FURTHER INFORMATION

The legend for references can be found in the Reporting Profile.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Covestro Group, and the Group Management Report, which has been combined with the Management Report of Covestro AG, includes a fair review of the development and performance of the business and the position of the Covestro Group and Covestro AG, together with a description of the principal opportunities and risks associated with the expected development of the Covestro Group and Covestro AG.

Leverkusen, February 24, 2023
Covestro AG
The Board of Management

Dr. Markus Steilemann (Chairman)	Sucheta Govil	Dr. Klaus Schäfer	Dr. Thomas Toepfer

Independent Auditor's Report

To Covestro AG, Leverkusen

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of Covestro AG, Leverkusen, and its subsidiaries (the Group), which comprise the income statement, the statement of comprehensive income of the Covestro Group for the financial year from January 1 to December 31, 2022, the statement of financial position of the Covestro Group as of December 31, 2022, the statement of cash flows and the statement of changes in equity of the Covestro Group for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report for the Company and the Group (hereinafter: the "combined management report") of Covestro AG, including the integrated non-financial group statement pursuant to Sections 315b (1) and 315c HGB for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

The combined management report contains cross-references that are not required by law and which are marked as unaudited. In accordance with German legal requirements, we have not audited the cross-references and the information to which the cross-references refer.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report. The group management report contains cross-references that are not required by law and which are marked as unaudited. Our audit opinion does not extend to the cross-references and the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [*Institute of Public Auditors in Germany*] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Note on emphasis of matter – Inherent risk due to uncertainties regarding the legal conformity of the interpretation of the EU Taxonomy Regulation

Please refer to management's comments in the "EU Taxonomy" section of the Group's non-financial statement pursuant to Section 315b (1) HGB contained in the section "Disclosures on sustainability reporting" of the combined management report. That section describes that the EU Taxonomy Regulation and the delegated acts issued in this context contain formulations and terms that remain subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Management explains how they have made the necessary interpretations of the EU Taxonomy Regulation and the delegated acts adopted in this context. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation is subject to uncertainty. We have not modified our opinion on the combined management report in respect of this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to note 3 to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Disclosures on the amount of goodwill and the amount of impairment losses recognized can be found under note 13 and information on the economic development of the business segments in the combined management report in the section "Performance of the segments".

THE FINANCIAL STATEMENT RISK

Goodwill amounted to EUR 729 million as of December 31, 2022, thus representing 5.0% of total assets.

Irrespective of any indication of impairment, goodwill is tested for impairment once a year on the level of the cash-generating units (strategic business areas) and on the level of the groups of CGUs (business units). If impairment triggers arise during the financial year, an indicator-based impairment test is also carried out during the year.

For goodwill impairment testing, the carrying amount is compared with the recoverable amount of the respective strategic business area or the respective business unit. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs to sell and value in use of the cash-generating units. The annual goodwill impairment was conducted in Q4 2022.

Impairment testing of goodwill is complex and based on a number of assumptions requiring judgment. These include the expected business and earnings performance of the respective cash-generating units over the planning horizon, the assumed long-term growth rates and the discount rate used.

Covestro AG's market capitalization fell below the carrying amount of the Group's equity as of June 30, 2022. Because of this and the significant rise in the risk-free rate, the assumptions of the previous impairment test for cash-generating units from financial year 2021 were reviewed. With regard to the cash-generating unit Standard Polyether-Polyole (SPET) in the Performance Materials segment, impairment of EUR 18 million was calculated based on the impairment test conducted. The impairment loss included EUR 16 million related to goodwill, which was thereby fully impaired, and EUR 2 million for other non-current assets of the cash-generating unit.

Due to the deteriorating economic environment, declining macroeconomic development and the significant cost increases for raw materials and energy, uncertainty surrounding the underlying future cash flows grew in the further course of financial year 2022. The increase in the cost of capital is further reason for an impairment test. Based on the annually performed impairment test, Covestro AG recognized impairment on goodwill of EUR 17 million for the Tailored Urethanes (TUR) group of cash-generating units, which was thereby fully impaired.

There is the risk for the consolidated financial statements that impairment losses are not recognized in the appropriate amount or other existing impairment losses affecting other strategic business areas or business units are not identified. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

First, we obtained an understanding of the process for impairment testing of goodwill through explanations provided by accounting staff with the involvement of the controlling function, as well as an assessment of the Company's documentation.

With the involvement of our valuation experts, we then assessed (among other things) the appropriateness of the significant assumptions and the Company's calculation method for both the annual and indicator-based impairment testing. To this end, we discussed the expected development of business and earnings as well as the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts and reconciled the cash flows used for the impairment test with the budget prepared by the Board of Management and approved by the Supervisory Board. We also evaluated the consistency of the assumptions with external market assessments.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of the existing forecast uncertainty for impairment testing, we examined the effects of possible changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis). The risk-oriented focus of our analyses during the year was on the Standard Polyether-Polyole (SPET) cash-generating unit within the Performance Materials segment. As part of the annual goodwill impairment test, all goodwill-carrying strategic business areas or business units were examined by us.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate.

OUR OBSERVATIONS

The calculation methods used for both the annual and indicator-based impairment testing of goodwill are appropriate and in line with the applicable accounting policies. The Company's assumptions and data used for measurement are within an acceptable range and are appropriate. The related disclosures in the notes are appropriate.

Impairment testing of property, plant and equipment

Please refer to note 3 to the consolidated financial statements, "Accounting policies and valuation principles", concerning "Property, plant and equipment" and "Impairment testing" for information on the accounting policies applied and the assumptions used. Please also refer to note 14 to the consolidated financial statements, "Property, plant and equipment", and the information on the economic development of the business segments in the combined management report in the section "Performance of the segments".

THE FINANCIAL STATEMENT RISK

Property, plant and equipment as of December 31, 2022, amounted to EUR 5,801 million and 39.8% of total assets, representing a considerable share of the Group's assets.

If impairment triggers for property, plant and equipment arise at the end of a reporting period, an indicator-based impairment test is carried out. For the impairment testing, the carrying amount is compared with the recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is calculated regularly on the level of cash-generating units (strategic business areas) using the discounted cash flow method. Any identified impairment loss has to be allocated to the individual assets. In this regard, the carrying amount of an individual asset may not be impaired below its fair value less cost of disposal (minimum carrying amount).

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgment. These include the expected business and earnings performance of the respective cash-generating units over the planning horizon, the assumed long-term growth rates and the discount rate used.

Due to the deteriorating economic environment, declining macroeconomic development and the significant cost increases for raw materials and energy, as well as the increase in the cost of capital, property, plant and equipment of the cash-generating units underwent indicator-based impairment testing.

The impairment testing for all cash-generating units was based on updated planning of expected cash flows, which took into account the above developments' negative effects on future business and earnings prospects. As a result of the indicator-based impairment test, Covestro AG recognized an impairment loss of EUR 355 million for the property, plant and equipment of the cash-generating units.

There is the risk for the consolidated financial statements that the existing impairment loss is not recognized in the amount required or that further impairment has not been identified. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

First, we obtained an understanding of the process for impairment testing of property, plant and equipment through explanations provided by accounting staff with the involvement of the controlling function, as well as an assessment of the Company's documentation.

With the involvement of our valuation experts, we then assessed the indicator-based impairment test to determine (among other things) the appropriateness of the key assumptions and the Company's calculation method. To this end, we discussed the expected business and earnings development, the cash flow forecast derived from those expectations, as well as the assumed long-term growth rates, with those responsible for planning. We also reconciled this information with other internally available forecasts and reconciled the cash flows used for the impairment test with the budget prepared by the Board of Management and approved by the Supervisory Board. We also evaluated the consistency of the assumptions with external market assessments.

We also examined the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings and by analyzing deviations. We compared the assumptions and data underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta factor with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation method used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take account of the existing forecast uncertainty for impairment testing, we examined the effects of possible changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes on the impairment of property, plant and equipment are appropriate.

OUR OBSERVATIONS

The underlying calculation methods used in the impairment test of property, plant and equipment are appropriate and consistent with the applicable accounting policies. The Company's assumptions and data used for measurement are within an acceptable range and are reasonable overall. The related disclosures in the notes are appropriate.

Other Information

The Board of Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the corporate governance statement included in the section of the same name in the combined management report,
- the information in the non-financial group statement contained in the "Sustainability in the supply chain" section of the combined management report and marked as unaudited, and
- information extraneous to combined management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

As part of a separate engagement, we performed an assurance engagement on the supplementary sustainability information. Please refer to our assurance report dated February 27, 2023, for information on the nature, scope and findings of this assurance engagement.

Responsibilities of the Board of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Board of Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Board of Management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Board of Management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Board of Management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Board of Management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Board of Management and the reasonableness of estimates made by the Board of Management and related disclosures.
- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Board of Management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Board of Management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "covestroag-2022-12-31-de.zip“ (SHA256 hash value: 2203d686bb8ab7a5b646a63077697d7a1279c092854b5cffd07890987e6d95a7) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2022, contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Board of Management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Board of Management is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on April 21, 2022. We were engaged by the Audit Committee of the Supervisory Board on November 15, 2022. We have been the group auditor of Covestro AG without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr. Kathryn Ackermann.

Düsseldorf, February 28, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer	Dr. Ackermann
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Limited assurance report of the independent auditor regarding the supplementary sustainability information[1]

To the Board of Management of Covestro AG, Leverkusen

We have performed a limited assurance engagement on the sections marked as "Supplementary Information" in the "Covestro Annual Report 2022" of Covestro AG, Leverkusen, for the period from January 1 to December 31, 2022 (hereinafter the "supplementary information").

Responsibilities of Management

The Management of the Covestro AG is responsible for the preparation of the supplementary information in accordance with the reporting criteria. As reporting criteria, Covestro AG applies the "with reference to" option of the Sustainability Reporting Standards (SRS) of the Global Reporting Initiative (GRI) in conjunction with the Corporate Accounting and Reporting Standard (Scope 1 and 2) of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) (hereinafter: "Reporting Criteria").

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the group that are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they consider necessary to enable the preparation of the supplementary information that is free from material misstatement, whether due to fraud or error.

Independence and Quality Assurance of the Assurance Practitioner's firm

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer, IDW*) regarding quality assurance requirements in audit practice (IDW QS 1).

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the supplementary information based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the International Standard on Assurance Engagements (ISAE) 3410 „Assurance Engagements on Greenhouse Gas Statements", issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the company's supplementary information, are not prepared, in all material respects, in accordance with the reporting criteria.

1 The English language text is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of personnel responsible for materiality analysis at Group level to gain an understanding of the approach used to identify material topics and corresponding reporting boundaries of Covestro AG.
- A risk assessment, including a media analysis, of relevant information on Covestro AG's sustainability performance in the reporting period.
- An assessment of the design and implementation of systems and processes for determining, processing and monitoring sustainability performance of disclosures and indicators within the scope of the audit, including the consolidation of data
- Inquiries of group level personnel responsible for determining the information on concepts, due diligence processes, results and risks, performing internal control procedures and consolidating the information
- Inspection of selected internal and external documents
- Analytical assessment of data and trends of quantitative disclosures reported for consolidation at Group level from all sites
- Assessment of the local data collection, validation and reporting processes as well as the reliability of the reported data through a sample survey at nine production sites
- Assessment of the overall presentation of the data and indicators of the sustainability performance and the supplementary sustainability information

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the as “supplementary information” identified sections in the “Covestro Annual Report 2022” of Covestro AG, Leverkusen, for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with the principles and disclosures set out in the Global Reporting Initiative (GRI) Universal Standards 2021 on sustainability reporting (“with reference to” option).

Restriction of Use

This assurance report is solely addressed to the Board of Management of Covestro AG, Leverkusen.

Our assignment for the Board of Management of Covestro AG, Leverkusen, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungs-gesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Cologne, February 27, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]
Krause ppa. Dietrich

Glossary

A

ADR / American Depositary Receipt
A depositary receipt issued by U.S. banks that documents ownership of a certain number of deposited shares of a foreign company and is traded on U.S. stock markets as representation of the original shares.

AktG / German Stock Corporation Act
Stipulates the legal provisions pertaining to German stock corporations.

APAC
Comprises all countries in the Asia and Pacific region.

C

Capital Employed
Capital employed is the sum of noncurrent and current assets less non-interest-bearing liabilities such as trade accounts payable.

Circular Economy
A renewable economic system in which resource input, waste production, emissions, and energy consumption are minimized based on long-lasting and closed material and energy cycles.

Climate Neutrality
A state in which human activities have no net impact on the climate system.

Cost of Capital for Impairment Testing
Weighted average cost of equity and debt that reflects the risk/return profile of the Covestro Group on the one hand and a specific capital structure of comparable companies (Covestro's peer group) on the other. This cost of capital, which is primarily derived from capital market information, is used for impairment testing according to IFRSs.

COVeC Approach
Covestro Venture Capital Approach in which Covestro invests in start-ups with innovative products, solutions, or business models. Covestro aims to actively support these new companies wherever they offer added value.

Covestment
Share-based participation program in which 99% of all employees worldwide can acquire Covestro shares at a discount.

CO_2 Sink
A "sink" is a procedure, an activity, or a mechanism with which a greenhouse gas, an aerosol, or a precursor substance of a greenhouse gas is removed from the atmosphere. In the case of CO_2, this occurs in, for example, forests, soils, the oceans, or underground (e.g. in former gas pits). Sink development measures such as reforestation can therefore help mitigate climate change.

D

DRS / German Accounting Standards
Pronouncements of the German Accounting Standards Committee e. V., which more precisely define the HGB requirements in reference to the application of group accounting principles.

Due Diligence
Information on the processes for identifying, preventing, and mitigating the actual or possible negative impact on nonfinancial factors.

E

Earnings per Share
Net income divided by the weighted average number of outstanding shares in the reporting period.

EBIT / Earnings Before Interest and Taxes
Income after income taxes plus financial result and income tax expense.

EBITDA / Earnings Before Interest, Taxes, Depreciation, and Amortization
EBIT plus depreciation and amortization of property, plant, equipment, and intangible assets.

EcoVadis
Rating agency that evaluates the degree to which supplier business practices are aligned with sustainability principles.

EMLA
Comprises all countries in Europe, the Middle East, Latin America (excluding Mexico), and Africa.

EURO STOXX 50
European stock index that reflects the share price performance of the 50 most important and highest-revenue companies in Europe.

F

FOCF / Free Operating Cash Flow
Operating cash flows (pursuant to IAS 7) less cash outflows for additions to property, plant, equipment and intangible assets.

G

GCGC / German Corporate Governance Code
A set of rules on responsible corporate governance drawn up by the Government Commission on the German Corporate Governance Code containing recommendations and suggestions for the management and oversight of publicly traded German companies.

GHG Protocol/ Greenhouse Gas Protocol
International accounting system for greenhouse gas emissions developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

GPS / Global Product Strategy
Initiative of the International Council of Chemical Associations (ICCA) with the aim of enshrining uniform global standards for product safety in the chemical industry.

GRI / Global Reporting Initiative
Guidelines on the preparation of sustainability reports by companies, governments, and nongovernmental organizations (NGOs).

H

HDI / Hexamethylene Diisocyanate
A chemical compound from the class of aliphatic isocyanates, primarily used in polyurethane coating systems.

HGB / German Commercial Code
Comprises the majority of German accounting legislation.

HSEQ / Health, Safety, Environment, Energy, and Quality
A commonly used abbreviation for health, safety, environment, energy, and quality.

I

IAS / Accounting Standards
International accounting standards as applicable in the EU or as published by the IASB or the IFRS IC.

IASB / International Accounting Standards Board
The International Accounting Standards Board is an independent, private-sector body that develops and adopts the International Financial Reporting Standards (IFRSs).

ICS / Internal Control System
Internal control system to ensure compliance with directives by means of technical and organizational rules.

IDW / Institut der Wirtschaftsprüfer in Deutschland e. V.
A professional association of German public auditors and German public audit firms that represents the interests of its members and supports their work.

IFRSs/ International Financial Reporting Standards
International accounting standards as applicable in the EU or as published by the IASB or the IFRS IC.

IPDI / Isophorone Diisocyanate
A chemical compound from the class of aliphatic isocyanates, primarily used in polyurethane coating systems.

L

LGBTIQ
International abbreviation for lesbian, gay, bisexual, trans, intersex, and queer people.

LoPC / Loss of Primary Containment
Leaks of chemicals in amounts above defined thresholds leaking from their primary containers, such as pipelines, pumps, tanks, and drums.

LTRIR
Lost time recordable incident rate.

M

Mass Balance Approach
A method of assigning sustainable attributes to products for which both fossil and sustainable raw materials were used during production.

Materiality Analysis
A materiality analysis enables companies to systematically identify the most important sustainability issues from the internal and external perspective.

MDI / Diphenylmethane Diisocyanate
A chemical compound from the class of aromatic isocyanates, primarily used in polyurethane foams.

N

NA / North America
Region comprising Canada, Mexico, and the United States.

Net Financial Debt
Interest-bearing liabilities (excluding pension obligations) less liquid assets.

Net Income
Income after income taxes that is attributable to Covestro AG shareholders.

Net Zero Greenhouse Gas Emissions
Achievement of net-zero GHG emissions is defined as a balance between anthropogenic production of GHG emissions and anthropogenic reduction of GHG emissions.

NOPAT / Net Operating Profit after Taxes
EBIT after imputed income taxes.

NPS / Net Promoter Score
Performance indicator which measures our customers' willingness to recommend Covestro based on the question of how likely it is that they would recommend the company to a colleague or business partner, with scores ranging between –100 and +100.

P

PMDI / Polymeric Diphenylmethane Diisocyanate
A chemical compound from the class of aromatic isocyanates, primarily used in polyurethane foams.

PO / Propylene Oxide
A chemical compound from the class of epoxides used in the production of polyurethanes.

Prisma
Prisma is a share-based compensation program with a four-year performance period for senior executives and other managerial employees.

PSP / Profit Sharing Plan
Covestro PSP is the Group's short-term variable compensation system. It is based exclusively on the achievement of targets for the key performance indicators relevant to Covestro (EBITDA, FOCF, ROCE above WACC, and selected ESG criteria).

R

REACH Regulation
REACH stands for Registration, Evaluation, Authorisation, and Restriction of Chemicals. Regulation (EC) No. 1907/2006, which entered into force in 2007, standardizes EU chemicals law.

Responsible Care™ Initiative
Initiative by the German Chemical Industry Association (VCI) aimed at continuously improving health, environmental protection, and safety at its member companies.

RIR / Recordable Incident Rate
Total number of recordable workplace accidents and illnesses per 200,000 working hours.

ROCE / Return on Capital Employed
Ratio of EBIT after imputed income taxes to capital employed.

S

Scope 1, Scope 2, Scope 3 Emissions
The GHG Protocol distinguishes between direct emissions of greenhouse gases (Scope 1), emissions from the generation of externally purchased energy (Scope 2), and all other emissions arising in the value chain either before or after our business activities (Scope 3).

SDGs
The 17 United Nations Sustainable Development Goals were ratified by all UN member states and entered into force on January 1, 2016. Their objective is to combat global poverty, protect the planet, and secure peace and prosperity for all.

Stakeholders
Internal and external interest groups which are directly or indirectly impacted by the company's business activities and/or may be impacted in the future.

STOXX Europe 600 Chemicals
A sector index maintained by the index issuer STOXX. The STOXX Europe 600 is comprised of 600 companies from across Europe.

T

TCFD / Task Force on Climate-related Financial Disclosures
The TCFD was formed by the Financial Stability Board to develop a uniform framework for reporting on climate-related opportunities and risks.

TDI / Toluylene Diisocyanate
A chemical compound from the class of aromatic isocyanates, primarily used in polyurethane foams and coating systems.

TfS / Together for Sustainability
An initiative undertaken by various companies in the chemical industry to standardize supplier assessments globally in order to improve sustainability practices in the supply chain.

U

UN Global Compact
The world's largest responsible corporate governance initiative. The member companies undertake to implement 10 universal principles and regularly document their progress.

V

VCI / Verband der Chemischen Industrie
German chemical industry association.

W

WACC / Weighted Average Cost of Capital
Weighted average cost of capital reflecting the expected return on the company's equity and debt capital. Used for the internal measurement of the absolute value contribution.

Segment and Quarterly Overview

Segment information for the 4th quarter

	Performance Materials		Solutions & Specialties		Others/Consolidation		Covestro Group	
	4th quarter 2021	4th quarter 2022	4th quarter 2021	4th quarter 2022	4th quarter 2021	4th quarter 2022	4th quarter 2021	4th quarter 2022
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	**2,259**	**1,916**	**2,005**	**1,975**	**74**	**73**	**4,338**	**3,964**
Intersegment sales[1]	696	644	8	7	(704)	(651)	–	–
Sales (total)	**2,955**	**2,560**	**2,013**	**1,982**	**(630)**	**(578)**	**4,338**	**3,964**
Change in sales								
Volume	0.5%	–17.5%	–3.4%	–8.9%	75.3%	–3.3%	–0.2%	–13.2%
Price	37.6%	–1.3%	25.6%	3.3%	0.0%	0.0%	31.6%	0.8%
Currency	3.6%	3.6%	4.1%	4.1%	0.9%	1.9%	3.8%	3.8%
Portfolio	0.0%	0.0%	19.9%	0.0%	0.0%	0.0%	9.1%	0.0%
Sales by region								
EMLA	1,039	785	722	676	61	57	1,822	1,518
NA	582	516	457	533	10	13	1,049	1,062
APAC	638	615	826	766	3	3	1,467	1,384
EBITDA[2]	**590**	**(89)**	**112**	**108**	**(39)**	**(57)**	**663**	**(38)**
EBIT[2]	445	(600)	41	(37)	(41)	(58)	445	(695)
Depreciation, amortization, impairment losses and impairment loss reversals	145	511	71	145	2	1	218	657
Cash flows from operating activities[3]	665	563	175	514	(192)	(238)	648	839
Cash outflows for additions to property, plant, equipment and intangible assets	168	187	122	99	2	3	292	289
Free operating cash flow[3]	**497**	**376**	**53**	**415**	**(194)**	**(241)**	**356**	**550**
Trade working capital[4]	1,392	1,135	1,560	1,592	–	(21)	2,952	2,706

1 In accordance with internal reporting to the Board of Management since July 1, 2022, these figures also include sales recognized in the amount of cost of goods sold. To ensure comparability, the segment data is presented on a consistent basis.
2 EBITDA and EBIT include the effect of intersegment sales on earnings.
3 An imputed tax rate of 25% has been used to calculate this since the year 2022 (previous year: effective tax rate); see note 4 "Segment and Regional Reporting" in the Notes to the Consolidated Financial Statements.
4 Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of December 31, 2021/2022.

Segment information full year

	Performance Materials		Solutions & Specialties		Others/Consolidation		Covestro Group	
	2021	2022	2021	2022	2021	2022	2021	2022
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	**8,142**	**9,095**	**7,554**	**8,558**	**207**	**315**	**15,903**	**17,968**
Intersegment sales[1]	2,608	2,967	27	35	(2,635)	(3,002)	–	–
Sales (total)	**10,750**	**12,062**	**7,581**	**8,593**	**(2,428)**	**(2,687)**	**15,903**	**17,968**
Change in sales								
Volume	1.6%	–5.0%	11.8%	–6.3%	17.0%	49.1%	6.5%	–5.0%
Price	48.1%	10.9%	21.3%	9.4%	0.0%	0.0%	34.7%	10.1%
Currency	–0.8%	5.8%	–0.9%	6.0%	–0.7%	3.1%	–0.8%	5.9%
Portfolio	0.0%	0.0%	17.1%	4.2%	0.0%	0.0%	8.1%	2.0%
Sales by region								
EMLA	3,878	4,152	2,835	3,198	163	250	6,876	7,600
NA	1,926	2,447	1,594	2,140	33	52	3,553	4,639
APAC	2,338	2,496	3,125	3,220	11	13	5,474	5,729
EBITDA[2]	**2,572**	**951**	**751**	**825**	**(238)**	**(159)**	**3,085**	**1,617**
EBIT[2]	2,003	(28)	503	461	(244)	(166)	2,262	267
Depreciation, amortization, impairment losses and impairment loss reversals	569	979	248	364	6	7	823	1,350
Cash flows from operating activities[3]	1,875	1,091	418	472	(100)	(593)	2,193	970
Cash outflows for additions to property, plant, equipment and intangible assets	488	547	273	277	3	8	764	832
Free operating cash flow[3]	**1,387**	**544**	**145**	**195**	**(103)**	**(601)**	**1,429**	**138**
Trade working capital[4]	1,392	1,135	1,560	1,592	–	(21)	2,952	2,706

1 In accordance with internal reporting to the Board of Management since July 1, 2022, these figures also include sales recognized in the amount of cost of goods sold. To ensure comparability, the segment data is presented on a consistent basis.

2 EBITDA and EBIT include the effect of intersegment sales on earnings.

3 An imputed tax rate of 25% has been used to calculate this since the year 2022 (previous year: effective tax rate); see note 4 "Segment and Regional Reporting" in the Notes to the Consolidated Financial Statements.

4 Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of December 31, 2021/2022.

Quarterly Overview

	1st quarter 2021	2nd quarter 2021	3rd quarter 2021	4th quarter 2021	1st quarter 2022	2nd quarter 2022	3rd quarter 2022	4th quarter 2022
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales (external)	3,307	3,956	4,302	4,338	4,683	4,703	4,618	3,964
Performance Materials	1,740	1,957	2,186	2,259	2,388	2,461	2,330	1,916
Solutions & Specialties	1,529	1,951	2,069	2,005	2,222	2,165	2,196	1,975
EBITDA	**743**	**817**	**862**	**663**	**806**	**547**	**302**	**(38)**
Performance Materials[1]	630	644	708	590	620	367	53	(89)
Solutions & Specialties[1]	181	237	221	112	224	213	280	108
EBIT	556	607	654	445	589	307	66	(695)
Performance Materials[1]	489	502	567	445	475	204	(107)	(600)
Solutions & Specialties[1]	138	170	154	41	152	139	207	(37)
Financial result	(29)	(18)	(20)	(10)	(28)	(44)	(40)	(25)
Income before income taxes	527	589	634	435	561	263	26	(720)
Income after taxes	395	450	473	301	417	198	11	(907)
Net income	393	449	472	302	416	199	12	(899)
Cash flows from operating activities[2]	428	553	564	648	157	(272)	246	839
Cash outflows for additions to property, plant, equipment and intangible assets	110	179	183	292	140	190	213	289
Free operating cash flow[2]	**318**	**374**	**381**	**356**	**17**	**(462)**	**33**	**550**

[1] The earnings of the Performance Materials and Solutions & Specialties reportable segments include the effect of intersegment sales on earnings.

[2] An imputed tax rate of 25% has been used to calculate this since the year 2022 (previous year: effective tax rate); see note 4 "Segment and Regional Reporting" in the Notes to the Consolidated Financial Statements.

Five-Year Summary

Five-Year Summary

	2018	2019	2020	2021	2022
	€ million	€ million	€ million	€ million	€ million
Sales (external)	**14,616**	**12,412**	**10,706**	**15,903**	**17,968**
Performance Materials[1]	7,757	6,173	5,468	8,142	9,095
Solutions & Specialties[1]	6,673	6,069	5,060	7,554	8,558
EBITDA	**3,200**	**1,604**	**1,472**	**3,085**	**1,617**
EBIT	2,580	852	696	2,262	267
Financial result	(104)	(91)	(91)	(77)	(137)
Net income	1,823	552	459	1,616	(272)
Earnings per share (€)[2]	9.46	3.02	2.48	8.37	(1.42)
Operating cash flows[3]	2,376	1,383	1,234	2,193	970
Cash outflows for additions to property, plant, equipment and intangible assets	707	910	704	764	832
Free operating cash flow[3]	**1,669**	**473**	**530**	**1,429**	**138**
Trade working capital[4]	2,353	1,965	1,949	2,952	2,706
Net financial debt	348	989	356	1,405	2,434
ROCE	29.5%	8.4%	7.0%	19.5%	2.0%
Employees (in FTE)	16,770	17,201	16,501	17,909	17,985

1 Reference information for the segments for the period from fiscal 2018–2019 are based on unaudited figures due to the new organizational structure.

2 Figures based on weighted average number of voting shares outstanding that were subject to relevant changes resulting from, among other factors, the share buyback program between November 21, 2017 and December 4, 2018, the share buyback program launched on March 21, 2022, and the capital increase on October 19, 2020.

3 An imputed tax rate of 25% has been used to calculate this since the year 2022 (previous year: effective tax rate); see note 4 “Segment and Regional Reporting” in the Notes to the Consolidated Financial Statements.

4 Trade working capital includes inventories plus trade accounts receivable and contract assets, less trade accounts payable, contract liabilities, and refund liabilities as of the December 31 reporting date for the years 2018 to 2022. The reference information for 2018 and 2019 was restated accordingly; see note 4 “Change in Presentation of Rebates Granted to Customers and Trade Working Capital” in the Annual Report 2020.