CORPORATE RESPONSIBILITY REPORT 2010

# Successful side by side

## Working together works better

EVONIK INDUSTRIES

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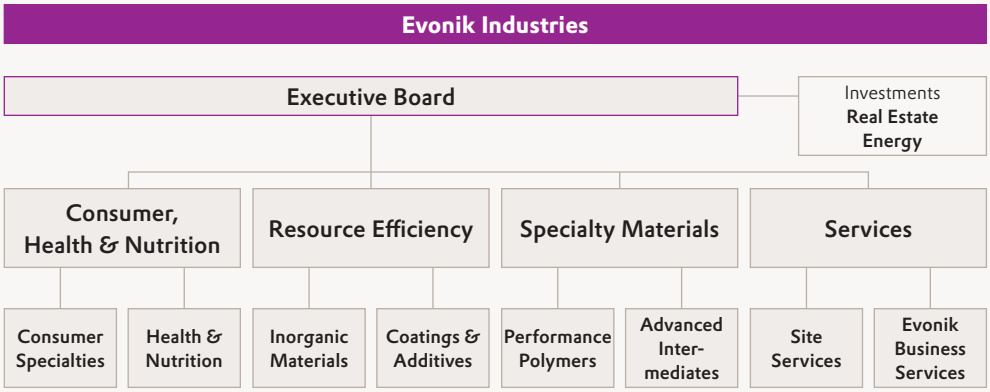
# Business and responsibility

## Corporate structure[1)]




[1)] As of April 1, 2011.

Evonik Industries AG is one of the world's leading specialty chemicals companies. We also have investments in the energy and real estate sectors. Evonik has a presence in over 100 countries and production facilities in 28 countries. Business outside of Germany accounts for 74 percent of sales. Our strategy is aligned to profitable growth and sustained value creation. Our present owners are RAG-Stiftung (74.99 percent) and Gabriel Acquisitions GmbH (25.01 percent), which is indirectly owned by funds of the financial investor CVC Capital Partners.

Our core specialty chemicals business is divided into three reporting segments: Consumer, Health & Nutrition, Resource Efficiency and Specialty Materials. Six operating business units that operate as entrepreneurs within the enterprise are assigned to these segments. The Corporate Center supports the Executive Board in the strategic management of the company, while the Evonik Business Services efficiently bundles internal services. The new Site Services organization provides the necessary infrastructure services for the chemicals business units.

Our specialty chemicals activities address economic megatrends and give us access to attractive future markets. We see especially promising opportunities in resource efficiency, health and nutrition, and the globalization of technologies. The Chemicals Business Area already generates more than 80 percent of sales in areas in which it ranks among the major players in the market. Our strengths include a balanced spectrum of business activities and end-markets, close collaboration with customers, and market-oriented research and development.

## Corporate Responsibility

Evonik aims to be a fair and reliable partner that acts responsibly.
For us, corporate responsibility means:

- putting our dialogue with internal and external stakeholders about our contribution to sustainable development on a more systematic basis
- developing answers to tomorrow's challenges and to megatrends of relevance for sustainability
- achieving our corporate objectives with our CR strategy firmly anchored in corporate strategy.

## ESH figures for the Chemicals Business Area

| | Unit | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|---|
| Operating costs for environmental protection | in € million | 236 | 252 | 259 | 259 | 264 |
| Investment in environmental protection | in € million | 56 | 49 | 44 | 43 | 36 |
| Production | in million metric tons | 10.46 | 10.88 | 10.79 | 9.26 | 10.61 |
| Water intake | in million $m^3$ | 413 | 406 | 395 | 337 | 325 |
| Energy inputs | in TJ | 70,917 | 71,191 | 70,448 | 61,796 | 67,908 |
| Greenhouse gas emissions | in thousand metric tons $CO_2$ equivalents | 9,556 | 9,737 | 9,561 | 8,231 | 9,138 |
| Production waste | in thousand metric tons | 438 | 429 | 395 | 293 | 363 |
| Sulfur oxides ($SO_x$ as $SO_2$) | in thousand metric tons | 34.5 | 35.8 | 35.0 | 27.3 | 31.0 |
| Nitrogen oxides ($NO_x$ as $NO_2$) | in thousand metric tons | 12.1 | 12.5 | 11.6 | 9.4 | 11.3 |
| COD wastewater load | in thousand metric tons | 5.9 | 7.4 | 6.8 | 5.6 | 6.0 |
| Accident frequency[1] | | 2.2 | 1.8 | 1.7 | 1.2 | 1.3 |

[1] Number of accidents at work per million hours worked by Evonik employees.

## HR and social data

| Employees by region[1] | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| **Europe** | **34,493** | **32,473** | **30,796** | **24,845** | **24,904** |
| Germany | 29,853 | 28,428 | 27,114 | 21,686 | 21,894 |
| Western Europe (excl. Germany) | 3,601 | 3,133 | 2,661 | 2,627 | 2,545 |
| Eastern Europe | 1,039 | 912 | 1,021 | 532 | 465 |
| **Americas** | **5,212** | **4,453** | **4,189** | **3,778** | **4,400** |
| North America | 4,743 | 3,988 | 3,723 | 3,442 | 4,064 |
| Central and South America | 469 | 465 | 466 | 336 | 336 |
| **Asia** | **5,937** | **5,852** | **5,542** | **5,000** | **4,865** |
| **Rest of world** | **788** | **279** | **240** | **238** | **238** |
| | **46,430** | **43,057** | **40,767** | **33,861** | **34,407** |
| Training ratio in Germany | | approx. 9 % | approx. 9 % | approx. 9 % | approx. 9 % |

Figures for 2010 and 2009 adjusted to reflect the reclassification of the Energy Business Area to discontinued operations.
Figures for 2006 to 2008 as reported.
[1] As of December 31.

## Economic figures

| in € million | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Sales | 14,125 | 14,444 | 15,873 | 10,518 | 13,300 |
| EBITDA[1] | 2,157 | 2,236 | 2,165 | 1,607 | 2,365 |
| EBIT[2] | 1,179 | 1,363 | 1,298 | 868 | 1,639 |
| Net income | 1,046 | 876 | 281 | 240 | 734 |
| Cash flow from operating activities | 1,142 | 1,215 | 388 | 2,092 | 2,075 |
| Total assets as of December 31 | 20,953 | 19,800 | 20,115 | 18,907 | 20,543 |

Figures for 2010 and 2009 adjusted to reflect the reclassification of the Energy Business Area to discontinued operations.
Figures for 2006 to 2008 as reported.
[1] EBITDA = Earnings before interest, taxes, depreciation, amortization, write-downs and non-operating result.
[2] EBIT = Earnings before interest, taxes and non-operating result.

# Working together drives success

In our complex world, collaboration and open dialogue are becoming increasingly important. Working closely with partners to resolve problems and collaborating with other members of interdisciplinary and research teams are essential if we are to master the enormous challenges posed by the future.

Evonik is convinced that working together works better. That is why we actively endeavor to establish long-term relationships with our customers, business partners, suppliers, investors and scientists. We recognize that such relationships are most successful when both parties benefit. And when the benefits extend even further, for example, if they encompass the environment or society as a whole. Evonik sees that as the true value of successful collaboration.

We also believe that Evonik has an edge in many respects. As a research-driven Group, we are used to working with others, both within our organization and beyond it, in the search for solutions that position us in business and science as the creative industrial group with a clear idea of the future. And because we know that it is always possible to improve, we will continue to do everything in our power to drive forward our role as a reliable and inspiring partner.

**Dr. Klaus Engel**
Chairman of the Executive Board

**Dear reader,**

These days, sustainable development and corporate responsibility are vital for the future viability of companies. Responsible conduct creates trust and opens up new business opportunities. We want to be successful as a supplier of competitive products and technologies that also make a contribution to sustainability. At the same time, we want to be a responsible, reliable and fair partner for our customers, employees and society and meet the demands made by our shareholders. We need competition, but we also need broadly based social acceptance of industry and technology. That is why dialogue and collaboration are essential for us. Our latest Corporate Responsibility Report is therefore entitled "Successful side by side". It describes how Evonik, as a creative industrial group, puts responsible conduct into practice.

Economically, 2010 was an exceptionally successful year for Evonik. Our growth is driven by the global megatrends—resource efficiency, health and nutrition, and globalization of technologies—and our chemicals portfolio will be aligned even more clearly to these trends in the future. In 2010 we initiated key investment projects as a basis for profitable long-term growth.

One example is the planned construction of a new production complex for the amino acid DL-methionine in Singapore. Adding this protein building block to feeds helps poultry digest its feed far better. In this way, we help meet rising demand for meat and eggs. At the same time, using amino acids protects the environment and cuts $CO_2$ emissions.

Another example is the plan to raise production capacity for precipitated silicas by 25 percent in Asia and Europe by 2014. Adding a combination of innovative materials like our precipitated silicas and

**"Our products make a significant contribution to the sustainable development of society. At the same time, they strengthen our market positions."**

new silanes to tire rubber can have significant environmental benefits: High-tech tires with these components cut fuel consumption by an average of 8 percent and reduce $CO_2$ emissions by the same amount. We are also planning new production facilities for isophorone and isophorone diamine in Shanghai (China). These substances are used in paints and coatings, and in the production of high-performance composites, for example for wind turbines.

These few examples show that our products make a significant contribution to the sustainable development of society. At the same time, they strengthen our market positions. The scarcity of resources, climate change and demographic trends are placing increasing demands on society, politicians and the corporate sector. We have to find answers to the question of how an increasing number of people can live well, even within the limited resources available on our planet. For that we urgently need to find a balance between economic, ecological and social interests.

Evonik acknowledges the need to balance these interests and accepts responsibility—for its business, its employees and society. That is how we define corporate responsibility (CR). Our CR strategy is an integral part of our corporate strategy. In this way, we increasingly integrate responsible conduct into our business and develop new solutions to benefit from megatrends based on the new challenges facing society. The especial importance we attach to the utilization of resources, health and climate change was reflected in a stakeholder survey conducted last year. The analysis of these major societal trends and the evaluation of their significance by our business units confirm their importance for Evonik.

We systematically expanded our CR activities in 2010. Further systemization of our CR work was one of the focal areas of our work.

A key element was Group-wide harmonization and optimization of supplier management. When selecting suppliers, we place great emphasis on observance of the principles of the UN Global Compact and the standards of the International Labor Organization. These expectations are integrated into our general purchasing conditions as compulsory requirements. At the end of 2010 we wrote to selected suppliers to obtain information on their CR standards. This year we intend to audit some of these suppliers to gain a direct insight into their compliance with CR standards.

To drive forward sustainable development at Evonik, we need to be aware of how our actions affect people and the environment. As a basis for a future climate strategy for the Group, we have therefore built up extensive expertise in life cycle assessments for our products. Standardized methods enable us to systematically evaluate the environmental impact of our research ideas, raw materials, products and processes. Our experts have already conducted more than 70 life cycle assessments and established a basis for compiling systematic data on the Evonik Group's carbon footprint. In addition, we are currently working on a concept that will enable us to integrate the ecological and societal impact of our business into our corporate conduct alongside economic indicators.

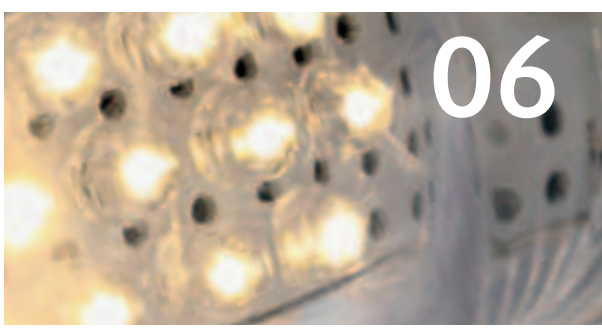
Corporate responsibility can only be successfully implemented by a company if it is actively taken on board by the Executive Board and by all employees and receives their full commitment. As a member of the UN Global Compact, we have therefore given an undertaking that we will foster the ten principles of the Global Compact and that we regard them as a guide for our day-to-day business. To raise young people's awareness of the importance of CR, in spring 2010 we initiated a pilot project on CR in vocational training, which is now being rolled out to all Evonik sites in Germany. We are convinced that the sooner young people are introduced to responsible conduct, the sooner it will become a matter of course for them. Moreover, since corporate responsibility creates value for the company, its employees, society and the environment, we regard it as a cornerstone of our corporate culture.

Yours,

**Dr. Klaus Engel**

# Collaboration takes many forms

**Joint venture with Cristal Materials**
A strong force in the market for LEDs: The Evonik Cristal Materials joint venture combines the benefits of a favorable location with innovative strength and an international sales network.




**CR in vocational training**
Creating value for the company and society through responsible conduct: That's something young people at Evonik learn during their training.


**Looking for new raw materials**
Turning a problem into a solution: Scientists at Evonik are converting the greenhouse gas $CO_2$ into a valuable starting product.


**Supply chain management**
Globalization also means international procurement: In China—like everywhere else in the world—Evonik's suppliers have to meet stringent selection criteria.

# Nothing venture, nothing gain

In the business world, a joint venture is a business entity owned by two different companies. There are many reasons why companies with different backgrounds and objectives may decide to pool their strengths and interests in a common undertaking.

For more information visit www.evonik.com and go to "Products & Solutions/Product Stories"

Take light-emitting diodes (LEDs) as an example. Since they can convert a small amount of energy into a lot of light, LEDs are steadily gaining access to new applications. Evonik Cristal Materials Corporation, a joint venture established at the end of 2009, aims to position itself at the forefront of this market with the SAVOSIL™ brand of high-quality silica glass lenses for the next generation of LEDs.

Evonik Industries AG of Germany and Cristal Materials Corporation of Taiwan teamed up to establish this joint venture with a view to utilizing their complementary strengths and benefits. For example, manufacturing in Taiwan benefits from significant state support. According to data published by LEDs Magazine, the Asian market for LEDs is growing at double-digit rates. Seven of the world's ten largest LED producers are based in Asia. Evonik's contribution to the joint venture is size and innovative strength, backed up by an established sales and marketing network. Through its 52 percent stake, Evonik gains an attractive opportunity for forward integration, taking it a big step along the value chain from a supplier of particles to a systems supplier and thus positioning it far closer to end-customers.

That is an important step because the market for LEDs is already massive. Growth is driven by the trend to "green lighting," i.e. environmentally friendly light sources. LEDs score highly in that respect. Their energy efficiency is far superior to conventional light bulbs and they last longer. In addition, SAVOSIL™ lenses are increasingly being used to activate chemical processes (UV polymerization) and disinfect water (UV LEDs).

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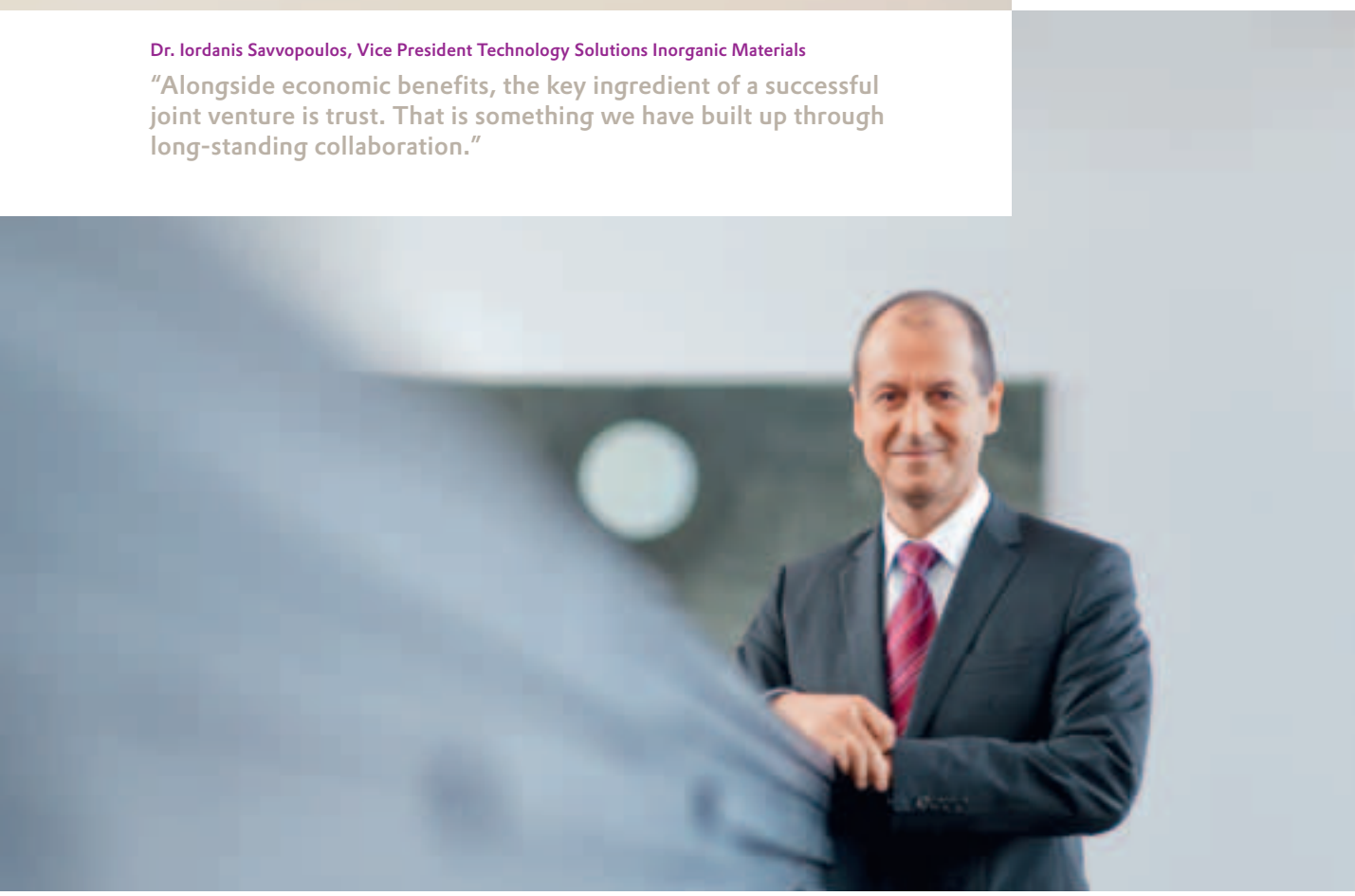
**Dr. Iordanis Savvopoulos, Vice President Technology Solutions Inorganic Materials**

**"Alongside economic benefits, the key ingredient of a successful joint venture is trust. That is something we have built up through long-standing collaboration."**



"Alongside economic benefits, the key ingredient of a successful joint venture is trust," comments Dr. Iordanis Savvopoulos, Vice President Technology Solutions in the Inorganic Materials Business Unit at Evonik Industries and one of the initiators of this joint venture. "At Evonik Cristal Materials Corporation, trust has been built up through long-standing collaboration that has proven beneficial to both joint venture partners." In 2006 Cristal Materials acquired a license from Evonik for the patented SiVARA™ sol-gel technology, which uses AEROSIL® and Dynasylan® from Evonik to produce silica glass lenses of consistent quality in any desired shape, customized to requirements.

The joint venture is therefore soundly based. And its success lends weight to the age-old adage: nothing venture, nothing gain. This venture at any rate is heading for a very bright future.

# Learning to be responsible

Corporate responsibility (CR) forms an integral part of Evonik's corporate strategy. That was a good enough reason for the company to anchor it in vocational training last year. Dr. Annette Gollek, who is in charge of vocational training at Evonik Goldschmidt GmbH in Essen (Germany), one of the facilities used to pilot this project, reports that corporate responsibility now has a firm place on the curriculum for vocational training.

**Dr. Gollek, why did Evonik decide to integrate corporate responsibility into vocational training?**
The purpose is to ensure that our apprentices learn from the start that responsible conduct adds value, not just for them, but for the company and society as well. We use practical projects to put that message across. The apprentices learn at first hand what CR means in their field. Following successful completion of pilot projects at two chemical sites and in the Energy and Real Estate Business Areas, the plan now is to roll out the concept to all 32 chemical sites where Evonik trains young people.

32 The pilot project will be rolled out to chemicals sites

**What does that mean in practice?**
As a first step, apprentices from various disciplines are brought together. Youngsters learning to be skilled operatives, laboratory technicians and office staff are combined in working groups. Each group defines its own CR project and is responsible for all aspects of its realization, including managing the timeline and ensuring it meets the goal set. At the end of the project phase, each group is responsible for presenting their work.

**Can you give us an example?**
One group of apprentices at the training laboratory at Evonik Goldschmidt GmbH in Essen examined ways of saving water—and thus avoiding wastewater—in their work. The problem they tackled was the fact that fresh drinking water is used to cool our chemical plants and discharged into the wastewater system after cooling. That is a classic waste of resources, and also costs money.

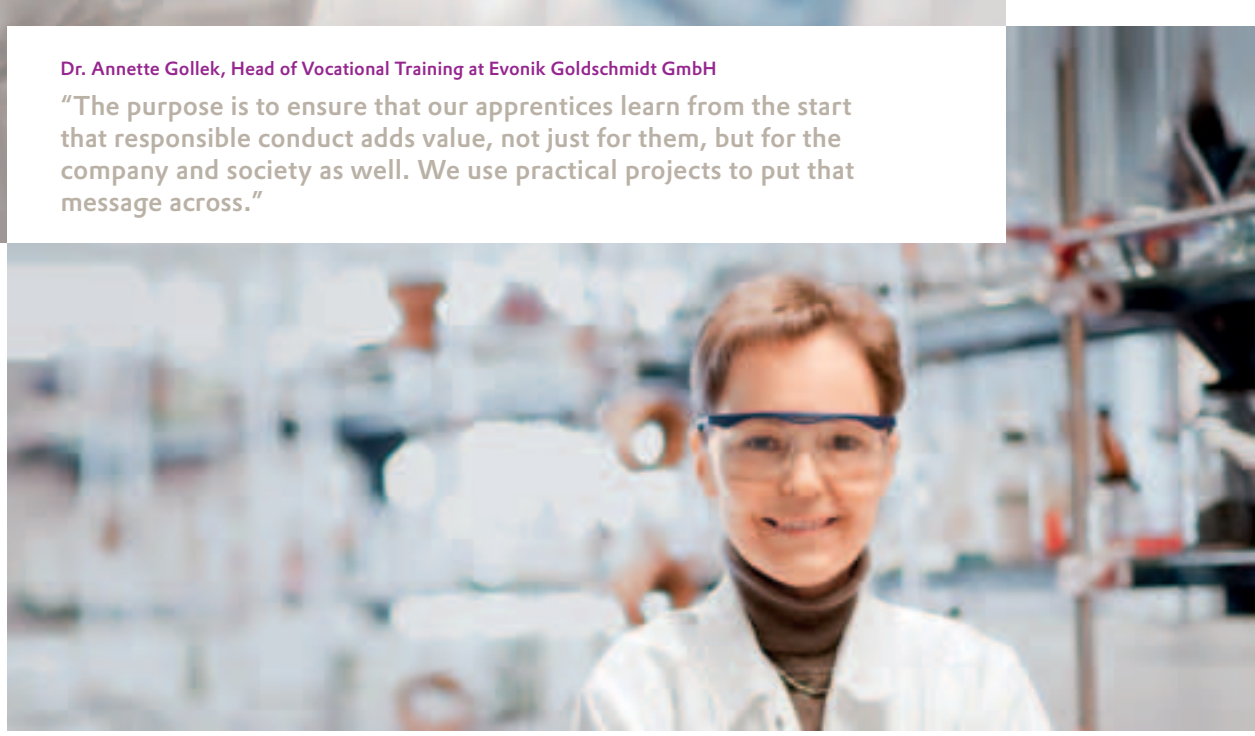
**So what ideas did they come up with?**
Their idea was to develop a closed-loop cooling system incorporating a recooling appliance. They planned the entire system from start to finish, and even carried out a cost-benefit calculation to take account of the cost side. Following on from the planning phase, the members of the group on practical training courses are currently installing the new cooling facility in the laboratory so apprentice chemical laboratory technicians will be able to use it in the future.

**How did the apprentices react to this new training module? What sort of feedback did you get?**
The feedback from our apprentices was very positive. They learned that corporate responsibility is not a new issue or problem, but a thread running through all aspects of vocational training. That has greatly increased their awareness of the social dimensions of their daily work. They also learned that working in a team can provide a good basis for solving society's problems—and that actively taking on responsibility can also be enjoyable. Overall, the project work greatly improved both their awareness of CR and their social and professional competencies.

Successful side by side

**Dr. Annette Gollek, Head of Vocational Training at Evonik Goldschmidt GmbH**

"The purpose is to ensure that our apprentices learn from the start that responsible conduct adds value, not just for them, but for the company and society as well. We use practical projects to put that message across."

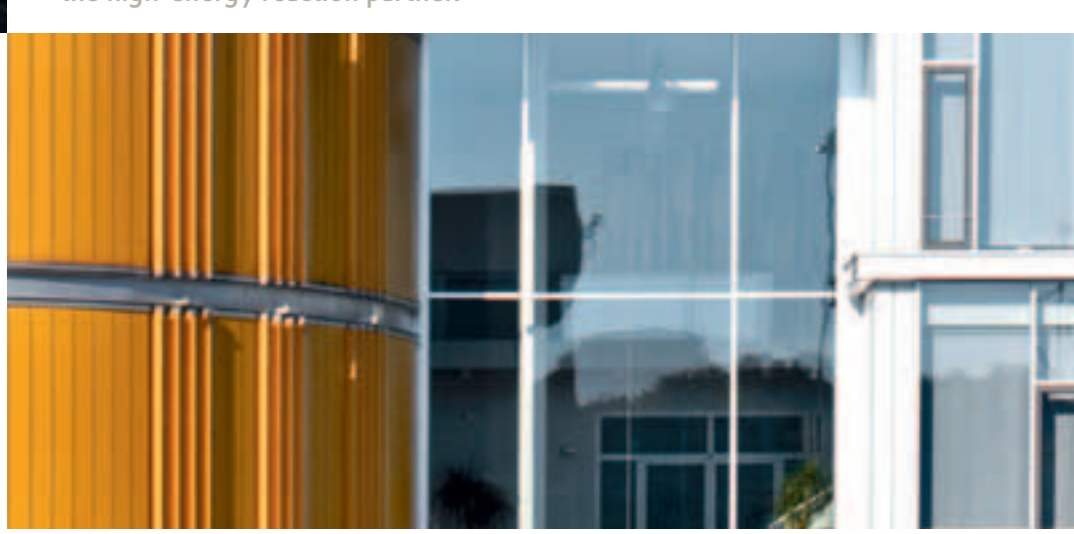


# From greenhouse gas to valuable raw material

In the search for substitutes for oil and natural gas, two fossil fuels that will not last forever, there is an urgent need for new concepts and new ideas. For example, in the chemical industry where crude oil is an important feedstock. $CO_2$ could be a serious contender.

**Dr. Daniela Kruse, Project Manager at Creavis Technologies & Innovation**

"Our goal is to develop new processes that use $CO_2$ as a starting product and thus offer economic and ecological benefits. The aim is to use hydrogen obtained from water with the aid of sunlight as the high-energy reaction partner."



While those dedicated to protecting the climate see $CO_2$ as a damaging greenhouse gas, for chemists it is a potential raw material. The carbon atom in $CO_2$ could be used to form new molecules. Theoretically at any rate. In practice, $CO_2$ has low reactivity, so breaking it down into its chemical constituents requires a large amount of energy. And that is neither economical nor environment-friendly.

Consequently, this greenhouse gas can only be used as a raw material if the energy required for synthesis reactions is lower than at present. To achieve this, customized catalysts and high-energy reaction partners are needed. And, of course, they need to be produced without any detrimental impact on the climate. Evonik is researching this in collaboration with three German universities—Aachen, Dortmund and Bochum—as part of the $H_2ECO_2$ project. This three-year project is funded by the Ministry for Innovation, Science, Research and Technology of the federal state of North Rhine-Westphalia and co-financed by the European Union. Total funding is around €7 million and Dr. Daniela Kruse, project manager at Evonik's strategic research and development organization, Creavis Technologies & Innovation, says that the goal for Evonik and its partners is "to produce new processes for polymers and specialty chemicals that use $CO_2$ as a starting product, and thus offer economic and ecological benefits. The aim is to use hydrogen obtained from water with the aid of sunlight as the high-energy reaction partner."

While the universities are driving forward development of catalysts for eco-friendly conversion of $CO_2$ and the production of hydrogen, Evonik is responsible for the economic, ecological and technical aspects of the project. At its heart is the $Eco^2$ Science-to-Business Center run by Creavis, which has been working on ten publicly funded research projects focused on resource efficiency and climate protection for the past two years. In the $H_2ECO_2$ project Creavis defines target molecules for which $CO_2$ could be used as a cost-effective raw material. Life cycle assessments are used to check whether the new pathway is more sustainable than the conventional synthesis process.

The close, open and interdisciplinary collaboration is already starting to show significant results. While Evonik rejected target molecules that were not feasible, the universities had to learn that not everything that is viable in the laboratory can be scaled up for economical and sustainable use by industry. Nevertheless a good year on many promising results have been obtained. Examples are catalysts whose ecological and economic benefits now have to be optimized. This initial scientific success has been made possible by the equality of all partners working towards the ambitious goal of returning $CO_2$ to the value chain and thus making a contribution to climate protection.

For more information visit www.nachhaltigkeitsrat.de/en/home

For more information visit www.creavis.com

Ministry of Innovation, Science, Research and Technology of the German State of North Rhine-Westphalia

EUROPEAN UNION
Investing in our Future
European Regional Development Fund

# "Cost benefits and ethical standards do not conflict with one another"

As a company with global operations, Evonik is placing its procurement chain on an increasingly international footing. In future, the Group will source more from China. Benjamin Ling, Head of Procurement and Logistics in Greater China, explains the selection criteria used to reflect corporate responsibility criteria.

**Mr. Ling, how does Evonik's strong presence in China affect its supplier structure?**
In parallel with the increase in the number of production sites in China, we have substantially increased local sourcing of goods and services. However, they are not only used in China. The procurement organization aims to step up this "local for global" strategy significantly in the coming years.

**What criteria are used to select Chinese suppliers?**
Our selection criteria for Chinese suppliers are no different from those we apply in other countries. Alongside quality and price, meeting our corporate responsibility requirements is a key prerequisite. Sustainability plays a critical role in the selection of suppliers.

See "CR strategy and implementation" on page 21

**Which factors are specifically checked in this context?**
With a view to sustainable procurement the considerations are typically divided into environmental, economic and social aspects. Evonik's present supplier assessment questionnaire checks the status of quality, occupational health and safety, and environmental protection, as well as anti-corruption measures and social factors such as employees' working conditions.

**How does Evonik ensure that the self-assessment information provided by suppliers is accurate?**
I think communication plays a very important role in ensuring the accuracy of information. When the assessment questionnaires are sent out, our buyers explain to suppliers what information we need, why we need it and how we handle it. When we receive the completed questionnaires, we review the information and contact suppliers if anything is unclear. Next year we will be performing a check with an external auditor to verify the accuracy of the information. We will also have a member of staff dedicated to CR standards.

For more information visit www.evonik.com and go to "Responsibility"

**Are China's attitudes to the environment and society completely different from Evonik's?**
I do not see that there is a completely different attitude to the environment and society. What we have to face is a different level of implementation. The suppliers we work with are generally familiar with the CR concept and many have certified management systems.

**Could potential cost benefits lead to a conflict with high ethical and social standards?**
If one takes a long-term view, cost benefits and ethical and social standards do not conflict with one another. On a macro level, there are economic benefits in the form of efficiency gains from incorporating life cycle costing into decision-making. On a micro level, responsible companies are reliable partners and stable suppliers. That is very important to Evonik as a chemical company.

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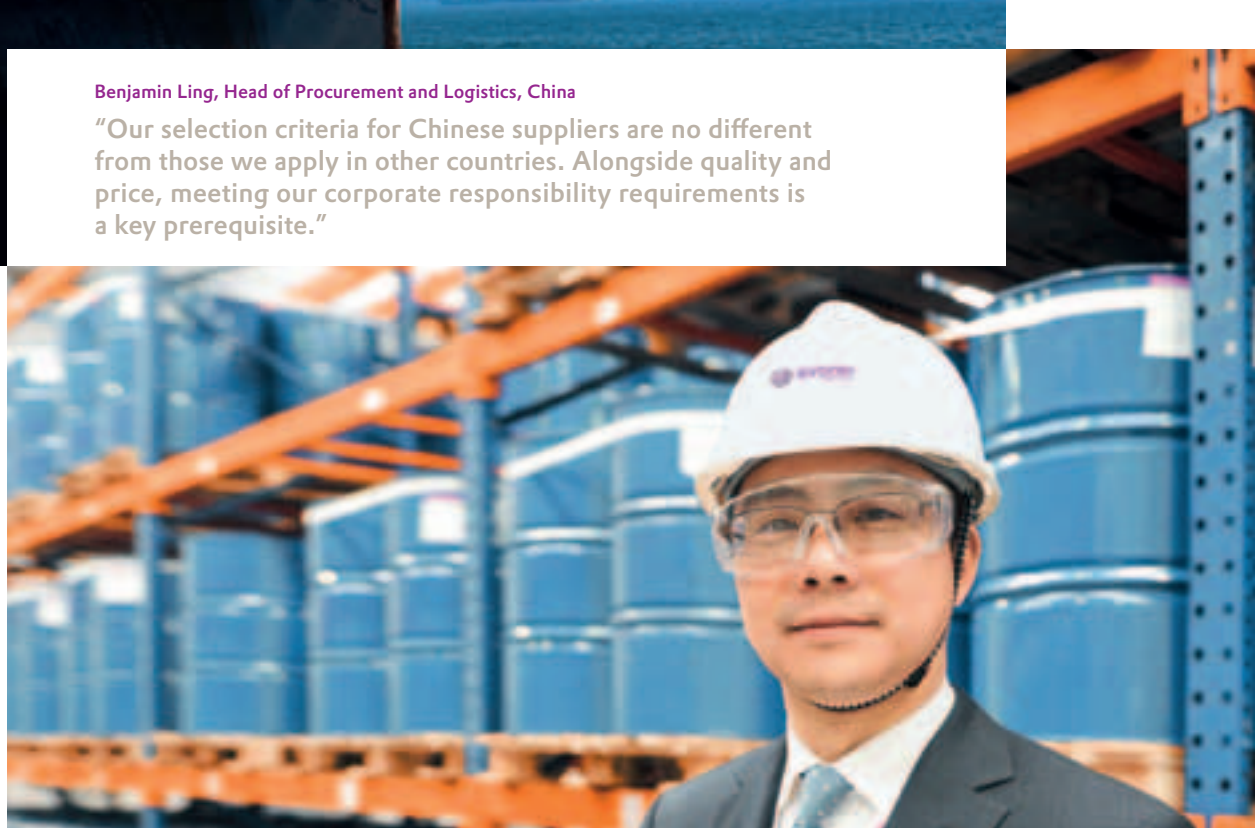
**Benjamin Ling, Head of Procurement and Logistics, China**

"Our selection criteria for Chinese suppliers are no different from those we apply in other countries. Alongside quality and price, meeting our corporate responsibility requirements is a key prerequisite."



# CR Strategy

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# CR strategy and implementation

2010 was an exceptionally good year for Evonik. Sales growth of 26 percent and an EBITDA margin of around 18 percent testify to our successful economic performance. We see enormous opportunities in the three megatrends—resource efficiency, health and nutrition, and globalization of technologies. Our portfolio is systematically addressing these megatrends in order to access new growth businesses.

Worldwide, too, the economic crisis seems to be over. The International Monetary Fund (IMF) forecasts that the global economy will grow by a good 4 percent in 2011 and emerging markets such as China, India and Brazil are continuing to drive forward their economic and technological progress. More and more people are enjoying at least modest affluence, live longer, can afford a balanced diet, and have access to medical care.

Despite this progress, society, politicians and business still have to address massive global challenges. The Earth already has almost seven billion inhabitants, and the United Nations (UN) predicts that there will be around eight billion by 2025. According to the World Health Organization (WHO), more than a sixth of the world's population does not have access to drinking water and the Food and Agriculture Organization (FAO) estimates that around one billion people are undernourished. That situation is compounded by pressing issues such as climate change and the increasing shortage of resources.

Although the global population is growing by around 83 million people a year, highly industrialized countries such as Germany are facing a rapid decline in their population over the longer term.

We want to play our part in finding solutions to these global challenges. Our CR strategy helps us overcome the challenges of the future and ensure that we manage our business and act responsibly worldwide. We have defined three dimensions for our CR strategy—the business, employees and processes—which are closely linked to our corporate strategy. In 2010 we continued to implement our strategic objectives in our day-to-day work.

Download the CR strategy from the "Responsibility" section at www.evonik.com

## Focusing on specialty chemicals

At the end of 2009 we decided to concentrate on specialty chemicals as the focus for our strategic development. We are already one of the world's leading companies in this field. In 2010 we achieved some key milestones in our strategic development.

Our energy activities are to be given the opportunity to develop their growth potential to the full with a new majority owner. In December 2010 we signed an agreement to sell 51 percent of the shares in this business to a consortium of municipal utilities in Germany's Rhine-Ruhr region. The transaction was closed on March 2, 2011. Our investment in this business is to be divested in full to the majority partner in five years at the latest. A corresponding contractual arrangement for this has already been agreed.

We are also developing attractive future prospects for our real estate business. We intend to amalgamate Evonik Immobilien GmbH with THS GmbH, in which we have a 50 percent stake, and are examining divesting shares in the medium term. In 2010 we reached agreement with the German Mining, Chemical and Energy industrial union, which holds the other 50 percent of THS, on the framework for the planned merger of these companies and initiated the first steps. Since the start of 2011 both companies have been managed by the same management team.

Concentrating on specialty chemicals paves the way for further profitable growth of the Evonik Group. At our heart are high-margin businesses with attractive growth and earnings potential. We are systematically entering new markets through innovative products and applications from our research pipeline. We are also examining selective acquisitions to strengthen our core business. To increase our market focus and make Evonik faster, leaner and more flexible, at the start of 2011 we decided to link the operational side of our chemicals business more closely with the Executive Board. Effective April 1, 2011, the number of Executive Board members was increased from three to six through the appointment of Patrik Wohlhauser, Dr. Thomas Haeberle and Dr. Dahai Yu.

Our focus on specialty chemicals will determine the priorities for our CR strategy in the future.

## Evonik's first materiality analysis

We performed a first materiality analysis in 2010. In other words, we examined the significance of long-term challenges that could impact sustainable development, both from the viewpoint of our stakeholders and from a business viewpoint. The challenges to be assessed were defined at Group level: utilization of resources, human rights, biodiversity, population growth, poverty, access to water, climate change, diversity and equality of opportunity, demographic change, health and urbanization.

For more information visit www.evonik.com and go to "Company/ Megatrends"

Between mid-2010 and early 2011 materiality analyses were carried out for our core chemicals business, in the China region, and for our Real Estate and Energy Business Areas. Participants included employees from sales and marketing, production, environmental management, human resources and innovation. They discussed global challenges, estimated stakeholders' expectations and Evonik's potential influence, and evaluated the associated risks and benefits for our business. In the Chemicals Business Area, the materiality analysis was conducted in every business unit in order to obtain a balanced picture.

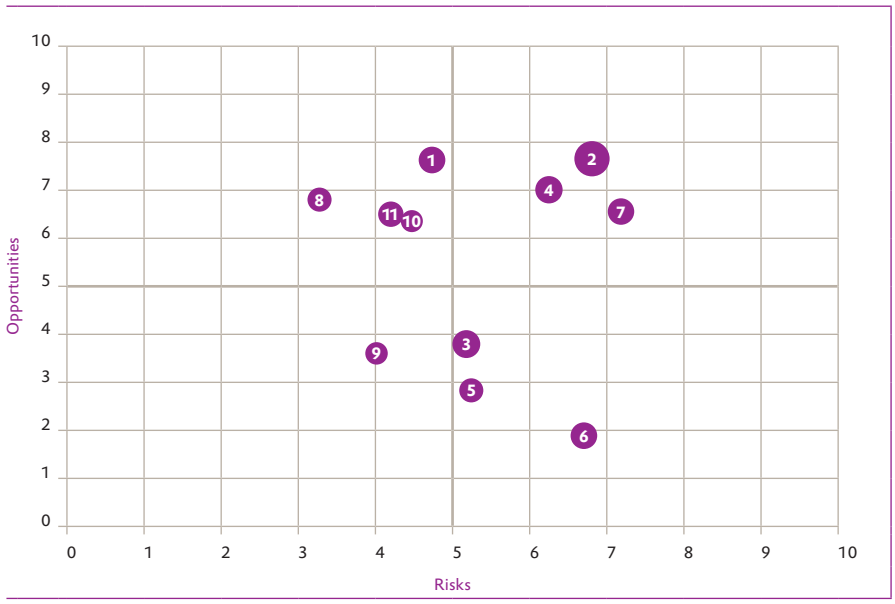
Our stakeholders and business units rate the following challenges as particularly significant: climate change, utilization of resources, health, population growth and demographic change. The business units also expect these challenges to offer good business opportunities. From a business viewpoint, high risks come from demographic change and the limited availability of resources.

Some business units are planning to continue the analysis at business line level as the basis for drawing clear strategic conclusions.

The graphic representation of the outcome of the materiality analysis for the Chemicals Business Area shows the sales-weighted mean for the business units. The size of the dots indicates the degree of deviation in the assessment of the different issues between different business units. The larger the dot, the greater the consensus.

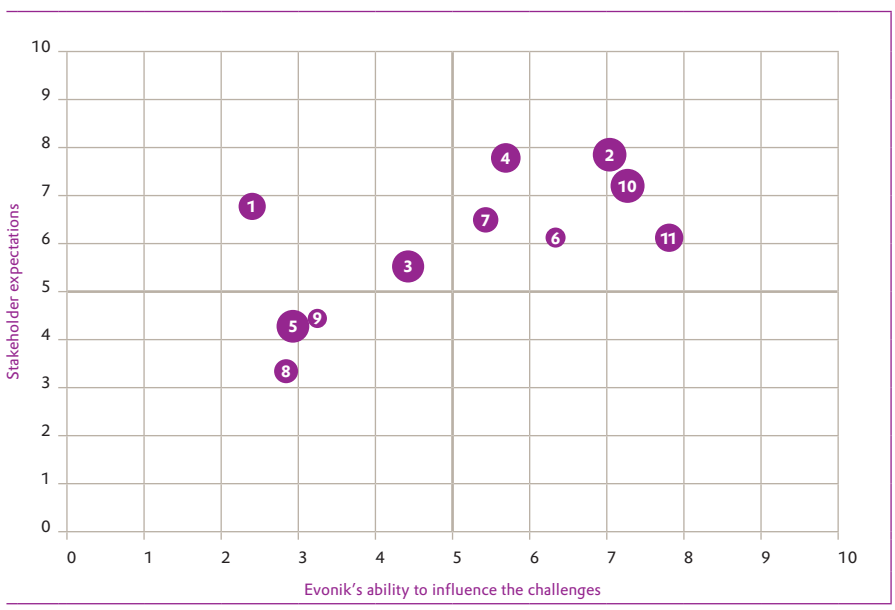
In the future the results of the materiality analysis will be used to define the content and focus of our CR strategy and the associated reporting and to raise awareness of business-relevant challenges. Follow-up workshops will be held at least every two years to review and, if necessary, fine-tune the priorities.

## Business perspective[1) 2)]




**1** Population growth **2** Resource utilization **3** Access to water **4** Climate change **5** Biodiversity **6** Human rights
**7** Demographic change **8** Urbanization **9** Poverty **10** Health **11** Diversity and equality of opportunity
[1)] Evaluation of the risks and opportunities of the challenges for our business.
[2)] Excluding the Coatings & Additives Business Unit.

## Societal perspective[1) 2)]




**1** Population growth **2** Resource utilization **3** Access to water **4** Climate change **5** Biodiversity **6** Human rights
**7** Demographic change **8** Urbanization **9** Poverty **10** Health **11** Diversity and equality of opportunity
[1)] Estimates of stakeholder expectations and Evonik's ability to influence the challenges.
[2)] Excluding the Coatings & Additives Business Unit.

## Dialogue with stakeholders creates trust

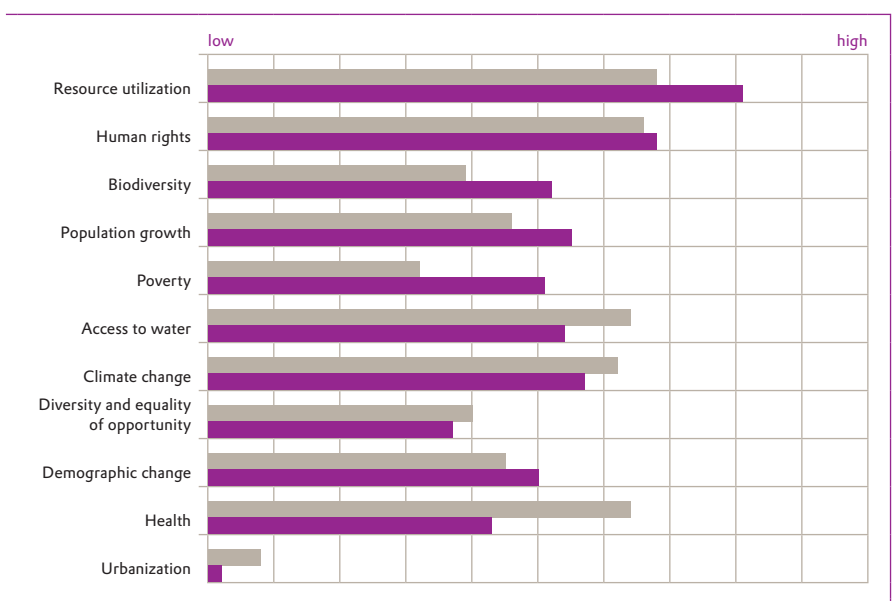
Trust can only be created through open, transparent and honest dialogue. Evonik therefore fosters dialogue with stakeholders such as customers, employees, owners, suppliers, labor unions, investors, scientific organizations, legislators, local inhabitants and non-governmental organizations.

### Interest in resource utilization and climate change

In fall 2010 we asked internal and external stakeholders how well informed they felt on the basis of the 2009 CR report published in the summer, and which challenges they felt were particularly important for Evonik. 16 of the 400 representatives of various organizations, institutions and political parties responded to a survey. Employees were asked for their views via the intranet and 350 provided feedback. Our aim is to achieve a higher response rate for the next survey.

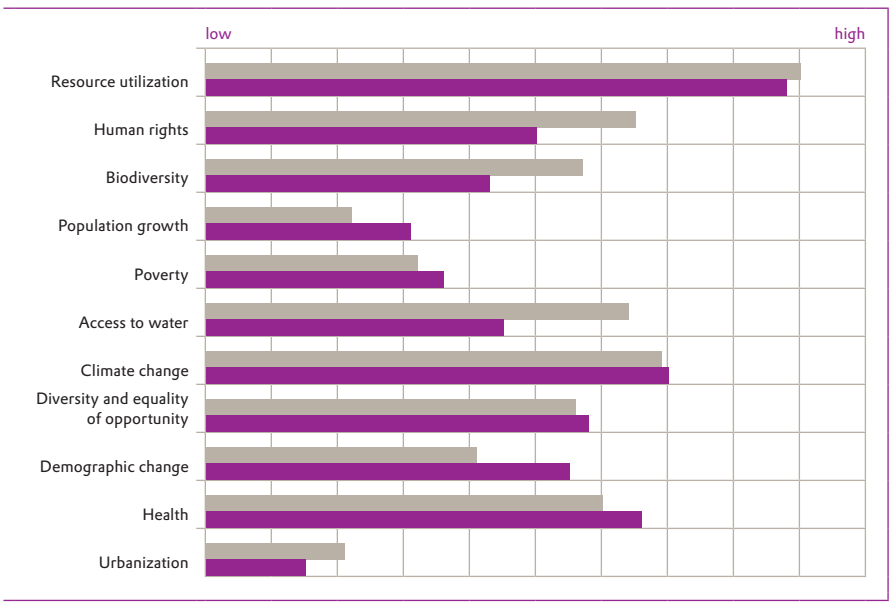
The results of our stakeholders survey tally with the findings of the materiality analyses. Both internal and external stakeholders rate the utilization of resources and climate change as the central challenges facing Evonik. Other issues considered important by our employees are human rights and access to water, while external stakeholders felt that health is also an issue of particular relevance for Evonik.

**Importance of challenges for stakeholders**




"Please rank the following challenges in order of their importance to our common future."
internal external

## Importance of challenges for Evonik




"Please rank the challenges in order of their importance for Evonik."
internal external

The majority of employees and external stakeholders felt that they were "well informed" by the CR report. Both groups found responsible management, followed by energy, climate and product stewardship most interesting. The external stakeholders found vocational and continuing training, work-life balance and demographic change equally interesting. In our employees' view, occupational safety and health promotion tied for fourth place.

Corporate responsibility was included in the questionnaire for our global employee survey for the first time. Around the world, 66 percent of respondents were familiar with Evonik's corporate responsibility strategy, and 84 percent were convinced that Evonik meets this strategy.

See "Employee survey" on page 50

### Stepping up the sharing of information and experience

To encourage employees to share information on CR, we launched a new CRtopic series at the start of 2011. Interested employees in various parts of the Group meet up several times a year to discuss issues of relevance to CR with members of the Executive Board, external experts and their colleagues. The first meeting, which was dedicated to human rights, was held in January.

Evonik held its first Sustainability Day at the end of April 2011, after the editorial deadline for this report. The purpose was to discuss expectations and requirements for sustainable corporate management with representatives of business, politics and the general public. The discussions centered on sustainability and long-term business development, sustainability and its relevance for investors and regulators, and responsible corporate management in the context of sustainable development. On the second day, Evonik's executives were asked to address the issues raised as a basis for the development of ideas and specific projects.

Evonik also plans to hold its first Forum Future in 2011 to step up dialogue with customers. The forum will focus on the business-related challenges of sustainability. The aim is to hold three annual forums focusing on various sustainability-related challenges.

One example of our intensive networking with the scientific community is the Evonik Meets Science Forum held regularly in Europe, Asia and North America. This provides a platform for our experts to engage in discussions on current research issues with top research scientists. In 2010, Evonik was a partner of the Federal Ministry of Education and Research (BMBF) for the Science Year 2010—Future of Energy, an initiative of the BMBF. Evonik's role included a seat on the coordination committee. The central themes were the search for efficient and environmentally compatible means of using various energy sources, and for new types of energy and energy resources. Other focal points included new solutions for the storage, management and transmission of energy.

For more information, visit the English web pages at www.econsense.de

Dialogue with stakeholders includes our membership of industry associations and of econsense, the German forum for sustainable business, where we play an active role in the discussions and in joint projects.

## CR work in 2010

In 2010 we drove forward CR management and continued to shape the three dimensions of our CR strategy. The motto for our work was systemizing. Below we outline the key areas of activity in CR management and our three CR dimensions.

### CR management

Developing a management concept for CR is one of our strategic goals. The long-term objective is to make CR measurable so that our CR performance can be integrated into our system of agreeing performance objectives with our employees. In 2010 we developed a stepwise procedure for this. The first step comprises measuring and weighting progress in CR management. The outcome is aggregated in an internal CR index, based on a defined weighting of the areas of activity for CR management. This is used to track our progress. In 2011 the system will be extended to include further areas of CR activity (the business, employees and processes) and internal and external evaluation of our CR performance.

See "CR Management Policy" on page 25

### Contribution to the business

The aim of our climate strategy, which is currently being developed, is to utilize business potential to bring about a lasting improvement in our carbon footprint. As a first step, we are introducing a method that will enable us to report not simply total direct and indirect emissions of greenhouse gases from production as in the past, but to include an overview of our $CO_2$ impact covering production of all raw materials we use, and emissions from the disposal of our products at the end of their life cycle. Further, for selected products, the reduction in emissions achieved by our customers during use of our products is presented. This method is being validated by an auditor so it can be utilized for future evaluations.

In a subsequent step we will endeavor to expand the evaluation matrix for capital expenditures and portfolio management to include sustainability indicators. Alongside strictly economic indicators, the ecological and social impact of products and business activities will be included in the evaluation process to drive forward sustainability at Evonik.

We launched a customer relations pilot project at the start of 2011. The aim is to compile information on our customers' CR and sustainability requirements, optimize processes and place them on a uniform basis. A system to capture customers' CR requirements is currently being developed. In parallel with this, the aim is to develop consistent customer communication on corporate responsibility for use by all business units.

## CR in vocational training

A major milestone within the employees dimension of our CR strategy was the successful completion of the pilot project on CR in vocational training. The pilot started in March 2010 and the results were presented to Ralf Blauth, Chief Human Resources Officer, at our corporate headquarters in Essen (Germany) in August. Five projects were undertaken with apprentices from Evonik Goldschmidt GmbH in Essen, Evonik Steag GmbH, Essen, and Wolfgang Industrial Park. These involved all three business areas.

The projects took a variety of approaches to CR issues. For instance, a play looked at questions relating to CR and obstacles to its implementation in day-to-day operations. Another project comprised the development of an energy concept for a fictitious town for integration into the mandatory introductory seminar at the start of training. In a project titled "Apprentices supervise interns," young people learn to take responsibility for colleagues from an early stage. The CR in vocational training concept will now be rolled out to all German sites. In addition, we intend to develop modules to integrate CR into our ongoing training offering. In mid-March a workshop on this was held with the staff responsible for personnel development at Evonik. CR will now be systematically integrated into ongoing training programs on the basis of an overview of current content.

See "Learning to be responsible" from page 8

For more information visit www.evonik.com and go to "Career"

## CR in the supply chain

In 2010 Evonik took specific action to harmonize the inclusion of environmental and social standards in Group-wide supplier management. As a basis for supplier contact, in July 2010 we adopted a Corporate Procurement Policy which is applicable for the entire Group. This policy specifies, for example, that in the selection of suppliers Evonik respects the principles set out in the UN Global Compact and the standards of the International Labor Organization (ILO).

Our general purchasing conditions outline these binding requirements on our suppliers. In this way, Evonik makes its CR requirements clear to suppliers and makes a contribution to ensuring the overall transparency of supply chains. After all, Evonik is also part of the supply chain of a large number of other companies, which aim to meet the high demands set by their customers and therefore endeavor to ensure transparency in their supply chain.

Over the coming year we will be continuing to roll out our assessment of selected suppliers and service-providers. In addition to assessing established suppliers, we are currently conducting uniform Group-wide CR assessment in the prequalification phase for new suppliers. We also ensure that CR-related aspects are integrated into the contractual basis with new suppliers. At the same time, we will be supplementing the monitoring system by audits of suppliers' production facilities.

In parallel with this, we are steadily expanding training of purchasing staff. This includes a mixture of online training modules and classroom sessions. Internal guidelines and FAQs ensure that purchasing staff have suitable tools for their discussions with suppliers.

See "Cost benefits and ethical standards do not conflict with one another" from page 12, "Values and management systems" from page 24 and "CR Performance" from page 31

## CR program 2011

| Objectives | Action | Deadline | Current status (as of March 31, 2011) |
|---|---|---|---|
| **CR management** | | | |
| Align CR organization to new corporate structure | Alter membership of committees | 2011 | In preparation |
| Establish and strengthen CR coordination | Hold a joint workshop to define the role of CR Partners in the business units and regions | 2010 | Tasks and responsibilities agreed for current projects, active role of CR partners |
| | Develop an Evonik-specific performance management model for CR | 2012 | Performance model developed, measurement of CR management and projects in main areas of action has started |
| Position CR | Active membership of UN Global Compact and econsense | Ongoing | Active collaboration in Global Compact and econsense |
| | CR roadshow: present CR program to the business units | First quarter of 2011 | Roadshow completed |
| **Dimension: The business** | | | |
| Establish CR issues management as an early warning system | Conduct materiality analyses in the business units | Ongoing | Materiality analyses performed for Advanced Intermediates, Inorganic Materials, Health & Nutrition, Consumer Specialties, Performance Polymers, Coatings & Additives and in the Real Estate and Energy Business Areas |
| | Conduct materiality analyses in the regions | Ongoing | Materiality analysis performed in the Greater China region |
| Systematic dialogue with stakeholders | Develop an approach for systematic, targeted stakeholder communication | 2010 | Concept developed for a "Forum Future". Evonik primarily has B2B business: determination based on materiality analysis and after the Sustainability Day |
| | Hold a forum to kick off systematic dialogue with stakeholders | 2011 | Planned for 2011 |
| Integrate CR into R&D | Develop a concept for Group-wide implementation, gain support of business units for pilot project | 2012 | Concept developed; Advanced Intermediates to pilot it |
| Integrate CR into customer relations | Conduct pilot project on CR and customer relations | 2011 | Pilot project initiated |
| **Dimension: Employees** | | | |
| Responsible treatment of employees | Introduce uniform global principles | Completed in 2010; align to latest developments in 2011 | Global Social Policy revised; main policies distributed to employees in Germany via Folio |
| | Distribution of main policies to regions | 2011 | In preparation |
| | Extend reporting processes and add further CR indicators | 2010 | Third survey "Responsibility for Employees and Society" |
| | Evonik "Child and Career" program for childcare leave | 2010 | Integrated into new diversity approach |
| | Continual improvement of family and work offerings | Ongoing | Corporate policy on work-life balance; audit for Group-wide "berufundfamilie" certificate completed |

## CR program 2011

| Objectives | Action | Deadline | Current status (as of March 31, 2011) |
|---|---|---|---|
| Motivation and involvement in CR | Nationwide rollout of CR in vocational training in Germany | 2011 | Pilot project successfully completed; rollout to all sites with vocational training has started |
| | Integration of CR into vocational and continuing training | 2012 | Status review of CR-related content in continuing training; pilot project in Evonik's personnel development landscape has commenced |
| | Include CR in performance objectives agreed with managers and employees | 2015 | – |
| **Dimension: Processes** | | | |
| Continuous improvement in CR performance in relevant areas of action | Achieve long-term environmental targets in the Chemicals Business Area | 2014 | Reduction in specific energy-related greenhouse gas emissions, water consumption and production waste is in target band |
| | Implementation of long-term occupational safety targets for Chemicals and Real Estate | 2014 | Chemicals: target for 2014 reached in 2009, consolidation at low level;<br>Real Estate: reduction in accident frequency within target range |
| | Training in the Code of Conduct | Ongoing | Regular classroom training sessions;<br>e-learning tool on Code of Conduct online since 2009 |
| | Anti-corruption training | Ongoing | Regular classroom training sessions;<br>e-learning tool completed in 2011 |
| | Develop and implement a climate strategy | 2011 | Evonik's carbon footprint has been determined, methodology currently being validated ; start of Evolution project |
| | Integration of CR aspects into supply chain management | 2010 | CR@Procurement project completed |
| | Systematically embed CR in procurement strategies | 2012 | Implement results of pilot project |
| Continuing: Continuous improvement in CR performance in relevant areas of action | Implementation of REACH:<br>Approx. 180 substances registered by end-2010; registration of approx. 350 substances in second registration phase, nearly 1,000 substances will be registered by 2018 | 2018 | 1st registration phase successfully completed |
| | Harmonize gathering of CR data: supplementary IT tool for decentralized data input | Ongoing | Pilot project: transition from manual questions in survey "Responsibility for Employees and Society" completed |
| Exchange of experience on CR | CR Connect: format for discussion and networking | Ongoing | Concept currently being drafted |
| | CRtopic: format for information on CR-related issues and to establish new projects | Ongoing | 1st CRtopic: January 18, 2011 on human rights; 2nd CRtopic planned for 2011 |
| | Sustainability Day: kick off for internal and external exchange | 2011 | Planned for April 2011 |
| | Regular Group-wide exchange of experience | Ongoing | International exchange on ESH topics |

## Values and management systems

Download the CR strategy from the "Responsibility" section at www.evonik.com

Corporate responsibility is part of Evonik's basic philosophy and covers the business, employees, society and the environment. We are committed to respecting external principles and guidelines, and follow our own clearly defined values and policies. That is supplemented by extensive regulations and management systems.

**Evonik's values and core competencies**

Our corporate values—"sparing no effort", "courage to innovate" and "responsible action"—provide a general guide for employees in their daily work and decisions. Employees make a key contribution to the success of the company through their core competencies: creativity, specialization, self-renewal and reliability.

### Principles, policies and guidelines

**External principles and guidelines**

At the end of 2010 Dr. Klaus Engel, Chairman of Evonik's Executive Board, signed the Code of Responsible Conduct for Business, which sets measurable standards that have to be firmly anchored in participating companies. These include fair competition, social partnership, the merit principle and sustainability.

Good corporate governance is a central element in responsible conduct by business. Responsible and targeted corporate management and oversight form an integral part of Evonik's business processes. The company's Executive Board and Supervisory Board base their conduct on the German Corporate Governance Code.

When we joined the United Nations' Global Compact in summer 2009 we gave an undertaking that, within our sphere of influence, we would respect labor rights and human rights, avoid discrimination, protect people and the environment, and fight against corruption. Moreover, wherever possible within our corporate framework, Evonik will not tolerate conduct that infringes the guidelines on responsible corporate behavior issued by the Organisation for Economic Co-operation and Development (OECD). We respect the United Nations' Declaration of Human Rights and the core standards of the International Labor Organization.

For more information visit the English web pages at: www.verantwortlich-handeln.com
For more information visit www.unglobalcompact.org

Evonik is committed to the global Responsible Care initiative, and we constantly strive to improve our performance in health, safety, the environment and product stewardship. At the start of 2006 we signed the chemical industry's Responsible Care Global Charter.

**Code of Conduct**

Our binding Group-wide Code of Conduct outlines our main corporate principles and standards and provides a guide to fundamental ethical and legal obligations. It sets out a clear obligation for all employees to comply with laws and other regulations. Compliance is monitored and infringement is punished.

### Global Social Policy

Our Global Social Policy (GSP) contains an undertaking to observe fundamental values based on international standards and principles. It contains a commitment to implement basic values such as the protection of children, freedom of engagement, equality of opportunity, diversity, freedom from discrimination and occupational health and safety. We expect our suppliers to respect the principles set out in the GSP and integrate them into their actions.

### Environment, Safety, Health and Quality Values

Our Environment, Safety, Health and Quality (ESHQ) Values set out our commitments in these areas. Together with more detailed guidelines and procedures, they form a binding framework. The ESHQ Values define protection of people and the environment as central elements of our activities. We strive for a steady improvement in our ESHQ performance.

Our Code of Conduct, Global Social Policy and ESHQ Values are published in the Internet. In addition to these policies, all Evonik employees have access to further guidelines and regulations that form the basis of Evonik's responsible conduct via the intranet.

Download the Code of Conduct, Global Social Policy and ESHQ Values from the "Responsibility/ CR management" section at www.evonik.com

### CR Management Policy

The CR Management Policy introduced in 2009 sets out responsibilities for CR and the organization of CR management. It is also designed to ensure that Evonik uses uniform standards to implement the CR strategy adopted in 2008 and guarantees Group-wide coordination of CR activities.

## Management systems and tools

From our Code of Conduct, Global Social Policy and ESHQ Values we derive further policies, together with the necessary management systems and tools. They help us live our responsibility and follow the related goals. To achieve this, we take suitable action and derive scope for improvement where relevant. That includes control and documentation of this process. Within this overall structure, CR management and the House of Compliance are responsible for coordinating the relevant issues.

**CR organization**

## CR management

In 2010 Evonik continued to establish systematic CR management on the basis of our CR Management Policy. CR management helps us put our responsibility for the business, employees, the environment and society into practice in a manner that is both visible and sustainable.

### Responsibility and organizational structure

The Executive Board has overall responsibility for CR, while organizational responsibility is delegated to the Chief Human Resources Officer. The highest body in the CR organization is the CR Steering Committee which comprises the heads of certain Corporate Center divisions, the members of the boards of management of the business areas and the managing directors of Evonik Business Services, who are responsible for CR, and a representative of the Combined Works Council. The role of the Steering Committee, which meets several times a year, is to implement and drive forward the development of the CR strategy. It is supported by the CR Coordination Committee, which proposes new CR projects, monitors ongoing CR projects and establishes working groups to implement projects. It comprises staff from the Corporate Center divisions and the CR Partners.

### CR Partners

The CR Partners appointed for the business units, Evonik Business Services and the Europe, Asia and North America regions at the start of 2010 represent the interests of the business in the development and implementation of the CR strategy. They are the direct contacts for CR issues in the business units and ensure that CR is widely accepted in the company. The role and future tasks of the CR Partners were discussed and defined at a joint kick off workshop and their international dimension was described in further detail at the end of 2010.

## House of Compliance

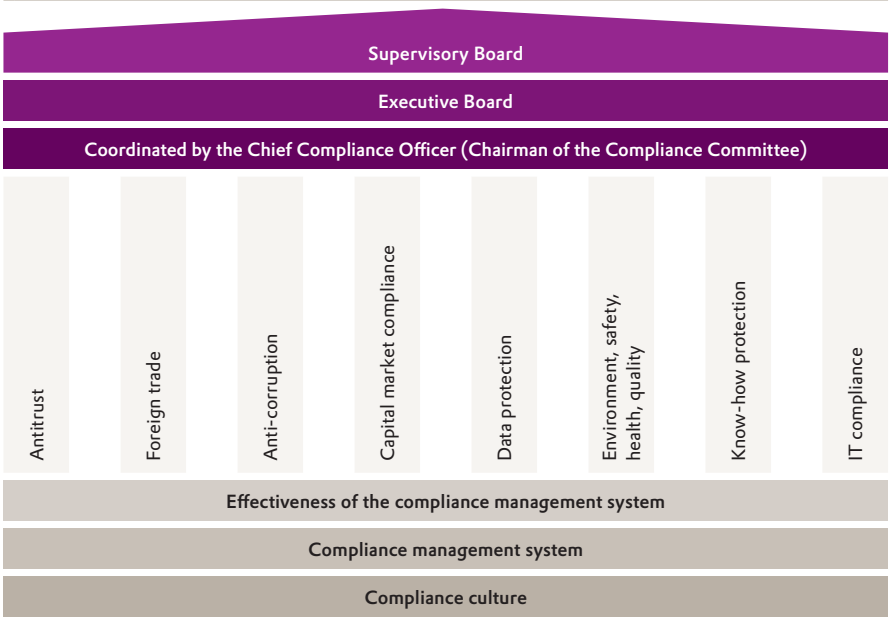
For more information on compliance visit www.evonik.com and go to "Responsibility"

Compliance refers to all activities designed to ensure that the conduct of the company, members of its governance bodies and its employees respect all statutory and in-house regulations. In addition to this, our aim is to ensure that our business activities are aligned to our values and to moral and ethical principles.

The compliance issues identified as being of specific relevance to our company form the basis of compliance management and are bundled in a House of Compliance. Alongside traditional compliance aspects such as antitrust law, foreign trade law, anti-corruption measures and data protection, as a technology-driven specialty chemicals company, issues of relevance to us include the environment, safety, health, quality, the protection of intellectual property, and IT compliance. In 2011, we added capital market compliance to the issues grouped at the House of Compliance. This extensive approach to compliance is the result of a risk analysis conducted with external support.

The relevant specialist departments bear responsibility for the various issues. The establishment and ongoing development of the House of Compliance is coordinated by the Chief Compliance Officer, who operates autonomously and reports directly to the Chairman of the Executive Board. He is supported in all major issues by a Compliance Committee, an internal advisory committee composed of the heads of the various specialist departments, and Corporate Audit. Compliance officers in the business units and regions ensure close integration of our business activities.

## House of Compliance




### Antitrust law

Compliance with antitrust regulations is a central corporate objective and is included in Evonik's Code of Conduct. Details of the content, responsibilities and implementation of the compliance program to prevent violations of antitrust regulations are available from the Group-wide antitrust department via Evonik's intranet.

### Foreign trade law

The Corporate Policy on Compliance with Global Trade Regulations and the associated trade compliance organization are designed to ensure compliance with the applicable export controls. In this way, we contribute in particular to worldwide efforts to prevent the manufacture and proliferation of chemical, biological and nuclear weapons, and delivery technologies for such weapons. Our trade compliance organization comprises a special department with Group-wide responsibility, a special IT system and a Group-wide network of around 80 trade compliance officers.

Evonik has a network of **80** Trade Compliance Officers around the world

### Anti-corruption measures

Evonik strictly rejects all forms of corruption. This zero-tolerance principle is included in the Code of Conduct and set out in more detail in guidelines on the use of external agents and in the handling of gifts, invitations and other benefits. Even the impression of corruption or corruptibility should be systematically avoided. Extensive worldwide training and advice is an important element of corruption prevention.

### Management of data protection

Rules on data privacy, reliable processing of personal data and the related obligations to inform employees are set out in a separate Data Protection Policy. The Corporate Data Protection Officer is responsible for coordinating and supporting implementation of the relevant data protection provisions in all countries where Evonik operates.

**ESHQ management**

Our ESHQ Values form the basis for policies and objectives which are used to manage ESHQ throughout the Evonik Group. The legal conformity of these regulations was validated by an external appraisal in 2009. The business areas and business units are responsible for implementing the relevant regulations. Implementation is checked, for example, through regular audits at site and regional level. The Corporate Center conducts additional cross-unit audits to check compliance with Group regulations. Building on the findings of internal and external monitoring processes, site inspections, reviews and incident analysis, talks are held on the scope for improvement, and implementation of the agreed measures is monitored. The Executive Board is informed annually of the outcome of these audits.

Download the ESHQ Values from the "Responsibility" section at www.evonik.com

**Protecting intellectual property**

Optimum protection of the knowledge and expertise of our employees and thus of our competitive and technological edge is the aim of the Know-how Protection Policy, which is to be adopted in the first half of 2011. This policy contains ten guiding principles including setting a good example, supporting the business and sustainability. It outlines the organization and responsibility for protecting the Group's intellectual property, measures aligned to the associated risks and thus takes an integrated and interdisciplinary approach. The policy will be supported by two more detailed regulations and a procedure.

**IT compliance**

Group-wide rules and regulations on handling information and the secure use of information systems. State-of-the-art information security and data protection technologies are used throughout the Group to avoid such risks. Appropriate procedures and technical protection are installed to counter the risk of potential unauthorized access and the loss of data. These are supplemented and adapted to the constantly changing risk situation to ensure that we have adequate protection against potential risks in the future. Internal communication methods such as IT security campaigns are used to heighten employees' awareness of the need for security in the handling of information technology.

**Human resources management**

In response to Evonik's change of strategy to focus on specialty chemicals and the introduction of the "Growth" initiative, an enhanced human resources strategy was adopted in December of 2010. This is characterized by four central strategic goals: Attract, Develop, Retain and, as an internal objective, professionalization of human resources work (HR Performance). The definition of these four strategic goals and their content links human resources management more closely to corporate strategy, and at the same time aligns it to challenges such as profitable growth, ongoing internationalization and demographic change.

As part of its efforts to help employees combine work with raising a family, Evonik went through an extensive audit by the Hertie Foundation, a non-profit organization that initially audited the Corporate Center in 2005, and was awarded the "berufundfamilie" certificate for the entire Group in June 2009 for its family-friendly policies.

**Acquisitions and divestments**

Before making acquisitions we conduct an intensive due diligence process to examine the main risks and benefits and arrive at an appropriate valuation of the business to be acquired. When divesting operations, we pay special attention to the development prospects for the business and its employees as well as to the financial conditions and reliability of the transaction. The activities to be divested should be a good fit with the new owner's core business and have attractive development perspectives in the new structure, which in turn should have a positive influence on job security for the employees.

For more information see Evonik's Annual Report 2010 from page 102

**Supply chain management**

In summer 2010 we adopted a Corporate Procurement Policy for the Evonik Group. This sets out our requirements with regard to responsible conduct by suppliers. We expect our suppliers to accept the principles of fair and responsible treatment of employees, customers, suppliers and the general public. The CR@Procurement project outlined the requirements set out in the policy in more detail. The aim was to align supply chain management more closely to aspects such as quality, health and safety, environmental protection, anti-corruption measures and social aspects such as working conditions, and thus contribute to risk management within the Evonik Group.

# CR Performance

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## Corporate governance and compliance

Good corporate governance, in other words responsible and targeted management and oversight, forms an integral part of all business processes at Evonik. It strengthens trust in our company and that ensures a sustained increase in value. At the same time, good corporate governance enhances transparency for all stakeholders and firmly anchors responsible conduct in the company.

In 2010, Evonik's Supervisory Board performed the tasks imposed on it by law and the Articles of Incorporation. The Supervisory Board has 20 members, ten representing the shareholders and ten representing the workforce. Under the German Codetermination Act, the employees elect delegates who choose the employee representatives on the Supervisory Board. The ten representatives of the workforce include three representatives of the labor union. Under its rules of procedure, all decisions taken by the Supervisory Board are based on a majority vote, except where other mandatory rules apply.

For more information see Evonik's Annual Report 2010 from page 168

In keeping with the recommendations of the German Corporate Governance Code and its own rules of procedure, Evonik's Supervisory Board currently has four committees. Alongside the Conciliation Committee required by law, it has an Executive Committee, a Finance and Investment Committee and an Audit Committee. The Supervisory Board meets regularly and the Chairman of the Supervisory Board maintains a continuous dialogue with the Executive Board. Its task is to monitor and advise the Executive Board. The Executive Board is required to give the Supervisory Board timely information on, for example, business policy, corporate planning and strategic focus. Since Evonik is not a publicly listed company, its Annual Shareholders' Meeting is attended by its representatives of its two current shareholders, RAG-Stiftung and Gabriel Acquisitions GmbH, which is indirectly owned by funds of the financial investor CVC Capital Partners.

See "CR strategy and implementation" from page 15

### Performance-oriented remuneration of senior management

The Supervisory Board is responsible for the contracts of employment with the members of the Executive Board. It sets the total remuneration package for each member, comprising a fixed salary, profit participation, performance-oriented components, reimbursement of expenses, insurance policies, commission payments and fringe benefits. The contracts with members of the Executive Board and all executives include remuneration elements based on personal performance and the overall performance of the Group.

For more information see Evonik's Annual Report 2010 from page 161

### Anti-corruption measures

Evonik continued its anti-corruption measures in 2010. Having examined the Chemicals and Energy Business Areas for indications of corruption in previous years, the Compliance & Corporate Governance and Corporate Audit divisions focused their attention on the Real Estate Business Area in 2010. Although special surveys backed up by random checks on business activities detected a few isolated shortcomings in the implementation of controls under the internal control system, these were eradicated immediately. No indication of corruption was found. In 2010 Evonik examined one-third of all business areas for corruption risks.

### ESHQ performance

To monitor the effectiveness of the ESHQ policy, the ESHQ division at the Corporate Center carried out 33 audits in 2010. These were supplemented by additional investigations at business unit, regional and site level. In the Chemicals Business Area, more than 95 percent of production is covered by environmental management systems that have been validated as conforming to ISO 14001. In 2010, the Energy Business Area continued its policy of having occupational health and safety validated externally by the responsible Employers' Liability Insurance Associations.

**Compliance training**

Evonik uses a variety of tools to raise employees' awareness of the various aspects of compliance. In 2010 these included Group-wide training sessions. Basic information on the purpose and objectives of the Group's compliance activities were outlined at classroom training sessions. These included illustrating the rules set out in the Code of Conduct with the aid of specific examples. Employees also receive extensive training in the issues grouped at the House of Compliance. The classroom training sessions are supplemented by e-learning programs on the Code of Conduct, antitrust legislation, anti-corruption measures, data protection and IT security.

Our web-based training course on corruption prevention was completed at the start of 2011 and will be rolled out in various languages during the year.

At present, we do not have sufficient data to provide a reliable indication of the percentage of employees who have received anti-corruption training. However, there are plans to introduce suitable processes so we may be able to provide this information from next year.

In Germany, apprentices receive specially targeted training on compliance activities and interactive familiarization with the Code of Conduct through case studies and group discussions in their first year of training. New employees attend training sessions on compliance and the regulations applicable for the Evonik Group as part of the Evonik Starting Kit.

The Compliance Report introduced in 2009 to raise employees' awareness of the applicable laws and moral obligations through short video clips was continued in 2010. The video clips, which have received several international film awards, can be viewed in the corporate intranet. A new addition is "Tone from the Top" with the Chairman of the Executive Board, which will be available in all major languages used in the Group.

## The business

### An excellent business performance

2010 was a very successful year for Evonik. We achieved high earnings in a positive economic climate. The key drivers were high global demand and the successful implementation of cost and efficiency enhancement measures. We registered a substantial upturn in business in the second half of 2009 and this trend continued and gained momentum throughout 2010.

In view of the divestment of a majority of the shares in Evonik Steag GmbH, which was agreed in December 2010, the Energy Business Area was reclassified to discontinued operations in the annual financial statements for 2010. Accordingly, the Energy Business Area is no longer included in the sales and operating earnings figures.

Driven by a perceptible rise in demand, especially from Asia and Europe, sales increased 26 percent to €13.3 billion. Earnings before interest, taxes, depreciation, amortization and the non-operating result (EBITDA) grew 47 percent to €2,365 million, while earnings before interest, taxes and the non-operating result (EBIT) surged 89 percent to €1,639 million. Net income rose 206 percent to €734 million.

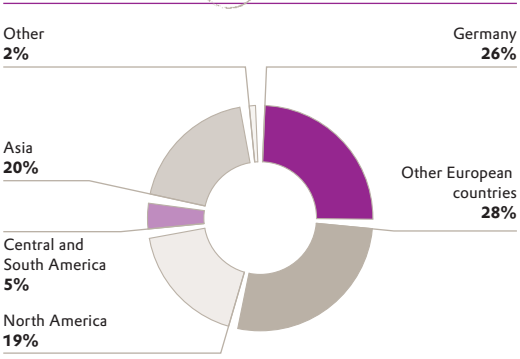
For more information see Evonik's Annual Report 2010 from page 26

## Evonik Group: Key figures

| in € million | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Sales | 14,125 | 14,444 | 15,873 | 10,518 | 13,300 |
| EBITDA[1)] | 2,157 | 2,236 | 2,165 | 1,607 | 2,365 |
| EBITDA margin in % | 15.3 | 15.5 | 13.6 | 15.3 | 17.8 |
| EBIT[2)] | 1,179 | 1,363 | 1,298 | 868 | 1,639 |
| ROCE[3)] in % | 8.4 | 9.7 | 9.0 | 7.7 | 15.0 |
| Net income | 1,046 | 876 | 281 | 240 | 734 |
| Total assets as of December 31 | 20,953 | 19,800 | 20,115 | 18,907 | 20,543 |
| Equity ratio as of December 31 in % | 20.6 | 25.7 | 25.6 | 27.6 | 29.1 |
| Cash flow from operating activities | 1,142 | 1,215 | 388 | 2,092 | 2,075 |
| Capital expenditures[4)] | 935 | 1,032 | 1,160 | 569 | 652 |
| Depreciation and amortization[4)] | 943 | 862 | 842 | 712 | 694 |
| Net financial debt as of December 31 | 5,434 | 3,924 | 4,583 | 3,431 | 1,655 |
| Employees as of December 31 | 46,430 | 43,057 | 40,767 | 33,861 | 34,407 |

Figures for 2010 and 2009 adjusted to reflect the reclassification of the Energy Business Area to discontinued operations.
Figures for 2006 to 2008 as reported.
[1)] EBITDA = Earnings before interest, taxes, depreciation, amortization, write-downs and non-operating result.
[2)] EBIT = Earnings before interest, taxes and non-operating result.
[3)] Return on capital employed.
[4)] Intangible assets, property, plant, equipment and investment property.

## Sales by region[1)]




[1)] By point of sale.

### Value added

Value added is calculated from sales and other revenues less the cost of materials, depreciation and amortization and other expenses. In line with the good operating performance, value added rose 31 percent to €4,191 million in 2010. The largest share of value added—65 percent (2009: 74 percent)—went to our employees. A further 11 percent (2009: 13 percent) went on interest payments. A total of 5 percent (2009: 3 percent) was paid to the state in income and other taxes. Shareholders of Evonik Industries AG received 18 percent of value added, up from 8 percent in 2009.

**Breakdown of value added**

| in € million | **2010** | 2009 |
|---|---|---|
| Total value added | 4,191 | 3,197 |
| **Split** | | |
| Employees | 2,732 | 2,365 |
| State | 215 | 91 |
| Lenders | 451 | 429 |
| Non-controlling interests | 59 | 72 |
| Net income | 734 | 240 |

Data excluding the energy operations.

### Investment for profitable growth

For further information see "CR strategy and implementation" from page 15 and Evonik's Annual Report 2010 from page 37

Selective capital expenditures secure the potential for profitable long-term growth and opportunities to generate high returns. Evonik is expanding in business segments and markets where it already has—or intends to build—a strong competitive position. In 2010 investment in property, plant and equipment (excluding the Energy Business Area) increased by 15 percent to €652 million (2009: €569 million). This rise was based on strategic growth projects and other major projects initiated before the crisis, which we continued as planned despite the situation. The first newly approved projects relating to the vision of value-enhancing growth of the Chemicals Business Area were added in 2010. These will result in higher capital expenditures in the coming years.

The Chemicals Business Area accounted for the majority of capital expenditures (92 percent) in 2010 while 6 percent went to the Real Estate Business Area. The regional focus of capital expenditures was Germany, which accounted for 48 percent of the total, followed by Asia, which accounted for 26 percent.

The biggest single project in 2010 was the construction of a new monosilane and AEROSIL® facility for the Chemicals Business Area in Yokkaichi (Japan). Completion and start-up are scheduled for the first half of 2011. Further key investment projects have been initiated in recent months. These include building a new backwardly integrated production complex for the amino acid DL-methionine in Singapore, which is scheduled to come into service in 2014. Production capacity for precipitated silicas in Asia and Europe is to be expanded by 25 percent by 2014. Construction of a new production plant for isophorone and isophorone diamine in Asia is currently at the planning stage.

In the Real Estate Business Area the focus was on modernizing the housing stock to improve energy efficiency and on the construction of new properties.

In total €163 million was invested in the Energy Business Area. In 2010 the main focus was once again the construction of a 790 MW hard-coal power plant in Duisburg-Walsum (Germany). Start-up of this plant has been delayed due to technical problems.

## Major projects completed or virtually completed in 2010

| Business Area | Location | Project |
|---|---|---|
| **Chemicals** | Antwerp (Belgium) | New production facility for agrochemical intermediates<br>New production facility for isobutene |
| | Merano (Italy) | New production facility for chlorosilanes |
| | Nanning (China) | New production facility for pharmaceutical active ingredients |
| | Shanghai (China) | New synthesis facility for MTBE |
| | Worms (Germany) and Mobile (Alabama, USA) | Capacity expansion specialty polymers |
| | Marl (Germany) | Optimization of $C_{12}$ production |
| | Hanau (Germany) | New office building |
| **Real Estate** | Germany | Mainly selective modernization and improvement of energy efficiency, new developments in the Cologne region |
| **For information: Energy** | Herne (Germany) | Optimized separation of wastewater streams |
| | Gelsenkirchen (Germany) | Erection of wind turbines on a reclaimed overburden dump |

### Planned portfolio adjustments

As outlined above, Evonik will be divesting the remaining 49 percent stake in the energy business within five years to the new majority partner for these operations. We will also be examining selling shares in the real estate business in the medium term.

In the chemicals business, we aim to divest businesses that do not fit our strategic growth profile or that do not have growth prospects within the Evonik Group. We are therefore planning to divest the carbon blacks and colorants businesses to new owners who can provide better development opportunities for these operations.

For more information see Evonik's Annual Report 2010 from page 31

## Further optimization of procurement

In 2010 Evonik procured raw materials, energy, technical goods and services worth over €9 billion. About half of this amount was for raw materials. To check the implementation of sustainability standards by our suppliers, we conducted a Group-wide risk analysis, based principally on internationally recognized country indices showing the status of humanitarian development and fair business practices. A special assessment was performed on the suppliers identified, mainly suppliers in China and southern and eastern Europe, from whom we source raw materials, services, technical goods, logistics services and packaging.

In 2010 we conducted a survey of implementation of sustainability standards by about 80 percent of the suppliers identified as being potential risks. Topics covered included environmental protection, safety, corruption and social aspects. For the Chemicals Business Area and Evonik Business Services we drafted specific questions for supplier self-assessment questionnaires. The responsible purchasing staff at Evonik were given special training so they could answer questions from suppliers. A total of 78 percent of responses had been evaluated by December 31, 2010 and the remainder were being processed.

In the light of our risk-oriented approach to supplier selection, the findings met our general expectations. Most ecological and social criteria are integrated into suppliers' management systems. According to the self-assessments, 74 percent of the suppliers covered by this survey meet our quality, environmental, employment and social standards with the aid of management systems and management undertakings. However, some suppliers drew attention to weaknesses in management practices. The principal areas where scope for improvement was identified were environmental protection and integration of social aspects.

On this basis, we identified business partners that we intend to investigate more closely in 2011 and will also be initiating further reviews and improvements. On the basis of shortcomings reported or missing or contradictory responses, about 10 percent of the suppliers covered by the survey were identified as potential candidates for auditing. Scope for improvement identified through the self-assessment questionnaires will be discussed with further suppliers in order to agree on action and deadlines.

**Procurement: CR objectives for 2011**

| |
|---|
| Further rollout of assessments to cover 90 percent of suppliers classified as potential risks |
| Expansion of training to 40 percent of purchasing staff |
| Pilot CR audits at ten suppliers |

## Fostering good customer relations

Close and long-standing customer relations are a key element in Evonik's success. To further improve our relationship with customers, we regularly organize customer days around the world and support customers' endeavors to meet their own CR targets.

For example, at a Technology Day held in fall 2010 with decision makers from one customer we jointly came up with around 300 ideas and 15 specific projects, for example to make more efficient use of resources throughout the value chain—from the raw materials to the customer's end-product. In future, the additives developed and manufactured by Evonik for care products will be supplied in higher concentrations. That will cut transportation volumes, thus reducing transportation costs and energy consumption. Another example is the development of enzymatic production processes for additives for care products. While conventional production methods entail a complex and energy-intensive chain of processes, enzymatic processes only contain a few steps—ideally one step—performed at lower temperature and lower pressure. That saves energy and utilizes raw materials more efficiently.

See "Dialogue with stakeholders" on page 18

To align such processes specifically to customers' requirements, Evonik aims to step up cross-company dialogue, which includes visits to customers and joint development of solutions that enhance resource efficiency at all stages in the value chain.

## Research and development

### R&D for new products and applications

Innovation forms a key element in our corporate strategy and is essential for growth. In the specialty chemicals sector in particular a constant stream of demanding new products and applications is indispensable to ensure lasting success in the face of global competition. To enable us to offer our customers innovative products and solutions, we invested around €338 million in research and development in 2010 (2009: €298 million*).

Evonik spent
€338 million
on R&D in 2010

Our R&D endeavors are geared to maintaining and strengthening our key technological position in many areas of specialty chemicals. At the same time, progress in product and process quality enhances efficiency, helps improve value creation and thus protects the strong position of our established business operations in the face of global competition. However, in order to remain successful in the long term, we also need to build up new business activities in new markets.

Around 85 percent of R&D spending is on research projects in the business units which are geared specifically to their core markets and technologies. The remaining 15 percent is invested in strategic research to build new high-tech activities outside the established business portfolio, in other words new areas of business. A total of 40 percent of R&D spending is allocated for the development of new products, 19 percent goes on basic research into new key technologies, 24 percent to improving production processes for established products and 17 percent is dedicated to new and improved applications for existing products.

### R&D in the Chemicals Business Area

| | |
|---|---|
| R&D employees | approx. 2,300 |
| Locations | more than 35 |
| Total R&D projects | approx. 500 |
| R&D projects focusing on resource efficiency | approx. 100 |
| Cooperation with universities and scientific institutes | approx. 300 |
| Number of new patent applications | approx. 250 |
| Patents (granted and pending) | more than 24,000 |
| Registered trademarks (granted and pending) | more than 7,500 |
| Funding for innovation projects from the European Union and German government | approx. €14.6 million |

### Modern innovation structures and processes

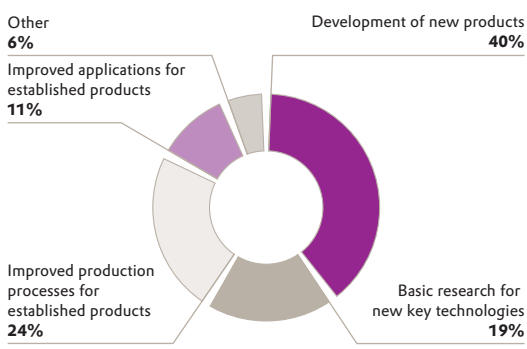
The Project Houses, Science-to-Business Centers (S2B Centers) and internal start-ups operated by Creavis Technologies & Innovation, our strategic research organization, are optimally aligned complementary approaches. Evonik currently has three S2B Centers: Nanotronics, which is developing system solutions for the electronics industry on the basis of nanomaterials; Biotechnology, which is developing new biotechnology products and processes on the basis of renewable resources; and Eco$^2$, which focuses on projects in the areas of energy efficiency and climate protection.

For more information visit www.evonik.com and go to "Company/Research & development"

Our ninth project house started operating in Taiwan on April 1, 2011. A key aspect of the work of this Advanced Project House for Light & Electronics is the development of business activities focused on the optoelectronics industry, and thus on a market with very rapid innovation cycles. This is Evonik's first project house outside Germany.

*Prior-year figure restated.

## Chemicals Business Area: R&D spending




The Functional Films & Surfaces Project House completed its work at the end of 2009. A wide range of promising new products and technology platforms developed by this project house is now being commercialized by Evonik's business units and by a new internal start-up at Creavis. Examples are barrier films for flexible thin-layer photovoltaic modules, scratch-proof matt PLEXIGLAS® and coated rubber granulate as an infill for artificial turf.

The present Systems Integration Project House, which will run until the end of 2011, is working on developments such as "instant bonding" for automotive and industrial applications, plastic glazing for vehicles, with and without additional integrated functions, and the production of nanofibers for filtration.

The internal start-up EUROPLEX EC/SDX, which focuses on transparent, conductive glazing made from polycarbonate, was reintegrated into one of the business units in January 2011 following the successful product and business development phase.

True to the motto "Open Innovation", Evonik has around 300 alliances with universities and scientific institutes. In 2010 we invested about €7 million in joint research with universities, scientific and technical institutes and other companies. The aim is to ensure rapid transfer of the results of top-level research on sustainable aspects of chemistry, biology and physics to the company. Today, attractive areas of innovation are mainly found at the interfaces between traditional disciplines such as chemistry and biology or chemistry and engineering.

**€7** million was spent on joint research with universities, scientific institutes and other companies in 2010

The Evonik Group has an efficient global network of experienced technology scouts operating in industrialized and growth regions. These employees establish and maintain contacts, for example to leading scientific institutes in their region, and especially to start-ups that could potentially be of interest to the business units, small and mid-sized enterprises and global corporations.

### Innovation awards

Evonik's innovative strength is not simply due to the right strategies, structures and priorities. Our highly qualified, creative and motivated R&D employees are a key factor in our success. To provide an incentive for excellent research work, we present the annual Evonik Innovation Award. In December 2010 this was awarded in two categories: New Product/New System Solution and New or Improved Process.

The jury selected six finalists at the end of October 2010. The selection criteria comprised economic significance, ecological benefits and benefits to society. The award in the New Product/New System Solution category went to a team from the Health & Nutrition Business Unit for CreAMINO®, a new module for sustainable animal nutrition. The winner of the New or Improved Process category was the Industrial Chemicals Business Unit, together with a team from the Acrylic Monomers and Catalysts Business Lines and the Process Technology & Engineering service unit. Within a very short time, they successfully developed a process to produce ultrapure isobutene from MTBE (methyl tertiary butylether), which has been scaled up for bulk production in Shanghai (China) and Antwerp (Belgium).

For more information visit www.evonik.com and go to "Research & development/Awards"

## Research contributes to sustainable development

Through its technology and solutions competence, Evonik is playing a role in areas of research where we expect to see especially high growth as a result of the megatrends resource efficiency, health and nutrition, and globalization of technologies. In the long term, our R&D in these fields makes a contribution to sustainable development and thus to balancing economic, ecological and social interests.

### Resource efficiency megatrend

Evonik is engaged in research and development to generate new products and applications in the areas of climate protection, more efficient use of resources, innovative forms of mobility and the use of renewable energies such as solar power.

#### Research to reduce carbon dioxide

Evonik's strategic research and development organization, Creavis Technologies & Innovation, is working intensively on the resource efficiency megatrend and is actively involved in the search for new, energy-efficient concepts. At our Eco$^2$ S2B Center, we have embarked on OPHINA and Effi$CO_2$, two research projects that receive funding from the German Ministry of Education and Research (BMBF). OPHINA (organophilic nanofiltration for energy-efficient processes) aims to reduce $CO_2$ emissions through the use of organic solvent nanofiltration (OSN) as an alternative to energy-intensive thermal separation processes. All industrial partners in this project (Cognis, Bayer Technology Services and Evonik) are evaluating OSN to optimize the energy efficiency of their own processes. RWTH University in Aachen (Germany) is the academic partner in this research consortium, which is led by Evonik.

The Effi$CO_2$ research project is dedicated to carbon separation. Present technology for removing $CO_2$ from flue gases in power plants reduces efficiency by up to 12 percent in absolute terms. To prevent this, the Effi$CO_2$ project aims to develop new absorbents that enhance the efficiency of $CO_2$ separation, require less energy for regeneration and have better stability to the constituents of flue gas. In order to evaluate these new absorbents in real-life conditions, a bypass pilot plant is being erected at a hard-coal power plant. Simulations should allow initial energy-related assessments for the entire power plant process, including $CO_2$ separation and the resultant reduction in power plant efficiency. This consortium is headed by Evonik, with the support of academic partners from the Friedrich-Alexander University in Erlangen-Nuremberg and the University of Duisburg-Essen.

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For more information visit the English section of: www.bundesregierung.de

**Battery technology for electric vehicles**

To help turn the idea of low-noise, emissions-free automobiles into reality Evonik provides a key element for electric drives: highly efficient and innovative lithium-ion battery technology. By utilizing renewable energy resources, fully electric vehicles facilitate resource-efficient mobility. Compared with other types of drive, they also reduce $CO_2$ emissions. Based on in-house materials research, Evonik has successfully produced the first flexible, completely inorganically bonded, highly porous ceramic separator for practical use. This is the heart of our CERIO® battery cells for large-scale lithium-ion storage systems. In conjunction with other components such as LITARION® high-performance electrodes, SEPARION® separators allow the production of powerful batteries. In collaboration with our strategic partner Daimler AG, we have paved the way for serial production of battery cells in Kamenz (Germany) and are currently ramping up production capacity. From 2011 the site will produce battery systems for vehicles, which will be used to drive Daimler's e-smart.

Alongside power supply, reducing vehicle weight is a key aspect of electromobility. Our lightweight construction studio, which we opened in Darmstadt (Germany) in June 2010, brings together research findings and examples of products. Here we present components made of PLEXIGLAS®, ROHACELL® rigid foam and VESTAMID® high-performance plastic, which reduce vehicle weight and thus make a key contribution to fuel economy and reducing $CO_2$ emissions.

**Viscosity modifiers save fuel**

Lubricants play a key role in the automotive industry, for example in reducing fuel consumption because the lower the friction between components, the less energy is lost. In order to reduce internal friction, the low-temperature viscosity of lubricants needs to be as low as possible. Evonik has designed new tailor-made polymer architectures known as comb polymers to develop high-performance viscosity improvers. The comb polymers in the VISCOPLEX® portfolio can cut fuel consumption by 1.5 percent. The viscosity index and thickening properties of these products is superior to existing products. They could contribute more than 10 percent to the European Union's goal of reducing emissions by the full range of models manufactured by the automotive industry by a further 20 g $CO_2$ per kilometer by 2015. Industrial quantities of the new VISCOPLEX® grades have already been delivered to the first customers and projects are under way with a wide range of other customers.

**PLEXIGLAS® Solar for photovoltaics**

To shorten the comparatively long payback period on investments in photovoltaic installations to generate power, researchers are endeavoring to increase the power yield, for example by using concentrated photovoltaics. High-tech lenses concentrate the sunlight on a small high-performance cell. PLEXIGLAS® Solar, which was developed specifically for this application, also protects the solar cell and optimizes its efficiency by ensuring that only photons that can be converted into power impinge on the cell. The lower weight of PLEXIGLAS® Solar increases the range of potential applications for solar modules.

**Flexible barrier films for thin-layer solar cells**
Thin-layer solar cells and modules open up new applications for solar power. In the near future this is likely to be the fastest growing area of photovoltaics. One key benefit of flexible thin-layer solar modules is their low weight: since they are more than two-thirds lighter than solar modules made from crystalline silicon, they can be used on flat roofs and integrated into car roofs and vehicle tarpaulins. That reduces fuel consumption because some of the electric energy required for the vehicle can be provided by the module.

## Health and nutrition megatrend

We market a wide range of innovative products for applications in personal care, hygiene and cleaning agents. We also produce essential amino acids for cost-effective and environment-friendly animal nutrition. Evonik sees enormous potential in the health and nutrition megatrend so we are developing innovative products and solutions for this field.

**Cosmedis® to improve medical skin care**
Our Cosmedis® product range has been developed specifically to protect, clean and care for the sensitive and often damaged skin of elderly people. These products also prevent skin diseases, for example in people suffering from incontinence. The Cosmedis® range launched in 2010 comprises eight carefully matched products.

**CreAMINO® as an additive for animal feeds**
Evonik has identified a further component for use in sustainable animal nutrition: guanidinoacetic acid (GAA), which is marketed as CreAMINO®. The body uses GAA to produce creatine, which helps transport the necessary energy to the muscle cells of both humans and animals. Although some of the creatine required for this is produced in the body, external supplements are needed when requirements are high. This can be obtained, for example by eating meat, which contains creatine. Until a few years ago, hens, which are not natural vegetarians, were fed ground meat and bonemeal. This has been banned in the European Union (EU) since BSE, and in other countries the meat is heated to such high temperatures for hygienic reasons that the creatine is destroyed. As a result, poultry does not metabolize its feed optimally. Evonik's animal nutrition experts have identified this problem and provided a solution for the first time through CreAMINO®. Adding around 600 g CreAMINO® per metric ton of purely vegetarian feed can offset the lack of creatine. This product has already been approved for sale in the EU and registration for other regions such as Asia, the USA and Latin America is currently under way. An international jury of experts appointed by the German Agricultural Society (DLG) awarded CreAMINO® the EuroTier 2010 silver medal.

## Globalization of technologies megatrend

Local production and delivery of starting products for key industries enables Evonik to benefit from the opportunities offered by economically attractive growth regions while contributing to regional development and raising prosperity.

### A new pathway for ultrapure isobutene

In 2009 Evonik started up a new integrated methylmethacrylate (MMA) production complex in Shanghai (China) and in October 2010 a new isobutene plant came onstream in Antwerp (Belgium). At both of these facilities, isobutene is produced using a new proprietary method of splitting MTBE (methyl tertiary butylether), which uses less energy than conventional processes. The isobutene produced in Antwerp is marketed directly in ultrapure form, while the output in Shanghai is used for the production of MMA. Through a combination of the latest experimental techniques and computer simulations, this process was developed in just two-and-a-half years as all steps from the search for a catalyst to designing the production plant could be carried out almost simultaneously.

### Completely free of sulfuric acid

We have developed a pioneering new production process for methylmethacrylate (MMA) known as AVENEER®. Like the traditional ACH sulfo process, AVENEER® is based on ammonia, methane, acetone and methanol, but it does not use sulfuric acid, which is generally used in conventional processes. That eliminates the need to reprocess the sulfuric acid, thereby saving costs and resources.

In addition, the technology benefits from geographical and technological flexibility. It can normally be used in any typical chemical production facility worldwide. Moreover, Evonik's present facilities can be retrofitted for the process. The feasibility of this new process has already been proven on pilot scale. Once a suitable site has been chosen, the first industrial-scale plant could come onstream in 2014.

## Product stewardship

### Responsible handling of chemicals

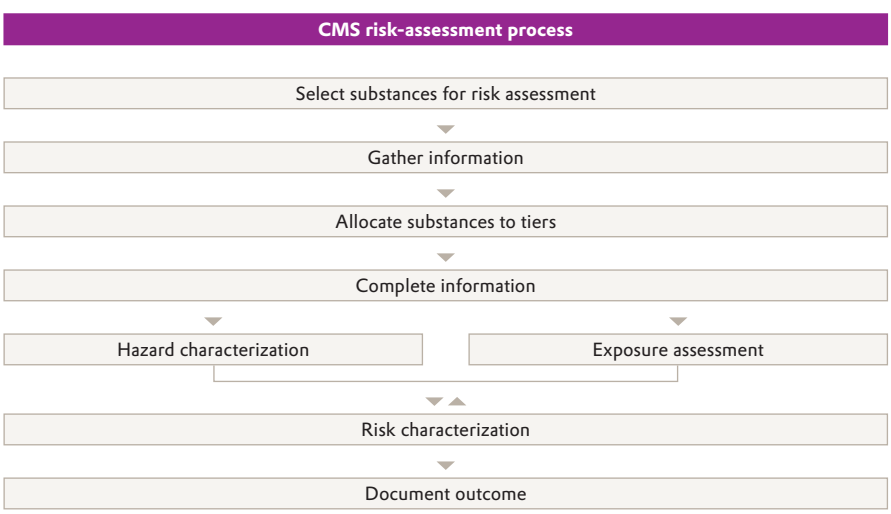
Evonik gives high priority to ensuring safe handling and use of chemicals. Consequently, our ESHQ Values do not simply contain a commitment to protecting people and the environment. They also include an explicit commitment to product stewardship in line with the provisions of the chemical industry's Responsible Care initiative.

### Systematic evaluation of product life cycles

Since 2001 the Chemicals Business Area has used a Chemicals Management System (CMS) that facilitates tracking of products throughout their life cycle. The CMS outlines how Evonik implements the principles of product stewardship. It is structured to meet the voluntary commitments to the Responsible Care initiative and the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). It plays a role in developing a sustainable, future-oriented product portfolio by facilitating identification of substance-related hazards so that timely action can be taken. This provides the basis for effective and soundly based communication of the impact of our products. The CMS ensures that risks arising during use of substances for their intended purpose are identified.

For more information visit www.evonik.com and go to "Products & Solutions/ Product stewardship"

The overall evaluation of a substance in the CMS is a multistep process. As a first step, all substances placed on the market in quantities exceeding one metric ton per year are listed and the available data are obtained. The substances are then prioritized and any missing data are obtained. To describe the potential hazard to people and the environment, the properties of the substance are then evaluated. This is followed by an assessment of the exposure of people and the environment during handling and use of the substance, which in turn forms the basis for a risk assessment. Information on the risk potential of the product can be used to decide whether present safety practice is adequate or whether improvements need to be made (risk management). In extreme cases, such analyses can result in restrictions on the use of Evonik's products.




**Implementation of REACH**

To comply with the European chemicals regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), all substances produced, imported or placed on the market in the EU in quantities of more than 1,000 metric tons p.a. had to be registered by November 30, 2010. Substances which are particularly hazardous for the environment and those that are carcinogenic, mutagenic or adversely affect the reproductive organs also had to be registered. In this initial registration phase Evonik registered 167 pre-registered substances and further substances without pre-registration status.

For more information visit the English web pages at www.echa.europa.eu/home_en.asp

Extensive dossiers had to be prepared for the registration procedure. These required us to collaborate with competitors in SIEFs (Substance Information Exchange Forums) and syndicates. We assumed leadership of the SIEFs for more than half of the substances on behalf of the companies involved. We also initiated an intensive exchange with customers and suppliers to compile exposure and application data. Through this intensive dialogue we aim to strengthen customer retention and enhance the supply reliability of our raw materials.

Preparations for the substance dossiers for the second registration phase started after November 30, 2010. This phase covers substances in the 100 to 1,000 metric tons p.a. range. In this phase, around 350 substances have to be registered, about double the number registered in the first phase. By 2018 we will have registered almost 1,000 substances.

The registration obligation has not yet led to any significant changes in our portfolio. Key substances in the Chemicals Business Area that have already been registered include, for example AEROSIL®, ULTRASIL®, SIPERNAT® and carbon black. For the Energy Business Area, ash from coal-powered electricity generation and the power plant by-product gypsum have been registered.

**Evonik supports the Global Product Strategy**

The aim of the Global Product Strategy (GPS) introduced by the International Council of Chemical Associations (ICCA) is to harmonize global risk evaluation and thus ensure safe handling of chemicals. Evonik explicitly supports and actively drives forward the GPS initiative. As a member of the Chemical Policy and Health Group, the steering committee for the GPS, we actively shape the principles and framework for the GPS.

The objective of the GPS is to make information on safe handling and use of chemical substances widely available. We have already published Safety Summaries for 100 chemicals on our US website, and corresponding product information for the substances registered under REACH is to be made available from 2011.

For more information visit www.icca-chem.org

**GHS: uniform labeling of chemicals**

The Global Harmonized System of classifying and labeling chemicals (GHS) came into force in Europe at the start of 2009. In compliance with the corresponding EU Regulation, we implemented this new system by the end of 2010. Implementation for mixtures is mandatory from June 1, 2015. We also submitted a wide range of information on around 1,600 substances to the classification and labeling register. The reporting obligation does not set minimum quantities.

For more information visit the English web pages at www.umweltbundesamt.de/index-e.htm

**Minimizing animal testing**

Evonik's Chemicals Business Area conducts tests on animals where they are necessary to comply with national and international legislation. To avoid animal testing wherever possible, we use published data or team up with other producers to carry out joint tests on identical substances.

Evonik also supports and promotes the development of alternative test methods, for example through its membership of the European Partnership for Alternative Approaches to Animal Testing (EPAA). We already use a variety of in vitro methods in our laboratories, including the hen's egg test (HET-CAM), and our environmental test methods include the use of fish embryos. Moreover, for many years we have successfully used custom-tailored in vitro methods based on simulated human skin to test the efficacy of cosmetic products and active substances. In vitro analyses of this type also have a firm place in test routines for skin protection products in the Personal Care Business Line. We are also actively campaigning for the registration authorities to accept alternatives to animal tests.

For more information visit www.epaa.eu.com

## Employees

In 2010, a year after the global economic and financial crisis, when priority was given to safeguarding employment, we refocused our HR activities. Focal aspects are a uniform HR philosophy for the Evonik Group, the development of binding quality standards, a common national and international process model, and last but not least, a measurable contribution to cost optimization.

**Guidelines, tools and management systems**

Evonik's Group-wide HR strategy takes account of external factors as well as the Group's tasks and objectives. On the basis of the resulting new challenges, an enhanced HR strategy was adopted in December 2010.

See "Values and management systems", page 29 "Human resources management"


The framework for the HR strategy comprises Evonik's corporate strategy and values, our corporate culture, and our responsibility to society. This ensures that the overall interests of the company are closely aligned to HR management and CR strategy.

Four cornerstones will characterize the heart of the HR strategy in the future: Attract, Develop and Retain and, as an internal target, HR performance: in other words, professionalization of HR work. These four principles form the framework for the various fields of activity that will form the basis of our HR work in the coming years. Central aspects which we will be driving forward will be diversity, health and talent management.

The new HR strategy ensures that our HR work provides forward-looking responses to the challenges that come from growth, ongoing internationalization and demographic change.

The Group's focus on specialty chemicals also places new requirements on the management of HR work. As a consequence, the HR management model is currently being revised so that we will be able to track and implement the targets set on the basis of a variety of established and new indicators.

For more information see Evonik's Annual Report 2010 from page 62

### Strategic HR planning with Plan@HR

The Plan@HR project has established a system for strategic HR management at Evonik. This project was successfully completed in 2010. Worldwide around 80 percent of Evonik employees were covered by Plan@HR. The project has empowered all sites of material relevance to Evonik's strategy and HR policy to utilize this planning system. Strategic HR planning can therefore become a standard process in 2011.

### Employee structure

The Evonik Group had 39,323 employees at year-end 2010. The continuing operations had 34,407 employees, 546 more than in 2009. Most of the increase (743 employees) was in the Chemicals Business Area and was mainly due to the acquisition of Tippecanoe Laboratories (around 650 employees). Further headcount rises resulted principally from the consolidation of Li-Tec Battery GmbH (around 120 employees) and new hires to fill vacancies in response to the economic recovery in 2010.

The staff fluctuation rate in the continuing operations was 2.3 percent worldwide in 2010. However, there were regional variations due to differences in local culture and employment markets.

**Staff fluctuation 2010[1)]**

| | Fluctuation rate in % | Unplanned turnover (in number of employees) |
|---|---|---|
| **By region** | | |
| Europe | 2.0 | 493 |
| Americas | 3.8 | 145 |
| Asia | 2.4 | 119 |
| Other | 2.5 | 6 |
| **By gender** | | |
| Female | 3.6 | 270 |
| Male | 1.9 | 493 |
| **By age** | | |
| Under 30 | 3.2 | 193 |
| 30 to 50 | 2.3 | 456 |
| Over 50 | 1.5 | 114 |
| | **2.3** | **763** |

[1)] Continuing operations.

We use partial retirement for employees born between 1955 and 1958, principally to respond to the impact of demographic, structural and technological change in the workplace and to achieve cost benefits by only partially filling the vacancies created. A maximum of 60 percent of employees in this age group will be offered the opportunity to conclude a contract for this program, but without giving individuals an automatic right to sign such contracts. Corresponding agreements on details of this program have been concluded with employee representatives on the Combined Works Council and Group Senior Staff Committee. Provisions of €78 million were established for this in fiscal 2010.

## Employee structure[1)]

| | 2008 | 2009 | **2010** |
|---|---|---|---|
| Total employees | 36,065 | 33,861 | 34,407 |
| of whom female | 8,003 | 7,557 | 7,749 |
| of whom male | 28,062 | 26,304 | 26,658 |
| of whom apprentices in Germany[2)] | 2,030 | 1,883 | 1,840 |

[1)] Continuing operations.
[2)] Apprentices with a training contract with Evonik.
The average age of the workforce in the continuing operations in 2010 was 41.5.

## Employees by business area

| | **2010** | 2009 |
|---|---|---|
| Chemicals | 31,061 | 30,318 |
| Real Estate | 1,098 | 1,056 |
| Other operations | 2,248 | 2,487 |
| **Continuing operations** | **34,407** | **33,861** |
| Discontinued operations (Energy) | 4,916 | 4,820 |
| **Evonik** | **39,323** | **38,681** |

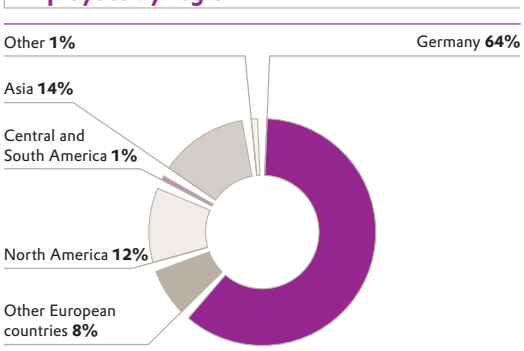
Prior-year figures restated.

## Employees by region[1)]

| | **2010** | 2009 |
|---|---|---|
| **Europe** | **24,904** | **24,845** |
| thereof Germany | 21,894 | 21,686 |
| thereof Western Europe, excluding Germany | 2,545 | 2,627 |
| thereof Eastern Europe | 465 | 532 |
| **Americas** | **4,400** | **3,778** |
| thereof North America | 4,064 | 3,442 |
| thereof Central and South America | 336 | 336 |
| **Asia** | **4,865** | **5,000** |
| **Other** | **238** | **238** |
| | **34,407** | **33,861** |

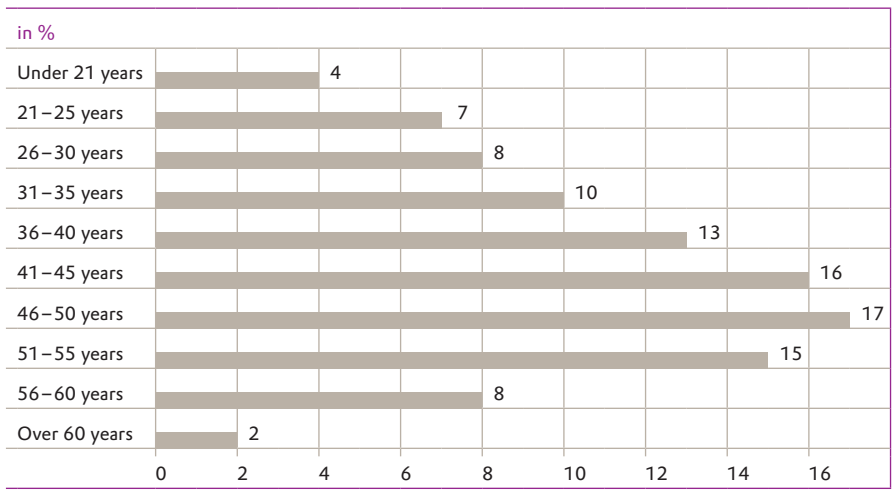
[1)] Continuing operations.

## Employees by region[1)]




[1)] Continuing operations.

## Age structure[1)]




[1)] Continuing operations.

### Personnel development

Effective vocational and ongoing training of employees has high priority for Evonik. We regard this as a driver of innovation and growth in the company and a basis for ensuring the long-term employability of our employees.

### Vocational training

Recruiting and developing the upcoming generation of employees plays a key role in our responsibility to society and also secures our long-term success. In 2010 Evonik once again trained more young people in Germany than it needed for its own operations. In all, we had around 1,840 apprentices in our continuing operations. Evonik provides training leading to more than 40 officially recognized qualifications. Apprentices account for around 9 percent of our German workforce, which is well above the national industry average of 6.5 percent.

Scholarships are offered to high-flying former apprentices whose achievements are above average and who would like to take a bachelor's or master's degree after completing their training. We granted the first 11 scholarships in 2010.

Evonik spent **€50.5 million** on vocational training in 2010

As an international corporation, Evonik also needs qualified young people for its foreign operations. In China, we train around 60 young people a year in collaboration with the Shanghai Petrochemical Academy (SPA) specifically to meet the requirements of local production facilities.

Overall, we invested about €50.5 million in vocational training in 2010.

### Ongoing education and training

A variety of development activities are available for ongoing training of our employees, depending on their present position and function in the Group. Central elements apart from Evonik's training offering and development landscape are specific initiatives to address the need for lifelong learning in the face of demographic change. This includes, for example, Evonik's skills enhancement drive. In this way the Group ensures that ongoing training is based on requirements and thus supports the strategic objectives of HR work and takes account of the personal competencies and abilities of our employees.

We believe that corporate responsibility can only be effective if it is applied by all employees in their daily work. This year, we have therefore started to integrate CR into ongoing training on a structured basis. Existing CR content is being identified and will gradually be supplemented. The aim is to anchor CR as a firm element in personnel development measures by the end of 2012.

**Talent and succession management**

We prefer to fill key positions from within the company because we are convinced that the competencies and experience of our employees are the keystones of Evonik's growth. We have therefore introduced systematic talent and succession management. This aims to support the long-term development of talented employees and prepare them to take on key functions. At annual personnel planning meetings we obtain an extensive overview of our talents at various levels.

For us, developing talented employees principally means on-the-job measures based on our 2/2/2 rule, which stipulates that our talents should broaden their career experience by working in at least two functions, two organizational units and two countries. In this way, they gain an insight into different business models, cultures, products and markets. Alongside this on-the-job training, we offer a range of very attractive off-the-job training measures, such as custom-tailored programs in collaboration with the renowned IMD Business School in Switzerland.

For more information visit www.evonik.com and go to "Career"

**Employee rights**

The company's success is supported to a large extent by trusting collaboration between representatives of the management and employees. This collaboration takes account of the laws applicable in the various countries and local operating conditions. Employee representatives receive timely information on key changes in the company.

All sites in Germany have Works Councils. The Combined Works Council is the highest level in this structure. It has 20 members and bears co-responsibility for agreements that are applicable for all non-managerial employees and junior management grades in Germany. In all regions where Evonik operates employees have a right to join labor unions. 88.1 percent of our employees worldwide work in companies where there is a formal structure representing their rights. Moreover, 74.5 percent of employees in the Evonik Group are covered by collective agreements.

See "Values and management systems" from page 24

In Europe, Group-wide employees' interests are represented by the Europa Forum, which brings together representatives of the management and workforce. More than 20 delegates representing Evonik employees in 11 countries attended two meetings of the Europa Forum held in Essen and Herne (Germany) in 2010. A focus of the work of the Europa Forum in 2010 was the planned divestment of the carbon blacks activities, affecting around 1,700 employees at 17 sites around the world.

**Sharing in the company's success**

The employee participation plan was offered to staff in Germany for the third time in 2010. More than 7,000 employees took up this offer and acquired participation rights valued at almost €12 million, almost triple the 2009 level. This plan rewards employees for their commitment by enabling them to share in the success of the Group by investing in participation rights that yield a return based on the Group's return on capital employed (ROCE). Employees also benefit from attractive, tax-free subsidies.

Although this program is only available in Germany, not least because of the complex legal and tax situation, Evonik employees in other countries around the world also share in the success of the company through performance or profit-based remuneration systems.

Employees purchased more than
**7,000**
participation rights in 2010

**Employee survey**

Regular employee surveys are an important organizational development tool at Evonik. Every two years, employees around the world are asked to play an active part in shaping the future of the Group. Thanks to their committed participation in the 2008 survey, initiatives were triggered throughout the Group and 475 improvements were introduced. About 39,000 employees in 50 countries were invited to take part in the 2010 survey. The response rate of 78.8 percent provides a meaningful insight into our employees' opinions and sentiment on key issues.

The high level of commitment of our employees is very pleasing. This is reflected in our commitment index, which increased to 149, up from 138 in 2008. The employees who took part in the survey rate Evonik as an appealing employer. They are also optimistic about Evonik's future outlook, although the rating for this criterion is below those for its attractiveness as an employer, pride in working for the company and whether they would recommend Evonik as an employer. Overall, employees' assessments of engagement to the company were positive, although they generally rated their personal own engagement as being far higher than that of their co-workers.

**Employee appraisal interviews**

In 2008 we introduced a uniform Group-wide standard for annual employee appraisal interviews, and thus established the basis for a central management tool. The results of the 2010 employee survey show that this tool is used in all business units. The proportion of employees who had undergone an appraisal interview rose to around 79 percent in 2010. A further increase in this rate is a defined target for 2011.

79 Appraisal interviews were held with percent of employees in 2010

**Diversity**

Diversity has high priority at Evonik. We are convinced that it broadens our potential for ideas and innovation and thus enhances our competitiveness. For us, diversity goes beyond differences attributable to gender or nationality. The diversity of disciplines pursued during training, experience of working in several organizational units or functional areas, and mixed-age teams are equally important to us.

We pushed ahead with the development of a company-specific diversity approach in 2010. This centers on three levels: measurement based on specific indicators; anchoring the diversity philosophy in HR policies and processes; and bundling development activities. The third of these levels mainly comprises workshops for managers highlighting the benefits and challenges of diversity. Our basic philosophy is that it is the task of every individual manager to recognize, value and foster the diversity of our employees. Alongside these workshops for managers, we offer activities for specific target groups (e.g. networks and special training sessions for female employees).

**Equality of opportunity**

Equality of opportunity is part of our responsibility to our employees. Our Code of Conduct and Global Social Policy forbid any form of discrimination on the basis of origin, race, religion, age, gender, sexual orientation and disability. If employees nevertheless feel that these rules have been violated, they can contact the Compliance Officer or a member of the HR staff.

Remuneration of our employees—whether managerial or non-managerial—is not based on gender; it is based exclusively on the grade assigned to the job. The proportion of female employees in the Evonik Group is around 23 percent. In the continuing operations, around 7 percent of Group executives are female. At our Corporate Center, women account for 45 percent of employees and make up around 17 percent of executives.

That is because the sector is characterized by technical and scientific jobs. In the past, this led to a low proportion of applications from suitably qualified women. We are working hard to raise the awareness of young women at schools and universities of the attractiveness of such occupations. In 2010 Evonik therefore took part in Germany's nationwide "Girls' Day" for the ninth time. This is the largest career-oriented initiative for girls.

### Family and career

Evonik has a family-focused corporate policy. This is documented by the corporate agreement on combining work with raising a family and the Group-wide "berufundfamilie" certificate awarded by the non-profit Hertie Foundation. Evonik offers employees a wide range of measures, ranging from flexible worktime models and childcare concepts for small children through vacation and exchange programs for school students to support in finding carers for sick and elderly relatives.

The new Global Expat Policy adopted at the start of 2011 sets out the framework for all international assignments. If employees are transferred for more than six months, Evonik assumes the cost of relocating their families and supports the employee's partner in employment-related activities.

### Worktime models by region 2010[1)]

| Percentage of staff employed on the various worktime models | Flextime | Flexible shift rosters | Part-time | Prolonged periods of unpaid leave (> 3 months) | Prolonged periods of paid leave (> 3 months) |
|---|---|---|---|---|---|
| Germany | 45 | 41 | 64 | 63 | 37 |
| Other European countries | 42 | 5 | 57 | 69 | 48 |
| North America | –[2)] | –[2)] | –[2)] | –[2)] | –[2)] |
| Central and South America | 0 | 0 | 10 | 10 | 0 |
| Asia | 4 | 79 | 0.3 | 9 | 5 |
| Other | 17 | 1 | 3 | 0 | 0 |

[1)] Continuing operations.
[2)] No data given for the North America region as data are not available for the USA.

### Working hours and vacation entitlements by region 2010[1)]

| | Weekly working hours | | Vacation days p.a. | |
|---|---|---|---|---|
| | Permissible statutory working hours | Evonik | Statutory | Evonik |
| Germany | Up to 48 | 37.5–40 | 20–24 | 28–30 |
| Other European countries | 35–48 | 35–40 | 20–30 | 20–32 |
| North America | 44–45 | 40–45 | 8–15 | 18–20 |
| Central and South America | 44–48 | 40 | 17–20[2)] | 13–20 |
| Asia | 40–48 | 37.5–48 | 6–30 | 10–40 |
| Other | 37.5–45 | 37.5–40 | 15–30 | 20–30 |

[1)] Continuing operations.
[2)] The differences in annual vacation entitlements at Evonik are due to variable statutory vacation rulings in Argentina, where vacation depends on length of service.

Worldwide, the maximum weekly working hours at Evonik range from 35–48 hours. The number of vacation days exceeds the statutory minimum in almost all regions.

**Personnel expenses and social security contributions**

Personnel expense for the continuing operations totaled €2.73 billion in 2010, a substantial rise of €367 million (15.5 percent) compared with 2009. Provisions for pensions are established to cover benefit plans for retirement, disability and surviving dependents' pensions. The benefit obligations vary depending on the legal, tax and economic circumstances in the various countries in which the companies operate. The level of the benefit obligations generally depends on individual employees' length of service and remuneration. Germany accounted for around 93.2 percent (2009: 94.3 percent) and thus the vast majority of provisions for pensions on the reporting date. At the German companies, occupational pension plans are predominantly defined benefit plans. They are primarily funded by provisions and pension fund assets. In addition, in 2010 for the first time, some pension obligations were transferred to a contractual trust arrangement. The pension plans at foreign companies may be either defined contribution or defined benefit plans.

For more information see Evonik's Annual Report 2010 from page 132

## Personnel expenses[1)]

| in € million | **2010** | 2009 |
|---|---|---|
| Wages and salaries | 2,207 | 1,912 |
| Social security contributions | 309 | 286 |
| Pension expenses | 198 | 117 |
| Other personnel expense | 18 | 50 |
| | **2,732** | **2,365** |

[1)] Continuing operations.

Voluntary social security plans depend on regional conditions and requirements. In most countries where Evonik operates there is a statutory health insurance system. Depending on regional needs, Evonik may also offer company health insurance to ensure that employees have adequate health care in the event of illness.

## Proportion of employees with access to health care in 2010[1)]

| in % | Statutory health care system | Company health care plan |
|---|---|---|
| Germany | 100 | 0 |
| Other European countries | 100 | 61 |
| North America | 6 | 95 |
| Central and South America | 100 | 90 |
| Asia | 98 | 82 |
| Other | 41 | 81 |

[1)] Continuing operations.

Disabled employees at Evonik in Germany account for about 5.5 percent of the workforce, which exceeds the prescribed statutory quota.

## Protecting and promoting health

Protecting and promoting employees' health is very important to Evonik, and its significance is increasing as a result of demographic trends. Health management also plays a key role in our policy on dealing with demographic change. As part of our all-round concept, we aim to avoid specific occupational illnesses and work-related health impairments as well as promoting individual health management.

For more information visit www.demographic-risk-map.eu

All occupational health protection and health promotion measures at Evonik are based on our global health promotion program. This covers three dimensions: contingency management, occupational health and safety, and individual health promotion measures. It also sets out the framework and quality requirements for our health promotion programs, which are developed in detail at site level to reflect local requirements.

That applies in particular for the promotion of health in the workplace, which we support through a wide range of measures geared to specific needs. For example we promote health awareness to strengthen employees' competence in health-related issues, conduct specific preventive programs to address regional cluster problems such as heart attacks or infectious diseases, and organize basic medical care in some countries to overcome shortcomings in public health care provision. Alongside our general offers, there are programs aimed at specific target groups, for example managers, apprentices, shift workers and employees for whom physical fitness is particularly important. Implementation of our health protection program is monitored through corporate audits. These are supplemented by regional ESH audit systems. In 2010 an audit system was introduced in China.

### Avoiding occupational illness and work-related health impairments

Evonik regularly conducts risk assessments and workplace inspections to identify work-related health risks. Action to improve occupational health is defined on the basis of the findings. This may comprise technical and organizational precautions to avoid exposure, for example the use of closed systems when handling hazardous substances or technical equipment to assist employees in lifting heavy loads. Other precautions include wearing suitable protective clothing, medical checkups and training, for example on handling hazardous substances or minimizing back strain when lifting and carrying heavy loads.

One major aim of these activities is to prevent occupational illnesses. Unlike accident figures, the number of employees affected can only be influenced over the long term because up to 20 years may elapse between the original cause and identification of an occupational illness. Illnesses identified today generally result from exposure in the past and thus do not provide an insight into present working conditions.

During 2010, 11 cases of occupational illness were registered in the Chemicals Business Area (2009: 18), while ten were registered in the Energy Business Area (2009: 10). No occupational illnesses were registered in the Real Estate Business Area in 2010 (2009: 0).

### Contingency management focused on health emergencies

As part of a global initiative, we used a predefined checklist to review contingency management at all sites in 2010. The aim was to identify and rectify possible weaknesses. We paid special attention to dealing with health emergencies resulting from exposure to chemicals. In particular, where it is necessary to take an antidote, the necessary organizational precautions need to be in place. Sites that handle relevant substances have special treatment instructions and regularly conduct exercises on dealing with exposure.

The H1N1 pandemic showed that Evonik is also well prepared to deal with global health threats. A retroactive analysis confirms the practicability and efficacy of our pandemic plans. One particularly effective measure was the communication and training concept developed specifically for this pandemic, which kept employees updated on the situation throughout the pandemic. This included giving them recommendations on how to protect themselves from infection.

## Further improvement in occupational safety

We once again improved our occupational safety performance. In the continuing operations, accident frequency (number of accidents involving company employees per million hours worked) declined from 2.3 to 2.1. While there was a slight increase in the frequency of accidents in the Chemicals Business Area—albeit still at a very low level—the Real Estate Business Area registered a slight decline. In the Energy Business Area accident frequency declined considerably to 5.2.

### Accident frequency by business area

| | **2010** | 2009 |
|---|---|---|
| Chemicals | 1.3 | 1.2 |
| Real Estate | 2.3 | 2.4 |
| **Continuing operations**[1)] | **2.1** | **2.3** |
| Discontinued operations (Energy) | 5.2 | 6.6 |
| **Total**[1)] | **2.5** | **2.8** |

[1)] Including other operations.

There were no fatal accidents in the workplace involving Evonik employees or contractors in 2010. Moreover, no fatal traffic accidents were recorded, either during business trips or to employees traveling to and from work. However, one Evonik employee was permanently injured in an accident involving a forklift truck at the Yingkou site in China, and a contractor's employee sustained permanent injury in an accident while working on railroad lines at the Weissenstein site in Austria.

The lessons learned from accidents are widely communicated within the company. While this applies specifically for serious accidents, it also includes others where the circumstances may provide valuable insight for other sites. In the Chemicals Business Area we reached our goal of reducing accident frequency to below 1.5 by 2014 and the accident frequency rate remained below this level in 2010. In view of the low level of accident frequency, which is measured by accidents resulting in absence from work, a further reduction in this indicator cannot be the only measure of our success in occupational safety. Rather, the challenge is remaining at this level.

To drive forward occupational safety, in 2011 we will be strengthening the importance of senior executives as role models by integrating them more closely into the implementation of improved occupational safety. Measures that have proven effective at individual sites will be transferred faster and more systematically to other sites.

In the Real Estate Business Area we aim to reduce the accident frequency rate to 2.0 by 2014. Realization of this target is within the corridor set.

# The environment

The emissions and consumption data for the chemicals operations are decisive for an assessment of the environmental impact of the Evonik Group's business activities. Alongside production-related changes compared with the previous year, in 2010 the data were impacted by the full start-up of the MATCH production complex in Shanghai (China), acquisition of the Tippecanoe site in Indiana (USA), and the divestment of AlzChem Trostberg GmbH (Germany). A 51 percent stake in the Group's energy activities, which are bundled at Evonik Steag GmbH, was sold to a consortium of municipal utilities in Germany, with economic effect from January 1, 2011. We therefore report on the development of environmental indicators for the Energy Business Area in a separate section of this chapter.

## Key environmental data for the Chemicals Business Area

### Environmental targets

Evonik aims to make a contribution to climate protection, minimize the environmental impact of its business activities and steadily improve its environmental performance. Consequently, in fall 2005 the Chemicals Business Area set goals for reductions in key parameters over a ten-year period (2004–2014).

- Greenhouse gases: reduce specific energy-related emissions of greenhouse gases by 20 percent
- Water consumption: reduce specific water consumption by 20 percent
- Production waste: reduce specific volume of production waste by 20 percent

Monitoring fulfillment of these targets is integrated into management processes and supported by site audits.

**Attainment of environmental targets in the Chemicals Business Area**

| Change in % compared with 2004[1)] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | **2010** | 2014 |
|---|---|---|---|---|---|---|---|---|
| Specific greenhouse gas emissions[2)] | 100 | 98 | 89 | 86 | 84 | 87 | 84 | 80 |
| Specific production waste | 100 | 92 | 88 | 91 | 83 | 73 | 79 | 80 |
| Specific water consumption | 100 | 92 | 90 | 85 | 83 | 85 | 77 | 80 |

[1)] Continuing operations.
[2)] Excluding $CO_2$ emissions from chemical processes.

The development of the environmental indicators relative to output in 2004 through 2010 is in line with the target range (88 percent taking 2004 as the reference base), with water consumption and production waste already below the targets set for 2014 (80 percent). Specific greenhouse gas emissions are back at the low level registered in 2008.

### Production

As a result of strong demand, especially from Asia, many of the chemicals production facilities operated at full capacity in 2010, unlike the situation in 2009 which was affected by the global economic crisis. Worldwide, our output rose 15 percent to 10.61 million metric tons in 2010. Around 10.13 million metric tons of raw materials were required for the synthesis of products. Roughly 0.68 million metric tons comprised renewable raw materials, especially dextrose, saccharose, fats and oils. That was around 7 percent of our total consumption of raw materials. The majority of renewable raw materials were used in fermentation processes to produce amino acids and in cosmetic products.

**Production volumes and inputs in the Chemicals Business Area**

| in million metric tons | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Raw material inputs | 9.79 | 10.55 | 10.27 | 9.06 | 10.13 |
| of which renewable raw materials | 0.68 | 0.71 | 0.79 | 0.64 | 0.68 |
| Output | 10.46 | 10.88 | 10.79 | 9.26 | 10.61 |

Prior-year figures restated.

### Environmental protection costs

To improve environmental protection further, we invest in efficient measures integrated into production plants and processes. The Chemicals Business Area invested €36 million in environmental protection in 2010 (2009: €43 million). The 2009 figure includes high investment in infrastructure and production-specific environmental protection installations for the new integrated production complex in Shanghai (China). In 2010 capital expenditures were divided among a large number of smaller measures. For example a new process control system for the monitoring and treatment of wastewater was installed at the Wesseling site in Germany, while various clean air measures were undertaken at the sites in Lülsdorf, Rheinfelden and Steinau (Germany).

Operating costs for environmental protection in the Chemicals Business Area were €264 million in 2010 (2009: €259 million). This slight increase despite the divestment of AlzChem was principally due to the inclusion of the site in Tippecanoe (Indiana, USA) acquired at the start of 2010, which produces active ingredients and intermediates for the pharmaceutical industry. Further, the large methylmethacrylate complex at our integrated production site in Shanghai, which came onstream in 2009, operated at full capacity in 2010, resulting in higher expenses for environmental protection.

The Chemicals Business Area spent more than **€36** million on environmental protection in 2010

**Environmental protection costs in the Chemicals Business Area**

| in € million | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Operating costs for environmental protection | 236 | 252 | 259 | 259 | 264 |
| Investment in environmental protection | 56 | 49 | 44 | 43 | 36 |

### Emissions of greenhouse gases

Absolute emissions of greenhouse gases increased to 9.138 million metric tons $CO_2$ equivalents in 2010, a rise of 11 percent compared with 2009. Specific emissions, i.e. emissions relative to output, declined by 3 percent. As a result of the economic recovery in 2010, we were able to operate many of our facilities at full capacity and thus with optimum efficiency.

The improvement was assisted by various major and minor efficiency-enhancement measures such as the start-up of a new cogeneration power plant in Antwerp (Belgium) and a more efficient installation for thermal incineration of exhaust gases from methionine production. In addition, we initiated selective energy-saving programs, for example at our site in Rheinfelden (Germany).

60 percent of $CO_2$ emissions in 2010 were energy-related and 40 percent related to chemical processes. The energy-related $CO_2$ emissions are generated directly at our sites through the combustion of fossil and non-fossil fuels to produce steam and electricity. The data also include indirect $CO_2$ emissions from the purchase and sale of electricity and steam. The data on both energy sources are net, in other words output for third parties is subtracted from input volumes. That enables us to eliminate the proportion of energy-related $CO_2$ emissions attributable to third parties at our large multi-user sites and thus reflect chemical-specific indicators.

For more information, see the table on energy inputs on page 59

In 2010 process-related $CO_2$ emissions increased by 14 percent for production reasons. Contributors included the production of carbon blacks, synthesis of hydrogen peroxide and various fermentation processes.

#### Greenhouse gas emissions in the Chemicals Business Area

| in thousand metric tons $CO_2$ equivalents[1] | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Energy-related $CO_2$ emissions (from energy inputs, net) | 5,631 | 5,694 | 5,656 | 4,966 | 5,426 |
| Process-related $CO_2$ emissions | 3,870 | 3,965 | 3,813 | 3,172 | 3,626 |
| $CH_4$ | 35.9 | 16.2 | 17.4 | 16.8 | 15.4 |
| $N_2O$ | 18.5 | 59.4 | 74.1 | 74.3 | 68.1 |
| HFC | 1.41 | 2.04 | 1.10 | 0.65 | 0.66 |
| PFC | – | – | – | 0.90 | 0.90 |
| $SF_6$ | – | – | – | – | – |
| | **9,556** | **9,737** | **9,561** | **8,231** | **9,138** |
| **Specific greenhouse gas emissions** in metric tons $CO_2$ equivalents per metric ton output | 0.914 | 0.895 | 0.886 | 0.889 | 0.861 |

[1] GWP factors: $CO_2$: 1, $N_2O$: 310, $CH_4$: 21, HFC: 140–11,700, PFC: 6,500–9,200.
Prior-year figures restated.

Greenhouse gas emissions are calculated by multiplying the global warming potential (GWP) of the various gases by their GWP factors. The GWP is the ability of various gases to absorb long-wave thermal radiation reflected from the surface of the Earth.

**Other emissions into the air**

We use a large number of effective technical and organizational measures to minimize air pollution. These include both environmental protection measures integrated into production processes and end-of-pipe technologies such as adsorption, absorption, condensation, thermal and catalytic incineration and the precipitation of solids. As well as capacity utilization at generating plants and output from our chemical facilities, emissions are dependent on the characteristics of the fuel mix used for energy generation and the properties of raw materials used in production.

In 2010 emissions of nitrogen oxides were 20 percent higher than in 2009 while emissions of sulfur oxides were 13 percent higher, mainly due to the economic upturn. Despite the increase in output, particulate emissions fell by 9 percent while emissions of non-methane-containing volatile organic compounds (NMVOCs) declined by 1 percent. This was attributable partly to clean air measures and partly to divestments. Portfolio adjustments were mainly responsible for the sharp drop in CO emissions (–91 percent) in 2010, and the almost complete elimination of emissions of ozone-depleting substances.

**Other emissions into the air in the Chemicals Business Area**

| in metric tons | 2006 | 2007 | 2008 | 2009[1] | **2010** |
|---|---|---|---|---|---|
| Carbon monoxide (CO) | 111,670 | 79,895 | 103,359 | 87,141 | 7,557 |
| Sulfur oxides ($SO_x$ as $SO_2$) | 34,492 | 35,791 | 35,029 | 27,335 | 30,978 |
| Nitrogen oxides ($NO_x$ as $NO_2$) | 12,126 | 12,527 | 11,639 | 9,449 | 11,313 |
| NMVOC | 2,648 | 1,760 | 1,567 | 1,300 | 1,293 |
| Particulates | 1,311 | 1,328 | 1,273 | 1,064 | 971 |
| Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn) | 0.62 | 0.85 | 0.78 | 0.73 | 0.84 |
| Emissions of ozone-depleting substances[2] in metric tons CFC-11 equivalents | 0.48 | 15.9 | 15.6 | 15.6 | 0.05 |

[1] Prior-year figures restated.
[2] Ozone depletion potential (ODP) is a relative parameter indicating how dangerous substances are for the ozone layer compared with the reference substance, fluorinated hydrocarbon R11 (trichlorofluoromethane).

Emissions of heavy metals remained low in 2010 but were 15 percent higher than in 2009.

### Energy inputs

In absolute terms, net energy inputs in the Chemicals Business Area increased by 10 percent year-on-year in 2010, principally due to higher capacity utilization. By contrast, specific net energy inputs decreased by 4 percent, indicating increased efficiency in the generation of energy and successful energy management systems. As in previous years, the main fossil fuels were natural gas and coal.

**Energy inputs in the Chemicals Business Area**

| in terajoules | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Gaseous fossil and non-fossil fuels | 38,087 | 38,372 | 37,169 | 34,052 | 36,525 |
| Solid fossil fuels | 26,349 | 26,699 | 26,707 | 23,642 | 25,350 |
| Liquid fossil and non-fossil fuels[1)] | 4,059 | 4,087 | 5,305 | 3,446 | 3,274 |
| Power, external input[2)] | 18,364 | 18,573 | 18,134 | 15,211 | 16,960 |
| Power, external output | 9,079 | 8,904 | 8,180 | 6,346 | 7,472 |
| Steam, external input | 7,309 | 6,471 | 6,305 | 5,822 | 7,968 |
| Steam, external output | 14,172 | 14,106 | 14,991 | 14,031 | 14,696 |
| **Net energy input** (after subtraction of output) | **70,917** | **71,191** | **70,448** | **61,796** | **67,908** |
| **Gross energy input** | **94,167** | **94,201** | **93,618** | **82,173** | **90,076** |
| **Specific energy input (net)** in terajoules per thousand metric tons output | 6.78 | 6.54 | 6.53 | 6.67 | 6.40 |

[1)] Including biomass.
[2)] Including captive hydroelectric power generation.
Prior-year figures restated.

Liquid and gaseous non-fossil fuels (residual fuels) obtained from production as coupling or side-products, are included for the first time. These substances are used as substitutes for fossil fuels in energy generation at our sites. In 2010 they accounted for almost 8 percent of net energy inputs.

## Waste

Our waste management priorities are:

- The first priority is to avoid waste through continuous process improvements and the development of integrated production systems.
- If this is not possible, waste should be recycled or used to generate energy.
- As a last resort, it should be disposed of safely.

In 2010 the total amount of waste was 17 percent higher than in 2009, mainly due to the sharp rise in output.

### Waste in the Chemicals Business Area

| in metric tons | 2006 | 2007 | 2008[1)] | 2009[1)] | **2010** |
|---|---|---|---|---|---|
| Hazardous production waste | 214,691 | 201,769 | 188,590 | 140,555 | 173,948 |
| of which reprocessed | 120,625 | 114,802 | 94,011 | 74,563 | 100,419 |
| of which disposed of | 94,066 | 86,967 | 94,579 | 65,992 | 73,529 |
| Non-hazardous production waste | 223,080 | 227,323 | 206,588 | 152,343 | 188,633 |
| of which reprocessed | 127,408 | 150,713 | 135,022 | 99,848 | 131,396 |
| of which disposed of | 95,672 | 76,610 | 71,566 | 52,496 | 57,237 |
| Hazardous building and demolition rubble | 15,842 | 37,177 | 19,613 | 8,580 | 4,932 |
| of which reprocessed | 484 | 6,400 | 6,674 | 713 | 1,243 |
| of which disposed of | 15,358 | 30,777 | 12,939 | 7,867 | 3,689 |
| Non-hazardous building and demolition rubble | 102,031 | 82,463 | 88,443 | 60,770 | 54,721 |
| of which reprocessed | 59,664 | 61,359 | 68,186 | 48,088 | 37,906 |
| of which disposed of | 42,367 | 21,104 | 20,257 | 12,682 | 16,815 |
| | **555,644** | **548,732** | **503,234** | **362,248** | **422,234** |
| **Specific waste** in metric tons of waste per metric ton output | 0.053 | 0.050 | 0.047 | 0.039 | 0.040 |
| **Specific production waste** in metric tons production waste per metric ton output | 0.042 | 0.039 | 0.037 | 0.032 | 0.034 |

[1)] Prior-year figures restated.

Both hazardous and non-hazardous production waste was 24 percent higher in 2010 than in 2009. Specific waste, i.e. waste relative to output, was 7 percent lower than in 2008, when output was comparable to 2010.

Construction and demolition waste can fluctuate considerably because it depends on specific projects. Total hazardous and non-hazardous building and demolition rubble was 14 percent lower in 2010 than in 2009.

The percentage of waste reprocessed rose slightly to 64 percent in 2010, which was two percentage points higher than in 2009. The reprocessing ratio comprised recycled substances (34 percent), incineration with recycling of heat energy (13 percent) and other reprocessing methods (17 percent). Other waste management activities comprised disposal by incineration (18 percent), disposal in landfills (10 percent), chemical/physical/biological treatment (3 percent), and other disposal methods (4 percent).

**Waste management in the Chemicals Business Area**

| in metric tons | 2006 | 2007 | 2008[1)] | 2009[1)] | **2010** |
|---|---|---|---|---|---|
| Incineration with recycling of heat energy | 107,849 | 128,847 | 79,926 | 41,595 | 55,260 |
| Disposal by incineration | 91,265 | 81,798 | 89,527 | 69,720 | 76,208 |
| Recycling (including composting) | 200,333 | 175,873 | 194,630 | 142,296 | 144,060 |
| Landfill | 89,479 | 99,683 | 74,678 | 33,866 | 42,965 |
| Chemical/physical/biological treatment | 59,542 | 25,593 | 30,477 | 17,452 | 14,436 |
| Other disposal methods | 4,092 | 8,384 | 4,658 | 17,999 | 17,661 |
| Other reprocessing methods | 3,083 | 28,553 | 29,338 | 39,320 | 71,643 |
| | **555,644** | **548,732** | **503,234** | **362,248** | **422,234** |

[1)] Prior-year figures restated.

### Example: recycling of PLEXIGLAS®

PLEXIGLAS® acrylic glass can be almost completely recycled by breaking it down into its constituent parts using a special thermal process or by direct reprocessing. So far, mainly production and processing scrap has been recycled. The process used to break it down into its original constituents at our site in Gramatneusiedl, near Vienna (Austria). The PLEXIGLAS® is heated to around 400 °C to obtain the starting product methylmethacrylate (MMA). The liquid MMA is distilled to over 99 percent purity and can then be reused as a starting product in production processes. Direct reprocessing of PLEXIGLAS® comprises collecting production scrap sorted by grade for grinding and dedusting so it can be returned to the extrusion process to produce new sheeting.

### Recycling of precious metals

Precious metals are widely used in jewelry, electronics and, in particular, as catalysts in catalytic convertors in automobiles and production processes in the chemicals and petrochemicals industry. Metals from the platinum group—palladium, platinum, ruthenium and rhodium—are vital for chemical processes. As well as having catalytic properties, these platinum group metals are very valuable: only about 530 metric tons of these four metals are produced each year.

Evonik is one of the major suppliers of precious metal powder catalysts for a wide range of applications, including fine chemicals, the synthesis of pharmaceuticals, and specialty polymers. The catalysts generally contain 1–20 percent catalytic precious metal on a carrier with a large surface area such as activated carbon.

To ensure economical utilization of these valuable substances, Evonik offers customers around the world closed-loop circuits for catalyst systems based on precious metals. After use in the customer's process, the precious metal is extracted from the spent catalyst at local processing sites and returned to the production cycle for use in new catalysts. In the reprocessing stage, Evonik works with well-known precious metals companies. This enables it to offer closed-loop systems in all regions—in Europe, Japan, North and South America and, more recently, in the fast-growing Chinese and Indian markets.

### Returnable packaging

A high proportion of Evonik's products are supplied as bulk goods. In addition to this, some products are supplied in packaging, for example in intermediate bulk containers, drums or sacks. The packaging used conforms to statutory requirements such as the German Packaging Ordinance. For example, to comply with the German regulations, Evonik uses third party disposal companies to collect such packaging. These have a nationwide network of pick-up points, thus ensuring that packaging can be returned anywhere in the country. Different companies are used to recycle steel/tin, paper and plastic packaging. Where possible packaging is reconditioned by specialist companies for reuse. Internationally, Evonik ensures that it complies with the relevant national regulations.

### Water data

At the Chemicals Business Area's production sites, water is mainly used for cooling and process purposes in production facilities, to generate steam in power plants and for sanitary requirements. We raise efficiency through integrated systems with graduated water qualities and by reusing water in conjunction with recooling facilities.

Total water intake in 2010 was 4 percent lower than in 2009. This was due to a sharp reduction in the use of groundwater, partly as a result of the divestment of the AlzChem Group. In relation to production, water intake declined by 16 percent in 2010. About two-thirds of the water used in 2010 was surface water, mainly from rivers.

**Water intake by source in the Chemicals Business Area**

| in thousand $m^3$ | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Drinking water[1)] | 15,480 | 16,043 | 15,721 | 14,732 | 17,162 |
| Groundwater | 135,041 | 125,132 | 123,970 | 113,214 | 83,310 |
| Surface water | 249,169 | 248,914 | 240,514 | 201,200 | 214,302 |
| Rainwater | 654 | 667 | 2,413 | 2,387 | 2,423 |
| Other[2)] | 12,213 | 15,103 | 12,850 | 5,844 | 7,594 |
| | **412,557** | **405,860** | **395,468** | **337,378** | **324,791** |
| **Specific water consumption** in $m^3$ per metric ton output | 39 | 37 | 37 | 36 | 31 |

[1)] Water from municipal or other utilities.
[2)] Various sources.
Prior-year figures restated.

Around 95 percent of water consumption in 2010 was for cooling. When calculating the proportion of total water consumption used for cooling, amounts used in closed cooling circuits are included. In 2010, around 81 percent of cooling of production facilities used closed circuits with recooling facilities. Through-flow cooling was used for the remainder. The use of recooling facilities saves considerable amounts of fresh water compared with through-flow cooling, reduces the amount of wastewater and generally cuts costs. However, potentially high energy requirements for the circulation and evaporation of the water in cooling circuits and safety criteria have to be considered.

### Water consumption in the Chemicals Business Area

| in thousand $m^3$ | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Cooling, without cooling circuits | 334,040 | 327,280 | 322,442 | 273,827 | 251,737 |
| Cooling circuits | 926,541 | 939,741 | 944,336 | 916,987 | 1,099,022 |
| Production[1)] | 78,517 | 78,580 | 73,026 | 63,550 | 73,054 |
| Percentage | | | | | |
| Cooling | 94 | 94 | 95 | 95 | 95 |
| Production | 6 | 6 | 5 | 5 | 5 |

[1)] Including drinking water and water for sanitary requirements.

In 2010, as in previous years, the majority (76 percent) of the water discharged from our drainage systems into the environment was uncontaminated water from through-flow cooling systems. In some cases, production effluent is pretreated in production facilities before full treatment in in-house or municipal wastewater treatment plants.

### Water discharge in the Chemicals Business Area

| in thousand $m^3$ | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Through-flow cooling water (uncontaminated) | 303,242 | 303,710 | 299,850 | 249,899 | 227,784 |
| Process effluent | 66,822 | 62,375 | 64,034 | 59,872 | 66,680 |
| Drinking water and water from sanitary installations | 1,515 | 1,417 | 1,745 | 1,460 | 1,669 |
| Other | 799 | 741 | 605 | 777 | 5,427 |
| | **372,378** | **368,243** | **366,233** | **312,008** | **301,559** |

The difference between water intake and water discharge is due to the fact that some water is released as steam or used in products.

### Emissions into water

To minimize wastewater loads, we give priority to continuous process improvements geared to reducing the amount of wastewater or eliminating it altogether. That enables us to reduce harmful effects on the environment and cut treatment costs. To enhance safety in the disposal of wastewater, we use separate drainage systems and generously dimensioned collectors. These are used for intermediate storage of peak wastewater loads which could overburden the wastewater treatment facilities so wastewater can be fed gradually to the treatment plants for environment-friendly disposal.

Chemical oxygen demand (COD), total phosphorus loads (phosphates expressed as phosphorus) and heavy metals in wastewater were higher in 2010 than in 2009, mainly because of the higher capacity utilization at production facilities. Moreover, the total phosphorus load was affected by the inclusion of the Tippecanoe site in the USA for the first time. This site uses phosphoric acid in production processes. Total nitrogen and AOX loads were virtually unchanged year-on-year.

**Wastewater loads[1)] in the Chemicals Business Area**

| in metric tons | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| COD | 5,908 | 7,403 | 6,764 | 5,558 | 5,980 |
| N | 656 | 543 | 523 | 475 | 468 |
| P | 72 | 62 | 66 | 46 | 116 |
| AOX | 3.0 | 3.0 | 2.0 | 1.6 | 1.6 |
| Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn) | 4.7 | 4.3 | 4.3 | 4.0 | 4.8 |

[1)] The data show the accumulated volumes of wastewater loads at all sites. Alongside direct discharges into receiving water, it shows the proportionate indirect discharges.

### Biodiversity

2010 was the International Year of Biodiversity and Evonik continued to pay special attention to this issue. Our business activities are aligned to the United Nations Convention on Biological Diversity (CBD), which aims to protect biodiversity and promote sustainable utilization of its components.

With a view to the CBD's targets, sustainable utilization of natural resources is our most important tool in maintaining biodiversity and ecosystems. Our established and validated environmental management, continuous optimization of our processes to optimize energy and resource efficiency, and monitoring of long-term environmental objectives already make an important contribution to sustainable utilization of resources. In addition, Evonik gives high priority to innovative products that facilitate efficient use of natural resources by our customers.

Biodiversity also plays a role in the development of our sites. The Marl Chemical Park in Germany is a case in point. Covering a total of 650 ha, it is one of the country's largest chemical production sites. The site is bordered to the north by the River Lippe. The river and adjoining wetlands have been declared a nature conservation area under regional law and are also recognized under the EU's Flora, Fauna and Habitat Directive as a Site of Community Importance. The Chemical Park has space for expansion to the west, in an area currently predominantly covered by woodland. The flora and fauna inventory required as part of the land-use planning procedure revealed a large number of species that are protected or worthy of protection. Evonik is creating new nesting, brooding and hunting habitats for these species. This includes converting arable land into extensive meadowlands and creating woodland areas. These activities started in 2010 and will continue until 2012.

For more information on the Convention on Biological Diversity visit www.cbd.int

## Carbon dioxide emissions in the Real Estate Business Area

In the Real Estate Business Area heating-related $CO_2$ emissions from residential units let by Evonik were around 289,000 metric tons in 2010 (2009: 290,000 metric tons). This is a theoretical calculation based on the assumption of constant living space (as at the end of 2010). It takes account of insulation of outdoor walls, the demolition of older buildings and the construction of new properties. In addition, the replacement, servicing and optimization of heating installations is designed not simply to prevent an age-related deterioration in efficiency, but also to reduce $CO_2$ emissions. Through direct contact with tenants and special information leaflets on heating and ventilating homes, we make an ongoing contribution to improving our tenants' usage patterns to ensure more environmentally conscious heating.

We are currently transitioning the calculation of $CO_2$ savings in our housing stock to a new and more differentiated basis. In the past we have used heating-related $CO_2$ emissions for the general housing stock in Germany to calculate the reference base (1992). In future, this will be replaced by a reference base specific to Evonik, which takes account of our housing stock as of 1992 and allocates $CO_2$ emissions to categories based on the age of the property.

Since this will alter both absolute $CO_2$ emissions from our housing stock and specific emissions based on living space, we will have to adjust our targets accordingly. The new targets will be published in our next CR report.

For 2011 we are planning to upgrade the insulation of buildings with a total of 800 residential units to improve energy efficiency. A large number of individual energy and heat-saving measures will also be implemented.

## Environmental indicators for the Energy Business Area

The data for the Energy Business Area relate to Evonik Steag GmbH, Evonik Fernwärme GmbH, RKB GmbH, Evonik Power Saar GmbH, Evonik New Energies GmbH, Evonik Power Minerals GmbH, Minegas-/Mingas-Power GmbH and the foreign power plants in Turkey, Colombia and the Philippines.

### Volume sales in the Energy Business Area

| | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Power $GWh_{ä}$ [1] | 42,881 | 47,554 | 39,492 | 35,720 | 37,043 |
| Renewable Energies (heat) $GWh_{th}$ | [2] | 1,856 | 2,038 | 2,115 | 2,186 |
| Renewable Energies (power) $GWh_{el}$ | [2] | 1,783 | 1,883 | 1,592 | 1,622 |
| Coal million metric tons raw coal | 41.2 | 39.2 | 35.7 | 27.2 | 28.3 |

[1] Energy sales comprise both electric and thermal energy; thermal energy has been converted into the equivalent amount of electric power.
[2] No data available.

### Power plant residues

The roughly 3 percent reduction in total power plant residues compared with 2009 was principally attributable to a change in the ash content of the coal used as fuel. Evonik Steag GmbH markets these products to the construction industry as high-quality materials for a wide variety of applications. Almost all residues from our German power plants were returned to the economic cycle. Power plant residues from foreign power plants are also marketed where there is demand.

### Power plant residues in the Energy Business Area

| in thousand metric tons | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Power plant residues | 2,652 | 3,004 | 2,528 | 1,989 | 1,923 |
| of which fly ash | 1,465 | 1,764 | 1,471 | 1,260 | 1,202 |
| of which FGD gypsum | 607 | 738 | 658 | 489 | 503 |
| of which slag-tap granulate/ furnace ash | 580 | 502 | 399 | 240 | 218 |

### Emissions of greenhouse gases

In 2010, $CO_2$ emissions were 5.4 percent higher than in 2009, mainly due to the increase in fuel imports used in power plants.

### Emissions of greenhouse gases in the Energy Business Area

| in million metric tons | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| $CO_2$ emissions [1] | 32.55 | 37.50 | 31.50 | 26.72 | 28.17 |

[1] From power plants for which the Energy Business Area is responsible and which are subject to EU emissions trading rules, and from foreign power plants.

### Other emissions into the air

Despite the increase in fuel inputs in power plants, sulfur dioxide emissions only rose by 0.2 percent while nitrogen oxide emissions increased by just 1.7 percent. Particulate emissions declined by 16 percent. The statutory emissions thresholds were not exceeded.

**Other emissions into the air in the Energy Business Area**

| in metric tons | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Sulfur dioxide ($SO_2$) | 34,940 | 36,672 | 31,326 | 29,700 | 29,747 |
| Nitrogen oxides ($NO_x$) | 30,820 | 36,800 | 30,423 | 28,300 | 28,781 |
| Particulates | 1,260 | 1,204 | 1,000 | 832 | 697 |

Definitions based on German emissions protection legislation.

### Waste

The total volume of waste was 36 percent lower in 2010 than in the previous year.

**Waste data in the Energy Business Area**

| in metric tons | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Hazardous waste for reprocessing | [1] | 18,100 | 30,300 | 40,843 | 35,986 |
| Hazardous waste for disposal | [1] | 13,640 | 7,560 | 4,617 | 3,986 |
| Non-hazardous waste for reprocessing | [1] | 85,840 | 169,500 | 138,020 | 70,143 |
| Non-hazardous waste for disposal | [1] | 6,500 | 3,300 | 2,168 | 8,825 |
| | **63,000**[2] | **124,080** | **210,660** | **185,648** | **118,940** |

[1] No data available.
[2] Germany only.

### Water consumption

Cooling water consumption was 4.5 percent lower in 2010 than in 2009.

**Water consumption in the Energy Business Area**

| in million $m^3$ | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Water consumption (cooling water) | 2,580 | 2,930 | 2,790 | 2,484 | 2,372 |

## Safety

For further information on product stewardship and occupational safety see pages 42 and 54

Safety in the broadest sense of the term has top priority for Evonik. That applies equally for employees in our workplaces, the operation of our production facilities, and the transportation and use of our products. Risks are systematically reduced through careful planning.

**Plant safety**

Safe and reliable operation of production plants is extremely important for the health and well-being of our employees and local inhabitants, and thus for the success of our business. We aim to steadily improve plant safety and further reduce the number of incidents involving the release of substances, fires and explosions.

There were no accidents with a significant effect on people or the environment at any of Evonik's chemicals sites in 2010. However, there were significant releases of substances at two sites, which had to be reported to the authorities. These comprised a spillage of carbon black oil at our site in Orange (USA) and the release of cyanuric chloride at our site in Wesseling (Germany). Although the leak at the Wesseling site was not major, 21 people were injured or affected.

To further improve plant safety and avoid incidents even if they cause little or no damage, for the past three years Evonik's Chemicals Business Area has systematically recorded such incidents. The aim is to learn from them in order to prevent recurrences. In 2008 we introduced a plant safety indicator to systematically describe incidents involving the release of even small amounts of substances which would not have to be reported to the authorities.

This lagging indicator records data on unplanned release of substances from appliances, containers and pipes, even if the substance is captured and does not cause any damage. The reporting thresholds are 5 kg for toxic gases, 25 kg for toxic liquids and 100 kg for all other hazardous substances. Minor fires and explosions are recorded if they cause damage of €20,000 or above, and from lower thresholds if they involve environmental damage, or result in inconvenience or a warning to the local community. These criteria are based on the recommendations of international institutions and associations. Evonik meets the recommendation made by the German Chemical Industry Association (VCI) on the introduction of an indicator of this type.

The lower the indicator, the fewer incidents were recorded. The reference base for 2008 is 100 points. The plant safety index dropped to 70 points in 2009 and 68 points in 2010.

The sites and business units are responsible for investigating significant factors relating to the release of substances such as the frequency or type of leakage. Successful strategies and methods, together with lessons learned from more serious incidents, are made available Group-wide via monthly reports and a database.

Evonik is currently examining introducing a leading indicator of plant safety. Leading indicators look at the efficacy of strategies, management systems and methods. In other words, they evaluate the status of plant safety before an incident occurs.

### Transportation safety

The Chemicals Business Area shipped 10.06 million metric tons of goods in 2010 (2009: 9.15 million metric tons), a year-on-year rise of around 10 percent due to the improved economic situation. Hazardous goods accounted for 56 percent of the total, while 44 percent comprised other goods.

**Outgoing shipments of hazardous goods in the Chemicals Business Area**

| in thousand metric tons | **2010** | 2009 |
|---|---|---|
| Air | 0.6 | 0.6 |
| Ocean | 530 | 396 |
| Inland waterway | 1,108 | 918 |
| Rail | 833 | 897 |
| Pipeline | 1,578 | 1,258 |
| Road | 1,596 | 1,511 |
| | **5,646** | **4,981** |

**Outgoing shipments of other goods in the Chemicals Business Area**

| in thousand metric tons | **2010** | 2009 |
|---|---|---|
| Air | 6 | 2 |
| Ocean | 916 | 871 |
| Inland waterway | 24 | 14 |
| Rail | 365 | 423 |
| Pipeline | 103 | 10 |
| Road | 3,000 | 2,847 |
| | **4,414** | **4,167** |

Based on reports in our internal system, there were 21 transportation-related incidents in 2010. The increase compared with 2009 (15) reflects the business-driven rise in transportation. The data comprise all accidents worldwide, including damage to packaging and transport containers, even in the event of only minimal product release. Despite this increase, the number of transportation accidents was below the average for previous years of around 25. Road transport once again accounted for the highest proportion (13 accidents). Based on the Responsible Care reporting criteria set by the German Chemical Industry Association (VCI)—leakage of over 200 kg of hazardous substances or more than 1,000 kg or other substances, damage to people or damage to property exceeding €40,000—we would only have had to report two transportation accidents in 2010, and none in 2009.

Evonik continuously strives to improve the security of transportation as part of the Responsible Care initiative. Special profiles are used to select logistics service providers and they are required to give an assurance that they will observe the standards set out in these profiles. If they violate these rules, they are downgraded by Evonik and required to improve.

These profiles implement the Safety Quality Assessment System (SQAS) of the European Chemical Industry Council (CEFIC). Quality, environmental, safety, and security criteria form the basis for a company-specific assessment of service providers, coupled with monitoring of compliance with statutory and sector-specific standards and requirements.

For more information visit www.sqas.org

Evonik prioritizes ongoing training to improve transportation safety. We organized five practical seminars on securing loads at several production sites in 2010 and ran six inter-site courses on changes in the regulations on the transportation of dangerous substances. These are supplemented by regular local training sessions by the hazardous goods officers at our sites. Internal circulars to the hazardous goods officers and shipping managers also encourage an exchange of information and experience.

Our Supply Chain Security series highlights a different topic each month to raise employees' awareness of the demands made on transportation security at our various sites and production facilities. Another repeat audit conducted by the US customs authorities at our site in Darmstadt (Germany) confirmed the effectiveness of our security measures and the good positioning of our management system. As a result the US authorities have confirmed our Green Lane Status, ensuring simplified customs handling in the USA.

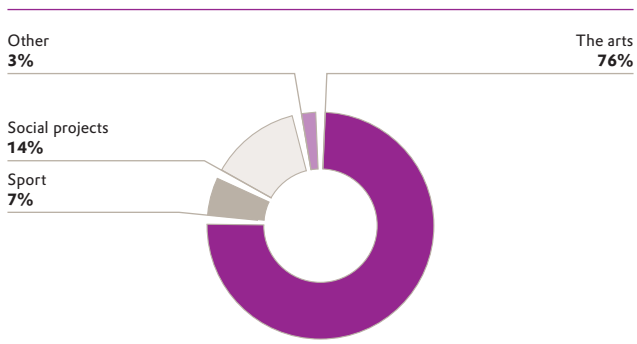
**Corporate security**

To ensure we are well prepared to meet international and especially European security requirements on protection against criminal and terrorist attacks, in 2010 we established a procedure to protect our supply chain and issued site and transportation security guidelines. Security managers in our business units are required to ensure that security plans and the associated measures are in place for critical substances and business operations. To protect employees on international assignments and business trips our Emergency Management and Assistance System has now been extended to include security-related incidents. A new, specially trained crisis management team at Group level ensures that we are prepared.

## Society

Evonik regards itself as a corporate citizen, with all the related rights and obligations. The wages and salaries paid to employees, and social security and pension contributions, make a major contribution to purchasing power and living standards in and around our sites. However, the regions in which Evonik operates around the world do not simply benefit directly from the value created by Evonik. By using local suppliers, we indirectly secure and create jobs. Local procurement is thus an important factor in the development of regional economies, while taxes contribute to the social and economic development and local infrastructure.

**Donations and sponsorship of non-profit projects 2010[1)]**




[1)] Expenditures by the Corporate Center totaling some €3.4 million; no reportable large-scale donations to political parties in Germany.

**Cultural commitment and social responsibility**
Evonik supports and fosters cultural and social projects both in Germany and internationally. Our long-term strategy makes us a reliable partner for the arts, sport, education and politicians.

**Supporting education and the arts**
Evonik is one of the largest sponsors of the arts in the German federal state of North Rhine-Westphalia but our commitment also extends well beyond this region. We provided support for the extension of the Küppersmühle Museum in Duisburg (Germany) to house a unique collection of contemporary art. For many years we have supported the annual Ruhrfestspiele theater festival which provides a platform for top-class ensembles and international stage and film stars and attracts audiences from all over Germany. Evonik is also sponsoring an extensive program organized by the Essen theater and philharmonic orchestra (TuP) for children and young people, initially for a two-year period. The program comprises hands-on workshops and concerts, youth clubs, encounters with actors and musicians, operas and plays for young people, school visits and performances for schools. More than 60,000 children and young people attend the events organized by TuP each season.

For many years, the Rotary Festival for Young Pianists has been held at our Essen site. In 2011, for the first time, the winners of this competition for gifted youngsters will give a concert in Bochum (Germany). The proceeds will be donated to the "roterkeil.net" and Christoph-Metzelder foundations. In addition, Evonik has a long-standing alliance with the renowned International Bach Academy in Stuttgart (Germany).

**Funding for sport**
Evonik is the main sponsor of the German premier league soccer club Borussia Dortmund. Our commitment is not confined solely to the sport itself. Charitable projects also benefit from this partnership. For example, we offer charities such as Adveniat, the Catholic Church's charity for Latin America, and "roterkeil.net", a network for combating child prostitution, an opportunity to promote their work in the club's stadium.

Evonik is also an active member of KiS, which runs an initiative to encourage daily exercise in schools. In the second half of the 2010/2011 academic year, KiS extended this initiative from 50 to 100 elementary schools in Germany, sponsored by Evonik.

**Education for the future**
Fostering education and training is important to Evonik. In Germany, our training ratio is well above the industrial average. We now intend to extend this commitment beyond the Evonik Group through a special educational sponsoring concept, a "Sponsoring Academy" which builds on a network of training partnerships that the Evonik Group has established at many of its sites in Germany over the years. In future these will be coordinated and driven forward centrally. The second key element in this new concept will be the Evonik Cyber Classroom, a virtual space using exciting multimedia presentation technologies such as 3D animations to interest school students in chemistry and other sciences.

We regularly support projects to encourage an interchange between schools and companies, such as the "Dialogue with Young People" initiative in the Ruhr region of Germany. Every year, the Evonik Group participates in Germany's nationwide Girls' Day, when we invite girls to visit our laboratories at selected sites and engage in a dialogue with us.

Our "Young Spirit" initiative is now entering its eighth year. About 120 employees give up some of their leisure time to conduct exciting experiments in schools and kindergartens to demonstrate chemistry to children. The purpose is to interest children in science at an early age and help gain access to new skilled employees in the longer term.

Alongside these projects, we provide a range of support for schools, childcare facilities and other educational institutions, from donations to joint projects.

**Fostering science and research**

As one of the world's leading specialty chemicals companies, we are particularly interested in identifying and fostering talent in the areas of science and research. The Evonik Foundation in Essen (Germany) awards annual scholarships to young researchers who do not have sufficient means to finance their planned training.

**Local assistance**

Alongside its commitment to the communities close to its sites around the world, Evonik provides help in the case of acute need. For example in Haiti, which is still severely affected by the aftermath of the devastating earthquake, we are providing assistance for reconstruction work in collaboration with Adveniat, the Catholic Church's charity for Latin America. We also provided basic funding of €100,000 to rebuild the Sacré Coeur community center in Port-au-Prince. This comprises a school for 130 children, a church, a presbytery and a national teacher training center.

Evonik also makes donations to a wide range of other charitable and social projects. For example, we linked the success of our employee survey to a donation. The idea was that the company would donate €1,000 for every 1 percent response rate. The total came to €79,000 and was divided between Friedensdorf International, which we have supported in the past, and the Sunshine Project in Delhi, which looks after street children in India.

**Responsibility in Japan**

A serious earthquake followed by a tsunami devastated the north-east of Japan on March 11, 2011. No Evonik employees were hurt and our laboratories and production facilities were hardly damaged. Nevertheless, the dramatic situation at the damaged nuclear power station in Fukushima required rapid action at Evonik's sites in Japan.

To ensure the safety of our employees and their families at all times, Evonik temporarily closed its production facilities and offices in Tsukuba and Tokyo on March 15. A total of 46 employees transferred to our sites at Yokkaichi, Osaka and Akoh in southern Japan. However, all staff were able to return to their original sites on March 28. At no time were Evonik employees exposed to health risks due to increased radiation.

As a sign of solidarity, Evonik initiated a Group-wide collection in collaboration with the Save the Children charity. Through this organization Evonik is supporting local relief projects for children affected by the aftermath of the earthquake and tsunami. The Group is doubling donations made by employees.

**Dialogue with our neighbors**

Evonik is aware of its special responsibility to the communities around its sites. Since we are convinced that trust can only be built on open and honest communication, we maintain an active dialogue with people living close to our sites.

We aim to step up this dialogue in 2011, which has been designated the International Year of Chemistry by UNESCO (United Nations Educational, Scientific, and Cultural Organization) and IUPAC (International Union for Pure and Applied Chemistry). A large number of events will be held throughout Germany as part of the Year of Chemistry. Evonik's involvement will include taking part in the nationwide Open Day organized by the German Chemical Industry Association (VCI) at the end of September. This gives us a good opportunity to talk to local inhabitants.

**Representing our interests**

Evonik also maintains a constructive dialogue with politicians, representatives of industrial associations and labor unions as well as with many non-governmental organizations. We play an active role in the public and political debate and raise awareness of our interests as a value-enhancing industrial corporation. These activities range from the local and national level in Germany to European and international activities. In the field of energy and resources policy, our areas of focus include helping to shape emissions trading, the development of electromobility and questions relating to biofuels, while our central focus in research policy is on nanotechnology and storage technologies. Other areas in which we play an active role in the debate are chemicals and raw materials policy. Evonik is included in the European Commission's list of lobbyists as required by the European Directive on transparency in lobbying.

Evonik contributes to various industry associations and organizations. Since September 2010 the Chairman of Evonik's Executive Board, Klaus Engel, has been President of the German Chemical Industry Association (VCI). The Evonik Group is a member of econsense, an association of leading German companies and organizations that promotes corporate social responsibility (CSR) and sustainable development. We are also a member of the World Business Council for Sustainable Development (WBCSD) and we are committed to the global Responsible Care Initiative and have signed the Responsible Care Global Charter. Representatives of the Group also play a role in national, European and global interest groups and actively contribute to the development of national, European and international standards.

In China, we sponsor the annual conference of the Boao Forum for Asia (BFA). We regard participating in this forum as an important opportunity to share knowledge and experience in one of the world's most dynamic regions. Since its establishment in 2001 the BFA has become one of the world's leading platforms for interaction between high-caliber business leaders from Asia and elsewhere in the world.

For more information visit
www.econsense.de/_ENGLISH/index.asp
www.wbcsd.org
www.boaoforum.org

# Annex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## Profile

Evonik Industries AG is one of the world's leading specialty chemicals companies. We also have investments in the energy and real estate sectors. Evonik has a presence in over 100 countries and production facilities in 28 countries. Business outside of Germany accounts for 74 percent of sales. Our strategy is aligned to profitable growth and sustained value creation. Our present owners are RAG-Stiftung (74.99 percent) and Gabriel Acquisitions GmbH (25.01 percent), which is indirectly owned by funds of the financial investor CVC Capital Partners.

Our core specialty chemicals business is divided into three reporting segments: Consumer, Health & Nutrition, Resource Efficiency and Specialty Materials. Six operating business units that operate as entrepreneurs within the enterprise are assigned to these segments. The Corporate Center supports the Executive Board in the strategic management of the company, while the Evonik Business Services efficiently bundles internal services. The new Site Services organization provides the necessary infrastructure services for the chemicals business units.

Our specialty chemicals activities address economic megatrends and give us access to attractive future markets. We see especially promising opportunities in resource efficiency, health and nutrition, and the globalization of technologies. The Chemicals Business Area already generates more than 80 percent of sales in areas in which it ranks among the major players in the market. Our strengths include a balanced spectrum of business activities and end-markets, close collaboration with customers, and market-oriented research and development.

In view of its concentration on its core specialty chemicals business, in future Evonik will operate its Energy and Real Estate Business Areas as essentially autonomous entities. Evonik Immobilien GmbH, the company's real estate organization, manages around 60,000 company-owned residential units. It also has a 50 percent stake in THS, which owns more than 70,000 residential units.

Evonik Steag GmbH bundles Evonik's power and heat generation business and services for power stations. In December 2010 Evonik Industries AG signed an agreement with a consortium of municipal utilities in Germany on the sale of 51 percent of its shares in the Energy Business Area. The transaction was closed on March 2, 2011. Evonik will be selling its remaining stake to this majority partner within five years.

## Largest sites[1)]

| Employees | |
|---|---|
| **Germany** | |
| Marl | 6,567 |
| Essen | 3,342 |
| Hanau-Wolfgang | 3,127 |
| Darmstadt | 1,511 |
| Wesseling | 1,236 |
| **Other European countries** | |
| Antwerp | 1,001 |
| Ham | 229 |
| Slovenská Ľupča | 173 |
| Gramatneusiedl | 168 |
| Kaba | 109 |
| **North America** | |
| Mobile, AL | 680 |
| Lafayette, IN | 650 |
| Parsippany, NJ | 404 |
| Greensboro, NC | 272 |
| Hopewell, VA | 234 |
| **Central and South America** | |
| São Paulo | 178 |
| Sochagota | 125 |
| Barra do Riacho | 55 |
| Americana | 39 |
| Paulínia | 38 |
| **Asia** | |
| Shanghai | 877 |
| Yingkou | 630 |
| Nanning | 349 |
| Nanping | 326 |
| Chongqing | 320 |
| **Other/rest of world** | |
| Port Elizabeth | 77 |
| Dandenong | 70 |
| Morrinsville | 26 |
| Umbogintwini (Durban) | 26 |
| Midrand | 24 |

As of December 31, 2010.
[1)] Top 5 sites in each region based on number of employees.

# Major shareholdings[1)]

| Name of company | Registered office | | Shareholding in % |
|---|---|---|---|
| **Consolidated subsidiaries** | | | |
| **Germany** | | | |
| CyPlus GmbH | Hanau | 2) | 100.00 |
| Evonik Degussa GmbH | Essen | 2) | 100.00 |
| Evonik Energy Services GmbH | Essen | | 100.00 |
| Evonik Goldschmidt GmbH | Essen | 2) | 100.00 |
| Evonik Immobilien GmbH | Essen | 2) | 100.00 |
| Evonik Litarion GmbH | Kamenz | 2) | 100.00 |
| Evonik Oxeno GmbH | Marl | 2) | 100.00 |
| Evonik Röhm GmbH | Darmstadt | 2) | 100.00 |
| Evonik RohMax Additives GmbH | Darmstadt | 2) | 100.00 |
| Evonik Services GmbH | Essen | 2) | 100.00 |
| Evonik Steag GmbH | Essen | | 100.00 |
| Evonik Stockhausen GmbH | Krefeld | 2) | 100.00 |
| Evonik Trading GmbH | Essen | | 100.00 |
| Infracor GmbH | Marl | 2) | 100.00 |
| Li-Tec Battery GmbH | Kamenz | | 50.10 |
| **Other countries** | | | |
| Evonik Carbon Black Korea Co., Ltd. | Incheon (South Korea) | | 100.00 |
| Evonik Cyro LLC | Parsippany (New Jersey, USA) | | 100.00 |
| Evonik Degussa Antwerpen N.V. | Antwerp (Belgium) | | 99.99 |
| Evonik Degussa Brasil Ltda. | São Paulo (Brazil) | | 100.00 |
| Evonik Degussa Canada Inc. | Burlington (Canada) | | 100.00 |
| Evonik Degussa (China) Co., Ltd. | Beijing (China) | | 100.00 |
| Evonik Degussa Corporation | Parsippany (New Jersey, USA) | | 100.00 |
| Evonik Degussa Japan Co. Ltd. | Tokyo (Japan) | | 100.00 |
| Evonik Monosilane Japan Co. Ltd. | Tokyo (Japan) | | 100.00 |
| Evonik Oxeno Antwerpen N.V. | Antwerp (Belgium) | | 100.00 |
| Evonik RohMax USA, Inc. | Horsham (Pennsylvania, USA) | | 100.00 |
| Evonik Stockhausen LLC | Greensboro (North Carolina, USA) | | 100.00 |
| Iskenderun Enerji Üretim ve Ticaret A.S. | Ankara (Turkey) | | 51.00 |
| Nippon Aerosil Co. Ltd. | Tokyo (Japan) | | 80.00 |
| STEAG State Power Inc. | Makati City (Philippines) | | 51.00 |
| **Joint ventures (recognized at equity)** | | | |
| **Germany** | | | |
| StoHaas Monomer GmbH & Co. KG | Marl | | 50.00 |
| THS GmbH | Essen | | 50.00 |

[1)] A full list of companies included in the consolidated financial statements can be found in the Annual Report.
[2)] Utilizes the exemptions permitted under Sections 264 Paragraph 3 and 264 b of the German Commercial Code (HGB).

## Leading global market positions in the Chemicals Business Area

| Product | Application | Global ranking | Capacity in metric tons p.a. |
|---|---|---|---|
| **Advanced Intermediates** | | | |
| Alcoholates | Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications | 1 | >150,000 |
| Cyanuric chloride | Crop protection and industrial applications (e.g. optical brighteners) | 1 | 115,000 |
| Hydrogen peroxide | Bleaching of pulp and textiles, oxidation agent for the chemical industry | 2 | 600,000 |
| Percarbonate | Bleaching of pulp and textiles | 2 | 110,000 |
| 2-propylheptanol | Plasticizers | 2 | 60,000 |
| Butene-1 | Co-monomer for polyolefins | 1[1)] | 200,000 |
| Isononanol | Plasticizers | 2 | 340,000 |
| DINP | Flexible PVC | 2 | 220,000 |
| **Inorganic Materials** | | | |
| Organosilanes, chlorosilanes | Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers, photovoltaics | 1[2)] | 270,000 |
| Fumed silicas, fumed metal oxides | Silicone rubber, paints and coatings, adhesives, sealants and plastics, pharmaceuticals, cosmetics, high-temperature insulation, electronics | 1 | |
| Precipitated silicas | Reinforcement of rubber, consumer products | 1 | |
| Matting agents | Additives for the coatings and printing inks industry | 2[3)] | 500,000 |
| Carbon blacks | Tires, rubber goods, pigments | 2 | 1,300,000[4)] |
| **Health & Nutrition** | | | |
| Exclusive synthesis of fine chemicals | Intermediates and active substances for pharmaceutical and specialty applications | 2 | [5)] |
| Precious metal powder catalysts | Life sciences and fine chemicals | 1 | [5)] |
| Activated nickel catalysts | Life sciences and fine chemicals, industrial chemicals | 3 | [5)] |
| Amino acids and amino acid derivatives | Pharmaceutical intermediates and infusion solutions | 3 | [5)] |
| DL-methionine | Animal nutrition | 1 | 360,000 |
| Threonine | Animal nutrition | 2 | 30,000 |
| Tryptophan | Animal nutrition | 2 | [5)] |
| **Consumer Specialties** | | | |
| Superabsorbents | Diapers, feminine hygiene products, incontinence products, technical applications | 1 | 460,000 |
| Organically modified silicones | Additives for polyurethane foams, coatings and inks, cosmetics; radiation-cured separation coatings | 1–2 | 80,000 |
| Fat chemistry, quaternary derivatives | Fabric softeners | 1 | [5)] |
| Amphoteric surfactants | Shampoos, shower gels | 1 | [5)] |
| Ceramides, phytosphingosines | Cosmetics | 1 | [5)] |
| Skin cremes | Professional skin protection | 2–3 | [5)] |

| Product | Application | Global ranking | Capacity in metric tons p.a. |
|---|---|---|---|
| **Coatings & Additives** | | | |
| Colorants (pigment dispersions) | Decorative and industrial colorants | 1–2 | [5] |
| Polyester resins | Can and coil coating | 1 | 31,000 |
| Isophorone chemistry | Environment-friendly coating systems, high-performance composites | 1 | [5] |
| Pharmaceutical polymers | Coatings for drugs | 2 | [5] |
| Oil additives | Viscosity index improvers | 2 | [5] |
| Thermoplastic and reactive methacrylate resins | Binders for paints and coatings | 1–2 | [5] |
| **Performance Polymers** | | | |
| Polyamide 12 | High-performance specialty polymer applications (e.g. automotive, medical, sport) | 1 | [5] |
| Methylmethacrylate (MMA) | Dispersions, coatings, plastics | 2 | 580,000 |
| Methacrylate specialty monomers | Dispersions, coatings, additives, adhesives, optical lenses | 1 | [5] |
| Methacrylate polymers (PMMA molding compounds) | Construction materials for the automotive and electrical/electronics industries, medical technology | 1 | 240,000 |
| Acrylic glass | Construction industry, illuminated signboards, aviation/aerospace applications | 2 | 150,000 |

[1] Freely traded volumes.
[2] Chlorosilanes: freely traded volumes. Overall assessment—market position differs depending on application.
[3] Ranked 2 by volume and 1 by sales.
[4] Slight decline due to shutdown of the facilities in Botlek (Netherlands).
[5] No data available.

## About this report

**Evonik's Corporate Responsibility Report 2010**
This is Evonik's third full Corporate Responsibility (CR) report and it continues the tradition of reporting introduced by the companies from which it was formed. The report covers the period from January 1 to December 31, 2010. Through this report we aim to give our customers, employees, owners and investors and the general public an insight into how we run our business and live our values. The CR report focuses on ecological, social and societal issues and thus supplements the Annual Report for 2010. The next report will be published in 2012.

**Method**
This report is based on the G3.0 guidelines issued by the Global Reporting Initiative (GRI). At the same time it comprises Evonik's progress report for the UN Global Compact. In 2010 we conducted a systematic analysis of aspects of responsible conduct of relevance to Evonik and a stakeholder survey. The findings are included in this report.

**Scope of reporting and data capture**
Evonik Industries AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). Alongside Evonik Industries AG, the consolidated financial statements include all material German and foreign subsidiaries directly or indirectly controlled by Evonik Industries AG. Material associated companies and joint ventures are recognized at equity if Evonik is able to exert a significant influence. Initial consolidation or deconsolidation takes place as of the date on which the company gains or loses control. In fiscal 2010 the Evonik Group comprised 107 German and 146 foreign companies. Since an agreement was reached in December 2010 on divestment of a majority of the shares in the energy business, the assets and liabilities of the Energy Business Area were reclassified as "held for sale" as of December 31, 2010. In the income statement the Energy Business Area is only reflected in the line discontinued operations, which contains its earnings. The prior-year figures have been restated.

In 2008 and 2009 Evonik conducted a written survey to compile data to protect the interests of Group employees. In 2010, for the first time, we used reporting software from Cundus AG to compile relevant data on working hours, social benefits, ongoing education and training and employee rights in the continuing operations. Where the data reported here were compiled using this software, this is indicated.

The ecological data for the Chemicals Business Area in 2010 comprise emissions and consumption at 99 production sites in 28 countries and thus cover about 95 percent of this business area's total output. The occupational safety data include other small production and non-production sites, so the data here cover 142 locations in 37 countries.

All data for the Chemicals Business Area are compiled using the SuRe sustainability reporting software developed by Evonik Degussa GmbH and TechniData. The reporting segments reflect Group and business unit interests in order to provide a detailed reflection of production activities. In some cases, data are reported at plant level to ensure this. All reporting segments are clearly coded to allocate them to organizational and business units and geographical regions. This facilitates consolidation at management and legal entity level as well as a detailed geographical analysis of the data.

### Major acquisitions/divestments of relevance for ESH in 2010

At the start of 2010 the Exclusive Synthesis Business Line acquired the Tippecanoe site in Lafayette (Indiana, USA). Tippecanoe and the site in Ulsan (South Korea), where Evonik produces hydrogen peroxide through a joint venture in which it has the majority stake, are included for the first time in the ESH data. The AlzChem Group, which bundled the NCN business, was divested with legal effect from end-October 2009. Further, in 2009 production was shut down at the sites in Münchmünster (Germany), Bussi (Italy) and Dalian (China). The other changes in the scope of reporting and the remaining portfolio adjustments undertaken in 2010 did not have a significant impact on emissions and consumption data in the ESH report for 2010.

The ecological data are updated annually without taking changes in the Group into account. The prior-year figures are not adjusted for changes in the portfolio of companies consolidated. The figures for each company are included in full, without adjustment to reflect Evonik's stake in them.

The corresponding data for the Energy Business Area relate to Evonik Steag GmbH, Evonik Fernwärme GmbH, RKB GmbH, Evonik Power Saar GmbH, Evonik New Energies GmbH, Evonik Power Minerals GmbH, Minegas-/Mingas-Power GmbH and the foreign power plants in Turkey, Colombia and the Philippines. In view of the agreed divestment of shares in the energy business, we report on the development of the environmental indicators for these operations in a separate section.

### Updated data

Our ESH data are constantly checked by a large number of internal and external audits. In addition, large amounts of data have to be reported to national authorities. In many cases, the deadlines for submission and approval are far later than the internal deadline for Evonik's ESH data. To enhance efficiency, we endeavor to use a single set of data for both internal and external data. Since internal and external audit findings are examined for any possible change in ESH indicators, our databases are naturally subject to ongoing change. If such adjustments reveal discrepancies of more than 3 percent compared with published data for prior periods, this is explained in the CR report (principle of materiality).

### External review

The sections "Collaboration takes many forms" and "CR Strategy", together with selected data in the CR Performance section marked by the sign ✓ were subject to a limited assurance engagement by PricewaterhouseCoopers AG (PwC) for the first time. The report on this is printed on pages 82–83.

### Reporting based on the GRI Guidelines

This report is based on the indicators set out in the GRI Guidelines G3.0. The report concentrates on the core indicators. According to the company's self-evaluation, the report meets the requirements of GRI Application Level A+. The GRI has checked the report for adherence to its sustainability reporting guidelines and has confirmed successful application of Level A+ throughout this report.

## Independent Assurance Report

### To Evonik Industries AG, Essen

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft have performed a limited assurance engagement on selected areas of the German version of the Corporate Responsibility Report 2010 (CR report) and issued an independent assurance report, authoritative in German language, which has been translated by Evonik Industries AG as follows:

We have been engaged to perform a limited assurance engagement on sections "Collaboration takes many forms" and "CR Strategy", together with selected data in the CR Performance section of the Corporate Responsibility Report 2010 "Successful side by side. Working together works better." (CR report) of Evonik Industries AG, Essen (Germany) for the year 2010. The selected data are indicated in the report by the symbol  .

### Management's responsibility

The Executive Board of Evonik Industries AG is responsible for the preparation of the CR Report using the criteria stated in the Sustainability Reporting Guidelines Vol. 3 (pp. 7–17) of the Global Reporting Initiative (GRI):

- Materiality,
- Stakeholder Inclusiveness,
- Sustainability Context,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability and
- Reliability.

This responsibility includes the selection and application of appropriate methods to prepare the CR report and the use of assumptions and estimates for individual CR disclosures which are reasonable in the circumstances. It also includes responsibility for designing, implementing and maintaining systems and processes relevant for the preparation of the CR report.

### Practitioner's responsibility

Our responsibility is to express a conclusion based on our work as to whether any matters have come to our attention that cause us to believe that the sections "Collaboration takes many forms" and "CR Strategy" or the data in the CR Performance section of the CR report for the year 2010 indicated by the symbol  have not been prepared in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3 (pages 7–17) issued by the GRI. We also have been engaged to report on recommendations for the further development of CR management and CR reporting on the basis of the results of our assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to express our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement (for example, an audit of financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code"), and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on the practitioner's judgment. Within the scope of our engagement, we performed, amongst others, the following procedures:

- Questioning of the management and the employees responsible for reporting CR information and preparing the CR report as well as employees from individual fields of specialization
- An examination of the processes used for CR management, selecting topics and reporting
- An examination of the structuring and effectiveness of the systems and processes used to compile and analyze the data for the year 2010 indicated by the symbol ✓
- Visits to the corporate headquarters in Essen and the sites in Antwerp, Shanghai and Marl, including site-specific enquiries and data gathering
- Obtaining evidence of the accuracy of the data for the year 2010 marked by the symbol ✓ on the basis of random samples
- Use of external findings
- Evaluating the consistency of the statements made in the CR report and the findings of our engagement

**Conclusion**

Based on our limited assurance review, nothing has come to our attention that causes us to believe that the sections "Collaboration takes many forms" and "CR Strategy" or the data in the CR Performance section of the CR report for the year 2010 indicated by the symbol ✓ have not been prepared in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3 (pages 7–17) issued by the GRI.

**Supplementary remarks and recommendations**

Without qualifying the conclusion reached in our limited assurance engagement, we make the following recommendations for the ongoing development of CR management and CR reporting:

- The issues identified by the materiality analysis should be reflected more clearly in the CR strategy and CR management.
- The main areas of action and measures to be taken by the business units and Corporate Center to implement the CR strategy should be specified more clearly and where possible backed up by quantifiable metrics.
- External stakeholders should be integrated more closely, for example, in the determination of key issues.
- Group-wide application and documentation of control procedures for the various CR reporting processes should be extended.

Düsseldorf, May 19, 2011

**PricewaterhouseCoopers**
**Aktiengesellschaft**
**Wirtschaftsprüfungsgesellschaft**

Andreas Bröcher
German Public Auditor

ppa. Nicole Kummer

## Awards and accolades 2010

| Category | Awards and accolades | Presented by |
|---|---|---|
| **Products** | | |
| Consumer Specialties | Innovation Award: STOKO® Frost Protect | British Safety Industry Federation (BSIF) |
| Performance Polymers | VESTAMID® Terra: Ringier Technology Innovation Award | Ringier's International Plastics News for China |
| **Awards from customers** | | |
| Performance Polymers (Acrylic Monomers) | Supplier of the Year | DuPont Mexico |
| Consumer Specialties (Superabsorbents, Household Care) | Excellence Award 2010 | Procter & Gamble |
| Inorganic Materials (Functional Silanes) | Top Supplier and Partner Status | Owens Corning |
| Advanced Intermediates | Supplier of the Year | Tarkett |
| **Other** | | |
| Evonik Industries AG | Prix Victoria in gold in the category Internal Communication/In-House TV: Compliance Report | 24th international business film congress, Vienna |
| Inorganic Materials (Evonik Silco Materials) | Pretreatment Achievement Award for exemplary disposal of industrial effluent | City of Gresham (Oregon, USA) |
| Evonik Industries AG | Rheinfelden site: 2nd place in environmental award | IG BCE |

## Membership of networks and initiatives

Responsible Care® OUR COMMITMENT TO SUSTAINABILITY

**Responsible Care** Evonik is a signatory to the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA). Evonik is committed to this initiative.

World Business Council for Sustainable Development

**World Business Council for Sustainable Development** Evonik is a member of the World Business Council for Sustainable Development (WBCSD) and supports its objectives. This business leadership forum has around 200 member companies who are committed to sustainable development.

econsense
Forum Nachhaltige Entwicklung der Deutschen Wirtschaft

**econsense** Evonik is a founder member of econsense, an association of leading German companies and organizations that promotes corporate social responsibility (CSR) and sustainable development.

THE GLOBAL COMPACT
WE SUPPORT

**UN Global Compact** Evonik joined the UN Global Compact in summer 2009. Evonik supports the principles of the Global Compact, which are geared to sustainable and ethical business management.

## GRI statement

Global Reporting Initiative™

# Statement
# GRI Application Level Check

GRI hereby states that **Evonik Industries AG** has presented its report "Successful Side by Side" (2010) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 20 May 2011

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

The "+" has been added to this Application Level because Evonik Industries AG has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org*

***Disclaimer:*** *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 May 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

# GRI index

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| EN12 | Impact on protected areas | | Not reported[2)] |

| Indicator | | Page | Fulfillment |
|---|---|---|---|
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| EN17 | Other greenhouse gas emissions | 57, 67 | Fully |
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| HR2 | Screening of suppliers/contractors | 12, 20, 35–36 | Fully |
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| HR6 | Risks and countermeasures | | Not reported[7)] |

| Indicator | | Page | Fulfillment |
|---|---|---|---|
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| HR7 | Risk and countermeasures | | Not reported[7)] |
| | **Society Performance Indicators** | | |
| | Management Approach | 24–25, 70–73 | Fully |
| | Aspect: Community | | |
| SO1 | Impact on communities | 70 | Fully |
| | Aspect: Corruption | | |
| SO2 | Business units analyzed | 31 | Fully |
| SO3 | Employees trained | 32 | Partially[8)] |
| SO4 | Action taken | 31 | Fully |
| | Aspect: Public Policy | | |
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| PR6 | Advertising and promotion | 24–25, 42–44, 71–73 | Fully |
| | Aspect: Compliance | | |
| PR9 | Fines for non-compliance | | Not reported[9)] |

[1)] Our intelligent linking of production plants along value-enhancing chains often makes it possible to use by-products from one plant as starting products for another plant. Moreover, many of the raw materials we use are not available as recycled input materials. For further information see pages 61–62.
[2)] Biodiversity is extremely important for Evonik because it underpins the functioning of the ecosystem and the provision of ecosystem services (see page 64 and CR Report 2009 page 65). However, the results of our materiality analysis show that in the narrow sense of the term, this issue is less important for our business (see pages 16–17).
[3)] If there are risks arising from litigation and other claims, these are disclosed in the consolidated financial statements in our Annual Report.
[4)] At the moment we do not have information about average hours of training per employee by employee category. We plan to report from 2012 on.
[5)] Evonik considers diversity to be very important. We are currently reviewing the content and level of detail used in the reporting systems. More detailed data will be provided in 2012. Evonik strictly observes the principle of non-discrimination and observes all relevant data privacy regulations.
[6)] As a member of the Global Compact, we strive to contribute to the protection and promotion of human rights within our spheres of influence. The exact number of our investment agreements is confidential business-relevant information which is therefore not reported.
[7)] At present, we do not have sufficient data to provide a reliable indication of this indicator. However, there are plans to introduce suitable processes so we may be able to provide this information in 2013.
[8)] At present, we do not have sufficient data to provide a reliable indication of the percentage of employees who have received anti-corruption training. However, there are plans to introduce suitable processes so we may be able to provide this information from next year.
[9)] We are not aware of any non-compliance that would have led to fines or investigative proceedings in the reporting period.

## Progress report on the Global Compact

Evonik joined the UN Global Compact in summer 2009 to make a contribution to global implementation of its ten principles. The Corporate Responsibility Report for 2010 is our second progress report on the Global Compact.

The table below summarizes the guidelines Evonik uses to implement the Global Compact principles in its sphere of responsibility and gives an overview of its activities in 2010. In this second progress report, the focus is on human rights, the environment and anti-corruption measures.

For further information visit www.globalcompact.org

| Principle | Policies, regulations, management systems | Examples of activities in 2010 |
|---|---|---|
| **Human rights** | | |
| Principle 1: Support for human rights | Global Social Policy (page 25) | CRtopic human rights (page 19) |
| Principle 2: Exclusion of human rights abuses | Global Social Policy (page 25), ESHQ policy (pages 25, 28) | New Procurement Policy (page 19), CRtopic human rights (page 19) |
| **Labor** | | |
| Principle 3: Freedom of association | Global Social Policy (page 25) | |
| Principle 4: Abolition of forced and compulsory labor | Global Social Policy (page 25) | |
| Principle 5: Abolition of child labor | Global Social Policy (page 25) | |
| Principle 6: Elimination of discrimination | Global Social Policy (page 25), Code of Conduct (page 24) | |
| **Environment** | | |
| Principle 7: Precautionary environmental protection | ESHQ rules (pages 25, 28), Chemicals: Environmental management systems based on ISO 14001 (page 31) | Audits to check compliance with ESHQ rules (page 31) |
| Principle 8: Initiatives to promote greater environmental responsibility | ESHQ rules (page 25), ICCA Global Product Strategy (page 44), Responsible Care Global Charter (pages 42–43) | Electromobility (page 40), Effi$CO_2$ (page 39) |
| Principle 9: Encouraging the development and diffusion of environmentally friendly technologies | ESHQ values (page 25), ESHQ rules (page 28) | Work at the Science-to-Business Center (page 37) |
| **Anti-corruption** | | |
| Principle 10: Anti-corruption measures | Code of Conduct (page 24), continued development of the compliance organization (pages 26–29), policy on handling gifts, invitations and other benefits (page 27) | Training/e-learning programs on the Code of Conduct and anti-corruption measures (page 32), compliance audits (page 31), examination of the Real Estate Business Area for possible irregularities in the area of corruption (page 31), continuation of "Compliance Report", introduction of "Tone from the Top" (page 32) |

Download our Code of Conduct, Global Social Policy and ESHQ Values at www.evonik.com/responsibility

This report contains forward-looking statements based on the present expectations, assumptions and forecasts made by the Executive Board and the information available to it. These forward-looking statements do not constitute a guarantee of future developments and earnings expectations. Future performance and developments depend on a wide variety of factors which contain a number of risks and unforeseeable factors and are based on assumptions that may prove incorrect.

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