Annual Stockholders’ Meeting of Covestro AG on May 3, 2016

Explanatory notes on stockholders’ rights and additional information

The convening Notice of the Annual Stockholders’ Meeting contains information on the stockholders’ rights pursuant to Sections 122 Paragraph 2, 126, 127 and 131 Paragraph 1 German Stock Corporation Act (AktG). The following information serves as detailed explanation of these stockholders’ rights.

1. Additions to the Agenda pursuant to Section 122 Paragraph 2 of the German Stock Corporation Act (AktG)

Stockholders whose shares together account for one-twentieth of the capital stock or a proportionate interest of EUR 500,000 (corresponding to 500,000 no-par shares), may request items to be added to the agenda and announced. Each new item must be accompanied by the reasons for it or a proposal for a resolution. The request must be submitted to the Board of Management in writing and must be received by the company in writing by the end of April 2, 2016.

Stockholders’ proposals for additions to the agenda may be submitted to the company at the following address:

Covestro AG
Board of Management
– Office of the Chairman of the Board of Management –
Kaiser-Wilhelm-Allee 60
51373 Leverkusen
Germany

Applicants must provide evidence pursuant to Section 122 Paragraphs 2 and 1 AktG in conjunction with Section 142 Paragraph 2 Sentence 2 AktG that they have held their shares for at least three months prior to the date of receipt of the request and that they will hold the shares until a decision on the motion has been made. Attention is explicitly drawn to the fact that Section 70 AktG provides certain options of apportionment in calculation of this three month period.

Additions to the agenda that have to be announced will immediately after receipt of the request be published in the Federal Gazette (“Bundesanzeiger”) and disseminated throughout the European Union. They will also be made available on the website http://investor.covestro.com/en/events/annual-stockholders-meeting and notified to the stockholders.

Excerpts of the underlying provisions of the German Stock Corporation Act (AktG) pertaining to stockholders’ rights:

Section 122 Paragraph 1 and Paragraph 2 AktG:

“(1) The stockholders’ meeting is to be convened, if shareholders whose holdings in aggregate amount to one-twentieth of the share capital, request such a convention in writing and by stating the objective and the reasons; the request is to be submitted to the management board. […] Section 142 Paragraph 2 Sentence 2 applies accordingly.”

* Section 26h Paragraph 4 EGAktG stipulates, that Section 122 AktG is applicable in the version presented for requests for the addition of agenda items received by the company prior to June 1, 2016. The modification of the law by the revised German Stock Corporation Act 2016 is however applicable to requests for additions received by the company on or after 1 June 2016.
Section 142 Paragraph 2 Sentence 2 AktG, which applies accordingly, states:
"The requesting shareholders must establish, that they have been bearers of the shares for at least three months prior to the stockholders’ meeting and that they will continue to hold the shares until their request has been decided."

The prevailing opinion, which has been confirmed by the legislative in the amended Stock Corporations Act 2016, holds, that the deadline prescribed by Section 122 Paragraph 2 AktG is to be calculated backwards from the date of receipt of the request for addition to the agenda and not from the day of the Stockholders’ Meeting.

Section 70 AktG:
"If the exercise of rights stemming from the share depends on the shareholder being the bearer of the share for a specified period of time, then the right to demand transfer of title from a credit institution, a financial services institute, or an enterprise operating under Section 53 Paragraph 1 Sentence 1 or Section 53b Paragraph 1 Sentence 1 or Paragraph 7 of the Banking Act shall be deemed equivalent to ownership. The period during which the share was owned by a predecessor shall be attributed to the shareholder, provided that he has acquired the share without consideration from his fiduciary, as a successor in legal interest by operation of law, in connection with the liquidation of a community of interest, or as a result of a transfer of assets pursuant to Section 13 of the Insurance Supervision Act or Section 14 of the Building Loan Associations Act."

2. Motions and proposals for elections pursuant to Sections 126 Paragraph 1 and 127 German Stock Corporation Act (AktG)

Counter-motions to resolutions proposed by the Board of Management and/or Supervisory Board on a specific item of the agenda and proposals from stockholders relating to the election of auditors (agenda item 5), which are to be made available prior to the Annual Stockholders’ Meeting, must be addressed exclusively to the address given below. Counter-motions and proposals for election submitted to another address will not be considered.

Covestro AG
Investor Relations
Kaiser-Wilhelm-Allee 60
51373 Leverkusen
Germany
Fax: +49 214 6009 7002
Email: ir@covestro.com

Counter-motions and proposals for election received by the end of April 18, 2016 at the above address, together with evidence of the stockholding that have to be made available to the other stockholders, will be posted immediately on the internet at http://investor.covestro.com/en/events/annual-stockholders-meeting. Any statement by the management will be also be posted on this internet site after April 18, 2016.

The right of any stockholder to propose counter-motions to the various agenda items and proposals for the election of the auditors at the Stockholders’ Meeting, even without advanced notification of the company by the deadline, remains unaffected.

Please note that counter-motions and election proposals can only be voted on at the Meeting if they are proposed at the Annual Stockholders’ Meeting, even if they were submitted to the company in advance by the deadline set.
Excerpts of the underlying provisions of the German Stock Corporation Act (AktG) pertaining to stockholders’ rights:

Section 126 AktG:
“(1) Motions from shareholders, including their name, the reasons, and any comments by the management, shall be made accessible to those entitled as specified in Section 125 Paragraphs 1 to 3 under the conditions stated therein if, at least 14 days before the meeting of the company, the shareholders have submitted a counter-motion to a proposal of the management board and supervisory board regarding a specific item on the agenda, with substantiation, to the address stated in the invitation for this purpose. The day of receipt shall not be counted. For listed companies, publication shall be on the company website. Section 125 Paragraph 3 applies accordingly.

(2) A counter-motion and its substantiation do not need to be disclosed,

1. if the management board would render itself liable to prosecution by its disclosure,

2. if the counter-motion would result in a resolution by the stockholders’ meeting which is either unlawful or in breach of the articles of association,

3. the substantiation includes statements which are obviously false or misleading in material respects or are libellous,

4. if a counter-motion by the shareholder based on the same facts has already been disclosed with respect to a stockholders’ meeting of the company pursuant to Section 125,

5. if the same counter-motion of such shareholder on essentially identical grounds has already been made accessible pursuant to Section 125 to not less than two stockholders’ meetings of the company within the past five years and at such stockholders’ meetings less than one-twentieth of the share capital represented has voted in favour of such counter-motion,

6. if the shareholder indicates, that he will neither attend nor be represented at the stockholders’ meeting, or

7. if the shareholder, at two stockholders’ meetings within the last two years, did not present, or did not have presented, a counter-motion submitted by him.

The counter-motion’s substantiation need not be published if it exceeds 5,000 characters.

(3) If more than one shareholder submits a counter-motion to the same items of the resolution, the management board may consolidate the counter-motions and their substantiations.”

Section 127 Sentences 1 to 3 AktG:
“Section 126 shall apply analogously to a proposal by a shareholder for the election of members of the supervisory board or external auditors. Such election proposal need not be substantiated. The management board need not disclose such election proposal if it fails to contain the information prescribed by Section 124 Paragraph 3 Sentence 4 and Section 125 Paragraph 1 Sentence 5.”

Section 124 Paragraph 3 Sentence 4 AktG:
“A proposal for the election of members of the supervisory board or auditors must specify their names, profession and place of residence.”

Section 125 Paragraph 1 Sentence 5 AktG:
“In the case of listed companies, any proposal for the election of supervisory board members must be accompanied by details on their membership in other supervisory boards whose establishment is required by law; details on membership in comparable domestic and foreign controlling bodies of economic enterprises should also be provided.”
3. **Stockholders’ right to information (Section 131 AktG)**

Any shareholder is entitled to request and receive information from the Board of Management at the Stockholders’ Meeting on matters relating to the company, including information on the company’s legal and business relationships with affiliated companies, the situation of the Group and the companies included in the consolidated financial statements, insofar as this is necessary for an objective assessment of items on the agenda.

The Board of Management may refuse to answer individual questions on the grounds set forth in Section 131 Paragraph 3 AktG, for example, because providing the information could, on the basis of prudent business consideration, place the company or an affiliated company at a non inconsiderable disadvantage (e.g. there is no duty to disclose business secrets). The Articles of Incorporation of the company stipulate, that the person chairing the meeting may set reasonable time limits on the right of stockholders to speak and to ask questions.

**Excerpts of the underlying provisions of the German Stock Corporation Act (AktG) pertaining to stockholders’ rights:**

Section 131 AktG:

(1) Each shareholder shall, upon request, be provided with information at a stockholders’ meeting by the management board regarding the company’s affairs, to the extent that such information is necessary to permit a proper evaluation of the relevant item on the agenda. The duty to provide information shall also extend to the company’s legal and business relations with an affiliated company. If a company makes use of the facilitations pursuant to Section 266 Paragraph 1 Sentence 3, Section 276 or Section 288 of the Commercial Code, each shareholder may demand the annual financial statements to be presented to him at the stockholders’ meeting on such annual financial statements in the form which would have been used if such provisions on simplified procedure were not applied. The duty of the management board of a parent company (Section 290 Paragraphs 1 and 2 of the Commercial Code) to provide information at the stockholders’ meeting presented with the consolidated financial statements and the consolidated management report also encompasses the situation of the group and the companies included in the consolidated financial statements.

(2) The information shall comply with the principles of diligent and faithful accounting. The articles of association or the by-laws pursuant to Section 129 may authorize the chairperson of the meeting to reasonably limit a shareholder’s time to speak and ask questions and resolve details in this respect.

(3) The management board may refuse to give information

1. to the extent that providing such information is, according to sound business judgement, likely to entail significant detrimental effects for the company or an affiliated company;

2. to the extent it relates to valuations for tax purposes or the amount of individual taxes;

3. about the difference between the value of items reported in the annual balance sheet and a higher value of these items, unless the stockholders’ meeting approves the annual financial statement;

4. about the accounting and valuation methods, to the extent the information on these methods contained in the notes is sufficient to convey a true and fair view of the company’s net assets, financial position and results of operations in the meaning of Section 264 Paragraph 2 of the Commercial Code; this shall not apply, if the stockholders’ meeting approves the annual financial statements;

5. if the management board would commit a criminal offence by disclosing such information.
6. insofar as information concerning the applied accounting and valuation methods as well as offsetting applied in the annual financial statements, management report, group financial statements or group management report does not need to be provided to a bank or financial services institution;

7. if the information has been continuously accessible on the company’s website for at least seven days prior to the commencement of and during the stockholders’ meeting.

Information may not be refused for other reasons.

(4) Should information have been provided outside the stockholders’ meeting to a shareholder due to his capacity as a shareholder, such information must be provided to any other shareholder upon demand at the stockholders’ meeting, even if the information is not required for a proper assessment of the agenda item. The management board may not refuse to provide the information under Paragraph 3 Sentence 1 Nos. 1 to 4. Sentences 1 and 2 shall not apply if a subsidiary (Section 290 Paragraphs 1, 2 of the Commercial Code), a joint venture (Section 310 Paragraph 1 of the Commercial Code) or an associated company (Section 311 Paragraph 1 of the Commercial Code) discloses information to a parent company (Section 290 Paragraphs 1, 2 of the Commercial Code) for the purpose of inclusion of the company in the consolidated financial statements of the parent company and the information is required for such purpose.

(5) A shareholder who has been denied information may demand his question and the grounds on which the information was denied to be recorded in the minutes of the meeting.*

4. Additional information

Notes on agenda item 1 pursuant to Section 124a Sentence 1 No. 2 AktG

Agenda item 1 of the invitation to the Stockholders’ Meeting on May 3 concerns the statutory accounting requirements for the financial year ended on December 31, 2015. The annual financial statements and group financial statement as of December 31, 2015 prepared by the Board of Management have already been approved by the Supervisory Board on February 22, 2016 and the annual financial statements have thus been adopted. A resolution by the Stockholders’ Meeting pursuant to Section 173 Paragraph 1 AktG on the adoption of the annual financial statements or approval of the group financial statement is therefore not required.

Information on the total number of shares and voting rights pursuant to Section 124a Sentence 1 No. 4 AktG

The stock capital of the company at the date of the convening of the Annual Stockholders’ Meeting is divided into 202,500,000 bearer shares. Each share grants one vote. The company holds no own shares on the day the Stockholders’ Meeting is convened. The total number of shares bearing participation and voting rights at the time of convening the Stockholders’ meeting therefore amounts to 202,500,000.

Right to speak and ask questions

The chairperson of the meeting is entitled to take various directive and disciplinary measures during the Stockholders’ Meeting. This also includes the right to reasonably restrict the amount of time for stockholders to ask questions and speak. The underlying provisions of Section 16 Paragraph 3 of the Articles of Incorporation of the company, which utilizes the authority granted by the aforementioned Section 131 Paragraph 2 Sentence 2 AktG, state:

(3) The person chairing the meeting may set reasonable time limits on the right of stockholders to speak and ask questions. In particular at the start of the Stockholders’ Meeting or during the Stockholders’ Meeting the Chairperson may set reasonable timeframes for the Meeting itself, the discussion of the individual agenda items or for individual questions and statements.
Translation during the Stockholders’ Meeting

It is expected, that the Chairman of the Board of Management, Mr Patrick Thomas, will speak in his native language English at the Stockholders’ Meeting. The company offers simultaneous interpretation to German via headsets (wireless earphones). Attendees of the Stockholders’ Meeting who are interested in the simultaneous interpretation will receive a headset at the Stockholders’ Meeting. The same applies for answers to stockholders’ questions by Mr Thomas. It is only possible for stockholders to ask questions in English, if the respective stockholders arrange for a suitable translation on site. Alternatively, stockholders may utilize the simultaneous interpretation to English provided by the company. In these cases, the company accepts no responsibility for the accuracy of the interpretation.

Leverkusen, March 2016
The Board of Management