

## 25. Compensation Report

The Compensation Report describes the essential features of the compensation system 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 conforms to the requirements of the German Commercial Code, including the principles of German Accounting Standard No. 17 (DRS 17) and to the recommendations of the German Corporate Governance Code (GCGC) as amended on February 7, 2017. It also complies with the International Financial Reporting Standards (IFRSs).

### Compensation of the Board of Management

#### Objectives

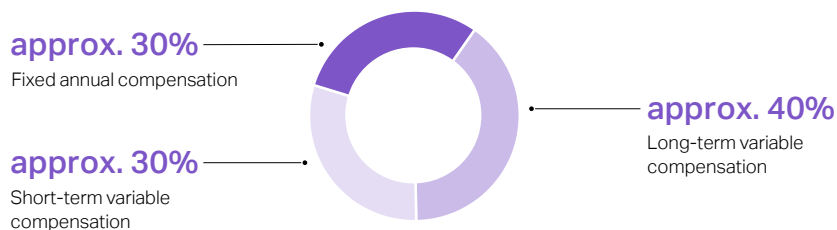
The compensation system for the Board of Management of Covestro AG is designed to facilitate a long-term increase in the company's value and responsible corporate governance. Furthermore, we aim to position Covestro as an attractive employer in the competition for highly qualified executives, and ensure statutory and regulatory compliance. Board of Management compensation is in line with the basic principles of the compensation structure for managerial employees in the Covestro Group.

The appropriateness of the system and the compensation level are regularly reviewed by the Supervisory Board, which then makes any necessary adjustments. To this end, Covestro is compared with DAX and MDAX companies to determine, in particular, whether Covestro's relative position within this group of companies in terms of revenue, employees and market capitalization is in line with the relative positioning of Board of Management compensation.

#### Compensation structure

The compensation comprises a non-performance-related component, an annual incentive and a long-term stock-based component. The Covestro Group's compensation structure, based on average total annual compensation for a Board of Management member at 100% target attainment, is as follows:

#### Board of Management Compensation Structure (German Commercial Code)<sup>1</sup>



<sup>1</sup> Excluding fringe benefits and pension entitlements

The non-performance-related compensation comprises the fixed annual compensation, which reflects the responsibilities and performance of the Board of Management members, along with fringe benefits. The performance-related compensation comprises a short-term variable component, which depends on the attainment of the corporate performance targets and on the long-term variable compensation, the stock-based compensation program Prisma. This is linked directly to changes in Covestro's share price.

The members of the Board of Management also receive pension entitlements for themselves and their surviving dependents. Furthermore, Covestro AG has purchased insurance for the members of the Board of Management to cover their personal liability arising from their service on the Board of Management. This includes a deductible that is in line with the GCGC recommendation.

#### Non-performance-related components

##### Fixed annual compensation

The level of the non-performance-related, fixed annual compensation for members of the Board of Management takes into account the functions and responsibilities assigned to them as well as market conditions. The fixed compensation is regularly reviewed by the Supervisory Board in light of factors such as the consumer price index and adjusted if necessary. It is paid out in 12 monthly installments.

##### Fringe benefits

Fringe benefits mainly comprise a company car (limited to the term of existing vehicle leases) or a vehicle allowance, use of the company carpool, payments toward the cost of security equipment, and reimbursement of the cost of annual health screening examinations. They are reported at cost or the amount of the pecuniary advantage gained.

## Performance-related components

### Short-term variable compensation

The target value of the short-term variable compensation is 100% of the fixed annual compensation. This amount is adjusted in line with the company's success.

In fiscal year 2016, the Group-wide Covestro Profit Sharing Plan (Covestro PSP) was introduced, which also applies to the members of the Board of Management. It consists of a short-term variable compensation based solely on the company's success. The system is based on the same performance indicators used to manage the company. The payout is based on performance in the areas of growth (core volume growth), liquidity (free operating cash flow, FOCF,) and profitability (return on capital employed, ROCE), with each counting for one third. In 2015, the Supervisory Board defined the global values for the threshold, 100% achievement and the maximum amount for each performance indicator, which are applied for the last time in fiscal 2018.

### Components of the Covestro Profit Sharing Plan 2016–2018

	Growth: Core volume growth	Liquidity: FOCF	Profitability: ROCE
Threshold (0%)	+1.5%	Cash inflow of €250 million	ROCE = WACC
100% target attainment	+3.5%	Cash inflow of €500 million	1% point above WACC
Ceiling (300%)	+6.5%	Cash inflow of €875 million	2.5% points above WACC

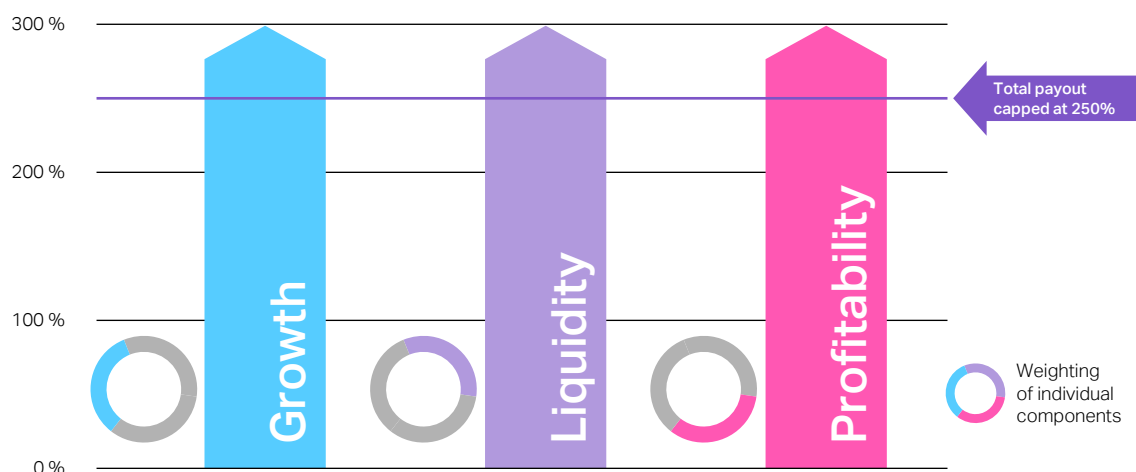
The figures for the upcoming years were adjusted for the Covestro PSP. The values below are applicable to the three-year period from 2019 to 2021.

### Components of the Covestro Profit Sharing Plan 2019–2021

	Growth: Core volume growth	Liquidity: FOCF	Profitability: ROCE
Threshold (0%)	+1.5%	Cash inflow of €400 million	ROCE = WACC
100% target attainment	+4.0%	Cash inflow of €800 million	8% points above WACC
Ceiling (300%)	+9.0%	Cash inflow of €1,600 million	24% points above WACC

For each individual KPI, the payout can be between zero (failure to meet minimum requirements) and three times the target value; however, the maximum payout for all three components combined is limited to 250% of the target value. The maximum payout is therefore 2.5 times the fixed annual compensation.

## Components of Short-Term Variable Compensation



### Long-term compensation

#### Aspire

The Board of Management members in office since 2015 are still formally participating in the final ongoing performance period (2015–2018 tranche) of the Bayer Group's Aspire long-term stock-based compensation program. The payments made under this program are based on the Aspire Target Opportunity, which is a contractually agreed percentage of fixed annual compensation. Depending on the performance of Bayer stock, both in absolute terms and relative to the EURO STOXX 50® benchmark index, participants are granted an award between 0% and 300% of their individual Aspire Target Opportunity at the end of the respective performance period.

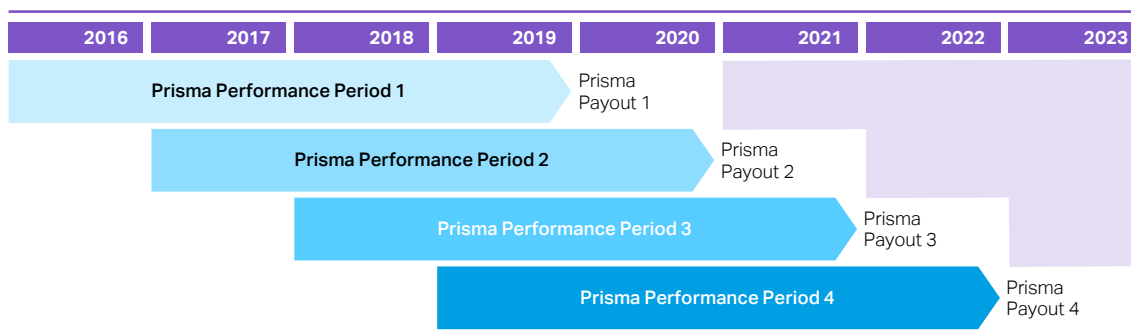
In order to break the link between the payout and the development of Bayer's share price, which can no longer be materially influenced by the members of the Board of Management, the Supervisory Board decided in 2015 that the average price of Bayer stock and the benchmark index calculated from the closing prices for the last 30 trading days of 2015 would be used as the closing price for all current tranches and that the payout amount would be frozen accordingly. As a result, there will be no payout for the 2015–2018 tranche otherwise due in January 2019, because the relevant average price as of year end 2015 remained below the hurdle. The target value for the 2015–2018 tranche was reduced to 8/12 of the full value (pro rata for the period from January to August 2015). This was compensated for by increasing the target value for the first tranche of Covestro's own Prisma long-term compensation program launched in 2016 by 4/12.

#### Prisma

The members of the Board of Management are eligible to participate in the Prisma compensation program as long as they remain in the service of the Covestro Group and acquire for their own account and hold Covestro shares according to defined policies. This program is based on a target opportunity set at 130% of the fixed annual compensation. When a member of the Board of Management retires, current tranches may be shortened, thus reducing their value.

The payout is determined by calculating two factors: the total shareholder return (TSR) factor is the return generated by a stock expressed as a percentage (total of the final price of the share and all dividends distributed per share during the performance period divided by the initial price). The outperformance factor is based on the performance of Covestro stock during the performance period relative to the performance of the STOXX® Europe 600 Chemicals index. It is determined by expressing the difference between the performance of Covestro stock and that of the index as a percentage. The factor is greater than 100% (less than 100%) if Covestro's stock outperforms (underperforms) the index.

The Prisma target opportunity of each participant is multiplied by the TSR factor and the outperformance factor to arrive at the total distribution figure. The total distribution is limited to no more than 200% of the target opportunity. The maximum payout is therefore 260% of the fixed annual compensation. If Covestro's shares were to significantly underperform the index (e.g. if the price of the stock went down while the index increased in value), the outperformance factor could amount to zero. As a result, there would be no payout.

**Prisma Performance Periods****Other stock-based compensation**

In his capacity as subgroup CEO within the Bayer Group, Patrick Thomas received a split payout of the short-term variable compensation (short-term incentive, STI) for the period prior to fiscal unity from October 2013 to December 2014. Part of the STI was paid out in the form of virtual Bayer shares with a three-year lock-up period. The payout of the STI tranche for fiscal 2013 of the entitlements based on virtual Bayer shares took place in 2017. The payout of the STI tranche for fiscal 2014 took place in 2018. The payout amount for both tranches was “frozen” on the basis of the stock price as of December 31, 2015.

**Pension entitlements (retirement and surviving dependents' pensions)**

The members of the Board of Management are entitled to receive a lifelong company pension after leaving the Covestro Group, though generally not before the age of 62. This pension is paid out in the form of a monthly life annuity.

The arrangements for surviving dependents basically provide for a widow'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 contributions. From September 1, 2015, onward, Covestro has provided a hypothetical contribution amounting to as much as 33% of the respective fixed compensation each year. This percentage comprises a 6% basic contribution and a matching contribution of up to 27% – three times the member's maximum personal contribution of 9%. The total annual contribution is converted into a pension module according to the annuity table for the applicable tariff of the Rheinische Pensionskasse VVaG pension fund. The annual pension entitlement upon retirement is the total amount of the accumulated pension modules including an investment bonus, which is determined annually by the representatives' meeting of the Rheinische Pensionskasse VVaG and approved by the German Financial Supervisory Authority.

In the case of fixed compensation up to the annual income threshold, the Board of Management members, like all entitled employees, remain subject to the rules governing the basic company pension and are regular participants in the relevant pension plan.

Dr. Klaus Schäfer has been granted, in addition, a vested entitlement to a fixed annual pension of €126,750.

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 of the Rheinische Pensionskasse VVaG.

Certain assets are administered under a contractual trust agreement (CTA), 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.

**Cap on compensation**

The individual performance-related components are capped at the grant date. To comply with the recommendation of the German Corporate Governance Code, a cap has also been agreed for the compensation as a whole. In 2018, the Supervisory Board resolved to include company pension expenditures above and beyond the components already taken into account (fixed annual compensation and variable components) in calculating total target compensation, i.e. the total compensation of a Board of Management member in the case of 100% target attainment.

The cap was set at 1.9 times the respective target compensation. This value was chosen to ensure that compensation will not have to be reduced even if both short-term and long-term compensation reach the maximum possible cap. In the event of such a scenario, it can therefore be expected that the total compensation accrued will not exceed the permitted cap, even when fringe benefits are added, the amount of which cannot be precisely determined in advance. A sample calculation is presented below using the compensation of the Chair of the Board of Management serving as of December 31, 2018:

### Sample Calculation of Limited Target Compensation for the Chair of the Board of Management

€ thousand	Target value	Achievable value upon maximum payout of both compensation systems
Fixed annual compensation <sup>1</sup>	1,170	1,170
Short-term variable compensation <sup>2</sup>	1,170	2,925
Long-term variable compensation <sup>3</sup>	1,521	3,042
Pension service cost <sup>4</sup>	420	420
<b>Target compensation</b>	<b>4,281</b>	
Fringe benefits <sup>5</sup>		100
<b>Total</b>		<b>7,657</b>
<b>Limited to 1.9 times the target compensation</b>		<b>8,134</b>

<sup>1</sup> Fixed compensation of CEO converted to twelve months

<sup>2</sup> Target value: 100% of fixed annual compensation

<sup>3</sup> Target value: 130% of fixed annual compensation

<sup>4</sup> Pension service cost (German Commercial Code) converted to twelve months as CEO

<sup>5</sup> Hypothetical assumptions/example

### Benefits upon termination of service on the Board of Management

#### Post-contractual noncompete agreements

Post-contractual noncompete agreements exist with the members of the Board of Management, providing for compensatory payments to be made by the company for the duration of these agreements (maximum of two years). The compensatory payment amounts to 100% of the average fixed compensation in the 12 months preceding termination of service.

#### Change of control

Agreements exist with the members of the Board of Management providing for severance payments to be made in certain circumstances in the event of a change in control. The amount of the severance payments, including any ancillary benefits, in the case of early termination of service on the Board of Management as a result of a change in control is limited to the value of three years' compensation in line with the recommendation in Section 4.2.3 of the German Corporate Governance Code. Such payments do not exceed the compensation payable for the remaining term of the service contract.

#### Early termination of service on the Board of Management

The amount of the payments, including any ancillary benefits, made upon early termination of service on the Board of Management is limited to the value of two years' compensation in line with the recommendation in Section 4.2.3 of the German Corporate Governance Code.

#### Unfitness for work

In the event of temporary unfitness for work, members of the Board of Management continue to receive the contractually agreed compensation. Covestro AG may terminate the service contract early if the member has been continuously unfit for work for at least 18 months and is likely to be permanently incapable of fully performing his or her duties (permanent incapacity to work). A disability pension is paid in the event of contract termination before the age of 60 due to permanent incapacity to work. The amount of this disability pension corresponds to the entitlement accrued on the date of contract termination, taking into account a fictitious period of service between that date and the member's 55th birthday where applicable.

### Compensation of the Board of Management for the fiscal year

The following paragraphs report the compensation of the Board of Management of Covestro AG for the fiscal year 2018. 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 became a subsidiary of Covestro AG on September 1, 2015. Compensation is not paid for the members' work on the Board of Management of Covestro Deutschland AG.

As of May 31, 2018, the Supervisory Board initiated early termination of Patrick Thomas' Board of Management contract by mutual agreement. The outstanding remuneration amount was stipulated in the context of a termination agreement, which categorized him as if he had worked until the regular expiration date of the contract (September 30, 2018). Accordingly, he received the pro-rated fixed compensation for the period from June to

September 2018 in the form of a one-time lump-sum payment amounting to €390 thousand, which was paid out at the end of May 2018. For 2018, a target value of €877 thousand was established as short-term variable compensation under the Covestro PSP (equivalent to a pro-rated amount for nine out of 12 months) and will be paid out on the regular payout date at the end of April 2019 in accordance with the Covestro PSP regulations. The claims arising from the 2016–2019 and 2017–2020 tranches of the Prisma long-term compensation program remain unaffected. A target value of €1,140 thousand was determined for the 2018–2021 tranche (equivalent to a pro-rated amount for 9 out of 12 months). All Prisma tranches will be paid out according to the applicable plan regulations on the respective regular payout date.

In the 2018 reporting period, the aggregate compensation for the members of the Board of Management of Covestro AG totaled €14,337 thousand comprising €4,468 thousand in non-performance-related components and €9,869 thousand in performance-related components.

The following table shows the total compensation of the individual members of the Board of Management who served in 2018 according to the German Commercial Code and DRS 17.

#### Total Board of Management Compensation (German Commercial Code) for the Reporting Period 2018

€ thousand	Fixed annual compensation	Fringe benefits	Short-term variable compensation	Longterm variable compensation <sup>1</sup>	Aggregate compensation
<b>Board of Management members serving as of December 31, 2018</b>					
Dr. Markus Steilemann (Chairman)	916	196	2,346	736	4,194
Dr. Klaus Schäfer	562	35	1,127	736	2,460
Dr. Thomas Toepfer	536	1,717	1,076	938	4,267
<b>Former Board of Management member</b>					
Patrick Thomas	487	19	1,760	1,150	3,416
<b>Total</b>	<b>2,501</b>	<b>1,967</b>	<b>6,309</b>	<b>3,560</b>	<b>14,337</b>

<sup>1</sup> Fair value when granted

#### Fixed annual compensation

The fixed compensation of Board of Management members was increased as of January 1, 2018, based on the change in the previous year's consumer price index (1.68% from November 2016 to October 2017).

The fixed compensation of all members of the Board of Management in the reporting period totaled €2,501 thousand.

The fringe benefits for the reporting year 2018 include costs totaling €1,696 thousand in variable compensation paid to Dr. Thomas Toepfer in lieu of compensation from his previous employer to which he was no longer entitled.

#### Short-term variable compensation

In 2018, the short-term variable compensation for all the members of the Board of Management totaled €6,309 thousand after deduction of the solidarity contribution. The solidarity contribution is made by all employees of the companies covered by the respective agreements with the employee representatives to help safeguard jobs at the German sites. For the 2018 reporting period, the contribution amounted to 0.18% of each member's Covestro PSP award. By resolution of the Supervisory Board, this contribution is also withheld from the Board of Management.

#### Long-term compensation (Aspire and Prisma)

The total compensation according to the German Commercial Code includes long-term stock-based compensation (Prisma) with a fair value when granted of €3,560 thousand.

In accordance with IFRSs, grants of stock-based compensation with a four-year performance period are therefore expensed at their respective fair values over four years starting with the grant year. The associated expense is a part of compensation according to IFRSs. According to IFRSs, the change in the value of existing entitlements under ongoing tranches granted in prior years must be reported as stock-based compensation. As explained above, however, because the payout amount of all remaining Aspire tranches was frozen based on the 2015 closing price, no change in value occurred under these tranches in the reporting year.

As of December 31, 2018, provisions of €7,203 thousand (December 31, 2017: €7,076 thousand) had been established for long-term compensation payable to members of the Board of Management; former members of the Board of Management accounted for €4,273 thousand (December 31, 2017: €1,491 thousand) of this figure.

### Long-term Compensation (IFRS)

€ thousand	Board of Management members serving as of December 31, 2018						Former Board of Management member				Total	
	Dr. Markus Steilemann (Chairman)		Dr. Klaus Schäfer (Production and Technology, Labour Director)		Dr. Thomas Toepfer (Finance)		Frank H. Lutz		Patrick Thomas		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total expenses in the reporting period for long-term compensation <sup>1,2</sup>	781	216	789	216	–	92	810	209	1,641	418	4,021	1,151

<sup>1</sup> Long-term variable compensation from newly earned entitlements includes the Prisma program from the years 2016, 2017, and 2018 amounting to €2,820 thousand (2017: €3,610 thousand) as well as the Aspire program from the year 2015 amounting to €0 thousand (2017: €267 thousand) because this compensation is earned over a period of four fiscal years. It is stated at its pro-rata fair value in 2017 and 2018.

<sup>2</sup> The previous entitlements from the one-time stock-based Aspire compensation programs of the Bayer Group were frozen on the basis of the 2015 closing price and will therefore not change.

### Pension entitlements

The pension service cost recognized for the members of the Board of Management in the reporting year was €966 thousand (previous year: €756 thousand) according to the German Commercial Code, while the current service cost for pension entitlements recognized according to IFRSs was €1,434 thousand (previous year: €1,132 thousand).

Pension obligations are shown in the following table.

The pension service cost differs on account of the different principles applied in measuring the settlement value of pension obligations in accordance with the German Commercial Code and the present value of defined benefit pension obligations in accordance with IFRSs.

### Pension Entitlements (German Commercial Code and IFRS)

€ thousand	German Commercial Code				IFRS			
	Pension service cost <sup>1</sup>		Settlement value of pension obligation as of December 31		Service cost for pension entitlements		Present value of defined pension obligation as of December 31	
	2017	2018	2017	2018	2017	2018	2017	2018
<b>Board of Management members serving as of December 31, 2018</b>								
Dr. Markus Steilemann	179	329	815	1,473	310	538	1,571	2,424
Dr. Klaus Schäfer	179	194	2,306	2,884	273	279	3,669	4,200
Dr. Thomas Toepfer	–	121	–	132	–	202	–	201
<b>Former Board of Management member</b>								
Patrick Thomas	398	322	3,864	4,849	549	415	5,082	6,188
<b>Total</b>	<b>756</b>	<b>966</b>	<b>6,985</b>	<b>9,338</b>	<b>1,132</b>	<b>1,434</b>	<b>10,322</b>	<b>13,013</b>

<sup>1</sup> Including company contribution to Bayer Pensionskasse VVaG or Rheinische Pensionskasse VVaG

### Disclosures pursuant to the recommendations of the German Corporate Governance Code

The following tables show the compensation and fringe benefits paid for the 2018 reporting period or the prior-year period, including the minimum and maximum achievable variable compensation, and the allocation of compensation for the reporting period or the prior-year period in the line with the recommendations in the February 7, 2017, version of the German Corporate Governance Code.

## Compensation and Benefits Granted for the Reporting Period

€ thousand	Board of Management members serving as of December 31, 2018											
	Dr. Markus Steilemann (Chairman)				Dr. Klaus Schäfer (Production and Technology, Labor Director)				Dr. Thomas Toepfer (Finance)			
	Target value 2017	Target value 2018	Min. 2018	Max. <sup>2</sup> 2018	Target value 2017	Target value 2018	Min. 2018	Max. <sup>2</sup> 2018	Target value 2017	Target value 2018	Min. 2018	Max. <sup>2</sup> 2018
Fixed annual compensation	552	916	916	916	552	562	562	562	–	536	536	536
Fringe benefits	435	196	196	196	323	35	35	35	–	1,717	1,717	1,717
<b>Total</b>	<b>987</b>	<b>1,112</b>	<b>1,112</b>	<b>1,112</b>	<b>875</b>	<b>597</b>	<b>597</b>	<b>597</b>	<b>–</b>	<b>2,253</b>	<b>2,253</b>	<b>2,253</b>
Short-term variable compensation	552	1,170	–	2,924	552	562	–	1,404	–	536	–	1,341
Long-term stock-based compensation (2017–2020 Prisma-tranche)	694 <sup>1</sup>				694 <sup>1</sup>				–			
Long-term stock-based compensation (2018–2021 Prisma-tranche)	–	736 <sup>1</sup>	–	1,460	–	736 <sup>1</sup>	–	1,460	–	938 <sup>1</sup>	–	1,859
<b>Total</b>	<b>2,233</b>	<b>3,018</b>	<b>1,112</b>	<b>5,496</b>	<b>2,121</b>	<b>1,895</b>	<b>597</b>	<b>3,461</b>	<b>–</b>	<b>3,727</b>	<b>2,253</b>	<b>5,453</b>
Benefit expense	310	538	538	538	273	279	279	279	–	202	202	202
<b>Total compensation</b>	<b>2,543</b>	<b>3,556</b>	<b>1,650</b>	<b>6,034</b>	<b>2,394</b>	<b>2,174</b>	<b>876</b>	<b>3,740</b>	<b>–</b>	<b>3,929</b>	<b>2,455</b>	<b>5,655</b>

<sup>1</sup> Fair value when granted<sup>2</sup> Applicable caps have not yet been taken into account in the total maximum amounts. The payout in a single year is limited to 1.9 times the target compensation.

## Compensation and Benefits Granted for the Reporting Period

€ thousand	Former Board of Management member			
	Patrick Thomas			
	Target value 2017	Target value 2018	Min. 2018	Max. <sup>2</sup> 2018
Fixed annual compensation	1,150	487	487	487
Fringe benefits	70	19	19	19
<b>Total</b>	<b>1,220</b>	<b>506</b>	<b>506</b>	<b>506</b>
Short-term variable compensation	1,150	877	–	2,193
Long-term stock-based compensation (2017–2020 Prisma-tranche)	1,447 <sup>1</sup>			
Long-term stock-based compensation (2018–2021 Prisma-tranche)		1,150 <sup>1</sup>	–	2,281
<b>Total</b>	<b>3,817</b>	<b>2,533</b>	<b>506</b>	<b>4,980</b>
Benefit expense	549	415	415	415
<b>Total compensation</b>	<b>4,366</b>	<b>2,948</b>	<b>921</b>	<b>5,395</b>

<sup>1</sup> Fair value when granted<sup>2</sup> Applicable caps have not yet been taken into account in the total maximum amounts. The payout in a single year is limited to 1.9 times the target compensation.



## Allocation of Compensation for the Reporting Period

€ thousand	Board of Management members serving as of December 31, 2018						Former Board of Management member	
	Dr. Markus Steilemann (Chairman)		Dr. Klaus Schäfer (Production and Technology, Labor Director)		Dr. Thomas Toepfer (Finance)		Patrick Thomas	
	2017	2018	2017	2018	2017	2018	2017	2018
Fixed annual compensation	552	916	552	562	–	536	1,150	487
Fringe benefits	435	196	323	35	–	1,717	70	19
<b>Total</b>	<b>987</b>	<b>1,112</b>	<b>875</b>	<b>597</b>	<b>–</b>	<b>2,253</b>	<b>1,220</b>	<b>506</b>
Short-term variable compensation	1,279	2,346	1,279	1,127	–	1,076	2,664	1,760
2013–2016 Aspire-tranche <sup>1</sup>	103 <sup>2</sup>	–	223 <sup>2</sup>	–	–	–	978	–
2014–2017 Aspire-tranche <sup>1</sup>		98 <sup>2</sup>		130				609
<b>Total</b>	<b>2,369</b>	<b>3,556</b>	<b>2,377</b>	<b>1,854</b>	<b>–</b>	<b>3,329</b>	<b>4,862<sup>3</sup></b>	<b>2,875<sup>3</sup></b>
Benefit expense	310	538	273	279	–	202	549	415
<b>Total compensation</b>	<b>2,679</b>	<b>4,094</b>	<b>2,650</b>	<b>2,133</b>	<b>–</b>	<b>3,531</b>	<b>5,411</b>	<b>3,290</b>

<sup>1</sup> The depicted inflow from the respective tranches of the one-time stock-based Aspire compensation program of the Bayer Group will take place in the payout year. The payout itself was made for a performance period that mostly occurred prior to the start of the Board of Management term.

<sup>2</sup> Payment was made partially outside Germany in local currency on the basis of a theoretical net salary in Germany.

<sup>3</sup> In addition, Patrick Thomas received a payout of the long-term stock-based compensation in the form of virtual Bayer shares in the amount of €959 thousand (2017: €164 thousand) in his capacity as subgroup CEO in the Bayer Group for the 2014 and 2013 fiscal year, respectively.

In 2018, the former Management Board member Frank H. Lutz received a payment of €186 thousand for the 2014–2017 tranche of the long-term compensation program Aspire.

## Compensation of former members of the Board of Management

In 2018, former members of the Board of Management received aggregate compensation of €674 thousand. The aggregate compensation included a one-time lump sum payment of €390 thousand for Patrick Thomas and a pro-rata compensation of €284 thousand for the post-contractual noncompete clause for Frank H. Lutz that was limited to one year. For current pensions, a provision of €668 thousand is recognized in the consolidated financial statements as of December 31, 2018, for Frank H. Lutz. A provision of €465 thousand is recognized for this purpose in the financial statements of Covestro AG.

## Compensation of the Supervisory Board

The Supervisory Board is compensated according to the relevant provisions of the Articles of Incorporation.

The members of the Supervisory Board each receive fixed annual compensation of €100 thousand plus reimbursement of their expenses.

In accordance with the recommendations of the German Corporate Governance Code, additional compensation is paid to the Supervisory Board Chair and Vice Chair, and for chairing and membership in committees. The Chair of the Supervisory Board receives fixed annual compensation of €300 thousand, the Vice Chair €150 thousand. 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 €50 thousand, the other members of the Audit Committee €25 thousand each. The chairs of the remaining committees receive €30 thousand each, the other members of those committees €20 thousand each. No additional compensation is paid for membership in the Nominations Committee. Work on committees will be considered for no more than two committees. receives compensation only for the two committees with the highest compensation. If changes are made to the Supervisory Board and/or its committees during the year, members receive compensation on a pro-rata basis. The members of the Supervisory Board also receive an attendance fee of €1 thousand each time they personally attend a meeting of the Supervisory Board or a committee. The attendance fee is limited to €1 thousand per day.

The members of the Supervisory Board gave a voluntary commitment that they will each purchase Covestro shares for 25% of their fixed compensation, including any compensation for committee membership (before taxes) and hold these shares for as long as they remain members of the Supervisory Board. Following in-depth discussions, the Supervisory Board resolved in 2018 to rescind the voluntary commitment to purchase shares in

consideration of the insider trading risks associated with stock purchases. Only the obligation to hold previously acquired shares for the duration of membership in the Supervisory Board remains unchanged.

### 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 2018 reporting period and the prior-year period.

#### Compensation of the Members of the Supervisory Board of Covestro AG

€ thousand	Fixed compensation		Attendance fee		Total	
	2017	2018	2017	2018	2017	2018
Ferdinando Falco Beccalli	100	100	5	4	105	104
Dr. Christine Bortenlänger	100	100	5	5	105	105
Johannes Dietsch	145	145	11	10	156	155
Dr.-Ing. Thomas Fischer <sup>1</sup>	120	–	8	–	128	–
Peter Hausmann	145	145	9	8	154	153
Petra Kronen (Vice Chair)	150	150	12	10	162	160
Irena Küstner	125	125	10	9	135	134
Dr. Ulrich Liman <sup>2</sup>	–	120	–	7	–	127
Prof. Dr. Rolf Nonnenmacher (Chair of the Audit Committee)	150	150	9	9	159	159
Dr. Richard Pott (Chair)	300	300	13	10	313	310
Regine Stachelhaus	120	120	7	5	127	125
Marc Stothfang <sup>3</sup>	89	100	6	5	95	105
Frank Werth	100	100	6	5	106	105
Sabine Wirtz <sup>4</sup>	11	–	–	–	11	–
<b>Total</b>	<b>1,655</b>	<b>1,655</b>	<b>101</b>	<b>87</b>	<b>1,756</b>	<b>1,742</b>

<sup>1</sup> Member of the Supervisory Board until December 2017

<sup>2</sup> Member of the Supervisory Board since January 2018

<sup>3</sup> Member of the Supervisory Board since February 2017

<sup>4</sup> Member of the Supervisory Board until February 2017

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 was €925 thousand (previous year: €915 thousand).

No compensation was paid or benefits granted to members of the Supervisory Board for personally performed services such as consulting or agency services. In addition, 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. This includes a deductible that is in line with the GCGC recommendation.

### 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, 2017, or December 31, 2018.