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# Covestro Corporate Commitment

## Slavery and human trafficking

**Modern Slavery Act statement** (financial year ending 31st  
December 2017)



## Corporate Commitment against slavery and human trafficking (financial year 2017)

This statement is made in relation to **Section 54 of the UK Modern Slavery Act 2015**. Covestro's understanding of slavery and servitude, forced or compulsory labour and human trafficking is based on the definitions given in the Act.

This statement sets out the steps that **Covestro has taken and is continuing to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.**

Covestro has a **zero tolerance approach to any form of modern slavery and human trafficking**. We are committed to **acting ethically and with integrity and transparency** in all business dealings to **safeguard against any form of modern slavery** taking place within the business or our supply chain.

### Our business

Covestro develops solutions to global challenges, such as climate change, resource depletion, urban expansion, population growth and the resulting increase in awareness of environmental issues. Covestro's core business comprises three segments that produce and continuously advance raw materials for polyurethanes and their derivatives, the premium plastic polycarbonate as well as coatings, adhesives and other specialties.

We operate around 30 production sites in Europe, Asia and the Americas. They range from smaller facilities designed for regional purposes to world-scale production plants.

### Our policies

We have put a number of [policies and Corporate Commitments](#) in place to ensure that we are conducting business in an ethical and transparent manner. These include:

- a. **Corporate Commitment on the 10 principles of the United Nations Global Compact (UNGC):** This commitment underlines that the concept of sustainability is fundamental to everything Covestro does.
- b. **Corporate Commitment on Human Rights:** This document contains Covestro's commitment to promote human rights standards internally and throughout all of Covestro's business operations. It clearly states that **all forms of forced and compulsory labor as well as child labor are strictly prohibited.**



- c. **Sustainability Policy:** Our Sustainability Policy explains our understanding of Sustainability, including our **social responsibility**.
- d. **HSEQ Policy:** Our HSEQ Policy shows that we believe that excellence in **Health, Safety, Environment and Quality (HSEQ)** is highly important for us.
- e. **Compliance Policy and Directive:** Our Compliance Policy and Directive provide the foundation on which the company as well as every single employee are to base their decisions. They define **the boundaries of our behavior** as well as **ethical principles, including integrity, social responsibility, fair and respectful behavior**.
- f. **People Policy:** Our People Policy describes our **values and culture**, our talent management and how we value **diversity**.
- g. **Supplier Code of Conduct:** Our code is based on the principles of the U.N. Global Compact and our Human Rights Position and defines the expectations we have of our partners throughout the value chain. Relevant provisions from our Code for the purposes of this statement include **zero tolerance of child labor and / or forced, bonded or indentured labor or involuntary prison labor**, provision of a **workplace free of harsh and inhumane treatment**, without any **sexual harassment, sexual abuse, corporal punishment or torture, mental or physical coercion or verbal abuse** of employees, or the **threat** of any such treatment as well as the duty that **working hours for suppliers' employees** do not exceed the maximum set by the applicable national law.

### **Sustainability and due diligence in our Supply Chain**

**Assessing and auditing suppliers** with regard to **sustainability** criteria is vital for us to make procurement decisions. We aim to promote fair and environmentally conscious conduct along the supply chain. In order to **develop and establish a sustainability standard for our supply base**, we are working with the [Together for Sustainability](#) (TfS) initiative of the chemical industry.

Covestro regards **adherence to sustainability standards** within its **supply chain** as both a vital factor for **value creation** and a **crucial lever for minimizing risks**. We expect our suppliers to respect and implement the principles in our [Supplier Code of Conduct](#) (*see above*). The code is **integrated into all our electronic ordering systems** and our **contracts** across the Covestro Group as part of the process of selecting and evaluating suppliers. Furthermore, relevant new and renewed supply agreements contain special clauses requesting suppliers to observe the sustainability requirements contained in the Code of Conduct and entitling Covestro to monitor their compliance.

Our non-financial target **“100% of suppliers compliant with our sustainability requirements”** underlines our efforts. Until 2025 all our **suppliers** with recurrent



annual spending exceeding €100.000 **will be assessed** and are **expected to achieve compliance with Covestro`s sustainability requirements**. This group covers **97%** of our total purchasing volume. The remainder of our suppliers must comply with our code of conduct through accepting the conditions of our purchase orders or contracts.

Our **Supplier Code of Conduct** as well as the **supplier online assessments** and the **externally executed supplier audits** address the issue of “**forced and compulsory labor**”.

### **Risk assessment**

Risk management is integral to Covestro`s Group-wide corporate governance system. Our opportunity and risk management begins with a strategy and planning process, from which relevant external and internal opportunities and risks of an economic, ecological, or social nature are derived. Opportunities as well as risks are identified by observing and analyzing trends along with macroeconomic, industry-specific, regional, and local developments. The identified opportunities and risks are subsequently evaluated and incorporated into our strategic and operational processes. We attempt to avoid or mitigate risks by taking appropriate countermeasures to the extent possible and economically acceptable.

We have several systems in place to manage risks, based on types, levels and timelines. Different processes, methods and IT systems are applied to identify, evaluate, manage and monitor risks. The effectiveness of our management systems is audited and evaluated at regular intervals by the Corporate Audit unit. HSEQ related risks are audited through specific HSEQ audits. Amongst others, “**Procurement**” is a company-specific risk category which is assessed within our overall Corporate Risk Management process.

To mitigate potential **risks in the area of “Procurement”**, we have the above mentioned **processes and tools** in place (*previous paragraph about Suppliers*), e. g. our **Supplier Code of Conduct, supplier online assessments as well as supplier audits**. In prioritizing the suppliers for these supplier assessments and audits, we consider a combination of country and material risks as well as strategic importance in accordance with our Group targets. The country and material group risk scales we use for our risk analysis are based on recognized external sources.

### **Training**

Comprehensive understanding of the significance of sustainability in the supply chain, including Human Rights issues, is important for our own **procurement specialists**. Covestro therefore **provides Group-wide training** to help them implement our sustainability requirements. **For our suppliers** we also **offer a range of training and dialogue** opportunities that enable us to identify and eliminate any obstacles to collaboration at an early stage, also including Human Rights topics.



In addition, the TfS initiative, in which Covestro is founding member, **provides a wide range of information and online training** on its website.

**Approval for this statement**

This statement was approved by the Board of Management of Covestro AG on April 16<sup>th</sup>, 2018.

A handwritten signature in blue ink, appearing to read "Patrick Thomas", written in a cursive style.

**Patrick Thomas**  
Chief Executive Officer

April 16<sup>th</sup>, 2018