

Luxembourg, 20 April 2023

Environmental and Social Data Sheet

Overview

Project Name:	COVESTRO SUSTAINABLE SOLUTIONS RDI
Project Number:	2022-0760
Country:	Germany, Netherlands, Belgium
Project Description:	The project concerns the promoter's R&D investments over a 4-year period (2023-2026) focusing on the development of innovative and sustainable solutions for high-tech polymer materials used in many areas of daily life.
EIA required:	no
Project included in Carbon Footprint Exercise ¹ :	no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

The project concerns the promoter's Research & Development (R&D) activities that are focussed on more sustainable products and processes, striving for full circularity of the value chain and therefore is in line with the Group's strategy to drive its sustainable growth and become carbon neutral by 2035 and fully circular. In particular, the company aims to depart from fossil resources such as crude oil and move to using raw materials from renewable/secondary sources such as plastic waste and CO₂ and enabling a closed loop production. For this purpose, the company is developing new process technology that allows production based on these renewable/secondary materials, and new products that are better recyclable by the use of computational chemistry, as well as new recycling technologies for polycarbonate and polyurethane to enable a closed loop flow of mater.

Furthermore, the Promoter is striving to align most of its R&D portfolio to the UN SDGs to better track the achievement of the Group's sustainability targets.

The R&D activities will be carried out in already existing and authorised R&D facilities with no need for additional permits. The project is not listed under any of Annexes of the Environmental Impact Assessment Directive (EIAD) – Directive 2014/52/EU amending Directive 2011/92/EU and therefore it does not require a screening or an EIA Report.

The project to be financed is considered to be aligned both against low carbon and resilience goals set out in the Climate Bank Roadmap, and it is sector aligned under Industry and RDI. A part of the project cost contributes to the Bank's Climate Action and Environmental Sustainability policy objective.

Overall, likely negative environmental effects are assessed as non-significant, in respect to both environment and climate.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



Luxembourg, 20 April 2023

EIB Paris Alignment for Counterparties (PATH) Framework

- The counterparty Covestro AG is in scope and screened in the PATH framework, because it is considered high emitting and high vulnerability.
- The counterparty already meets the requirements of the EIB PATH framework with its existing alignment plans

Covestro has a public decarbonisation plan that includes a 60% reduction target of scope 1 and 2 CO₂ emissions by 2030 compared to 2020 and a carbon neutrality target by 2035. Covestro has a clear plan to reduce its emissions up to 2035, including sustainable manufacturing (process innovation, energy efficiency, digital technologies) and the increase of renewable electricity and steam (scope 2). In the longer run, Covestro intends to use 100% alternative raw materials to reduce Scope 3 emissions.

Covestro has procedures in place to manage physical climate risk at asset level for which they take future climate change into account

Other Environmental and Social Aspects

Covestro has been able to continually reduce specific energy usage (energy unit per ton of production) in 2021 by 40.2% compared to fiscal 2005 and therefore decrease the associated specific GHG emissions (Scope 1 and Scope 2). Since 2021 the promoter has introduced supplementary climate reporting with a separate report aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Covestro has entered into voluntary commitments on the following: the UN Sustainable Development Goals, the Ten Principles of the UN Global Compact, Responsible Care™, human rights, slavery and human trafficking (UK Modern Slavery Act Statement), water, product stewardship, corporate compliance, responsible lobbying, responsible marketing and sales, tax transparency, and conflict minerals.

The promoter reports that the integrated system implemented throughout the Group ensures that the requirements of the corporate health, safety, environment, energy, and quality (HSEQ) regulations are carried out. The integrated system includes internationally recognized standards governing occupational health and safety (ISO 45001), the environment (ISO 14001), energy (ISO 50001), and quality (ISO 9001).

Covestro is listed in several ESG rating and benchmarks as the company considers the results in these ratings as an indication of the ESG performance. The company is also looking for meaningful opportunity to link the ESG performance to financing costs and has been doing so in several transactions in the past.

Ratings and benchmarks for 2022/2023:

- CDP Climate: A- (Leadership-Level), December 2022
- MSCI ESG: AA (Leader), October 2022
- FTSE4Good: Listed, August 2022
- Sustainalytics ESG Risk: Top 6%, ESG Industry Top Rated, May 2022
- EcoVadis Rating: 72/100 Points (Top 3%, Gold), January 2022

Furthermore, Covestro is the co-founder of the Alliance to End Plastic Waste (AEPW), a non-profit organization dedicated to developing, deploying and bringing to scale solutions to reduce, reuse and recover plastic waste.

Conclusions and Recommendations



Luxembourg, 20 April 2023

The R&D activities will be carried out in already existing and authorised R&D facilities with no need for additional permits. The project is not listed under any of Annexes of the Environmental Impact Assessment Directive (EIAD) – Directive 2014/52/EU amending Directive 2011/92/EU and therefore it does not require a screening or an EIA Report.

The project per se does not have any significant environmental impact. However, a number of innovative products/processes resulting from the R&D activities of the project will have positive carbon and environmental impact footprint in the promoter's production assets as well as in downstream industries through improved resource efficiency, circularity and use of recycled and biobased feedstock.

Overall, the project is considered acceptable for the Bank financing in environmental and social terms.