



# Covestro Corporate Commitment

**Covestro Human Rights Policy  
Statement**



# Covestro Human Rights Policy Statement

## Purpose

With this statement, Covestro defines its position on human rights and declares its commitment to safeguard and promote human rights in all its business dealings through adequate risk management and transparent reporting. This statement is also made in relation to section 6(2) of the German Supply Chain Act. It therefore sets out the human rights strategy of Covestro to exercise proper regard for its due diligence obligations.

## Covestro Commitments

The respect for human rights is an integral element of the business policies at Covestro and guides its social responsibility efforts. Covestro is committed to respecting and safeguarding human rights on the basis of the [United Nations \(UN\) Declaration of Human Rights](#), [“Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy”](#) from the International Labour Organization ([ILO](#)) and the UN Guiding Principles on Business and Human Rights. Covestro is a member of the UN Global Compact and actively supports the national action plans and applicable national legislation on corporate human rights due diligence. Therefore, Covestro commits to apply due diligence to prevent violations in all of its activities and throughout its global supply chains and value chains.

## Covestro Policies

The principles of human rights and environmental due diligence at Covestro are delineated in various Corporate policies, Group regulations, and in its Supplier Code of Conduct. In these documents, Covestro has specified key international conventions and principles as the basis of its conduct and its expectations to business partners worldwide.

Within the supply chain, Covestro regards adherence to sustainability standards as a fundamental factor in value creation and an important lever for minimizing risks. Both current and new Covestro suppliers must meet not only economic standards but also social, ethical, and environmental standards as well as those related to corporate responsibility. All required standards are defined in the Supplier Code of Conduct of Covestro, the basis for its collaboration with suppliers.

## Organizational Responsibility for Human Rights Risk Management

The Board of Management of Covestro has appointed the head of the corporate Sustainability & Public Affairs function (Chief Sustainability Officer, CSO) as the





Group Human Rights Officer. The Group Human Rights Officer reports directly to the Board of Management and is in charge of overseeing the human rights risk management system at Covestro. Further, the heads of the functions responsible for managing relevant, prioritized human rights focal areas are nominated as risk owners respectively (Human Rights Risk Owners).

To support the Board of Management, the Group Human Rights Officer and the Human Rights Risk Owners, Covestro has established a cross-departmental working group (Human Rights Office), which is responsible for fully integrating human rights requirements into the group's activities. The Human Rights Office works under the guidance of the Global Human Rights Officer and its human rights-related responsibilities include developing and implementing the comprehensive management approach, systematically assessing risks, prioritizing and monitoring the implementation of individual measures, planning and conducting trainings, preparing reports for the Board of Management, and communicating about this issue in general. The involved functions are responsible for, among other things, identifying and assessing risks and developing preventive measures and related effectiveness monitoring. These measures are designed and implemented in the departments in consultation with the Human Rights Office.

### **Human Rights Risk Analysis**

The starting point for human rights due diligence at Covestro is a risk analysis that identifies and assesses actual or potential negative impacts on human rights that Covestro could cause, contribute to, or be directly linked with as a result of its business activities. The comprehensive risk analysis, which is conducted every three to four years, first identifies all potentially relevant human rights risks. On a yearly as well as on an ad hoc basis, the relevant risks are then discussed with the respective business entities and corporate functions and are prioritized for further management, depending on the gross assessment of the severity of the potential human rights violation and its likelihood. Potential human rights violations assigned the highest degree of severity based on the scale, scope, and irremediability of the potential violation, always take top priority. For its suppliers, Covestro analyses and prioritizes human rights risks using a combination of country and industry or sector risks, based on recognized external sources.

### **Prioritized Risks**

The human rights focal areas identified primarily relate to working conditions and health effects on workers and contractors at sites of Covestro and in the supply chain. Other identified focal areas include the possible effects of the company's operations on the communities surrounding its sites, the potential impact of collecting



and processing waste from its products, and the use of Covestro products in sensitive applications. In addition, the salient risks of forced and child labor are prioritized for certain supplier industry and country combinations.

### **Preventive & Remedial Measures**

In accordance with the risk-based approach recommended in the UN Guiding Principles, the Covestro Human Rights Risk Owners assess the suitability of our existing measures, and when necessary, implement new appropriate measures, for preventing or mitigating negative impacts on human rights in the identified human rights focal areas.

### **Own Business Area**

Many measures in the areas of health and safety, product stewardship, compliance, human resources, and sustainable supplier management have long been integrated at Covestro and aim to prevent or mitigate negative human rights impacts. These measures are largely integrated into the existing company-wide management systems at Covestro, including the Integrated Management System over HSEQ, the Compliance Management System, the Human Resources Process Landscape, and other corporate governance frameworks.

The Human Rights Office organize trainings on human rights aspects relevant to the company's operations and its value chain. Further, the Human Rights Office regularly communicates about human rights in the company and gives guidance to the individual corporate functions on how to fully integrate human rights requirements into the company's management systems.

If there are reasonable suspicions or concrete indications of human rights violations within Covestro, the local Compliance Officer investigates the facts based on group wide standards which are outlined in a group policy. In the event that Covestro has directly caused a human rights violation, Covestro is committed to work quickly to stop or change the responsible business activities, in order to end the violation. Any human rights violation caused by a Covestro employee are evaluated and organizational or disciplinary measures may be taken, if necessary.

### **Vis-à-vis Direct Suppliers**

In the supply chain of Covestro, the Supplier Code of Conduct has been integrated into the electronic ordering systems and contracts across the Covestro Group. New and renewed supply agreements, in particular, generally contain special clauses requesting that suppliers adhere to the sustainability requirements outlined in the Supplier Code of Conduct and entitling Covestro to verify compliance. Covestro is a





member of [Together for Sustainability \(TfS\)](#), a joint initiative undertaken by the chemical industry for promoting sustainability in the supply chain. Using a standardized TfS assessment process, Covestro evaluates whether the suppliers maintain the required sustainability standards. A structured prioritization process is then carried out to select the suppliers to be evaluated through an online assessment or an on-site audit unless recent audit or assessment results are available.

In addition, dialogue and close collaboration are essential in enabling suppliers to successfully comply with Covestro's sustainability requirements. Covestro offers its suppliers a range of opportunities for training and dialogue. This provides the foundation for building reliable relationships and enables us to identify and eliminate issues at an early stage. Continuously improving suppliers' sustainability performance is a priority for Covestro and is supported by the TfS initiative which regularly organizes suppliers days and promotes further training, among other activities. Moreover, TfS offers a platform for buyers in the chemical industry and their suppliers, known as the TfS Academy, where they can expand and deepen their knowledge, keep up to date with trends, and make their contribution to creating more sustainable, more innovative, and more resilient supply chains. Trainings include introductory courses to human rights, focal courses on specific human rights such as child labor or forced labor, along with courses focusing on supplier human rights due diligence.

If there are reasonable suspicions or concrete indications of human rights violations in the supply chain of Covestro, it investigates them carefully and consistently. Covestro expects its business partners to cooperate in clarifying the surrounding facts within a reasonable time frame. In the event that Covestro finds, that through its business activities, it has contributed to or is indirectly linked to human rights violations by one of its direct or indirect suppliers, it is prepared to take measures to address the violation. Depending on the severity of the violation, Covestro reserves the right to respond appropriately in connection with its business partners.

### **Complaints Procedure**

Covestro expressly encourages reporting of possible human rights violations within the company as well as at suppliers' companies. Suspected human rights violations can be reported to the designated email address [humanrights@covestro.com](mailto:humanrights@covestro.com). Covestro therefore enables employees and third parties to anonymously disclose any potential violations in our own operations or at its direct or indirect suppliers. A defined process is followed to investigate reported potential human rights violations which is based on engagement with (potentially) affected stakeholders. To improve



transparency on how reported complaints are handled, an [operating procedure](#) for its corporate grievance mechanism is published on its external website.

### Effectiveness Monitoring

Appropriate qualitative and quantitative indicators, along with internal and external sources, are used to assess the human rights measures at Covestro to review their effectiveness in preventing negative impacts on human rights in the existing management processes. The functions represented in the Human Rights Office report on a monthly basis on the implemented measures and any potential findings regarding their effectiveness. Moreover, the effectiveness of the company's complaints procedure and remedial actions are reviewed annually and on an ad hoc basis.

### Reporting

Every year, Covestro communicates its human rights activities to the public in its Group Management Report, which is assured by external auditors. Moreover, the Group Human Rights Officer and the Human Rights Office report regularly (no less than once a year) to the Board of Management on the status of human rights due diligence and the systematic integration of these requirements into the management systems at Covestro.

### Approval for this Statement

This statement was approved by the Board of Management of Covestro AG on March 23<sup>rd</sup>, 2023.

**Dr. Markus Steilemann**  
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