

A large, thick, blue curved graphic that starts wide on the left and tapers to a point on the right, with a slight dip in the middle. It is positioned behind the main text.

Covestro Corporate Commitment

Slavery and human trafficking

UK Modern Slavery Act statement (financial year ending
31st December 2019)



Corporate Commitment against slavery and human trafficking (financial year 2019)

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 labor and human trafficking is based on the definitions given in the Act.

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

Covestro has zero tolerance 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 advance raw materials for polyurethanes and their derivatives, the premium plastic polycarbonate as well as coatings, adhesives and other specialties. We place strong emphasis on the circular economy, aiming to use raw materials from sustainable sources such as waste, plants and CO₂ as much as possible in production.

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 a number of publicly available [policies and 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, bases 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 UN Global Compact and our Corporate Commitment on Human Rights and defines the expectations we have towards our partners throughout the supply chain. Relevant provisions from this 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.

Risk assessment and management

We systematically analyzed and assessed potential risks of human rights issues related to Covestro in 2019. Human rights risks are defined as any potential risk to those potentially affected that could arise from our business activity, supply chain or our products. The conducted risk analysis covered our own sites as well as the supply chain and the use of our products. Potential Human Rights related risks were outlined, discussed and prioritized in two steps:

- First, potentially unfavorable consequences for human rights' holders were identified and categorized. These include consequences that Covestro might have caused, under certain circumstances might have contributed to, or might be associated with indirectly in the course of its business activities.



- Second, topics of particular relevance to Covestro (salient issues) were set and identified as priorities. For this purpose, both the severity of a possible human rights violation as well as Covestro's degree of influence (leverage) were assessed.

This risk analysis resulted in the identification of a certain number of human rights topics with a high to very high priority for Covestro.

We are currently in the process of reviewing our current management of the (very) high priority issues and identify improvement measures.

Further, we developed a concept for a comprehensive human rights management system which we intend to further promote in 2020.

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, in which we are one of the founding members.

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 95% 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, supplier online assessments as well as on-site audits address the issue of "forced and compulsory labor".



Grievance

Covestro takes the topic of human rights very seriously and encourages both internal and external stakeholders to report any potential concerns to the Covestro compliance department. There were no reported human rights-related compliance cases related to forced labor, modern slavery or human trafficking in 2019.

Training and awareness

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 company-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 promotes sustainability on international congresses, organizes supplier events and 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 June 17th 2020.

A handwritten signature in blue ink, appearing to read "M. Steilemann", is written over a faint, larger version of the same signature.

Dr. Markus Steilemann
Chief Executive Officer

June 17th 2020