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Report of the Supervisory Board



Dr. Richard Pott, Chairman of the Supervisory Board of Covestro AG

Dear Shareholders,

The year 2022 was challenging overall. In Europe in particular, the Russian war against Ukraine and the associated gas and energy crisis shaped the economic environment. High inflation, sharply increased prices for raw materials and energy, and a decline in demand had an additional negative impact on the global economy and Covestro. The lockdowns in China during the year as a result of the ongoing coronavirus pandemic, as well as logistical difficulties and partially disrupted supply chains, also contributed to this.

In these critical times, the Board of Management of Covestro always analyzed the situation and developments very closely, developed measures, and made the necessary decisions to safeguard the company's business and future. This also included safeguarding the company's liquidity and profitability.

We, the Supervisory Board, closely accompanied the Board of Management and supported its decisions.

Despite the crisis situations of fiscal 2022, there were also very positive developments and successes for Covestro: For example, the company continued on its path toward full alignment with the circular economy and established and published its path to climate neutrality. To anchor sustainability even more firmly in the company, Covestro also made it part of its management system last year. The Resins & Functional Materials (RFM) business unit acquired from the Netherlands-based Koninklijke DSM N.V. was also successfully integrated in 2022, faster than planned despite acute challenges. More than ever, the demands placed on globally operating groups have increased. Covestro, with its focus on circularity, renewable resources, and sustainable products, is ideally positioned to master these successfully.

During this period, the Supervisory Board took important decisions to set the course for the continuity of Covestro's management: The contract of the Chairman of the Board of Management, Dr. Markus Steilemann, was extended ahead of schedule by a further 5 years. The expiring contract of the Chief Technology Officer (CTO), Dr. Klaus Schäfer, was extended by six months to ensure personnel stability for Covestro given the current tense policy situation in the energy markets. Also, the long-term succession of the CTO was secured by appointing the current Head of the Coatings & Adhesives Business Unit, Dr. Thorsten Dreier, to the Board of Management as CTO from July 2023.

There have been changes in the composition of the Supervisory Board as of the Annual General Meeting in 2022: Firstly, due to the election of new employee representatives to the Supervisory Board and, secondly, due to the election of a shareholder representative at the Annual General Meeting.

An important area of the Supervisory Board's work in 2022 included the amendments to the German Corporate Governance Code (GCGC) and their implementation.

During the reporting period, the Supervisory Board of Covestro AG performed its duties with due care in accordance with the law, the Articles of Incorporation, and the rules of procedure. During fiscal 2022, it monitored the conduct of the company's business by the Board of Management with regular frequency based on detailed written and oral reports received from the Board of Management, and also acted in an advisory capacity. The discussions between the Supervisory Board and Board of Management were always constructive and were conducted in the spirit of openness and trust.

The Supervisory Board Chair was in regular contact with the Board of Management outside of Supervisory Board meetings and remained informed about current developments in the company's business performance and material transactions. In addition, the Chair of the Supervisory Board was in close contact with the Chair of the Board of Management to discuss important questions and decisions one on one. The full Supervisory Board was informed in detail about the content of these discussions no later than during the next meeting.

In this way, the Supervisory Board was kept regularly and fully informed in the respective meetings about the company's intended business strategy, corporate planning (including financial, investment, and human resources planning), the company's profitability, the state of the business, and the situation of the company and the Group (including the risk situation, risk management, and the compliance situation). Where Board of Management decisions or actions required the approval of the Supervisory Board during the reporting period, whether by law, or under the Articles of Incorporation or the rules of procedure, the draft resolutions were inspected and discussed in detail by the members of the Supervisory Board at its meetings, sometimes after preparatory work by the responsible committees, or approved in writing on the basis of documents circulated to the members. The Supervisory Board was always directly involved in decisions of material importance to the company. It discussed in detail the business trends described in the reports from the Board of Management and the prospects for the development of the Covestro Group as a whole, the individual segments, and the regions. The Supervisory Board continually ensured that the actions of the Board of Management were lawful, due and proper, and appropriate.

Meetings of the Full Supervisory Board and Member Attendance

In fiscal year 2022, the Supervisory Board held a total of six meetings, all of which – with the exception of the constituent meeting on April 21 – were also attended by at least one member of the Board of Management, except where issues were discussed that required them to be absent. In the year 2022, it became possible again to hold physical Supervisory Board meetings (video conferences from January to April, physical meetings from June). Most of the 16 committee meetings were held as video conferences – unless they took place on the same day as one of the Supervisory Board meetings.

The members of the Supervisory Board attended the meetings of the Supervisory Board of Covestro AG and its committees, as follows:

	Supervisory Board	Presidial Committee	Audit Committee	Human Resources Committee	Nomination Committee	Sustain-ability Committee	Overall amount of meetings ¹	
	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	Meeting attendance	%
Supervisory Board member								
Dr. Richard Pott (Chair)	6/6	1/1	–	5/5	1/1	–	13/13	100.0
Dr. Christine Bortenlänger	6/6	–	4/4	–	–	–	10/10	100.0
Dr. Christoph Gürtler (since April 2022)	4/4	–	–	3/3	–	3/3	10/10	100.0
Lise Kingo ²	5/6	–	–	–	–	5/5	10/11	90.9
Petra Kronen (Vice Chair)	6/6	1/1	4/4	5/5	–	–	16/16	100.0
Irena Küstner	6/6	–	4/4	–	–	–	10/10	100.0
Dr. Ulrich Liman (until April 2022)	2/2	–	–	2/2	–	2/2	6/6	100.0
Frank Löllgen (since April 2022)	4/4	–	–	–	–	–	4/4	100.0
Prof. Dr. Rolf Nonnenmacher (until April 2022)	2/2	–	1/1	–	–	–	3/3	100.0
Petra Reinbold-Knape	6/6	1/1	4/4	–	–	–	11/11	100.0
Dr. Sven Schneider (since April 2022)	4/4	–	3/3	–	–	–	7/7	100.0
Regine Stachelhaus	6/6	1/1	–	5/5	1/1	–	13/13	100.0
Marc Stothfang ³	4/6	–	–	–	–	3/5	7/11	63.6
Patrick Thomas	6/6	–	4/4	–	1/1	5/5	16/16	100.0
Frank Werth (until April 2022)	2/2	–	–	–	–	–	2/2	100.0
Total	69/72	4/4	24/24	20/20	3/3	18/20	138/143	96.5

¹ Three Supervisory Board and 13 committee meetings were held as video conferences, three Supervisory Board and three committee meetings were held physically.

² Absence due to other diary commitments made before the Supervisory Board appointment.

³ Due to illness no meetings attended since October 2022.

In total, Supervisory Board members attended meetings of the Supervisory Board and its committees with a 96.5% attendance rate. In addition, some Supervisory Board members attended meetings of the Sustainability Committee intended for guest attendance (the Chairman of the Supervisory Board and Petra Kronen attended all five meetings, Regine Stachelhaus attended four, Irena Küstner and Petra Reinbold-Knape three each, and Frank Löllgen one). Moreover, the Chairman of the Supervisory Board attended all four meetings of the Audit Committee as a guest.

Based on its composition and experience, the Supervisory Board as a whole has in-depth industry expertise in the polymer sector in which Covestro operates.

The members of the Supervisory Board once again participated in continuing personal education in the reporting year 2022 in order to enhance the expertise of the Supervisory Board as a whole. The Supervisory Board subjected its activities to an externally facilitated effectiveness and efficiency review in the reporting period. In addition to individual interviews with all Supervisory Board members, a written questionnaire, and 360-degree feedback, this included a two-day workshop in October; in this externally facilitated workshop, aspects relevant to the Supervisory Board's work were discussed. The particular tasks and roles of the Supervisory Board in the context of the current crisis situation (Russian war against Ukraine, energy crisis) and its effects on the company were included in the areas on which the workshop focused in-depth. Another workshop was held in November. This strategy workshop, which had been organized by the Board of Management in connection with the Supervisory Board's strategy meeting, also dealt with issues such as the effects of the crisis situation on the

company and on the corporate strategy. In the Supervisory Board meeting on November 10, training was given by external experts on capital market matters and capital market law.

The Supervisory Board also took advantage of the three-yearly K plastics trade fair in Düsseldorf to learn about the plastics industry and the latest trends and challenges, and to obtain information on how Covestro is positioned and the specific products in this environment, focusing on the aspects of sustainability and the circular economy. All costs incurred for the above measures were covered by Covestro.

Change in the Composition of the Supervisory Board

At the Annual General Meeting on April 21, 2022, Dr. Sven Schneider was elected to the Supervisory Board for a term of office of four years; he succeeds Prof. Rolf Nonnenmacher, who stepped down. Moreover, in the election of employee representatives by delegates on March 17, Petra Kronen, Irena Küstner, and Marc Stothfang were reelected to the Supervisory Board and Dr. Christoph Gürtler was elected as a new member to succeed Dr. Ulrich Liman, who stepped down. The candidates proposed by the IGBCE trade union, Petra Reinbold-Knape and Frank Löllgen, were also elected. Petra Reinbold-Knape was reelected and Frank Löllgen was elected as a new Supervisory Board member to succeed Frank Werth, who stepped down. The employee representatives were elected for a term of office of five years, which began at the close of the Annual General Meeting (AGM) on April 21.

The Supervisory Board would like to thank the members who stepped down, Prof. Rolf Nonnenmacher, Dr. Ulrich Liman, and Frank Werth, for the good working relationship on a basis of trust over many years.

Principal Topics Discussed by the Supervisory Board

The deliberations of the Supervisory Board focused on the Board of Management's regular reports on business activities, which contained detailed information on the development of the sales and earnings for the Group and the segments as well as on the strategy, opportunities and risks situation, and personnel matters at Covestro.

The current crisis situation in connection with the Russian war against Ukraine and its impact on the company were discussed at every Supervisory Board meeting in the year 2022; they were also the subject of many additional reports by the Board of Management outside of Supervisory Board meetings. The continued transformation of the Group, which had been launched in the year 2021, and the integration of the RFM business acquired from DSM in 2021 were also discussed at almost all Supervisory Board meetings (the integration of the RFM business was successfully concluded in June 2022). At these meetings, the Supervisory Board received very detailed reports, extensively discussed the existing challenges and progress made, and verified the underlying assumptions. In addition, the Supervisory Board concentrated on the following topics in individual meetings and also through circular resolutions:

The Compensation Report, which had to be created jointly by the Board of Management and Supervisory Board and approved by the AGM for the first time in the year 2022, was adopted by the Supervisory Board on February 10, 2022, after detailed discussion by way of a circular resolution. This followed the resolution to adopt the report by the Board of Management.

In its meeting on February 22, 2022, the Supervisory Board discussed in detail the Financial Statements and Consolidated Financial Statements for fiscal 2021, the Combined Management Report including the nonfinancial Group statement and the proposal for the appropriation of distributable profit. The Supervisory Board also reviewed in detail the audit report and the auditor's oral report concerning the material results of the audit. In addition, the Supervisory Board examined internal risk reporting, which sets out the material risks for the Group and current developments in this regard, as well as the relevant countermeasures. Furthermore, the organization, statistics, training efforts, processes, and effectiveness of the Group's compliance management system were reviewed in depth. In this meeting, the Supervisory Board also approved the Board of Management's decision to hold a virtual AGM on April 21, 2022, due to the ongoing coronavirus pandemic and discussed the AGM agenda and proposed resolutions as well as the election of a shareholder representative to take place there. Further topics included various compensation issues. In this meeting, the Supervisory Board also discussed the path to climate neutrality for the company presented by the Board of Management and approved the proposal and the associated emission reduction targets.

At the Supervisory Board meeting on April 21, 2022, the main agenda item was the virtual AGM held on the same day. Ahead of the AGM, the Chairman of the Supervisory Board had already held discussions with investors relating to the agenda of the AGM, in particular the aspects of Board of Management compensation, Supervisory Board compensation, terms of office and periods of appointment for Supervisory Board members, and other governance topics.

After the AGM, a constituent meeting of the Supervisory Board was held, since the six new employee representatives elected to the Supervisory Board by the Covestro workforce in March and the new shareholder representative, Dr. Sven Schneider, elected at the AGM began their terms of office at the end of the AGM. In this constituent meeting, Petra Kronen was elected Vice Chair of the Supervisory Board. The members representing employees on the Supervisory Board committees were also elected. Dr. Sven Schneider, who had been appointed as a new member of the Supervisory Board by the AGM, was elected to the Audit Committee in Prof. Rolf Nonnenmacher's place and elected as its Chair. In this meeting, an overview of the system for the externally facilitated self-assessment of the effectiveness and efficiency of the Supervisory Board's work, which had to be performed in that year, was also presented.

In the Supervisory Board meeting on June 9, 2022, the system for the self-assessment of the Supervisory Board was discussed in depth and in detail. In this meeting, the Supervisory Board also debated gender representation in the Board of Management and Supervisory Board and specified a new gender quota for the transition period, taking account of the applicable new representation requirements introduced by the Act Supplementing and Amending the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FüPoG II). In this meeting, the Supervisory Board was also informed about the amendments to the GCGC, which had been published shortly before the meeting. Moreover, the Supervisory Board resolved to reappoint the Chief Executive Officer (CEO), Dr. Markus Steilemann, and extend his contract by another five years following the end of his current appointment.

In the period from the end of July to the beginning of October, the Supervisory Board dealt with four time-critical matters and decisions, each time by way of circulation: On July 29, it discussed the sale of the additive manufacturing business. On August 4, the Supervisory Board approved an increase in the external credit line, and on August 25, it approved the issuance of a Euro Commercial Paper Programme and the issuance of Schuldschein loans. On October 4, the Supervisory Board resolved to appoint Dr. Klaus Schäfer as Chief Technology Officer (CTO) for another six months. Dr. Schäfer had declared that he would be prepared to extend his contract, which was due to expire at the end of the year, by this period to ensure staffing stability for Covestro given the tense policy situation in the energy markets.

In the Supervisory Board meeting held on November 9 and 10, the Supervisory Board resolved to appoint Dr. Thorsten Dreier to the Board of Management as CTO to succeed Dr. Klaus Schäfer, who will step down on June 30, 2023. One particular focus of this meeting was the Group strategy; the Supervisory Board had already discussed the general framework of this strategy at the strategy workshop held earlier. The trends and challenges shaping the short-, medium-, and long-term prospects as well as Covestro's specific skills and strategic scope were also discussed in this context. The meeting also included externally facilitated training on capital market matters and capital market law.

In its meeting on December 16, 2022, the Supervisory Board considered various compensation issues. It reviewed the Board of Management's fixed compensation on a regular basis and considered the long-term variable compensation for the Board of Management. The Board additionally discussed in detail the financial planning for fiscal 2023 proposed by the Board of Management and the medium-term outlook also presented. It approved both the financial plan and the financing framework proposed for fiscal 2023. In this meeting, the Supervisory Board also planned the AGM to be held in the year 2023, discussing the agenda and proposed resolutions and approved the decision of the Board of Management to hold the 2023 AGM as a virtual meeting. In this meeting, the Supervisory Board also voted to issue an unqualified declaration of conformity with the GCGC.



Covestro AG Supervisory Board (as of December 31, 2022; from left to right):
 First row: Dr. Richard Pott, Petra Kronen, Dr. Christine Bortenlänger, Dr. Christoph Gürtler
 Second row: Lise Kingo, Irena Küstner, Frank Löllgen, Petra Reinbold-Knape
 Third row: Dr. Sven Schneider, Regine Stachelhaus, Marc Stothfang and Patrick Thomas

Committees of the Supervisory Board

In the past fiscal year, the Supervisory Board had five permanent committees set up so that it can continue to exercise its duties effectively and efficiently. The committees prepared resolutions by the full Supervisory Board and provided information on other topics to be discussed by this body. Moreover, certain decision-making powers of the Supervisory Board were delegated to the committees to the extent legally permissible. The Supervisory Board currently has the following permanent committees: Presidial Committee, Audit Committee, Human Resources Committee, Nominations Committee, and Sustainability Committee.

The tasks and responsibilities of the standing committees and their current composition are described in greater detail in "Declaration on Corporate Governance" under "Committees of the Supervisory Board" in the Combined Management Report.

The meetings and decisions of all committees, and especially those of the Audit and Sustainability Committees, were prepared on the basis of reports and explanations provided by the Board of Management. The committee chairs regularly provided comprehensive reports on the work of the committees to the full Supervisory Board.

The **Presidial Committee**, on which shareholders and employees are equally represented, made preparations in the year 2022 for the decisions relating to the qualification matrix required by the new GCGC and convened for a meeting for this purpose on November 23, 2022. This followed the preparation by the Nomination Committee of a proposed qualification matrix, including a review of and adjustments to the Supervisory Board's areas of skill.

The **Audit Committee** met a total of four times in the year under review: on February 21, May 2, July 25, and October 24, 2022, each time in the presence of the CFO. Three of these meetings were also attended by the auditor. The Audit Committee conducted a preparatory review of the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, the Combined Management Report, and the proposal for the use of the distributable profit for the Supervisory Board. Additionally, it also discussed in detail the respective audit report and in particular, along with the oral report by the auditor on the material results of the audit. The Combined Management Report also included the Group's nonfinancial statement. In conducting its review, the Audit Committee found no grounds for objections. It recommended to the Supervisory Board to approve the Financial Statements and Consolidated Financial Statements for fiscal 2021 as well as to consent to the Combined Management Report and the proposal for the use of the distributable profit. In addition, the Audit Committee discussed with the Board of Management the half-year financial report in light of the results of the review by the auditor, and the Q1 and Q3 2022 interim statements prior to their publication.

The Audit Committee monitored the accounting and financial reporting process and the appropriateness and effectiveness of the internal control system, the risk management system, and the internal audit system, including sustainability-related aspects, and deliberated on the audit of the Financial Statements and compliance. In doing so, the Committee received reports, including from the heads of Corporate Audit and the Corporate Law, Intellectual Property & Compliance functions and from the auditor. No material weaknesses were identified in the internal control system for financial reporting purposes or the risk early warning system.

The Audit Committee additionally undertook preparations for the Supervisory Board's proposal for the appointment of the financial statement auditor by the AGM, the engagement of the auditor and agreement on the auditor's fee. It monitored the quality of the audit and the independence of the auditor as well as the supplementary non-audit services provided in addition to the financial statement audit. In this context, the committee had the auditor confirm their independence.

The Audit Committee discussed the audit risk assessment, audit strategy, audit planning, key audit matters, and audit results with the auditor. The Chairman of the Audit Committee had regular feedback sessions with the auditor on the audit progress and reported on this to the Audit Committee.

Particular topics discussed by the Audit Committee in the fiscal year under review were current and future regulatory requirements for sustainability reporting and their implementation, including especially the requirements of the EU Taxonomy; the amendments to the GCGC; pension plan asset management; information security; and cyber risk management. Furthermore, the Audit Committee obtained information on an ongoing basis on enhancements to the compliance management system (particularly regarding anti-corruption measures), the handling of suspected compliance violations, progress in significant litigation, new legal and regulatory risks, and the risk situation, risk tracking, and risk monitoring in the Group. The Corporate Audit function provided regular reports about risk assessments.

The heads of the relevant corporate functions also participated in meetings of the Audit Committee on selected agenda items, reported on these, and answered questions. In addition, the Chair of the Audit Committee discussed important matters between meetings, particularly with the Supervisory Board Chair, the CFO and the auditor. The key results of these discussions were reported regularly to the Audit Committee and the Supervisory Board. The Audit Committee continued its practice of closed sessions in the year under review. They allow the auditor and the committee during the meeting to have a discussion without the Board of Management being present.

In the reporting period, the **Human Resources Committee** met for a total of five meetings held on February 22, April 21, June 9, September 28, and December 16, 2022. Topics of particular importance in connection with long-term succession planning for the Board of Management in the past year also included the reappointment of the CEO, Dr. Markus Steilemann, and the extension of his contract as well as succession planning for the CTO. The CTO succession planning was on the agenda of the Human Resources Committee meetings in February, June, and September.

In its first meeting on February 22, the committee discussed the CTO succession planning, as well as target attainment by the members of the Board of Management, long-term variable compensation of the Board of Management, and adjustments to the description of the compensation system for the Board of Management. The meetings on April 21 and June 9 focused on the reappointment of the CEO and the extension of his contract.

In the fourth meeting held on September 28, the Human Resources Committee dealt in particular with the reappointment of Dr. Klaus Schäfer and the extension of his contract and the appointment of Dr. Thorsten Dreier as member of the Board of Management and successor to Dr. Schäfer as of July 1, 2023. It also approved Dr. Thomas Toepfer's membership of the Regional Advisory Council for the Central Region of Commerzbank AG.

The agenda of the meeting held on December 16 included the annual review of the appropriateness of Board of Management compensation, long-term variable compensation of the Board of Management, and short-term variable compensation for the current year.

The members of the **Nomination Committee** held a meeting on September 22 of the reporting year to discuss the skills profile and the qualification matrix of the Supervisory Board required by the GCGC. The Nomination Committee reviewed and added to the skills profile to meet the requirements of the new version of the GCGC. In this meeting, the Nomination Committee also prepared the qualification matrix required by the GCGC, which was subsequently processed further by the Presidial Committee.

The **Sustainability Committee** convened for a total of five meetings. In its first meeting on February 1, it dealt with Covestro's path to climate neutrality (Scope 1 and Scope 2 emissions) and related proposals on objectives and implementation measures. The committee also discussed the EU's chemicals strategy and the approach adopted by Covestro in response. In its second meeting on March 30, the focus was on Scope 3 emissions and how they relate to the circular economy. In the third meeting on June 7, the Scope 3/circular economy topic was raised again on the basis of examples from the market. In addition, discussions centered on ratings by external rating agencies on environmental, social, and governance (ESG) aspects, and the approach pursued by Covestro in this regard. Another topic at this meeting was the concept for the K plastics trade fair in October 2022, with a focus on sustainable solutions and the circular economy. In the fourth meeting on September 9, the committee discussed the key performance indicators (KPIs) for measuring performance against targets. It also considered the ESG aspect of "Compliance with human rights" and spent time on the topic of "Transparency of our reporting" (current forms of reporting at Covestro and future requirements, in particular in accordance with the EU Taxonomy Regulation and the Corporate Sustainability Reporting Directive). The topics focused on at the fifth meeting on November 25 included a progress update on ESG reporting, the 2022 materiality assessment, and the annual planning of the topics of the Sustainability Committee for the year 2023.

Financial Statements/Audit

The Financial Statements of Covestro AG were prepared in accordance with the requirements of the German Commercial Code (HGB) and German Stock Corporation Act (AktG). The Consolidated Financial Statements of the Covestro Group were prepared in accordance with the German Commercial Code and the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The Combined Management Report including the Group's nonfinancial statement was prepared in accordance with the German Commercial Code. The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, and the Combined Management Report including the Group's nonfinancial statement. KPMG AG Wirtschaftsprüfungsgesellschaft has audited Covestro's Financial Statements since fiscal 2018. Marc Ufer and Dr. Kathryn Ackermann signed the Independent Auditor's Report for fiscal year 2022. Both of them signed the Independent Auditor's Report for first time on December 31, 2022. The conduct of the audit, key audit matters, and results of the audit are explained in the auditor's reports. The auditor finds that Covestro has complied, as appropriate, with the German Commercial Code, the German Stock Corporation Act and/or the IFRS regulations as adopted by the EU, and issues unqualified opinions on the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, the Combined Management Report, including the nonfinancial Group statement, and the Compensation Report. The Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, the Combined Management Report including the Group's nonfinancial statement, and the audit reports were submitted to all members of the Supervisory Board. The Audit Committee and the Supervisory Board reviewed the financial statement documentation in depth after the auditor's report was presented. The auditor attended both meetings.

The Supervisory Board examined the Financial Statements of Covestro AG, the Consolidated Financial Statements of the Covestro Group, and the Combined Management Report including the Group's nonfinancial statement. It had no objections and thus concurred with the result of the audit.

The Supervisory Board approved the Financial Statements of Covestro AG and the Consolidated Financial Statements of the Covestro Group prepared by the Board of Management. The Financial Statements of Covestro AG are thus confirmed. Since no net income was generated, there is no proposal for the use of distributable profit. The Board of Management and Supervisory Board jointly prepared the annual compensation report.

Corporate Governance and Declaration of Conformity

During the reporting year, the Supervisory Board again extensively addressed Covestro's corporate governance, taking into account the German Corporate Governance Code and, together with the Board of Management, submitted an unqualified declaration of conformity in accordance with Section 161 of the German Stock Corporation Act in December 2022 based on the Code in the April 28, 2022, version. This declaration has been posted on Covestro's website.

Expression of Appreciation from the Supervisory Board

The Supervisory Board would like to thank the Board of Management and all of Covestro's employees for their unwavering dedication in the 2022 fiscal year. The Supervisory Board wishes all of them success in dealing with the current economic and geopolitical challenges.

The Supervisory Board would also like to thank Covestro's shareholders for the trust they have placed in the company.

Leverkusen, March 1, 2023

For the Supervisory Board

Dr. Richard Pott
Chairman

Covestro Shares

Performance of Covestro shares versus market in fiscal year 2022

€ (Covestro shares)



Xetra closing prices for Covestro; source: Deutsche Börse

Volatile Stock Markets in a Downward Spiral in a Recessionary Environment

Like the previous year, fiscal 2022 was affected by the global coronavirus pandemic and the Russian war against Ukraine, which has continued since February 2022. The Chinese government's restrictive zero-COVID policy led to massive constraints in the Chinese economy, especially in the first half of 2022, with a significant impact also on global logistics chains and therefore on global economic growth. The stock markets reacted with a sustained downward trend, which was broken in the last quarter of the year. The Russian war against Ukraine and the subsequent energy crisis weighed on economic performance, particularly in Europe, and led to negative economic growth. The European benchmark index EURO STOXX 50* had lost 31% by the time it reached its low at the end of September 2022, but recorded significant gains again in the course of the last quarter. The EURO STOXX 50 ended fiscal 2022 at 3,794 points, 12% down on the previous year. The DAX also finished the year lower, losing 12% year over year at 13,924 points.

European chemical stocks declined more sharply than the DAX and STOXX 50 benchmark indices, due to this industry's greater exposure to the energy crisis. As of December 31, 2022, the STOXX Europe 600 Chemicals** index was down 14.8% from its level at the beginning of the year. At a Xetra closing price of €36.55, Covestro's share price was also down considerably at the end of fiscal 2022, although by the end of the year the share price had recovered from its low, finishing down 32.6% from the previous year end. Covestro's share price marked its low for the reporting year on September 29, 2022, closing at €28.85. The high for the year was €57.48 on January 7, 2022.

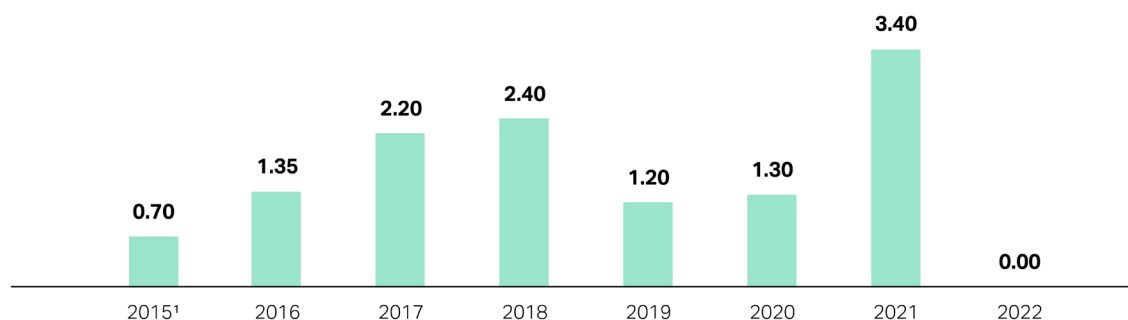
Including the fiscal year 2021 dividend of €3.40 per share paid out on April 26, 2022, Covestro's stock performance (with dividend reinvestment) for fiscal 2022 was -27.1% compared with the 2021 year-end closing price of €54.20.

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

** STOXX Europe 600 Chemicals: Sector index by index issuer STOXX; the STOXX Europe 600 comprises 600 European companies.

Dividend performance

Dividend per share carrying dividend rights (€)



¹ Short fiscal year of Covestro AG.

At the end of the reporting period, Covestro's market capitalization stood at €6.9 billion based on 189.9 million shares outstanding. The average daily Xetra trading volume was 1.3 million shares.

Covestro share at a glance

		2021	2022
Average daily turnover	million shares	0.9	1.3
Closing date (Dec. 31)	€	54.20	36.55
High	€	62.48	57.48
Low	€	49.84	28.85
Outstanding shares (closing date)	million shares	193.2	189.9
Market capitalization (closing date)	€ billion	10.5	6.9
Share price change	%	7.4	-32.6
Share price performance (with dividend reinvestment)	%	9.9	-27.1

Covestro closing prices on Xetra; source: Deutsche Börse

Dividend Policy

Since the 2020 Financial Statements, Covestro AG's dividend policy has been more closely linked to the Group's overall business situation. The current dividend policy specifies that Covestro AG should distribute between 35% and 55% of the Group's net income to shareholders of Covestro AG. The Group's net income was negative for the first time, showing a net loss of €272 million. Under the dividend policy this means that no dividend will be distributed to shareholders of Covestro AG for fiscal year 2022.

Moody's Confirms Covestro Rating

On May 10, 2022, Moody's Investors Service, London (United Kingdom), confirmed Covestro's Baa2 investment-grade rating with a stable outlook. Covestro intends to continue to maintain financing structures and financial ratios that support a solid investment-grade rating in the future.

Virtual Annual General Meeting Held on April 21, 2022

Covestro AG's 2022 Annual General Meeting (AGM) was held on April 21, 2022. Due to the ongoing coronavirus pandemic, the company had decided early on to hold a virtual AGM as in the previous year to avoid exposing those present to additional health risks.

The AGM approved the dividend of €3.40 per share for the fiscal year 2021 proposed by the Board of Management and Supervisory Board. With a total distribution of €651 million to shareholders of Covestro AG in April 2022, Covestro's payout ratio amounted to 40%.

Furthermore, Dr. Sven Schneider was elected by the AGM as a new member of the Supervisory Board. He succeeds Prof. Dr. Rolf Nonnenmacher, who resigned effective at the end of the 2022 AGM. Dr. Schneider is the CFO of Infineon Technologies AG. He brings with him extensive professional knowledge, and experience as a CFO and was elected as Chairman of the Audit Committee.

ADR Program Successful for Sixth Year

Since December 1, 2016, the American Depositary Receipt (ADR) program has granted global investors simplified access to Covestro shares. Covestro ADRs are traded over the counter in the United States under the COVTY ticker symbol. At the end of fiscal 2022, the total number of outstanding ADRs reached 6.7 million (previous year: 3.6 million).

Majority of Analysts Issue Buy Recommendation for Covestro Shares

At the end of the year 2022, Covestro was covered by 22 securities brokers. Of these, twelve analysts issued buy recommendations and ten were neutral. The average share price target was approximately €42 at the reporting date.

Basic Covestro share information

Capital stock	€193,200,000
Outstanding shares (year-end)	189,948,365
Share class	No-par ordinary bearer shares
ISIN	DE0006062144
WKN	606214
Ticker symbol	1COV
Reuters symbol	1COV.DE
Bloomberg symbol	1COV GY
Market segment	Regulated market
Transparency level	Prime standard
Sector	Chemicals
Index	DAX