

Embracing Sustainability

Corporate Responsibility Relations | November 2018

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2. Our sustainability commitments, strategy and targets
3. Value chain and products
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A global leader in specialty chemicals

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

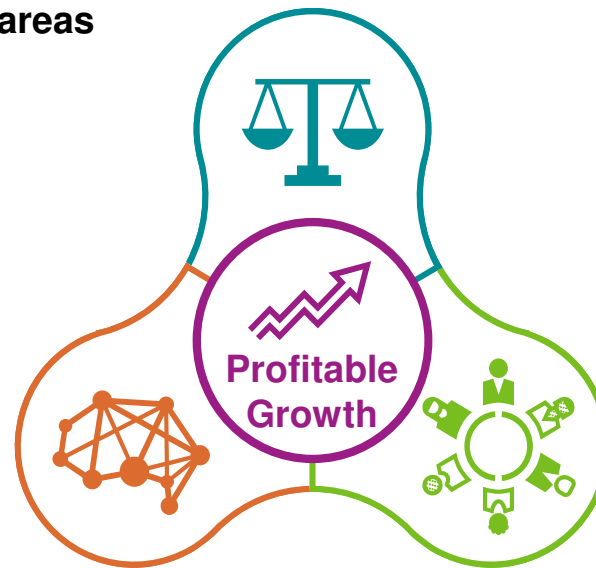
Corporate strategy agenda 2018

▪ 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	UN Global Compact	Aligning companies' operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption
	Responsible Care	The global chemical industry's initiative to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes
	Chemie³	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
Internal	Global Social Policy	Evonik's internal commitment to human rights, core labor standards, international standards and principles of conduct
	ESHQ Values	Protecting people and the environment, treating partners fairly, and focusing on the needs of customers as core beliefs for everyone at Evonik
	Code of Conduct (CoC)	Containing corporate values and principles, governing conduct of all Evonik employees; externally operated whistleblower system

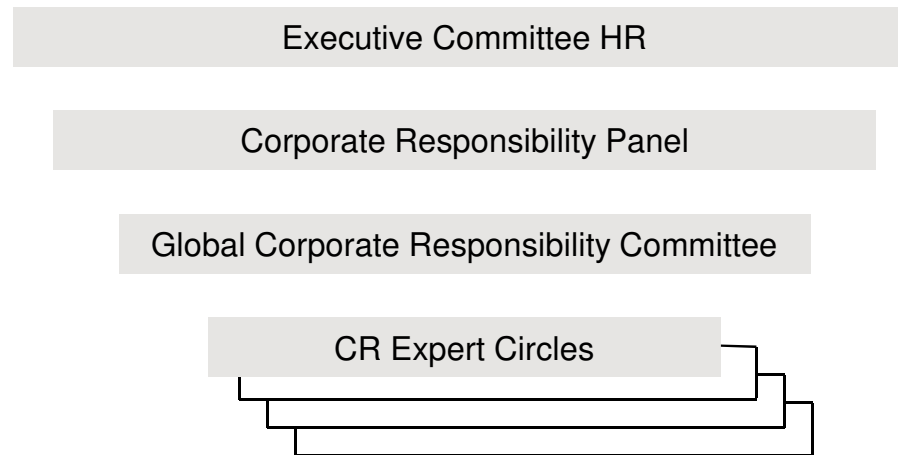
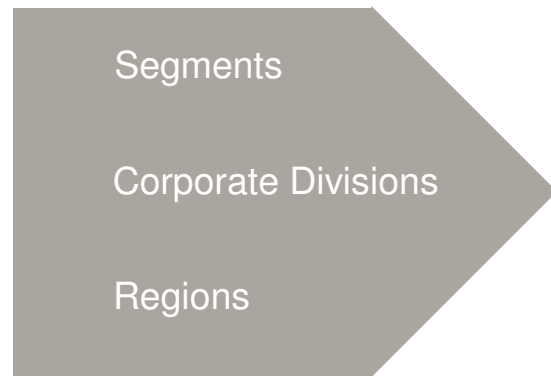
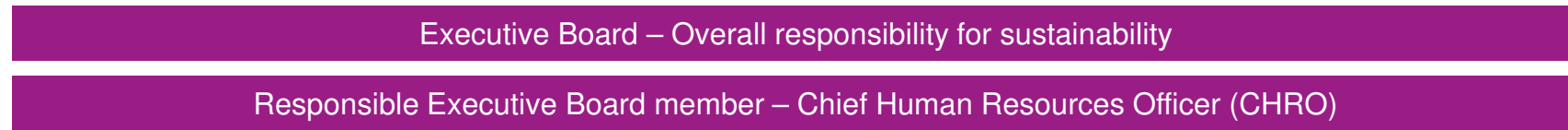


CHEMIE³





Our sustainability management



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



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

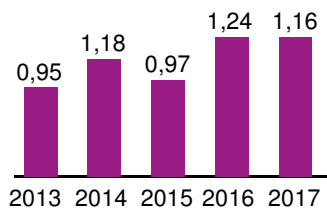
Strategy and Growth 	Governance and Compliance 	Employees 
<ul style="list-style-type: none">▪ Validate materiality analysis▪ Identify SDGs of most relevance for the Evonik Group	<ul style="list-style-type: none">▪ 20% women at 1st and 2nd management levels below Executive Board (2019)	<ul style="list-style-type: none">▪ Measure and increase employee satisfaction▪ More diversity by increasing number of female managers
Value chain and Products 	Environment 	Safety 
<ul style="list-style-type: none">▪ Extend impact analysis of our business along the value chain▪ ≥ 20 supplier sustainability audits according to TfS¹▪ > €1 bn additional sales in R&D growth fields (2025)	<p>Reduce</p> <ul style="list-style-type: none">▪ specific GHG emissions by 12% (2020)▪ specific water intake by 10% (2020)	<ul style="list-style-type: none">▪ Accident frequency rate ≤ 1.30▪ Incident frequency rate ≤ 1,10▪ Occupational Health Performance Index ≥ 5

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

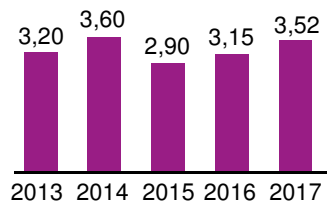


Safety is at the top of our agenda

Occupational safety

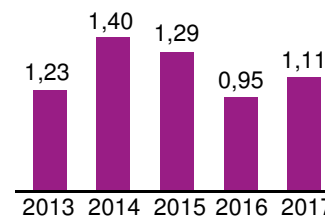


Accident frequency rate¹ for **Evonik employees** slightly improved; target 2017 (≤ 1.30) achieved



Accident frequency rate² for contractors' employees slightly deteriorated; in-depth analyses initiated

Plant safety



Incident frequency rate³ on good level; target 2017 (≤ 1.10) just narrowly missed



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

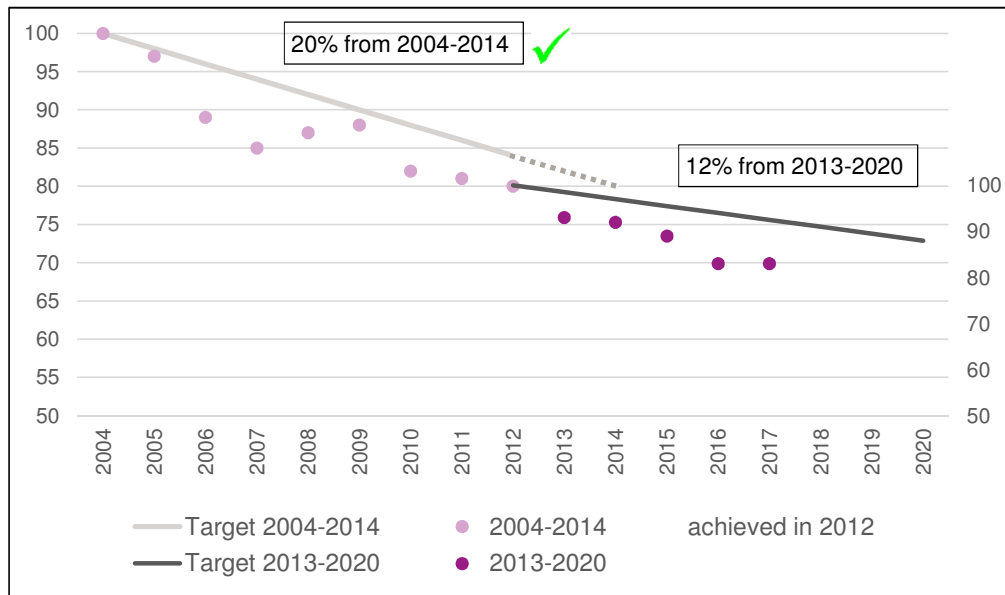
Incorporation of safety performance in remuneration systems; global culture initiative "Safety at Evonik" firmly established

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

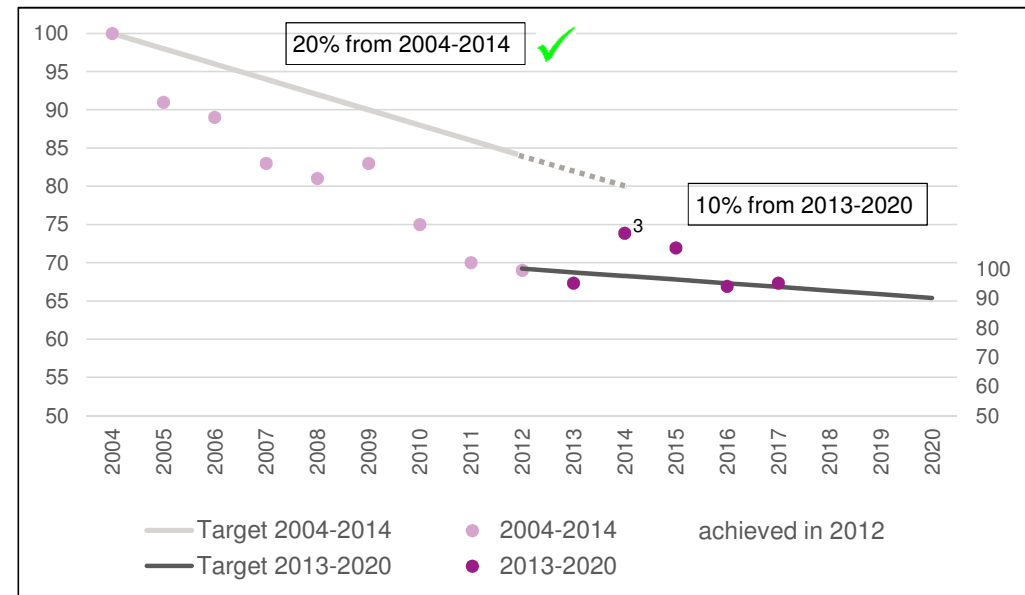


Ambitious environmental targets 2004 – 2020

Specific GHG emissions¹



Specific water intake²



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

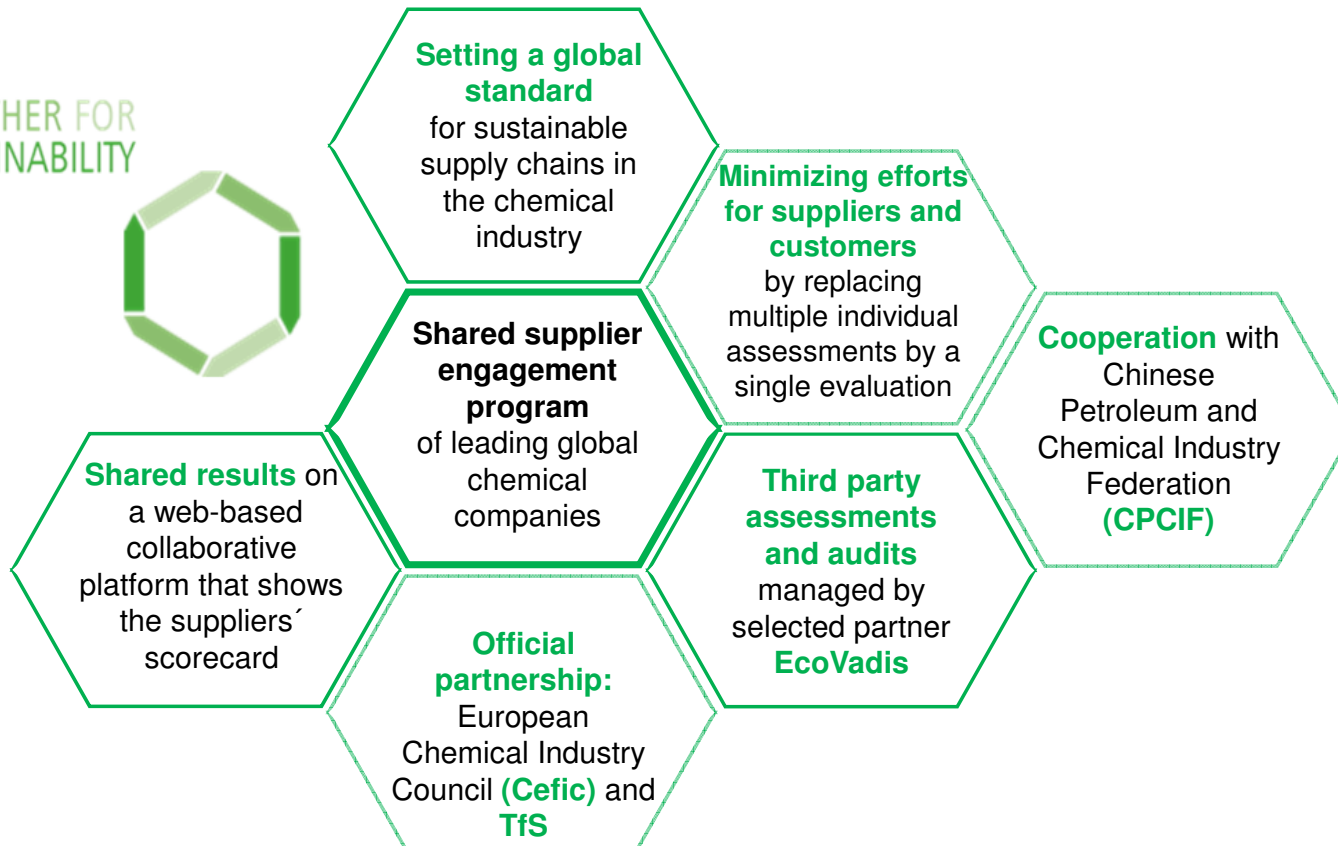


- **Upstream**
Responsibility within the supply chain
 - Code of Conduct for Suppliers (2017: ~34.000)
 - Founding member of “Together for Sustainability” industry initiative
- **Gate to gate**
 - Advanced chemical processes being constantly refined
 - Well-stocked innovation pipeline
- **Downstream**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

Before entering into a business relationship

Supplier validation^a

TfS assessments^a

During the business relationship

TfS audits

Supplier evaluation

TfS assessments

Risk evaluation

Supplier development

Evonik Code of Conduct for Suppliers

TfS process
Evonik process
^a alternatives

Validity of audits:
3 years in general

Our targets 2018

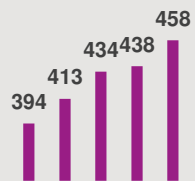
- Conduct ≥20 supplier sustainability audits under the shared audit principle of TfS
- Continue supplier analysis by reviewing ≥80 TfS assessments
- Evaluate sustainability performance of 90% of suppliers of critical raw materials by 2020 (year-end 2017: >70%)



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

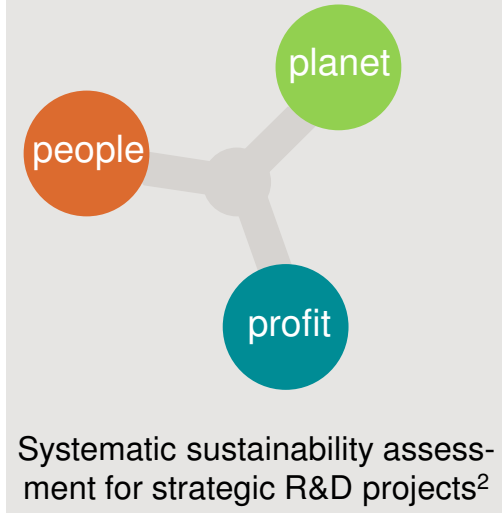


Joint R&D project "Rheticus" to demonstrate feasibility of artificial photosynthesis

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



Current market growth¹ of ~30 % p.a.; market volume¹ of US \$3 bn by 2021



>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 new¹ 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 
Cosmetic Solutions 	Membranes 	Smart Materials 

Additive Manufacturing

Additional contribution to sales

2017/2018: ~ €200 m

2025: > €1 bn

1) Developed in past 5 years



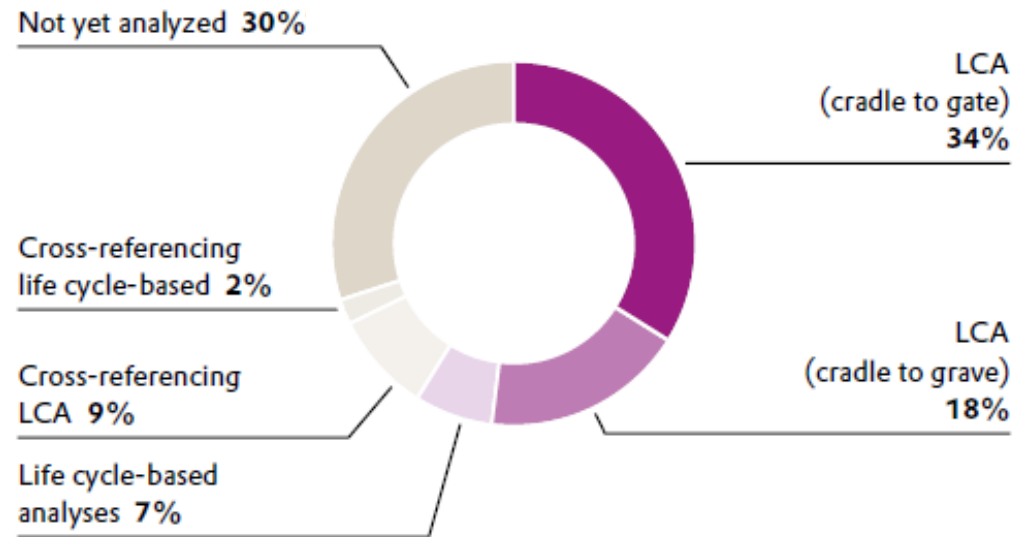
Downstream: Sustainability analysis of our business

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

50% of sales generated with products for resource-efficient applications¹

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





~80%



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



Downstream: Sustainability as growth driver¹

	Growth engines	Growth trends and drivers	„Sustainable“ products	Market growth in %
	Specialty Additives “Small volume, big impact“	<ul style="list-style-type: none">▪ Rising requirements on additive effects▪ Need for increased product performance and efficiency	<ul style="list-style-type: none">▪ Additives for eco-friendly coatings▪ PU additives for insulation▪ Oil additives for fuel savings	5-6
	Health & Care Preferred partner in Pharma and Cosmetics	<ul style="list-style-type: none">▪ Increasing health awareness▪ Bio-based products and eco-safe cosmetics	<ul style="list-style-type: none">▪ Pharma polymers▪ Oleochemicals▪ Advanced biotechnology	5-6
	Smart Materials Tailored functionalities for sustainable solutions	<ul style="list-style-type: none">▪ Trend towards resource efficiency in highly-demanding applications▪ Engineered materials to fulfill high performance requirements	<ul style="list-style-type: none">▪ Silica & silanes („green“ tire)▪ HPP² for lightweight applications or 3D-printing▪ Membranes for biogas upgrading	4-7
	Animal Nutrition Comprehensive portfolio for sustainable food chain	<ul style="list-style-type: none">▪ Sustainable nutrition▪ Improving food quality and safety	<ul style="list-style-type: none">▪ Amino acids for animal nutrition▪ Probiotics	5-7

1) Examples | HPP = High Performance Polymers

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In 2018, our focus is on...

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

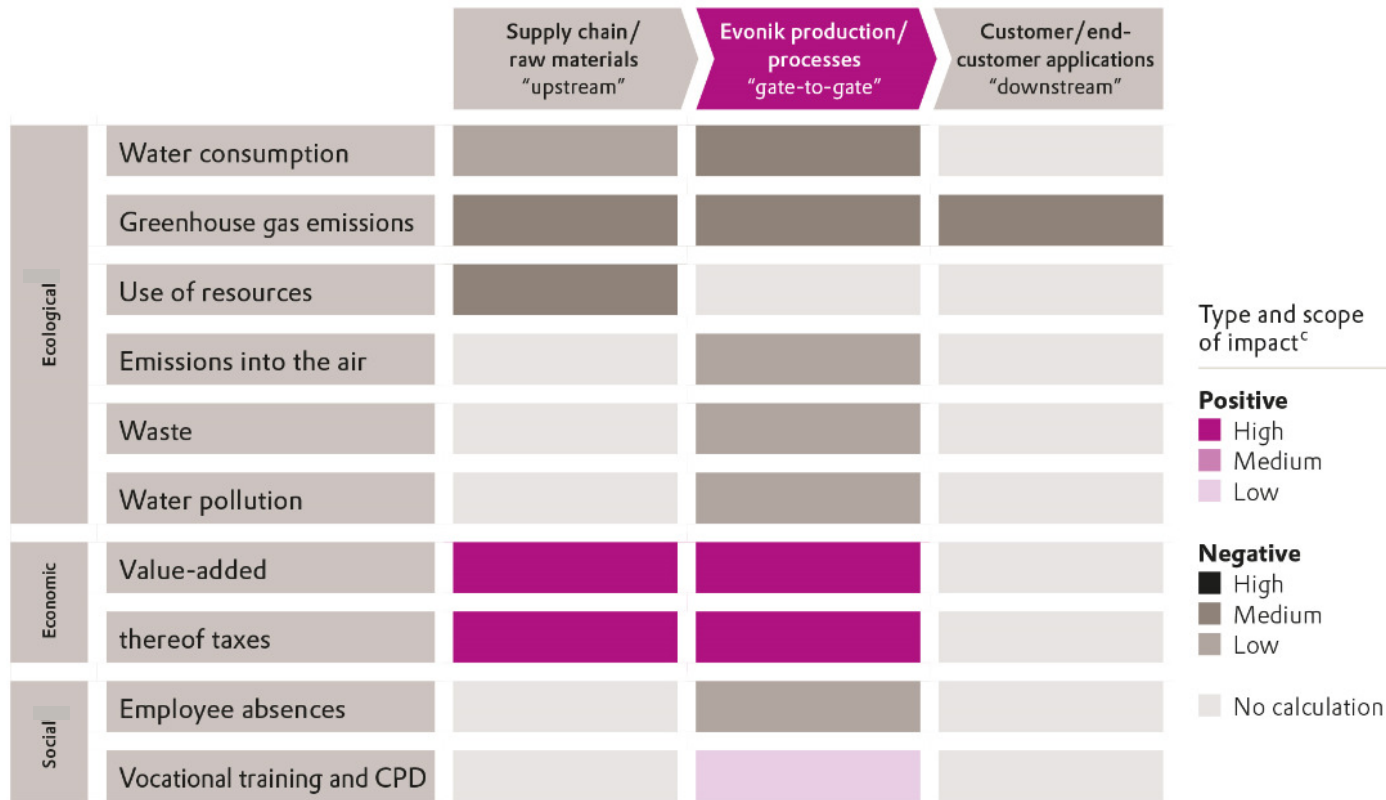
- 2017: First Non-Financial Report
- 2017: First Sustainability Report according to GRI Standards
- 2018: Project „Fast Close“ for Sustainability Report



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)
- ✓ **CDP** Climate Change (A-); CDP Water (B)
- ✓ 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“

DQS¹ German Award for Excellence 2017

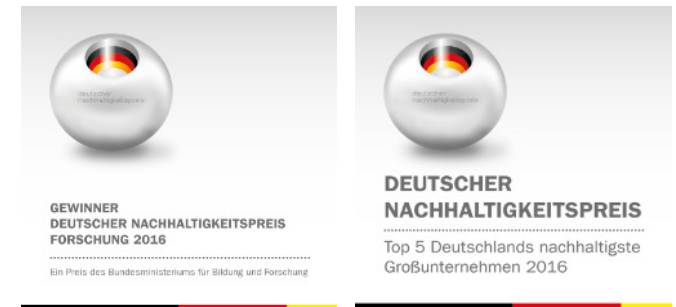
- Winner in category “Life cycle analysis“

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



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

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EVONIK

POWER TO CREATE