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

- CAS Vol. +4%
- Polyols Vol. +2%
- PCS Vol. +8%
- MDI Vol. +8%
- TDI Vol. +7%
- Non-core

Sales split by regions
2017 Group sales in € million
Core volume growth in %, CAGR 2015-2017

- China 3.062 Vol. +13%
- APAC 4.743 Vol. +10%
- US 2.777 Vol. 3%
- NAFTA 3.398 Vol. +4%
- EMLA 5.997 Vol. +3%
- Germany 1.723 Vol. +4%
- GLOBAL 14,138 Vol. +5.5%

Sales split by end-markets
% of 2017 Group sales
Core volume growth in %, CAGR 2015-2017

- Sports / Leisure, Cosmetics, Health, diverse industries Vol. +8%
- Automotive(a)/ Transportation Vol. +5%
- Chemicals(b) Vol. +4%
- Electrical/ Electronics Vol. +6%
- Construction Vol. +3%
- Wood/ Furniture Vol. +5%

Notes:
Based on Covestro Annual Report 2017; EMLA = Europe, Middle East, Africa, Latin America; NAFTA = USA, Canada, Mexico; APAC = Asia, Pacific
Adjusted prior-year figures to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the Coatings, Adhesives, Specialties segment as of January 1, 2018
(a) Automotive with core volume CAGR 2015-2017 of +7%, (b) Growth of core and non-core volumes

~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

#1
Producer and inventor of PU globally\(^{(a)}\)

5.3%
Core volume CAGR in 2015-2017

€7.4bn
Sales 2017\(^{(b)}\)

€1.1bn
FOCF 2017\(^{(b)}\)

Cold chain
e.g. refrigerator

Construction
e.g. metal panel

Cost leadership
e.g. process technology

Comfort
e.g. furniture upholstery

Automotive
e.g. instrument panel

Sustainability
e.g. CO\(_2\)-based polyether polyols

Notes:
(a) Based on total combined nameplate capacity for MDI, TDI and polyether polyols at year end 2017 as per Covestro estimates
(b) Adjusted prior-year figures to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to the CAS segment as of January 1, 2018
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

Notes:
(a) Based on nameplate capacity at year end 2017 as per Covestro estimates
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**
- **adhesives and sealants**
- **specialties**

Notes: (a) All figures adjusted to reflect the transfer of the specialty elastomers business from the Polyurethanes segment to CAS segment as of January 1, 2018
Sustainability trends drive structural growth above GDP

Structural growth drivers

**UN SDGs**(a)

<table>
<thead>
<tr>
<th>Related to climate change:</th>
<th>Needs to be served</th>
<th>Industry demand outlook**(b)** 2017 – 2022e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>PU**(c)**</td>
</tr>
<tr>
<td>2, 7, 8, 9, 11, 13</td>
<td>Zero emission concepts</td>
<td>16.9 ('000kt) CAGR -5% 2017 2022e</td>
</tr>
<tr>
<td></td>
<td>Low-energy buildings</td>
<td></td>
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<td></td>
<td></td>
<td>PC</td>
</tr>
<tr>
<td></td>
<td>Energy-efficient mobility</td>
<td>4.3 ('000kt) CAGR -4% 2017 2022e</td>
</tr>
<tr>
<td></td>
<td>Lightweight transportation</td>
<td></td>
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<td></td>
<td>E-mobility, autonomous driving</td>
<td></td>
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<td></td>
<td></td>
<td>CAS**(d)**</td>
</tr>
<tr>
<td></td>
<td>Food preservation</td>
<td>3.3 ('000kt) CAGR 3-4% 2017 2022e</td>
</tr>
<tr>
<td></td>
<td>Low-cost durable goods</td>
<td></td>
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<tr>
<td></td>
<td>Medical applications</td>
<td></td>
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<td></td>
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<tr>
<td>Related to increasing mobility:</td>
<td></td>
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<tr>
<td></td>
<td>Affordable housing</td>
<td></td>
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<tr>
<td></td>
<td>Living comfort</td>
<td></td>
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<td></td>
<td>Public infrastructure</td>
<td></td>
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<td></td>
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<tr>
<td>Related to growing population:</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Related to increasing urbanization:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(a) Most impacted goals out of 17 Sustainable Development Goals, set by the United Nations’ “2030 Agenda for Sustainable Development”
(b) Assumes global GDP CAGR 2017–2022e of ~3% as per Covestro estimates; (c) Comprises MDI, TDI and polyether polyols
(d) Shows PU raw materials industry demand in coatings, adhesives and sealants, additionally TPU, elastomers and PC/TPU films
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
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
Sustainability along the value chain

R&D resources allocated based on benefits for:
- People
- Planet
- Profit

More sustainable input addressing customer needs and profit improvement:

Examples:
- C1 feedstock (e.g. CO₂)
- Bio-based feedstock (e.g. BDO\(^{(a)}\))
- Low carbon energy

Cost efficiencies by energy-efficient process:

- **Specific CO₂e emissions\(^{(b)}\)**
  - 2005: 0.69 t CO₂e/t
  - 2017: 0.39 t CO₂e/t
  - Reduction by 44%

- **Specific energy consumption\(^{(c)}\)**
  - 2005: 2.19 MWh PE/t
  - 2017: 1.40 MWh PE/t
  - Reduction by 36%

Address customer needs for more sustainable solutions (e.g. lightweight, durable, bio-based)

Examples:
- INSQIN\(^{®}\), artificial leather
- Desmodur\(^®\) Eco, coating hardener
- Baytherm\(^®\) Microcell, insulation foam
- Makrolon\(^®\), e.g. LED lighting

Notes:
- (a) BDO refers to 1,4-butanediol
- (b) Specific greenhouse gas emissions: metric tons of CO₂ equivalents per metric ton of production volume
- (c) Energy efficiency: quotient of equivalent primary energy and in-spec production volume at our main production sites
Right answers for big challenges

<table>
<thead>
<tr>
<th>Trend</th>
<th>Needs</th>
<th>Demand for Covestro products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Renewable energy</td>
<td>Core volume growth</td>
</tr>
<tr>
<td></td>
<td>Low-energy buildings</td>
<td>CAGR 2015-2017</td>
</tr>
<tr>
<td>Urbani-</td>
<td>Affordable housing</td>
<td>+5.5%</td>
</tr>
<tr>
<td>zation</td>
<td>Public infrastructure</td>
<td></td>
</tr>
<tr>
<td>Population &amp;</td>
<td>Food preservation</td>
<td></td>
</tr>
<tr>
<td>prosperity growth</td>
<td>Low-cost durable goods</td>
<td></td>
</tr>
<tr>
<td>Increasing</td>
<td>Energy-efficient mobility</td>
<td></td>
</tr>
<tr>
<td>mobility</td>
<td>Lightweight transportation</td>
<td></td>
</tr>
</tbody>
</table>

Note: (a) Covestro estimate

- Global GDP CAGR 2017-2022: ~3%
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

\(\text{R&D spend} \approx \€360m\)
\(\text{Patent applications in 2017: 229} \)
\(\text{80% of R&D spend focused on product innovation} \)
\(\text{16% of 2017 net sales with new products (not >5 years)} \)

Notes:
(a) Status June 2018
(b) Based on FY 2017 incl. ~€100m customer advisory
Innovation inspired by sustainability

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

Key industries rely on sustainable solutions

1. NO POVERTY
2. ZERO HUNGER
3. GOOD HEALTH AND WELL-BEING
4. QUALITY EDUCATION
5. GENDER EQUALITY
6. CLEAN WATER AND SANITATION
7. AFFORDABLE AND CLEAN ENERGY
8. DECENT WORK AND ECONOMIC GROWTH
9. INDUSTRY, INNOVATION AND INFRASTRUCTURE
10. REDUCED INEQUALITIES
11. SUSTAINABLE CITIES AND COMMUNITIES
12. RESPONSIBLE CONSUMPTION AND PRODUCTION
13. CLIMATE ACTION
14. LIFE BELOW WATER
15. LIFE ON LAND
16. PEACE AND JUSTICE, STRONG INSTITUTIONS
17. PARTNERSHIPS FOR THE GOALS

Target №1

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

Notes: By 2025, 80% of R&D project spending of Covestro will be targeted in areas that contribute to achieving these goals, either undertaken in partnership or endorsed by recognized institutions.
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 Recticel**
- **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

- 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 №2 100% of suppliers compliant with our sustainability requirements by 2025

Notes: All suppliers of Covestro with recurrent annual spending exceeding €100,000 will be assessed and have to achieve compliance with Covestro’s sustainability requirements
Leading process technologies based on world-class chemical engineering

<table>
<thead>
<tr>
<th>Global trends</th>
<th>R&amp;D</th>
<th>Raw materials</th>
<th>Production</th>
<th>Products to markets</th>
</tr>
</thead>
</table>

**Highlights**

- Melt process in world-scale PC production
  - 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

- TDI / HDI gas-phase phosgenation
  - 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

- NaCl electrolysis with ODC\(^{(b)}\)
  - Consumes 30% less electricity vs. conventional processes
  - Significant economic and ecological benefits vs conventional processes
  - World-scale ODC plant planned in Tarragona, Spain

**Benefits**

<table>
<thead>
<tr>
<th>Melt process in world-scale PC production</th>
<th>TDI / HDI gas-phase phosgenation</th>
<th>NaCl electrolysis with ODC(^{(b)})</th>
</tr>
</thead>
</table>

- Reduce specific greenhouse gas emissions by 50% until 2025

---

**Notes:**

- Covestro aims to reduce specific greenhouse gas emissions—those generated per metric ton of product produced—by 50% compared to year 2005.
- (a) The plant size for a given capacity is smaller, because the reaction time for the gas-phase phosgenation process is shorter than the conventional process and results in a significantly higher throughput.
- (b) NaCl = Sodium Chloride; ODC = Oxygen Depolarized Cathode
Adressing ever-changing customer needs for new material solutions

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

Sources: Covestro CMD 2017 presentation “Innovation”, pages 6-13
Increase the return on carbon employed
Measuring sustainability along the value chain

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

Target №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

"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

Notes:
(a) Adopted in 1998, the Declaration by the International Labour Organization commits Member States to respect and promote principles and rights in four categories
Our priority: Nothing we do is worth getting hurt for HSEQ at Covestro

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

Signatory to the Global Charter of Responsible Care®

Best-in-class safety track record

<table>
<thead>
<tr>
<th>Occupational safety</th>
<th>Plant &amp; process safety</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RIR</strong>&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td><strong>LoPCIR</strong>&lt;sup&gt;(b)&lt;/sup&gt;</td>
</tr>
<tr>
<td>2005: 0.81</td>
<td>2013: 1.11</td>
</tr>
<tr>
<td>2017: 0.34</td>
<td>2017: 0.53</td>
</tr>
<tr>
<td>Reduction by 58%</td>
<td>Reduction by 52%</td>
</tr>
</tbody>
</table>

Notes:
(a) Number of incidents recordable after Occupational Safety & Health Administration (OSHA)-regularities per 200,000 hours worked by Covestro employees
(b) Number of LoPC (Loss of Primary Containment) incidents per 200,000 hours worked by operational employees
# Social engagement as a matter of course

## Corporate citizenship

### Highlights

**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

<table>
<thead>
<tr>
<th>Highlights</th>
<th>Benefits</th>
</tr>
</thead>
</table>
| 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

Notes: Covestro aims to help improve the living conditions of ten million people in underserved markets by the year 2025. Covestro focuses on affordable housing, sanitation and food security applications in which Covestro materials offer significant benefits.
Corporate Governance @ Covestro
Our culture of responsibility
Corporate Governance at Covestro

- 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
- 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
- Peter Hausmann
- Irena Küstner
- Prof. Dr. Rolf Nonnenmacher
- Regine Stachelhaus
- Marc Stoethfang
- Frank Werth

Notes:
(a) since April 1st, 2018
(b) since January 1st, 2018
~30% of employees participate in global management incentive programs

Executive pay: Focus on performance

### Clearly defined KPIs

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Absolute</th>
<th>Relative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core volume growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free Operating Cash Flow (FOCF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROCE – WACC</td>
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</tbody>
</table>

### 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-managerial employees launched in 2016

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

Notes:
All employee reference refers to full-time-equivalents
Illustration based on German program; program eligibility may vary in other countries
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
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%

Notes:
Program description based on German program; program details and eligibility may vary in other countries
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 comply 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

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<th>Rating / Index</th>
<th>Total score</th>
<th>Detail</th>
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<td>MSCI A (Scoring A-D)</td>
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<td>Status: Prime</td>
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<tr>
<td>B- (Scoring A-D)</td>
<td>73 (out of 100 Points)</td>
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**Inclusion in FTSE4Good Index (a)**

**Inclusion in Vigeo Eiris Index:**
- Eurozone 120 Index (b)

Notes:
(a) Since December 2016, reviewed in June 2018
(b) Since November 2016, reviewed in June 2018
Discover more on the net
Useful links and sources

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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.