

RULES OF PROCEDURE

FOR THE BOARD OF MANAGEMENT

of

Covestro AG

Version dated August 1, 2019

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The Board of Management of Covestro AG hereby adopts the following Rules of Procedure with effect from August 1, 2019.

§ 1 – General

- (1) The Board of Management shall undertake the Company's business in accordance with the statutory provisions, the Articles of Incorporation, these Rules of Procedure and the recommendations of the German Corporate Governance Code as set forth in the Declaration of Compliance. In performing its duties, the Board of Management shall cooperate in good faith with the other governance bodies of the Company in pursuing the Company's best interests.
- (2) The Board of Management shall run the Company on its own responsibility with the goal of sustainably increasing the Company's enterprise value and achieving defined corporate objectives.
- (3) When making appointments to managerial positions in the Company, the Board of Management shall take diversity into consideration, particularly with regard to the appropriate representation of women. The Board of Management shall set targets for the percentage of women on the two management levels below the Board of Management by September 30, 2015. The initial deadlines for the attainment of these targets shall be no later than June 30, 2017.

§ 2 – Overall Responsibility / Allocation of Duties

- (1) The members of the Board of Management shall bear joint responsibility for running the business as a whole. They shall conduct the business according to uniform goals, plans and guidelines. They shall work together as colleagues and inform each other continuously of important measures and events in the areas assigned to them.
- (2) Notwithstanding the joint responsibility of all members of the Board of Management for running the business, the individual members of the Board of Management shall be individually responsible for managing the areas assigned to them within the framework of the decisions made by the entire Board. Insofar as intended measures and transactions of one Board of Management area also affect one or several other Board of Management area(s), the member of the Board of Management responsible for that area shall coordinate these in advance with the other member(s) of the Board of Management involved. If a consensus cannot be reached, each member of the Board of Management involved shall be obligated to contribute to a resolution by the full Board of Management. In such a case, the measure or transaction must not be carried out until the full Board of Management has made a decision.

- (3) The Board of Management decides on the allocation of its duties. The allocation of the principal duties to the members of the Board of Management is contained in the attached schedule of duties, which forms part of these Rules of Procedure. Changes to the schedule of duties shall be proposed by the Chairperson of the Board of Management and resolved unanimously by the full Board of Management, with the approval of the Supervisory Board. In case of differences of opinion between individual members of the Board of Management regarding the boundaries between Board of Management areas, the full Board of Management shall decide. Should it not be possible to reach agreement, the decision shall be taken by the Chairperson of the Supervisory Board.
- (4) In case of serious misgivings regarding matters of another Board of Management area, each member of the Board of Management shall be obligated to contribute to a resolution by the full Board of Management, unless the misgivings can be resolved through discussion with the other member of the Board of Management. In such a case, the measure or transaction must not be carried out until the full Board of Management has made a decision.
- (5) Measures and transactions of one Board of Management area that are of material significance for the Company, the Group or an organizational unit, or that entail a significant financial risk, shall require the prior consent of the full Board of Management. This shall also apply for measures and transactions where a prior resolution by the full Board of Management is required by the Chairperson of the Board of Management or the law, the Articles of Incorporation of the Company or these Rules of Procedure (§ 5 of the Rules of Procedure).
- (6) Notwithstanding Paragraph 2 Sentence 2, Paragraph 4 and Paragraph 5, a member of the Board of Management may carry out measures or transactions within his or her Board of Management area without prior consent of the full Board of Management or, in the case of Paragraph 2 Sentence 2, without consulting the other members involved beforehand, if this is necessary in his or her best judgment to prevent serious harm to the Company, the Group or an organization unit. A decision permissible under this provision may go no further than is necessary in order to prevent harm to the Company, the Group or an organization unit. The full Board of Management must be informed immediately of any such decision.

§ 3 – Conflicts of Interest and Disclosure Requirements

- (1) The members of the Board of Management are strictly prohibited from engaging in competitive activities during their employment at the Company.
- (2) In connection with their work for the Company, the members of the Board of Management may not demand or accept, either for themselves or on behalf of others, unwarranted benefits from third parties, nor may they grant unwarranted benefits to third parties.
- (3) The members of the Board of Management shall be obligated to act in the best interests of the Company at all times. Members of the Board of Management shall not pursue personal interests when making decisions or take advantage of business opportunities to which the Company or its affiliated companies are entitled.
- (4) Each member of the Board of Management must promptly disclose to the Chairperson of the Human Resources Committee of the Supervisory Board any conflicts of interest and inform the other members of the Board of Management accordingly. All transactions between the Company or its affiliated companies on the one hand and the members of the Board of Management and related persons or entities on the other must conform to standards cus-

tomary in the industry. The Supervisory Board shall represent the Company in business transactions with members of the Board of Management.

- (5) Members of the Board of Management may only assume other offices, including membership of the Supervisory Board of an enterprise that is not affiliated to the Company, with the prior written consent of the Supervisory Board and within the limits set forth in the Contract of Service of the respective member of the Board of Management.

§ 4 – Meetings and Resolutions

- (1) The Board of Management shall hold regular meetings called by the Chairman of the Board of Management. Each member of the Board of Management may request the convening of a meeting, stating the subject to be discussed.
- (2) The Meeting shall be convened in writing or via another commonly used means of communication, stating the agenda. The members of the Board of Management shall receive the notice of such meeting no later than two working days before the meeting.
- (3) Meetings shall be chaired by the Chairperson of the Board of Management. The Chairperson shall determine the order in which the agenda items are discussed and the manner and order in which votes are taken. The Chairperson may postpone the discussion of and the voting on individual agenda items according to his/her best judgment.
- (4) The Chairperson of the Board of Management may decide to call in persons who are not members of the Board of Management to give advice on individual items. From time to time, the heads of subordinate Group entities shall attend Board of Management meetings and report to the Board of Management.
- (5) The Board of Management shall have a quorum if all members have been invited and at least one-half of the members are present at the meeting. Members participating via conference call or video conferencing shall be deemed present. Absent members may cast their votes in writing, by fax, email or telephone, or via another commonly used means of communication. Votes cast in writing or text form must be presented at the meeting by another member of the Board of Management. Members of the Board of Management must be informed immediately of resolutions adopted in their absence. Matters relating to the area of an absent member shall only be dealt with and voted on with his or her consent, unless urgent action is required.
- (6) At the request of the Chairperson of the Board of Management, resolutions may also be adopted between meetings (using written votes cast by letter, fax, email or another commonly used means of communication, or telephone votes) if all members of the Board of Management participate in the vote and no member has immediately voiced an objection to this procedure.
- (7) The Board of Management shall adopt resolutions by a simple majority of the votes cast, except where unanimity is required. In the event of a tie, the Chairperson of the Board of Management shall have the casting vote.
- (8) Minutes shall be kept of the meetings of the Board of Management. The minutes must contain the place and date of the meeting, the names of the participants, the agenda items and the wording of the resolutions adopted. The minutes may also be taken by persons who are not members of the Board of Management.

- (9) Members of the Board of Management shall report regularly on the implementation of Board of Management resolutions that were submitted under their responsibility.

§ 5 – Decision-Making Powers of the Full Board of Management

- (1) The Board of Management in its entirety shall decide on all matters of fundamental and material significance, as well as on all other matters requiring a resolution by the full Board of Management in accordance with the statutory provisions, the provisions of the Articles of Incorporation or these Rules of Procedure. This shall apply to the following measures, in particular:
- a) defining the structure and policies of the Group, as well as deciding on fundamental issues of corporate policy and on other issues of particular significance for the Group or an organizational unit;
 - b) strategic planning for the Group and the individual organizational units;
 - c) preparing the financial statements, the management report, the consolidated financial statements and the Group management report, including the proposal for use of the distributable profit;
 - d) convening the Stockholders' Meeting and proposing motions for resolution by the Stockholders' Meeting;
 - e) transactions that require the consent of the Supervisory Board;
 - f) matters submitted for its decision by a member of the Board of Management;
 - g) annual corporate planning, including human resources planning, investment planning and R&D planning (operational planning), as well as the planned extent of borrowing.

The Board of Management may specify by unanimous resolution, either in a Group Regulation or in another way outside these Rules of Procedure, those measures that must be decided on by the full Board of Management.

- (2) If no intercompany agreement exists with the respective Group entity, individual decisions shall take into account the special characteristics of the factual affiliation with the Group.

§ 6 – Implementation of Decisions

The implementation of measures resolved upon by the full Board of Management shall be initiated by the members of the Board of Management having responsibility for the respective measures and shall be monitored by the Chairperson of the Board of Management. In individual cases where a certain duty has not yet been assigned to a particular member, the Chairperson of the Board of Management shall take responsibility for such initiation and implementation.

§ 7 – Chairperson / Vice Chairperson of the Board of Management

- (1) The Chairperson of the Board of Management shall be appointed by the Supervisory Board.
- (2) The Chairperson shall be responsible for the objective coordination of all Board of Management areas. He/she shall endeavor to ensure that the management of all areas of the business is consistently aligned to the goals set by the resolutions of the full Board of

Management. He/she may request information from the members of the Board of Management on individual matters relating to their respective areas at any time and may require that he be informed in advance about certain types of transactions.

- (3) The Chairperson of the Board of Management shall represent the Board of Management and the Company in public, particularly in dealings with public authorities, associations, business organizations and the media. For certain types of matters or in individual cases, he/she may delegate these tasks to another member of the Board of Management.
- (4) The Chairperson of the Board of Management shall coordinate the cooperation with the Supervisory Board and its members. He/she shall be responsible for providing the reports to the Supervisory Board, or to the Chairperson of the Supervisory Board, as described in detail in § 9 of these Rules of Procedure. The same shall apply to the presentation of business transactions requiring approval and the respective proposals. At the request of the Chairperson of the Board of Management, members of the Board of Management shall provide reports on individual issues. The above provisions shall apply accordingly to reports and proposals to the Supervisory Board committees.
- (5) If the Chairperson of the Board of Management is unavailable, the longest-serving member of the Board of Management shall assume the rights and obligations of the Chairperson as spokesperson for the Board of Management.

§ 8 – Transactions Requiring Approval

- (1) The Board of Management must obtain the Supervisory Board's prior consent for the following actions:
 - a) Definition of long-term goals and the strategic alignment of the Company and the Group, as well as material changes to these goals or strategies;
 - b) Annual corporate planning, including human resources planning, investment planning and R&D planning (operational planning), as well as the planned extent of borrowing;
 - c) Financing activities, including borrowings and bond issuances, where the transaction volume exceeds €500 million. Financing activities that do not meet these criteria shall require the prior consent of the Supervisory Board only if the borrowing limit for external financing approved by the Supervisory Board has been exceeded or would be exceeded as a result of such a financing measure. Drawings on credit facilities already approved by the Supervisory Board, the refinancing of existing financing activities already approved by the Supervisory Board through financing activities of the same type, and exclusively intra-Group transactions shall not require the Supervisory Board's consent;
 - d) The establishment, acquisition or sale of companies, parts of companies or interests in companies, where the transaction volume exceeds €30 million. This shall not apply to exclusively intra-Group transactions;
 - e) The acquisition, sale or mortgaging of real estate, rights equivalent to real estate or rights in real estate, where the transaction volume exceeds €30 million. This shall not apply to exclusively intra-Group transactions;
 - f) The granting of loans, other credit facilities or other financing, where the contracting partner is not a Group company and the transaction volume exceeds €30 mil-

lion. This shall not apply to investments on the capital markets or with financial institutions;

- g) The granting of sureties, guarantees or collateral or the assumption of similar liabilities, where the beneficiary is not a Group company and the transaction volume exceeds €30 million;
- h) Capital expenditures (capex) that exceed €250 million and are not undertaken in accordance with the corporate planning pursuant to § 8 Paragraph 1 b);
- i) Intra-Group reorganization measures, where these result in liabilities or other obligations for the Company or an affiliated company pursuant to Section 15 ff. of the German Stock Corporation Act (AktG), for example, obligations for severance payments, tax liabilities or one-time expenses that exceed €30 million;
- j) The conclusion, amendment or termination of agreements with third parties with an annual value of over €100 million. In this context, the amount shall be determined from the contractually agreed or expected volume multiplied by the agreed price. For the procurement of energy and raw materials of relevance for the Company's business, this threshold shall be doubled;
- k) The conclusion, amendment or termination of agreements with third parties with a fixed take-or-pay / take-and-pay commitment with a value over €200 million over their entire term. For the procurement of energy and raw materials of relevance for the Company's business, this threshold shall be doubled;
- l) Other transactions, in particular cooperation agreements or other agreements that exceed the scope of day-to-day business and are of material significance for the Company, especially where such transactions could fundamentally alter the Company's financial position or results of operations;
- m) Material transactions between the Company or a Group company and a member of the Board of Management or a related person or entity.

Clauses c) to l) shall apply analogously to transactions of Group companies if they exceed the above value limits. The value of a transaction shall include all expenses of the Company or the respective Group company that are actually related to the transaction and are incurred at or around the same time as the transaction.

- (2) Further, the Supervisory Board may specify that certain transactions or types of transaction may only be undertaken with its consent, either generally or on a case-by-case basis.
- (3) The members of the Board of Management must obtain the Supervisory Board's prior consent for the following actions:
 - a) Joining a supervisory body of a company in which the Company does not have a direct or indirect majority interest;
 - b) Engaging in a secondary activity, whether for pay or on a voluntary basis.

§ 9 – Duties to Inform

- (1) The Board of Management and Supervisory Board shall work closely together in the interests of the Company and its affiliated companies. Adequate provision of information to the Supervisory Board shall be the joint responsibility of the Board of Management and Super-

visory Board. The Board of Management shall provide information to the Supervisory Board on a regular, timely and comprehensive basis.

- (2) The Board of Management shall report to the Supervisory Board as described in Section 90 of the Stock Corporation Act and to the Chairperson of the Supervisory Board as described in Section 90 Paragraph 1 Sentence 3 of the Stock Corporation Act.
- (3) Reports of the Board of Management must conform to the principles of thorough and accurate reporting. They must be provided as promptly as possible and, except for the report made to the Chairperson of the Supervisory Board pursuant to Section 90 Paragraph 1 Sentence 3 of the Stock Corporation Act, shall generally be made in text form.

Documentation required for decision-making, in particular the financial statements of the Company, the consolidated financial statements of the Group and the audit report, shall be sent to the members of the Supervisory Board as far in advance of the meeting as possible.

- (4) The Board of Management shall report to the Supervisory Board on the following matters in particular:
 - a) intended business policy and other fundamental aspects of corporate planning, especially financial, investment and human resources planning, describing and explaining any differences between actual developments and previously stated goals.

This report must be provided at least once each year, unless changes in the situation or the emergence of new issues require immediate reporting;
 - b) the Company's profitability, in particular its return on equity.

This report must be presented at the meeting of the Supervisory Board at which the annual financial statements are discussed;
 - c) the general course of business, in particular sales and the state of the Company.

These reports must be provided regularly, at least once a quarter;
 - d) transactions that could be of major significance for the Company's profitability or liquidity.

These reports must be provided as far in advance as possible so that the Supervisory Board has the opportunity to express its opinion before the transactions are entered into.

The reports under (a) to (d) must also cover subsidiaries and joint ventures (Section 310 Paragraph 1 of the German Commercial Code [Handelsgesetzbuch]).

- (5) The Board of Management is required to keep the Chairperson of the Supervisory Board continuously informed on matters involving:
 - a) the Company's strategy, in particular the status of strategy implementation;
 - b) business development in the individual organizational units;
 - c) the risk situation and the development of the Company's risk management activities;
 - d) other important events that could be of material significance for assessing the situation and development of the Company and its governance.

The reports under (a) to (d) must also cover consolidated subsidiaries.

§ 10 – Other

- (1) The Board of Management shall report annually, together with the Supervisory Board, on the Company's corporate governance (Corporate Governance Report) and shall publish this report in conjunction with the declaration on corporate governance. Any departures from the recommendations of the German Corporate Governance Code must be explained in this report. The Company shall ensure that declarations of compliance with the Code that are no longer current remain posted on its website for at least five years.
- (2) If a D&O (directors' and officers' liability) insurance policy is taken out by the Company for members of the Board of Management, it shall provide for a deductible in the amount required by law.
- (3) The Company shall disclose in the Corporate Governance Report the holdings of shares, including options and other derivatives, of the individual members of the Board of Management if such holdings directly or indirectly exceed 1% of the shares issued by the Company.
- (4) The Company shall disclose in the Corporate Governance Report the total holdings of shares, including options and other derivatives, of the members of the Board of Management if the total holdings of all the members of the Board of Management and the Supervisory Board exceed 1% of the shares issued by the Company.
- (5) Board of Management resolutions concerning the modification of the Rules of Procedure must be adopted unanimously. Changes to § 8 or § 9 shall require the consent of the Supervisory Board.

Annex: Schedule of Duties

Member of the Management Board / Title	Areas of Responsibility
Dr. Markus Steilemann Chairman of the Board of Management <i>(Chief Executive Officer (CEO))</i>	Communications Corporate Audit Human Resources Strategy Sustainability
Sucheta Govil <i>(Chief Commercial Officer (CCO))</i>	Business Units PUR, PCS, CAS Central Marketing Innovation Management & Commercial Services Supply Chain Centers EMLA, NAFTA, APAC
Dr. Klaus Schäfer <i>(Chief Technology Officer (CTO))</i>	CTO Office Global Project Engineering HSEQ Production & Technology PUR, PCS, CAS Procurement Site Management NRW, Baytown, Caojing
Dr. Thomas Toepfer <i>(Labor Director & Chief Financial Officer (CFO))</i>	Accounting CFO Greater China, USA Controlling Finance Information Technology Investor Relations Law, IP, Compliance Portfolio Development Taxes