

# Embracing Sustainability

Corporate Responsibility Relations | November 2017

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- 1. Evonik – global leader in specialty chemicals**
2. Our sustainability strategy, commitments and targets
3. Sustainability along the value chain
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## A global leader in specialty chemicals

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Employees  
**34,351**

**17.0 %**

Profitability (adjusted EBITDA margin)

**€ 2.165 billion** Adjusted  
EBITDA

**€ 12.7 billion** sales

Return on capital  
Employed (ROCE)

**14.0 %**

# Developing our growth segments

## NUTRITION & CARE

€ 4.3 bn

Mature  
businesses



Growth  
businesses

## RESOURCE EFFICIENCY

€ 4.5 bn

Mature  
businesses



Growth  
businesses

## PERFORMANCE MATERIALS

€ 3.2 bn

Mature  
businesses



- ✓ Meeting specialty chemicals characteristics
- ✓ Focus of capital allocation

Run on cash

# Corporate strategy update for uplift in profitability & growth<sup>1</sup>

- **Targeting excellence in three strategic focus areas**

- More balanced and more specialty portfolio
- Customer-focused innovation
- Open & performance-oriented culture

- **Four growth engines as drivers for profitable growth**

- Health & Care
- Smart Materials
- Specialty Additives
- Animal Nutrition



## Building a best-in-class specialty chemicals company

Adj. EBITDA-margin rising from 16 – 18% to 18 – 20%; GDP+ volume growth

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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 core element in corporate claim “Power to create”
- Evonik positions sustainability close to its operating businesses
- Focus of sustainability activities on six material areas of action

**Strategy  
and Growth**



**Governance  
and  
Compliance**



**Employees**



**Value chain  
and Products**



**Environment**



**Safety**



## **Sustainability strategy**

taking up growth engines identified in our corporate strategy and defining six areas of action geared to balanced management of economic, ecological and social factors.

# Our sustainability commitments



External	<b>UN Global Compact</b> Aligning companies' operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption	<b>Responsible Care</b> The global chemical industry's initiative to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes	<b>Chemie<sup>3</sup></b> 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
	<b>Global Social Policy</b> Evonik's internal commitment to human rights, core labor standards, international standards and principles of conduct	<b>ESHQ Values</b> Protecting people and the environment, treating partners fairly, and focusing on the needs of customers as core beliefs for everyone at Evonik	<b>Code of Conduct (CoC)</b> Containing corporate values and principles, governing conduct of all Evonik employees; <b>whistleblower system; CoC update effective spring 2017</b>



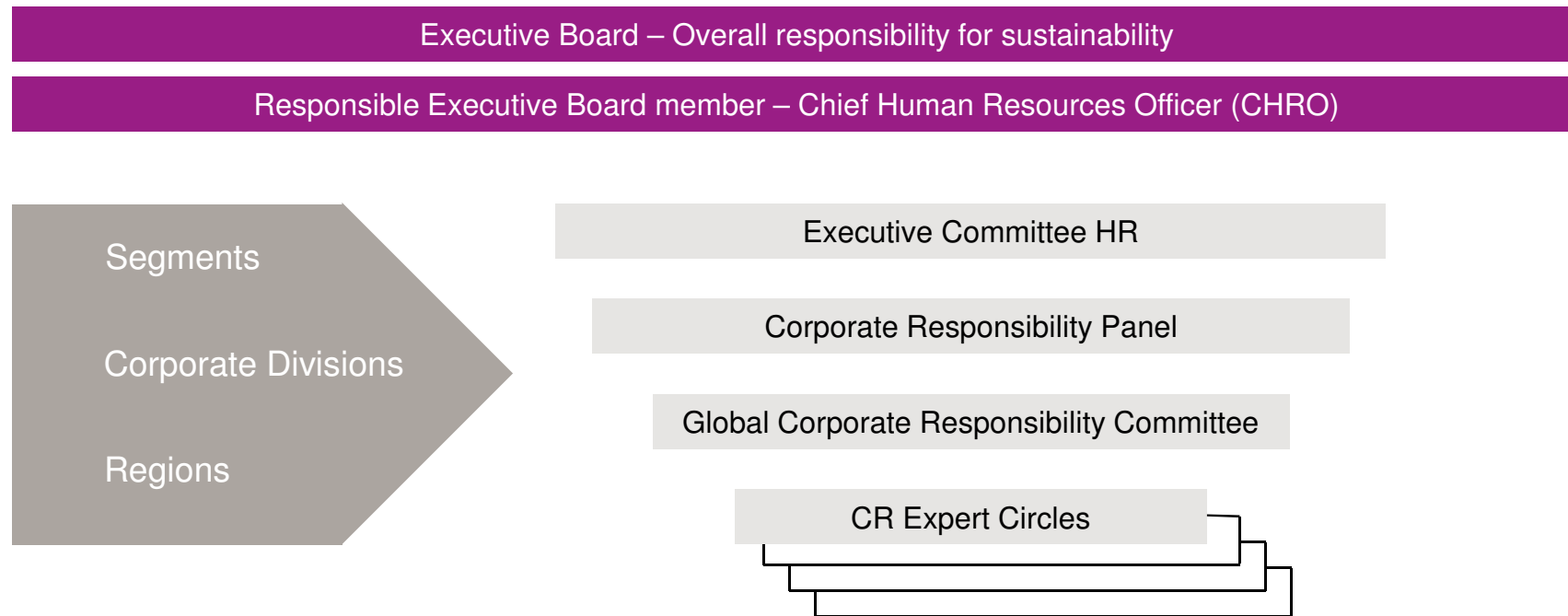
**CHEMIE<sup>3</sup>**













# Our sustainability management



**Thomas Wessel**  
Executive Board  
Member  
responsible for  
sustainability

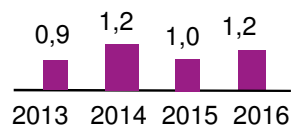
# Our sustainability targets 2017 and beyond

<b>Strategy and Growth</b> 	<b>Governance and Compliance</b> 	<b>Employees</b> 
<ul style="list-style-type: none"> <li>▪ Development of methods and indicators for sustainable portfolio management</li> </ul>	<ul style="list-style-type: none"> <li>▪ 20% women at 1<sup>st</sup> and 2<sup>nd</sup> management level below Executive Board (2019)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish a learning strategy for the ongoing development of various employee groups</li> </ul>
<b>Value chain and Products</b> 	<b>Environment</b> 	<b>Safety</b> 
<ul style="list-style-type: none"> <li>▪ 20 supplier sustainability audits according to TfS<sup>1</sup></li> <li>▪ &gt; €1 bn additional sales in R&amp;D growth fields (2025)</li> </ul>	<p>Reduce</p> <ul style="list-style-type: none"> <li>▪ specific GHG emissions by 12% (2020)</li> <li>▪ specific water intake by 10% (2020)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accident frequency rate <math>\leq 1.3</math></li> <li>▪ Incident frequency rate <math>\leq 48</math></li> <li>▪ Occupational Health Performance Index <math>\geq 5</math></li> </ul>

# Safety is at the top of our agenda

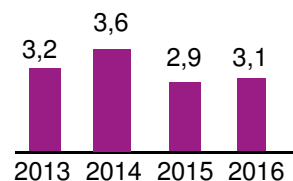


## Occupational safety



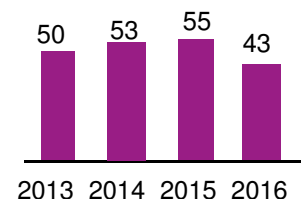
Accident frequency rate<sup>1</sup>  
for **Evonik employees**

**Target 2016 ( $\leq 1.3$ )  
achieved**



Accident frequency rate<sup>2</sup>  
for contractors' employees

## Plant safety



Target 2016 achieved  
(incident frequency<sup>3</sup>  
 $\leq 48$  points<sup>4</sup>);  
**Performance  
considerably improved**



Global Process Safety  
Competence Center  
supports operating  
units

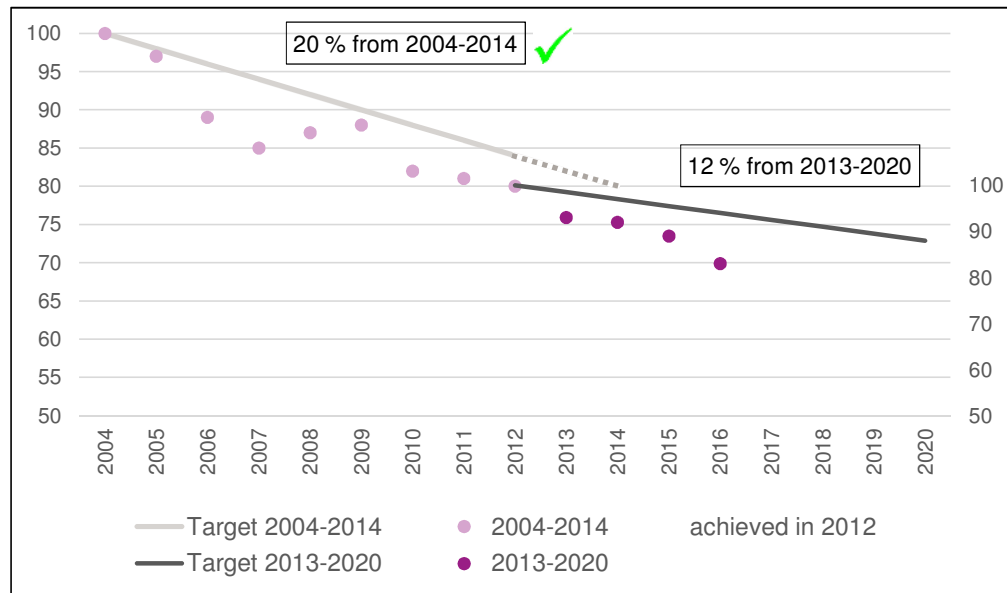
Incorporation of safety performance in remuneration systems; global culture initiative  
“**Safety at Evonik**” firmly established

1. Number of work-related accidents involving Evonik employees and employees under the direct supervision of Evonik per 1 m 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)

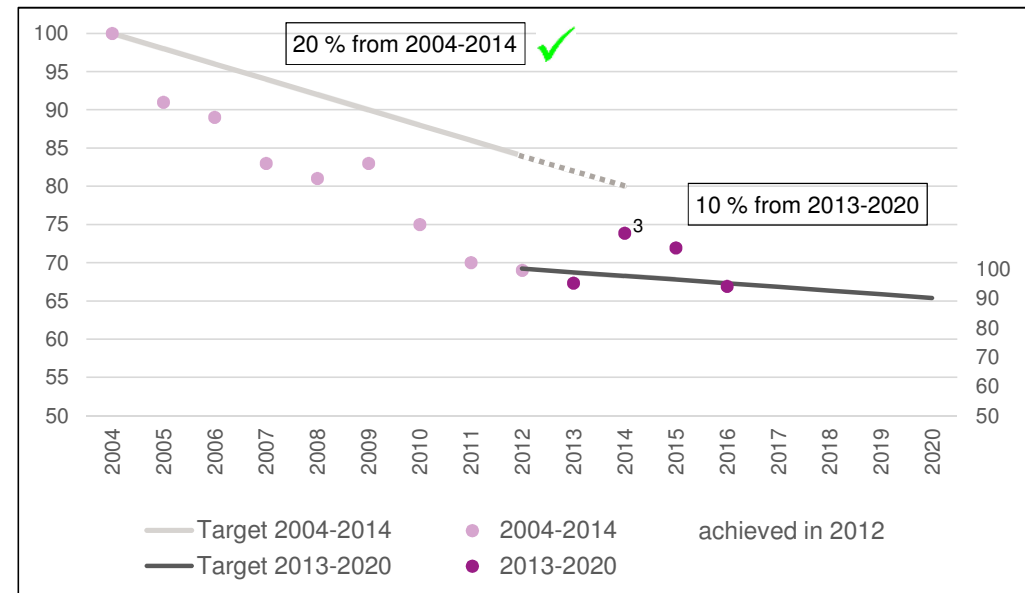


# Ambitious environmental targets 2004 – 2020

Specific GHG emissions<sup>1</sup>



Specific water intake<sup>2</sup>



1. Energy- and process-related emissions as defined by the Greenhouse Gas Protocol, scope 2 emissions calculated using market-based method | 2. Reporting on specific water intake has been recalculated retrospectively. Based on our regular analytical verification - checks on random samples of reported data and audits - gaps in reporting in one organizational unit were identified and corrected | 3. Start-up of hydrogen peroxide facility in Jilin (China).

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## We accept responsibility along the value chain

### Value chain and Products



- **Upstream**

Responsibility within the supply chain

- Code of Conduct for Suppliers
- Founding member of “Together for Sustainability” industry initiative

- **Gate to gate**

- Advanced chemical processes being constantly refined
- Well-stocked innovation pipeline

- **Downstream**

Enabling customers to

- reduce their own ecological footprints
- meet their sustainability targets



## Upstream: Responsible supply chain management

241

TfS supplier audits<sup>1</sup>

1,773

TfS assessments<sup>2</sup>

~75%

of Evonik's purchasing  
volume covered by TfS  
assessments



We expect our suppliers to  
share our principles and to  
act correctly in all respects

### Our targets 2017

- Conduct  $\geq 20$  TfS supplier sustainability audits
- Continue analysis of suppliers of critical raw materials through TfS self-assessments
- Evaluate the sustainability performance of 90% of suppliers of critical raw materials by 2020 (year-end 2016: >70%)



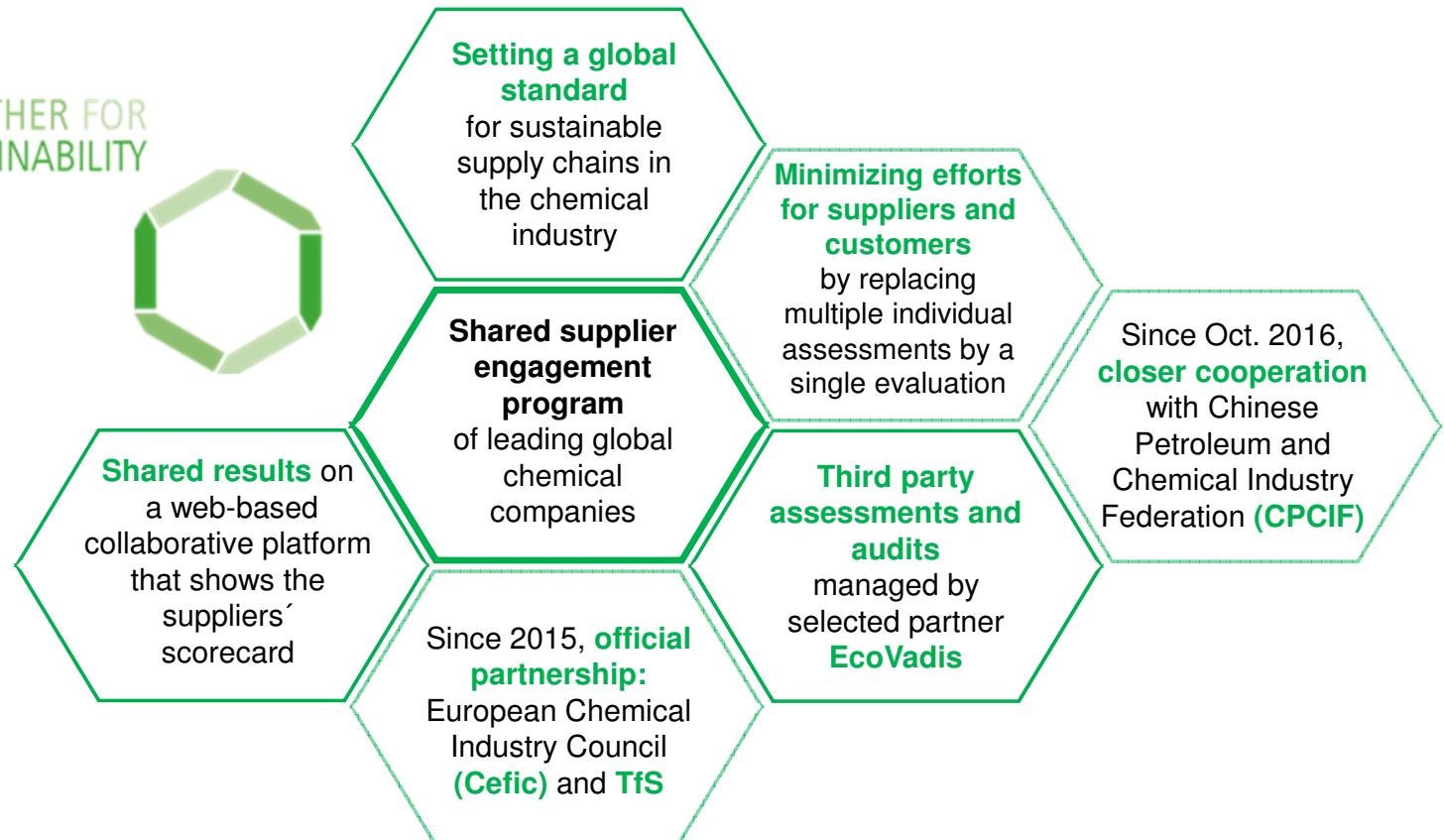
## Upstream: Responsible supply chain management



TOGETHER FOR  
SUSTAINABILITY



Evonik founding member of “Together for Sustainability” (TfS) initiative of chemical industry driving transparency and sustainability along the supply chain



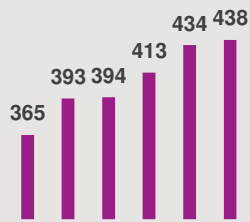




## Gate to gate: Sustainability evaluation part of our R&D

**€ 438 m**

R&D expenses 2016  
2015 - 2025: in total > € 4 bn



Ø + 4% p.a

R&D expenses 2011–2016 in € m

Global R&D network:

**2,700** employees

**35** sites

**~ 230**

New patent applications filed

**~ 24,500**

patents held, applications filed

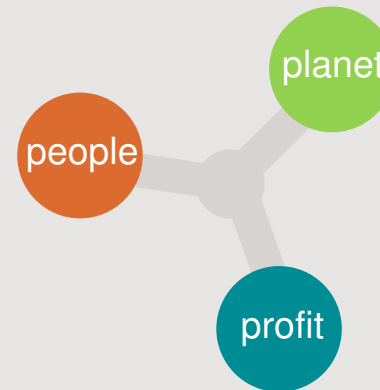
**56%**

of sales patent-protected

**R&D highlight: DSM and  
Evonik complement expertise**



Joint venture for omega-3 fatty acids from natural marine algae for animal nutrition



Sustainability criteria used for evaluation of innovation projects<sup>1</sup>

**> 500** projects

R&D pipeline well stocked; focus on larger, mid- and long-term projects



## Gate to gate: Our innovation targets

### R&D ratio

Group level: 3% (2016: 3.4%)

Growth engines: 4 – 6%

### Sales with new<sup>1</sup> products and applications

medium term: 16% of sales

2016: ~10%

### Innovation pipeline

Sustained value enhancement;  
current value in lower single-digit bn € range

#### Evonik Technology Competence Fields

Polymer Design

Inorganic  
Particle Design

Interfacial  
Technologies

Coating & Bonding  
Technologies

Catalytic  
Processes

Biotechnology



#### Evonik Innovation Growth Fields

##### Sustainable Nutrition



##### Advanced Food Ingredients



##### Healthcare Solutions



##### Cosmetic Solutions



##### Membranes



##### Additive Manufacturing



> € 1 bn additional sales by 2025



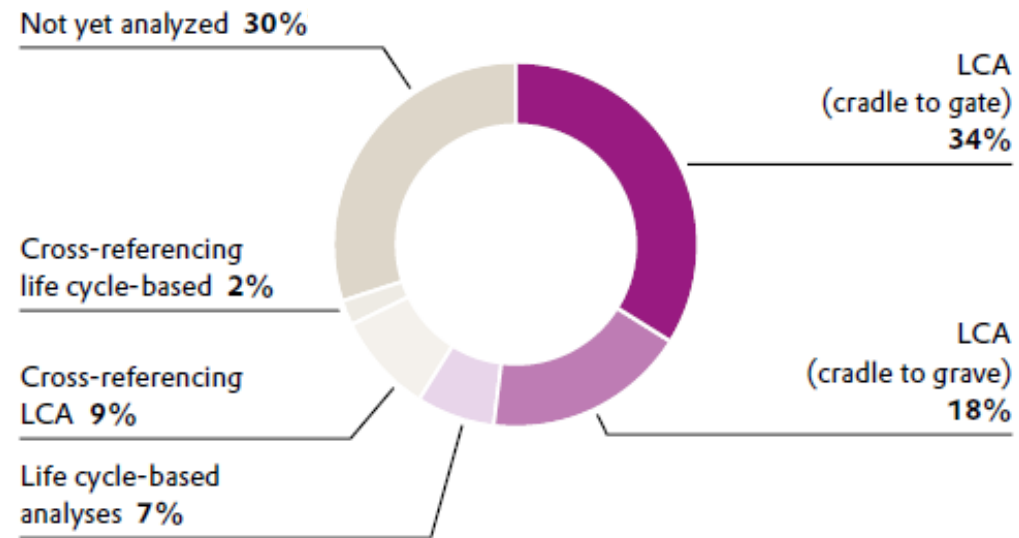
## Downstream: Sustainability analysis of our business

**94%** of Group sales covered by sustainability analysis; methodology available at Evonik website

**50%** of sales generated with products for resource-efficient applications<sup>1</sup>





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

**~80%**





## Downstream: Sustainability as growth driver

		Growth trends and drivers	„Sustainable“ products	Market growth in %
	<b>Specialty Additives</b> “Small volume, big impact”	<ul style="list-style-type: none"> <li>▪ Rising requirements on additive effects</li> <li>▪ Need for increased product performance and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Additives for eco-friendly coatings</li> <li>▪ PU additives for insulation</li> <li>▪ Oil additives for fuel savings</li> </ul>	5-6
	<b>Health &amp; Care</b> Preferred partner in Pharma and Cosmetics	<ul style="list-style-type: none"> <li>▪ Increasing health awareness</li> <li>▪ Bio-based products and eco-safe cosmetics</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pharma polymers</li> <li>▪ Oleochemicals</li> <li>▪ Advanced biotechnology</li> </ul>	5-6
	<b>Smart Materials</b> Tailored functionalities for sustainable solutions	<ul style="list-style-type: none"> <li>▪ Trend towards resource efficiency in high-demanding applications</li> <li>▪ Engineered materials to fulfill high performance requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Silica &amp; silanes („green“ tire)</li> <li>▪ <b>HPP<sup>1</sup> for lightweight applications or 3D-printing</b></li> <li>▪ Membranes for biogas processing</li> </ul>	4-7
	<b>Animal Nutrition</b> Comprehensive portfolio for sustainable food chain	<ul style="list-style-type: none"> <li>▪ Sustainable nutrition</li> <li>▪ Improving food quality and safety</li> </ul>	<ul style="list-style-type: none"> <li>▪ Amino acids for animal nutrition</li> <li>▪ Probiotics</li> </ul>	5-7

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## In 2017, our focus is on...

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Impact assessment



Monetarizing resources and value contribution of Evonik

UN Sustainable Development Goals



Identification of SDGs most relevant for the Evonik Group; assessment of sustainability opportunities and challenges along the value chain

Key sustainability indicators



Development of a set of key sustainability indicators for Evonik

Compliance



Updated Code of Conduct effective; comprehensive training activities

Transparency



Continuous improvement of sustainability reporting (directive 2014/95/EU, CSR-RLUG; GRI standards)



## Impact assessment: Our macro-economic impact in Germany



### VALUE ADDED



**1:2.50€**

Out of €1 value added, Evonik creates €2.5 value added in total



### EMPLOYMENT

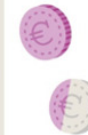


**1:3.7 JOBS**

One Evonik-employee secures (on average) 3.7 jobs in the German part of the value chain.



### PUBLIC REVENUE



**1:1.14€**

Out of €1 value added, Evonik creates €1.14 of public revenue in total.



## Evonik Group: Focus on six sustainable development goals



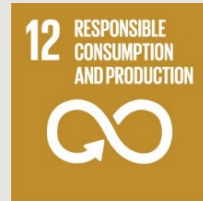
Ensure healthy lives and promote well-being for all at all ages



Ensure availability and sustainable management of water and sanitation for all



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Strengthen the means of implementation and revitalize the global partnership for sustainable development



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## Ratings & Rankings: Evonik well positioned

- ✓ **Oekom Research** (prime standard B-)
- ✓ **Sustainalytics** (among Top 5 within chemical sector)
- ✓ **CDP** Climate Change (A-); CDP Water (B)
- ✓ Together for Sustainability/**EcoVadis** (“Gold Standard”)
- ✓ **FTSE4Good** Europe, FTSE4Good Global
- ✓ **STOXX**® Global ESG Leaders
- ✓ **MSCI** World ESG Leaders Index; Socially Responsible Index MSCI Europe
- ✓ **Dow Jones Sustainability Indices World and Europe** (2017: maximum results in criteria innovation management, climate strategy as well as customer relationship management)



# Renowned sustainability awards

## National German Sustainability Award 2016

- Winner in category „Research“
- „Top 5“ in category “Germany’s most sustainable large companies“

## DQS<sup>1</sup> German Award for Excellence 2017

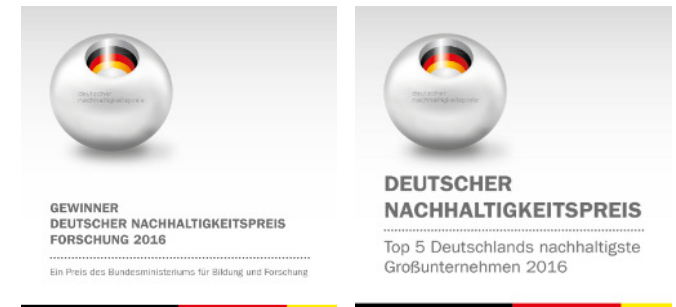
- Winner in category “Life cycle analysis“

## Sustainable Business Awards Singapore 2017

- Winner in category „Energy Management“
- Winner in category „Best Newcomer“
- Business Responsibility and Ethics – Special Recognition

## PwC Building Public Trust Award 2017

- recognizing Evonik’s reporting; winner in category MDAX



German Awards  
for Excellence 2017  
Evonik Industries AG



