

DISCLOSURES ON SUSTAINABILITY REPORTING

Covestro aims to help protect the environment, conserve limited resources, advance society, and create value, all by firmly integrating sustainability into the corporate strategy and management.

Our sustainability reporting is based on recognized standards. We report on material topics and nonfinancial performance indicators pursuant to Section 315 (3) of the German Commercial Code (HGB) in our Group Management Report and supplement this information with additional content, which is additionally required in accordance with the standards of the Global Reporting Initiative (GRI) "Core" option.

Nonfinancial Group Statement

We publish the nonfinancial Group statement pursuant to Sections 315b and 315c in conjunction with Sections 289c through 289e HGB as an integrated part of the Group Management Report. The respective sections include the strategies we pursue in addressing environmental, labor, and social issues as well as protecting human rights and fighting corruption and bribery, including the due diligence processes followed and measures implemented, as well as the outcomes of these strategies.

We applied the GRI standards as a framework for preparing the nonfinancial Group statement.

Key topics relevant to the nonfinancial Group statement are identified in an internal process and in consideration of their significance and implementation within the company. The starting point for this is the materiality analysis and the material topics identified or updated as a result, i.e., the topics of high or very high relevance for Covestro. The following table provides an overview of the key sustainability topics with an eye to the relevant aspects and contains references to the specific sections in the Group Management Report. In order to identify and address current developments and sustainability-related opportunities and risks at an early stage, we also review whether there are any new findings relevant to opportunity and risk management.

Key sustainability topics of the Group's nonfinancial statement (HGB)

Key topics of the Group's nonfinancial statement (German Commercial Code)	Relevant aspects in accordance with the Group's nonfinancial statement (German Commercial Code)	Section reference in the Group Management Report
Alternative raw materials	Environmental matters, social matters	"Strategy," "Management," "Circular Economy," "Innovation."
Compliance	Environmental matters, fighting corruption and bribery, respect for human rights	"Opportunities and risks report," "Compliance."
Employer attractiveness	Employee matters	"Employees."
Equality, diversity, and inclusion	Social matters, employee matters, respect for human rights	"Employees."
Greenhouse gas emissions	Environmental matters	"Management," "Circular economy," "Environmental protection."
Health and safety of our workforce	Employee matters	"Integrated management system for health, safety, environment, energy, and quality," "Safety."
Human rights due diligence	Social matters, respect for human rights	"Management," "Social responsibility."
Inclusive business	Social matters	"Management," "Social responsibility."
Process and plant safety	Environmental matters, social matters	"Integrated management system for health, safety, environment, energy, and quality," "Safety."
Product safety	Social matters	"Product safety."
Recyclability and end-of-life solutions	Environmental matters	"Strategy," "Circular economy."
Renewable energy	Environmental matters, social matters	"Strategy," "Circular economy," "Innovation."
SDG-conform product portfolio	Environmental matters, social matters	"Management," "Innovation."
Sustainability in sourcing	Environmental matters, social matters, fighting corruption and bribery, respect for human rights	"Procurement," "Management," "Sustainability in the supply chain."
Sustainable innovation portfolio	Environmental matters, social matters	"Management," "Innovation."

As an integral part of the Group Management Report, the nonfinancial Group statement was audited by the financial statement auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, as part of the audit of the consolidated financial statements based on an expansion of the audit engagement.

A nonfinancial statement or nonfinancial report does not have to be provided at this time for Covestro AG.

[Supplementary information >](#)

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was established by the Financial Stability Board for the purpose of developing a uniform framework for reporting on climate-related opportunities and risks. The focus is on disclosing financial risks that companies face due to climate change.

We view the recommendations of the TCFD as a logical extension of our reporting, particularly in view of the forward-looking elements they contain, and wish to transparently report Covestro AG's handling of climate-related opportunities and risks.

An overview of content pertaining to this issue is provided in the following index on the TCFD recommendations. The index contains references to passages in the text of relevance to the core areas of corporate governance, strategy, risk management, and indicators and goals recommended by the TCFD. Considering the growing importance of the effects of climate change, we will strive in the coming years to implement additional components of the TCFD recommendations. In fiscal 2020, we expanded the TCFD-relevant content in this report to include information about the new strategic Circular Economy program in particular.

TCFD-Index

	Governance	Strategy	Risk Management	Metrics and Targets
TCFD requirements	The organization's governance around climate-related opportunities and risks	The actual and potential impacts of climate-related opportunities and risks on the business, strategy and financial planning	The processes used to identify, assess, and manage climate-related risks	The metrics and targets used to assess and manage relevant climate-related opportunities and risks
Section in Annual Report (or corresponding supplementary information on sustainability)	• Strategy • Management • Environmental Protection • Opportunities and Risks Report	• Company Profile • Strategy • Management • Circular Economy • Innovation • Environmental Protection • Opportunities and Risks Report	• Management • Circular Economy • Opportunities and Risks Report¹	• Strategy • Management • Circular Economy • Innovation • Environmental Protection • Disclosures on Sustainability Reporting

¹ The identification and assessment of climate-related opportunities and risks are integrated into Group-wide risk management.

GRI Index

General Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
GRI 102 – General Disclosures				
102-1	Name of the organization	• Organization and business model		
102-2	Activities, brands, products, and services	• Reportable segments		
102-3	Location of headquarters	• Organization and business model		
102-4	Location of operations	• Production sites and R&D facilities		
102-5	Ownership and legal form	• Organization and business model • Covestro on the Capital Market		The Covestro Group has been legally and financially independent since September 1, 2015. Covestro AG, the parent company of the Covestro Group, is headquartered in Leverkusen (Germany), and has been listed on the German stock exchange since October 6, 2015.
102-6	Markets served	• Reportable segments		
102-7	Scale of the organization	• Production sites and R&D facilities • Results of Operations, Financial Position, and Net Assets of the Covestro Group		Around the world, Covestro has about 550 temporary employees, corresponding to approximately 3.2% of our workforce. In addition, a number of people work for Covestro externally through contracts for work or service agreements. It is not possible to determine the precise number, since performance is defined via trades or in service-level agreements rather than by the number of people or the hours worked.
102-8	Information on employees and other workers	• Employees by division	• Employee metrics in detail	
102-9	Supply chain	• Procurement		
102-10	Significant changes to the organization and its supply chain	• Procurement • Sustainability in the Supply Chain • Declaration on Corporate Governance • Notes to the Consolidated Financial Statements of the Covestro Group – Scope of consolidation and investments • Results of Operations, Financial Position, and Net Assets of the Covestro Group		
102-11	Precautionary Principle or approach	• Product Stewardship		
102-12	External initiatives	• Social Responsibility		
102-13	Membership of associations		• Stakeholder dialogue	
102-14	Statement from senior decision-maker	• Foreword		
102-16	Values, principles, standards, and norms of behavior	• Corporate policies • Corporate values and corporate culture • Declaration on Corporate Governance • Compliance	• Corporate commitments	
102-17	Mechanisms for advice and concerns about ethics	• Compliance		

General Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
102-18	Governance structure	• Sustainability • Declaration on Corporate Governance		
102-19	Delegating authority	• Sustainability • Declaration on Corporate Governance		
102-20	Executive-level responsibility for economic, environmental, and social topics	• Organization and business model • Declaration on Corporate Governance		
102-22	Composition of the highest governance body and its committees	• Organization and business model • Declaration on Corporate Governance		
102-23	Chair of the highest governance body	• Declaration on Corporate Governance		
102-24	Nominating and selecting the highest governance body	• Declaration on Corporate Governance		
102-25	Conflicts of interest	• Declaration on Corporate Governance • Compliance		
102-26	Role of highest governance body in setting purpose, values, and strategy	• Declaration on Corporate Governance		
102-32	Highest governance body's role in sustainability reporting			The Covestro Management Report and the supplementary information 2020 were approved by the Chair of the Board of Management.
102-35	Remuneration policies	• Business Performance • Compensating employees transparently and competitively • Compensation Report	• Employee metrics in detail	
102-40	List of stakeholder groups		• Stakeholder dialogue	
102-41	Collective bargaining agreements		• Employee metrics in detail	
102-42	Identifying and selecting stakeholders		• Stakeholder dialogue	
102-43	Approach to stakeholder engagement	• Material sustainability topics	• Stakeholder dialogue	
102-44	Key topics and concerns raised	• Material sustainability topics		
102-45	Entities included in the consolidated financial statements	• Notes to the Consolidated Financial Statements of the Covestro Group – Scope of consolidation and investments		
102-46	Defining report content and topic Boundaries	• Material sustainability topics		
102-47	List of material topics	• Material sustainability topics		
102-48	Restatements of information		• GHG emissions in detail	
102-49	Changes in reporting	• Report Profile		Due to the new process established in the reporting year for defining the material topics, there were significant changes compared with the previous year in terms of the topic selection, their prioritization and presentation. A detailed presentation of the individual changes is not provided. The listing and prioritization of the material topics in previous reports are all publicly available on the Covestro website.
102-50	Reporting period			This report covers the period from January 1 to December 31, 2020.

General Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
102-51	Date of most recent report			The most recent Annual Report and the associated GRI supplementary information were published in February 2020.
102-52	Reporting cycle			Covestro carries out annual sustainability reporting.
102-53	Contact point for questions regarding the report	• Financial Calendar		
102-54	Claims of reporting in accordance with the GRI Standards	• Report Profile		
102-56	External assurance	• Independent Auditor's Report	• Report by the independent auditor on an audit to obtain limited assurance with regard to sustainability information	

Specific Standard Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
GRI 200 – Economic topics				
GRI 201 – Economic Performance (2016)				
103-1,2,3	Management Approach	• Group strategy • Business Performance		
201-1	Direct economic value generated and distributed	• Consolidated Financial Statements and Notes		
GRI 204 – Procurement Practices (2016)				
103-1,2,3	Management Approach	• Procurement • Material sustainability topics • Sustainability in the Supply Chain • Human rights due diligence • Opportunities and risks	• Sustainability in the Supply Chain	
204-1	Proportion of spending on local suppliers		• Sustainability in the Supply Chain	Since our locations in Germany, the United States and China cover most of our procurement volume, the sites located in these countries are referred to as main sites within the meaning of the GRI terminology. Local procurement is regarded as purchasing from suppliers headquartered in the same country as the legal entity they supply.
GRI 205 – Anti-corruption (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Compliance	• Corporate commitments	
205-1	Operations assessed for risks related to corruption	• Compliance		A risk analysis for 2020 was conducted for every country/every company. Definition of location of operations as a legal entity.
GRI 206 – Anti-competitive Behavior (2016)				
103-1,2,3	Management Approach	• Opportunities and risks • Compliance	• Corporate commitments	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			No actions were reported through internal reporting in fiscal 2020.

Specific Standard Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
GRI 300 – Environmental topics				
GRI 302 – Energy (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Circular Economy • Energy usage • Opportunities and risks	• Corporate commitments • Optimizing energy usage	
302-1	Energy consumption within the organization		• Optimizing energy usage	Information pertaining to the share of renewable energy was not included in this report.
302-3	Energy intensity	• Energy usage	• Optimizing energy usage	
302-4	Reduction of energy consumption		• Optimizing energy usage	In 2005, Covestro began to introduce a certified energy management system. This requires that we compare our performance with a designated base year, and that year was 2005.
GRI 303 – Water (2018)				
103-1,2,3	Management Approach	• Material sustainability topics • Water, effluents, and waste • Opportunities and risks	• Water usage and consumption	
303-1	Interactions with water as a shared resource	• Water, effluents, and waste	• Water usage and consumption	
303-2	Management of water discharge-related impacts	• Water, effluents, and waste	• Water usage and consumption	The standards to be applied are oriented to local laws.
303-3	Water withdrawal	• Water, effluents, and waste	• Water usage and consumption	Water withdrawal is measured in m ³ (cubic meters) since this is the more common approach to measurement. Here, 1 megaliter (ML) corresponds to 1,000 m ³ . Usage of other than fresh water <1,000 mg TDS/l: Pursuant to ISO 14046, Covestro uses no water from sea water sources, thus there is no figure for this in the water balance. At some facilities, it is possible that brackish water >1,000 mg TDS/l is used as cooling water. These amounts are included in the water balance and not reported separately. This water can be returned to the water cycle without further treatment in line with the relevant official permits.
GRI 305 – Emissions (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Circular Economy • Greenhouse gas (GHG) emissions • Opportunities and risks	• GHG emissions in detail	
305-1	Direct (Scope 1) GHG emissions		• GHG emissions in detail	Biogenic CO ₂ emissions are not reported because they are irrelevant.
305-2	Energy indirect (Scope 2) GHG emissions		• GHG emissions in detail	
305-4	GHG emissions intensity	• Greenhouse gas (GHG) emissions	• GHG emissions in detail	Disclosure as CO ₂ equivalent of specific GHG. Emissions of sulfur hexafluoride (SF ₆) have been recorded. However, because our chemical production processes do not currently cause any SF ₆ emissions and because Covestro does not use SF ₆ , such emissions do not appear in our reporting.
305-5	Reduction of GHG emissions	• Greenhouse gas (GHG) emissions	• GHG emissions in detail	Greenhouse gas emissions are reported separately for Scopes 1 and 2. When considering GHG reductions, the specific greenhouse gas emissions are calculated using the total emissions for Scopes 1 and 2 because otherwise any shifts between the categories would lessen the informative value of the results.

Specific Standard Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		• Other direct emissions into the air	Reporting focuses on significant air emissions; persistent organic pollutants (POPs) and hazardous organic pollutants (HAPs) are not reported. Air emissions are generally measured directly at the source of the emission or are calculated from the stoichiometric determination of the formula mass.
GRI 306 – Effluents and Waste (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Circular Economy • Environmental Protection • Opportunities and risks	• Corporate commitments • Wastewater • Waste and recycling	
306-2	Waste by type and disposal method		• Wastewater • Waste and recycling	Covestro measures the quantity of waste that is reused or recycled. However, no distinction is drawn between reused and recycling. The specific form of processing is the responsibility of the waste processing company. Covestro does not generally differentiate between hazardous and non-hazardous waste. The composting of non-hazardous waste plays only a minimal or no role in the chemical industry. As a rule, energy is recovered from waste incineration. Due to the large number of sites, it may be the case that no energy is recovered at some locations. According to the information currently available, deep well injection is not used.
GRI 307 – Environmental Compliance (2016)				
103-1,2,3	Management Approach	• Environmental Protection • Opportunities and risks • Compliance	• Corporate commitments • Water usage and consumption • Wastewater • Waste and recycling	
307-1	Non-compliance with environmental laws and regulations			In fiscal 2020, no significant administrative or court-ordered sanctions (fines, nonmonetary sanctions) for noncompliance with environmental laws and regulations were reported through internal reporting.
GRI 308 – Supplier Environmental Assessment				
103-1,2,3	Management Approach	• Procurement • Sustainability • Sustainability in the Supply Chain • Opportunities and risks		
308-2	Negative environmental impacts in the supply chain and actions taken	• Sustainability in the Supply Chain	• Sustainability in the Supply Chain	
GRI 400 – Social topics				
GRI 401 – Employment (2016)				
103-1,2,3	Management Approach	• Purpose and Vision • Corporate policies • Corporate values and corporate culture • Human resources profile and focus • Winning qualified employees and promoting Covestro's employer brand • Opportunities and risks	• Corporate commitments	
401-1	New employee hires and employee turnover		• Employee metrics in detail	In fiscal 2020, new hires and the resignation rate were broken down according to male and female genders, as no other-gendered employees were known of. If this should change, the tables will be adjusted accordingly in future.

Specific Standard Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
GRI 403 – Occupational Health and Safety (2018)				
103-1,2,3	Management Approach	• Material sustainability topics • Designing the best possible working conditions and work models • Integrated Management System for Health, Safety, Environment, Energy, and Quality • Safety • Opportunities and risks	• Corporate policies • Safety	
403-1	Occupational health and safety management system (2018)	• Integrated Management System for Health, Safety, Environment, Energy, and Quality • Safety	• Safety	A list of the legal requirements has been dispensed with. The integrated management system for occupational health and safety covers all our employees across the Group and in some cases also our contractors, regardless of the type of work environment or activity performed.
403-2	Hazard identification, risk assessment, and incident investigation (2018)	• Integrated Management System for Health, Safety, Environment, Energy, and Quality • Safety	• Compliance and compensation • Safety	Every employee, contractor or – as appropriate – visitor must comply with the applicable occupational safety procedures, rules, and relevant protective measures. Employees are authorized to withdraw from work situations that seem to them to represent a direct and serious threat to their lives or health. They are obligated to report such situations to their supervisors immediately. Employees may not be subjected to impermissible consequences of such withdrawals or reports.
403-3	Occupational health services (2018)	• Designing the best possible working conditions and work models		Depending on site-specific local circumstances, there are in-house occupational physicians or occupational health services are provided in conjunction with external parties. A country-specific description of the functions of the occupational health services has been dispensed with.
403-4	Worker participation, consultation, and communication on occupational health and safety (2018)	• Safety		Depending on legal requirements, some sites have formal employer-employee committees for occupational health and safety that hold regular meetings. In Germany, for instance, this is the occupational safety and health committee as legally required by Section 11 of the Act on Occupational Physicians, Safety Engineers and Other Occupational Safety Specialists (AsiG). Informal committees are in place at many other locations for which there is no corresponding legal requirement. A country-specific list and a description of the committees has been dispensed with.
403-5	Worker training on occupational health and safety (2018)	• Safety		Our employees receive the applicable statutorily required training as well as further training that exceeds these requirements depending on the individual circumstances at our sites. Our contractors receive site-specific safety instructions.
403-6	Promotion of worker health (2018)	• Designing the best possible working conditions and work models • Safety		Voluntary health services are made available only to Covestro employees, since the influence of such measures has the greatest relevance here.
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships (2018)	• Integrated Management System for Health, Safety, Environment, Energy, and Quality • Safety • Sustainability in the Supply Chain	• Safety	
403-9	Work-related injuries (2018)	• Safety	• Safety	We record the most important types and frequency of work-related injuries for all employee groups according to the ASTM standard E2920-14, "Severe Incidents and Fatalities" (A. deaths, B. life-changing/life-altering cases, C. other).

Specific Standard Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
GRI 404 – Training and Education (2016)				
103-1,2,3	Management Approach	• Corporate policies • Corporate values and corporate culture • Promoting and developing employees • Opportunities and risks	• Corporate policies	
404-2	Programs for upgrading employee skills and transition assistance programs	• Promoting and developing employees	• Compliance and compensation	
GRI 405 – Diversity and Equal Opportunity (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Promoting diversity and inclusion • Opportunities and risks		
405-1	Diversity of governance bodies and employees	• Declaration on Corporate Governance	• Employee metrics in detail	At the end of the year, the Supervisory Board consisted of five women (41.7%) and seven men (58.3%). The age structure is as follows: 8.3% are 30-50 years old, and 91.7% are over 50. Membership in a minority is not recorded for legal reasons. In fiscal 2020, new hires and the resignation rate were broken down according to male and female genders, as no other-gendered employees were known of. If this should change, the tables will be adjusted accordingly in future.
GRI 406 – Non-discrimination (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Promoting diversity and inclusion • Opportunities and risks		
406-1	Incidents of discrimination and corrective actions taken			For confidentiality reasons, we do not disclose the type and scope of the incidents reported.
GRI 407 – Freedom of Association and Collective Bargaining				
103-1,2,3	Management Approach	• Material sustainability topics • Sustainability in the Supply Chain • Human rights due diligence • Compliance	• Compliance and compensation	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	• Sustainability in the Supply Chain	• Sustainability in the Supply Chain	In fiscal 2020, no significant cases were reported using formal grievance mechanisms. There was no high risk for the sites in the year 2020, as the local heads of Human Resources and the local managing directors are required by internal rules to maintain a regular exchange of information with unions and employee representatives.

Specific Standard Disclosures

Disclosure number	Disclosure title	Section in Annual Report	Section in supplementary information on sustainability	Explanation/omission
GRI 414 – Supplier Social Assessment (2016)				
103-1,2,3	Management Approach	• Procurement • Material sustainability topics • Sustainability in the Supply Chain • Human rights due diligence • Opportunities and risks		
414-2	Negative social impacts in the supply chain and actions taken	• Sustainability in the Supply Chain	• Sustainability in the Supply Chain	
GRI 415 – Public Policy (2016)				
103-1,2,3	Management Approach	• Material sustainability topics		
415-1	Political contributions		• Corporate commitments	
GRI 416 – Customer Health and Safety (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Integrated Management System for Health, Safety, Environment, Energy, and Quality • Product Stewardship • Opportunities and risks • Compliance	• Corporate policies • Integrated Management System for Health, Safety, Environment, Energy, and Quality	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	• Product Stewardship		No significant incidents were reported through internal reporting in fiscal 2020.
GRI 417 – Marketing and Labeling (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Integrated Management System for Health, Safety, Environment, Energy, and Quality • Product Stewardship • Opportunities and risks • Compliance	• Corporate policies • Integrated Management System for Health, Safety, Environment, Energy, and Quality	
417-1	Requirements for product and service information and labeling	• Product Stewardship		
417-2	Incidents of non-compliance concerning product and service information and labeling	• Product Stewardship		No significant incidents were reported through internal reporting in fiscal 2020.
GRI 419 – Socioeconomic Compliance (2016)				
103-1,2,3	Management Approach	• Material sustainability topics • Opportunities and risks • Compliance	• Corporate commitments	
419-1	Non-compliance with laws and regulations in the social and economic area			In fiscal 2020, no significant administrative or court-ordered sanctions (fines, nonmonetary sanctions) for noncompliance with laws and regulations with respect to the provision and use of products and services were reported through internal reporting.

[< Supplementary information](#)