

# Embracing Sustainability

February 2017

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- 1. Evonik—a global leader in specialty chemicals**
2. Sustainability at Evonik—strategy and commitments
3. Responsibility for business, employees, environment and society
4. Sustainability at Evonik—external recognition

## A global leader in specialty chemicals<sup>1</sup>

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Innovation driven by  
**~500 R&D projects**

Active in more than

**100** countries

**€2.465 billion** Adjusted  
EBITDA

Sales from leading  
market positions




**~80%**

**€13.5 billion** sales

1. FY 2015

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# Corporate strategy aligned to high-growth megatrends

Segments	Key Megatrends	Markets for Evonik
 <p><b>Nutrition &amp; Care</b></p> <p>Sales<sup>1</sup>: 4,9 bn €</p>	<ul style="list-style-type: none"> <li>▪ Growing emerging market wealth</li> <li>▪ Aging population</li> <li>▪ Urbanization</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feed additives for animal nutrition</li> <li>▪ Products/solutions for health care industry</li> <li>▪ Polyurethane additives for insulation</li> </ul>
 <p><b>Resource Efficiency</b></p> <p>Sales<sup>1</sup>: 4,3 bn €</p>	<ul style="list-style-type: none"> <li>▪ Renewable energies</li> <li>▪ Environmentally friendly solutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Silica and silanes for “green” tires</li> <li>▪ Crosslinkers, coating additives and silica for flexible and stable wind turbines</li> <li>▪ Oil additives for hydraulic machines</li> </ul>
 <p><b>Performance Materials</b></p> <p>Sales<sup>1</sup>: 3,4 bn €</p>	<ul style="list-style-type: none"> <li>▪ Mobility and urbanization</li> <li>▪ Substitution of conventional materials</li> </ul>	<ul style="list-style-type: none"> <li>▪ Polymers for lightweight construction</li> </ul>

1. FY 2015

# Growth strategy based on three strong pillars

## Investments



Expanding global production footprint  
Strengthening leading market positions worldwide

**7** world-scale production plants erected and currently in ramp-up<sup>1</sup>

## Innovation



Market- and customer-oriented R&D approach  
Global R&D network

**>€4 bn**

R&D expenses 2015 – 2025,  
R&D ratio (to sales) of >3%

## M&A



APD Performance Materials<sup>2</sup>

- Creating a global leader in specialty & coating additives

J.M. Huber

- Expanding silica business

Excellent strategic fit

1. Construction between 2012 and 2015

2. APD Performance Materials is the Specialty & Coating Additives business of Air Products' Materials Technologies Segment

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# Our sustainability strategy

**We are convinced that sustainable and responsible business activities are vital for the future of our company**

- Sustainability is a core element in our corporate claim “Power to create”
- Evonik positions sustainability close to its operating businesses
- We focus our sustainability activities on six areas of action

**Strategy and Growth**



**Governance and Compliance**



**Employees**



**Value chain and Products**



**Environment**



**Safety**



## **Our sustainability strategy**

takes up the growth markets identified in our corporate strategy—health, nutrition, resource efficiency and globalization—and defines areas of action geared to balanced management of economic, ecological and social factors

# Sustainability management

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**Thomas Wessel** (CHRO)  
Executive Board member  
responsible for sustainability



# Sustainability analysis of our businesses

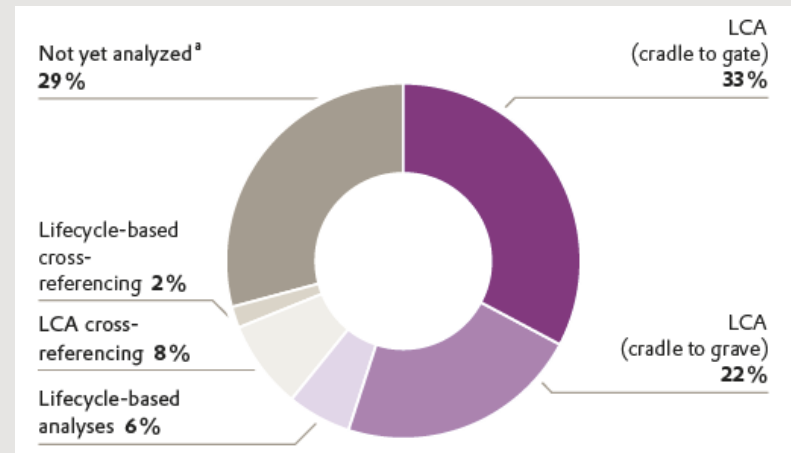


**94%** of Group sales covered by sustainability analysis<sup>1</sup> of 22 business lines in our three chemicals segments (limited assurance)

**50%** of sales generated with products for resource-efficient applications

**70%** of sales covered with life cycle analyses; foreseen extension to

**~80%**



1. FY 2015

# Sustainability: Our commitments



External	<b>UN Global Compact</b> <p>Aligning companies' operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption</p> 	<b>Responsible Care</b> <p>The global chemical industry's initiative to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes</p> 	<b>Chemie<sup>3</sup></b> <p>An alliance of VCI, IG BCE and BAVC underpinning sustainability as a guiding principle of the chemical industry in Germany and providing inspiration for the international community</p> 
	<b>Global Social Policy</b> <p>Evonik's internal commitment to human rights, core labor standards, international standards and principles of conduct</p> 	<b>ESHQ Values</b> <p>Protecting people and the environment, treating partners fairly, and focusing on the needs of customers as core beliefs for everyone at Evonik</p> 	<b>Code of Conduct</b> <p>Containing corporate values and principles; governing the conduct of Evonik, its legal representatives and employees. <a href="#">Update in 2016</a></p> 



# Fair business conduct

- Evonik supports free and fair business conduct and rejects any form of corruption as well as business conduct violating applicable antitrust law
- Code of Conduct (CoC) defines **zero tolerance** principle; update effective 2/2017
- Group-wide training concept established
- All employees required to report any (suspected) violation via a Group-wide **whistleblower system**
- Respecting human rights as core element of Evonik's sustainability strategy; **Policy Statement on Human Rights** adopted by Executive Board in 2016





# Safety is at the top of our agenda

- Incorporation of safety performance in remuneration systems
- Global culture initiative “**Safety at Evonik**“ firmly established; >90 percent of production employees trained in 2015



## Occupational safety

- Targeted **accident frequency rate**<sup>1</sup> ( $\leq 1.3$ ) achieved in 2015, rate on low level for several years (2015: 1.0, 2014: 1.2, 2013: 0.9)
- Further decline in accident frequency indicator for **contractors**<sup>2</sup> (2015: 2.9, 2014: 3.6, 2013: 3.2)

## Plant safety

- 2015 **plant safety target** (incident frequency<sup>3</sup>  $\leq 48$  points<sup>4</sup>) missed due to incidents confined to a single site; appropriate measures taken (2015: 55, 2014: 53, 2013: 50)
- Compared to companies applying the safety indicator to all Group employees, Evonik achieved a very good score of 1.3 (number of incidents per 1 million working hours)

1. Number of work-related accidents involving Evonik employees and employees under the direct supervision of Evonik per 1 million hours worked | 2. Number of work-related accidents involving non-Evonik employees resulting in absence from work per 1 million working hours | 3. Process Safety Performance Indicator according to Cefic, covering incidents involving the release of substances, fire or explosion, even if there is little or no damage. It is calculated from the number of incidents per 1 million working hours of production employees. | 4. Incident frequency in points, taking 2008 as reference base (2008 = 100 points)

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# We accept responsibility for our business

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## Value chains and Products



- Evonik is providing **innovative solutions** that help to make lives more sustainable, more healthy and more comfortable
- We **enable our customers** to reduce their own ecological footprints and successfully differentiate themselves from competitors
- Our **market-oriented R&D** plays a key role in this. We see sustainability as an important innovation driver
- In this way, we shall further expand our leading market positions



# Sustainable value chains



1

Upstream



Responsibility within the supply chain

2

Gate to gate



Advanced chemical processes being constantly refined

3

Downstream



Enabling customers to decrease their environmental footprint with Evonik products



~8%

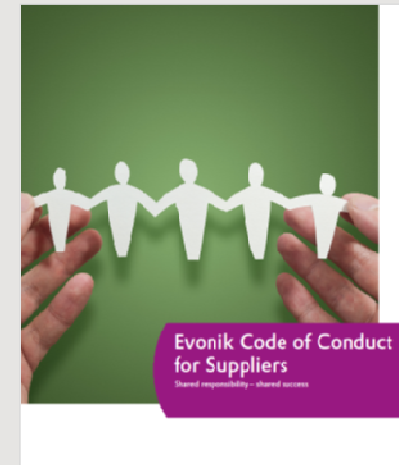
of Evonik's raw materials procured based on **renewable resources**, mainly for

- amino acids (sugars)
- starting products for cosmetics ingredients (fats, oils)

~€8.3 bn

spent in total on raw materials and supplies, technical goods, services, energy and other operating supplies

- Procurement systematically aligned to Evonik's sustainability strategy
- **Code of Conduct for Suppliers**



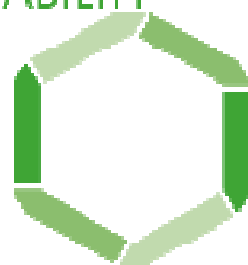
- Formalized process in place to identify supply chain risks, using COFACE and EcoVadis (TfS) as professional partners
- <1% of procurement volume arising out of business with critical suppliers

1. FY 2015

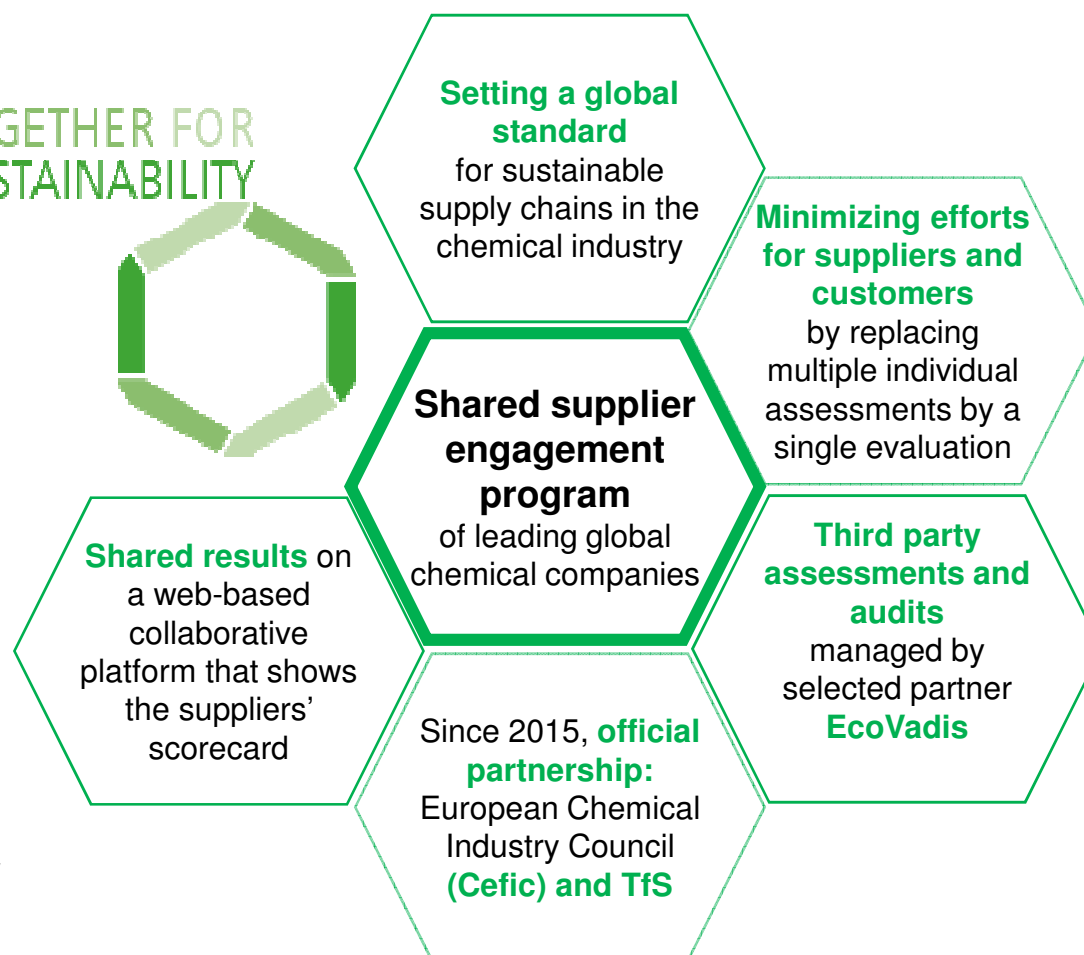




TOGETHER FOR  
SUSTAINABILITY



- Evonik as TfS founding member
- Evonik among top performers in the chemical industry (“Gold Standard”)
- **75%** of Evonik's volume of purchased raw materials<sup>1</sup> covered by TfS assessments



1. FY 2015



- Plasticizer alcohols as attractive growth market for Evonik (GDP+)
- Development of new ligand OxoPhos 64i for 2-PH world-scale production in Marl by an interdisciplinary Evonik team
- Enhanced production process in operation since fall 2014
- Substantial **increase in efficiency** by new process:
  - less resources and energy required
  - less maintenance
  - longer plant operation

Strengthening of Evonik's technology position in the attractive growth market for plasticizer alcohols



1. 2-propylheptanol | 2. Example



## Nutrition & Care

**MetAMINO®**  
essential amino  
acids for  
animal nutrition



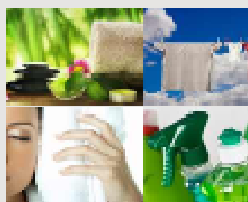
**RESOMER®**  
biodegradable  
medical polymers



**STOCKOSORB®**  
soil conditioning



bio-based  
household and  
care specialties

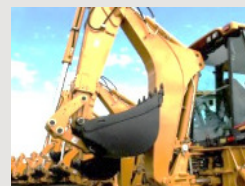


## Resource Efficiency

**SEPURAN®**  
membranes  
for biogas  
purification



**DYNAVIS®**  
oil additives for  
hydraulic fluids



catalysts for  
bio-based  
chemicals



„green tire“  
technology



## Performance Materials

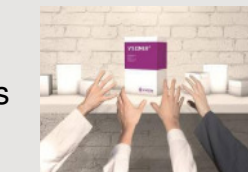
crosslinkers for  
photovoltaic cell  
encapsulation



catalysts for  
biodiesel  
production



**VISIONER® Terra**  
bio-based meth-  
acrylate monomers  
for paint and  
adhesive resins


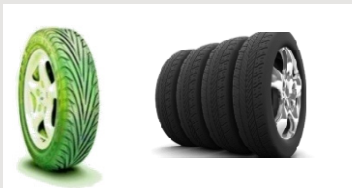
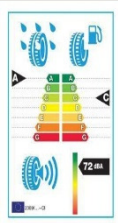



**PLEXIGLAS®**  
WH 003 LED  
light guide panels



1. Examples



Market / Industry	Major growth driver	Observed market growth rates
 <p><b>Additive Manufacturing</b></p>	<p>More flexible design options with minimization of waste</p>	<p>Additive manufacturing &gt;15%</p> <p>Injection molding 4-6%</p>
 <p><b>Tire</b></p>	 <p>Global tire labelling</p>	<p>Green tire 6%</p> <p>Standard tire 4%</p>
 <p><b>Energy generation</b></p>	<p>Global trend to clean energy production, boosted by incentives for clean electricity</p>	<p>Wind power 10%</p> <p>Total electricity 3%</p>

1. Examples

# Sustainability evaluation as part of our R&D<sup>1</sup>



**€434 m**

R&D expenses;  
3.2% R&D ratio (to sales)



R&D expenses 2011–2015 in € m

**Global R&D network:**

**2,700** employees at  
**35** sites

**~260**

New patent applications filed

**>25,000**

patents held and applications filed

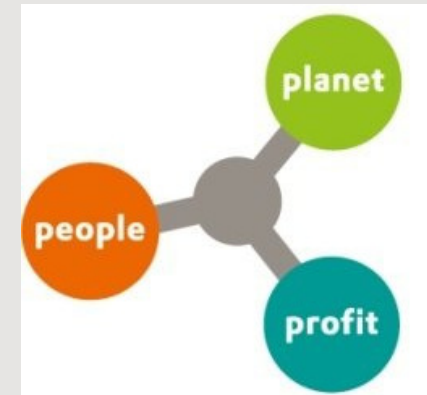
**57%**

of sales patent-protected

Recently launched product:  
VARISOFT® EQ 100



Highly versatile  
and efficient  
conditioner with  
outstanding  
ecological  
performance



Sustainability criteria used for  
evaluation of innovation projects<sup>2</sup>

R&D pipeline well stocked:

**>500** projects

1. FY 2015; 2. Idea-to-People-Planet-Profit (I2P<sup>3</sup>)





# Sustainability as a growth driver

**>€4 bn**

R&D expenses 2015 – 2025,  
R&D ratio (to sales) of >3%

**Innovation pipeline:** Sustained  
value enhancement envisaged  
over next few years;  
value increase of 500 m € in  
2015; current value in lower  
single-digit bn € range

**Sales with new<sup>1</sup> products  
and applications** in the medium  
term >16%;  
in 2015: ~10%

1. developed in past 5 years

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## Evonik Technology Competence Fields

Polymer Design

Inorganic  
Particle Design

Interfacial  
Technologies

Coating & Bonding  
Technologies

Catalytic  
Processes

Biotechnology



## Evonik Growth Fields

**Sustainable Nutrition**



**Advanced Food Ingredients**



**Healthcare Solutions**



**Cosmetic Solutions**



**Membranes**



**Smart Materials**



**>€1bn** additional sales expected by 2025

# We accept responsibility for the environment

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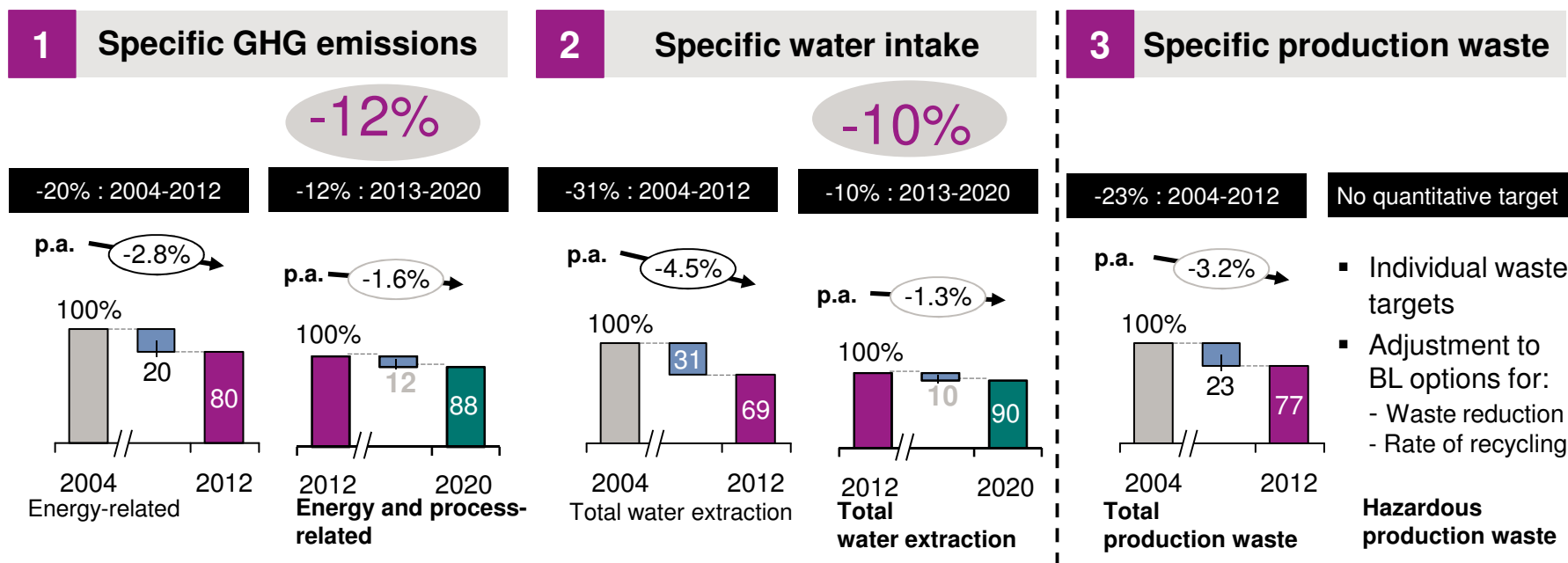
## Environment



- Strategic aspects of sustainability anchored firmly in Evonik's environment, safety and health **values**
- Protection of employees and local residents as well as the environment against potential negative impact of our activities
- Ambitious **environmental targets** 2013—2020
- Integrated management system and Group-wide audit system



# Ambitious environmental targets 2013—2020



- Implementation of Evonik's **sustainability strategy** will lead to consistent reduction of ecological footprint
- Continuous dialogue with operational units to monitor environmental targets
- By **2018**, we strive for **~80%** achievement of our 2013—2020 environmental targets





# Managing Evonik's carbon and water footprints

## Carbon footprint

### Investor CDP:

- 2015: 98/B
- 2016: A-

Since 2008 disclosure of Evonik Carbon Footprint;  
**24.7** million metric tons CO<sub>2</sub>eq<sup>1</sup> in 2015

**92.2** million metric tons<sup>2</sup> CO<sub>2</sub>eq avoided emissions by use of selected Evonik products<sup>3</sup> compared to conventional alternatives on the market



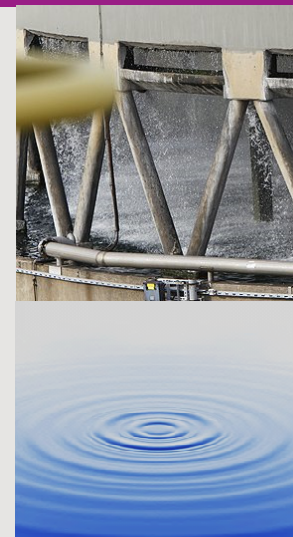
## Water footprint

**31%** reduction of specific water intake achieved in 2004—2012<sup>1</sup>

No exposure to water stress based on risk analysis completed in 2013

First-time participation in **CDP Water 2016 Information Request: Scoring „B“**

Outlook:  
Study on water scarcity footprint, including most relevant raw materials purchased by Evonik



1. carbon-dioxide equivalents | 2. in FY 2015 | 3. „green tire“ technology, amino acids in animal feed, foam stabilizers for insulation materials, specialty oxides in compact fluorescent lamps, and oil additives in hydraulic oils

# Responsibility for our employees and society

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## Employees



- Motivated employees indispensable for Evonik's long-term success
- Talent development and attraction of highly qualified people as major pillars of our HR work
- Maintaining a good relationship with communities close to our sites of particular importance



# A top employer in the chemical industry



## One of the best national and international employers

- Employee survey 2015: high response rate (83.9 %); **commitment index (151)** indicating strong identification of employees; 2012: 157, 2010: 148
- 2015: Evonik ranked No. 3 top employer in Germany by FOCUS business magazine (category “chemical & pharma industry”)
- 2015: For the eighth consecutive time Evonik was certified by the Top Employers Institute as one of China’s Top Employers



## Maintaining workability and quality of life of employees

- Integrated health management program **well@work** improves ability to work and quality of life
- Stable **health performance index** development 2015: 5.3; 2014: 5.4; 2013: 5.2; maximum: 6
- Family-friendly company:** Validation by Hertie Foundation reconfirmed 2016





## Diversity approach with 5 dimensions

- Various nationalities and gender
- Various disciplines
- Experience in various businesses/functions
- Various ethnic and cultural backgrounds
- Age mixture in teams

## Diversity boosted by...

- Diversity Council established in 2016
- Binding diversity targets for executives
- Initiatives WoMen@work, WoMentoring
- HR processes/guidelines (development programs, recruiting)

## Gender quota

- Supervisory Board: 7 women (35%)<sup>2</sup>  
Executive Board: 1 woman (20%)
- Targets to be achieved by June 30, 2017:
  - At least 20% women on Supervisory Board
  - 8.0% women at 1st, 18.8% at 2<sup>nd</sup> management level below Executive Board

90

different nationalities in workforce<sup>1</sup>

18%

non-German executives representing eight nations

24%

of global workforce female<sup>1</sup>

19%

of 2nd management level female<sup>1</sup>

11%

of management positions below Executive Board female<sup>1</sup>; 2012: 7%

1. FY 2015, 2. as of May 18, 2016

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# External recognition: Ratings & Rankings

**Our commitment has been recognized by**

- ✓ Carbon Disclosure Project (A-, Index-Leader MDAX)
- ✓ Oekom Research (prime standard B-)
- ✓ Sustainalytics (among Top 5 within chemical sector)
- ✓ Together for Sustainability/EcoVadis ("Gold Standard")
- ✓ FTSE4Good Europe, FTSE4Good Global
- ✓ STOXX® Global ESG Leaders

**This motivates us to continuously drive forward our sustainability performance**





## External recognition: DJSI World and DJSI Europe

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- In 2015 first participation in **DJSI Europe** assessment (free float ~14% by end of 2014)
- Excellent scoring (88 out of 100 possible points); hurdle for index inclusion missed only by 2 points
- Evonik included in the RobecoSAM sustainability yearbook  
(Silver Class; Sustainability Leader)
- In 2016, first invitation for **DJSI World** due to free float increase to ~32% by end of 2015
- September 2016: Evonik included in the **DJSI** indices **World and Europe** for the first time; positioned as No 4 in chemical industry assessment worldwide
- Particularly high ratings gained in all environmental criteria

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 



# National German Sustainability Award 2016

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- Winner in the category „Research“  
(Project: High performance process for thermoelectric energy converters)
- Among „Top 5“ in the category  
„Germany's most sustainable large companies“
- Europe's most prestigious award in the field of sustainable development
- Award endorsed by Foundation “National German Sustainability Award”, German Federal Government, local and business associations, NGOs such as UNESCO and UNICEF





