

# Embracing Sustainability

Corporate Responsibility Relations | February 2019

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1. **Evonik – a global leader in specialty chemicals**
2. Our sustainability commitments, strategy and targets
3. Value chain and products
4. Our focus in 2018/2019
5. Sustainability at Evonik – external recognition

## A global leader in specialty chemicals

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Employees  
**>36,000**

**16.4%**

Profitability (adjusted EBITDA margin)

**€2.36 billion** Adjusted  
EBITDA

**€14.4 billion** sales

**>80%**

of sales gained from  
leading market positions

# Healthy balance between growth and financing businesses

## NUTRITION & CARE

€4.5 bn

Mature  
businesses



Growth  
businesses

## RESOURCE EFFICIENCY

€5.4 bn

Mature  
businesses



Growth  
businesses

## PERFORMANCE MATERIALS

€3.8 bn

Mature  
businesses



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

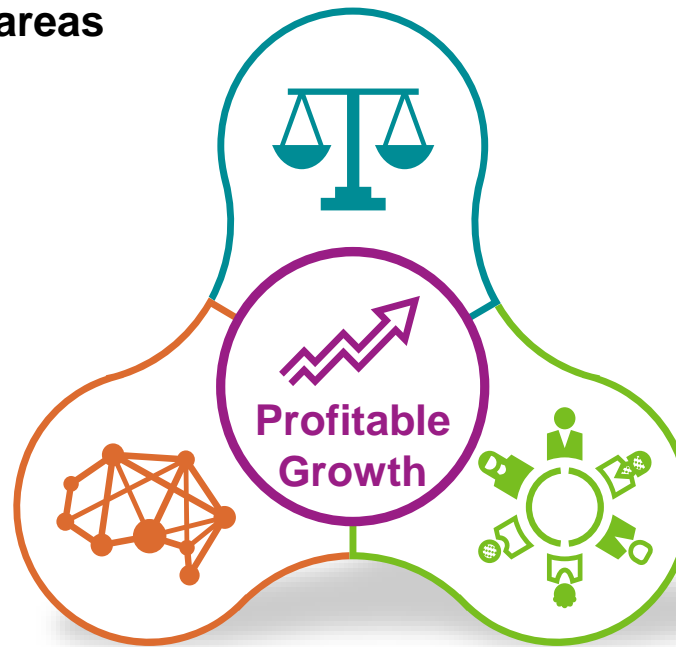
# Corporate strategy agenda 2018

## ▪ 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

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



## ▪ Strategy execution on track

- Divestment of Methacrylates Business in preparation
- €200 m cost savings p.a. until 2021; €50 m in 2018
- Complexity reduction via portfolio streamlining
- New corporate values as guidelines for cultural change

## 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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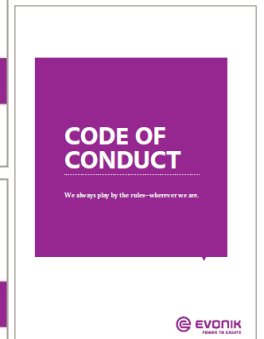
# Our sustainability commitments



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>externally operated whistleblower system</b>



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



# Our sustainability management



Executive Board – Overall responsibility for sustainability

Responsible Executive Board member – Chief Human Resources Officer (CHRO)

Segments

Corporate Divisions

Regions

Executive Committee HR

Corporate Responsibility Panel

Global Corporate Responsibility Committee

CR Expert Circles



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



# 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 targets 2018 and beyond

## Strategy and Growth



- Validate materiality analysis
- Identify SDGs of most relevance for the Evonik Group

## Value chain and Products



- Extend impact analysis of our business along the value chain
- $\geq 20$  supplier sustainability audits according to TfS<sup>1</sup>
- $> \text{€}1$  bn additional sales in R&D growth fields (2025)

## Governance and Compliance



- 20% women at 1<sup>st</sup> and 2<sup>nd</sup> management levels below Executive Board (2019)

## Environment



- Reduce
- specific GHG emissions by 12% (2020)
  - specific water intake by 10% (2020)

## Employees



- Measure and increase employee satisfaction
- More diversity by increasing number of female managers

## Safety



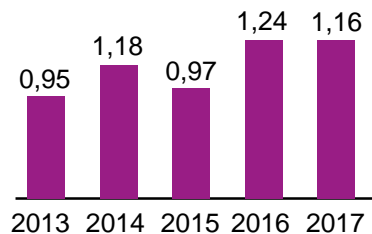
- Accident frequency rate  $\leq 1.30$
- Incident frequency rate  $\leq 1.10$
- Occupational Health Performance Index  $\geq 5$

1) Under the shared audit principle of the „Together for Sustainability“ initiative

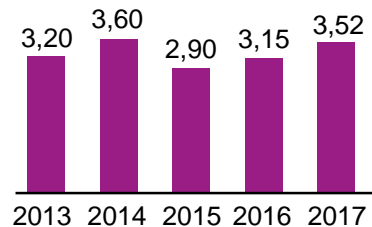
# Safety is at the top of our agenda



## Occupational safety

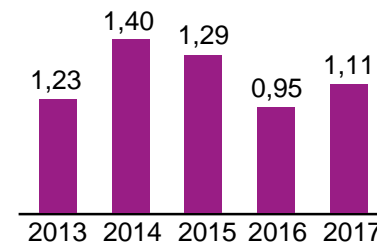


Accident frequency rate<sup>1</sup> for **Evonik employees** slightly improved; target 2017 ( $\leq 1.30$ ) achieved



Accident frequency rate<sup>2</sup> for contractors' employees slightly deteriorated; in-depth analyses initiated

## Plant safety



Incident frequency rate<sup>3</sup> on good level; target 2017 ( $\leq 1.10$ ) just narrowly missed



First steps taken to introduce new IT- platform covering core ESHQ work processes

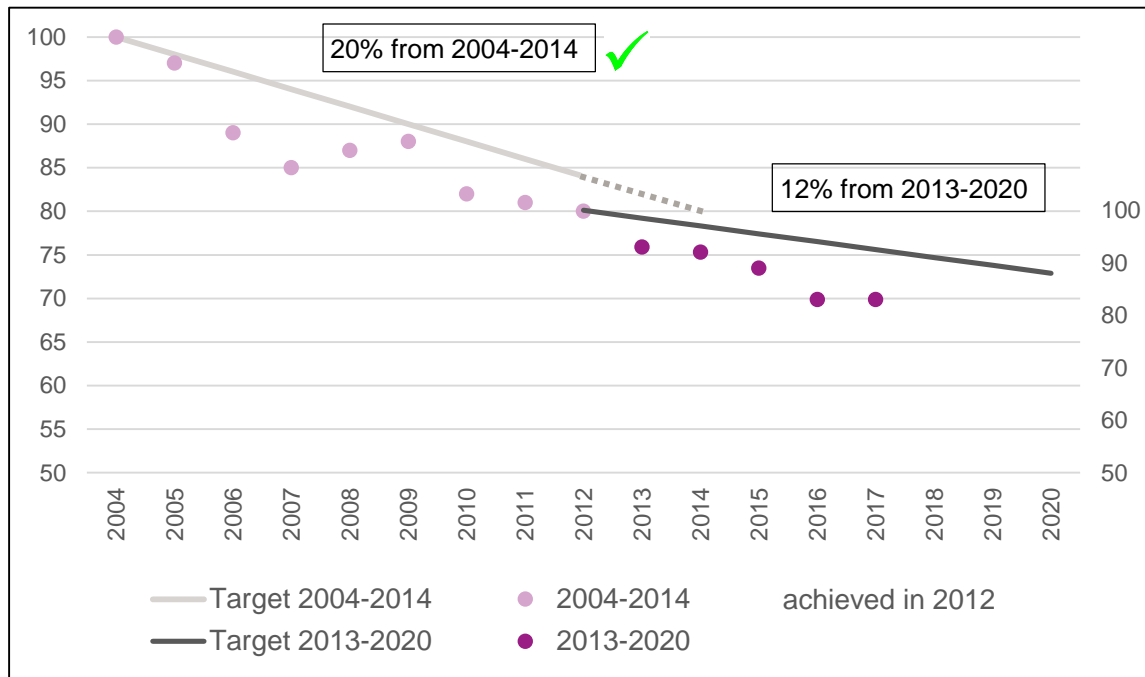
Incorporation of safety performance in remuneration systems; global culture initiative “**Safety at Evonik**” firmly established

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 Evonik employees

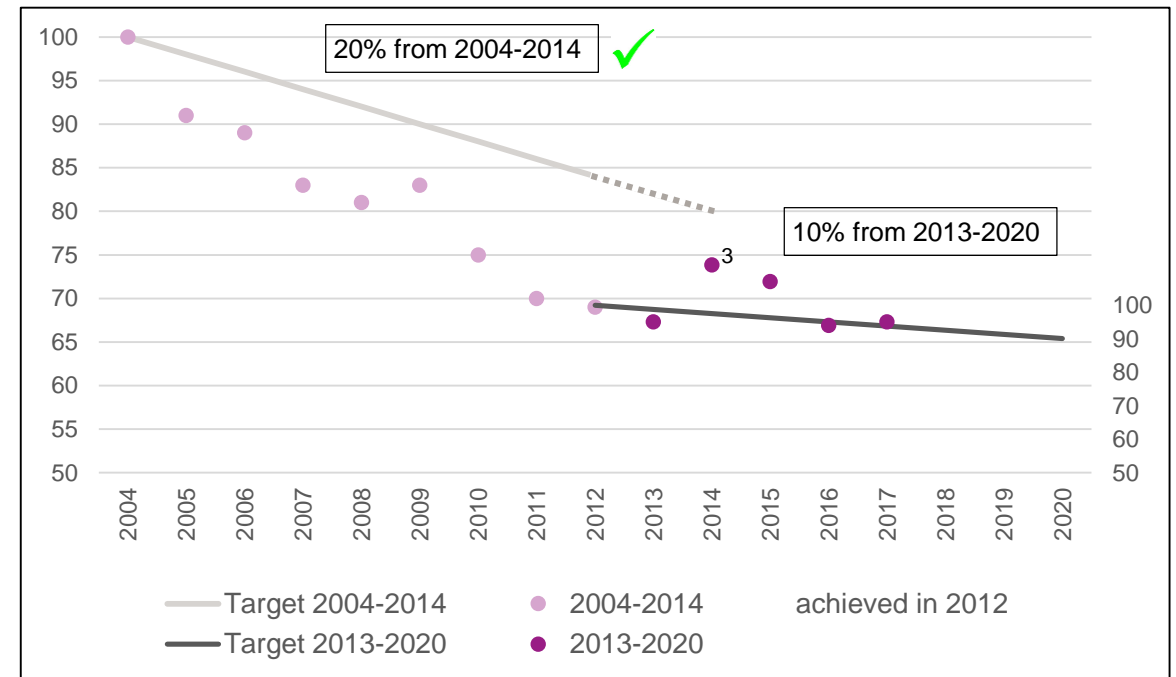


# Ambitious environmental targets 2004 – 2020

## Specific GHG emissions<sup>1</sup>



## Specific water intake<sup>2</sup>



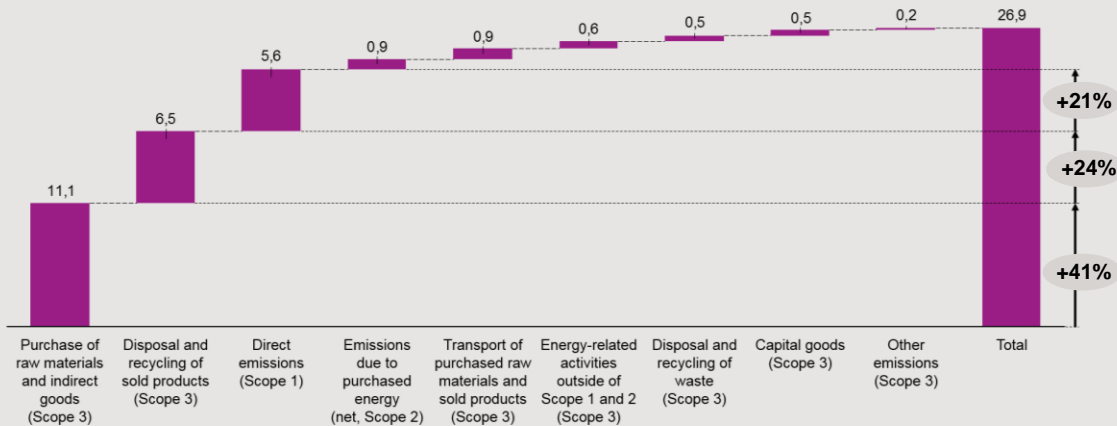
1) Energy- and process-related emissions as defined by the Greenhouse Gas Protocol, scope 2 emissions calculated using market-based method 2) Reporting on specific water intake has been recalculated retrospectively. Based on our regular analytical verification - checks on random samples of reported data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



# Managing Evonik's carbon and water footprints

## Carbon footprint

- 101,8 million metric tons CO<sub>2</sub>eq<sup>1</sup> avoided emissions by use of selected Evonik products<sup>2</sup> compared to conventional alternatives on the market
- Evonik Carbon Footprint: 26.9 million metric tons CO<sub>2</sub>eq



## Water footprint

- 31% reduction of specific water intake achieved in 2004 – 2012
- Target for 2013 – 2020: 10% reduction (basis: FY 2012)
- Water scarcity footprint calculated for 25 most relevant raw materials purchased by Evonik
- No exposure to water stress based on risk analysis completed in 2017

1) Carbon dioxide equivalents 2) „green tire” technology, amino acids in animal feed, foam stabilizers for insulation materials, and oil additives in hydraulic oils

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# We accept responsibility along the value chain

## Value chain and Products

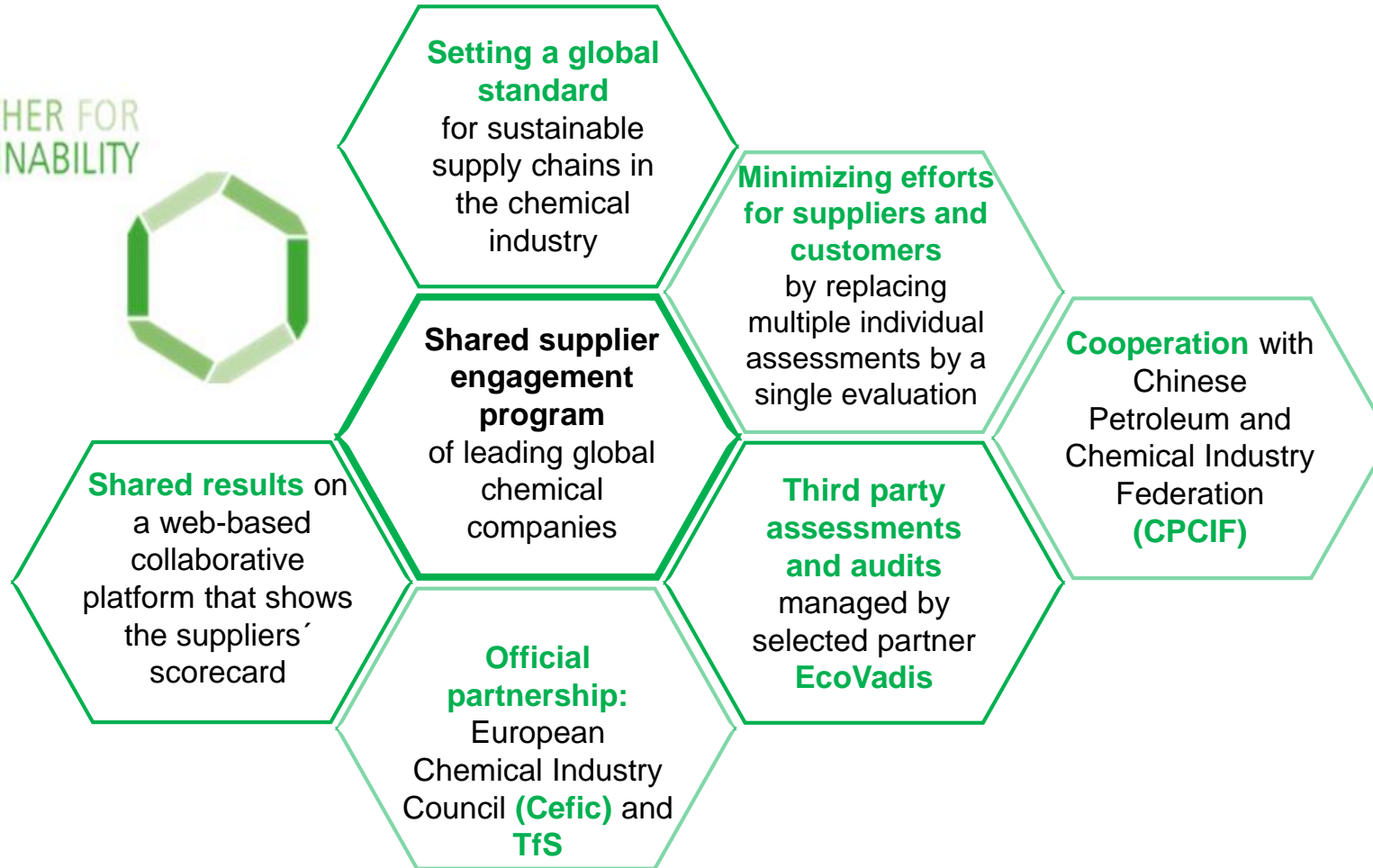


- **Upstream**  
Responsibility within the supply chain
  - Code of Conduct for Suppliers (2017: ~34.000)
  - Founding member of “Together for Sustainability” industry initiative
  
- **Gate to gate**
  - Advanced chemical processes being constantly refined
  - Well-stocked innovation pipeline
  
- **Downstream**  
Enabling customers to
  - reduce their own ecological footprints
  - meet their sustainability targets



# Upstream: Responsible supply chain management

TOGETHER FOR  
SUSTAINABILITY



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

Evonik Chief Procurement Officer serving as **TfS President**





# Upstream: Responsible supply chain management

441

TfS audits

28

thereof Evonik

1,794

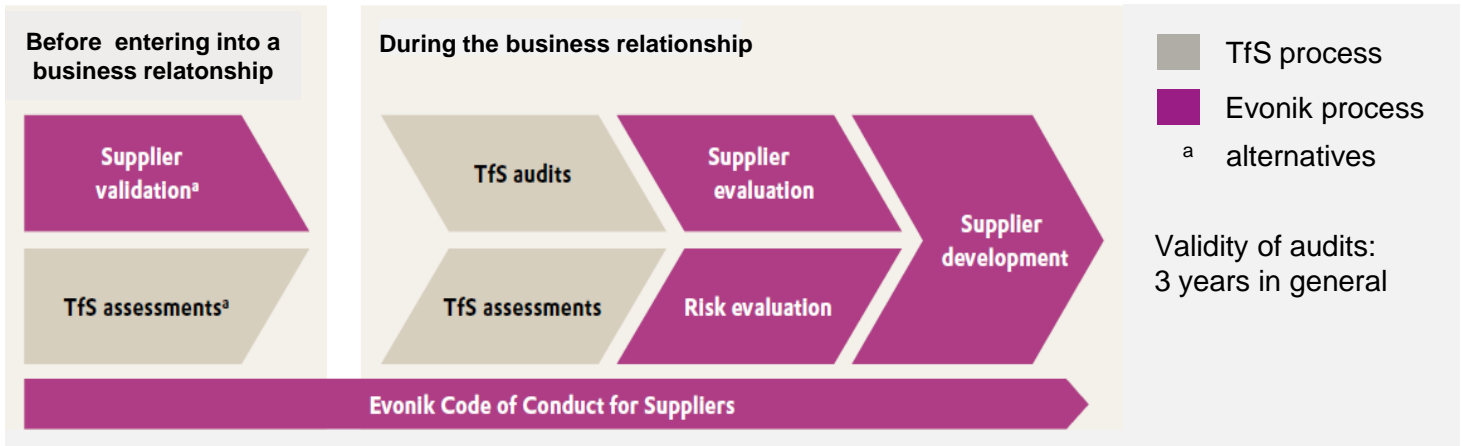
TfS assessments

149

thereof Evonik

>75%

of Evonik's purchasing  
volume covered by TfS  
assessments



## Our targets 2018

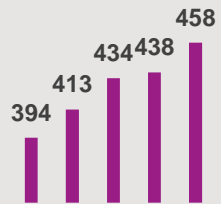
- Conduct ≥20 supplier sustainability audits under the shared audit principle of TfS
- Continue supplier analysis by reviewing ≥80 TfS assessments
- Evaluate sustainability performance of 90% of suppliers of critical raw materials by 2020 (year-end 2017: >70%)



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

**€458 m**

R&D expenses  
R&D expenses to sales: 3.2%



**+ 4%** p.a

R&D expenses  
Ø 2013–2017 in € m

Global R&D network:

**~2,800** employees  
**40** sites

**~230**

New patent applications filed

**~26,000**

Patents and pending patents

**52%**

of sales patent-protected

**R&D highlight: Siemens and Evonik combine expertise**

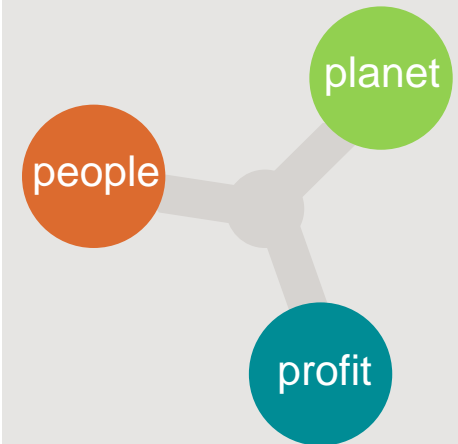


Joint R&D project  
“Rheticus” to demonstrate feasibility  
of artificial  
photosynthesis

Evonik intensifies R&D  
into regenerative  
medicine: Tissue  
Engineering Project  
House in Singapore



Current market growth<sup>1</sup>  
of ~30 % p.a.; market  
volume<sup>1</sup> of US \$3 bn  
by 2021



Systematic sustainability assessment for strategic R&D projects<sup>2</sup>

**>500** projects

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

1) Estimations 2) Idea-to-People-Planet-Profit (I2P³)



# Gate to gate: Our innovation targets

## R&D expenses to sales

Group level: 3.2%  
Growth engines: 4 – 6%

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

Medium term: 16% of sales  
2017: ~10% of sales

## Innovation pipeline

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

### Evonik Innovation Growth Fields: 25% p.a. CAGR

#### Sustainable Nutrition



#### Advanced Food Ingredients



#### Healthcare Solutions



#### Additive Manufacturing

#### Cosmetic Solutions



#### Membranes



#### Smart Materials



Additional contribution to sales

**2017/2018: ~ €200 m**

**2025: > €1 bn**

1) Developed in past 5 years

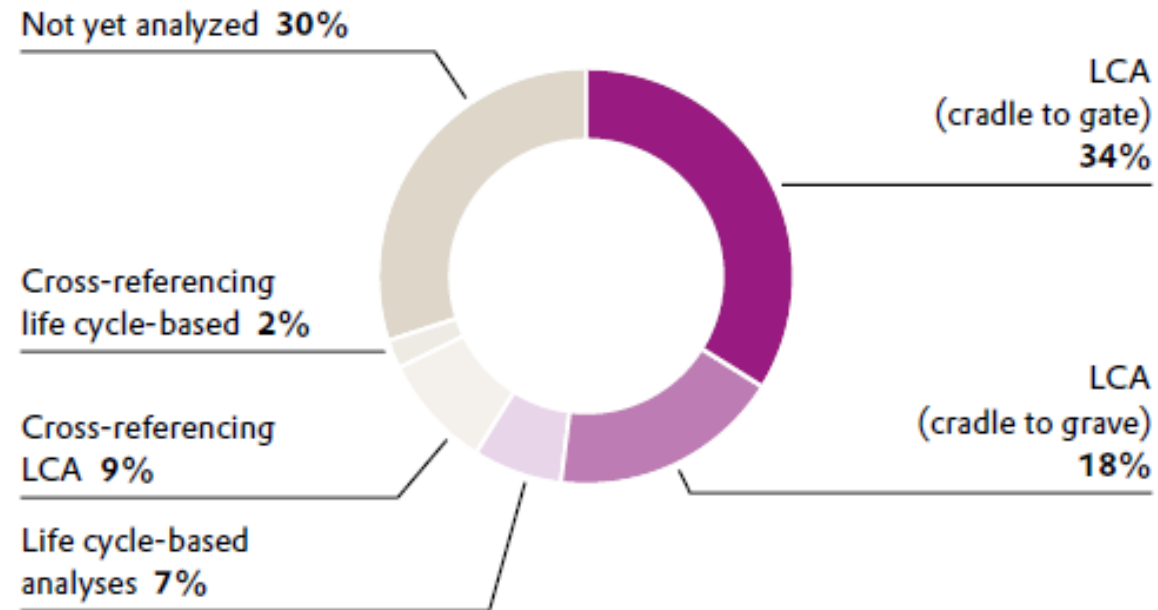


## Downstream: Sustainability analysis of our business

**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



<sup>1</sup>) Products that make a measurable contribution to improving resource efficiency in the use phase



# Downstream: Sustainability as growth driver<sup>1</sup>

	Growth engines	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>	<b>5-6</b>
	<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>	<b>5-6</b>
	<b>Smart Materials</b> Tailored functionalities for sustainable solutions	<ul style="list-style-type: none"><li>▪ Trend towards resource efficiency in highly-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>▪ HPP<sup>2</sup> for lightweight applications or 3D-printing</li><li>▪ Membranes for biogas upgrading</li></ul>	<b>4-7</b>
	<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>	<b>5-7</b>

1) Examples | HPP = High Performance Polymers



# Products with significant contributions to sustainable development<sup>1</sup>

## Insulation & Circular Economy

### **POLYVEST® HT**

for sealing compounds for insulating glass windows (triple glazing)



### **VESTENAMER®**

process additive allows rubber waste to be processed to low-noise asphalt



### **PU-Additives**

for furniture applications and the automotive industry (low VOC)



### **CALOSTAT®**

purely mineral high-performance insulation material; fully recyclable; incombustible



## Mobility

### **Silica-organosilane**

reinforcing system for „green tire“ technology



### **DYNAVIS®**

oil additives for energy-efficient hydraulic fluids



### **ROHACELL®**

light-weight technology for automotive and aircraft industry



### **DRIVON™**

technology for cost-efficient engine oils and transmission fluids



## Renewable Energies

### **Catalyst NM 30**

for cost-efficient biodiesel production



**Crosslinkers, silica, oil additives, silicone epoxy resins** for wind power



### **SEPURAN®**

customized hollow-fibre membranes for efficient biogas purification



**TAICROS® Crosslinkers** for photovoltaic cell encapsulation



<sup>1</sup>) Examples

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## In 2018/2019, our focus is on...

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Sustainability analysis of our business



Completion and external validation of new methodology; new sustainability analysis will be conducted in 2019.

Impact assessment



Impact valuation of our business activities along the value chain

UN Sustainable Development Goals (SDGs)



Identification of most relevant SDGs for the Evonik Group

Human Rights



Training activities on human rights for Evonik employees

Transparency



Continuous improvement in reporting

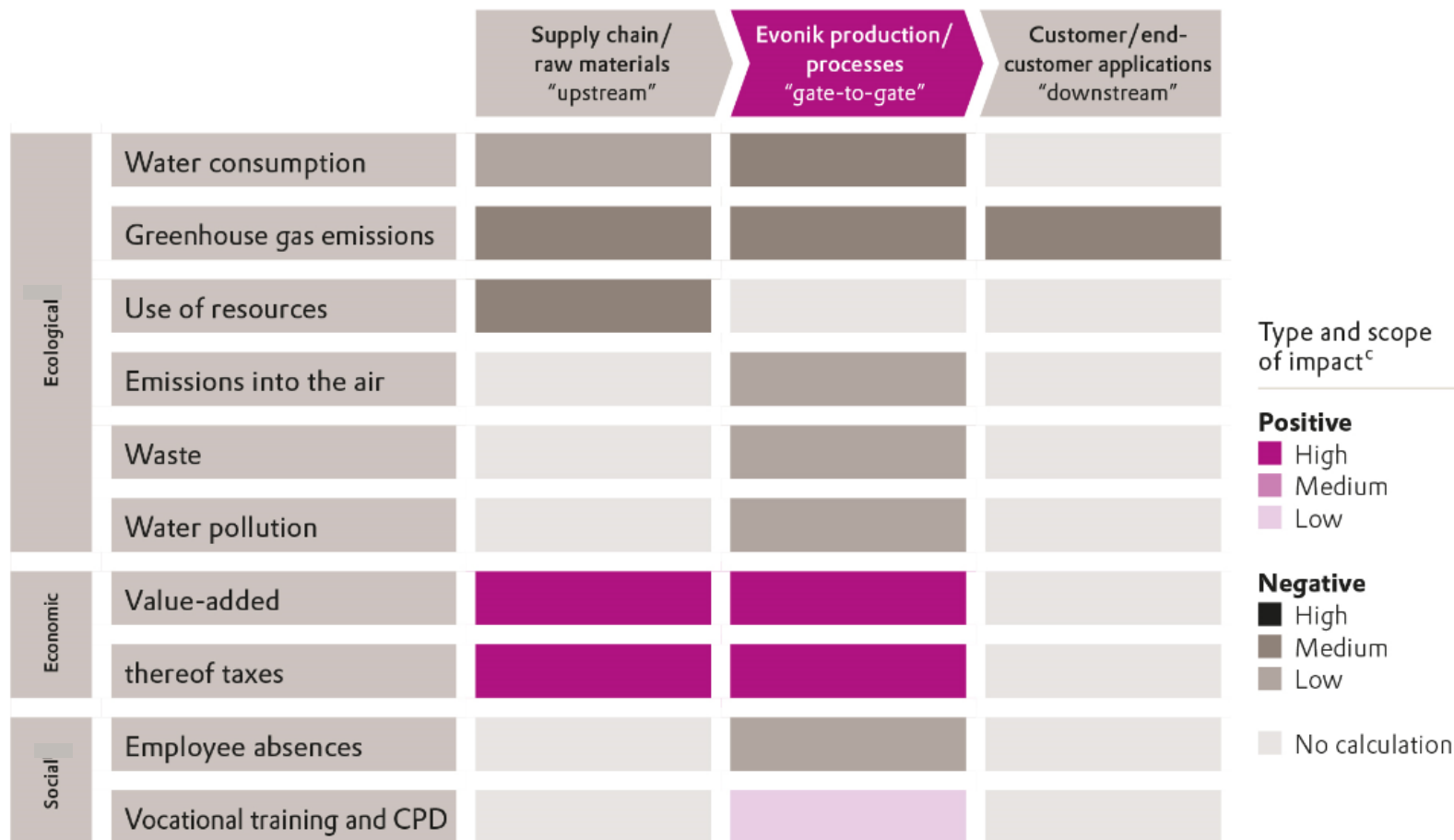
- 2017: First Non-Financial Report
- 2017: First Sustainability Report according to GRI Standards
- 2018: Project „Fast Close“ for Sustainability Report



# Impact assessment: Our macro-economic impact in Germany



# Impact valuation: Our business activities along the value chain in Germany



Impact of our business activities along the entire value chain, from the extraction of raw materials to the disposal of our products. The colors indicate the monetary thresholds defined by Evonik. This model is based on monetized data for 2016.

# UN Sustainable Development Goals (SDGs)

## 2017: Our contributions to the SDGs

<https://corporate.evonik.com/en/responsibility/unsustainabledevelopmentgoals>



## 2018: Most relevant SDGs for the Evonik Group



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# Ratings & Rankings: Evonik well-positioned

- ✓ **Oekom Research** (Prime Standard B-)
- ✓ **Sustainalytics** (among Top 10 of chemicals sector)
- ✓ Together for Sustainability/**EcoVadis** (“Gold Standard”)
- ✓ **Dow Jones Sustainability Indices** World and Europe
- ✓ **FTSE4Good** Europe, FTSE4Good Global
- ✓ **STOXX**® Global ESG Leaders
- ✓ **MSCI** World ESG Leaders Index; Socially Responsible Index MSCI Europe
- ✓ **Vigeo Eiris** Euronext Index – Europe 120



# 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“

## PwC Building Public Trust Award 2017

- recognizing Evonik’s reporting; winner in category MDAX

## Sustainable Business Awards Singapore

- 2017: Winner in categories „Energy management“, „Best Newcomer“, Special Recognition „Business Respons. & Ethics“
- **2018**: Winner in categories “Business Responsibility & Ethics” and “Supply Chain Management”



German Awards  
for Excellence 2017  
Evonik Industries AG



Sustainable  
Business  
Awards  
Singapore



1) DQS: globally active audit and certification company based in Frankfurt/Main

## Disclaimer

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**EVONIK**

**POWER TO CREATE**