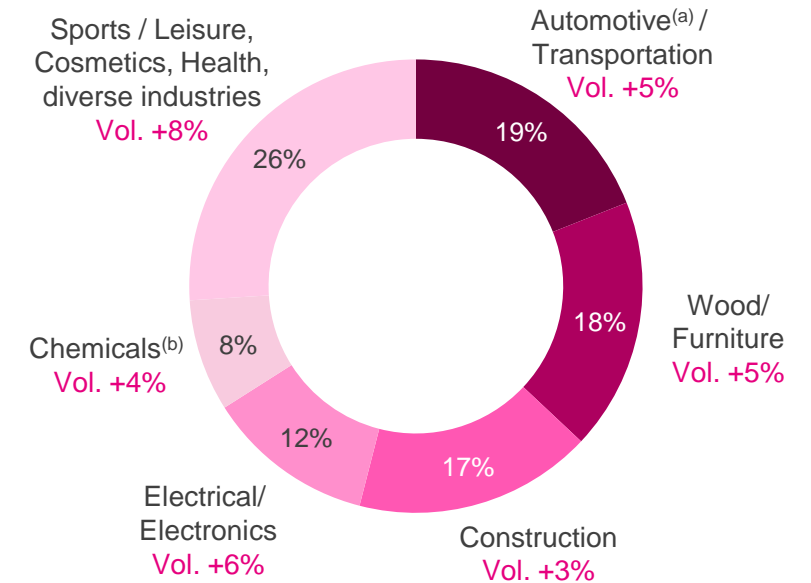
Sales split by regions

2017 Group sales in € million
Core volume growth in %, CAGR 2015-2017



Sales split by end-markets

% of 2017 Group sales
Core volume growth in %, CAGR 2015-2017



~5 million tons
PUR and PCS nameplate capacity

Employees: ~16,000 FTEs
Headquarters in Leverkusen, Germany

From €3.4bn EBITDA to €1.8bn FOCF
High cash conversion

Inventor and global leader with almost half of sales in resilient businesses



Polyurethanes (PUR) at a glance

1,000

Polyols grades
for differentiation



Cold chain
e.g. refrigerator

#1

Producer and inventor
of PU globally^(a)



Construction
e.g. metal panel

5.3%

Core volume
CAGR in 2015-2017



Cost leadership
e.g. process
technology

€7.4bn

Sales
2017^(b)



Comfort
e.g. furniture
upholstery

€1.1bn

FOCF
2017^(b)



Automotive
e.g. instrument
panel



Sustainability
e.g. CO₂-based
polyether polyols

Inventor and global leader with strategic focus on increasing resilience

Polycarbonates (PCS) at a glance



1,000

PC grades for
broadest offering

#1

Producer and inventor
of PC globally^(a)

7.6%

Core volume
CAGR in 2015-2017

€3.7bn

Sales
2017

€321m

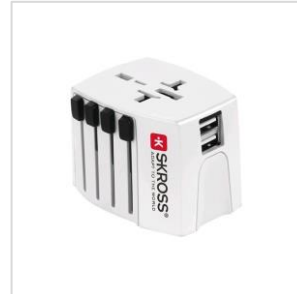
FOCF
2017



Mobility
e.g. exterior



Electronics
e.g. robot housing



Consumer electronics
e.g. adapter



Electrical
e.g. LED street lamp



Mobility
e.g. charging station



Healthcare
e.g. drug delivery

Global leader with high and resilient profitability

Coatings, Adhesives, Specialties (CAS) at a glance



2,700+

Products based
primarily on 6 monomers

5,000+

Customers in
10+ high-end industries

3.7%

Core volume
CAGR in 2015-2017

€2.3bn

Sales
2017^(a)

€249m

FOCF
2017^(a)



Ingredients for
surface coatings



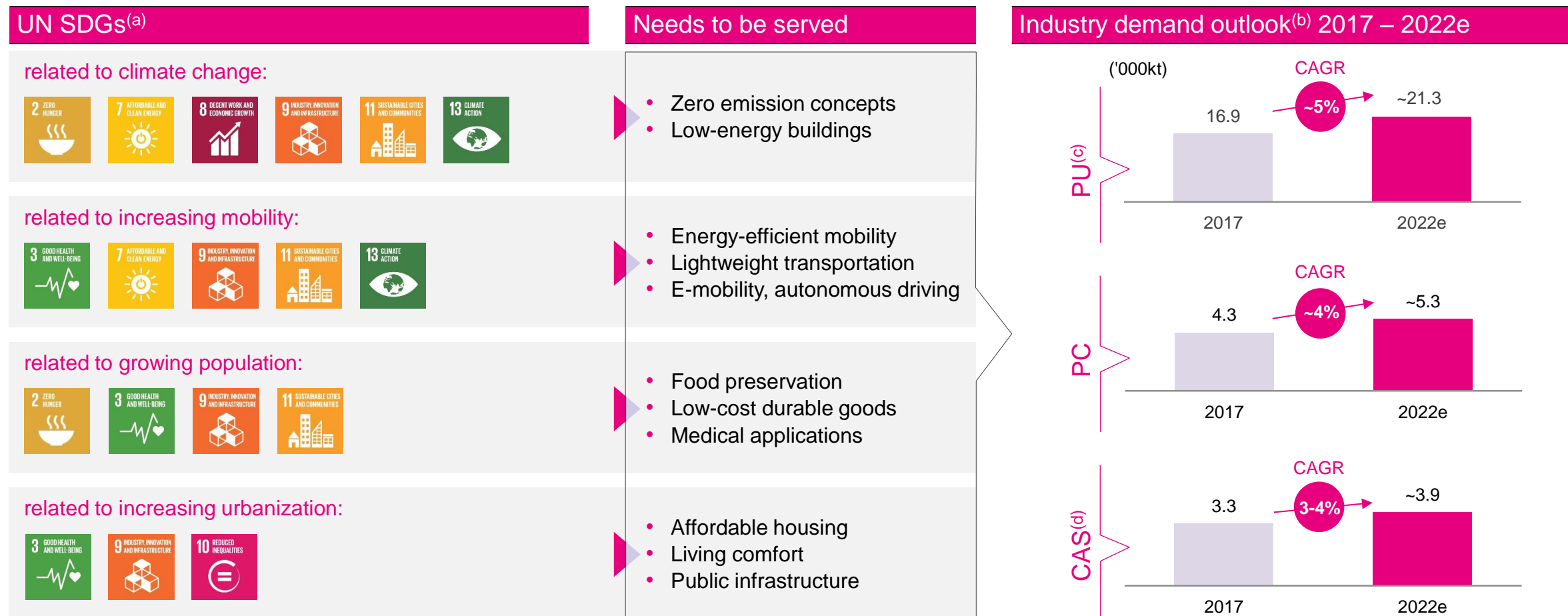
Ingredients for
adhesives and sealants



Ingredients for
specialties

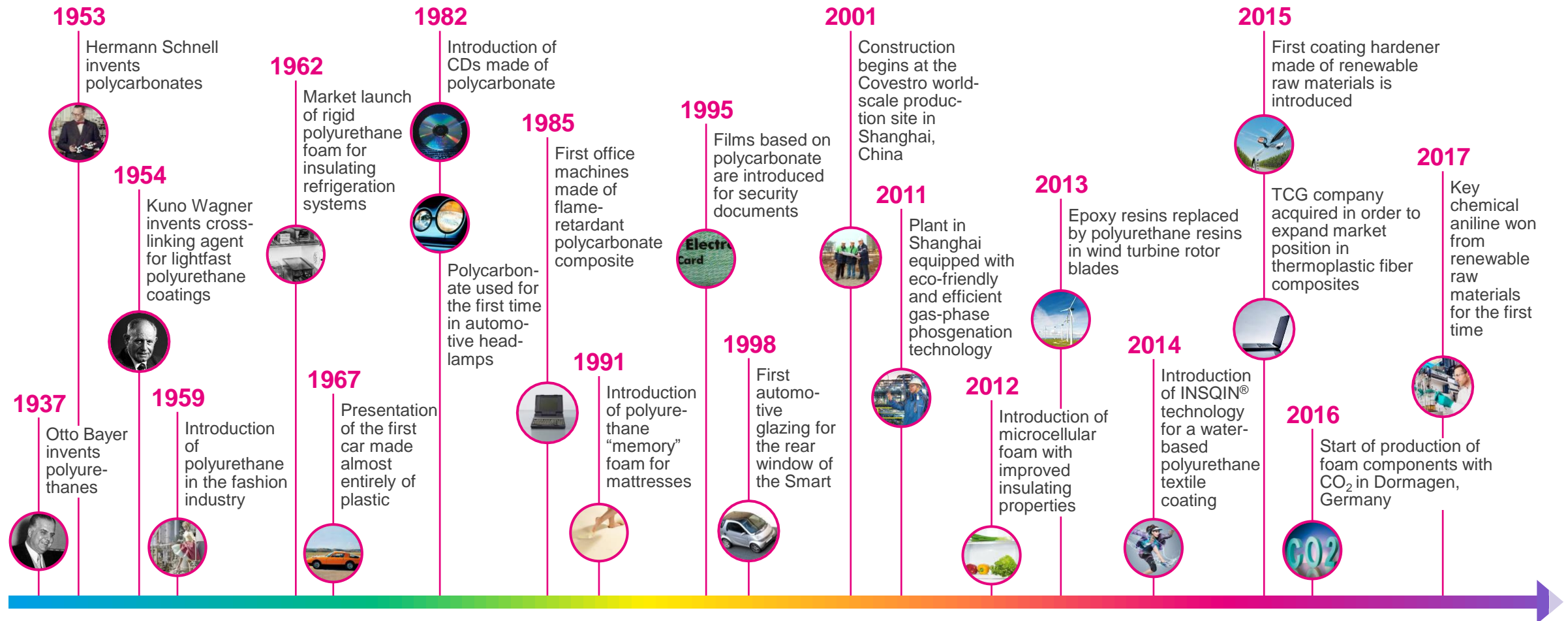
Sustainability trends drive structural growth above GDP

Structural growth drivers



Inventions at the core of Covestro

80 years of ideas and research



Innovation and sustainability driving growth

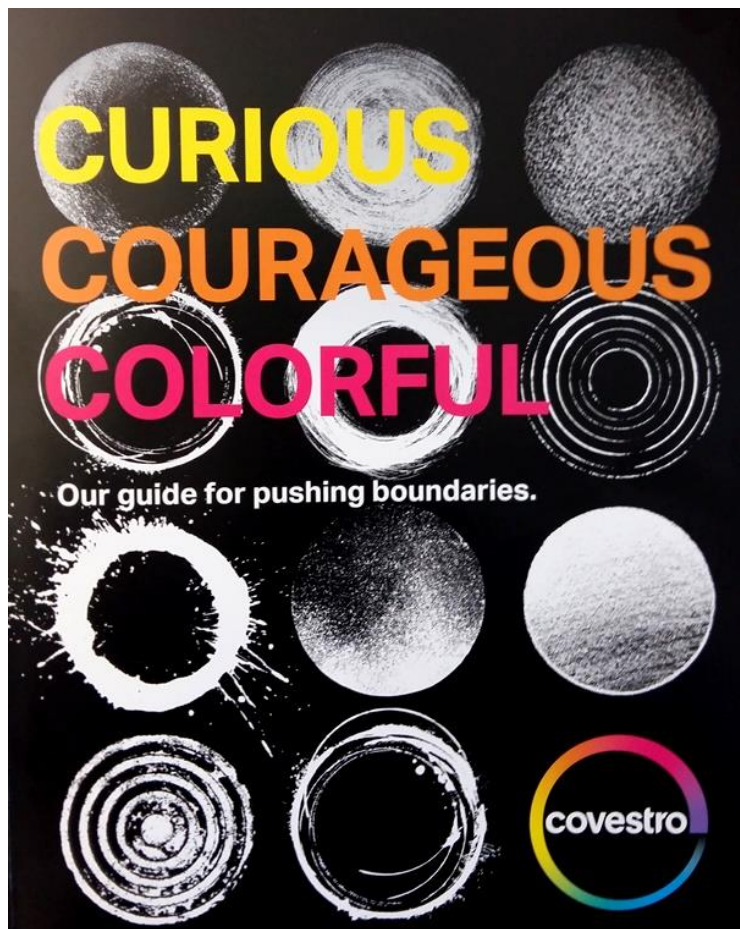


Key investment highlights

- 1 Above GDP volume growth**
driven by innovation and sustainability trends, embodied also by non-financial targets
- 2 Leading and defendable global industry positions**
as innovation and cost leader
- 3 More than half of sales generated by resilient businesses**
as global leader in highly attractive niches
- 4 Balanced supply and demand outlook for all our businesses**
inline with mid-term debottlenecking plans and preparation of world-scale investment
- 5 Attractive growth fuels solid cash generation**
with use of cash focused on shareholder value

ESG elements are integral part of Covestro's strategy

Summary of Covestro policies



Value creation



Sustainability



Innovation



People



HSEQ



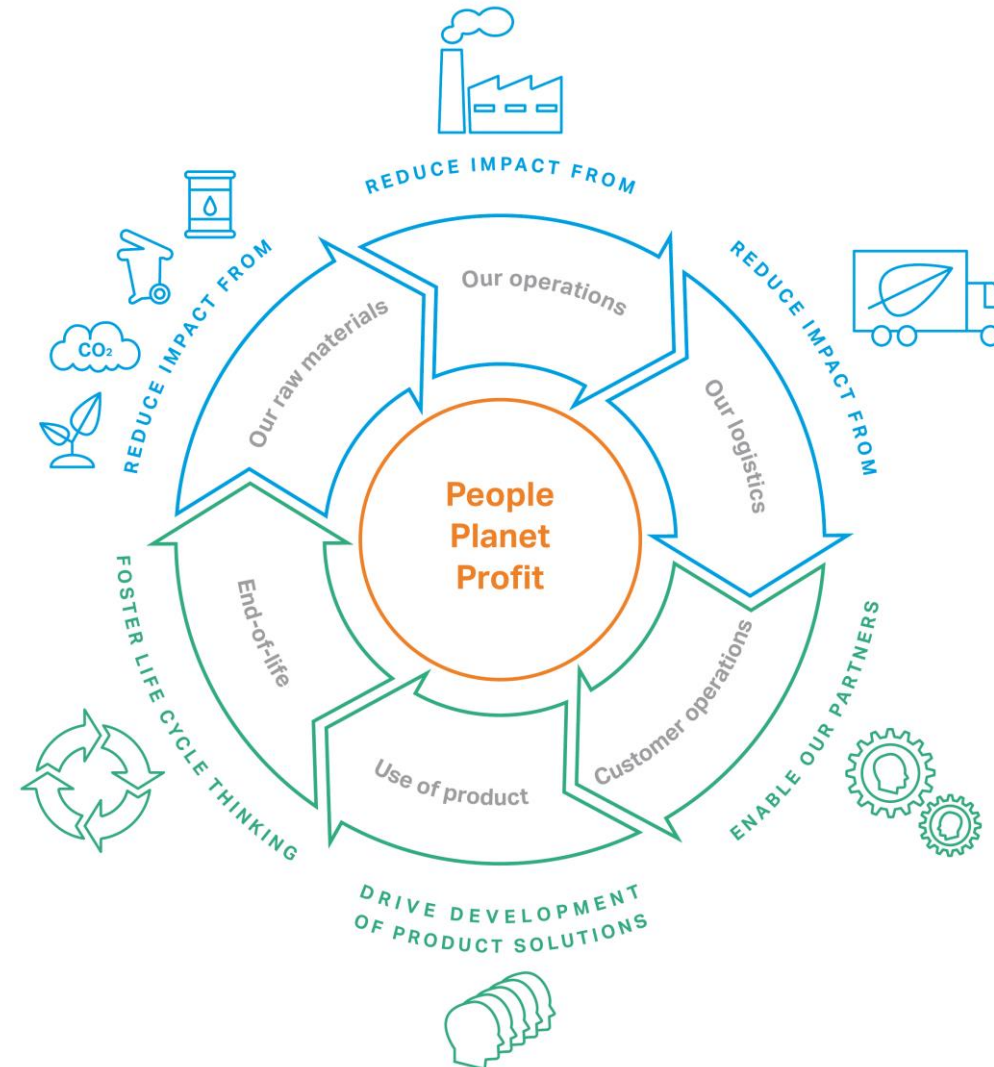
Compliance

- We believe in the principle of the three Ps (PPP): **People, Planet and Profit**
- We always consider the **product life cycle** in its entirety
- We are committed to finding ways of contributing towards reaching the United Nations **Sustainable Development Goals (SDGs)**
- We develop and foster **collaborations with external partners**
- We set high standards that are applicable **globally**
- We are signatories of the United Nations' **Global Compact**

Environment @ Covestro

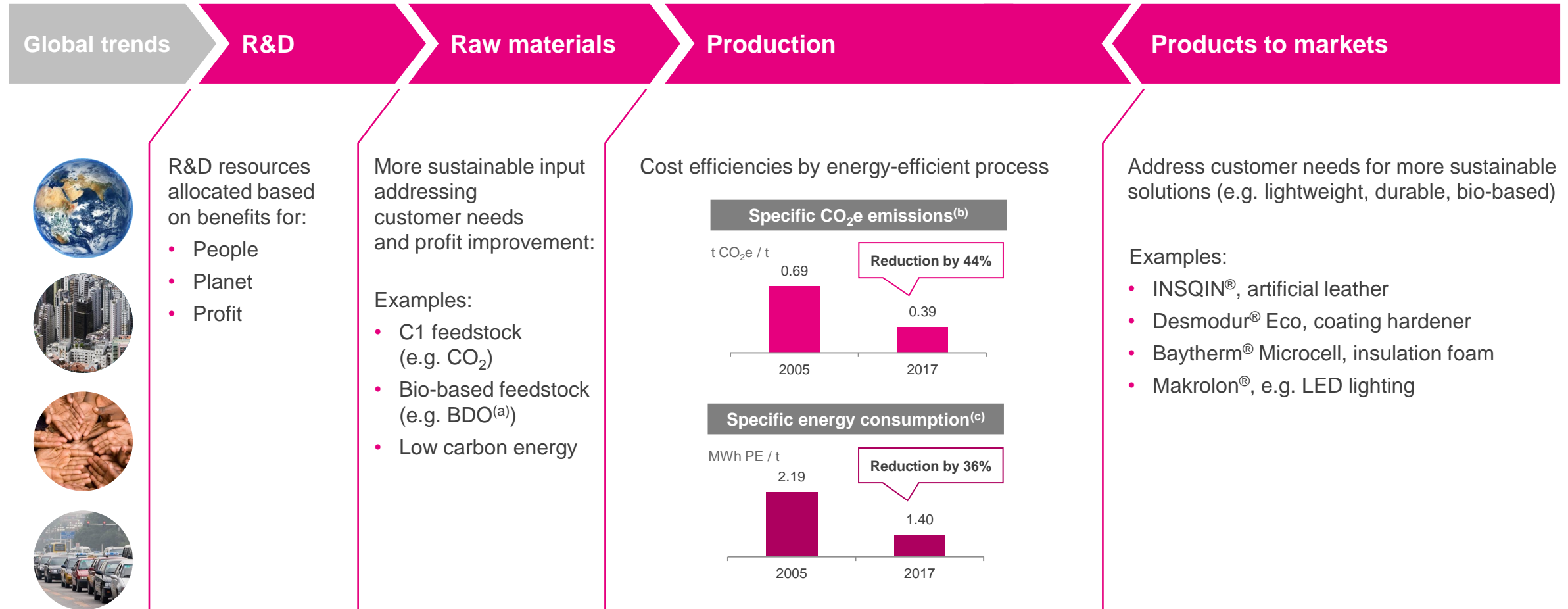
People, Planet, Profit (PPP)

Covestro's approach



We think in full life cycles

Sustainability along the value chain



Right answers for big challenges

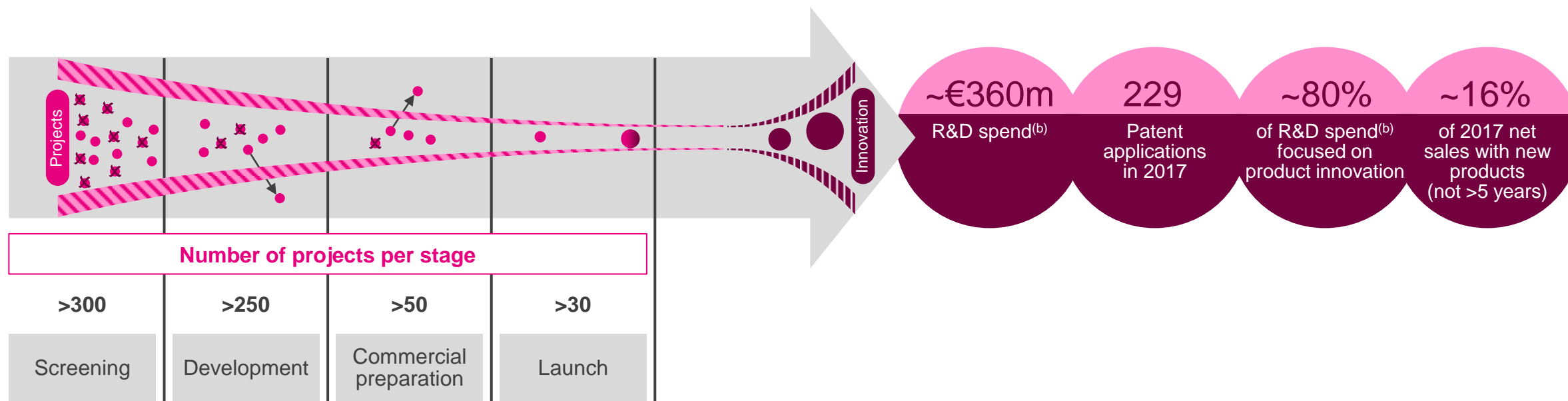


Trend	Needs	Demand for Covestro products
 <p>Climate change</p>	<p>Renewable energy</p> <p>Low-energy buildings</p>	<div>  <p>Core volume growth CAGR 2015-2017 +5.5%</p> </div> <div>  <p>Global GDP CAGR 2017-2022^(a) ~3%</p> </div>
 <p>Urbanization</p>	<p>Affordable housing</p> <p>Public infrastructure</p>	
 <p>Population & prosperity growth</p>	<p>Food preservation</p> <p>Low-cost durable goods</p>	
 <p>Increasing mobility</p>	<p>Energy-efficient mobility</p> <p>Lightweight transportation</p>	

Focused R&D to build and protect profitable competitive positions



Progress of product and process innovation projects^(a)



- PPP rule: each project has to contribute positively to at least two of the Ps, no P negative
- Early check of ecological parameters in the process
- R&D project portfolio aligned with UN Sustainable Development Goals

Innovation inspired by sustainability



Key industries rely on sustainable solutions



- Aligned with the PPP principle
- Strong focus on the UN Sustainable Development Goals (SDGs)
- Capture promising growth opportunities with innovative sustainable solutions

Target N°1

Increase share of sustainability-related R&D projects to 80% by 2025

Internal sourcing: Pushing boundaries in use of alternative raw materials



Highlights

First
bio-based
coating hardener



CO₂-based polyols in first
commercial application
(market testing) by



Revolution
in aniline
production



Benefits

- Coating hardener developed with ~70% bio-based content and ~30% reduction in carbon footprint
 - Collaboration with Audi and BASF – clear coat applied to Audi Q2 test bodies
 - Improved eco-balance goes hand in hand with full performance
-
- New technology permits to use CO₂ in the production of polymers, saving crude oil
 - Recticel manufactures KAPUA® foam mattresses with more than one-seventh of oil content replaced by CO₂-based chemicals (e.g. cardyon®)
 - More CO₂-based products in development for applications in sport, appliances, etc.
-
- For the first time, aniline has been derived from renewable raw materials instead of petrochemicals
 - Aniline is widely used in the chemical industry, a key component of insulation foam
 - Plans to produce bio-based aniline on a large industrial scale, as of mid-2020s

External sourcing: Supplier compliance with Together for Sustainability



Externally
audited by



- Dynamic and collaborative initiative founded in 2011, currently 21 members
- Offers the infrastructure to support high-quality, third-party sustainability assessments and audits by EcoVadis

Target N°2

100% of suppliers compliant with our sustainability requirements by 2025

Leading process technologies based on world-class chemical engineering



Highlights

Melt process
in world-scale
PC production



TDI / HDI
gas-phase
phosgenation



NaCl
electrolysis
with ODC^(b)



Benefits

- Conversion cost advantage of around 20% vs. competitor technologies
- Raw material cost on par or better than competitive technologies
- Pushing economies of scale to new standard of 150kt/a per line in Caojing, China

- Capex reduced by 20%^(a)
- Reduced conversion cost due to lower energy demand and reduced solvent usage
- Reduced phosgene hold-up by 40% and energy consumption by 60% vs. liquid phase








- Consumes 30% less electricity vs. conventional processes
- Significant economic and ecological benefits vs conventional processes
- World-scale ODC plant planned in Tarragona, Spain

Target N°3

Reduce specific greenhouse gas emissions by 50% until 2025

Adressing ever-changing customer needs for new material solutions



Need		Overall market	Relevant market	2015-2017	Covestro solutions
More durable and economical wind power plants		Energy consumption CAGR: ~3%	Offshore wind energy CAGR: ~19%	Covestro CAGR: 29%	Novel materials for wind power plants: PU resins for rotor blades, PU-based coatings, Elastomers for sea cables
Energy- and cost-efficient buildings		Construction CAGR: ~2%	Polyurethane insulation CAGR: ~5%	Covestro CAGR: 3%	Raw materials for PU foam (rigid and in spray form) enabling highly efficient insulation
Reduction of high energy consumption of lighting		Luminaire CAGR: ~3%	Luminaire LED CAGR: ~12%	Covestro CAGR: 122%	Polycarbonates in LED lenses, light guides, heat sinks
Eco-friendly produced furniture		Coating ind. furniture CAGR: ~3%	Water-based ind. furniture CAGR: ~5%	Covestro CAGR: 10%	New bio-based hardener for water-based wood coatings
Sustainable and functional fashion		Textile coating CAGR: ~6%	Relevant textile coating CAGR: ~11%	Covestro CAGR: 7%	Waterborne, solvent-free materials for functionalized textiles in diverse applications
More and better cooling devices		Refrigerators CAGR: ~3%	Refrigeration insulation foam CAGR: ~8%	Covestro CAGR: 12%	Raw materials for particularly effective insulating foams: 40% smaller pores allow up to 10% better insulation
Reduced weight and increased comfort		Global car production CAGR: ~3%	Relevant car applications CAGR: ~5%	Covestro CAGR: 7%	Attractive alternatives to conventional materials: polymers to replace glass and metal

Increase the return on carbon employed

Measuring sustainability along the value chain



Highlights

Our vision is to drive a new perspective on value creation through carbon

- Improving carbon productivity along the value chain means generating more value from less fossil fuel carbon
- The alternative ROCE measures the return on carbon employed in making materials and products

Our role as initiator of the Carbon Productivity Consortium:

- Promote a group of like-minded organizations who want to seed the breakthrough idea of carbon productivity across industry and beyond
- Catalyse new insights about carbon at various stakeholder levels
- Support the collaborative creation of a tool, soon available as open source

Partners



Target N°5

Develop a significant and universally accepted metric to set a quantitative target for 2025

Using waste gas from steel factories to make plastics

Consortium joins forces on CO₂



Highlights

- A new consortium of 14 partners from seven countries, led by Covestro
- Plan to investigate how flue gas from the steel industry can be used to produce plastics in a particularly efficient and sustainable way
- This will save crude oil, the raw material used in conventional methods
- The cross-sector project called **Carbon4PUR** receives funding from the European Union

Partners



“ Together, we are on the path to a crucial innovation: waste gas mixtures from the steel industry can provide carbon for chemical processes and ultimately be used to produce insulation materials and coatings. This helps us to broaden our resource base and to reduce the climate footprint for the entire value chain. At the same time, we are joining our forces by partnering with industrial and academic partners throughout Europe. ”

Dr. Markus Steilemann, Covestro Chief Executive Officer



Social @ Covestro

Our success is the result of the strong engagement of our employees

People at Covestro



- 1 We have a unique set of values: curious, courageous, colorful – our C³ values**
They shape our company culture and allow every person to contribute in a successful way beyond job responsibilities.
- 2 We aim to attract and retain the best talent available**
We follow the principles and rights set out in the ILO Declaration on Fundamental Principles and Rights at Work^(a)
- 3 We foster a high-performance culture**
To achieve this, continuous performance dialogues and candid feedback in both directions are essential
- 4 We value diversity and promote an inclusive work environment**
We promote an inclusive environment that welcomes diverse characteristics and where all employees are treated with respect
- 5 We seek to operate with flat and flexible structures**
With minimal levels of management and a broad span of supervision to speed our decision making
- 6 We support our employees in their professional development and personal growth**
We support clear career progression to ensure that we have the right people in the right positions at the right time
- 7 We recognize and compensate our employees in a transparent and competitive way**
We combine a competitive base salary that reflects the duties of a position with performance-related additional benefits

Our priority: Nothing we do is worth getting hurt for

HSEQ at Covestro



Signatory to the Global Charter of Responsible Care®

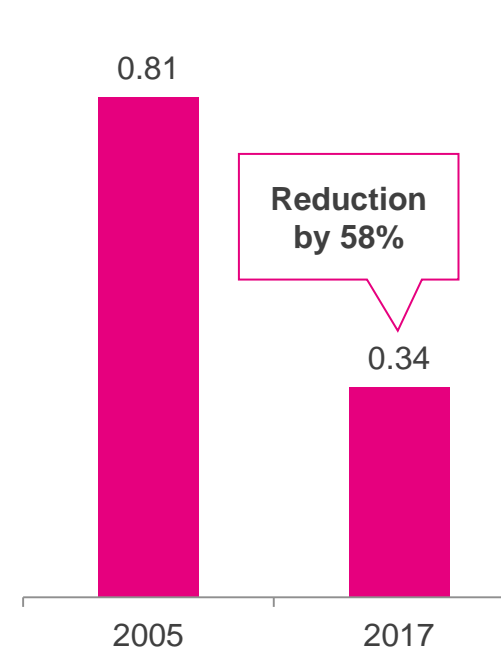
A commitment by management and all employees to drive continuous improvement and achieving excellence in the HSEQ areas



Best-in-class safety track record

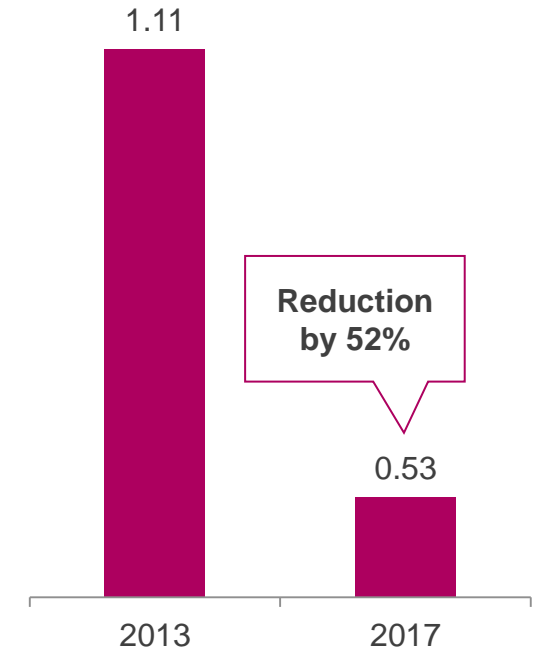
Occupational safety

RIR^(a)



Plant & process safety

LoPCIR^(b)



Social engagement as a matter of course

Corporate citizenship



Highlights

Covestro involvement

UN's Young Champions of the Earth



- Supporting the United Nations' Young Champions of the Earth prize and its environmental protection ideas
- In 2018, the winners will attend a one-week entrepreneurship course in Europe designed to improve their entrepreneurial skills
- Ongoing mentoring of Young Champions by more than one hundred volunteering Covestro employees

World Solar Challenge



- Supporting future mobility concepts with high-tech materials
- A team from Aachen University participated in the world's most difficult solar-powered car race in Australia
- Use of a new vehicle repair coating made predominantly from plant-based raw materials

Solar Impulse



- Supporting world's first flight around the globe without fuel
- Under the name "World Alliance for Efficient Solutions," a new initiative plans to present 1,000 ideas for a more sustainable future at the UN climate conference in December 2018

Bring product innovations to people in underserved markets

Inclusive business as business model innovation



Highlights

Benefits

Solar dryer domes



- Food security: PCS solutions for smallholder farmers
- Avoid food wastage after harvest, benefitting farmers economically
- Locations: Thailand, Vietnam, Myanmar, India

Affordable houses



- Based on polyurethane rigid foam (PIR)
- With outstanding insulation and mechanical properties
- Locations: Iraq, Malaysia, Philippines, India

Hygienic sanitation



- PIR technology based toilets
- Community and school toilets as the next step
- Locations: India, Malaysia

Target N°4

Help ten million people in underserved markets with sustainable solutions by 2025

Corporate Governance @ Covestro

Our culture of responsibility

Corporate Governance at Covestro



Declaration by the Board of Management and Supervisory Board concerning the German Corporate Governance Code (February 7, 2017 version) pursuant to Section 161 of the German Stock Corporation Act

Convenience Translation

Since the last Declaration of Conformity as of December 2016, Covestro AG has complied with all recommendations of the German Corporate Governance Code in the version of February 7, 2017 and will comply with them in the future.

Leverkusen, December 2017

For the Board of Management:

Handwritten signature of Thomas in blue ink.

Thomas

For the Supervisory Board:

Handwritten signature of Pott in blue ink.

Pott

- Commitment to the German Corporate Governance Code
- Since October 2015, Covestro is in compliance with all of the recommendations of the German Corporate Governance Code
- Formal documentation with annual declarations of conformity
- Detailed corporate governance report as an integral part of the annual report

Transparent leadership

Covestro's management structure



Board of Management

Dr. Markus
Steilemann
CEO



Dr. Thomas
Toepfer
CFO^(a)



Dr. Klaus
Schäfer
CTO



Supervisory Board

Dr. Richard
Pott
Chair



Petra
Kronen
Vice Chair



- Ferdinando Falco Beccalli
- Dr. Christine Bortenlänger
- Johannes Dietsch
- Dr. Ulrich Liman^(b)
- Peter Hausmann
- Irena Küstner
- Prof. Dr. Rolf Nonnenmacher
- Regine Stachelhaus
- Marc Stothfang
- Frank Werth

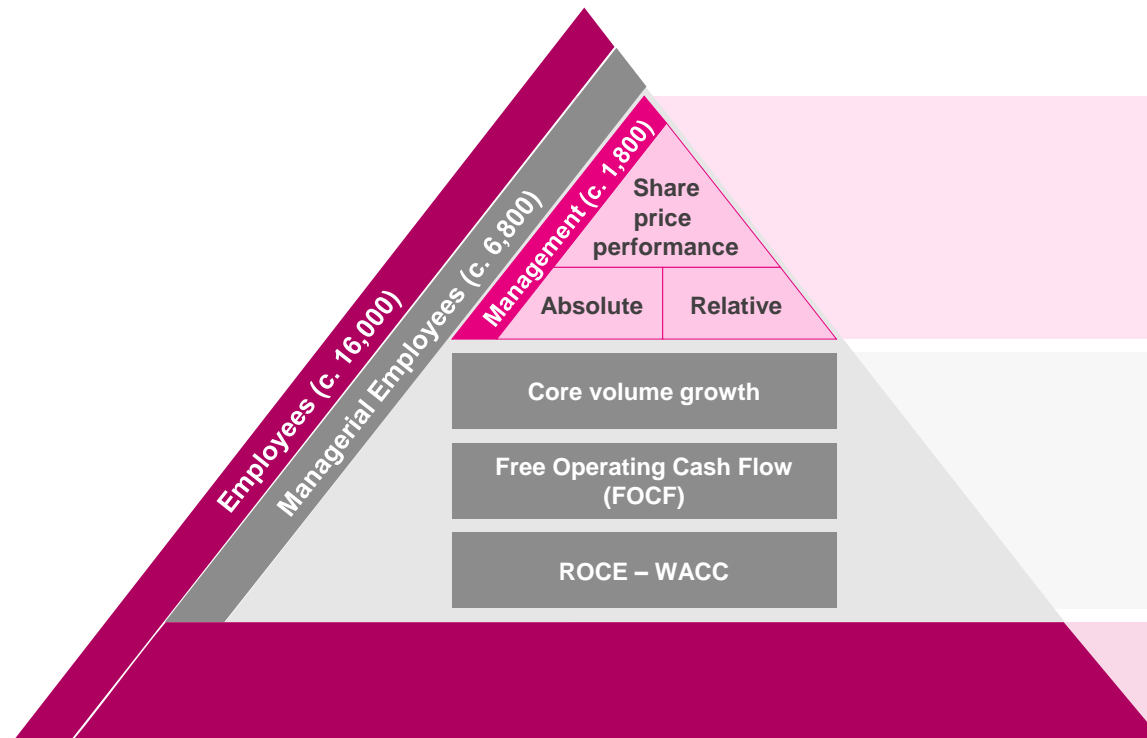
~30% of employees participate in global management incentive programs



Executive pay: Focus on performance

Clearly defined KPIs

Link into management incentive programs



Long-term incentive program

with cash settlement over a vesting period of 4 years measured by absolute (Covestro's share price development) and relative (STOXX Europe 600 Chemicals) components

Short-term incentive program

covering annual performance for all managerial positions based on 3 Group KPIs: Core volume growth, FOCF and ROCE–WACC

Employee stock participation program

for managerial and non-manual employees launched in 2016

~5,000 employees or ~30% of Covestro employees participate in management incentive programs

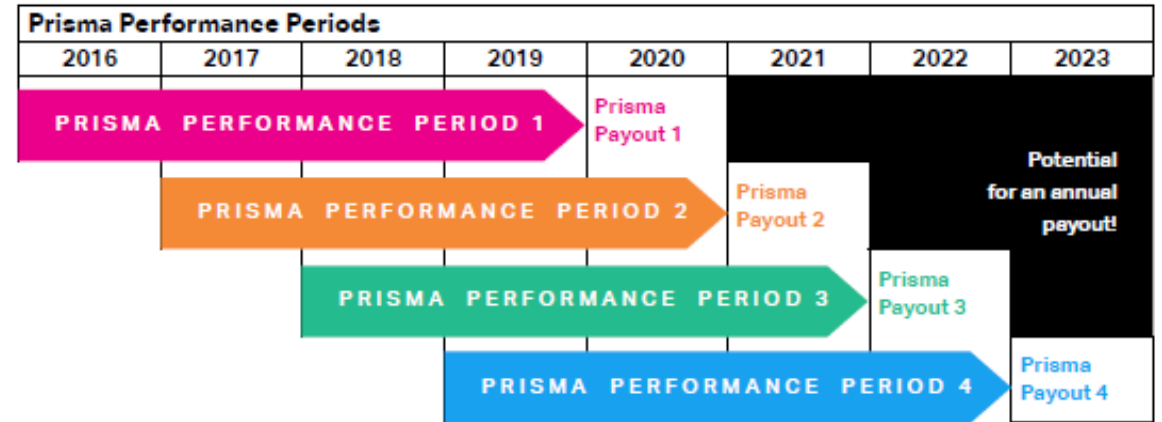
LTI component based on total shareholder return

Executive pay: Long-term incentive program Prisma



Program details

- Cash settled plan with four-year performance periods (Jan. to Dec.)
- Globally consistent program for all eligible employees
- Target amount based on fixed percentage of annual base salary
- Payout criteria based on:
 1. TSR (Total Shareholder Return) as absolute performance criterion
 2. Outperformance factor as relative payout criterion based on STOXX Europe 600 Chemicals index
- Start and end prices for Covestro share and index are determined by the average closing prices during November and December before the start and at the end of the performance period



$$\frac{\text{Ending Share Price} + \text{Cumulated Dividends}}{\text{Starting Share Price}} = \text{TSR Factor}$$

$$100\% + \underbrace{\left(\frac{\text{Change in Covestro Share Price}}{\text{Change in Index Price}} - 1 \right)}_{\text{Outperformance}} = \text{Outperformance Factor}$$

$$\text{Prisma Payout} = \text{Prisma Target Amount} \times \underbrace{\left(\text{TSR Factor} \times \text{Outperformance Factor} \right)}_{\text{Payout Percentage}}$$

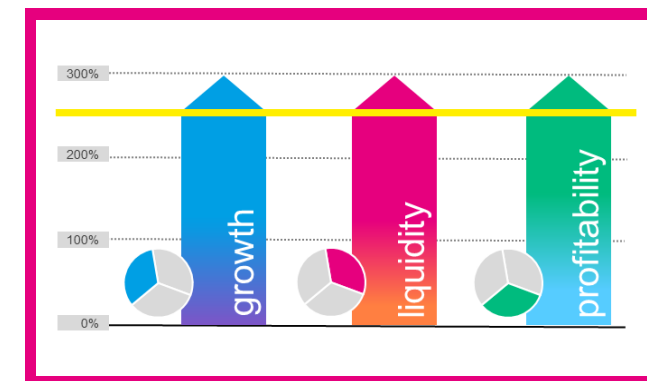
STI solely based on three financial Group KPIs

Executive pay: Short-term incentive program Profit Sharing Plan (PSP)

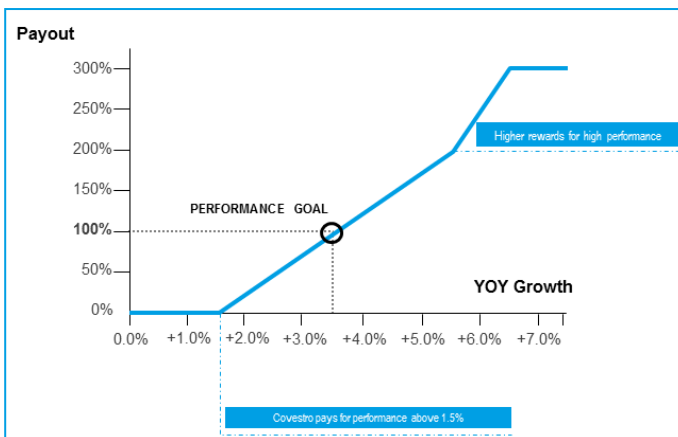


Program details

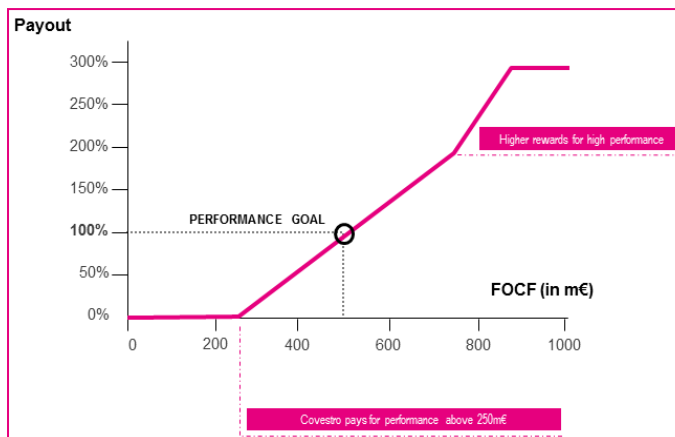
- Based on three equally weighted Group performance metrics: Core volume growth, FOCF and ROCE above WACC
- Decided by supervisory board in 2015, approved by Annual General Meeting in 2016
- PSP target amounts (equal 100% payout) are a percentage of annual base salary, linked to individual position grade, ranging from 18% for entry managerial level to 100% for board members
- For each metric, payout can range from zero to 300%, depending on Group achievement levels; total payout capped at 250%



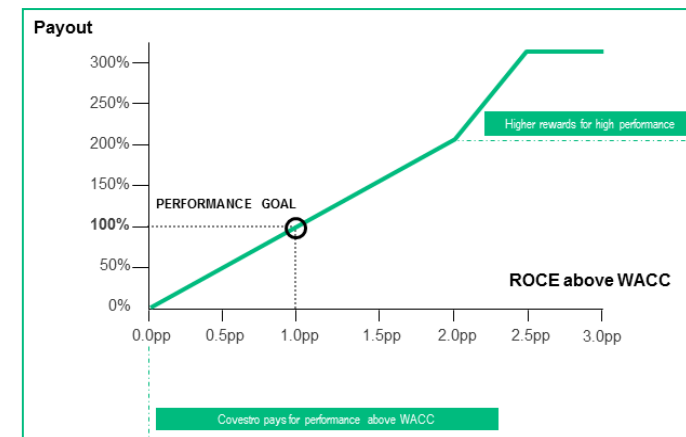
Core Volume Growth



FOCF



ROCE above WACC



Code of conduct and principles for taxes

Tax strategy

- Covestro and its affiliated companies believe that it is their **obligation to pay the amount of tax** legally due in any country and/or territory, **in accordance with the rules set by the respective governments**
- Appropriate tax payments is one core element of Covestro's corporate **social responsibility**; Covestro's total tax payments provide essential revenues for governments needed to fulfill their social, economic and societal tasks
- Covestro **complies with all relevant tax regulations** as well as filing, documentation, disclosure and approval requirements **in all countries and territories it operates**

Covestro's tax principles:

- Zero tolerance regarding any non-compliance, foremost tax fraud
- Tax payments in line with respective value creation in each country and territory
- Tax optimization in line with business reasons and needs
- Cooperative approach with tax authorities



Above principles are part of the internal tax directive and tax strategy, aligned with the corporate and business strategy

Our priority: Nothing we do is worth going to jail for

Compliance at Covestro



- 1 We are committed to fair competition
No antitrust violations
- 2 We are committed to integrity in business dealings
No corruption
- 3 We are committed to the principle of sustainability
No inappropriate risks for human health and the environment
- 4 We are committed to upholding foreign trade laws
Not export infractions
- 5 We are committed to safeguarding equal opportunity in securities trading
No illegal insider trading
- 6 We are committed to proper record-keeping and transparent financial reporting
No deception
- 7 We are committed to fair and respectful working conditions
No discrimination
- 8 We are committed to protecting the fruits of our own endeavors and respecting the legally recognized rights of others
No infringement of our own or other's property rights
- 9 We are committed to keeping corporate and personal interests separate
No conflict of interest
- 10 We are committed to cooperating with the authorities
No misinformation

ESG @ Covestro

Summary

Non-financial ambition supports growth strategy

Covestro non-financial targets 2025



1 Our R&D project portfolio is aligned with UN Sustainable Development Goals

2 100% of suppliers compliant with our sustainability requirements

3 Reduce specific greenhouse gas emissions by 50% by 2025

4 Ten million people in underserved markets benefit from our business solutions

5 Getting the most out of carbon

Scores reflect Covestro's broad engagement in ESG matters

Rating results as of July 2018


















Rating / Index	Total score	Detail	
	A (Scoring A-D)	in Specialty Chemicals	
	B- (Scoring A-D)	Status: Prime	<p>118 companies in the industry</p>
	75 (out of 100 Points)	Status: Outperformer	
	73 (out of 100 Points)	Status: Gold	
	Inclusion in FTSE4Good Index ^(a)		
	Inclusion in Vigeo Eiris Index: - Eurozone 120 Index ^(b)		

Discover more on the net

Useful links and sources



General	Non-financial targets 	Ratings & Indices 		
Environment	Products <ul style="list-style-type: none">• Polycarbonates • PUR • Coatings 	Carbon initiative 	CO ₂ technology 	Energy productivity 
Social	People 	Product safety 	Inclusive business 	
Governance	Corporate governance 	Compliance-Hotline 	Covestro Policies 	Covestro Certificates 

Forward-looking statements



This presentation may contain forward-looking statements based on current assumptions and forecasts made by Covestro AG.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Covestro's public reports which are available on the Covestro website at www.covestro.com.

Covestro assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.