

NON-FINANCIAL REPORT 2018

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Separate combined non-financial report 2018

This non-financial report is a combined report for the Evonik Group and Evonik Industries AG in compliance with the CSR Directive Implementation Act.

Editorial deadline: February 18, 2019

1. Introduction

Sustainability is a central element in our claim "Power to Create." Evonik focuses on finding innovative solutions that help make life healthier, more sustainable, and more comfortable.

As a specialty chemicals company with a presence throughout the world, we see corporate responsibility and long-term business success as two sides of the same coin. That is reflected in the rising demand from our customers for products and services that demonstrate a good balance of economic, ecological, and social factors. Sustainability has been a growth driver at Evonik for many years.

We give our customers, employees, owners, and the general public an insight into how we run our business and live our values: Our sustainability report supplements the ecological and societal aspects included in our financial report.

Building on the commitment of its predecessor companies, Evonik has a long tradition of non-financial reporting. The content of this non-financial report comes mainly from the sustainability report 2018, which applies the GRI Standards in accordance with the "core" option. Therefore, the aspects of this non-financial report are based on the GRI.

The transparency of our sustainability reporting is also reflected in our intensive exchange with our stakeholders and sustainability rating agencies, and the extensive information on our "Responsibility" website.

In this report, we have chosen to present a gross view of the risks relating to the non-financial aspects we are exposed to from outside the company. Using the concepts outlined below to track and manage the corresponding key performance indicators, no serious risks to Evonik have been identified in connection with these aspects. In addition, Evonik identifies and monitors risks in its risk management system¹ using a net view.

We regard sustainability as a group-wide issue. Therefore, the concepts and measures described in this report apply for the entire Evonik Group, including Evonik Industries AG. The relevant data are collected and managed globally at Group level; only a few indicators are meaningful Evonik Industries AG², as it has no operating business.

The silica business acquired from J.M. Huber Corporation, Atlanta (Georgia, USA) in September 2017 is only included in the environmental data for the Evonik Group from January 1, 2018.

2. Description of the business model

Evonik is one of the world's leading specialty chemicals companies. Our strengths include the balanced spectrum of our business activities, end-markets, and regions. Around 80 percent of sales come from market-leading positions³, which we are systematically expanding. Our strong competitive position is based, above all, on close collaboration with customers, our high innovative capability, and our integrated technology platforms.⁴

¹ The risks identified are audited as part of the opportunity and risk report in the combined management report.

² See section 5.

³ We define these as ranking 1st, 2nd, or 3rd in the relevant markets.

⁴ See the section headed business model in the combined management report in the financial report 2018.

The following overview shows the use of resources and the impact of our business activities in 2018:

Resources and value contributed in 2018

Our resources	 EVONIK POWER TO CREATE	Value contributed
<p>Stakeholders</p> <p>36,043 employees</p> <p>Approx. 35,000 suppliers</p> <p>Approx. 40,000 customers</p> <p>€9.9 billion procurement volume</p> <p>The environment</p> <p>9.86 million metric tons raw material inputs</p> <p>9.7 % renewable raw materials</p> <p>72.91 PJ net energy input</p> <p>6.6 million metric tons direct and indirect CO₂eq emissions^a</p> <p>70.2 million m³ water consumption in production processes</p> <p>Financials</p> <p>€6,785 million property, plant and equipment</p> <p>€1,050 million capital expenditures</p> <p>Knowledge</p> <p>€459 million R&D expenses</p> <p>Approx. 2,800 R&D employees</p> <p>Production</p> <p>> 100 production sites</p> <p>6 km² largest production site Marl (Germany)</p>	<p>Nutrition & Care</p> <p>Applications in consumer goods for daily needs, animal nutrition, and healthcare products</p> <p>Resource Efficiency</p> <p>High-performance materials and specialty additives for environment-friendly and ener- gy-efficient system solutions for the automotive, paints, coatings, adhesives, and construction industries, and many other sectors</p> <p>Performance Materials</p> <p>Production of polymer materials and intermediates, mainly for the rubber, plastics, and agriculture industries</p> <p>Services</p> <p>Services at Evonik's sites and standardized administrative services for internal and external customers</p>	<p>Society</p> <p>€63 million spending on vocational training</p> <p>94.9 % employee health ratio</p> <p>€2.9 billion wages and salaries</p> <p>€7.4 million^b donations and sponsorship</p> <p>The environment</p> <p>€43 million investment in environmental protection</p> <p>-17 percentage points reduction in specific greenhouse gas emissions^c</p> <p>101.8 million metric tons CO₂eq avoided by using Evonik products^d</p> <p>70 % of sales covered by life cycle analyses</p> <p>Financials</p> <p>€15.0 billion sales</p> <p>€250 million income taxes</p> <p>Knowledge</p> <p>Approx. 240 new patents filed</p> <p>Approx. 26,000 patents and patent applications</p> <p>Products and solutions</p> <p>> 4,000 products and solutions</p> <p>Approx. 50 % of sales generated with resource-efficient products^e</p>

^a Scope 1 and 2 (market-based).

^b Not included in the limited assurance review.

^c Reference base 2012.

^d In accordance with WBCSD Avoided Emissions Guidance 2013. Figure refers to 2017.

^e Products that are proven to make a contribution to resource efficiency during production. Data from 2016.

3. Relevance of the aspects

The selection of the thematic aspects and content of this report and the order in which they are presented are based on our materiality analysis in accordance with the GRI, and on the impact of our business activities on the aspects addressed here.

We updated and validated our materiality analysis in 2018 on the basis of a concept approved by our Corporate Responsibility Panel. More than 400 representatives of stakeholder groups of relevance for our company were asked about the most important sustainability topics for Evonik. They identified more sustainable products/solutions for our customers, climate change and emissions into the air, and efficient handling of scarce resources/circular economy as the top 3 topics. We will now be stepping up our focus on these topics. In the future, we intend to conduct an extensive update of our materiality analysis roughly every three years. In the meantime, we will continue to drive forward the topics identified.

In this non-financial report, Evonik addresses the five aspects defined by law: employee matters, environmental matters, respect for human rights, prevention of bribery and corruption, and social matters. Additionally, it includes the supply chain aspect.

Occupational and plant safety have priority over sales and profits at Evonik. This is underscored by our materiality analysis. Therefore, we place **employee matters** at the start of this non-financial report. In keeping with our materiality analysis, this aspect covers health protection and promotion, training/advanced training, appeal as an employer, and diversity and equal opportunity. Although the materiality analysis gives a lower ranking to the relevance of diversity, Evonik's management considers it to be highly significant.

As a specialty chemicals company, **environmental matters** have always been important to us and this is reflected in our materiality analysis. Maintaining the natural basis of life for future generations is part of our corporate responsibility. That includes steadily reducing emissions, continuous improvements in the efficient use of materials and resources, and developing products that help us forge a link between economic success and ecological progress. Similarly, in the chemical industry product stewardship is a vital precondition for doing business. It is our "license to operate." Evonik is no exception, as confirmed by the results of our materiality analysis.

According to our materiality analysis, responsible corporate governance/human rights is a topic of high relevance for Evonik. That includes full compliance with the applicable laws, internal regulations, and binding voluntary commitments. For some years now, our compliance management system has paid special attention to **preventing bribery and corruption**. Evonik is committed to fair competition in the interests of its customers, shareholders, and other stakeholders. Respecting **human rights** is becoming increasingly important in global corporations. We are convinced that this development will continue.

Evonik has a significant influence on society and the environment through its procurement volume. That is also shown by our materiality analysis. In light of the rising demands made by our stakeholders, especially our customers, we also expect sustainability in the **supply chain** to become increasingly relevant. We have therefore included the supply chain as an additional aspect in this non-financial report.

We want to be a good neighbor and reliable partner for local inhabitants, communities, and regions around our worldwide sites. Under the **social matters** aspect, we discuss our dialogue with these stakeholders and Evonik's commitment to society.

4. Description of the aspects

4.1 Employee matters

The excellent level of our employees' skills and their high motivation are essential for Evonik's business success in demanding markets. We have therefore developed a wide range of activities to recruit and develop employees and retain them in our company.

Safety at Evonik

Protecting the health and employability of our employees, preventing accidents and incidents⁵ at work, in the operation of our production facilities, during transportation, and on the way to and from work are of central importance to Evonik.

Accidents and incidents in production facilities can injure employees or release substances that impair the health of our employees and local inhabitants. To counter these risks we have a fundamental management approach to all topics relating to plant safety and traffic safety.

Safety is lived at all levels in the company and covers employees, the working situation, products, and the operational environment. Our guiding principles for safety are binding for all managers and employees. The Safety at Evonik initiative is firmly established throughout the Evonik Group. Binding principles of action define appropriate behaviors and provide clear and measurable guidance for the personal conduct and leadership of all groups of employees, from local personnel to our management. All employees worldwide receive training in this.

In the Evonik Group, this is ensured by globally valid policies and operating procedures that are firmly anchored in an integrated management system. Observance of these rules is monitored via a central audit system. At operational level, business-specific implementation is defined by the segments. Steering bodies at Group level ensure that mission-critical processes are implemented across the segments.

Accident frequency and the severity of accidents are also included in the variable remuneration of the executive board and many executives.

Our crisis and incident management ensures that in the event of accidents and incidents everything is done to prevent and limit damage. We analyze incidents carefully so we can learn from them.

Our long-term goal is to avoid all accidents and incidents. Every year, we set upper limits for our significant performance indicators, accident frequency⁶ (occupational safety) and incident frequency⁷ (plant safety). Based on our corporate targets, all operational units at Evonik have an occupational safety target and all production units also have a plant safety target.

Our corporate targets for 2019 are unchanged:

- Accident frequency should not exceed 1.30.
- Incident frequency should not exceed 1.10.

Both indicators improved in 2018 and remained below the defined upper limits.

Key data on safety

	2018	2017
Accident frequency	0.87	1.16
Incident frequency	1.08	1.11

There were no fatal accidents at work involving our employees or contractors' employees in the reporting period, nor were there any fatal traffic accidents involving employees on the way to or from work or on business trips.

⁵ All incidents in production facilities involving the release of substances, fire, or explosions.

⁶ Number of work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift, per 1 million working hours.

⁷ Number of incidents per 1 million working hours.

Working conditions

Our aim is to offer all our employees a working environment that respects their individuality and encourages their initiative and creativity. We create the basis for good collaboration, where performance and rights are recognized. All employees should have the opportunity to fulfill their potential.

Trustful collaboration between representatives of the management and employees is vital for Evonik's success. This collaboration takes account of operating conditions and the laws applicable in the various countries.

In Germany, the fundamental rights of our employees and their representatives to be consulted are anchored in statutory regulations such as the Codetermination Act and the legislation on executive staff councils. There are comparable rules in many other regions where Evonik has employees.

Evonik does not restrict employees' rights to freedom of assembly or the right to collective bargaining. These rights are also ensured in countries where freedom of association is not protected by the state. This is shown by the fact that worldwide there are employee representatives for about 96 percent of our employees.

We work with staffing agencies in Germany to cover short-term or temporary bottlenecks. All agencies must provide evidence of a valid operating permit. If agency staff have been used for a job for more than six months, we examine whether it is a permanent job for which a permanent employee can be hired. Alongside appropriate remuneration, we make sure that agency staff are covered by the high social and safety standards applicable for our own staff. Since the chemical industry requires a large number of highly qualified employees, fewer agency staff are used than in other sectors of manufacturing industry. Evonik had around 700 agency staff as of December 31, 2018. That was around 3 percent of our total workforce in Germany.

Employees by contractual status

	2018	2017
Employees	36,043	36,523
of which employees on permanent contracts	32,543	32,754
of which employees on limited-term contracts	2,014	2,191
of which apprentices/trainees ^a	1,486	1,578

^a Including a proportion of apprentices abroad and apprentices with an Evonik contract who are being trained for third parties.

To counter the risks of violating labor and social standards and statutory regulations, Evonik has given an undertaking that it will observe recognized international standards of conduct. These include, for example, the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD), and the International Labour Standards of the International Labour Organization (ILO).

Health prevention and protection at Evonik

Our global activities to protect and promote health are based on a long-term, holistic approach, covering employees, the working situation, products, and the general working environment. This approach includes high-quality medical care where necessary, applying ergonomic and health-related measures to structure working conditions, and a functioning emergency management system at plant level. In addition, Evonik offers a selective range of health promotion measures, which are bundled in the group-wide well@work initiative. In this way, we help our employees adopt a healthy lifestyle. All these measures counter the risks of sickness-related absences and the incidence of occupational illness.

The basis for our actions is an extensive, integrated management system that is aligned to our corporate structure. At Evonik, protecting and promoting health is assigned to the Corporate Environment, Safety, Health and Quality (ESHQ) division. Implementation of the applicable requirements is regularly monitored via an extensive occupational health reporting system. Action is taken if there are indications that there is scope for improvement or deviations from the applicable guidelines.

Achieving our health protection goals is measured by our Occupational Health Performance Index, which comprises parameters from the areas of occupational medicine, health promotion, and emergency medical management. In 2016, we set a long-term target of $\geq 5.0^8$, which we achieved in 2018 with a score of 5.5.

As part of its preventive health promotion activities, Evonik uses suitable measures to prevent occupational illnesses and work-related health impairments. In this context, Evonik regularly reports on occupational illnesses.

Training/advanced training

Our strong commitment to training and continuing professional development is part of our corporate responsibility in the areas of social and human resources policy. Our personnel development is geared to the early identification and development of talented employees and those with potential.

A wide range of training and continuing professional development programs are offered at segment, regional, and site level to ensure that our employees are well-prepared for their work and can build on their skills. As an indicator, we use the financial expense for training per employee. In 2018 alone, we invested around €500 per employee in continuing professional development.

We offer young people future perspectives when they successfully complete their training. We also counter the effects of demographic change.

Risks to Evonik may arise from rapid technical progress and the rapid pace of change in our markets. We counter these by skills enhancement, vocational training, and continuing professional development of our employees. We prepare our employees specifically for changes and therefore play a part in maintaining employability for as long as possible.

Appeal as an employer

Evonik offers its employees an attractive working environment that encourages ideas, rewards hard work, and maintains their physical and mental capabilities. We focus on the individual needs of our employees. In this way, we lay the foundations for our policy of filling key positions from within the company.

Fair, market- and performance-oriented remuneration is anchored in our remuneration policies and human resources tools worldwide. Remuneration is set on the basis of objective criteria such as responsibility, competencies, and success. Collective agreements on remuneration cover almost 100 percent of our employees in Germany and around 70 percent of our employees worldwide. Around 97 percent of our sites and regions have performance- or profit-oriented incentive systems. These systems cover around 99 percent of our employees. They also apply for part-time employees, provided in some regions that they meet the prescribed minimum working hours.

We conducted our fifth Evonik-wide employee survey in November 2018. The participation rate was over 85 percent, which was above the participation rate in the previous survey in 2015. The commitment index, which is an indicator of both commitment to the company and personal engagement, was lower than in the 2015 survey, but only slightly below the benchmark comprising a sample of other companies. Reasons include a sense of uncertainty felt by individual employees as a result of far more active portfolio management across the Evonik Group and further optimization of administration. In addition, the results highlight possible scope for improvement in group-wide collaboration. Following a detailed analysis of the results of the survey, we intend to work out specific measures in the first half of 2019.

Further evidence of our good employee retention and employee satisfaction comes from the local fluctuation rates for employees hired from outside the company, compared with other companies.

Losing high performers and bottlenecks in gaining qualified staff are potential risk factors which we address using the measures outlined above.

⁸ Maximum that can be achieved: 6.0.

Key data on employee retention

	2018	2017
Fluctuation rate in %	6.2	5.8
Average length of service in years	14.7	14.6

Diversity and equal opportunity

Evonik does business in many markets worldwide. Diversity and equal opportunity are therefore normal in our business activities and our day-to-day work. Employees with different backgrounds and personalities enrich our teams and our company. That makes diversity a key to Evonik's economic success.

Through our diversity council, diversity is firmly anchored in the organization of Evonik's top management. The diversity council is a high-caliber body comprising members of the executive board and executives from various organizational units. It coordinates the ongoing development of our diversity strategy and the implementation of effective measures for the entire Evonik Group.

Fostering diversity is a central requirement for every management function at Evonik. Our diversity strategy contains clear targets. We want to increase the proportion of women in our company at all levels worldwide. In the recruitment process for management functions, we are guided by the gender distribution of the academic disciplines with relevance for us.

As a global company, it is important to us to ensure that our workforce includes a broad spectrum of different nationalities. Around 42 percent of employees in management functions come from countries other than Germany. Group-wide, the proportion in middle management is 23.2 percent.

Our diversity strategy and extensive measures in our human resources work and employer branding address the risk of a lack of equality among employees and inadequate recognition of differences in views at Evonik.

Key data on diversity

	2018	2017
Women as a proportion of the total workforce in %	24.9	24.9
Female managers as a proportion of total managers in %	23.8	23.2
Female managers as a proportion of top management in %	10.6	9.6
Nationalities	104	110

4.2 Environmental matters

Protecting our environment and the climate are major global challenges of our age. Maintaining the natural basis of life for future generations is part of our corporate responsibility.

The basis for our actions is an extensive, integrated management system that is aligned to our corporate structure. The Corporate ESHQ division pools all group-wide strategic management and coordination tasks relating to the environment. The head of the Corporate ESHQ division reports directly to the relevant member of the executive board (chief human resources officer).

The structure of the management system is based on legal requirements and internal regulations such as policies and standard operating procedures. This supports a process of continuous improvement in environmental performance and environmental compliance.

The implementation of uniform global standards for core ESHQ processes will be supported by a software platform in the future. Corporate ESHQ also uses a group-wide management system to regularly monitor implementation of the binding group-wide strategy and the management system. Based on the findings and analyses of our internal and external audits, site inspections, and reviews, talks are held on possible improvements and how to implement them. The executive board is informed annually of the outcome of the audits.

Our management parameters are monitored regularly via a central sustainability reporting system (SuRe), which contains a wide range of data on various environmental topics. In future, the new software platform will be used for this. The data capture and processing methods are explained regularly at training sessions and are subject to internal and external audits.

Our management system for the environment, safety, health, and quality applies to the entire Evonik Group. In addition, we require our manufacturing sites to be validated as conforming to the internationally recognized standard ISO 14001. As a result of the necessary start-up and preparatory phase for new units, the proportion of output covered by ISO 14001 validation varies. However, it is always between 95 and 100 percent. Audits are conducted to monitor implementation by the segments, regions, and sites.

Risks to people and the environment, for example, high greenhouse gas emissions, water shortages, the release of dangerous substances, and violation of regulatory requirements are systematically managed at all levels of the Evonik Group. In addition, these risks are mitigated by constantly optimizing our business processes.

We have set demanding environmental targets for the period 2013 – 2020 (reference base: 2012):

- Reduce specific greenhouse gas emissions⁹ by 12 percent.
- Reduce specific water intake by 10 percent.

A further reduction in production waste was set as an additional target.

The 17 percent reduction in greenhouse gas emissions compared with the reference base (2012) was in line with the very good level achieved in the previous year and we have already exceeded the target set for 2020.

Water intake at our production operations is influenced by once-through cooling requirements at established plants. The amount of surface water required for this increased in 2018 as a result of the long period of hot, dry weather in Germany and Belgium. At the same time, water requirements in China decreased due to some production stoppages. Our total specific water intake relative to 2012, measured in percent, was 1 percentage point lower than in 2017.

Total hazardous and non-hazardous production waste declined by 1 percent to 393,000 metric tons in 2018. This was due, among other things, to a reduction in sewage sludge in Antwerp (Belgium) and higher availability of the sulfuric acid cracking plant in Marl (Germany).

Evonik's present environmental targets are for the period up to 2020. Therefore, we defined new environmental targets in the reporting period: We want to reduce our greenhouse gas emissions by 50 percent by 2025 compared with the level in 2008 (status in 2018: 30 percent). This affirms Evonik's commitment to the Paris Agreement on Climate Change. The relatively short period up to 2025 reflects our view that it is not currently possible to predict technological and regulatory developments beyond this date with sufficient certainty.

We are continuing to pursue our goal of a group-wide reduction in specific water intake, but we are replacing the central indicator by introducing a global water management system and driving forward the related site-specific action plans.

Production output remained at the prior-year level of 11.0 million metric tons. The 1 percent increase in scope 1 greenhouse gas emissions to 5.69 million metric tons CO₂ equivalents in 2018 was mainly due to the increase in natural gas requirements resulting from first-time inclusion of the Huber silica business¹⁰. The sum of scope 1 and net scope 2 (market-based) greenhouse gas emissions also increased by 1 percent to 6.57 million metric tons CO₂ equivalents. Scope 2 emissions are reported on a net basis by deducting electricity and steam sold to third parties from the electricity and steam produced for captive use.

⁹ Includes both scope 1 and scope 2 emissions. Scope 2 emissions are calculated using the market-based method in accordance with the Greenhouse Gas Protocol.

¹⁰ The silica business acquired from Huber was only included in the environmental data from January 1, 2018.

Key data on the environment

	2018	2017
Reduction in specific greenhouse gas emissions ^a	-17	-17
Reduction in specific water intake ^a	-6	-5
Greenhouse gas emissions in million metric tons ^b	6.6	6.5
Output in million metric tons	11.0	11.0

^a Percentages versus the reference year 2012 (= 100).

^b Scope 1 and scope 2 emissions. Net emissions calculated using the market-based method.

Product stewardship

Through our products and solutions we aim to make a measurable contribution to avoiding environmental impact and enhancing people's quality of life. That includes timely identification and evaluation of the potential health and environmental risks in our portfolio. We examine the entire value chain of each of our products—from procurement of the raw materials to delivery to our industrial customers, who receive all relevant information on the handling and disposal of our products. That includes, for example, safety data sheets and technical information sheets. As well as complying with all statutory requirements such as the European Chemicals Regulation (REACH) and the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), product stewardship at Evonik includes voluntary commitments that go beyond these regulations.

We have been committed for many years to the international Responsible Care® initiative and the Responsible Care® Global Charter of the International Council of Chemical Associations, which includes the Global Product Strategy. The key elements of our product stewardship have been defined in a product policy. We evaluate all substances placed on the market (> 1 metric ton p.a.). Particularly dangerous substances are included from lower tonnages. That allows a soundly based assessment of the risks. Where necessary, restrictions are placed on certain usage patterns or, in extreme cases, a complete ban is issued on use in certain products.

We use the Chemicals Management System developed by Evonik to evaluate our substances. This system supports us in global product evaluation, analogously to a life cycle analysis. As an extension of this, our Chemicals Management System^{PLUS} is used for products containing substances of very high concern. These are subject to a more detailed examination to bring about a further reduction in the negative impact on people and the environment.

4.3 Respecting human rights

Respecting human rights is an integral part of our corporate responsibility. We also expect our business partners to respect human rights. Evonik examines this aspect along the entire value chain—from suppliers¹¹ through its own processes to customers.

Overall responsibility for ensuring respect for human rights at Evonik is assigned to our chief human resources officer.

We counter the risk of human rights violations through our code of conduct, our global social policy, and our policy statement on human rights.

External stakeholders (for example, local inhabitants, suppliers, customers) and our employees can report human rights issues via our whistleblower system. This is operated by an independent third party on behalf of Evonik.

In 2018, we continued to develop our human rights risk map, which is used to compile and evaluate potential human rights risks such as child labor, modern slavery, and countries that are not signatories to the ILO International Labour Standards. Building on this, we designed, developed, and conducted training on human rights. More than ten human rights training courses were held for employees from Germany, Brazil, and India. The courses give participants a basic overview of human rights, present the relevant Evonik regulations, and show how they relate to the applicable human rights and workers' rights.

¹¹ See the supply chain aspect.

4.4 Preventing bribery and corruption

Evonik is committed to fair competition for the benefit of customers, shareholders, and other stakeholders. All employees are required to act lawfully in the business environment. We respect the independence of officials. All forms of corruption, including “facilitation payments,” are banned at Evonik. We deliberately set stricter standards than the law in some countries.

Our rules on preventing corruption are set out in our code of conduct, our master gifts and hospitality policy, and our policy for the use of external third parties for distribution and dealing with authorities (policy on external intermediaries).

The Evonik Code of Conduct is binding for all Evonik employees worldwide, including the executive board and the governance bodies of companies. They are all required to comply with the rules set forth in the code of conduct, to ensure they are familiar with its content, and to take part in the relevant training. All managers and supervisors are required to set an example. The code of conduct is available electronically in 27 languages. Every employee can call up a checklist in the intranet. This contains the key information on compliant conduct in respect of third parties.

The compliance areas of specific relevance to Evonik are bundled in a House of Compliance. In recent years, special attention has been paid to preventing corruption, our code of conduct, and antitrust law. The scope and intensity of our compliance measures, which counter the risk of failure to comply with obligations, are derived from risk analyses of relevant issues in our operational units. Activities mainly comprise training, process instructions, conduct rules, advice, and systematic investigation of compliance allegations.¹²

House of Compliance



^a Advisory function.

Training concepts have been developed for all aspects bundled in the House of Compliance. They also define the type, frequency, content, and target groups. Training frequency is defined on the basis of risk and is every two or three years.

Key data on compliance training

	2018	2017 ^a
Employees trained in antitrust law ^a	2,127	840
Employees trained in fighting corruption ^a	2,627	1,638
Employees trained in the code of conduct ^a	12,016	2,370

^a The figures relate to face-to-face and e-learning training sessions.

¹² Further information on compliance at Evonik can be found in the corporate governance report in the financial report 2018 and in the sustainability report 2018.

4.5 Supply chain

We expect our suppliers to share our principles and to act correctly in all respects, which means accepting responsibility towards their employees, business partners, society, and the environment.

We have therefore issued a special code of conduct for suppliers, setting out binding requirements for these business partners. This is based on our corporate values, the principles of the UN Global Compact, the ILO's International Labour Standards, and the topics addressed by the Responsible Care® initiative. Intermediaries, above all sales intermediaries, are subject to a compliance check before the establishment of the business relationship and every five years thereafter. Intermediaries also have to sign a compliance declaration.

By selecting suppliers carefully, we also enhance the quality of the entire value chain. On the one hand, we focus on validation and evaluation of suppliers, and on the other we specifically monitor certain raw materials. These include renewable raw materials and raw materials where there is a potential supply risk or reputational risk, for example, conflict minerals¹³.

In the validation and evaluation of our suppliers, we work systematically both to extend strategic relationships with suppliers and to validate new suppliers. This covers economic and quality-related requirements as well as environmental, social, corporate governance, and human rights aspects.

Procurement is organized globally at Evonik and comprises direct procurement (raw materials, logistics, and packaging) and indirect procurement (general and technical goods and services). Both are subdivided into strategic and operational procurement activities. Alongside economic requirements, our procurement strategy takes account of sustainability aspects such as health, quality, safety, social factors, and environmental protection.

Evonik also drives forward sustainability and transparency in the supply chain through the sector initiative Together for Sustainability (TfS), where we are one of the six founding members. The aim of TfS is the joint development and implementation of a global assessment and audit program for responsible procurement of goods and services. As a member of the initiative, Evonik is also subject to TfS assessments. In 2018, we were awarded a gold rating for the fifth time in succession.

Evonik addresses risks in the value chain such as infringing environmental and employee-related matters and failing to comply with human rights through the measures outlined above, both within the Evonik Group and through TfS.

We have set ourselves the following global goals for our strategic supplier management:

- Conduct at least 20 supplier sustainability audits p.a. under the shared audit principle of the TfS initiative
- Continue the analysis of suppliers of critical raw materials¹⁴ through TfS self-assessments
- By 2020: Evaluate the sustainability performance of 90 percent of suppliers of critical raw materials

In 2018, we conducted 22 sustainability audits and therefore met our target. In addition, the percentage of suppliers of critical raw materials was over 83 percent, so we are on track to meet the goal for 2020.

As a responsible company, Evonik meets its duty of care with regard to conflict minerals in the supply chain and checks the origin of such substances. In our evaluations up to year-end 2018, we did not find evidence of any use of conflict minerals in Evonik products.

Key data on the supply chain

	2018	2017
No. of sustainability audits (Evonik)	22	28
No. of sustainability assessments (Evonik)	130	149
No. of sustainability audits (TfS)	358	441
No. of sustainability assessments (TfS)	1,491	1,794

¹³ Mineral raw materials from the Democratic Republic of Congo and its neighboring countries.

¹⁴ We define these as raw materials that essential for our production operations.

4.6 Social matters

We produce where our markets and customers are. Consequently, we have production facilities in 28 countries on six continents. Local residents around our sites play an especially important part in stakeholder management at Evonik. At all our sites they have an elementary interest in experiencing Evonik as a reliable partner and want timely information on the latest developments at Evonik.

We maintain contact with them, for example, through invitations to visit our sites, personal discussions, and written communication. The most important issues for local residents include the safety of our production sites, questions on current business development and operational changes, our appeal as an employer, and our local activities.

Through its production facilities, Evonik wants to contribute to positive regional social development. Without our binding strategic guidance, our operating units support products aligned to their sites and regions. Our active responsibility and the personal commitment of our employees provide positive social impetus for communities around our sites.

Social commitment has always had a firm place in Evonik's corporate culture and our understanding of values. Essentially, we make a distinction between donations and sponsorship. We concentrate on the areas of education and science, social projects, culture and the arts, and sport.

Our sponsorship is aligned to Evonik's four core competencies—creativity, specialization, self-renewal, and reliability. We normally only sponsor projects and initiatives that fit our core brand.

The work of the Evonik Foundation is an important element in the perception of our social responsibility. In keeping with its mission, this foundation focuses its activities on four principal themes: young people, science, Germany, and integration. The work of the Evonik Foundation is focused on supporting the development of our constantly changing society and offering people a promising future.

5. Evonik Industries AG

Evonik Industries AG is the parent company of the Evonik Group. As a management holding company, it defines concepts and rules that have to be observed worldwide and monitors compliance with them. All aspects described here apply for both Evonik Industries AG and the Evonik Group. Global data are compiled for management and monitoring purposes. Consequently, the focus is on key data for the Evonik Group. Few of the key indicators are meaningful for Evonik Industries AG as it does not operate any production sites itself.

Key data on Evonik Industries AG

	2018	2017
Employees	2,590	2,685
Women as a proportion of the total workforce in %	45.0	44.8
Female managers in %	28.0	27.5
Fluctuation rate in %	5.5	7.0
Average length of service in years	16.7	15.8

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