

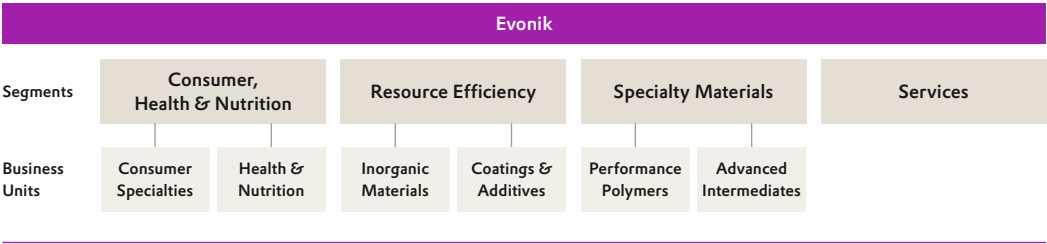
POWER TO CREATE



EVONIK
INDUSTRIES

The company at a glance

C01 Corporate structure



T03 Employees^a

| | 2013 | 2014 |
|---|------------|------------|
| Number of different nationalities represented at Evonik | approx. 90 | approx. 90 |
| Average age of employees | 41.3 | 41.6 |
| Percentage of female employees | approx. 24 | approx. 24 |
| Employees hired from the labor market | 2,218 | 1,358 |
| Vocational training ratio in Germany in % | approx. 9 | approx. 9 |

^a Continuing operations.

T04 Safety and health protection

| | 2013 | 2014 |
|--|------|------|
| Accident safety ^a | | |
| Number of work-related accidents involving Evonik employees and contractors' employees under the direct supervision of Evonik per 1 million hours worked | 0.9 | 1.2 |
| Incident frequency | | |
| Number of incidents per 1 million working hours in the production facilities operated by the business units, taking 2008 as the reference year (reference base = 100 points) | 50 | 53 |

^a Continuing operations.

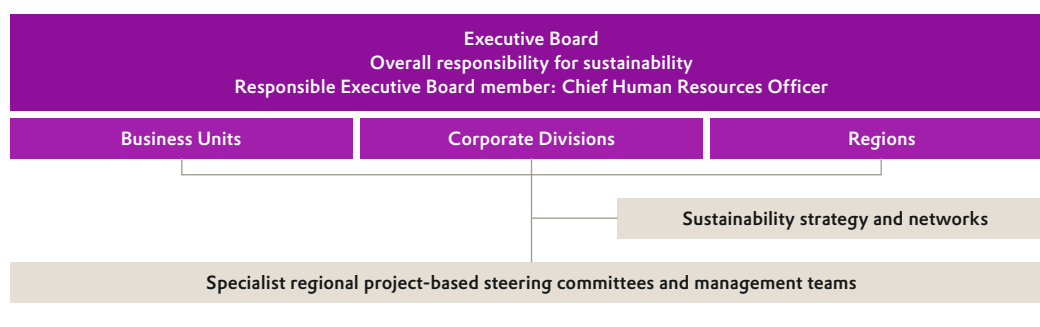
T05 Status of our environmental targets

| in % compared with 2012 | 2012 | 2013 | 2014 | Target for 2020 |
|-----------------------------------|------|-----------------|------------------|-----------------|
| Specific greenhouse gas emissions | 100 | 94 ^a | 93 | 88 |
| Specific water consumption | 100 | 95 ^a | 103 ^b | 90 |

^a Temporary effects in the energy supply area as a result of production shutdowns and portfolio adjustment effects.

^b Site-specific effects in the intake of surface water.

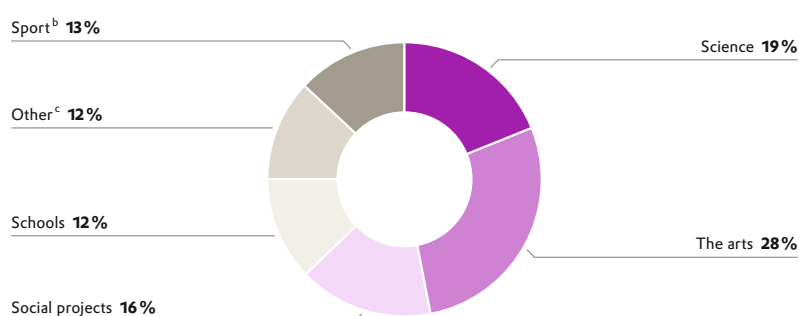
C02 Sustainability management at Evonik



T06 Supplier management

| | 2013 | 2014 |
|--|------|------|
| Purchased raw materials and supplies in % of total procurement volume | 63 | 60 |
| Renewable raw materials in % of total raw material inputs | 8 | 7 |
| Number of suppliers selected for assessment as potential risk candidates | 216 | 316 |
| Percentage of suppliers that failed to meet Evonik's requirements | 1 | 19 |

C03 Donations and sponsorship of public projects in 2014^a



^a Expenditures by the Corporate Center, business units and Innovation Management. Total: approx. €8.2 million.

^b Excludes sponsorship of the Borussia Dortmund soccer club.

^c Includes donations of €260,000 to political parties in Germany: €100,000 to the CDU/CSU, €90,000 to the SPD, €50,000 to the FDP, and €20,000 to Bündnis 90/Die Grünen (total amounts in each case). Also includes sponsorship of trade fairs and congresses focusing on various different areas.

Key data at a glance

T01 Key business data

| in € million | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------|--------|--------|--------|--------|
| Sales | 13,300 | 14,540 | 13,365 | 12,708 | 12,917 |
| Adjusted EBITDA ^a | 2,365 | 2,768 | 2,467 | 1,995 | 1,867 |
| Adjusted EBITDA margin in % | 17.8 | 19.0 | 18.5 | 15.7 | 14.5 |
| Adjusted EBIT ^b | 1,639 | 2,099 | 1,887 | 1,404 | 1,238 |
| ROCE ^c in % | 15.0 | 18.7 | 20.4 | 15.1 | 12.3 |
| Net income | 734 | 1,011 | 1,165 | 2,054 | 568 |
| Earnings per share in € | 1.58 | 2.17 | 2.50 | 4.41 | 1.22 |
| Adjusted earnings per share in € | 2.09 | 2.70 | 2.31 | 1.73 | 1.59 |
| Total assets as of December 31 | 20,543 | 16,944 | 17,166 | 15,883 | 15,685 |
| Equity ratio as of December 31 in % | 29.1 | 35.8 | 31.9 | 43.0 | 41.6 |
| Cash flow from operating activities | 2,075 | 1,309 | 1,420 | 1,055 | 1,066 |
| Capital expenditures ^d | 652 | 830 | 960 | 1,140 | 1,123 |
| Depreciation and amortization ^d | 694 | 647 | 580 | 585 | 606 |
| Net financial debt/assets as of December 31 | -1,677 | -843 | -1,163 | 571 | 400 |
| No. of employees as of December 31 | 34,407 | 33,556 | 33,298 | 33,650 | 33,412 |

Figures for 2010 contain the former Energy segment as a discontinued operation.
Figures for 2012 and 2013 contain the former Real Estate segment as a discontinued operation.
^a Adjusted EBITDA = Earnings before interest, taxes, depreciation and amortization; after adjustments.
^b Adjusted EBIT = Earnings before interest and taxes; after adjustments.
^c Return on capital employed.
^d Intangible assets, property, plant, equipment and investment property.

T02 Key environmental data

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|----------|----------|---------|---------|---------|
| Greenhouse gas emissions in thousand metric tons CO ₂ equivalents | 11.320.3 | 10,833.7 | 9,090.0 | 8,800.3 | 8,937.0 |
| Energy inputs in petajoules | 90.47 | 92.62 | 89.48 | 86.03 | 89.23 |
| Output in million metric tons | 10.61 | 10.35 | 9.71 | 10.06 | 10.35 |
| Operating costs for environmental protection in € million | 264 | 251 | 251 | 250 | 259 |
| Investment in environmental protection in € million | 36 | 48 | 39 | 29 | 107 |
| Waste in thousand metric tons | 458 | 551 | 515 | 489 | 497 |
| Water intake in million m ³ | 328.8 | 310.0 | 297.1 | 292.9 | 325.1 |

Sustainability is a core element in our corporate claim Power to create and an integral part of our business strategy. Our products and solutions are used in many applications that play a significant role in improving people's lives and making efficient use of scarce resources.

Lasting business success and the acceptance of corporate responsibility are complementary and mutually indispensable. That is reflected in our customers' growing demand for products and solutions that balance economic, ecological and social factors.

We are convinced that sustainable and responsible business activities are vital for the future of our company. In keeping with this, Evonik accepts responsibility worldwide—for its business, its employees, the environment and society.

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Klaus Engel,
Chairman of the
Executive Board



Thomas Wessel,
Chief Human
Resources Officer

Dear readers,

Evonik has abundant power to create. Through our innovations we help to make people's lives richer, healthier, more sustainable, and more worthwhile. In the process, we offer answers to pressing questions about the future. Our business operations focus on the global megatrends of healthcare, nutrition, and resource efficiency, as well as the dynamic developments taking place in up-and-coming regions of the world. Ongoing globalization and the international division of labor are enabling more and more people to share in growth and prosperity. However, this too raises new questions concerning sustainable development.

Thanks to our know-how and our technologies, we can support the ambitious countries of Asia and Latin America in their efforts to grow while maintaining a reasonable balance between economic, environmental, and social concerns. In Germany and the rest of Europe as well, we are helping to modernize our industrial society in an environmentally friendly manner. We develop innovative products that enable consumers to help save energy and protect the climate in every area of their daily lives without sacrificing comfort or safety.

The markets set high standards for the environmental, social, and ethical conditions under which products are manufactured today. And as consumers become more aware of the interconnections in a globalized world, sustainability is becoming an increasingly important factor in their purchasing decisions.

That's why it's in our own best interest to embed sustainability in all of our business and production processes. This is the precondition for operating successfully in demanding markets in the long run and supporting new growth all over the world.

As a result, when it comes to sustainability, Evonik keeps an eye on the entire value chain, from the procurement of raw materials to product use. We set a higher priority on the safety of our plants and the protection of our employees and neighbors than on sales and profit. Evonik has established high standards worldwide as part of its uniform Group-wide safety culture. These are obligations that apply equally to all levels of the hierarchy. Our new culture of safety at Evonik is binding on all of our managers and employees.

Evonik acts as a responsible company on the basis of transparent standards and clear obligations. For example, as a member of the Global Compact of the United Nations, we have committed ourselves to promoting the ten principles of the Global Compact. We are also a signatory of the "Responsible Care Global Charter" of the International Council of Chemical Associations (ICCA). In addition, Evonik expects its suppliers to behave responsibly toward their employees, business partners, society, and the environment, and to document this behavior.

In order to establish uniform sector standards along the supply chains with the aim of protecting people and the environment, Evonik has joined other leading chemical companies in the "Together for Sustainability" (TfS) project. The project's objective is to evaluate potential suppliers all over the world according to uniform criteria, and to honor the results of these evaluations across companies. This procedure greatly simplifies the purchasing process for both parties. Suppliers who have passed the sustainability check with one of the TfS member companies are automatically certified for all the other TfS members. The buyers, in turn, benefit from a reliable certification of quality and the decreasing number of supplier audits they need to conduct themselves.

In the reporting year 2014, we focused on conducting a sustainability analysis of our business operations. We would like to publish the results of this analysis in the medium term as supplementary information in the descriptions of our products and business operations. The ongoing process of evaluating sustainability aspects identifies and minimizes the environmental and social risks of our corporate behavior. It also supports our long-term strategic positioning of individual products and business operations in their respective markets.

If sustainability management is to function well, it must be firmly established in all of the relevant corporate processes. As part of Evonik's fine-tuning of its strategy, the Executive Board decided in the summer of 2014 to make the area of Sustainability/Corporate Responsibility an independent corporate division that will report to the Chief Human Resources Officer. The themes that are part of the sustainability strategy are being translated into binding objectives in the business and corporate units and implemented there.

Sustainability, innovative capability, and efficiency form the strong foundation of business success for our three segments Nutrition & Care, Resource Efficiency, and Performance Materials. Evonik's most important raw material is, and will remain, the knowledge in the minds of our approximately 33,000 employees all over the world. Thanks to their full commitment, strong sense of responsibility, and courage to create, our employees work to provide products and solutions that make the lives of many people healthier, simpler, and safer. Every day, our employees make sure that at Evonik sustainability is not simply an aspiration but a promise—a promise to be fit for the future.



Klaus Engel,
Chairman of the Executive Board



Thomas Wessel,
Chief Human Resources Officer

RESPONSIBILITY IN FIGURES

Can the social, environmental, and economic aspects of responsible behavior be measured? We think they can

5.85 million

METRIC TONS of hazardous waste were transported by Evonik Industries in 2014—without any incidents as defined by the chemical industry's uniform Responsible Care criteria. [p. 97](#)

9

PERCENT is the proportion of renewable raw materials in the basic chemicals used for production at Evonik. [p. 79](#)

8

PERCENT is the average annual increase of Evonik's investments in R&D since 2009.

[p. 61](#)

14,000

PEOPLE visited the Marl plant on the Day of Chemistry in 2014. Evonik promotes dialogue with its neighbors and interested members of the public all over the world. [p. 102](#)

21

PERCENT was the decrease in greenhouse gases emitted by Evonik in 2014 by comparison with 2010. During this period, emissions of sulfur oxides decreased by 90 percent, of nitrogen oxides by 58 percent, and of particulates by 69 percent. [pp. 81, 85](#)

2,300

MONTHS of parental leave were taken by Evonik employees in 2014. Initiatives for improving the work/life balance are being implemented for over 95 percent of Evonik employees worldwide. [p. 75](#)

Less than 3

PERCENT of Evonik employees in Germany in 2014 were temporary workers bridging short-term staff shortages. [p. 68](#)

will be saved annually by 2016 through efficiency-boosting measures in production and procurement. [p. 47](#)

€500 million

834 1.2

ACCIDENTS causing absences, per million working hours, were registered by Evonik in 2014. This figure was once again lower than the target value of 1.3. [p. 94](#)

PROJECTS, ORGANIZATIONS, AND EVENTS were supported by Evonik in 2014 through donations and sponsorships. [p. 99](#)

€107,000,000

were invested by Evonik in environmental protection measures in 2014—almost four times as much as in 2013. One reason for this was the construction of numerous new state-of-the-art major plants. [p. 78](#)

Stone by
stone: Building
houses and
team spirit in
Vietnam

LEAVING A LEGACY

When Evonik Talents build houses for families in Vietnam, they create more than new homes



LEFT: The families in Tan Lac District were attentive hosts

ABOVE: The project participants were glad to create something lasting and to watch it grow. They worked on the project with great enthusiasm

Tan Lac District in the mountainous northwest of Vietnam is difficult to access, even by local standards. It's true that this country in Southeast Asia has been experiencing a remarkable economic upswing for more than a decade. However, Vietnam's infrastructure and living conditions can hardly be compared with those of neighboring countries such as Thailand. The inhabitants of the economically underdeveloped Tan Lac District are especially dependent on outside support. In spring 2014, they received just such a helping hand from nearly 70 up-and-coming Evonik Industries professionals. The Corporate Executive Talents—many of them with several years of management experience under their belts and destined for high-powered positions at Evonik—traveled to this remote mountainous region of Vietnam and rolled up their sleeves. They dragged stones, used shovels and bricklayers' trowels, and worked together to raise house walls. In just six weeks, they built six homes for six families. Each of the teams, which

An excellent opportunity to get to grips with values in a very concrete way

came from every region of the world, worked hard for a week in oppressive heat and humidity before passing on the baton to the next team.

The functional houses are only the most visible results of the project. The work also generated a new sense of identification with the employees' own jobs and their employer, team spirit that crossed national boundaries, and lots of inspiration for further work at Evonik. "Besides supporting the local people, our focus was on developing our Talents. We aimed to spur their personal growth by confronting them with a situation outside their comfort zones," says project leader Frank Krüsen from the Executives & Talent Development corporate division, explaining the idea behind the Talent Days. "Instead, we wanted to enrich the development of our talented employees with fresh momentum and to confront our colleagues with a situation that was outside their personal comfort zone."

Evonik found the right partner for this project: the international aid organization Habitat for Humanity, which has set itself the goal of putting roofs over the heads of people who are experiencing difficult situations in their lives. The joint project created lasting impressions for its participants from Evonik, as evidenced by many positive and very personal feedback messages. So it's no wonder that the company soon decided to continue this unusual combination of personal development measures and socially beneficial work with another group of Executive Talents in 2015.

Performers, Potential, Perspectives

SUSTAINABILITY is a major concern of Evonik's Talent Management. High-potential employees worldwide are identified and prepared for future management tasks through diverse development formats. The consideration of ethics, values, and personal behavior plays an important role in this process. Here they can deal in a personal and concrete way with value-related issues.



LEFT: These local people are looking forward to a new home...

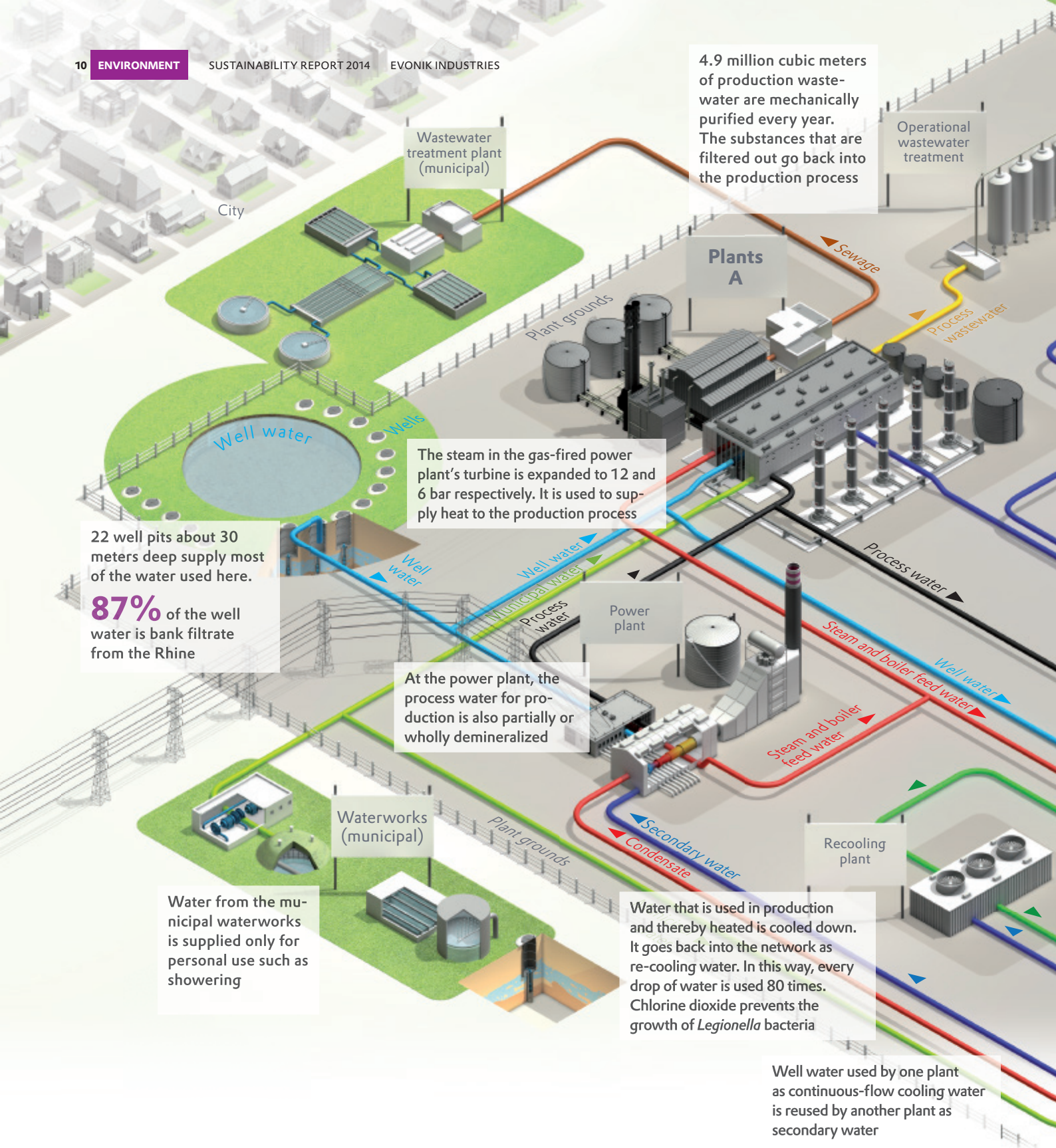
BELOW: ...and the Evonik managers are enjoying their active work in a new environment



In Vietnam, the managers' muscle power was the main requirement

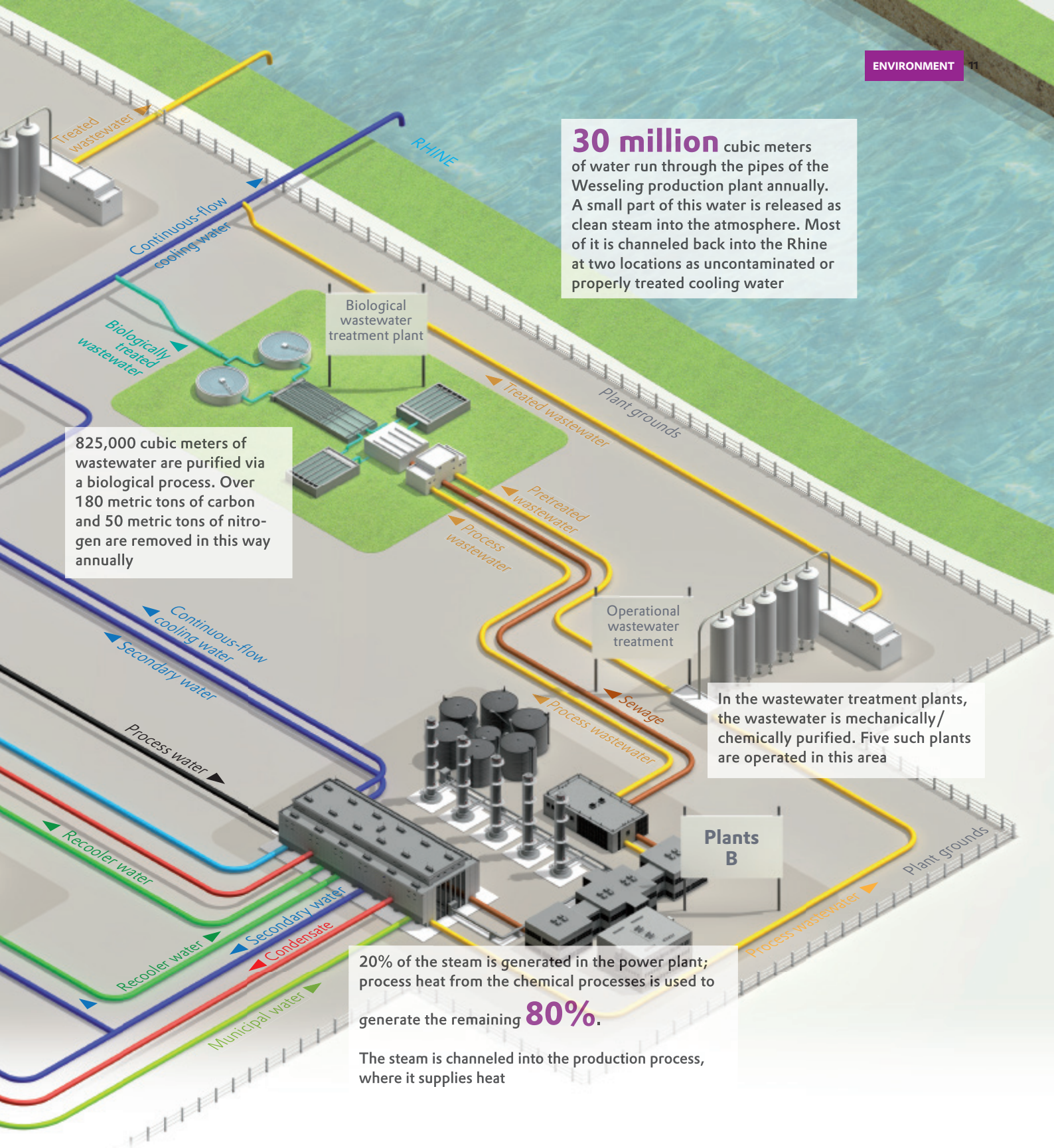
Evonik CEO Dr. Klaus Engel, who stopped by in Vietnam to witness the construction efforts and experience the team spirit for himself, is also fully convinced of the project's benefits both for the local Vietnamese community and Evonik's top performers. "The project in Vietnam marks a personal achievement for our promising professionals and represents a wonderful opportunity for them to get to grips with the Group's values in a very individual, hands-on way," he said. Six new homes in the north of Vietnam testify to the visible success of this idea. Other homes will follow in 2015.

► **MORE ABOUT OUR TALENT MANAGEMENT PROGRAMS ON P. 69 FF.**



HOW WE TREAT OUR WATER

Chemical plants like the one in Wesseling, Germany, need huge amounts of water. Thanks to sophisticated closed-circuit systems, not a drop of it is wasted



30 million cubic meters of water run through the pipes of the Wesseling production plant annually. A small part of this water is released as clean steam into the atmosphere. Most of it is channeled back into the Rhine at two locations as uncontaminated or properly treated cooling water

825,000 cubic meters of wastewater are purified via a biological process. Over 180 metric tons of carbon and 50 metric tons of nitrogen are removed in this way annually

In the wastewater treatment plants, the wastewater is mechanically/chemically purified. Five such plants are operated in this area

20% of the steam is generated in the power plant; process heat from the chemical processes is used to generate the remaining **80%**.

The steam is channeled into the production process, where it supplies heat

Clean water is a valuable commodity. For a chemical plant, it's also an indispensable medium for production, cooling, heat transport, and energy generation. At the Wesseling chemical plant, Evonik Industries is demonstrating how responsibly it manages its use of water today. Specifically, thanks to ultramodern closed-circuit systems that use state-of-the-art technology, it deals sparingly with this precious substance at a production location that needs large quantities of water and has evolved over a long period of time. The plant needs 3.6 million liters of water on average during every hour of operation. Evonik uses this water responsibly and returns it, purified in line with very

strict standards, into the natural water cycle. The entire process is continuously monitored and regularly checked by the responsible authorities without previous notification. By using water multiple times, Evonik is pursuing environmental and economic targets. Over 99 percent of the demineralized water is fed with secondary water, and 80 percent of the feed water production comes from the plants' reused condensate. Thanks to a process developed by Evonik employees, the plant needs only the water from already existing wells and has not had to drill any new well pits.

► MORE ABOUT THE SUBJECT OF WATER ON P. 85 FF.

A BETTER RECIPE

Amino acids for optimized animal feed are in demand all over the world —and they are an important key to more sustainable food production



Thomas Kaufmann, an expert on sustainable animal husbandry, is increasingly working in Asia

Evonik Industries is expanding its production of feed additives all over the world. In an interview, Dr. Thomas Kaufmann, a sustainability expert in this segment of Evonik, explains why amino acids for animal feed are not only good business but also the key that will enable us to sustainably feed the world's growing population.

Mr. Kaufmann, what do amino acids have to do with sustainability?

A lot. Evonik produces the four most important amino acids for animal feed: methionine, lysine, threonine, and tryptophan. Neither animals nor people can survive without these naturally occurring components of proteins. As a precisely dosed animal feed additive, amino acids ensure that pigs, chickens, and other livestock metabolize their feed more efficiently. That's good for the animals,

and it also enables us to produce meat, fish, eggs, and milk more sustainably from the ecological, economic, and social perspectives.

How, exactly?

If the distribution of the amino acids in the feed is not optimal, the animals excrete some of the feed without digesting it. As a result, the yield of precious agricultural land is wasted. If we increase the proportion of protein in animal feed by adding soy or fish meal, it places an additional burden on fields or fish stocks. The targeted addition of amino acids can prevent that and help us safeguard the food supply of the growing global population. Because protein-rich feed is becoming more expensive, we are reducing the costs for farmers as well, whether they are keeping ten animals or 10,000. But above all, we are decreasing climate-threatening emissions, water consumption, the amount of agricultural land that is needed, and the acidification and fertilization of soil and bodies of water.

How great are the savings?

The worldwide production of methionine alone releases about 20 million hectares of agricultural land, or 1.5 percent of the world-wide total, for other uses. Independent studies have also shown that in hog production, for example, the optimal use of amino acids in animal feed can reduce CO₂ emissions by up to 15 percent, water consumption by 20 percent, and nitrogen excretion by almost 40 percent. These figures have also thoroughly convinced organizations such as WWF and the Food and Agriculture Organization of the United Nations (FAO). Both of these organizations believe that the targeted use of amino acids as feed additives is a key to more sustainable animal husbandry.

Is this message also convincing the market participants?

Absolutely. Nonetheless, the targeted use of amino acids still depends on the market prices of protein-rich animal feed such as soy and fish meal. These prices are growing and thus making our solution more attractive. Feed producers are using software that incorporates the current prices in their recipes. But as environmental considerations gain in importance, and the more strongly governments regulate factors that affect the environment, the more our amino acids can exploit their advantages. That's why we have developed a tool of our own: AMINOFootprint® searches for the optimal recipe for our customers, using environmental indicators, among other things.

Evonik is expanding its production all over the world. However, its biggest investment has been in methionine production in Asia. Why is that?

This is where the population is growing rapidly and a middle class with high purchasing power is growing even faster. Eating habits are changing here, and so is people's awareness of the need for sustainability. Both of these factors mean that the agricultural sector in Asia is facing huge challenges. From our production location in Singapore, we are delivering our response to these challenges to every corner of Asia. But we are also expanding our amino acid production facilities all over the world. After all, the market for animal feed is global—and that makes it all the more challenging to feed nine billion people sustainably in the future.



CREATING A CULTURE OF SAFETY

In order to reduce its accident figures to zero, Evonik is striving to transform its safety culture. Group-wide guiding principles for safety aim to help employees work even more safely

The Group-wide accident figures at Evonik Industries speak for themselves. Statistically speaking, in 2000 there were eight accidents involving lost work time per million working hours, but in 2014 there were only 1.2 accidents in this category. That represents a decrease of 85 percent. Nonetheless, Evonik doesn't intend to rest on these laurels. "If we were to slacken our efforts, there's a high probability that our accident figures would rise again very quickly," says Dr. Rainer Kohlen, the Head of Occupational and Plant Safety at Evonik.

That's because this success has not been a coincidence. In recent decades, Evonik has energetically promoted safety precautions in its employees' daily work worldwide, first in the area of technology and then at the organizational level. "We've now reached the point where we have to influence the employees' behavior in order to prevent future accidents," explains Kohlen. After all, he points out, today between 70 and 80 percent of all accidents are ultimately due to human error. Accordingly, it will be difficult to make further progress without strengthening the safety consciousness of employees and managers alike.

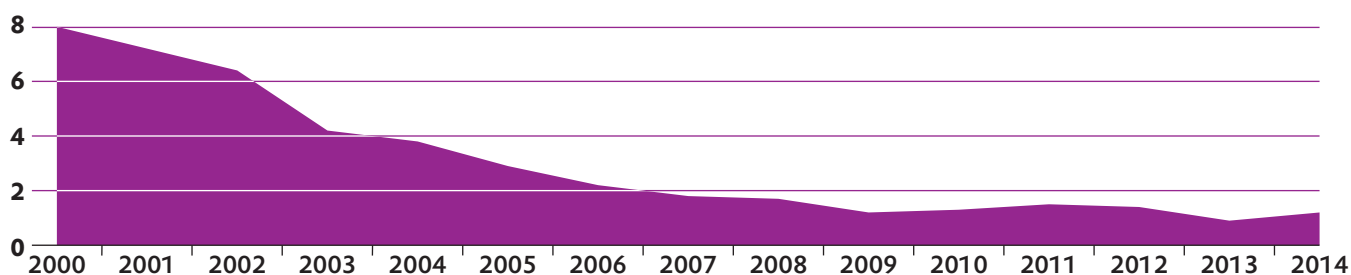
This is why Evonik developed a new set of Group-wide guiding principles for safety and introduced them in 2014. Practical principles for all employees' behavior in the workplace were derived from these guidelines. The team of occupational



safety experts proceeded systematically and included the workforce in their activities from the very start. In workshops organized all over the world, employees from all units met in groups representing all functions and positions in order to describe and analyze their personal experiences with safe and unsafe behavior. "We compiled their ideas into a set of principles of behavior, which now form the basis of an active culture of safety at our Group," says Kohlen. "These principles are expressed in a list of things that absolutely must be done and a list of things to avoid. These lists apply to all of our employees." A vivid presentation format is helping to firmly establish these basic principles in daily work and in the employees' minds. "A culture of safety is all about having the right mindset," Kohlen

TARGET: ZERO ACCIDENTS

In 2000 there were still eight accidents per million work hours at Evonik. Today that figure is slightly above one





Use safety helmets

**Right mindset:
At Evonik, technical safety
alone isn't enough**



**Teamwork:
Coworkers are
responsible for
one another**



Use safety goggles

explains. Special campaigns and events are helping to foster this culture. The Group strongly urges employees to copy safe behavior. Successful campaigns and improvements are collected and passed on. A monthly newsletter focuses on current safety measures and derives lessons from any accidents that may have recently occurred.

Employees are also encouraged to report and investigate near-misses. The lessons learned from them help to prevent actual accidents. The Group also wants all of its employees to be aware of the risks harbored by their work environment and to deal responsibly with them. Employees who find potential accident sources are obligated to actively deal with them before their colleagues are exposed to danger. The same applies to anyone who sees a supervisor acting in an unsafe manner.

"It's important for employees to honestly examine their own behavior and to actively include their management teams," says Kohlen. Evonik is putting special emphasis on the latter requirement. After all, it's the managers who are responsible for creating a culture in which safety, and not key business performance indicators, is clearly the paramount issue at every meeting and in every project.

► **MORE ABOUT SAFETY AND HEALTH PROTECTION ON P. 92 FF.**

MEASURING EVONIK'S CARBON FOOTPRINT

By measuring Evonik's carbon footprint according to international standards, the Group is taking on responsibility for its entire value chain

The production process of a chemical company is only one part of a much longer value chain. Resources are consumed and emissions are generated all along the chain, from plant construction to the procurement of energy and raw materials, from transport to the ultimate disposal of products, and from employees' daily commutes to business trips all over the globe. Companies face a huge challenge when they have to precisely calculate the volume of greenhouse gases they emit at various points along their entire value chain. Evonik Industries is using an internationally recognized process to address this challenge.

Internationally recognized standards

Protection of the climate and the environment is a core aspect of Evonik's sense of corporate responsibility. That's why the Group has published a detailed balance sheet of its greenhouse

gas emissions—the Evonik Carbon Footprint (ECF)—since 2008. This report documents the development of the Group's direct and indirect greenhouse gas emissions. In addition to the emissions from Evonik's own production plants, the report also evaluates categories such as purchased energy and raw materials, transport, business trips, production waste, and the disposal of sold products. Moreover, selected Evonik products are examined in order to show which emissions can be avoided by using these specific products instead of standard products that are established on the market.

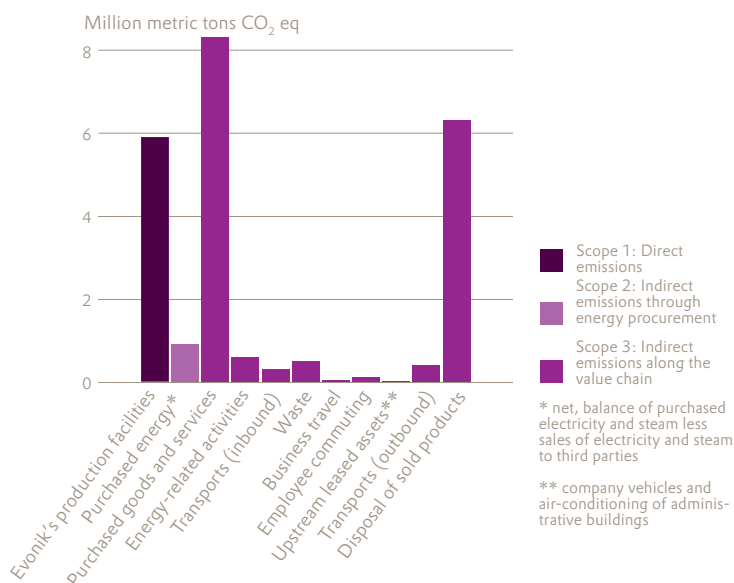
The balance sheet is drawn up for key selected categories along the value chain in accordance with the internationally recognized Greenhouse Gas Protocol Corporate Standard (GHG protocol) of the World Resources Institute and the World Business Council for Sustainable Development.

"More than two thirds of the greenhouse gas emissions are generated not within the Group's own locations but elsewhere along the value chain," says Guido Vornholt from the Life Cycle Management Group, which is responsible for documenting Evonik's greenhouse gas emissions. "By publishing the Evonik Carbon Footprint, the Group is not only making its greenhouse gas emissions transparent but also taking on responsibility for the entire value chain."

Voluntary Compliance

EVONIK has participated in the voluntary Carbon Disclosure Project (CDP) since 2012. On behalf of investors, the CDP annually compiles companies' operating data and information about their climate-relevant emissions, reduction targets, and strategies. Evonik has significantly improved its CDP assessment since 2012 through measures such as energy efficiency-boosting programs and the implementation of climate responsibility at the Executive Board level.

Evonik Carbon Footprint 2013



Evonik is getting young people interested in careers in the chemical industry by making apprentices such as Kayee Wong the ambassadors of its new, vocational training campaign

After graduating from secondary school, Kayee Wong started her chemical lab assistant vocational training in 2013

A WORLD OF OPPORTUNITIES

Kayee Wong, a chemical lab assistant apprentice at the Evonik facility on Goldschmidtstraße in Essen, isn't used to being in the spotlight. But that changed very fast when the Group started its new training campaign in 2014. Since then Wong, who was born in Hong Kong 20 years ago, has been one of nine young Group ambassadors who are promoting career paths in the chemical industry. She enjoys this sign of recognition and is only too happy to share her enthusiasm for the natural sciences.

Ms. Wong, what's the special thing about the new vocational training campaign, in your opinion?

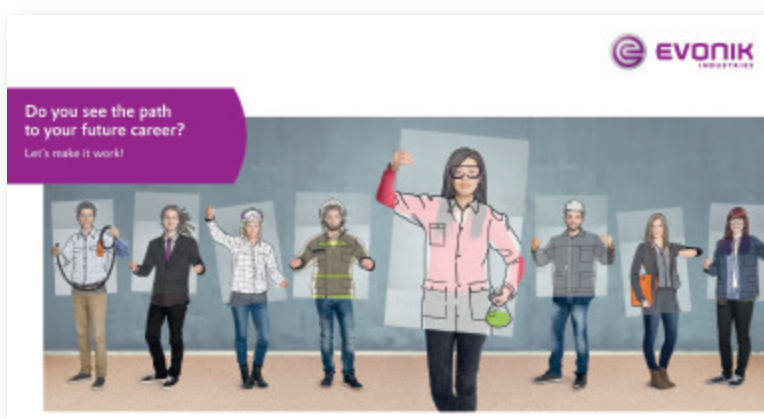
Many pupils don't even know what kind of diversity awaits them in a global company like Evonik. Through the slogan "Let's make it work!" we want to show that Evonik offers young people many opportunities to start a career after they graduate.

What has your own career path been like so far?

During my training I'm getting to know many different areas, and I've developed not only in terms of my skills and knowledge but also personally.

Why did you join this campaign?

I think it's great that we apprentices are being allowed to represent our vocational training ourselves. We haven't been stuck in any costumes, but instead we've been able to show what we're learning during our trainings. A chemical lab assistant's work is incredibly interesting and multifaceted. I hope we'll be able to infect others with our enthusiasm.



From process engineers to firefighters: Apprentices from six locations and nine occupational groups worked in the new campaign "Do you see the path to your future career? Let's make it work!"

What was it like to stand in front of the camera?

First they photographed me in everyday clothes, then in a lab coat. In the finished campaign material you can see the lab coat only as a blueprint. The message behind this format is that we're taking our future into our own hands. It was really exciting to get to know the other apprentices from various Evonik locations at the photo shoot and get insights into the work they're doing.

► MORE ABOUT VOCATIONAL TRAINING ON P. 70 FF.

SUSTAINABILITY ON THE ROAD

Materials from Evonik have long been improving automobile construction—especially when it comes to boosting resource-saving mobility

Besides enhancing comfort and increasing safety, every new generation of vehicles in the automobile market has also grown in terms of weight. For example, in the early 1980s an average midrange model weighed half a ton less than a comparable vehicle from 2010. This is a trend that should be stopped—without making any sacrifices in terms of equipment, comfort or safety. Customers' environmental awareness and the legal upper limits for emissions are the drivers of a real "dieting trend" in the automotive sector. Lightweight yet high-performance composite materials are increasingly replacing steel in automobile bodies and chassis. Extremely durable plastics are doing the same in engines, transmissions, and exhaust systems. And the know-how of Evonik Industries is helping to make it all possible.

Nonetheless, lightweight construction alone is not enough to make individual mobility and automobile design more sustainable. The smart use of materials is also helping to lengthen the life of structural components, make vehicles more recyclable, and focus on sustainability when choosing raw materials. For example, thanks to special additives car paints can now be used more sparingly and with less environmental impact, even as they protect vehicles from wear and tear more effectively. Other components are produced directly from renewable raw materials. Sophisticated chemistry in tires and lubricants directly helps to save on fuel. LEDs in smart headlights and PLEXIGLAS® in automotive glazing that improves interior air quality enhance comfort while reducing the load on batteries and air conditioning systems.

Today about a third of the materials in cars already come from the toolbox of modern chemistry, and this proportion is increasing. Thanks to its fresh new look at the big picture and its innovative and detailed expert solutions, Evonik is driving this trend toward greater sustainability in every aspect of automobiles.

► MORE ABOUT OUR PRODUCTS FOR HELPING CONSERVE RESOURCES ON P. 47 FF.

WINDSHIELD

PLEXIGLAS® is an appropriate material for lighter windshields as well. Special additives help to make gluing and coating processes extremely safe

ENGINE

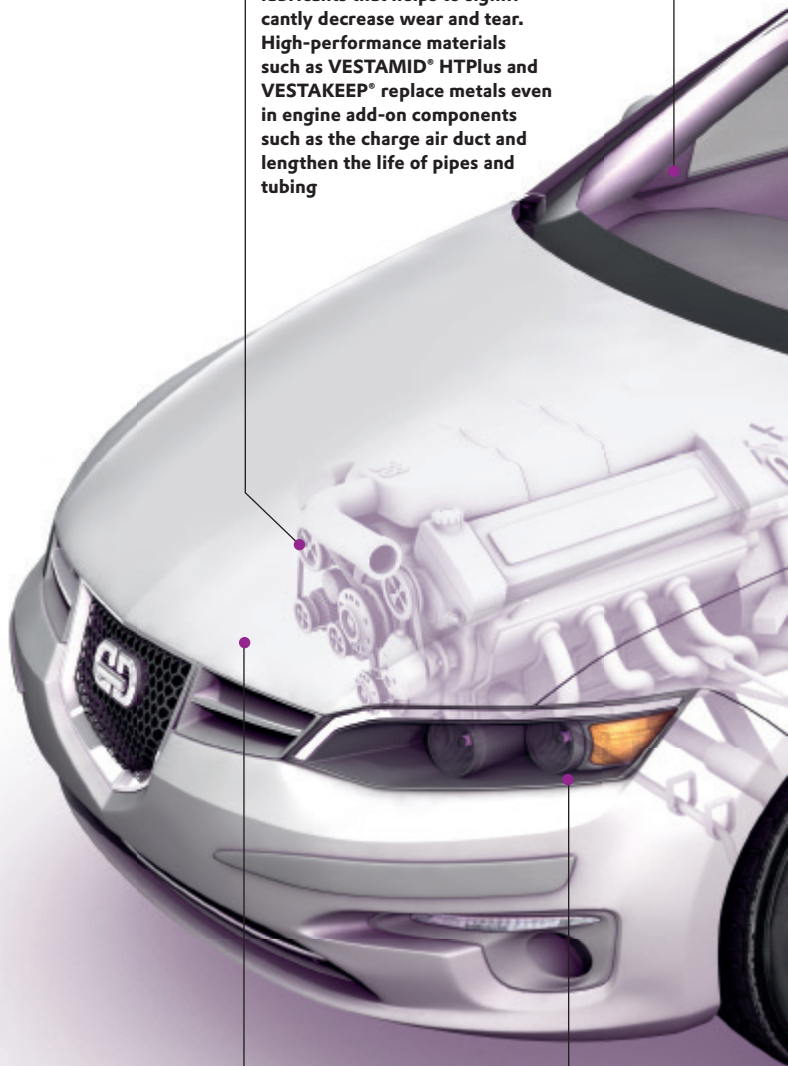
VISCOPLEX® is an additive in lubricants that helps to significantly decrease wear and tear. High-performance materials such as VESTAMID® HTPlus and VESTAKEEP® replace metals even in engine add-on components such as the charge air duct and lengthen the life of pipes and tubing

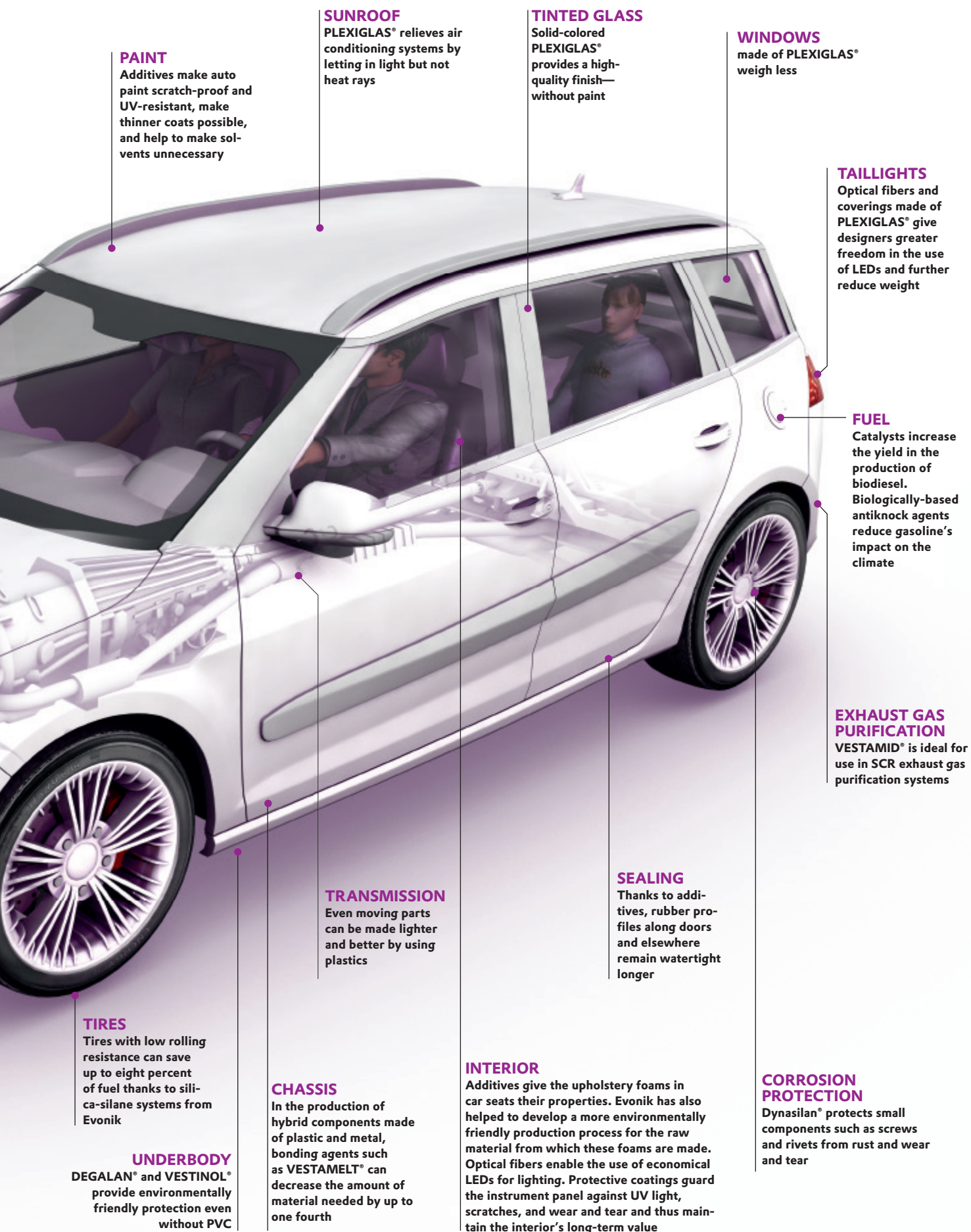
BODY

Composite materials, such as those in sandwich construction with a ROHACELL® core, replace heavy sheet metal

HEADLIGHTS

Lenses and housings made of PLEXIGLAS® make it possible to optimally illuminate the road ahead with LED headlights—and to help save energy and reduce weight. Light-guiding elements made of PMMI give the vehicle's "face" a style of its own



**PAINT**

Additives make auto paint scratch-proof and UV-resistant, make thinner coats possible, and help to make solvents unnecessary

SUNROOF

PLEXIGLAS® relieves air conditioning systems by letting in light but not heat rays

TINTED GLASS

Solid-colored PLEXIGLAS® provides a high-quality finish—without paint

WINDOWS

made of PLEXIGLAS® weigh less

TAILLIGHTS

Optical fibers and coverings made of PLEXIGLAS® give designers greater freedom in the use of LEDs and further reduce weight

FUEL

Catalysts increase the yield in the production of biodiesel. Biologically-based antiknock agents reduce gasoline's impact on the climate

EXHAUST GAS PURIFICATION

VESTAMID® is ideal for use in SCR exhaust gas purification systems

TRANSMISSION

Even moving parts can be made lighter and better by using plastics

SEALING

Thanks to additives, rubber profiles along doors and elsewhere remain watertight longer

TIRES

Tires with low rolling resistance can save up to eight percent of fuel thanks to silica-silane systems from Evonik

CHASSIS

In the production of hybrid components made of plastic and metal, bonding agents such as VESTAMELT® can decrease the amount of material needed by up to one fourth

INTERIOR

Additives give the upholstery foams in car seats their properties. Evonik has also helped to develop a more environmentally friendly production process for the raw material from which these foams are made. Optical fibers enable the use of economical LEDs for lighting. Protective coatings guard the instrument panel against UV light, scratches, and wear and tear and thus maintain the interior's long-term value

CORROSION PROTECTION

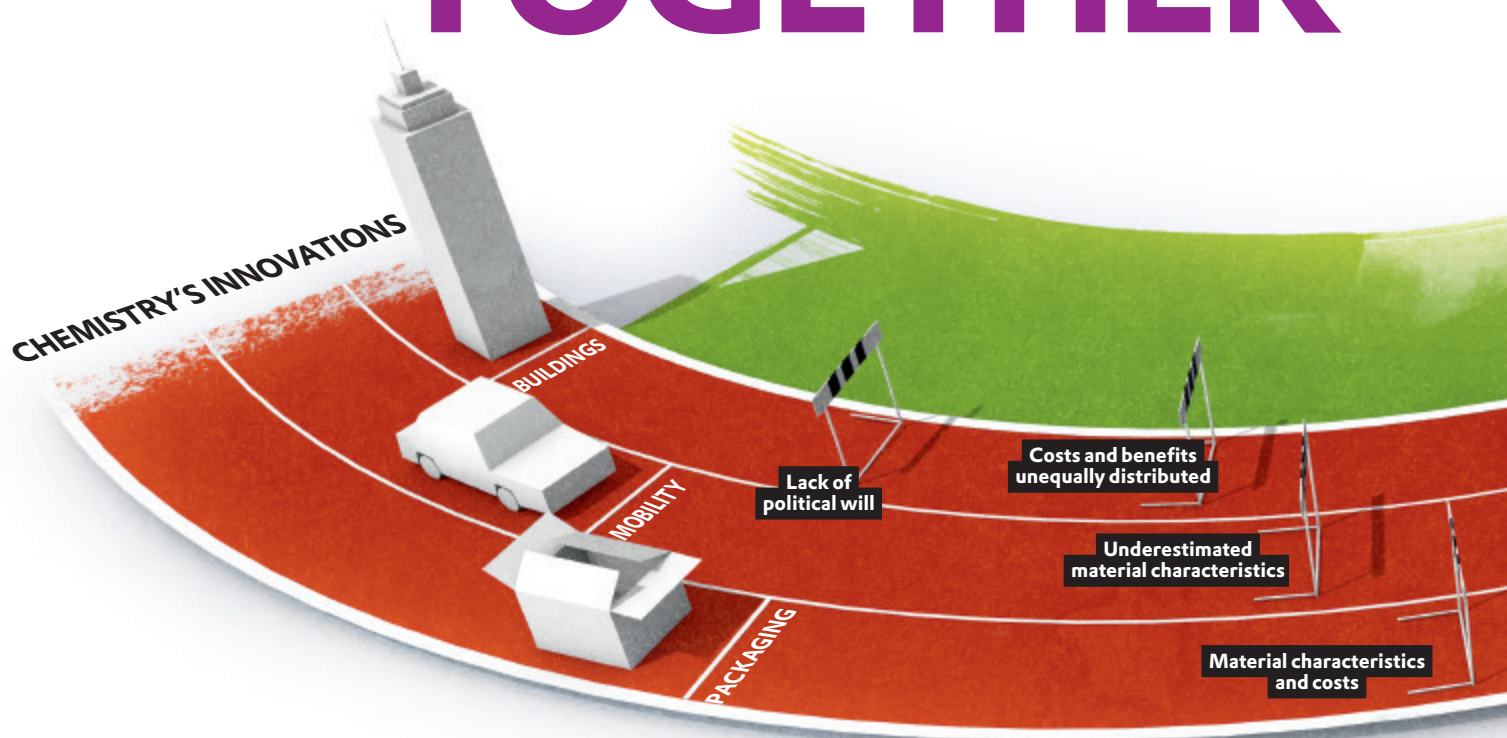
Dynasilan® protects small components such as screws and rivets from rust and wear and tear

UNDERBODY

DEGALAN® and VESTINOL® provide environmentally friendly protection even without PVC

An international initiative of leading chemical companies aims to help new technologies make breakthroughs faster. The goal is to achieve sustainability through innovative chemistry by 2050

TAKING HURDLES TOGETHER



According to an old German saying, better is the enemy of good. But in most cases it's really the other way around. It's very hard to replace a long-established solution with a better one. Far too often, inertia wins out. That also applies to technologies that are already mature enough to make our daily lives much more resource-efficient and sustainable. However, a joint initiative of leading chemical companies is about to change all that. Reaching Full Potential (RFP) is the name of their initiative, which is led by Evonik Industries together with AkzoNobel, DSM, and Solvay. The working group includes eight other chemical companies as well as the European and international sector associations. All of these entities are members of the World Business Council for Sustainable Development, the most important global industrial organization of its kind.

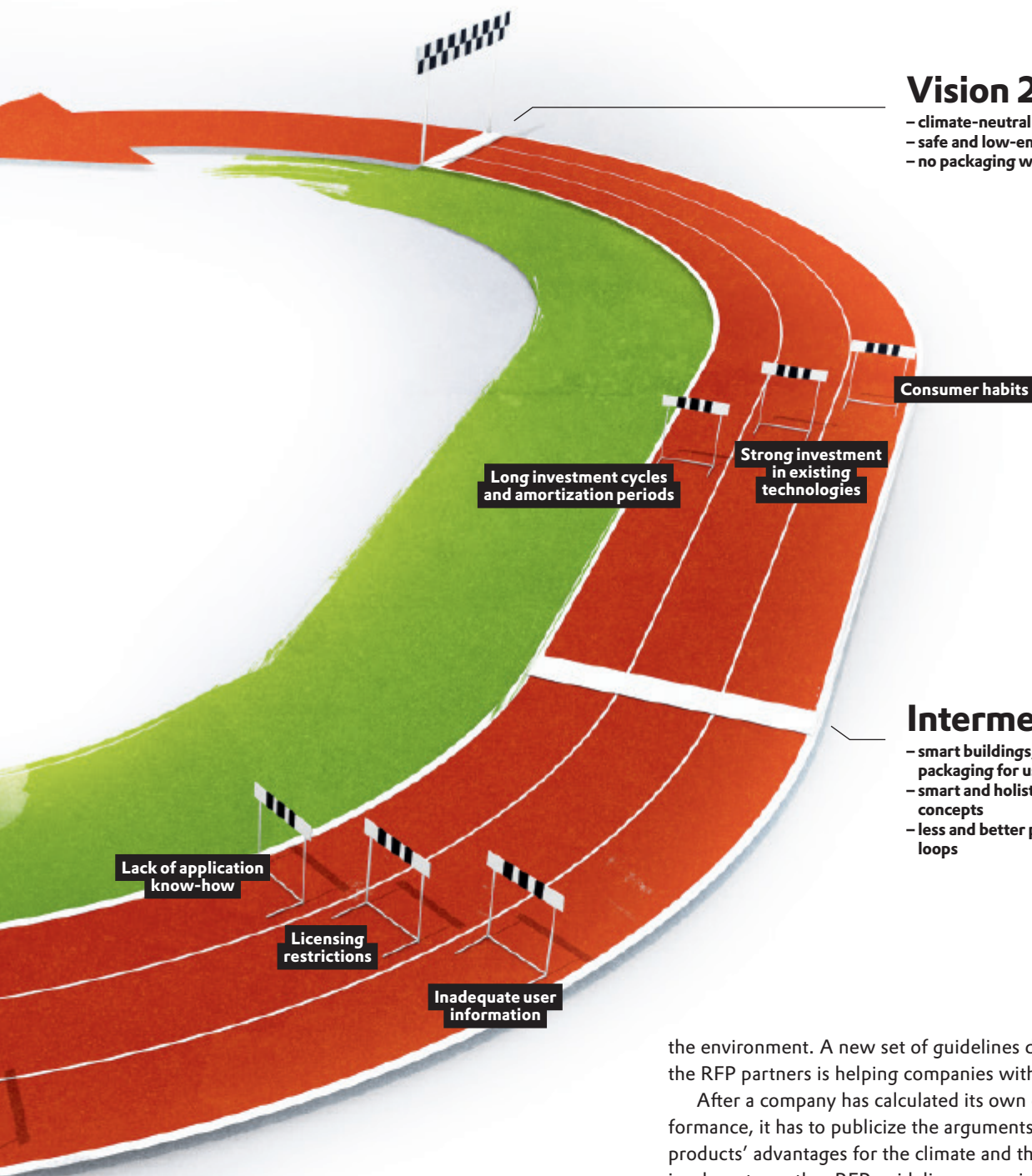
Chemie³—with 12 Practical Guidelines for More Sustainability

AS A LEADING CHEMICAL COMPANY, Evonik is active in Chemie³, a joint initiative of the German Chemical Industry Association (VCI), the Mining, Chemical and Energy Industrial Union (IG BCE), and the German Federation of Chemical Employers' Associations (BAVC). In 2013 the three partners in this alliance joined forces to further the cause of sustainability as a guiding principle in the chemical industry. The core of Chemie³ is a set of 12 guidelines that help companies and their employees orient themselves in their daily work. These guidelines were formulated in a dialogue with representatives of society, government, science, and business. As a result, they reflect the social, ecological, and economic dimensions of genuine sustainability.

You can find out more at www.chemiehoch3.de

Vision 2050

- climate-neutral buildings as standard
- safe and low-emission mobility
- no packaging waste



Intermediate goals

- smart buildings, energy-conserving packaging for users
- smart and holistic transportation concepts
- less and better packaging, closed loops

The “full potential” aimed at by the initiative refers to the sustainability that can be achieved with the toolkit of the chemical industry—and the specialty chemicals segment in particular. The goal is to get downstream industries on board so that the market launch of innovations can be speeded up. Where should this initiative begin? The partner companies want to start with themselves. In an initial step, they have developed common standards for making their own impacts on the climate and the environment transparent and comparable.

What emissions are generated along our value chain, and where? Which environmental factors do our products affect directly, which ones indirectly? All of these questions and more have to be answered if a company wants to honestly represent and convincingly market an innovation’s utility for people and

the environment. A new set of guidelines developed jointly by the RFP partners is helping companies with these efforts.

After a company has calculated its own environmental performance, it has to publicize the arguments concerning its own products’ advantages for the climate and the environment. This is where two other RFP guidelines come into play. How should one measure the prevention—in other words, the absence—of CO₂ emissions? What assumptions are appropriate? A house that is insulated with state-of-the-art materials from Evonik saves on heating energy and thus lowers its CO₂ emissions. But is it fair to compare this house with an uninsulated house from the 1950s? Or with a moderately insulated house from the 1970s? There are RFP guidelines for that as well. For example, the objects to be compared must correspond to an average that is customary in the trade and they must be currently available on the market. And here too, their effects are observed across the entire lifetime of the product—from the extraction of the raw materials to the product’s disposal or recycling. RFP’s next guideline will also make the social effects of products and technologies measurable and comparable—and thus provide further arguments to help “better” win out over “good” in the end.

► MORE INFORMATION AT WWW.WBCSD.ORG/CHEMICALS.ASPX

"WIDE-AWAKE COMMUTERS"

Evonik prevents accidents by also encouraging cautious behavior outside the workplace

Safety doesn't stop at the plant gates



Safety first—for many Evonik employees, this principle has long been part of their mindset. And the accident statistics at Evonik Industries have been decreasing for years. However, the accident figures for Group employees traveling to and from work are not so positive. As a result, Evonik launched a campaign in 2014 to raise its employees' awareness of safety issues outside the job as well. Dr. Rainer Kohlen, Head of Occupational and Plant Safety in the Corporate ESHQ Unit, explains the concept behind the campaign.

Why is Evonik now increasingly addressing commuting accidents in addition to occupational safety?

Ever since we began keeping track of our Group-wide accident figures, the graph line for accidents on the job has steadily curved downward. By contrast, our commuting accidents have remained at roughly the same level for years. What's more, commuting accidents are generally more far-reaching than accidents on the job. For example, in many cases an auto accident, a fall from a bike or a motorcycle crash will have serious consequences that lead to a long absence from the job. Through this campaign we want to show our employees that our concern for their health doesn't end when they shut the plant gates behind them.

But doesn't a company have only very limited opportunities to increase its employees' safety as they commute to and from their jobs?

Of course we have only a limited amount of influence on our employees' behavior when they're on the road. But we hope that our campaign is raising their awareness of potential risks. We want our employees to be wide awake, with all their senses alert, as they come to work and travel back home. That's why we've called on them to describe the route they take to work, emphasizing potential danger zones. This process of judging risks has revealed some very telling information. For example, the employees at one of our locations reported that the view of a right-of-way sign near their plant was blocked. At another location, employees pointed out that a bike path had been overgrown by brushwood. In these cases we took action as a company. We got in touch with the respective municipalities, and in the case of the bike path we sent our gardeners to clear the path and make it safely passable again.

How can Evonik also encourage its employees to take on more personal responsibility for their own safety?

We've organized various join-in campaigns at many of our locations. During these "action days" the employees could, for example, cycle through a skills route for bike riders or have the roadworthiness of their cars checked by the German motor club ADAC free of charge. We also organized a very informative "action week" focusing on seat belt requirements. The employees responded very well to these activities, and I'm sure that quite a few of them rethought their attitude toward safety. But we're not going to stop there. In the years ahead we will continue to offer these kinds of activities.



► MORE ABOUT SAFETY AND HEALTH PROTECTION ON P. 92 FF.

Evonik has a long tradition of training and employing young people at its plants in Germany and abroad, in large part thanks to the commitment of many local employees. For example, during Girls' Day in Germany young girls get to know about the possible careers that are open to them in the chemical industry. The Evonik Foundation offers scholarships for up-and-coming researchers. And the Group's Young Spirit initiative is already getting children in kindergartens and primary schools enthusiastic about the natural sciences.

OPENING UP OPPORTUNITIES

A career without college? In Hopewell, Virginia, USA, Evonik is preparing high school students for attractive jobs with a great future—even without a college degree

Many high school students in the USA consider college the safest route, or even the only route, to a really good job. However, only 30 percent of students actually graduate from high school. And today even high school graduates are increasingly ending up without jobs, in most cases with huge college tuition debts. But Evonik Industries is committed to making sure that it's possible to also have a career without a college degree.

At the Evonik plant in Hopewell, Virginia, there are challenging and well-paid jobs that don't require a high school diploma. To prepare high school students to take on one of these jobs, Evonik has set up a program called "Job Shadowing." In this program, high school teachers follow Evonik employees around as they go about their jobs. Maurice Brown, a math teacher at the Carter G. Woodson Middle School in Hopewell, was one of these teachers. During the program he learned about Evonik's technologies and products, such as foams for car seats and the ingredients of shampoos for personal care. "Evonik manufactures many products that we use every day," says Brown, who is impressed by his experiences. As an ambassador for the Group, he is disseminating this message in his classroom. He also conducts tours of the plant for his students and explains to them what he has learned there about science, engineering, and technology. The program's objective is to give young

people a realistic picture of the opportunities and challenges of the working world and encourage them to think about their future careers. "We want to get the students enthusiastic about science and technology so that they develop an interest in careers in our sector," says Philip Munson, the director of the Hopewell plant.

Evonik has operated in Hopewell for over 30 years, and more than 100 employees work at the local plant. Evonik is running the "Job Shadowing" program not only for the benefit of its neighbors in the region but also for its own advantage. Many young people have only vague ideas about careers in industry, so they often believe that entering college is their only option. They have no idea that they can find good jobs in their own home towns and stay in their familiar environment. Companies feel the consequences of such decisions, as there is often a shortage of well-qualified young workers, especially in areas outside the big cities. "By getting involved at the local level and pointing out future perspectives, Evonik is making an effort to attract young job applicants, win their loyalty, and ensure a reliable supply of well-qualified employees," says Munson. That's good for the company, good for Hopewell, and good for the young people in the neighborhood.

► MORE ABOUT OUR EDUCATIONAL PROJECTS ON P. 100 FF.

A different kind of learning: Hopewell high school students find out about the local Evonik plant



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Sustainability management

Evonik's strategic focus ✓

Business model

Strong market positions, sustainable business activities, responsible action

Evonik is one of the world's leading specialty chemicals companies. We concentrate on high-growth megatrends, especially health, nutrition, resource efficiency and globalization. Our strengths include the balanced spectrum of our business activities, end-markets and regions. Around 80 percent of sales come from market-leading positions, which we are systematically expanding. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers.

Our specialty chemicals products contribute to the success of our customers in global competition. Close cooperation with them enables us to build up a deep knowledge of their business, so we can offer products tailored to their specifications and extensive technical service. Our technology centers and customer competence centers play an important role in this. We also have a focus on our customers' customers.

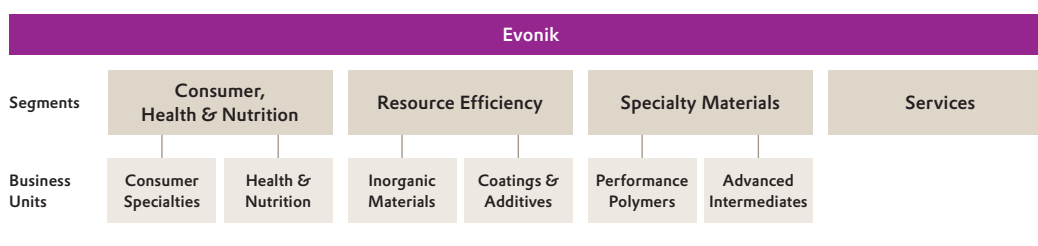
Market-oriented research and development is a key driver of profitable growth. We are strong in innovation and have efficient research. This is based on our strong innovation culture, which is rooted in our innovation management and management development.

We are convinced that sustainable and responsible business activities are vital for the future of our company. In keeping with this, Evonik accepts responsibility worldwide—for its business, its employees, the environment and society.

Corporate structure

Operationally, our specialty chemicals business is aligned to global megatrends that have the potential to give us access to future-oriented markets and generate profitable growth. Until December 31, 2014, this business was grouped in three segments, each of which had two business units. The Services segment is a cross-site supplier of typical chemicals-related services such as utilities, waste management, logistics and plant management, and standardized administrative services. The Corporate Center supports the Executive Board in its strategic management of the Group.

C01 Corporate structure



Consumer, Health & Nutrition segment

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and healthcare sectors. It comprises the Consumer Specialties and Health & Nutrition Business Units.

Consumer Specialties

This business unit focuses principally on ingredients, additives and system solutions, especially for high-quality consumer goods and specific industrial applications. In particular, it has outstanding knowledge of interfacial chemistry. Its products are based on an extensive range of oleochemical derivatives, organically modified silicones, and active ingredients produced by biotechnology. Key success factors are high innovative capability, integrated technology platforms and strategic partnerships with major consumer goods manufacturers.

Health & Nutrition

The Health & Nutrition Business Unit produces and markets essential amino acids for animal nutrition. It is also a strategic partner for the healthcare industry. Key success factors are years of experience of chemical synthesis and biotechnology, which we regard as key growth drivers for the Evonik Group. Other significant competitive advantages are its global distribution network and extensive and differentiated service offerings.

Resource Efficiency segment

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions mainly for the automotive sector, and for the paints, coatings and construction industries. The megatrend geared to reducing pressure on natural resources is the basis for energy-efficient and environment-friendly products and therefore a key factor in the development of this segment's business. This segment comprises the Inorganic Materials and Coatings & Additives Business Units.

Inorganic Materials

A central feature of the Inorganic Materials Business Unit is its integrated silicon technology platform. Key customers include the tire, electronics, construction and fiber optics industries. This segment's core competency is the production, design and structuring of the specific surface properties of inorganic particles. Its offering is complemented by fumed specialty oxides, chlorosilanes and organofunctional silanes. It also develops and manufactures a broad spectrum of catalysts in close collaboration with customers.

Coatings & Additives

The Coatings & Additives Business Unit supplies high-quality additives to the paints, coatings, adhesives and sealants industries. It also produces high-performance oil additives and additives for hydraulic fluids. Its integrated technology platform for isophorone-based products has been steadily refined over the decades. In addition, Coatings & Additives is closely meshed with Evonik's silicone platform.

Specialty Materials segment

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. This segment comprises the Performance Polymers and Advanced Intermediates Business Units.

Performance Polymers

The Performance Polymers Business Unit produces a wide range of high-performance materials, mainly for the automotive, aviation, electronics and photovoltaic industries. At its heart are integrated technology platforms for methacrylate chemistry (MMA) and polyamide 12. In addition, it manufactures high-performance polymers based on polyetherether ketone (PEEK) and polyimides to meet extremely high-tech mechanical, thermal and chemical requirements. Membrane technology is also developing promisingly.

Advanced Intermediates

Key factors in the success of the Advanced Intermediates Business Unit are advanced chemical processes, which Evonik has developed systematically over decades. This applies in particular for the integrated C₄ technology platform, where C₄ crack is processed into specialties. This business unit has gained access to new growth markets for hydrogen peroxide thanks to its innovative capability. It is a world market leader in alcoholates, which are used as catalysts in the production of biodiesel.

Services segment

This segment comprises Site Services and Business Services. It mainly provides services for the specialty chemicals segments and the Corporate Center, but also serves third parties. The Site Services unit bundles cross-site infrastructure services, such as utilities, waste management, logistics and facility management. Business Services supports the specialty chemicals operations and the Corporate Center by providing standardized administrative services, including IT, human resources, accounting and legal services. The Services segment also includes the Group-wide procurement and engineering operations.

New Group structure

To further improve our scope for profitable growth, we reorganized our management and portfolio structure effective January 1, 2015. In the future, the Executive Board will concentrate on Evonik's strategic development within a management holding structure. This gives the three specialty chemicals segments far greater entrepreneurial independence so they can operate closer to their markets and customers and improve efficiency still further:

- The Consumer, Health & Nutrition segment has been renamed Nutrition & Care and will be managed by the new legal entity Evonik Nutrition & Care GmbH.
- The Resource Efficiency segment will be run by the new legal entity Evonik Resource Efficiency GmbH.
- The Specialty Materials segment has been renamed Performance Materials and will be run by Evonik Performance Materials GmbH.

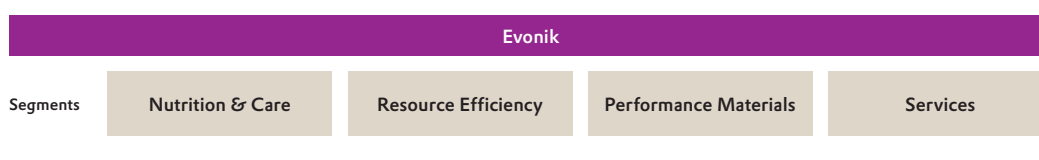
The former business unit level has been eliminated.

The new structure is designed to allow far more differentiated management of the various businesses and more targeted development.

The Nutrition & Care and Resource Efficiency segments operate principally in markets with high margins, growth rates and entry barriers. They offer customers customized, innovation-driven solutions. The aim is to generate above-average profitable growth mainly through selective investments and acquisitions.

The Performance Materials segment has a strong product focus and is characterized by processes that make intensive use of energy and raw materials. Therefore, the main focus is on integrated technology platforms and efficient processes. We want to raise our efficiency and effectiveness further to strengthen these competitive advantages, possibly accompanied by cooperation agreements. In the future, investments will concentrate on securing and extending our good market positions.

C04 Corporate structure as of January 1, 2015



Our sustainability strategy

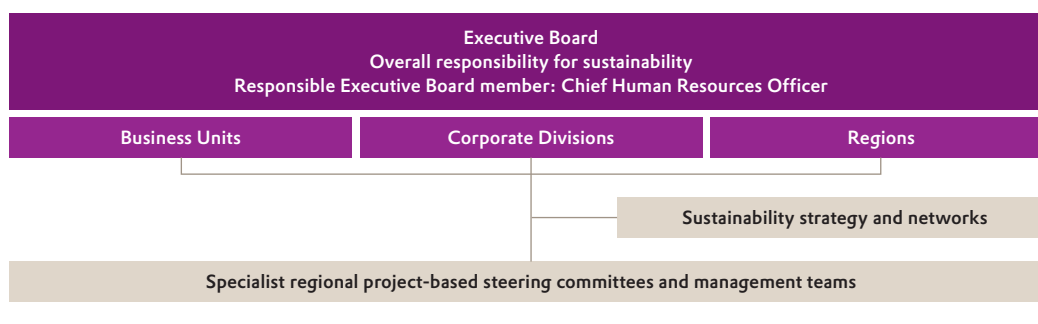
Sustainability is an integral part of our business strategy. Our sustainability strategy takes up the mega-trends identified in our corporate strategy and supplements them with ecological and societal challenges. Evonik aims to make a substantial contribution to sustainable development by developing new products and business models. At the same time, we want to strengthen our leading market positions. In the year under review, we successfully drove forward the sustainability analysis of our business. This analysis was conducted in close cooperation with our operating units and covered the entire value chain of our products. The criteria include aspects such as a lifecycle assessment of our supply chain, production and subsequent use of our products. In this way we are responding to the awareness that sustainability is becoming increasingly significant for the purchasing decisions of our customers and their end-markets. Our goal is therefore to use the results of our sustainability analysis as supplementary information when describing our products and business activities. Through continuous assessment of sustainability aspects, we do not simply want to describe the ecological and societal risks relating to our portfolio, we also want to support the strategic long-term positioning of individual products or businesses.

Sustainability is also firmly anchored in our areas of action for the environment, safety, health (ESH) and our employees. We support the "Vision 2050" of the World Business Council for Sustainable Development (WBCSD). The growth, efficiency and values areas that form an integral part of our corporate strategy are the main way in which we can add economic, ecological and social value.

Central responsibility for sustainability management

The Executive Board bears overall responsibility for sustainability at Evonik and direct responsibility is assigned to the Chief Human Resources Officer. The issues derived from the sustainability strategy are implemented through goals set for the business units and specialist departments. Steering committees use specific performance indicators to manage the attainment of these goals at specialist, regional and project level. The strategy is mainly developed and monitored in the Corporate Center. Where relevant, the management uses the specialist knowledge of expert networks to translate sustainability-related issues into concrete areas of action. As part of Evonik's ongoing strategic development, in summer 2014 the Executive Board decided to establish a separate Sustainability/Corporate Responsibility Division reporting to the Chief Human Resources Officer. Responsibility for climate-change topics is also anchored at Executive Board level.

C02 Sustainability management at Evonik



Alongside reliable and responsible management, social acceptance is a key factor for lasting success on the market. Together with our Code of Conduct, our Global Social Policy (GSP) and Environment, Safety and Health (ESH) Values contribute to responsible corporate management.

In its Global Social Policy, Evonik defines principles of social responsibility to its employees. These include an obligation to comply with internationally recognized standards of conduct such as the International Labor Standards of the International Labour Organisation (ILO) and the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD). Evonik does not tolerate any conduct that violates the OECD Guidelines for Multinational Enterprises. The governments of the OECD member states and other countries have signed these guidelines on how to meet their obligation to ensure responsible corporate conduct. The Global Social Policy states that the company's success and reputation are based fundamentally on the professionalism and commitment of all employees.

By joining the United Nations' Global Compact (UN Global Compact), Evonik gave an undertaking that, within its sphere of influence, it would respect and promote labor rights and human rights, avoid discrimination, protect people and the environment, and fight against corruption.

As a signatory to the chemical industry's Responsible Care Global Charter, we have also given an undertaking that we will continuously strive to improve our performance in health protection, safety, environmental protection and product stewardship. Evonik has 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. We also expect our suppliers to share these principles and accept their responsibility with regard to their own employees and business partners, society and the environment. This is set out in our Supplier Code of Conduct.

Further, as a responsible company we have given a commitment to report regularly on our climate performance as part of the world's largest investor initiative, the Carbon Disclosure Project (CDP). This covers international organizational processes, accountability, and transparent and challenging targets.

Evonik's sustainability management complies with the provisions of the German Sustainability Code.

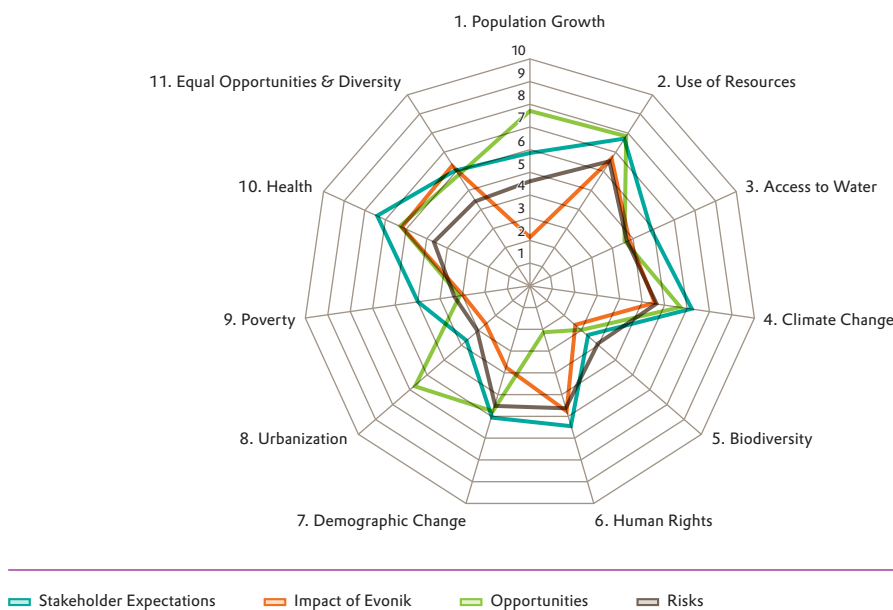
Materiality analyses

In recent years, we regularly conducted materiality analyses within the Evonik Group to identify and evaluate global challenges and analyze our stakeholders' expectations and requirements. The results are used to drive forward our sustainability strategy. They help us identify opportunities and risks in good time so we can respond accordingly. Similarly, they are relevant for defining our significant non-financial areas of action.

In the reporting period, we compiled and analyzed relevant external stakeholder information and derived 31 important topics for Evonik. These are allocated to six areas: corporate and ethical responsibility, employees, safety and health protection, products and production, commitment to society and special challenges and business options. We conducted a global online survey to evaluate the relevance of these topics for specialty chemicals companies. This included economic, ecological and societal aspects. We also conducted a number of talks with external stakeholders. The evaluation confirmed our assessment that safety is a priority for our stakeholders. We have therefore defined safety as a non-financial area of action and integrated it into our processes and targets. Other important issues for our stakeholders are customer satisfaction, innovation, and efficient utilization of scarce resources.

Since we started to reorganize the structure of the Group in 2014, internal consideration and evaluation of these topics was postponed. The following chart therefore reflects the status in 2013. We will complete the materiality analysis in 2015 and prepare to integrate it into our reporting in accordance with the G4 guidelines of the Global Reporting Initiative (GRI).

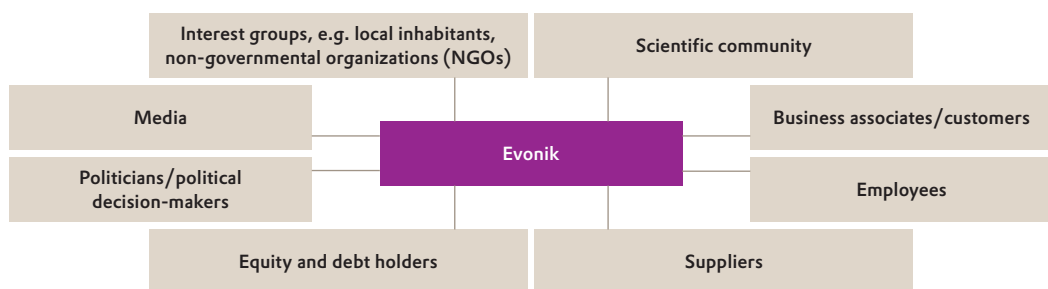
C05 Materiality analysis of Evonik's business



Dialogue and cooperation with our stakeholders

Open Dialogue with our stakeholders is an important element in sustainability management at Evonik. It helps us understand different perspectives, and identify trends and key issues so we can incorporate them into our business decisions. As a company, Evonik is a part of society and public life. Acceptance of our activities is therefore essential. It is important for us to engage in regular and constructive dialogue with groups of relevance to our company. Through their expectations, suggestions, views and opinions, they enable us to identify upcoming trends and changes in society and our markets. The dialogue also helps us minimize potential risks and shows how people perceive our corporate activities.

C06 Evonik's stakeholder groups



Dialogue takes place at local, national and international level.

We maintain continuous contact with our customers and business partners. Most of our customers are industrial companies that use our products for further processing. We produce where our markets and customers are. Consequently, we have production facilities in 25 countries on five continents. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers.

Reliable supply, gaining access to new procurement markets, and ongoing optimization of material costs are key tasks for our procurement function. We are working to extend our relationship with strategic suppliers and validate new suppliers. We also participate in purchasing alliances with other companies. The aim is to find further ways of reducing risks and improving our cost situation. We strive to cooperate with the most strategically significant suppliers and develop joint innovations. Safety, health, environmental protection, quality and other core aspects of sustainability are firm elements in our procurement strategy.

The commitment and identification of our well-trained employees are a key factor in the success of our company. Gaining and retaining employees and personnel development are central elements of our human resources strategy. That requires ongoing dialogue with our employees. This is conducted through a Group-wide employee survey and regular employee reviews. In addition, we inform our employees regularly about current and upcoming changes in the company. Alongside direct and personal communication, we provide information for employees through in-house magazines and via the intranet. Background articles and FAQs are supplemented by various offerings that foster dialogue with executives and the company's management. We also organize debates on specific issues such as safety for various employee groups. Round tables and social networks are further platforms for discussion within the company. The Chairman of the Executive Board regularly circulates letters to all employees on important and topical issues.

Our equity and debt holders, institutional investors, analysts and rating agencies require extensive and timely information. Our second Capital Markets Day was a highlight of our Investor Relations activities. More than 30 analysts and investors attended this event at Evonik's site in Hanau (Germany) at the start of October. Dr. Klaus Engel, Chairman of the Executive Board, and CFO Ute Wolf presented the latest corporate and financial strategy and talked about the new Group structure. Another focus of the Capital Markets Day was the Resource Efficiency segment. Examples of its environmentally compatible and energy-efficient system solutions were highlighted through presentations by the Silica, Oil Additives and Coating Additives Business Lines. In 2014, Evonik was included in the FTSE4Good Global and STOXX® Global ESG Leaders responsibility-oriented investment indices. The company also positioned itself successfully with leading sustainability rating agencies such as Oekom and Sustainalytics. Since the stock exchange listing, an increasing number of financial investors and analysts who base investment decisions on the sustainability performance of companies as well as their financial performance have had Evonik on their radar screens. We have greatly increased the information offering for this target group on our Investor Relations website.

The conditions in which we operate are shaped to a large extent by politics and political decision-makers. Here we maintain a constant dialogue with the authorities and ministries and take part in opinion-forming and decision-making processes at regional, national and international level. Key contacts are our representative offices in Berlin and Brussels, which support the Public Affairs division in advocating our interests.

As a stakeholder, the media builds on trustful cooperation and takes up our offers of dialogue. We encourage this as a basis for open communication and to drive our credibility.

Local residents around our sites play an important part in our dialogue with stakeholders. They have a direct interest in experiencing Evonik as a neighbor and reliable partner for their communities and are interested in regular information on local developments. We maintain contact with them, for example, through written communication, invitations to visit our sites and personal discussions. We also extend these offerings to other interest groups such as non-governmental organizations through our participation in various associations and other organizations. The focus is on relevant communication and collaboration.

Dialogue and collaboration with the scientific community is of especial significance for Evonik. We are therefore involved in work on common issues and commission solutions on specific topics. In 2014, the Evonik Call for Research Proposals focused on the search for a new solution to mask the taste of pharmaceutical active ingredients and nutraceuticals. The Evonik Meets Science forum, which was held in Tokyo (Japan) and Fulda (Germany) in 2014, is a platform for exchange with leading research scientists. Fostering education and science is important to Evonik. In 2014, we provided scholarships for 186 especially talented and committed students at 14 universities in Germany. Through the Evonik Foundation we have supported students and doctoral candidates with their research for many years.

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Investment (SRI)

T07 Our objectives

| Area | Targets 2015 f. | Planned deadline | Status of the prior year targets as of Dec. 31, 2014 |
|----------------------------------|---|------------------|--|
| Sustainability management | | | |
| | Conduct at least 18 ESHQ audits in the Evonik Group | Annual objective | Partially achieved in 2014: 18 ESHQ audits were conducted, so the objective of 20 was not quite achieved. A planned audit in China was postponed to 2015 and the audit at Li-Tec in Kamenz was canceled due to divestment of the business. |
| | Continue to develop the method used for sustainability analysis of Evonik's business and integrate it into key strategic processes | 2016 | Achieved in 2014: Sustainability analysis of Evonik's business was driven forward considerably along the value chain; approx. 90 percent of sales covered; list of criteria extended. |
| The business | | | |
| | Investment of up to €5.5 billion in the coming years | 2016 | More than half of the investment program had been successfully completed by year-end 2014. Significant projects such as the methionine complex in Singapore, production facilities for isophorone and isophorone diamine in Shanghai (China) and the plant for hydroxyl-terminated polybutadiene in Marl (Germany) were completed in 2014. As a result of our flexible and disciplined approach and market-oriented review of projects that have not yet commenced in the light of changing conditions, the total amount budgeted for this program has been reduced from the original level of €6 billion to €5.5 billion. |
| | Step up the systematic stakeholder dialogue and exchange of experience on sustainability. | Annual objective | Partially achieved in 2014: Dialogues were organized at local, national and international level on specific issues or for specific target groups. Further systematization of stakeholder dialogue was postponed to 2015. |
| Supplier management | Continue to analyze suppliers defined as a risk by checking 90 percent of identified potential risk suppliers using self-assessments Update 2015 Continue the analysis of suppliers classified as a risk as part of the Together for Sustainability initiative, using the shared assessment principle: involve 200 suppliers, response ratio at least 60 percent. | Annual objective | Achieved in 2014: 316 suppliers defined as potential risks were selected for assessment and contacted. By year end, data that can be evaluated had been received from approx. 48 percent. |
| Supplier management | Conduct at least 20 sustainability audits of suppliers Update 2015 Conduct at least 20 initial supplier sustainability audits under the shared audit principle of the Together for Sustainability initiative. | Annual objective | Partially achieved in 2014: Nine suppliers were audited under the co-funding model established by the Together for Sustainability initiative and eight shared audits were performed. |

| Area | Targets 2015 f. | Planned deadline | Status of the prior year targets as of Dec. 31, 2014 |
|------------------------|--|------------------|--|
| Supplier management | <p>Update internal sustainability training for 50 percent of procurement staff who deal with suppliers classified as a potential risk and carry out at least four internal audits</p> <p>Update 2015 Update internal sustainability training for at least 60 percent of procurement staff affected by the Together for Sustainability initiative</p> | Annual objective | Achieved in 2014: 62 percent of relevant procurement staff received initial or repeat training. |
| Product stewardship | Conduct a risk assessment for at least 99 percent of all substances marketed in quantities exceeding 1 metric ton p.a. | 2020 | Risk assessments on schedule: Safety summaries have been made publicly available on Evonik's homepage and the ICCA GPS Chemicals portal. |
| Employees | | | |
| | Develop and introduce a Group-wide HR KPI system to manage and optimize global HR work | 2016 | New target |
| | Develop further training modules on sustainability issues | Annual objective | Achieved in 2014: In the reporting period "napuro", a sustainability business planning game, was rolled out further in German-speaking areas. Basic web-based training on sustainability introduced. |
| | Ongoing development of Group-wide master policies on remuneration and fringe benefits | 2016 | Objective of developing overriding remuneration concept largely achieved in 2014: grading as managers and non-managerial employees is now based on a uniform global system; regional and sector-specific market-based remuneration, uniform global bonus system. |
| The environment | | | |
| | Reduce specific greenhouse gas emissions ^a by 12 percent (reference base: 2012) | 2020 | See page 81 |
| | Reduce specific water intake by 10 percent (reference base: 2012) | 2020 | See page 86 |
| | RSPO certification (palm oil) for a further five plants in accordance with palm oil roadmap | 2015 | Achieved in 2014: The Personal Care Business Line started marketing its first RSPO-certified products in May 2014. |

| Area | Targets 2015 f. | Planned deadline | Status of the prior year targets as of Dec. 31, 2014 |
|-------------------------------------|--|------------------|---|
| Safety and health protection | | | |
| | Further increase in the proportion of employees included in the occupational health performance index and further improvement in performance | 2015 | Achieved in 2014: The occupational health performance index was established. ^b |
| | Establish the content and behaviors set out in the guiding principles for safety, with aim of reaching 90 percent of employees in the operating units. | 2015 | Achieved in 2014: The guiding principles for conduct and leadership derived and adopted as mandatory. |
| | Occupational safety KPI: accident frequency at Evonik should be < or = 1.3 | Annual objective | Achieved in 2014: Objective of < or = 1.3 was exceeded with an indicator of 1.2. |
| | Plant safety indicator: improve Cefic Process Safety Indicator for Evonik (business units with production activities) (Target: < or = 48 points compared with 2008 [reference base = 100]) | Annual objective | Not achieved in 2014: the indicator for 2014 was 53, so Evonik did not quite meet the target of < or = 48. |
| Society | | | |
| | Introduce an international tool to support science education | 2015 | The 3D learning modules linked to the cyber classroom hardware (stand-alone system) were converted to web-based technology in 2014. Since the media can now be used globally, the content has already been made available in eight languages. |

^a As defined in the Greenhouse Gas Protocol.

^b The index was 5.2 out of a maximum of 6 in 2013. The data for 2014 were not available by the editorial deadline.

Further objectives achieved in 2014

Diversity was integrated into the target-setting process for executives for 2015. A personnel planning concept was worked out. The pilot phase to check its performance was completed and worldwide rollout of the personnel planning process took place.

What we stand for ✓

Our corporate values—“courage to innovate”, “responsible action”, and “sparing no effort”—are firmly anchored in our employees’ day-to-day work and form the basis for our business practice, our role in society and collaboration with our colleagues. That is particularly important because as an innovation-driven company Evonik’s success is dependent on the competence of its employees. Creativity, specialization, reliability and continuous self-renewal play a special part in this. Our internal regulations are supported and supplemented by external codes of practice that we are committed to.

External principles and guidelines

Good *corporate governance*, in other words, responsible and targeted management and supervision, forms an integral part of Evonik’s business processes. It strengthens the trust of all stakeholder groups through transparency and reliable processes. Acceptance of the German Corporate Governance Code and compliance with the applicable legal requirements are the basis for responsible management of our company with a focus on sustained value creation. Evonik has 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. Evonik is a member of the UN Global Compact and accepts its principles, which include respecting workers’ rights and human rights, preventing discrimination, protecting people and the environment and fighting corruption. We also respect the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD), the *International Labor Standards* of the International Labour Organisation (ILO) and the obligations of the international Responsible Care initiative. We confirmed our commitment to continuously improving our performance in the areas of health, safety, the environment and product stewardship by signing the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA).

G See glossary p. 123
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G See glossary p. 124


Code of Conduct

Evonik’s binding Group-wide Code of Conduct contains the most important corporate values and principles and governs the conduct of Evonik, its legal representatives and its employees both internally, in the treatment of one another, and externally in the treatment of the company’s shareholders and business partners, representatives of authorities and government bodies, and the general public. It requires all employees to comply with the applicable laws, regulations and other obligations and to observe ethical standards. All employees receive relevant training and systematic action is taken to deal with any breach of the rules. Evonik’s Code of Conduct fosters a culture that ensures clear responsibility, mutual respect, and a working atmosphere characterized by trust, dependability and lawfulness. In addition, Evonik has a Supplier Code of Conduct that sets out binding requirements for its suppliers. The company expects strict observance of these principles by its suppliers and takes them into account in the entire process from the tender to assessment of suppliers.

Global Social Policy

Our Global Social Policy (GSP) contains an undertaking to observe values based on international standards and principles of conduct. Evonik is committed to protecting children's rights, freedom of employment, equality of opportunity, diversity, banning discrimination, and occupational health and safety. All employees worldwide are required to observe the principles of the Global Social Policy and actively counter violations. The Global Social Policy is available in many languages.

Corporate Governance

 See Annual Report 2014, p. 40 ff.


Corporate governance comprises all principles for the management and supervision of a company. As an expression of good and responsible corporate management, it is a key element in Evonik's management philosophy. The principles of corporate governance relate mainly to collaboration within the Executive Board and Supervisory Board and between these two boards. It also governs collaboration between these boards and Evonik's shareholders on the one hand, and the relationship between Evonik companies and all people and organizations with which they have business dealings.

Evonik's Executive Board and Supervisory Board are explicitly committed to responsible corporate governance and identify with the goals of the German Corporate Governance Code. As provided for by the foreword, this includes scope to deviate from its recommendations if this is necessary to reflect enterprise-specific requirements.

The Executive Board of Evonik Industries AG is responsible for running the company in the company's interests with a view to sustained value creation, taking into account the interests of the shareholders, employees and other stakeholders. It works together trustfully with the other corporate bodies for the good of the company.

The Supervisory Board advises and supervises the Executive Board. It appoints the members of the Executive Board and names one member as the Chairman of the Executive Board. It also decides on the remuneration of the members of the Executive Board. The Supervisory Board examines the company's annual financial statements, the Executive Board's proposal for the distribution of the profit, the consolidated financial statements for the Group and the combined management report. The Executive Board is required to obtain the approval of the Supervisory Board on decisions of fundamental importance, which are defined in a separate list. The Supervisory Board has the following committees: an Executive Committee, an Audit Committee, a Finance and Investment Committee, a Nomination Committee and a Mediation Committee in accordance with the German Codetermination Act of 1976. In accordance with the statutory provisions, the Supervisory Board comprises twenty members, ten representatives of the shareholders and ten representatives of the workforce.

Performance-oriented remuneration of senior management

 See Annual Report 2014, p. 132 ff.

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 of the Executive Board, comprising a base salary, variable short- and long-term components, pension benefits, reimbursement of expenses, insurance and various 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.

House of Compliance ✓

Evonik understands compliance as all activities to ensure that the conduct of the company, its governance bodies and its employees respect all applicable mandatory standards such as legal provisions, statutory provisions and prohibitions, in-house directives and voluntary undertakings. The basis for this understanding and for compliance with these binding standards is set out in Evonik's Code of Conduct. The compliance culture created by the Code of Conduct, in particular, forms the basis for the "House of Compliance."

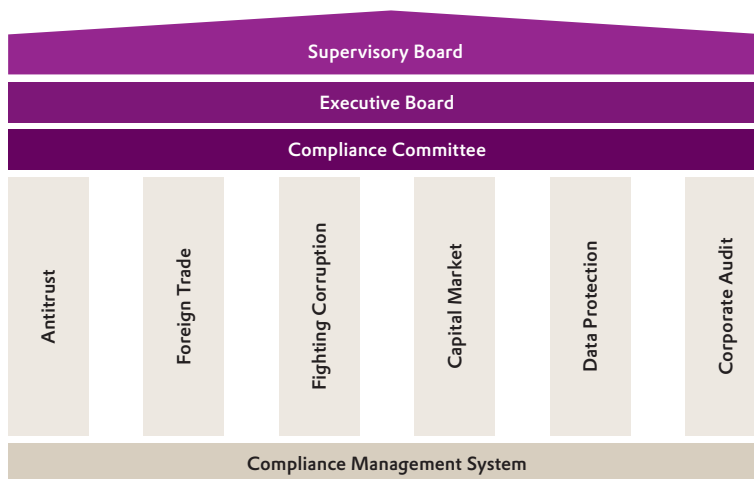
This includes the traditional compliance issues: antitrust law, foreign trade law, fighting corruption, data protection, and—as a publicly listed company—capital market compliance. Environment, safety, health and quality are bundled in a separate corporate division.

The role of the House of Compliance is to define minimum Group-wide standards for the compliance management systems for these areas and ensure that they are implemented. The process of forming a consensus, sharing experience and coordinating joint activities takes place in the Compliance Committee, which is composed of the heads of the respective units, who have independent responsibility for their fields, and the Head of Corporate Audit. The Compliance Committee is chaired by the Head of Compliance and Antitrust Law.

G See glossary p. 123

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C07 House of Compliance



The compliance management system to be implemented by each area of compliance on the basis of the defined values, strategy and specific targets has to implement the tools shown in the next chart. The necessary measures are in place to avoid compliance risks and systematic misconduct, identify infringement of the rules, apply appropriate sanctions, and correct faulty processes.

C08 Evonik: Compliance Management System (CMS)

| Responsibility of Management | | |
|--|---|--|
| Values, Strategy, Objectives | | |
| Prevention | Detection | Response |
| <ul style="list-style-type: none">• Risk analysis• Policies & standards• Training• Awareness raising communication• Advice & support | <ul style="list-style-type: none">• Investigations• Whistleblower system• Monitoring & audits• Reporting | <ul style="list-style-type: none">• Corrective measures• Sanctions• Lessons learnt |
| Compliance Organization | | |

Continuous Improvement

Antitrust law

Compliance with antitrust regulations is a central corporate objective and is included in Evonik's Code of Conduct. Group-wide face-to-face and online training, guidelines on conduct, and specific legal advice on all issues of relevance to cartel law are the primary elements of our compliance activities in relation to antitrust law.

Foreign trade law

Every employee is required to observe the applicable foreign trade and customs regulations. 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. Our trade compliance organization comprises a special department with Group-wide responsibility, a special IT system and a Group-wide network of around 70 trade compliance officers and trade compliance managers.

Fighting corruption

Evonik strictly rejects all forms of corruption. Our Code of Conduct therefore defines a zero-tolerance principle. Even the impression of corruption or corruptibility should be systematically avoided. The Master Gifts and Hospitality Policy, together with regional implementation regulations, and the Policy for the Use of External Intermediaries for the Sale of Evonik Products and Merchandise, which was completely revised in 2014, form the basis for this. For practical application of these policies, all employees can access checklists that summarize the main points via the compliance page on Evonik's corporate intranet. The Group Policy on Fighting Corruption and Advancement of the Code of Conduct defines responsibilities, powers, tasks and reporting requirements aimed at preventing all forms of corruption and the consequent harm to Evonik.

Capital market compliance

A Group-wide policy sets out the rules for capital market compliance by Evonik employees. It sets out the legal consequences of violating prohibitions imposed by capital market law. Through this policy and the accompanying organizational instructions, Evonik has taken extensive steps to meet the corresponding organizational obligations.

Management of data protection

The organization of data protection and rules on reliable processing of personal data are set out in a separate data protection policy. The Corporate Data Protection Officer monitors observance of these rules and assists the organizational units in implementation. In particular, his role is to monitor correct usage of information processing programs that handle personal data. Increasing global data sharing requires additional technical and organizational security measures. These are monitored continuously. Web-based training programs are mandatory for all employees. Information on the relevant requirements and responsibilities is available to employees on the Evonik intranet.

Other compliance-related areas comprise:

ESHQ management

Our Environment, Safety, Health and Quality (ESHQ) Values set a global framework for action to ensure extensive protection of employees, the environment and local residents. Major EHSQ issues affecting the entire Group are defined in global policies and operating procedures. The operational units and regions are responsible for implementing these regulations. Regular audits are carried out in consultation with the business units, regions and the Environment, Safety, Health and Quality division at the Corporate Center to monitor implementation at our sites around the world. Alongside compliance with internationally recognized DIN and ISO standards (9001, 14001), we examine observance of our voluntary obligations under Responsible Care, the UN Global Compact and ILO standards and the requirements set out in company regulations. Based on the findings and analyses of internal and external monitoring activities and site inspections, we hold talks on potential for improvement and take suitable action. The Executive Board is informed annually of the outcome of the audits.

Know-how protection

Innovations are very important for Evonik's success as a specialty chemicals company. Protecting know-how is therefore a matter of central significance. In July 2014, we therefore established a new Corporate Security division, to drive forward these issues independently with the aid of a security management system and a viable security organization.

 See p. 94

IT compliance

Binding Group-wide policies and regulations outline the safe use of information systems. The IT Compliance Strategy unit monitors and drives forward implementation of the compliance requirements imposed on managers and employees by legislation and the Group. The internal control system was optimized in the year under review and compliance processes were automated. There was a further improvement in the IT compliance index, which measures observance of these regulations. The access authorization system for accounting-related SAP systems was rolled out further as part of the migration of SAP systems. Its basic principles are "need-to-know" and "separation of functions". State-of-the-art information security and data protection technologies are used throughout the Group to avoid such risks. Operational security—especially of critical IT systems—has been improved further by optimized system management, particularly in light of the additional requirements imposed by the German government's "Industry 4.0" project. In view of the continuously rising threats, we regularly review our security measures and adapt them wherever necessary. Training and a constant flow of information, for example, in the corporate intranet, ensure that employees are always aware of the need for IT compliance.

Compliance training

To raise employees' awareness of compliance issues at regular intervals, we organize online and face-to-face training on the House of Compliance. Under this binding training concept, every employee should normally receive training in relevant issues every three years. To create an awareness of compliance issues from the start of their working life, our apprentices are introduced to the relevant issues and to our Code of Conduct in their first year of training. New hires are required to attend face-to-face training in compliance issues, where they are given information on the company's rules and regulations.

Fighting corruption

Evonik stepped up its activities to fight corruption in 2014. As a global corporation, we do business in regions that are classified as a corruption risk in the Corruption Perceptions Index (CPI) issued by Transparency International. We exercise particular care in dealings with officials and in the selection of external intermediaries. Corruption risks are identified as part of our Group-wide risk management system. Under this system, all potential risks are included in an annual risk inventory and evaluated every quarter. In the year under review, we also revised the concept for our interdisciplinary compliance risk analysis. The modified procedure will be rolled out to further units in 2015. Our employees can contact the Chief Compliance Officer, Head of Compliance or the compliance officer responsible for their entity to report compliance violations confidentially at any time, anonymously if they wish. There is also a compliance hotline. All allegations of violation of the relevant regulations are investigated by a team which includes representatives of different specialist areas as necessary. Disciplinary action is taken where this is warranted by the outcome of the investigation. All results of this process and the implementation of the measures recommended are documented conscientiously. In the reporting period, six employees were dismissed as a result of compliance violations involving fraud or corruption. In one case, we are examining whether additional claims for compensation can be made. Every infringement of the ban on corruption has far-reaching consequences for our business partners as well and can result in termination of the business relationship. This occurred in four cases in 2014. In the reporting period we further improved our training concept for fighting corruption. The main changes are:

- definition of the target group for training based on uniform global criteria such as job grades and functions
- training new employees within a suitable period
- cutting the frequency of training from three years to two.

Training is presented alternately online and in face-to-face sessions. The target groups are employees whose functions mean they are potentially exposed to a higher risk of corruption. Of the employees in the target group who received training in corruption prevention training in the reporting period

- 34.05 percent were managers
- 29.04 percent were non-managerial employees.

The low percentages are due partly to risk-oriented extension of the target group for training, and partly to a change in the concept, which only took effect—initially in Germany—in the second half of the year.

The business

Successful in difficult conditions

Strategically, we sharpened our profile as a pure specialty chemicals company, especially by divesting the remaining shares in the energy company STEAG GmbH, Essen (Germany). We completed important growth projects under the aegis of the 2012–2016 investment program, which is being implemented with discipline yet flexibility. We also improved the basis for profitable growth in the future by developing a new Group structure that will allow more differentiated management of our business from 2015.

Operationally, our business developed well overall in difficult economic conditions. Thanks to buoyant demand and increased production capacity, Evonik posted a further rise in volume sales. The downward price trend for some products weakened during the year and in some businesses there were even clear signs of an upward trend. By year end, we were therefore largely able to make up the shortfall in operating earnings in the first half of the year. Our efficiency enhancement programs contributed to this. Overall, sales increased slightly to €12.9 billion, while adjusted EBITDA was €1.9 billion, 6 percent lower than in the previous year.

Our earnings remain solid despite the initially negative impact of the ramp-up expenses associated with our extensive growth-driven investments. The adjusted EBITDA margin was 14.5 percent and ROCE was 12.3 percent, well above our cost of capital.

Net income was €568 million. That was below the very high prior-year level, which contained the gains from the divestment of the majority of shares in the real estate activities.

T08 Key figures

| in € million | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------|--------|--------|--------|--------|
| Sales | 13,300 | 14,540 | 13,365 | 12,708 | 12,917 |
| Adjusted EBITDA ^a | 2,365 | 2,768 | 2,467 | 1,995 | 1,867 |
| Adjusted EBITDA margin in % | 17.8 | 19.0 | 18.5 | 15.7 | 14.5 |
| Adjusted EBIT ^b | 1,639 | 2,099 | 1,887 | 1,404 | 1,238 |
| ROCE ^c in % | 15.0 | 18.7 | 20.4 | 15.1 | 12.3 |
| Net income | 734 | 1,011 | 1,165 | 2,054 | 568 |
| Earnings per share in € | 1.58 | 2.17 | 2.50 | 4.41 | 1.22 |
| Adjusted earnings per share in € | 2.09 | 2.70 | 2.31 | 1.73 | 1.59 |
| Total assets as of December 31 | 20,543 | 16,944 | 17,166 | 15,883 | 15,685 |
| Equity ratio as of December 31 in % | 29.1 | 35.8 | 31.9 | 43.0 | 41.6 |
| Cash flow from operating activities | 2,075 | 1,309 | 1,420 | 1,055 | 1,066 |
| Capital expenditures ^d | 652 | 830 | 960 | 1,140 | 1,123 |
| Depreciation and amortization ^d | 694 | 647 | 580 | 585 | 606 |
| Net financial debt/assets as of December 31 | -1,677 | -843 | -1,163 | 571 | 400 |
| No. of employees as of December 31 | 34,407 | 33,556 | 33,298 | 33,650 | 33,412 |

Figures for 2010 contain the former Energy segment as a discontinued operation.

Figures for 2012 and 2013 contain the former Real Estate segment as a discontinued operation.

^a Adjusted EBITDA = Earnings before interest, taxes, depreciation and amortization; after adjustments.

^b Adjusted EBIT = Earnings before interest and taxes; after adjustments.

^c Return on capital employed.

^d Intangible assets, property, plant, equipment and investment property.

Our financial profile remains good: At year-end 2014, we again had a net asset position, mainly due to the divestment of the remaining shares in STEAG. The cash flow from operating activities remained strong at €1.1 billion. In line with our ambitious growth strategy, capital expenditures for property, plant and equipment also remained high at €1.1 billion. Evonik still has a sound investment grade rating (Moody's: Baa2, Standard & Poor's: BBB+).

Major events

At the end of April 2014 we sold our 50.1 percent interest in Li-Tec Battery GmbH and the 10 percent stake in Deutsche Accumotive GmbH & Co. KG to Daimler AG, which became the sole owner of both companies. In view of the planned exit from the lithium-ion business these activities were reclassified to discontinued operations in September 2013.

In fall 2014 we divested the remaining stake in the energy company STEAG GmbH, Essen (Germany) to KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG, Essen (Germany), for €569 million. We had sold the first tranche comprising 51 percent of shares to KSBG in 2011 and also concluded an agreement which enabled KSBG to exercise its option to acquire the remaining 49 percent stake at the start of September 2014. A binding purchase price mechanism for the second tranche was also agreed at that time. The stake in STEAG was reclassified to discontinued operations in mid-July 2014 when we received notification that KSBG intended to exercise the call option.

To further improve our scope to grow profitably, in summer 2014 we decided to reorganize the Evonik Group's management and portfolio structure with effect from January 1, 2015.

At its meeting on June 26, 2014, the Supervisory Board appointed Mr. Christian Kullmann to the Executive Board effective July 1, 2014.

See p. 28 f.

A successful business trend

Our business developed well in 2014 despite the difficult economic conditions. Although global growth fell short of expectations, we registered high demand worldwide and achieved a further increase in volume sales, not least due to the start-up of new production capacities. The downward price trend for some important products, which started in summer 2012, weakened during the year and a clear upward trend was visible in some businesses in the second half of the year. However, sales and operating earnings were impacted considerably by a year-on-year reduction in selling prices, especially in the first six months.

Slight organic sales growth

Group sales rose 2 percent to €12,917 million in 2014. Organic growth was also 2 percent and resulted from higher volumes (3 percentage points), while selling prices dropped slightly (–1 percentage point).

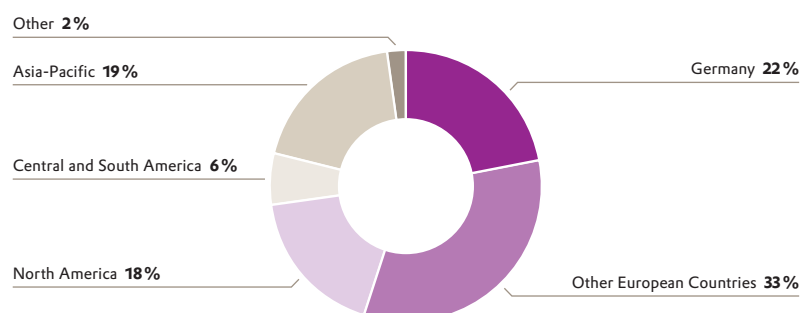
T09 Change in sales 2014 versus 2013

| | |
|-----------------------------|----------|
| in % | |
| Volumes | 3 |
| Prices | –1 |
| Organic sales growth | 2 |
| Exchange rates | – |
| Other | – |
| Total | 2 |

A global presence

In 2014, 78 percent of our sales were generated outside Germany. A rise in sales was registered in other European countries and the Asia-Pacific region, while Germany and North America reported slightly lower sales. As part of our growth strategy, we are expanding our presence in emerging markets. We define these as selected countries in Asia, South America, Eastern Europe, and the Middle East.

C09 Sales by region^a



^a By point of sale.

Adjusted EBITDA down slightly year-on-year

Adjusted EBITDA was held back by lower selling prices, especially at the start of the year. Thanks to the positive price trend in the fourth quarter, the perceptible earnings shortfall in the first six months was largely offset in the second half of the year. Overall, adjusted EBITDA was €1,867 million, 6 percent lower than in the previous year. The adjusted EBITDA margin slipped from 15.7 percent to 14.5 percent.

T10 Adjusted EBITDA by segment

| in € million | 2014 | 2013 | Change in % |
|------------------------------|--------------|--------------|----------------|
| Consumer, Health & Nutrition | 857 | 922 | -7 |
| Resource Efficiency | 703 | 655 | 7 |
| Specialty Materials | 444 | 552 | -20 |
| Services | 180 | 183 | -2 |
| Corporate, other operations | -317 | -317 | - |
| Evonik | 1,867 | 1,995 | -6 |

Prior-year figures restated.

The Resource Efficiency segment posted another increase in adjusted EBITDA, driven by strong demand and high capacity utilization. By contrast, the Consumer, Health & Nutrition and Specialty Materials segments were once again held back, mainly by lower selling prices and start-up costs for growth-driven investments. As a result, earnings were slightly lower than in 2013 in the Consumer, Health & Nutrition segment and considerably lower in the Specialty Materials segment. Earnings from Services were almost at the prior-year level. The adjusted EBITDA reported by Corporate, other operations, including consolidation was minus €317 million, as in the previous year. This includes, among others, expenses for the Corporate Center and strategic research.

Attractive return on capital employed

Within our value-oriented management approach, our success is measured principally by ROCE, which was 12.3 percent in 2014 and therefore well above our cost of capital, which was confirmed as 10.5 percent before taxes in our regular review for the fiscal year.

The drop in ROCE from the very high year-back figure of 15.1 percent was attributable to lower operating earnings and the increase in capital expenditures. This increases capital employed, but is only reflected successively in adjusted EBIT as the new production capacities come on stream.

The return on capital employed in the three specialty chemicals segments was well above average. The ROCE for the Group was considerably lower because capital employed also includes identified hidden reserves from former business combinations.

T11 ROCE by segment

| in % | 2014 | 2013 |
|---|-------------|-------------|
| Consumer, Health & Nutrition | 27.1 | 34.5 |
| Resource Efficiency | 33.3 | 35.6 |
| Specialty Materials | 12.2 | 19.6 |
| Services | 15.4 | 16.4 |
| Evonik (including Corporate, other operations) | 12.3 | 15.1 |

Value added below previous year's very high level

Value added is calculated from sales and other revenues less the cost of materials, depreciation and amortization and other expenses. In 2014, value added was €3,948 million, a decline of 27 percent from the very high prior-year figure, which was boosted by the proceeds from the divestment of the majority of shares in the former Real Estate segment. The largest share of value added—70 percent (2013: 53 percent)—went to our employees. 8 percent (2013: 5 percent) was paid to the state in income and other taxes. A further 7 percent (2013: 5 percent) went on interest payments. Shareholders of Evonik Industries AG received 14 percent of value added, compared with 38 percent in the previous year.

T12 Breakdown of value added ✓

| in € million | 2014 | 2013 |
|---------------------------|------------|------------------|
| Total value added | 3,948 | 5,413 |
| Split | | |
| Employees | 2,771 | 2,848 |
| State | 307 | 262 ^a |
| Creditors | 289 | 290 |
| Non-controlling interests | 13 | -41 |
| Net income | 568 | 2,054 |

^a 2013 figure restated.**On Track 2.0 enters the home strait—Administration Excellence being implemented**

At the start of 2012 we introduced the On Track 2.0 efficiency enhancement program as a continuous improvement process. The aim is to reduce costs, especially in production, by €500 million a year by 2016 through a further increase in process efficiency. We are very close to our target for On Track 2.0: Measures with cost-saving potential of over €500 million have now been identified and approved for realization. At the end of 2014, over €400 million was already being implemented.

Following the successful stock exchange listing and Evonik's strategic focus on the specialty chemicals business, in September 2013 we launched the Administration Excellence program to further strengthen our competitive position and optimize the quality of our administrative processes. By the end of 2016, measures with the potential to improve costs by around €230 million will have been implemented. Following a successful launch, savings of around €40 million had already been realized by year-end 2014. In addition, more than two-thirds of the measures identified had been passed on to the line organization for implementation. The headcount reductions associated with the savings will be implemented in consultation with representatives of the workforce to avoid undue hardship.

Systematic optimization of the value chain and implementation of the efficiency enhancement programs support Evonik's strategy of profitable growth.

Significant growth projects completed successfully

In the specialty chemicals sector Evonik is expanding in business areas and markets where it already has—or intends to build—a strong competitive position. Investment projects are aimed at utilizing potential for sustained profitable growth and value creation. Every project undergoes detailed strategic and economic analyses. In addition, there is a minimum return requirement for every project, based on Evonik's cost of capital. We are realizing our investment program with great discipline. Projects that have not yet started are always reviewed for changes in the market situation. Examples of the facilities successfully completed and new capacity introduced without any adverse effect on the market are the new methionine complex in Singapore, which was Evonik's biggest single investment in the chemicals operations, the production facility for isophorone and isophorone diamine in Shanghai (China), and the plant for hydroxyl-terminated polybutadiene in Marl (Germany). We have already successfully implemented well over half of this investment program and had invested around €3.2 billion by the end of 2014. Our flexible and disciplined approach resulted in a slight reduction in the total amount budgeted for this program from the original level of €6 billion to up to €5.5 billion between 2012 and 2016.

Capital expenditures were €1,123 million, which was around the prior-year level (2013: €1,140 million). This high level mainly reflects the growth strategy adopted to create value.

The highest proportion of capital expenditures—41 percent—went to the Consumer, Health & Nutrition segment, a further 26 percent was allocated to the Specialty Materials segment, and 18 percent was invested in the Resource Efficiency segment. The regional focus of capital expenditures was Germany, which accounted for 37 percent of the total, followed by Asia-Pacific (29 percent) and North America (13 percent).

T13 Major projects completed or virtually completed in 2014

| Segment | Location | Project |
|------------------------------|------------------------|--|
| Consumer, Health & Nutrition | Singapore | New methionine complex |
| | Americana (Brazil) | Construction of an integrated oleochemicals facility |
| Resource Efficiency | Shanghai (China) | Construction of production facilities for isophorone and isophorone diamine |
| | Chester (USA) | Capacity expansion for precipitated silica |
| | Map Ta Phut (Thailand) | Capacity expansion for precipitated silica |
| | Rheinfelden (Germany) | Capacity expansion for fumed specialty silica |
| | Marl (Germany) | Construction of a production plant for hydroxyl-terminated polybutadiene |
| Specialty Materials | Antwerp (Belgium) | Extension of capacity for an exclusive intermediate for herbicide production |

Fostering good customer relations

Close collaboration with our customers over many years and precise knowledge of their industries are key prerequisites for our business success. In this way we can provide products and solutions that are an exact fit with our customers' expectations. Thanks to considerable experience of product development and our close relationship with our customers, we are able to generate solutions that create value and optimize the environmental profile and the use of resources. This may even include integration into the customer's value chain and possibly sharing production activities.

We are concerned to ensure transparency as regards the environmental impact of our major products and product groups, and their uses. To achieve this, we conduct lifecycle assessments (LCAs), sometimes in collaboration with our customers.

To gain a knowledge and understanding of our end-customers' CR and sustainability requirements, it is important to have excellently trained sales and marketing employees who integrate these aspects into their day-to-day work. At Evonik, project work with customers is supported by training in skills, conduct and methodology.

Key account management and strategic partner management foster and facilitate contact between the various disciplines such as Sales, Marketing, Product Development, Technology and Procurement. Joint innovation projects with customers strengthen these relationships, especially with strategic partners, for whom we have established central contacts across organizational boundaries.

Segment performance

Consumer, Health & Nutrition segment

T14 Key data for the Consumer, Health & Nutrition segment

| in € million | 2014 | 2013 | Change in % |
|------------------------------------|-------|-------|----------------|
| External sales | 4,152 | 4,171 | – |
| Adjusted EBITDA | 857 | 922 | –7 |
| Adjusted EBIT | 694 | 770 | –10 |
| Capital expenditures | 460 | 459 | – |
| No. of employees as of December 31 | 7,090 | 7,150 | –1 |

Prior-year figures restated.

Perceptible volume growth

In the Consumer, Health & Nutrition segment sales were €4,152 million, which was again almost unchanged from the prior-year level. Volume sales were slightly higher worldwide, partly due to the new production capacities from growth-driven investments. The clear downward trend in prices for important products that started in summer 2012 weakened perceptibly during the year and the prices of some important products picked up considerably in the final months of the year. Overall, selling prices were almost level with 2013.

Adjusted EBITDA impacted by start-up costs

The Consumer, Health & Nutrition segment's adjusted EBITDA was good at €857 million. The main impacts compared with the previous year were far lower selling prices, especially in the first half of the year, and start-up costs for new capacities. As a result, adjusted EBITDA was 7 percent lower than in 2013. The adjusted EBITDA margin slipped from 22.1 percent in 2013 to 20.6 percent in 2014.

Ambitious growth strategy

The Consumer, Health & Nutrition segment continued the systematic implementation of its growth strategy in 2014. To strengthen its leading global market positions and participate in the dynamic trend, especially in emerging markets, new production facilities were erected. Capital expenditures were €460 million, as in 2013. In view of the ambitious growth strategy, capital expenditures were once again well above depreciation, which amounted to €158 million.

Investment in this segment focuses on keeping pace with growth in the market for amino acids for modern animal nutrition. A new methionine complex was taken into service on Jurong Island (Singapore) in November 2014 after a three-year planning and construction phase. This is the first world-scale production facility for methionine in Asia. Evonik is therefore continuing to expand its market and technology leadership in DL-methionine and now has highly efficient, state-of-the-art production facilities in all major regions of the world. Investment in this new integrated complex, which produces both MetAMINO® (DL-methionine) and all strategically important precursors, amounted to over €500 million. Asia is the fastest growing methionine market in the world. Its momentum is attributable to progress with the introduction of sustainable modern methods of livestock farming, population growth, and rising purchasing power, which is driving demand for animal protein. Through this local presence with a new fully backwardly integrated production plant and our global production network for MetAMINO®, Evonik can offer customers in Asia maximum reliability of supply.

Consumer, Health & Nutrition is also ramping up its business with amino acids for other high-growth applications. For example, it is currently erecting new production facilities for methionine formulations tailored specifically to the nutritional requirements of other species. In Mobile (Alabama, USA), a facility to produce Mepron® for the nutrition of dairy cattle is under construction and is scheduled to come into service in the second half of 2015. Mepron® has a special coating that protects the methionine from undesired degradation in the rumen. Evonik has also developed AQUAVI® Met-Met, a dipeptide with two methionine molecules, for aquaculture of shrimp and other crustaceans. The first production facility for this product is currently under construction in Antwerp (Belgium), and should come on stream in the second half of 2015.

New capacity of around 100,000 metric tons is currently under construction in Brazil for biotechnological production of Biolys® (L-lysine), an amino acid for animal feed. This new plant is being built at the Castro site operated by the US company Cargill, from which Evonik already sources the main raw material for the Biolys® produced in Blair (Nebraska, USA). This site has excellent access to corn, which is used as a raw material, very good logistics connections, and is close to our customers in the growing Latin American market.

To drive expansion of its business with the cosmetics and consumer goods industry, the Consumer, Health & Nutrition segment is investing in a new production facility in Brazil. Investment in this facility in Americana in the state of São Paulo is in the mid double-digit millions of euros and it will be able to produce up to 50,000 metric tons of ingredients and precursors for regional and global customers. The new facility has high strategic importance for the Consumer, Health & Nutrition segment's business in South America: Around 80 percent of customers are based in the economically important state of São Paulo. The new plant will enable it to respond faster and more effectively to rising demand in South America for sustainable local products.

Resource Efficiency segment

T15 Key data for the Resource Efficiency segment

| in € million | 2014 | 2013 | Change in % |
|------------------------------------|-------|-------|----------------|
| External sales | 3,222 | 3,084 | 4 |
| Adjusted EBITDA | 703 | 655 | 7 |
| Adjusted EBIT | 569 | 539 | 6 |
| Capital expenditures | 199 | 230 | -13 |
| No. of employees as of December 31 | 5,804 | 5,854 | -1 |

Prior-year figures restated.

Considerable volume growth

The Resource Efficiency segment posted another very pleasing business performance in difficult economic conditions. Sales rose 4 percent to €3,222 million, driven mainly by perceptible organic growth as a result of another rise in volume sales and almost stable selling prices. The slightly negative currency impact was offset by the first-time consolidation of Silbond Corporation, Weston (Michigan, USA), which was acquired in February 2014.

Very good earnings

Adjusted EBITDA increased 7 percent to €703 million, mainly because of the rise in volumes and high capacity utilization. The adjusted EBITDA margin rose to a very good level of 21.8 percent.

Investment in the resource efficiency megatrend

Capital expenditures amounted to €199 million and were thus below the previous year's high level. However, they were once again higher than depreciation and amortization, which came to €130 million.

More than €100 million has been invested in an integrated production complex for isophorone and isophorone diamine in Shanghai (China), which came into service in spring 2014. Demand is driven principally by the resource efficiency megatrend. Isophorone-based composites are used, for example, to make wind turbines more efficient and automobiles lighter. Moreover, isophorone products increase the service life of heavy-duty surfaces. That cuts maintenance costs and often makes refurbishment unnecessary. Environment-friendly coating technologies such as UV-curing systems and solvent-free powder coatings are growing especially fast. From a regional perspective, Asia offers particularly high growth potential.

A major new production facility for functionalized polybutadiene came into operation in Marl (Germany) in fall 2014. Investment in this plant was in the mid-double-digit millions of euros. Functionalized polybutadiene, which Evonik will be marketing as POLYVEST® HT, is mainly used in sealing compounds, for example, for double and triple-glazed windows, and in adhesives for lightweight structures in automotive engineering. In this sector, adhesives are increasingly being used to complement traditional welding processes or as structural adhesives for the increasingly thin metal sheets and plastics. POLYVEST® HT therefore plays a part in more efficient use of resources.

Resource Efficiency is currently raising capacity for oil additives substantially on Jurong Island in Singapore. Most of the ongoing improvements and debottlenecking measures were completed in 2014. These optimization measures and the planned expansion will almost double production capacity at the oil additives plant in Singapore. Oil additives, which are marketed by Evonik as VISCOPLEX®, are key components in ready-to-use lubricants, which are used in the automotive industry and for other industrial applications. They improve engine performance, help raise fuel economy, and cut CO₂ emissions. In this way, Evonik is responding to the above-average pace of growth in the oil additives market in Asia.

Since 2010, the Resource Efficiency segment has been expanding its capacity for precipitated silica worldwide in response to the global growth of customers in the tire, construction, food and animal feed industries. Following the capacity expansions for silica in Europe and Asia completed in the previous two years, the capacity increases in Map Ta Phut (Thailand) and Chester (Pennsylvania, USA) were finished in 2014. Using a combination of silica and silanes, it is possible to manufacture tires with considerably lower rolling resistance than conventional auto tires, resulting in fuel savings of up to 8 percent. A further production facility is currently under construction near São Paulo (Brazil) and is scheduled to start operating in 2016. This will be our first production facility for highly dispersible silica (HD silica) for the South American tire industry. In South America the market for tires with low rolling resistance, and thus for HD silica, is growing far faster than the market for normal auto tires.

A new production facility for the AEROSIL® brand of surface-treated fumed specialty silicas was opened in Rheinfelden (Germany) in October 2014. AEROSIL® specialty silicas improve the properties of high-performance adhesives and sealants, industrial resins, and paints and coatings. The development of resource-saving products and technologies is generating buoyant demand. Key growth drivers are the spread of renewable energies, one example being wind turbines, and the shift to structural adhesives instead of traditional welding processes in the automotive industry.

Specialty Materials segment

T16 Key data for the Specialty Materials segment

| in € million | 2014 | 2013 | Change in % |
|------------------------------------|-------|-------|----------------|
| External sales | 4,569 | 4,490 | 2 |
| Adjusted EBITDA | 444 | 552 | -20 |
| Adjusted EBIT | 261 | 395 | -34 |
| Capital expenditures | 290 | 290 | - |
| No. of employees as of December 31 | 6,236 | 6,268 | -1 |

Prior-year figures restated.

Higher sales

The Specialty Materials segment grew sales 2 percent to €4,569 million, driven by far higher volume sales and the start-up of new production capacity. The downward trend in selling prices slowed perceptibly during the year but overall prices were lower than in the previous year.

Adjusted EBITDA down year-on-year

Adjusted EBITDA fell 20 percent to €444 million, mainly because of the drop in selling prices. The adjusted EBITDA margin was a weak 9.7 percent, down from 12.3 percent in 2013.

Higher capital expenditures

To increase its global production capacity, Specialty Materials invested €290 million in property, plant and equipment in 2014, as in 2013. Capital expenditures were therefore again well above depreciation, which amounted to €172 million.

The Specialty Materials segment completed the fourth expansion phase of a production plant for an exclusive intermediate in Antwerp (Belgium). This product has been produced exclusively for a leading agrochemical company since 1979 under a long-term supply agreement. The customer uses it to produce its largest and fastest-growing herbicide.

Specialty Materials is one of Europe's leading producers of C₄ products, OXO alcohols and plasticizers, with a strong market position and technology platform. It is continuously refining its demanding chemical processes. For example, an overhaul of the world-scale production facility for the plasticizer alcohol 2-propylheptanol (2-PH) in Marl (Germany) was used to implement a substantial process improvement: Use of the new ligand OxoPhos 64i developed by Evonik allows the plant to operate for longer with less maintenance. At the same time, even more efficient use is made of the raw materials.

Services segment

T17 Key data for the Services segment

| in € million | 2014 | 2013 | Change in % |
|------------------------------------|--------|--------|----------------|
| External sales | 895 | 883 | 1 |
| Adjusted EBITDA | 180 | 183 | -2 |
| Adjusted EBIT | 80 | 86 | -7 |
| Capital expenditures | 148 | 123 | 20 |
| No. of employees as of December 31 | 12,710 | 12,192 | 4 |

Prior-year figures restated.

The Services segment generates sales internally with the specialty chemicals segments and Corporate Center (2014: €1,842 million), and externally, mainly through services and procurement for external customers. In 2014, external sales increased by 1 percent to €895 million, principally due to a rise in procurement activity. Adjusted EBITDA was €180 million, almost at the prior-year level.

Supply chain management ✓

Our management approach

Alongside economic aspects, the principles of sustainability in the areas of safety, health, the environment, quality and social responsibility have a firm place in our procurement strategy. The principles of the UN Global Compact and the status of humanitarian development and fair business practices are firmly anchored in our strategy. Our suppliers play a significant role in the value chain. Careful selection and assessment of suppliers is therefore important to ensure continued reliability of supply in the future, gain access to new procurement markets, and allow ongoing optimization of material costs. As well as validating new suppliers, we are working intensively to extend our relationship with established strategic suppliers. We are aware of our responsibility within the supply chain and that our procurement volumes can have a substantial impact on both the environment and society. Procurement is organized centrally at Evonik.

@ [www.evonik.com/
responsibility
go to Supplier Code
of Conduct](http://www.evonik.com/responsibility/go-to-Supplier-Code-of-Conduct)

@ [procurement.
evonik.com](mailto:procurement.evonik.com)

Procurement in 2014

In 2014, Evonik spent around €9.1 billion (2013: around €8.5 billion) on raw materials and supplies, technical goods, services, energy and other operating supplies. Petrochemical feedstocks accounted for about 27 percent of the total (2013: around 27 percent). Overall, raw materials and supplies made up around 60 percent of procurement volume (2013: 63 percent).

Using renewable resources is of great importance to Evonik. In 2014, around 7 percent (2013: around 8 percent) of raw materials procured were based on renewable resources. The main applications for these raw materials are amino acids and precursors for the cosmetics industry.

@ [www.evonik.com/
company
go to Profile &
Organization](http://www.evonik.com/company/go-to/Profile&Organization)

@ [www.tfs-
initiative.com](http://www.tfs-initiative.com)
See Sustainability
Report 2013,
p. 7 ff. and p. 63

Sustainability in the selection of suppliers

Procurement at Evonik is systematically aligned to the Group's sustainability strategy. Building on corporate policies, in 2014 Evonik published a Supplier Code of Conduct to supplement its general purchasing conditions by outlining the expectations we place in existing and potential contractual partners. Checking the sustainability status of potential new suppliers will be simpler in the future. Depending on the outcome of the preliminary check, more far-reaching supplier assessments and/or audits can be initiated by Evonik or another member of the Together for Sustainability (TfS) initiative once a contract has been concluded. Existing suppliers that are classified as potential risks are identified using internationally accepted criteria (country and financial indices) and, where necessary, an assessment or on-site audit can be performed as part of a two-stage escalation process. This is carried out by a neutral third party under the TfS sector initiative. With the agreement of the supplier the results can be made available to other cooperation partners, without them being able to draw any conclusions about the procuring company.

T18 Suppliers at an advanced stage of examination

| | |
|--|----|
| Suppliers identified by Evonik in 2013 as requiring an on-site audit on the basis of an assessment (using the Supplier Co-funding Model which is part of the TfS initiative) | 20 |
| Supplier audits completed in 2014 | 17 |

On the basis of internationally recognized criteria, we identified 316 suppliers as potential risk candidates for a supplier self-assessment. This took place through TfS and the associated supplier questionnaire was analyzed by the evaluation partner EcoVadis. About 50 percent of the suppliers had submitted data that could be evaluated by the deadline. Based on the detailed analysis of the questionnaires completed and evaluated through the Together for Sustainability initiative, the picture is as follows:

T19 Results of the evaluation of the sustainability profile of suppliers

| TfS evaluation of sustainability profiles in 2014 | Result in percent (approximate data) |
|---|--------------------------------------|
| Advanced | 2 |
| Secured | 29 |
| Not fully developed | nearly 50 |
| Unsatisfactory | 19 |

Appropriate measures are worked out for suppliers whose sustainability profile is unsatisfactory or not fully developed in talks between the procuring company and supplier. The goal is to eliminate or improve the shortcomings in between one and three years, depending on their relevance.

The previous year's best performers will be evaluated in the third year or when their validation certificates expire.

Global supply chains

The challenges of structuring sustainable supply chains in the chemical industry were the central focus of the first Together for Sustainability conference in China. Around 350 attendees, including suppliers, representatives of the Tfs member companies, local and international trade associations, and non-governmental organizations, discussed the significance of high-growth procurement markets. Other central issues at the conference were sustainability requirements and their ongoing development. The members of the Tfs initiative, including Evonik Industries, which was one of the six founding members, expect an increasing number of suppliers to take part in these sector-specific audits, not least to avoid multiple audits. Other benefits for suppliers are the free e-learning offerings on the Tfs website, which are currently available in Chinese, English, Portuguese and Russian. The response to the supplier events held so far in China has been so good that further events are planned in other regions.

@ www.tfs-initiative.com/vision.html

T20 Tfs activities overall^a

| | |
|---|-------|
| Total no. of assessments performed by Tfs in 2014 | 2,605 |
| Total no. of audits performed by Tfs in 2014 | 93 |

^a Excluding additional follow-up audits with specific suppliers to verify implementation of measures.

The Tfs members have decided to continue the initiative as a non-profit organization in cooperation with the European Chemical Industry Council (Cefic) in the future. This will step up globalization of its reach and activities. The new legal status provides scope for further chemical companies to join Tfs, including companies outside Europe. Applications from a number of global chemical companies are currently being examined. Evonik's Chief Procurement Officer has been chosen as president of the new organization, which is based in Brussels (Belgium).

Evonik as part of the supply chain

Like all other Tfs members, Evonik Industries is regularly assessed by EcoVadis. In 2014, Evonik was once again awarded the Gold Standard, showing that it is still one of the best performers in the chemical sector. The assessment criteria include training of company employees. Assisted by the "train-the-trainer" concept, in the reporting period 62 percent of relevant procurement staff were trained. The target of 50 percent was therefore clearly exceeded. The specially trained procurement staff, who are also familiar with the processes required as a Tfs member, are direct lines of contact for our suppliers. In addition, we trained procurement staff who were not directly involved in the process in 2014 but are likely to be involved in 2015.

Procurement-specific ISO validation was successfully renewed. In addition, internal audits based on corporate policies were conducted at six regional procurement units on three continents.

The Shaping Procurement and Developing Excellence (SPADE) training program was continued in 2014. This multi-module program aims to heighten employees' procurement-specific and general competencies. At the same time, we stepped up international, interdisciplinary sharing of experience.

Product stewardship

@ [www.evonik.com/
responsibility
go to ESHQ/Product
Stewardship](http://www.evonik.com/responsibility/go-to-ESHQ/Product-Stewardship)

Our management approach

We continuously strive to ensure timely identification and evaluation of potential health and environmental risks associated with our products, along the value chain. Our minimum focus ranges from production to disposal (cradle-to-grave approach). As well as complying with statutory requirements such as REACH, the European Chemicals Regulation and worldwide implementation of the Globally Harmonized System, product stewardship at Evonik includes substantial voluntary commitments. For example, we have been committed for years to the chemical industry's Responsible Care initiative. We support the Responsible Care Global Charter. In addition, we play an active part in many national and international associations and initiatives that are driving forward scientifically based risk assessment. Further, we are committed to the Global Product Strategy (GPS) published by the International Council of Chemical Associations (ICCA). We have defined in-house environment, safety and health values and issued rules on the implementation of product stewardship and the associated control mechanisms at Evonik.

@ www.icca-chem.org

Responsible handling of chemicals

We have set up an extensive information system to help us meet our responsibility in this field. Elements include product safety summaries, information portals, safety data sheets in many languages, technical information sheets, emergency hotlines, mailboxes and extensive information on our website.

Where necessary, we give customers training in how to handle our products. The safety of our products has top priority for us.

How we live up to our responsibility

The lifecycle of a product starts with research and development and ends with recycling or disposal. Our specialist departments provide advice for customers at all stages in the product lifecycle, from selection of the raw materials through planned application, possible toxicological and ecotoxicological risks and statutory regulations right up to transportation and disposal.

The role of departments involved in product stewardship includes:

- correct classification and labeling of dangerous substances and mixtures
- performing and periodically updating risk assessments
- deriving internal workplace thresholds
- conducting toxicological analyses of alternative substances as part of substitution considerations
- arranging and monitoring statutory toxicological/ecotoxicological/physical chemistry studies
- preparing safety data sheets and other instructions and recommendations on safe handling of products, including updating them and distribution to customers
- reporting and registering products in accordance with national and international legislation
- filing reports in substance inventories
- obtaining country- and application-specific permits; this applies, for instance, to chemicals, biocides, crop protection products, pharmaceutical active ingredients, animal feeds and food contact substances
- steadily expanding knowledge of the hazardous properties of products
- continuously extending knowledge of application properties and product exposure
- providing timely, risk-related information for customers and suppliers

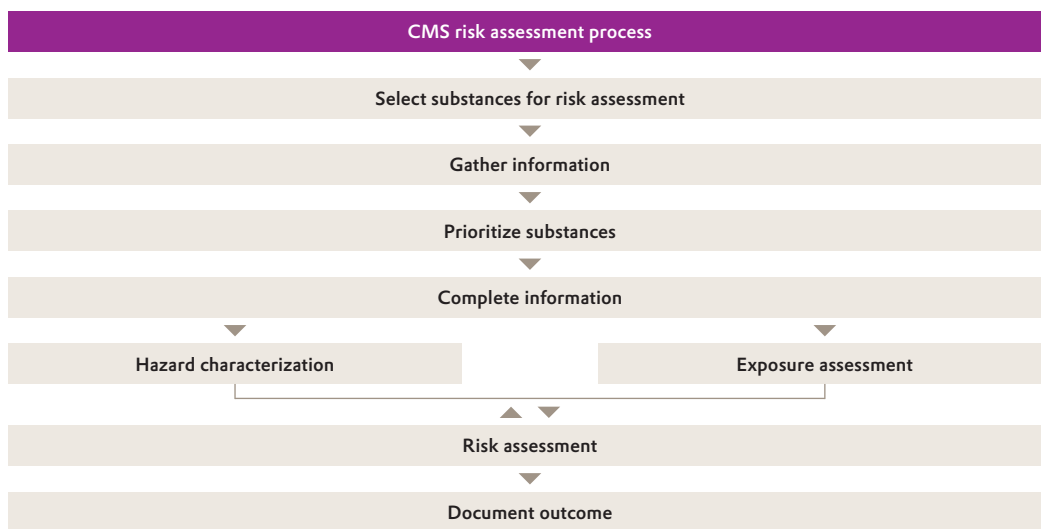
- dealing with enquiries from customers and suppliers and taking their information into account in our own documentation
- preparing GPS Safety Summaries (ICCA) and making them publicly available
- conducting training for customers or internally

The Chemicals Management System

Evonik has used the proprietary Chemicals Management System (CMS) since 2001. This system supports us in global product evaluation, analogously to a lifecycle analysis.

All substances placed on the market in quantities exceeding 1 metric ton p.a. are analyzed, while particularly dangerous substances are analyzed from lower tonnages. The aim is to conduct a risk assessment of 99 percent of substances marketed in quantities exceeding 1 metric ton p.a. by 2020. This decision actively drives forward the United Nations' Strategic Approach to International Chemicals Management (SAICM), which aims to minimize significant adverse effects of the production and use of chemicals on human health and the environment by 2020.

C10 Risk characterization in the CMS



The data covered by the CMS gives us accurate information on substance-related hazards so we can assess how and to what extent people and the environment come into contact with them (exposure). Based on a subsequent risk assessment, we may decide to restrict the use of some of our products or even withdraw them completely.

REACH—the EU Chemicals Regulation

Under 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 metric ton p.a. have to be registered. Evonik supports the goal of protecting health and the environment in the handling of chemicals and systematically applies the REACH Regulation.

T21 No. of substances registered by year-end 2014^a

| Registration phase | Substances registered (approx.) | Dossiers |
|--|---------------------------------|----------|
| > 1,000 metric tons p.a. (November 2010) | 170 | |
| 100–1,000 metric tons p.a. (May 2013) | 180 | |
| Status at year-end 2014 | 500 | 700 |

^a Approximate data, corresponding registration deadlines in brackets.

Significant human resources and organizational measures are required to implement the complex requirements of the REACH Regulation. This requires well-trained personnel, appropriate IT systems, high financial expenditures and involvement and active collaboration with industry associations. Evonik therefore plays an active role in the working groups and committees of the German Chemical Industry Association (VCI), the Federation of German Industries (BDI), the European Chemical Industry Council (Cefic), the International Council of Chemical Associations (ICCA), the Technical Committee of Petroleum Additive Manufacturers in Europe (ATC) and the European Silicones Center (CES).

Alongside registration, the significance of evaluating dossiers and substances, restriction and authorization is increasing. We constantly compare the substance lists published by the authorities with our own portfolio to ensure timely identification of any of our substances that are affected. In such cases, we examine the action to be taken. We also collaborate closely with our customers to work out the next steps. In addition, we examine the raw materials we procure. If they are categorized as being of very high concern or are on the list of potential candidates, we discuss the steps to be taken with our suppliers or look for alternatives. We have set up an email address for all REACH-related inquiries from customers and suppliers to ensure they receive timely and full replies.

 reach@evonik.com

Globally Harmonized System of Classification and Labeling of Chemicals (GHS)

The Globally Harmonized System of Classification and Labeling of Chemicals initiated by the United Nations classifies dangerous goods and substances for labeling on packaging and in safety data sheets. The European version of GHS, "Classification, labeling and packaging of substances and mixtures" (CLP), came into force in 2009. The previous regulations will be withdrawn after 2015. Transition deadlines have been set. Classification of mixtures in accordance with CLP will be completed by mid-2015.

The GHS is still not applied uniformly around the world. Evonik has therefore set up an in-house database to gather information on progress, changes and national requirements.

Global Product Strategy (GPS) sets worldwide standards

We support the initiative of the International Council of Chemical Associations (ICCA) to establish global standards for product stewardship, provide information on safe handling and use of chemical substances for the general public, and thus improve the safety of chemicals.

Information in accordance with the GPS is available in Safety Summaries for more than 150 substances on Evonik's website and the ICCA portal. They are written in understandable English. Some are also available in Japanese and Korean.

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Nanotechnology

Nanotechnology is a generic term for a wide range of developments and innovations. Their common feature is the investigation, production and use of minute structures measuring around 1 to 100 nanometers (nm). One nanometer is one millionth of a millimeter. We have decades of experience of producing nano-structured materials. This knowledge is utilized to develop new applications and creative systems solutions. For example, we see considerable opportunities in non-scratch coatings and electronic applications. In these applications, nanomaterials are enclosed in a matrix or contained in a fluid.

We are involved in various research projects which are examining, for example, the impact of the release of nanomaterials from such matrices. The potential hazards and safe handling of these materials are also being investigated. The results of our research are communicated openly to our stakeholders. In addition, representatives of Evonik take part in the German government's NanoDialog, where experts from industry, science, authorities and trade associations discuss the opportunities offered by nanotechnology and ways of avoiding the possible risks.

Biotechnology

Evonik uses micro-organisms for biocatalysis processes and fermentative production processes. Biotechnology is used to optimize these micro-organisms so that they either produce the desired substances in large quantities as a metabolic product in a fermentation process or produce an enzyme—also in large quantities—that can be used as a biocatalyst in production processes. Alternatively, precursors tailored for highly specific products can be generated from complete cells using a biotransformation process. Evonik regards biotechnology as a key to growth. It is used in the development, production and commercialization of essential amino acids, nutritional supplements and pharmaceutical and cosmetic active ingredients that cannot be obtained by chemical synthesis. Such products have to be registered before they can be produced and placed on the market. This involves a detailed description of the products, together with the production process and the micro-organisms used in their production, and an assessment of the possible risks.

Safe and responsible handling of this technology is a matter of course for Evonik. We respect the desire of our customers and the general public for transparent action and communication, and stringent action to prevent risks. Our strategic innovation unit, Creavis, develops new, cost-effective methods of producing existing chemical products, in some cases in collaboration with business units at Evonik and external partners. The use of renewable raw materials such as sugar and plant residues also reduces dependence on petrochemical feedstocks and thus secures access to raw materials. The focus is, on the one hand, on developing sustainable production processes such as fermentation and biocatalysis, and on the other, on the synthesis of bio-based materials with outstanding functions or a significant cost advantage. Creavis is engaged in work, among other things, on the production of ingredients for cosmetics, for example for anti-aging products, and the development of high-performance polymers from synthetic gas, for example, from waste streams.

Animal protection

Evonik bears considerable responsibility for assuring the quality and safety of its products throughout their lifecycle in order to protect people and the environment. As part of our research to find new solutions, we are required to conduct tests on animals to comply with national and international legislation in order to obtain information on toxicological impact.

In this we follow the 3R concept: Reduce, Refine, Replace, where the basic principle is to replace animal testing by alternative test methods where possible. If there is no recognized alternative to testing on animals, we make sure we only carry out the number of tests that are absolutely necessary to obtain meaningful scientific data.

We are involved in several international organizations that aim to develop alternative test methods, for example, the European Partnership for Alternative Approaches to Animal Testing (EPAA). We support the SET Foundation, which is also undertaking research into substitute and complementary methods.

Further, through membership of the European Centre of Ecotoxicology and Toxicology of Chemicals (ECETOC) and the Cefic Long-range Research Initiative (LRI), we are working on toxicological questions and the development of methods of evaluating the risks of chemicals. Evonik is also an active contact for the Organisation for Economic Cooperation and Development (OECD) on questions relating to toxicological evaluation of chemicals.

We are participating in the development of an in-vitro test strategy to determine potential skin sensitization, and the LRI project is looking at testing irritation of the eyes. In addition, we co-initiated the evaluation of current in-vitro methods.


For tests on animals, Evonik only uses test institutes that are validated in accordance with the applicable national and international legal provisions. Test institutes with a good reputation are selected and are required by master contracts to observe the highest quality and animal protection standards. They are monitored regularly by the animal protection officer who works for the entire Group. His tasks include examining the key data on animal testing compiled by the company. In addition, he informs product stewardship managers about alternative methods and new solutions. He audits the test institutes and engages in the political debate with non-governmental organizations and public authorities. His activities are documented in an annual report.

Research & development

Innovation—a strategic success factor for Evonik

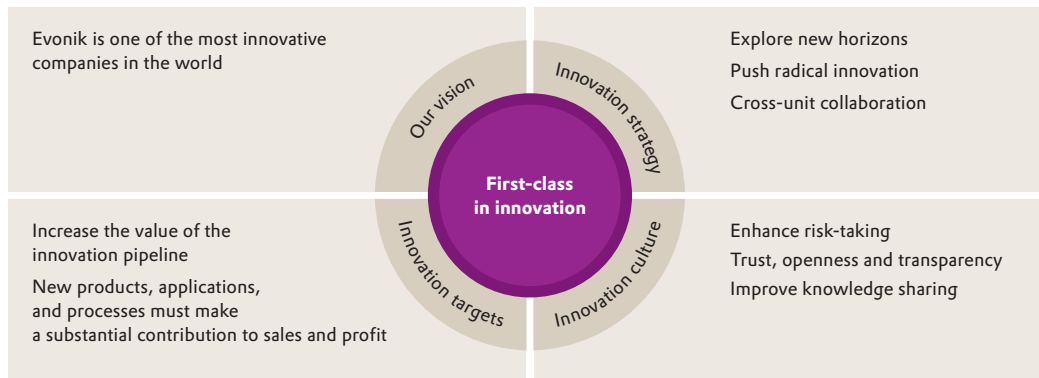
Evonik—one of the world's most innovative companies. That is the vision that guides our research and development (R&D). The Group-wide Leading Innovation initiative, which is designed to strengthen our innovative capability, is a key element in this. It is our response to the challenging situation in the chemical industry, with increasingly short product life cycles, customer-specific requirements and a considerable rise in R&D activity in emerging markets.

A culture of innovation is a key factor in a company's innovative capability. It determines whether—and how fast—employees are able to identify and drive forward good ideas, and convert them into additional sales and earnings. That includes the strength to halt R&D projects if their prospects of success are too low, and a constructive attitude to mistakes. Evonik sees itself as an open and learning organization and this is firmly anchored in its innovation management and executive development activities. Within the Evonik Group, we foster the sharing of knowledge and encourage a business mindset. Every year, we present an Innovation Award in various categories to honor outstanding research achievements.

 [www.evonik.com/
responsibility](http://www.evonik.com/responsibility)

 www.epaa.eu.com

C11 Our claim: First-class in innovation



In view of the strategic importance of R&D, we have raised R&D expenses by an average of 8 percent a year since 2009. They amounted to €413 million in 2014, an increase of 5 percent compared with the previous year (€394 million). The R&D ratio was 3.2 percent (2013: 3.1 percent). Around 80 percent of R&D expenses are for activities within our business units, which are geared specifically to our core technologies and markets. Roughly another 10 percent is used by the operating units to research and develop new business. The remaining 10 percent is spent on strategic development by our innovation unit Creavis to build up new high-tech activities outside the present portfolio. Moreover, in the past three years Evonik has spent €130 million on building laboratory capacity and pilot plants.

Examples of recent successes include a new generation of bioresorbable polylactides for non-aggressive therapies and a wide range of applications in medical technology, silane-modified binders for clear automotive paints, and a new group of polyamides based on castor oil.

The large number of first-time patent applications filed by Evonik places it at the forefront of the specialty chemicals sector. In 2014 we had more than 25,000 patents and pending patents and filed around 250 new patent applications. The value of our patent portfolio has increased steadily in recent years.

We have a well-stocked pipeline with a balanced mixture of around 500 short-, mid- and long-term R&D projects, and intend to raise the value of our pipeline further in the coming years. Attractive products, applications and processes make an important contribution to our growth strategy, along with organic growth and acquisitions. Promising areas of innovation are ingredients for the cosmetics industry, membranes, specialty materials for medical technology, feed and food additives, and composites. In addition, we want to steadily extend our expertise in catalysis and biotechnology.

Intensive dialogue stimulates innovation

An important source of innovation is interaction between specialists from different disciplines, both within the company and with other scientists, industrial partners and our customers. The close correlation between innovation and proximity to customers has traditionally been a key success factor for our business. Working closely with our customers enables us to build knowledge of their specific requirements and markets so we can customize our solutions to their needs. Often, this close collaboration results in completely new products and applications which provide a sound basis for profitable growth in the future.

As part of our Leading Innovation initiative, we examined the role of Marketing and Sales and integrated them more closely into the innovation process. Our product and marketing expertise for key end-markets such as the automotive, pharmaceuticals and paints and coatings industries is bundled in special cross-unit teams. That also increases our visibility to potential customers. We bring together our in-house expertise in specialty chemicals, process technology and engineering at an early stage in projects. This facilitates rapid transfer of new processes to industrial production.

Interdisciplinary collaboration across organizational units and regions is regarded as very important at Evonik. In the project houses at Creavis, experts work with specialists from the operating business on scientific tasks. At present the project houses, which are set up for a defined time period, are working on research into the growth areas of medical technology and composites. Our R&D colloquia and innovation conferences bring together employees from a region across organizational boundaries and provide a platform for them to share their knowledge, experience and ideas for innovations.

In the areas of research and development we are deliberately becoming more open to external partners. We cooperate with research institutes and universities, other companies and start-ups so that the latest research findings in chemistry, biology and physics can rapidly be transported into our company. For example, in 2014 we set up a partnership with the University of Tokyo and stepped up cooperation with Jiao Tong University in Shanghai. As part of our innovation partnership we have established a project with Singapore's state-run Agency for Science, Technology and Research (A*STAR) to develop alternative anti-fouling marine coatings. Bio-fouling is the undesirable growth of marine organisms, plants and algae on wet surfaces such as ship hulls. This greatly reduces fuel efficiency so prevention is of enormous economic significance. We also successfully developed the Evonik Call for Research Proposals, where we invite external scientists to submit proposed solutions to a specific question.

Our corporate venture capital activities give Evonik access to attractive growth markets. By taking stakes in new technology companies and specialized funds, we gain an insight into innovative technologies and businesses at an early stage of development. We added three investments to our portfolio in 2014: Biosynthetic Technologies, which is headquartered in Irvine (California, USA), Algal Scientific, based in Northville (Michigan, USA), and Nanocomp Oy of Lehmö (Finland). Biosynthetic Technologies produces a new class of bio-based oils that are used as high-performance lubricants. Algal Scientific manufactures and markets a polysaccharide that is added to food and animal feed to strengthen the immune system. Nanocomp develops nano-optical structures for use in the recognition of gestures in 3D, medical technology and displays.

Expansion of R&D in attractive growth markets

We are consistently driving forward the internationalization of our R&D to make sure Evonik has its finger on the pulse of dynamic growth markets. Recent steps include a functional silanes laboratory in Mumbai (India), an Application Technology Center for Electronic Solutions in Hsinchu (Taiwan), where we develop custom-tailored applications for customers in the Asian displays industry, and a laboratory for the preparation of catalysts in Shanghai (China). These activities complement our established research facilities in Asia, for example, the R&D center in Shanghai, the innovation center for coating additives in Singapore and Shanghai, and the Light & Electronics Project House in Hsinchu (Taiwan).

Sustainability is an important innovation driver

We are systematically extending Evonik's contribution to sustainable development through resource-saving products and solutions, and continuous improvement of our processes. For example, joint research by Creavis and our operating units has led to an alternative to petroleum-based laurinlactam. Polymerization of bio-based ω -amino-lauric acid yields an identical polyamide 12 (PA12) and is therefore an important step in the production of sustainable high-tech polymers. In the long term, the new process could supplement butadiene-based production of PA 12. The process is currently being scaled up for industrial use at a pilot facility in Slovenská Ľupča (Slovakia).

Together with the Wuppertal Institute for Climate, Environment and Energy in Germany, Creavis has developed the I2P³ (idea to people, planet, profit) innovation management process, which takes account of economic criteria (profit), environmental influences (planet) and societal aspects (people) when assessing projects for new products.

To quantify and evaluate the potential climate impact of new products and processes at an early stage in their development, Creavis uses the Carbon Footprint Estimation model developed by Evonik.

Commitment to fostering talented young people

Fostering education and science is important to Evonik. In 2014, we provided scholarships for 186 especially talented and committed students at 14 universities in Germany. These scholarships, which are awarded by the German government in collaboration with private sponsors, are designed to encourage more young people to take a university degree. Through the Evonik Foundation we have supported students and doctoral candidates with their research for many years. Regular meetings with these young scientists give them an early insight into day-to-day work in the field of specialty chemicals and position us as an attractive employer for talented youngsters.

Market-oriented research & development

In 2014, our operating units once again developed major innovative products and processes up to market maturity or market launch. At the same time, progress was made with important basic projects. Special attention was paid to minimizing the use of resources.

In the Consumer, Health & Nutrition segment, a new conditioning agent developed by the Consumer Specialties Business Unit is aimed at the growing need for high-performance hair care products. The new ingredient combines exceptional performance with biodegradability and ease of incorporation in products such as shampoos and conditioners. The esterquat (quaternium-98) is produced from renewable, non-palm-oil based feedstocks. Scientific studies show that the new ingredient provides superior manageability, lubricity and softness of hair. The first products containing the new active ingredient VARIOSOFT® EQ 100 will be available commercially in 2015.

In 2014, the Health & Nutrition Business Unit met the conditions for marketing EUDRAGUARD® control in the European Union and the USA. EUDRAGUARD® control is the first of a new product family for the high-end nutraceutical market. It is based on the established EURDRAGIT® brand of pharmaceutical polymers. Like them, EUDRAGUARD® can be used to prevent degradation of sensitive active ingredients by stomach acid, and ensure extended release and taste and odor masking. It should allow the formulation of nutraceuticals with improved properties, leading to better acceptance by end-consumers. EUDRAGUARD® control will be launched in the first quarter of 2015.

Innovation Award 2014

New Products/ System Solutions category

Project:
The solution
for the TV of the
future (iXsenic®
metal oxide semi-
conductor material)

Coatings &
Additives Business
Unit/Creavis

New or Improved Process category

Project:
An inventive
combination that
boosts amino acid
yields (optimized
downstream
process in
fermentation)

Health & Nutrition
Business Unit/
Process Technology
& Engineering

In the past, microscopic polyethylene and polypropylene particles have been used in exfoliants in the cosmetics industry. The Inorganic Materials Business Unit in the Resource Efficiency segment has now launched SIPERNAT® specialty silicas as an environment-friendly alternative. SIPERNAT® 2200 PC and SIPERNAT® 22 PC are listed by the International Natural and Organic Cosmetics Association as nature-identical products. SIPERNAT® is also more economical than other substitutes for polyethylene. It is produced on an industrial scale, ensuring economical worldwide availability. Further, thanks to the specific properties of the silica SIPERNAT® can be incorporated quickly and easily into formulations. Some well-known international cosmetics companies are already using SIPERNAT® in shower gels and face and body exfoliants.

In 2014, the Coatings & Additives Business Unit started up a new production plant for hydroxyl-terminated liquid polybutadiene at Evonik's site in Marl (Germany) with annual capacity of several thousand metric tons. This was preceded by intensive development work, which successfully added this functionalized polybutadiene to Evonik's range. POLYVEST® HT is used in sealing compounds for insulating glass windows and as a structural adhesive in non-weldable composites used in auto bodywork. Key growth drivers here are energy efficiency and weight reduction. With POLYVEST® HT we want to participate in the above-average growth of the adhesives market.

Lightweight construction is a big issue in the automotive industry. That includes manufacturing serial components so smartly that they have multiple functions and meet high demands, while maximizing the efficiency of materials and saving resources. In view of this, the HYLIGHT project supported by the Federal Ministry of Education and Research (BMBF) has developed a new type of adhesion promoter system for plastic-metal hybrids on the basis of the VESTAMELT® adhesion promoter developed by the Performance Polymers Business Unit (Specialty Materials segment). This new system allows significant weight reductions at no additional cost and can be used in serial production. In the research consortium, which was led by Evonik, partners from all stages in the value chain and universities worked together closely for a period of three years.

A team from the Advanced Intermediates Business Unit and Evonik's analytical unit AQura has developed a significant process improvement for our world-scale production facility for the high-molecular plasticizer alcohol 2-propylheptanol (2-PH) in Marl (Germany). Use of the new ligand OxoPhos 64i allows the plant to operate for longer with less maintenance. Moreover, the raw materials can be used more efficiently. 2-PH is a precursor for PVC plasticizers and is mainly used in cables and film. This innovation, which has excellent IP protection strengthens Evonik's technology position in the attractive growth market for plasticizer alcohols.

T22 R&D at Evonik

| | |
|--|----------------------|
| R&D expenses | €413 million |
| R&D ratio | 3.2 percent |
| R&D employees | approx. 2,600 |
| Locations | approx. 35 |
| R&D projects | approx. 500 |
| Number of new patent applications filed | approx. 250 |
| Patents held and applications filed | more than 25,000 |
| Registered/pending trademarks | more than 7,000 |
| Innovation projects funded by the European Union and the Federal Republic of Germany | approx. €5.9 million |

Employees¹ ✓

Evonik offers a wide range of global career and development opportunities. Teamwork is a clear focus for us. This is expressed in our employer brand "Exploring opportunities. Growing together.", which guides our human resources work. Attracting highly qualified candidates, and targeted development of talented employees pave the way for us to fill key positions from within the company. At the same time, we are strengthening development opportunities for all employees. We are therefore well-prepared for future challenges. Our HR management tools help our line managers establish a healthy performance culture in their teams and lead change processes. This is an integral part of our value- and performance-oriented management of the company.

Customized human resources work

Our modern, customized HR services play an important part in raising efficiency and supporting growth. Our Administration Excellence program to make our administrative processes and functions more efficient, and ALMA, which focuses on the strategic reorganization of the Group, form the basis for differentiated strategic development of our operating business. At the same time, we are continuing to pursue our efficiency goals. The ALMA corporate program is designed to strengthen the independence of the segments and increase their entrepreneurial freedom so that we can respond better to rising market demands. HR is supporting the more efficient and effective alignment of Evonik's administrative structures, which is the aim of the Administration Excellence program, and will be implemented with respect for people, taking care to avoid undue hardship. Another priority is supporting global growth by recruiting suitably qualified personnel for new production facilities.

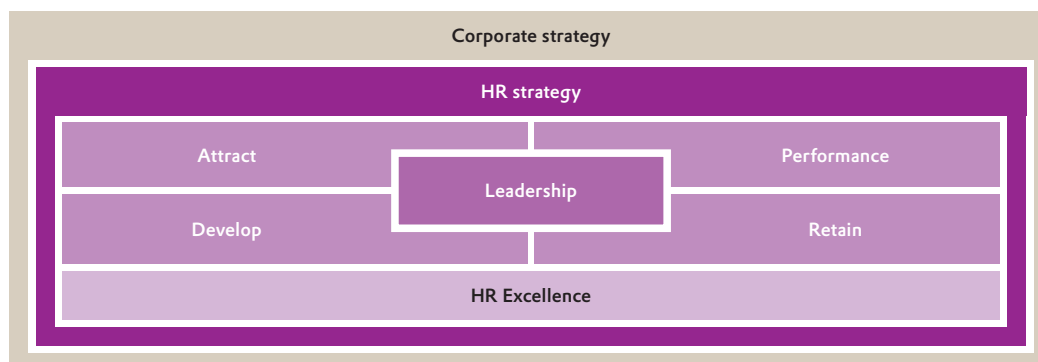
Continuing our plant management concept, effective April 1, 2014, the employment contracts of employees at Evonik Services GmbH were transferred to Evonik Industries AG. The employment contracts and all provisions contained in them remain in force. Further, the business activities relating to the production of lithium ion batteries were reorganized through portfolio management activities following the deconsolidation of Li-Tec Battery GmbH.

HR strategy and strategic personnel planning

In our annual strategy review in 2014 we confirmed the core messages and objectives of our HR strategy, including the recruitment, development and retention of employees, and also confirmed the importance of leadership. Human resources strategy is an important element in Evonik's corporate strategy. Executives and HR departments are working together to shape the restructuring of the Evonik Group as a management holding structure with three strong operational segments and efficient services. At the same time, they are working in partnership on the basis of our common corporate values to make administrative structures leaner and more efficient through the Administration Excellence program. Based on measures derived from our workforce planning, we are also addressing the wide-ranging changes on the regional labor markets.

¹ Except where otherwise indicated, all information in this section refers to Evonik's continuing operations.

C12 HR strategy



Employees worldwide

Employee structure

At year-end 2014, the Evonik Group had 33,412 employees. The continuing operations had 33,241 employees. Compared with year-end 2013, the number of employees increased by 246, mainly as a result of growth projects. This was countered by the divestment of the skin care business and implementation of the efficiency enhancement programs.

T23 Unplanned staff fluctuation in 2014^a

| | Fluctuation rate in % | Unplanned turnover, (no. of employees) |
|---------------------------|-----------------------|--|
| By region | | |
| Germany | 2.6 | 549 |
| Other European countries | 1.8 | 51 |
| North America | 3.9 | 148 |
| Central and South America | 5.1 | 26 |
| Asia-Pacific | 5.2 | 238 |
| Middle East, Africa | 5.4 | 7 |
| By gender | | |
| Female | 4.6 | 369 |
| Male | 2.6 | 650 |
| By age | | |
| Under 30 | 3.9 | 259 |
| 30 to 50 | 3.8 | 678 |
| Over 50 | 1.0 | 82 |
| | 3.1 | 1,019 |

^a Reference base: employees in continuing operations as of December 31, 2013, based on headcount.

Employees
Employees worldwide

473 employees left the company in 2014 at their own request.

T24 Employee structure

| | 2012 | 2013 | 2014 |
|--------------------------------|--------------------|--------------------|--------------------|
| Total employees | 32,034 | 32,995 | 33,241 |
| of whom female | 7,634 | 8,004 | 8,011 |
| of whom male | 24,400 | 24,991 | 25,230 |
| of whom apprentices in Germany | 1,750 ^a | 1,855 ^a | 1,749 ^a |
| | 2,065 ^b | 2,197 ^b | 2,227 ^b |

^a Apprentices with a training contract with Evonik.

^b Apprentices with a contract with Evonik, third-party training and the "Start in den Beruf" program to prepare young people for work.

About 24 percent of employees are female. Women hold about 20 percent of positions at executive levels 1 to 3 and around 8.2 percent of positions in the top two management tiers.

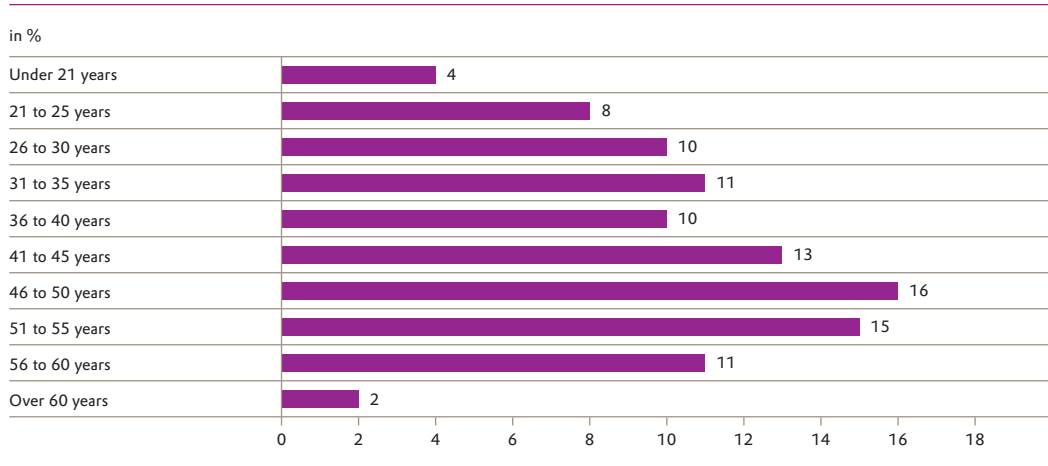
T25 Employees by segment

| | Dec. 31, 2013 | Dec. 31, 2014 |
|------------------------------|------------------|------------------|
| Consumer, Health & Nutrition | 7,150 | 7,090 |
| Resource Efficiency | 5,854 | 5,804 |
| Specialty Materials | 6,268 | 6,236 |
| Services | 12,192 | 12,710 |
| Other operations | 1,531 | 1,401 |
| Continuing operations | 32,995 | 33,241 |
| Discontinued operations | 655 | 171 |
| Total | 33,650 | 33,412 |

T26 Employees by region

| | 2012 | | 2013 | | 2014 | |
|--------------------------------------|---------------------|------------|---------------------|------------|---------------------|------------|
| | No. of employees | in % | No. of employees | in % | No. of employees | in % |
| Europe | 23,444 | 74 | 24,059 | 73 | 24,176 | 72 |
| thereof Germany | 20,708 | 65 | 21,240 | 64 | 21,435 | 64 |
| thereof other European countries | 2,736 | 9 | 2,819 | 9 | 2,741 | 8 |
| Americas | 4,226 | 12 | 4,270 | 12 | 4,320 | 13 |
| thereof North America | 3,790 | 11 | 3,763 | 11 | 3,709 | 11 |
| thereof Central and South America | 436 | 1 | 507 | 1 | 611 | 2 |
| Asia-Pacific | 4,252 | 13 | 4,537 | 14 | 4,620 | 14 |
| Middle East, Africa | 112 | 1 | 129 | 1 | 125 | 1 |
| Total | 32,034 | 100 | 32,995 | 100 | 33,241 | 100 |

C13 Age structure in the Evonik Group, continuing operations



The average age of the workforce is 41.6 years. To prevent child labor, we ask the age of employees as part of the recruitment process. Our youngest employees are 15-year-olds on vocational training courses.

Agency staff

We work with staffing agencies in Germany to cover short-term or temporary bottlenecks. All agencies must provide evidence of a valid operating permit. If agency staff have been used for a job for more than six months, we examine whether it is a job where we can offer permanent employment. Alongside appropriate remuneration, we make sure that agency staff are covered by the same high social and safety standards as our own staff. Since the chemical industry requires a large number of highly qualified employees, fewer agency staff are used than in other sectors of manufacturing industry. Evonik had around 630 agency staff as of December 31, 2014. That was less than 3 percent of our total workforce in Germany.

Diversity is decisive

We are firmly convinced that a diversity of nationalities, genders, educational backgrounds, professional experience and age structures is a significant booster of creativity and innovation and therefore enhances our competitiveness. At the start of 2014, around 90 different nationalities were represented in Evonik's workforce. We have measures in place to integrate foreign workers in all regions. There are also measures to help us handle foreign employees, especially in view of cultural differences. These measures reach over 90 percent of our employees. In addition, fostering both international and female specialists and executives is an important part of Evonik's diversity strategy. This is based on extensive in-house and external networks such as women@work, which organizes regular meetings, talks, mentoring and training sessions. In the past two years, we have made considerable progress in this respect and the number of female executives has increased to over 10 percent.

Employees

Finding and fostering the right talents

Finding and fostering the right talents

A strong employer brand

Evonik recognized early on that a strong and uniform global employer brand is a key success factor in the competition to attract the ablest employees. In the reporting period, we launched a new vocational training campaign under the motto "Do you see the path to your future career? Let's make it work!". This highlights apprentices and their training courses to show that Evonik offers wide-ranging opportunities for young people embarking on their careers after school. Our apprentices also provided ideas for this campaign, which aims to position Evonik as an attractive vocational training organization in Germany and secure a supply of skilled staff.

The same aim underlies the Evonik Perspectives program to retain interns. This program has been used in Germany for ten years and is an important cornerstone of our employer branding strategy. In this way, we maintain contact with former interns whose performance was above-average. Many of them started work at Evonik through this program when they completed their studies. We also launched this program in China in 2014.

Various awards and surveys show that Evonik is already one of Germany's most attractive employers. For example, in 2014 we were among the leaders in the chemical and pharmaceutical sector in employer ranking conducted by the German news magazine FOCUS.

We are also a preferred employer in China: In 2014 we were once again included in the list of the fifty top employers published by the Top Employer Institute. In addition, Evonik received the 100 Best Human Resources Management (HRM) Company Award in China.

 See p. 17

T27 Recruitment of employees from the labor market in 2014^a

| | No. of employees | in % |
|---------------------------|---------------------|------------|
| By region | | |
| Germany | 364 | 1.7 |
| Other European countries | 108 | 3.8 |
| North America | 282 | 7.5 |
| Central and South America | 153 | 30.1 |
| Asia-Pacific | 430 | 9.5 |
| Middle East, Africa | 21 | 16.5 |
| By gender | | |
| Female | 360 | 4.5 |
| Male | 998 | 4.0 |
| By age | | |
| Under 30 | 586 | 8.7 |
| 30 to 50 | 682 | 3.8 |
| Over 50 | 90 | 1.1 |
| | 1,358 | 4.1 |

^a Reference base: employees in continuing operations as of December 31, 2014, based on headcount.

Lifelong learning from the beginning

Learning is not a process that ends when people leave school or complete vocational training or a university degree. On the contrary, we regard learning as a lifelong attitude that fosters continuous development so that individuals can achieve their professional goals. We support this through a wide range of measures. The first decision at the start of working life is what career path to take. Evonik therefore offers young people in Germany an extensive range of information and internships to assist them in this process. In this way, the company supported more than 30,000 school students in 2014. In addition, more than 2,700 school students spent around 5,000 days on internships. Our commitment includes internships integrated into the school curriculum, project days on specific topics, workshops and a new one-day career taster format. There was also great interest in our career orientation talks, information afternoons for apprentices, careers advice in schools and our presence at supra-regional training fairs.

Vocational training

Evonik remains committed to vocational training to make sure that tomorrow's specialists can be sourced primarily from within the company. With a view to future demand for qualified employees, hiring apprentices at the end of their training will be aligned more closely to the needs of the organizational units. As a result, hiring apprentices on permanent contracts at the end of their training will increasingly become the norm, and temporary contracts will be the exception.

Some 590 apprentices started their training at 15 sites across Germany in 2014. At year-end 2014 we had more than 2,100 young people doing apprenticeships and on combined vocational training and study programs. Around 370 of them are being trained for partner firms, to which Evonik makes its training expertise available. Apprentices accounted for around 9 percent of the workforce in Germany, which is still well above the national average. In 2014, we invested around €61 million in vocational training.

We also offered further places on the "Start in den Beruf" program in the reporting period. This program offers around 80 disadvantaged youngsters an opportunity to prepare for vocational training.

We pave the way for international personnel development during vocational training through content with an international focus and special learning programs in foreign countries. Highlights in 2014 were a training course on flanges in Austria and Belgium and the development of a teaching CD for our Singapore site.

Generation Pact—Knowledge transfer between generations

To balance the interests of the company and those of our youngest and oldest employees, Evonik has introduced a new human resources concept in Germany. Based on a "Generation Pact" signed with the Works Council and the German Mining, Chemical and Energy Industrial Union (IG BCE), hiring apprentices at the end of their training is closely linked to the retirement of more experienced colleagues. Older employees specify five years in advance when and how they wish to retire, enabling them to prepare for their retirement as part of their personal life planning. This clarity allows the company to take timely action to prepare to fill the vacancy. Evonik sees early on where new employees are needed and can therefore target potential applicants for apprenticeships more effectively than in the past.

Employees

Finding and fostering the right talents

Ongoing education and training

We constantly strive to improve the development landscape for employees and executives, paying attention to globally high quality standards. We therefore adapt to differing regional and cultural requirements. In 2014, we harmonized our development offering in Asia by introducing individual development plans to strengthen commitment. To heighten identification with ongoing training, we also use talented upcoming executives as internal trainers.

Evonik's development landscape offers wide-ranging opportunities for continuing personal and professional development. Alongside face-to-face training, we use national and international web-based communication and training platforms, especially for concise training sessions. The various development opportunities are personalized wherever possible so a standardized evaluation is not possible. We improved reporting of training in 2014 and are now able to evaluate training data for about three quarters of our employees worldwide. Employees receive an average of 8.9 hours training. The effective training time is considerably higher because the average is calculated from total training time relative to the entire workforce.¹ In Germany we invested around €450 per employee in face-to-training alone.² To further improve quality, we aim to continuously increase the proportion of employees and regions included.

Scholarship program


Evonik offers attractive scholarships to high-performing employees who wish to study for a bachelor's degree after completing their training, or wish to gain a master's degree. The aim is to retain able employees in the Evonik organization and to jointly shape their professional future from an early stage. Ten scholarships were awarded to high-performing former apprentices in 2014.

Executive development and talent management

Evonik's practice of filling executive and key functions principally from within the company is a clear commitment. Our talent management identifies, develops and fosters employees with potential across hierarchical levels and functions. Regular planning conferences with the close involvement of the Executive Board focus on development and succession planning for the most talented employees. To strengthen the internationality of our growth strategy still further, we also observed the market for applications more closely and in 2014 our RISE talent recruiting program focused mainly on Asia.

Since a strong character makes a strong manager, our measures to foster the development of personal attributes include voluntary work. Around 70 upcoming executives traveled to Vietnam in spring 2014 to build houses in collaboration with our partner Habitat for Humanity and the inhabitants of the Hoa Binh region.

Evonik believes that values and ethical and moral standards are inseparably linked. A new series of events therefore deals intensively with the links between ethical aspects, business conduct and personal leadership practice. This is in keeping with our motto: "Taking the lead—passionately and value-oriented".

 See p. 8 f.

¹ Reference base 2013: total no. of participants.

² Including a small proportion of contractors' employees and foreign attendees.

Personnel expense and social security benefits

The personnel expense in the reporting period comprised the following items:

T28 Personnel expense

| in € million | 2013 | 2014 |
|--------------------------|--------------|--------------|
| Wages and salaries | 2,306 | 2,222 |
| Social security expenses | 316 | 336 |
| Pension expense | 203 | 192 |
| Other personnel expense | 23 | 21 |
| Total | 2,848 | 2,771 |

Group-wide personnel expense for the continuing operations totaled €2.8 billion in 2014, a decrease of €77 million (2.7 percent) compared with 2013. The data on wages and salaries includes both basic pay and expenses for provisions. In 2014, provisions were considerably lower than in the previous year (about €100 million lower), while basic salaries were higher (around €60 million higher) due to pay rises and an increase in the headcount.

T29 Proportion of employees with access to health insurance

| in % | 2013 | | | 2014 | | |
|---------------------------|-------------------------------------|--------------|-----------------|-------------------------------------|--------------|-------------|
| | Statutory healthcare system (basic) | Company plan | Mixed plans | Statutory healthcare system (basic) | Company plan | Mixed plans |
| Germany | 100 | 0 | 0 | 100 | 0 | 0 |
| Other European countries | 33 | 10 | 57 | 34 | 9 | 57 |
| North America | 5 | 0 | 95 ^a | 5 | 0 | 95 |
| Central and South America | 28 | 0 | 72 | 10 | 0 | 90 |
| Asia-Pacific | 23 | 15 | 62 | 22 | 17 | 61 |
| Middle East, Africa | 0 | 51 | 38 | 0 | 48 | 44 |

^a New statutory regulations in the USA.

Voluntary social benefits are offered to employees in the regions in which Evonik has a presence. These are offered to more than 95 percent of our employees. Although not all regions have a state healthcare system, 97 percent of our employees enjoy basic statutory healthcare provision. However, even where there is a state healthcare plan, benefits vary considerably. In many regions we therefore offer employees a company health insurance plan or supplement the statutory offering.

Disabled employees account for 6.9 percent of the workforce at Evonik in Germany. That is above the quota of 5 percent set for the country.

All regions have statutory pension plans. There are also a large number of company pension plans, which differ from region to region. They may be employer- or employee-financed or a mixture of the two.

Employees

Personnel expense and social security benefits

T30 Proportion of employees with access to a company pension plan

| in % (multiple entries possible) | 2013 | | | 2014 | | |
|----------------------------------|-------------------|-------------------|-------------|-------------------|-------------------|-------------|
| | Employer-financed | Employee-financed | Mixed forms | Employer-financed | Employee-financed | Mixed forms |
| Germany | 0 | 0 | 100 | 0 | 0 | 100 |
| Other European countries | 43 | 0 | 36 | 37 | 0 | 41 |
| North America | 4 | 0 | 96 | 4 | 0 | 96 |
| Central and South America | 23 | 0 | 67 | 17 | 0 | 74 |
| Asia-Pacific | 15 | 0 | 11 | 15 | 0 | 11 |
| Middle East, Africa | 1 | 0 | 76 | 1 | 0 | 73 |

Worldwide remuneration system

In its remuneration systems, Evonik attaches importance to market-oriented and performance-related salaries. This is based on uniform global evaluation criteria for specialists and executives. The focus is on the function rather than on individual employees. Our salaries are set using objective criteria such as responsibility, knowledge and performance. Personal attributes such as gender, age and origin play no part in the process. Global differences in remuneration result from the local market situation because our remuneration is based on the corresponding reference market. More than 90 percent of our employees are covered by collective agreements on remuneration.

In the realignment of our remuneration systems for exempt employees, special attention was paid to diversity. That includes systematic development of remuneration even in the event of interruptions in employment, for example for parental leave, and avoiding the gender pay gap in the development of individual pay packages. This ensures that interruptions in employment do not adversely affect the development of remuneration for either exempt employees or those covered by collective agreements. The global review and harmonization of our remuneration systems was concluded in 2014.

Following Evonik's stock exchange listing in 2013, we introduced a Long-Term Incentive Plan (LTI) for members of the Executive Board and other executives. The LTI Plan focuses on Evonik's long-term performance and balances the interests of shareholders and the management. The benchmarks are the performance of Evonik's share price and a comparison with a share index (MSCI World Chemicals IndexSM) reflecting the global development of the chemical industry. The LTI Plan runs four years and has two exercise options.

In 2014 we introduced Share.2014, Evonik's first employee share program. Employees in Germany, Belgium and USA were eligible. The average participation rate was around 37 percent, so more than 10,000 employees took part. Employees and apprentices purchased nearly 310,000 Evonik shares. In return for this, they were allocated around 110,000 bonus shares in the company. In Germany Share.2014 replaced the previous employee profit participation program. Irrespective of this, around 95 percent of our sites worldwide have performance- and profit-based incentive systems, which generally take the form of supplementary payments and/or bonuses. These systems cover around 99 percent of our employees. There are also incentive systems for our apprentices in Germany and Austria.

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Working together as partners

Respecting workers' and human rights

Evonik accepts the United Nations Declaration of Human Rights and is a member of the UN Global Compact. We have given an undertaking to foster human and workers' rights, avoid discrimination and corruption, and protect people and the environment. These principles are integrated into our Code of Conduct and Global Social Policy, which forbid any form of discrimination on the basis of origin, race, religion, age, gender, sexual orientation and disability. Employees who feel they have been discriminated against have a right to lodge a complaint. Information on the basic procedure is normally provided by internal media, at information events and in personal discussions.

Contacts for reporting cases of discrimination are available at all sites. Moreover, appropriate measures and activities have been established in all regions to avoid discrimination. Four cases of discrimination were reported in 2014. They were followed up and action was taken to eliminate discrimination.

We develop the sensitivity of our purchasers in their work with potential suppliers through training. Our expectation that our standards will be observed are set out in our purchasing conditions and our Supplier Code of Conduct.

 See p. 37 ff.

Trustful collaboration

Evonik's success relies to a considerable extent on trusting collaboration between representatives of the management and employees. This collaboration takes account of operating conditions and the laws applicable in the various countries.

In Germany, all sites have employee representation: Works Councils represent non-exempt and exempt employees, while executive staff councils represent our executives. Significant operational changes are discussed with these bodies in order to find mutually acceptable solutions.

Cross-border interests in Europe are represented by the Evonik Europa Forum, which is composed of employer and employee representatives. Worldwide, over 96 percent of our employees work in companies with employee representation. Outside of Europe, there is employee representation for over 89 percent of our employees. Evonik does not restrict employees' rights to freedom of assembly or the right to collective bargaining.

Employee survey

Thanks to the tremendous response to the employee survey conducted at the end of 2012, well over 600 projects and other measures have been initiated. We worked systematically on these in 2014 as part of our follow-up process. To allow thorough consideration of their effects, the frequency of our employee survey has been altered from every two to every three years. The next Group-wide employee survey will therefore be held in 2015.

Employee performance and development review

Regular employee performance and development reviews have been a central management tool at Evonik for many years. The latest employee survey showed that worldwide 85 percent of employees use this important development instrument. Our objective is to conduct an annual performance and development review with every employee on the basis of uniform Group-wide standards. In 2014, the SHAPE project (Shared Approach to Performance Evaluation) worked on principles to give appraisal reviews for exempt employees and executives a stronger focus on personal development and our performance culture in the future.

360° feedback—A living feedback culture

Evonik has used 360° feedback successfully as a tool for employee and organizational development for a number of years. Feedback is given from a variety of angles: co-workers, colleagues, the employee's line manager and other people such as customers assess the individual's competencies and conduct on the basis of the Evonik competency model. The competency model outlines the requirements Evonik has of its employees. It comprises eight competencies, including customer focus, communication skills and ability to collaborate. Individual feedback is used for personal development, while evaluation in a group encourages reflection on the strengths and development needs of specific teams or units.

Work/life balance

Healthy and motivated employees are vital for Evonik's success. The well@work program which is anchored in our human resources strategy is designed to strengthen the employability and quality of life of our employees. In 2014 we aligned this program even more clearly to the needs of our employees and the company. The most important modules and topics center on issues relating to human resources, and occupational health and safety. We extended our advice and services in 2014. The focal areas were health promotion, work-life balance and exercise programs. All activities center on encouraging employees at all levels to take greater responsibility for their health and ability to work. All regions where Evonik operates now have statutory regulations to help employees combine work and family life but these are not comparable in terms of scope and content.

As one of Germany's largest employers, in 2013 we set clear rules for responsible use of mobile communications devices to protect employees from the strain of having to be permanently available. The regulations, which apply for all 21,000 employees in Germany, are having an impact. For example, the introduction of a "brake" on email has roughly halved emails at weekends.

Company-run social and employee counseling services at our sites offer employees advice on workplace-specific problems, health issues and personal and family matters. These are available to 97 percent of employees worldwide. Family-friendly management of the company is another key element of well@work. Examples of the many ways in which we help employees in Germany combine their work and private lives are the provision of over one hundred childcare places, vacation programs for more than 600 children, and extensive support on issues related to caring for elderly and sick relatives. well@work also includes a wide range of health-related activities around the world such as medical check-ups for employees and their families in China and an Employee Assistance Program for around 70 percent of employees outside Europe.

More than 95 percent of our employees worldwide have access to local initiatives at their sites to help them combine work with family life. In Germany, there were 508 employees on parental leave in 2014. 31 percent of them were already on parental leave at the turn on 2013/2014. The proportion of male employees on parental leave was 37 percent. In 2014, they took an average of 1.7 months parental leave (female employees: 6.1 months). More of the employees returning to work after parental leave in 2014 took up full-time employment than part-time employment. However, the full-time to part-time ratio for women returning to work was around 4:1. As a family-friendly company we are proud that, with a few exceptions, the employees who returned to work after parental leave in 2013 were still working for us one year later.

T31 Worktime models by region 2014^a

| in % | Single shift, full-time | | Single shift, part-time | | Multiple shifts, full-time | | Multiple shifts, part-time | |
|---------------------------|-------------------------|----------|-------------------------|----------|----------------------------|----------|----------------------------|----------|
| | fixed/ inflexible | flexible | fixed/ inflexible | flexible | fixed/ inflexible | flexible | fixed/ inflexible | flexible |
| Germany | 0 | 67 | 0 | 8 | 15 | 9 | 0 | 1 |
| Other European countries | 9 | 39 | 1 | 4 | 39 | 6 | 2 | 0 |
| North America | 17 | 36 | 0 | 0 | 47 | 0 | 0 | 0 |
| Central and South America | 27 | 69 | 0 | 0 | 4 | 0 | 0 | 0 |
| Asia-Pacific | 35 | 26 | 0 | 0 | 39 | 0 | 0 | 0 |
| Middle East, Africa | 17 | 71 | 0 | 0 | 12 | 0 | 0 | 0 |

^a Excluding apprentices.

At two sites in Germany apprentices are also offered flexible working hours. The maximum statutory worktime in Evonik's regions is 48 hours a week (no statutory ruling in the USA). With a few exceptions, all rulings can be applied flexibly. We limit employees' working hours to 48 hours a week, unless shorter working hours are applicable. The regular, contractually defined working hours for approximately 85 percent of our employees are based on collective agreements. In 2013, employer and employee representatives concluded an agreement on working hours. A uniform IT tool was agreed to allow transparent documentation of working hours in Germany. Line managers and employees are jointly responsible for improving the flexibility of worktime and workplaces. While the agreement was being finalized in 2013, infringements of working hours were established in a number of individual cases at one site inspected by the supervisory authorities. We accepted the fine imposed. The rollout of the new agreement will continue in 2015.

Statutory vacation entitlements vary enormously from one region to another and range from five to 30 days. In some cases, there are country-specific regulations that take account of years of service and/or the age of the employee. In most cases, our in-house vacation allowances exceed the statutory minimum. That also applies in the USA, where vacation entitlements are based on regional custom since there are no statutory provisions.

T32 Extended periods of leave

| in % | Extended unpaid leave > 3 months | Extended paid leave > 3 months |
|---------------------------|--|--------------------------------------|
| Germany | 100 | 100 |
| Other European countries | 73 | 3 |
| North America | 96 | 96 |
| Central and South America | 83 | 83 |
| Asia-Pacific | 17 | 9 |
| Middle East, Africa | 0 | 0 |

Over 70 percent of our apprentices have the option of taking a longer period of unpaid leave where this is compatible with their training.

The environment¹ ✓

Protecting our environment and the climate are major global challenges of our age, along with efficient use of limited natural resources in the face of the growing world population and increasing affluence. Maintaining the natural basis for future generations is part of our corporate responsibility. That includes steadily reducing emissions, utilizing materials and resources efficiently, and developing products that help us forge a clear link between economic success and ecological progress. As well as contributing to active environmental protection, improving our ecological footprint is important for public acceptance and involves a corporate commitment that extends beyond the regulatory framework. Our strategic focus pays great attention to these factors. That is also reflected in rising demand from our customers for products and solutions that demonstrably contribute to a positive ecological profile.

Our management approach

We constantly strive to improve our production processes, utilize resources more efficiently, and reduce environmental impact still further. The focus is not just on absolute consumption and emissions but on the data relative to output. This information can be used to evaluate the efficiency of our processes and their development over time more reliably than the absolute values and flows directly into our ecological areas of action. These are mainly reducing our energy consumption, cutting emissions into the air and water, and utilizing water efficiently. Environmental aspects are important to us—from the selection of suitable suppliers through all processing stages to disposal at the end of the product lifecycle. In this way, we can offer our customers solutions that help them achieve a perceptible improvement in their ecological profile by increasing energy efficiency and reducing emissions, and thus make a valuable contribution to environmental and climate protection. Research into sustainable products and processes that utilize resources efficiently is an integral part of Evonik's innovation strategy.

We are committed to the chemical industry's Responsible Care initiative. As a signatory to the Responsible Care Global Charter, we have given an undertaking that we will continuously improve our performance in the areas of occupational health, safety, product stewardship and occupational safety. We have defined Environment, Safety, Health and Quality (ESHQ) Values and manage these areas throughout the Group on the basis of mandatory policies and procedures. The operational business units and Site Services are responsible for implementing them and monitor their progress through regular internal audits of sites and regions. The relevant Corporate Center division monitors compliance with the binding Group-wide strategy on the environment, safety and health and with the relevant statutory requirements.

Alongside many internal audits in operating units, in 2014 we conducted 18 corporate audits. Over 95 percent of our global production has been validated externally as conforming to ISO 14001, the internationally recognized environmental management standard.

Based on the findings and on analyses of internal and external monitoring activities, site inspections and reviews, talks are held on possible improvements and their implementation. The Executive Board is informed annually of the outcome of these audits.

¹ All data presented in this section refer to both continuing and discontinued operations.

Environmental targets

Evonik's strategic development focuses on a sustained increase in the company's value. To achieve that, we set ambitious targets for finance, safety and the environment. Our environmental targets are valuable guidance for a continuous improvement in our performance in protecting the climate and our environment. We aim to achieve our targets by 2020. They apply for the period 2013 to 2020. Any deviations from the goals are specifically indicated.

- Reduce specific greenhouse gas emissions¹ by 12 percent
- Reduce specific water intake by 10 percent

T05 Status of our environmental targets

| in % compared with 2012 | 2012 | 2013 | 2014 | Target for 2020 |
|-----------------------------------|------|-----------------|------------------|-----------------|
| Specific greenhouse gas emissions | 100 | 94 ^a | 93 | 88 |
| Specific water consumption | 100 | 95 ^a | 103 ^b | 90 |

^a Temporary effects in the energy supply area as a result of production shutdowns and portfolio adjustment effects.

^b Site-specific effects in the intake of surface water.

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The reference base for reporting is 2012. In sustainable waste management, we are continuing our efforts to minimize the use of resources. We regard specific CO₂ emissions as a particularly important environmental indicator and plan to use it as a key non-financial performance indicator in the future. One precondition for this is replacing our reporting routines by a more advanced technical system. Work on this commenced last year.

In 2013 there was a sharp drop in our specific environmental data compared with 2012 due to portfolio adjustments and temporary effects in energy supply and production. Starting from this level, we achieved a further slight reduction of one percentage point in specific greenhouse gas emissions in 2014 thanks to various technical measures. These included converting some fission reactors for sulfuric acid recycling from heavy fuel oil to natural gas and extending integrated production systems to include external partners. In addition, we initiated a project to implement the global energy management standard ISO 50001 at our German sites. Specific water consumption rose by eight percentage points in 2014 compared with 2013, mainly as a consequence of site-specific factors in the use of surface water for through-flow cooling.

Environmental protection investment and operating costs

We invested €107 million in measures to improve environmental protection in 2014. That was considerably more than in 2013 (€29 million). Around two thirds of this amount was for property, plant and equipment as part of our strategic investment projects, especially in Asia and North America. In particular, these comprised the methionine complex in Singapore, the isophorone and isophorone diamine facility in Shanghai (China), and the precipitated silica plant in Chester (USA). The remaining third was divided among a large number of individual maintenance and expansion investments at our sites, and environmental protection technologies integrated into plants and processes. These expenditures depend on specific measures in new or existing facilities and can therefore vary considerably from year to year. Investment in environmental protection increased considerably in 2014 as a result of projects. At the same time, there was a slight rise in operating costs for environmental protection to €259 million (2013: €250 million).

¹ Energy- and process-related emissions in accordance with the Greenhouse Gas Protocol.

The environment

Production inputs and output

T33 Environmental protection costs/investments

| in € million | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|------|
| Operating costs for environmental protection | 264 | 251 | 251 | 250 | 259 |
| Investment in environmental protection | 36 | 48 | 39 | 29 | 107 |

Production inputs and output

Our concept of integrated production sites is particularly important for efficient management of energy and materials. By-products from one plant are often used as production inputs in another plant. That makes a key contribution to efficient use of raw materials. In 2014 Evonik spent around €9.1 billion on raw materials and supplies, technical goods, services, energy and other operating supplies. Petrochemical feedstocks accounted for about 27 percent of the total. Overall, raw materials and supplies make up around 60 percent of procurement volume. Procurement of renewable raw materials accounted for 7 percent of total procurement of raw materials in 2014. Raw material inputs increased by 6 percent from 8.23 million metric tons to 8.75 million metric tons. Renewable raw materials accounted for around 9 percent of total chemical production inputs, only slightly below the prior-year figure of 10 percent. The reduction was due to temporary local production bottlenecks. Most of the renewable resources used by Evonik in 2014 comprised dextrose and saccharose, which are used as substrates in the fermentative production of amino acids. Natural fats and oils and their derivatives are used to produce precursors for the cosmetics, detergents and cleaning agents industry and in technical processing aids. We are still endeavoring to raise the proportion of renewable raw materials wherever this makes sense from a technical, economic, ecological and social perspective. Production output increased from 10.06 million metric tons in 2013 to 10.35 million metric tons in 2014 due to higher demand and the start-up new production capacity, including the global expansion of silica capacity at Map Ta Phut (Thailand), Chester (Pennsylvania, USA) and Rheinfelden (Germany), and the acquisition of Silbond Corporation, Weston (Michigan, USA), a leading supplier of silicic acid esters. Further, an integrated production complex for isophorone and isophorone diamine came on stream in Shanghai (China) and a new production facility for hydrogen peroxide was brought into service in Jilin (China). The product streams and environmental impact of the production facilities for organic specialty surfactants in Shanghai (China) and the production plant for catalysts for the production of biodiesel from renewable raw materials in Puerto General San Martino (Argentina), both of which came on stream in 2013, were included in our reporting for the first time in 2014.

T34 Production inputs and output

| in million metric tons | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|-------|-------|------|-------|-------|
| Raw material inputs | 10.13 | 9.51 | 8.16 | 8.23 | 8.75 |
| of which renewable raw materials | 0.68 | 0.69 | 0.73 | 0.79 | 0.77 |
| Production | 10.61 | 10.35 | 9.71 | 10.06 | 10.35 |

Energy inputs

We regard responsible use of energy as equally important on ecological and economic grounds. Therefore we strive for a steady improvement in the provision and use of energy. The main drivers here are production and our integrated energy and energy management systems. Here too, output is an important indicator of our efficiency. We use a broad spectrum of technical and organizational measures to raise energy efficiency, including co-generation plants and expansion of integrated structures linking chemical production and energy generation. Third-party production facilities are included in these measures. We also consider using renewable energies. Important criteria for assessing whether we can include them in our energy mix are reliability of supply, so as not to jeopardize sensitive production processes, and cost-efficiency. Many of our energy management systems are based on the high standards of ISO 50001.

Thanks to our long-standing endeavors we have already achieved a high level of efficiency, but we are still striving for an ongoing improvement. We therefore involve our employees in the improvement process through our company suggestion plan and special task forces. In addition, specialist departments such as Operational Excellence (OPEX) support our operating units in the search for further potential to raise productivity and energy efficiency. In our reporting, we distinguish between primary energy inputs, normally fossil fuels used to generate electricity and steam, and secondary inputs, i.e. purchased electricity and steam and the use of heat from production processes. We also use secondary fuels such as thermal processing of by-products from production, waste and treatment sludge. Substitute fuels accounted for around 9 percent of total energy inputs in 2014, the same proportion as in 2013.

T35 Energy inputs

| in petajoules | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| Gaseous fossil fuels | 33.88 | 35.63 | 32.72 | 31.74 | 32.93 |
| Solid fossil fuels | 25.35 | 22.45 | 23.93 | 22.38 | 23.69 |
| Liquid fossil fuels | 0.44 | 0.40 | 0.27 | 0.20 | 0.18 |
| Alternative fuels | 7.57 | 7.16 | 7.42 | 7.96 | 7.62 |
| Power, external input ^a | 16.07 | 19.89 | 18.98 | 18.59 | 18.45 |
| Power, external output | 8.43 | 11.91 | 11.77 | 12.50 | 12.31 |
| Steam, external input | 7.16 | 7.09 | 6.18 | 5.15 | 6.34 |
| Steam, external output | 14.87 | 13.46 | 10.51 | 8.26 | 8.00 |
| Energy input, gross^b | 90.47 | 92.62 | 89.48 | 86.03 | 89.23 |
| Energy input, net (after subtraction of output)^b | 67.16 | 67.25 | 67.20 | 65.27 | 68.92 |

^a Including captive hydroelectric power generation.

^b Deviations between the data and totals are due to rounding differences.

Compared to the previous year, energy inputs increased by 4 percent to 89.2 petajoules in 2014. The development of the various types of energy inputs was influenced by a number of factors. Coal-based energy consumption increased in 2014, principally due to slight variations in operation of the power plants in Marl (Germany). The slight rise in consumption of natural gas was mainly attributable to increased production and the start-up of the new isophorone and isophorone diamine complex in Shanghai (China), the precipitated silica facility in Chester (USA), and first-time consolidation of Silbond Corporation,

Weston (Michigan, USA), which was acquired in February 2014. Oil only plays a subordinate role in Evonik's energy mix. Use of substitute fuels was unchanged from the previous year. The slight reduction in power consumption and sales of power and steam resulted from operation of the plants at the Marl Chemical Park in Germany. The considerable rise in procurement of steam was caused principally by the start-up of Evonik's hydrogen peroxide production facility in Jilin (China), which is by far the largest in the world.

Emissions into the air

Greenhouse gas emissions

Emitting greenhouse gases into the air is a side-effect of all production processes. However, we are endeavoring to achieve a further reduction in emissions at all stages in the value chain. Use of efficient technologies and production processes will help us achieve our goal of reducing specific greenhouse gas emissions by 12 percent by 2020 (reference base 2012 = 100).


The standard used to report our greenhouse gas emissions is the Greenhouse Gas Protocol. This includes direct CO₂ emissions (*Scope 1 emissions*) from energy generation and production, and indirect CO₂ emissions (Scope 2 emissions) from purchased energy. Together with other greenhouse gases, the total is expressed as *CO₂ equivalents*.


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T36 Greenhouse gas emissions

| in thousand metric tons CO ₂ equivalents ^a | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-----------------|-----------------|----------------|----------------|----------------|
| Scope 1 | | | | | |
| Carbon dioxide (CO ₂) | 8,484 | 7,430 | 5,879 | 5,725 | 5,846 |
| Methane (CH ₄) | 15 | 15 | 14 | 14 | 14 |
| Dinitrogen oxide (N ₂ O) | 68 | 129 | 63 | 130 | 66 |
| Fluorinated hydrocarbons (HFC) | 7.3 | 7.7 | 7.0 | 6.3 | 8.1 |
| Total | 8,574.3 | 7,581.7 | 5,964.0 | 5,875.3 | 5,933.7 |
| Scope 2 | | | | | |
| CO ₂ (gross) | 2,746 | 3,252 | 3,126 | 2,925 | 3,003 |
| Scope 1 + 2, total (gross) | 11,320.3 | 10,833.7 | 9,090.0 | 8,800.3 | 8,937.0 |
| Output in million metric tons | 10.61 | 10.35 | 9.71 | 10.06 | 10.35 |
| Specific greenhouse gas emissions (gross) in metric tons CO ₂ equivalents per metric ton output | 1.07 | 1.05 | 0.94 | 0.87 | 0.86 |
| Total^b Scope 2 | | | | | |
| CO ₂ (net) | 715 | 907 | 973 | 859 | 966 |
| Scope 1 + 2, total (net) | 9,289.3 | 8,488.7 | 6,937.0 | 6,734.3 | 6,900.2 |

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^a GWP factors: CO₂: 1, N₂O: 310, CH₄: 21, HFC: 140 – 11,700.

^b Total Scope 2 = Power and steam sourced externally less power and steam supplied to third parties. The table shows the CO₂ emissions associated with the purchase of electricity and steam as both gross and net values. The net figure shows the position after subtracting electricity and steam output for third parties from total inputs. That enables us to eliminate the proportion of CO₂ emissions attributable to third parties at our large multi-user sites, so we can generate company-specific indicators.

Greenhouse gas emissions increased 1.6 percent to 8.9 million metric tons in 2014 (2013: 8.8 million metric tons), mainly because output increased from 10.06 million tons to 10.35 million tons in this period. The higher output was due to a rise in demand, acquisitions and new facilities such as the production complex for isophorone and isophorone diamine in Shanghai (China). Specific gross GHG emissions (per 1 metric ton output) were 1 percent lower than in the previous year, providing evidence of our efforts to decouple the development of greenhouse gas emissions from output. Greenhouse gases are dominated by CO₂ emissions.

In line with Evonik's energy mix, most Scope 1 emissions (approx. 72 percent) are due to the combustion of coal and natural gas. Roughly equal proportions of these fossil fuels are used. Over 90 percent of CO₂ emissions from coal are from the power plants at our largest site in Marl (Germany). Almost all sites emit carbon dioxide from the combustion of natural gas, with emissions varying by the size of the site and its energy requirements. Responsible use of energy on ecological and economic grounds is a priority at all of our sites. We therefore constantly strive to make the provision of energy more efficient, improve energy generation still further, and optimize the structure of our integrated energy and management systems. Our commitment in this area is shown by the fact that many of our sites have obtained or are preparing to obtain ISO 50001 validation.

As well as reducing pressure on resources by using co-generation plants at several of our large sites, we have established many integrated structures linking chemical production and energy generation. For example, large amounts of steam generated in exothermic processes at various production facilities are supplied to other plants via steam networks. This reduces steam production in our power plants, which in turn reduces consumption of fossil fuels. Another example is the use of liquid and gaseous by-products from production as substitute fuels for energy generation. These include hydrogen and propene from the production of prussic acid, acrolein and acrylic acid. We also generate steam from the exhaust heat from various incineration plants for waste, treatment sludge, exhaust gases and wastewater. The proportion of CO₂ emissions from substitute fuels included in Scope 1 emissions was nearly 14 percent in 2014 and thus around the previous year's level.

CO₂ emissions from oil only account for a small proportion of Evonik's fuel mix. We reduced CO₂ emissions from this source by nearly 60,000 metric tons year-on-year by converting fission reactors used to recycle sulfuric acid in Worms (Germany) from heavy fuel oil to natural gas.

Apart from CO₂ emissions, only N₂O emissions (expressed in greenhouse gas equivalents) are of significance at Evonik. Although they only account for around 1 percent of total GHG emissions, fluctuations in these emissions are not insignificant for the overall development of our greenhouse gas emissions. N₂O is emitted by a few production processes. Scope to improve these processes has already been identified and measures to reduce emissions are in preparation.

The 29 facilities operated by Evonik that fall within the scope of the European Union's Emissions Trading System (EU ETS) emitted 4.2 million metric tons of CO₂ in 2014, the same as in 2013, despite a rise in output. Due to differences in capacity utilization, overall the increases and decreases in emissions at individual ETS plants essentially cancel each other out.

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Evonik Carbon Footprint (ECF)


By paying special attention to the distribution of emissions among the various sources along the value chain we are able to provide an extensive overview of greenhouse gas emissions—from the extraction of raw materials through production to disposal. These data have been reported since 2008.

The method used is closely based on the Greenhouse Gas Protocol Corporate Standard (GHG Protocol) of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)¹. We also take account of the Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain², which was published by the WBCSD Chemicals in January 2013. Evonik was involved in drawing up these guidelines.

The key parameter is the *carbon footprint* (CO₂e footprint). This shows the volume of greenhouse gases emitted by a company, process or individual product (CO₂ equivalents, in other words CO₂ and other greenhouse gases defined in the GHG Protocol). Table T37 shows the development of greenhouse gas emissions for Evonik's products, based on the confirmed data for 2013, excluding the usage phase. The data cover Evonik's energy and process emissions (*Scope 1*), emissions from purchased electricity and heat (*Scope 2*), emissions from the production of purchased raw materials, energy-related emissions outside Scope 1 & 2, emissions from inbound and output transportation, the disposal of production waste, business trips, commuting by employees, Evonik's fleet of vehicles, air-conditioning of offices and emissions from the disposal and recycling of products sold (*Scope 3*). The data exclude, among other things, the usage phase of Evonik's products. The increase in greenhouse gas emissions shown by the Evonik Carbon Footprint in 2013 compared with 2012 is mainly due to the inclusion of two additional reporting categories (disposal of production waste and energy-related emissions outside Scope 1 & 2).

 See glossary p. 123

 See glossary p. 125

 See glossary p. 125

 See glossary p. 125

T37 Change in greenhouse gas emissions along Evonik's value chain^a

| in million metric tons | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|------|------|------|------|------|
| CO ₂ e emissions | 20.2 | 23.5 | 22.9 | 22.2 | 23.4 |

^a Core specialty chemicals business (excluding the usage phase and the carbon black activities, which were divested in 2011).

CO₂e avoided by using Evonik products

Evonik markets many products whose use makes a positive contribution to reducing greenhouse gas emissions compared with conventional alternatives. The savings shown here are generated by applications using the following five products: "green tire" technology, amino acids for animal nutrition, foam stabilizers for insulating materials, specialty oxides for energy-saving light bulbs, and oil additives for hydraulic fluids. The savings are achieved over the usage lifecycle of the products, based on volume sales of the products manufactured by Evonik in the year given.

T38 Greenhouse gas savings during the application lifecycle of products sold by Evonik in each year

| in million metric tons | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|------|------|------|------|------|
| Avoidance of CO ₂ e emissions | 38.3 | 45.1 | 47.1 | 50.1 | 61.2 |

¹ World Resources Institute, World Business Council for Sustainable Development:

- The Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard (Revised Edition 2004),
- Required Greenhouse Gases in Inventories, Accounting and Reporting Standard Amendment (2013),
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Supplement to the GHG Protocol Corporate Accounting and Reporting Standard (2011).

² World Business Council for Sustainable Development: Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain (2013).

The method used to compile the data for 2013 is the WBCSD Avoided Emissions Guidance published by the World Business Council for Sustainable Development (WBCSD) in October 2013¹. The WBCSD Avoided Emissions Guidance was drawn up in consultation with many multinational chemical corporations and is the first international, cross-company agreement on compiling data on the avoidance of greenhouse gas emissions by products and their applications. Evonik was actively involved in preparing the WBCSD Avoided Emissions Guidance.

The increase in avoided emissions between 2009 and 2012 was mainly due to a rise in the volumes sold, while the increase between 2012 and 2013 was attributable to a change in the method used to compile the data in line with the new WBCSD Avoided Emissions Guidance².

The avoidance of CO₂e should not be compared directly with the Evonik Carbon Footprint because this looks at emissions generated in the manufacture of products (generally intermediates) by Evonik (including production and supply chain emissions and emissions during disposal, but not emissions during the usage phase), while the emissions avoidance data are calculated on the basis of lifecycle emissions, which include the application of selected Evonik products.

Evonik's in-house Life Cycle Management (LCM) group is responsible for compiling the data on greenhouse emissions along the value chain. The LCM group uses a range of tools such as lifecycle assessments to quantify sustainability and support our business and decision-making processes. The LCM group is assigned to the Process Technology and Engineering Unit/Creavis, our strategic innovation unit.

An assurance review of the Evonik Carbon Footprint and the greenhouse gas savings has been conducted by an independent firm of auditors and the findings have been reported, among other things, to the Carbon Disclosure Project (CDP).

@ www.evonik.com/responsibility
go to *Evonik Carbon Footprint (ECF) 2013*

Carbon Disclosure Project—Climate reporting at a high level

Corporate growth potential arises from the systematic alignment of products and services to global megatrends. That includes the challenge of global climate change. Many innovative products from Evonik help improve energy efficiency at subsequent stages in the value chain, reduce the use of resources, and minimize emissions. Our lubricant additives are a good example. Hydraulic fluid containing our DYNAVIS® additives can increase the productivity of excavators by up to 30 percent and at the same time cut fuel consumption by up to 30 percent. Companies that are interested can calculate the exact savings for themselves with a special calculator on the DYNAVIS® website. In order to make sustainable business activities measurable and traceable, companies should have to observe the same rules. That is essential to maximize comparability based on complete transparency. Together with other companies in the WBCSD, in 2013 Evonik developed a reporting guideline to ensure practical implementation of the Greenhouse Gas Protocol (GHG—Scope 1, 2 and 3) and calculate potential to reduce emissions along the value chain. The Carbon Disclosure Project is currently the world's largest and most important initiative by the financial sector on climate change, bringing together over 750 institutional investors with combined assets under management of US\$92 trillion. This project undertakes a uniquely detailed examination of all aspects of corporate policy and how it is put into practice in business. As a publicly listed company, in 2014 Evonik was invited to take part in the Investor CDP for the first time. Evonik obtained a very high ranking of 91B, compared with an average of 69C for all participating companies in Germany, Austria and Switzerland.

@ www.dynavis.com

¹ World Business Council for Sustainable Development: Addressing the Avoided Emissions Challenge: Guidelines from the chemical industry for accounting for and reporting greenhouse gas (GHG) emissions avoided along the value chain based on comparative studies (2013).

² If the previous method had been used, we would have reported 49.9 million metric tons CO₂e for 2013, rather than 61.2 million metric tons CO₂e.

The environment

Water data and emissions into water

Other emissions into the air

Alongside emissions of greenhouse gases as reported above, energy generation and industrial production result in further emissions into the air. Our goal is a further reduction and greater control of such emissions. To achieve this, we use a range of technical and organizational measures. Our environmental management systems ensure that we can reliably meet statutory thresholds. Relevant sources of emissions are constantly monitored in accordance with statutory requirements. Our production and exhaust gas treatment facilities are fitted with emissions monitoring devices. Action includes returning exhaust gases to production processes and thermal processing of residual gases with a high calorific value as a substitute for natural gas. We also take the emissions profile into account through state-of-the-art technical design and planning of new facilities.

T39 Other emissions into the air

| in metric tons | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------|--------|-------|-------------------|-------|
| Carbon monoxide (CO) | 7,557 | 4,936 | 1,017 | 1,066 | 1,053 |
| Sulfur oxides (SO _x /SO ₂) | 30,959 | 19,463 | 3,652 | 3,215 | 3,052 |
| Nitrogen oxides (NO _x /NO ₂) | 11,313 | 9,074 | 4,963 | 4,734 | 4,739 |
| Non-methane volatile organic compounds (NMVOC) | 1,297 | 1,172 | 1,019 | 951 | 835 |
| Particulates | 1,188 | 872 | 441 | 363 | 366 |
| Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn) | 0.84 | 1.16 | 1.38 | 1.41 ^a | 1.58 |
| Emissions of ozone-depleting substances^b in metric tons CFC-11 equivalents | 0.04 | 0.05 | 0.05 | 0.07 | 0.09 |

^a Prior-year figures restated.

^b 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).

CO, NO_x and particulate emissions were unchanged year-on-year. SO_x emissions were slightly lower than in the previous year, mainly because coal with a lower sulfur content was used for power generation in Nanping (China). NMVOC emissions declined. The increase in emissions of heavy metals was mainly due to local changes in the product mix.

G See glossary p. 123, p. 124 and p. 125

G See glossary p. 124

Water data and emissions into water

A good water supply is one of the most important preconditions for smooth production because water is one of the main process auxiliaries used in the chemical industry. We are committed to responsible use of water and want to save water wherever possible in order to achieve a further reduction in our emissions into water. Our goal is to reduce specific water intake, i.e. intake per metric ton of output, by 10 percent by 2020 (reference base 2012 = 100). We mainly use water for cooling and for process purposes in production facilities, to generate steam in power plants, and for sanitary requirements.

The water used at our sites comes from a variety of sources and is treated by various methods to make it suitable for use. To reduce the use of fresh water, we have established integrated supply systems with graduated water qualities. For example, we use water that is no longer suitable for cooling purposes to rinse filters or in industrial cleaning processes. In addition, the water that evaporates from cooling circuits is often replaced by condensate or recycled drinking water.

Total water intake increased considerably from 292.9 million m³ in 2013 to 325.1 million m³ in 2014. The increase was mainly caused by site-specific and seasonal effects in the use of surface water for through-flow cooling.

Surface water accounts for the majority of our water consumption. About 68 percent of the water used in 2014 was surface water, mainly from rivers.

T40 Water intake by source

| in million m ³ | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Drinking water ^a | 17.2 | 17.3 | 16.4 | 17.3 | 19.8 |
| Groundwater | 87.3 | 84.2 | 83.0 | 76.0 | 79.7 |
| Surface water | 214.2 | 200.2 | 190.0 | 194.1 | 220.2 |
| Other ^b | 10.0 | 8.4 | 7.8 | 5.4 | 5.4 |
| Total^c | 328.8 | 310.0 | 297.1 | 292.9 | 325.1 |

^a Water from municipal or other utilities.

^b Rainwater and various other sources.

^c Totals may vary due to rounding differences.

Around 96 percent of water consumption is for cooling. Water used in closed cooling circuits is included when calculating the proportion of total water that is used for cooling. In 2014, nearly 83 percent of cooling of production facilities used closed-circuit systems with re-cooling facilities. The remainder were cooled using through-flow systems. Cooling circuits have the advantage that they reduce the consumption of fresh water and generally use cooling towers for re-cooling so only water lost through evaporation has to be replenished. In line with the state of the art, chemical conditioning additives are used in cooling circuits. In through-flow cooling, the water is used once for cooling and is then discharged at a slightly higher temperature.

T41 Water consumption

| in million m ³ | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------------|-------|-------|-------|-------|-------|
| Cooling, without cooling circuits | 252 | 241 | 230 | 233 | 265 |
| Cooling circuits | 1,099 | 1,124 | 1,101 | 1,141 | 1,250 |
| Production ^a | 73 | 69 | 67.4 | 60.2 | 60 |
| in % | | | | | |
| Cooling | 95 | 95 | 95 | 96 | 96 |
| Production | 5 | 5 | 5 | 4 | 4 |

^a Including drinking water and water for sanitary requirements.

In 2014, as in previous years, the majority (76 percent) of water discharged from our drainage systems was uncontaminated water from through-flow cooling systems. In some cases, production effluent is pre-treated in production facilities before full treatment in in-house or municipal wastewater treatment plants.

The environment

Water data and emissions into water

T42 Water discharge

| in million m ³ | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| Through-flow cooling water (uncontaminated) | 227.8 | 217.7 | 213.6 | 218.2 | 245.0 |
| Process effluent | 66.7 | 72.7 | 62.8 | 61.2 | 61.6 |
| Drinking water and water from sanitary installations | 1.7 | 1.3 | 1.6 | 1.9 | 1.2 |
| Other | 5.4 | 6.3 | 13.0 | 9.2 | 15.1 |
| Total^a | 301.6 | 298.0 | 291.0 | 290.4 | 322.9 |

^a Deviations between the data and totals are due to rounding differences.

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

Emissions into water

Our sites aim to make a contribution to protecting natural water resources. The basic principles of the management of our industrial wastewater are the same as for waste management: “avoid over process over eliminate.” When planning new production plants, we therefore consider the use of processes that generate little or no wastewater. That takes pressure off the environment and reduces the cost of water treatment. We continue these efforts in the operational phase. We also have high technology standards and infrastructure for the disposal of wastewater at our sites. Production effluent undergoes multi-step chemical and physical treatment in our wastewater treatment facilities. Separate drainage systems prevent production effluent and cooling water becoming mixed. This means that cooling water can be discharged into rivers with rainwater without treatment because it has not come into contact with pollutants. We have also built high-performance collector systems as part of our water protection measures. These are used for intermediate storage of peak wastewater loads which could overburden the wastewater treatment facilities. In this way, wastewater can subsequently be fed gradually to the treatment plants. We also incinerate some treatment sludge in our own facilities, and use the heat from the resulting incineration gases to generate steam. Wastewater discharged from our sites is carefully monitored by regular sampling and continuous measuring equipment. In addition to in-house monitoring, we are subject to supervision by the authorities in the form of unannounced control visits to verify compliance with discharge limits.

T43 Wastewater loads^a

| in metric tons | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-------|-------|-------|--------------------|-------|
| Chemical oxygen demand (COD) | 5,960 | 4,890 | 4,787 | 4,767 ^b | 4,302 |
| Total nitrogen load (N) | 468 | 484 | 447 | 469 | 441 |
| Total phosphorus load (P) | 116 | 114 | 96 | 97 | 95 |
| Adsorbable organic halogens (AOX) | 1.6 | 1.6 | 1.8 | 1.7 | 1.9 |
| Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn) | 5.4 | 4.5 | 5.5 | 5.1 | 5.1 |

^a The data on wastewater loads comprise all direct discharges into receiving water and proportionate indirect discharges.

^b Prior-year figures restated.

 See glossary p. 123

 See glossary p. 125

 See glossary p. 125

 See glossary p. 123

Chemical oxygen demand (COD) accounts for the highest proportion of wastewater loads. This is the concentration of all substances in the wastewater that can be oxidized under certain conditions. The reduction in COD and total nitrogen loads is due to individual changes in the product mix and a reduction in output. The total phosphorus load (phosphates stated as phosphorus) and emissions of heavy metals were unchanged from the previous year. The slight rise in adsorbable organic halogens (AOX load) is generally within the analytical distribution for the measuring method because in many cases the values obtained are only slightly above the detection threshold.

Waste

In line with sustainable development, we are constantly endeavoring to step up networking of waste and material flow management.

The following priorities have been set for waste management at Evonik:

- 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.

A waste management system helps us minimize and further reduce the use of materials and amounts of waste. Avoiding and minimizing waste is important to us for economic as well as ecological reasons. The steady improvement in process yields reduces production waste and avoids disposal costs. Unavoidable production waste is recycled or disposed of correctly. It is important to record the origin of waste, its components and their properties. The waste can then be classified and a decision taken on whether to recycle or dispose of it. Our waste is classified as hazardous or non-hazardous production waste or building rubble, and then allocated to reprocessing or disposal. For example, we use catalysts to increase yields and reduce secondary reactions. Integrated material flows also play a part. We also use the benefits of integrated production sites and systems, for example, in Marl (Germany), which is our largest site. Here, hydrocarbon residues are used as a substitute for heating oil in the gas synthesis plant and waste sulfuric acid in the sulfuric acid plant is reprocessed. Treatment sludge can also be reused within the integrated production structure. After dewatering, it is incinerated in a separate incineration plant with integrated flue gas treatment. Some of the exhaust gases from the production plants are used as replacement fuels in this process. The incineration gases are then used to generate 20 bar steam.

To reduce pressure on resources, at many of our sites we use alternative fuels such as liquid residues from production processes.

T44 Waste^a

| in thousand metric tons | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------|------------|------------|------------|------------|
| Hazardous production waste | 228 | 250 | 227 | 218 | 212 |
| of which reprocessed | 152 | 157 | 138 | 137 | 131 |
| of which disposed of | 75 | 93 | 89 | 81 | 81 |
| Non-hazardous production waste | 170 | 164 | 160 | 152 | 156 |
| of which reprocessed | 113 | 107 | 104 | 104 | 110 |
| of which disposed of | 57 | 57 | 56 | 48 | 46 |
| Hazardous building and demolition rubble | 5 | 13 | 32 | 23 | 19 |
| of which reprocessed | 1 | 2 | 4 | 3 | 6 |
| of which disposed of | 4 | 11 | 28 | 20 | 14 |
| Non-hazardous building and demolition rubble | 55 | 125 | 96 | 97 | 109 |
| of which reprocessed | 38 | 72 | 65 | 64 | 87 |
| of which disposed of | 17 | 53 | 31 | 33 | 22 |
| Total | 458 | 551 | 515 | 489 | 497 |

^a Deviations between the data and totals are due to rounding differences.

The total amount of waste increased slightly from 489,000 metric tons to 497,000 metric tons in 2014, but the development differed by category. The decline in hazardous production waste was due to changes in the product mix. There was a temporary increase in treatment sludge as a result of the slight rise in non-hazardous production waste. Building and demolition rubble can fluctuate considerably between years because it depends on specific projects.

T45 Waste management

| in thousand metric tons | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------------|------------|------------|------------|------------|
| Incineration with recycling of heat energy | 75 | 70 | 68 | 66 | 63 |
| Disposal by incineration | 76 | 95 | 84 | 84 | 90 |
| Recycling (including composting) | 177 | 218 | 181 | 185 | 224 |
| Landfill | 43 | 48 | 58 | 51 | 31 |
| Chemical/physical/biological treatment | 14 | 20 | 24 | 18 | 19 |
| Other disposal methods | 20 | 51 | 37 | 30 | 23 |
| Other reprocessing methods | 53 | 50 | 63 | 56 | 47 |
| Total^a | 458 | 551 | 515 | 489 | 497 |

^a Deviations between the data and totals are due to rounding differences.

The percentage of waste reprocessed rose to 67 percent in 2014, a slight rise of 4 percentage points compared with 2013. Alongside economic and ecological criteria, there are stringent statutory specifications for the reprocessing of waste. The reprocessing ratio comprises recycled substances, incineration with recycling of heat energy, and other disposal methods. We develop methods of recycling waste in accordance with the statutory framework. One established example of recycling at Evonik is the reprocessing of PLEXIGLAS®, which can be almost completely recycled by breaking it down into its precursors for direct reprocessing. We also recycle or re-use precious metal catalysts and industrial packaging.

Biodiversity and ecosystem services

Ecosystem services are found all around us. Examples are the air we need to breathe, open spaces for recreation, and the groundwater and surface water used for cooling in industry and in leisure activities. We use all of these assets, which are provided by nature in many different forms, in our daily lives. However, even though there is no direct price tag on them, we need to be aware that they will only be available in the long term if we use them carefully. For instance, excessive use of groundwater can reduce the groundwater level, which can adversely affect flora, fauna and biodiversity. Biodiversity refers to the natural diversity that has evolved on our planet over millions of years. It includes the variety of habitats (ecosystems), species of plants, animals, fungi and microorganisms, and genetic diversity. As the basis for life, from sources of food to the production of energy, they are all of major economic significance. The corresponding ecological functions range from producing oxygen through food chains to a functioning water system. The development of society and civilization is also closely linked to biodiversity. In the wake of the progressive industrialization in the past two centuries, the reproducibility of our ecosphere seems to be reaching its natural limits. Worldwide, biodiversity is decreasing as a consequence, among other things, of climate change, depletion of resources, pollution, over-fertilization and over-fishing. As a company, we are dependent on functioning ecosystems, which also influence how we work. Our main lever to maintain biodiversity is sustainable business activity geared to maintaining the quality of the soil, water and air. In 2012, we carried out biodiversity checks in two of our business units. The Biodiversity Check developed by the European Business & Biodiversity Campaign (EBBC), a consortium led by the Global Nature Fund, provides an overview of how a company or individual areas of business impact biodiversity. The check is based on the objectives of the United Nations Convention on Biological Diversity (CBD) and examines, among other things, the company's premises, procurement, product development and production, logistics and transportation, and products.

We monitor the production conditions of renewable raw materials, including palm oil and its derivatives. Since 2010 Evonik has been a member of the Roundtable on Sustainable Palm Oil (RSPO) and publishes its targets for this substance in the RSPO's annual progress report. The aim of the RSPO is to place global production of palm oil on a sustainable basis in the long term. The RSPO encourages sustainable production and use of palm oil through cooperation between palm oil plantations and the subsequent supply chain. Sustainable production of palm oil does not destroy rain forests, biotopes and social structures. Evonik supports this process and aims to ensure that from 2015 the Personal Care Business Line switches to certified palm oil derivatives insofar as they are available and this is technically viable. RSPO supply chain certification for the sites in Essen and Steinau (Germany) was completed in 2013. The site in Shanghai (China) will be certified shortly. The Personal Care Business Unit started to market RSPO-certified products in May 2014 and is steadily extending its portfolio of such products.

The environment

Biodiversity and ecosystem services

In principle, the industrial premises used by Evonik do not include any natural habitats (either protected or restored). However, some of our national and international sites are adjacent to conservation areas. To better identify locale-specific aspects of biodiversity and any impact of our operations on biodiversity in these areas, we conduct an annual status review of these sites, which are in constant contact with local interest groups.

T46 Evonik sites adjacent to conservation areas

| Evonik site | Country | Status of conservation area (adjacent) |
|----------------|---------|--|
| Gramatneusiedl | Austria | 92/43/EEC area |
| Hanau | Germany | 92/43/EEC area |
| Lülsdorf | Germany | 92/43/EEC area |
| Marl | Germany | 92/43/EEC area |
| Wesseling | Germany | 92/43/EEC area |
| Americana | Brazil | national |
| Etzen-Gesäß | Germany | national |
| Lenzing | Austria | national |
| Mobile | USA | national |
| Morrisburg | Canada | national |
| Portland | USA | national |

In 2014, five sites were adjacent to conservation areas that are protected by the European Union's Directive on the Conservation of Natural Habitats and of Wild Fauna and Flora (Council Directive 92/43/EEC). For example, as part of a project for which authorization was required, a study was conducted in accordance with Directive 92/43/EEC at the Marl Chemical Park to evaluate the potential adverse impact of our activities on the conservation area. Regular review and updating of environmental data is important to ensure that timely action can be taken in the event of any negative impact. The latest review was in 2013/2014. Six further sites are adjacent to conservation areas that are regulated by country-specific legislation. Our site in Mobile (Alabama, USA) is close to the Fowl River. The US environmental agency EPA is currently altering the status of the watershed area around this river (approx. 21,360 hectares) to a water conservation area. Evonik supports this plan and is a member of the Fowl River Forever steering committee that is working on a management plan to protect and improve the water quality. This should ensure that nature and animals are protected, the local community can use the area around the river for recreation, and the watershed is protected in the long term. Evonik did not identify any significant impact on the biodiversity of these conservation areas in 2014. Since the majority of the water consumed by the Evonik Group is for cooling purposes and is returned to the ecosystem after use, at present we do not compete directly with water for drinking and irrigation.

Safety and health protection

Our management approach ✓

"Safety and protecting health are at the very top of our agenda. We give these principles top priority—even before the pursuit of sales and profits. For the sake of our employees, and of the local communities at our locations worldwide." This promise is the heart of our guiding principles Safety at Evonik.

The Safety at Evonik initiative gained considerable momentum in 2014. In the previous year, we adopted guiding principles on occupational and transportation safety. They contain core messages that form the framework of our safety culture, comprising binding principles for the actions of all Evonik employees in four areas. More than 100 principles specify behaviors that are mandatory ("I will ...") and behaviors that are not acceptable ("I will not ..."). These principles are therefore an important complement to the policies that make up our management systems.

See p. 14 f.

C14 Framework of the safety culture

The behaviors are linked – supporting each other through four common themes across the three groups of employees

| Theme | Everyone | Supervisors | Managers |
|-----------------|--------------|------------------------|-----------------------|
| Standards | Follow rules | Ensure compliance | Set high standards |
| Communication | Speak up | Encourage the team | Communicate openly |
| Risk management | Be mindful | Promote risk awareness | Confront risk |
| Involvement | Get involved | Involve the team | Involve the workforce |

Specially trained staff act as multipliers for the day-to-day application of the behaviors at our sites. This procedure is to be rolled out Group-wide in 2015.

C15 Example of Behaviors for Managers

| | I will... | I will not... |
|--------------------------|--|--|
| Set high standard | | |
| Standards | MP1.1 clearly explain health and safety expectations to the workforce on a regular basis. | MN1.6 fail to make a strategic plan on how to achieve the desired health and safety performance. |
| | MP1.2 ensure that all personnel, including contractors, understand and adhere to our occupational health and safety standards. | MN1.7 set rules and policies that are too complicated or unrealistic to follow. |
| | MP1.3 ensure that safety is fully considered in every decision made. | MN1.8 tolerate variable and inconsistent health and safety standards. |
| | MP1.4 emphasize that production never compromises safety. | MN1.9 allow short-term production pressures to win over safety. |
| | MP1.5 recognize good occupational health and safety performance, address poor performance. | MN1.10 place undue emphasis on one area of safety over another (e.g. workplace versus process safety). |

Plant safety ✓

Process safety at our production installations is analyzed in detail at regular intervals. The aim is timely identification of risks so we can develop appropriate measures that reliably prevent these risks. Process safety is an elementary task and therefore a key element in Safety at Evonik. For constant monitoring and evaluation of plant safety we use a process safety performance indicator based on the standards set by the European Chemical Industry Council (Cefic). Analogously to the accident frequency indicator for occupational safety, this indicator covers incidents involving the release of substances, fire or explosion, even if there is little or no damage. It is calculated from the number of incidents per 1 million working hours in the business units' production facilities. A decline in this indicator shows a positive trend. We compare this indicator with 2008, the year in which it was calculated for the first time (reference base: 100 points). This indicator deteriorated slightly to 53 points in 2014 (2013: 50), which meant we once again failed to meet our defined target of a maximum of 48. Since this deterioration was attributable to one business unit, we were able to take specific counteraction. We expect this indicator to improve in the future. This will be aided by the Global Process Safety Competence Center (GPSC), which we established in 2013 to support the operating units in their responsibility for safe operation of production facilities. Safety experts at the GPSC coordinate, facilitate and develop safety concepts for our production facilities around the world and regularly review established safety concepts. The GPSC manages the Group-wide Global Safety Expert Network and generates safety analyses on the basis of a uniform international technical standard.

Corporate security ✓

We accept responsibility for the safety of our employees, our sites and transportation, and for information that requires special protection. We want to protect our employees from criminal acts and avoid security risks in our international business. This objective is of central significance and contributes to Evonik's business success.

The Corporate Security division has defined binding rules for the entire Group and has introduced a safety management system to assure uniformly high security standards at Evonik worldwide. Ongoing risk analyses, training, careful selection of business partners and investigation of incidents ensure that corporate security is firmly established in our corporate culture.

Our presence in growth markets means that we have projects and activities in countries and regions where there are heightened security risks for our business. These include risks involved in the establishment of joint ventures, the construction of facilities, transportation, and risks to our personnel, business travelers, expats and know-how. Therefore we have established processes to ensure timely identification and evaluation of potential risks and implementation of suitable security concepts. In the reporting period, Corporate Security provided advice for employees and business units on activities in countries such as Egypt, Thailand, Mexico and the Ukraine. This division was also closely involved in preparing Evonik's first public Annual Shareholders' Meeting and ensuring it went smoothly.

Occupational safety ✓

We strive for a continuous reduction in the number of accidents involving our employees, both at work and while they are commuting. Our activities focus on ensuring occupational safety and avoiding incidents involving the release of substances, fires and explosions. That responsibility is firmly anchored in the Safety at Evonik initiative.

We are saddened by the death of an apprentice from our Hanau site in Germany, who had a fatal car accident on her way home. This was the only fatal accident affecting our employees and contractors' employees in the reporting period. Measured by accident frequency (number of accidents at work involving company employees and contractors' employees under Evonik's direct supervision per 1 million hours worked), our occupational safety performance was 1.2, compared with 0.9 in the previous year. However, that was still within our defined target of a maximum of 1.3. The deterioration was principally due to an increase in workplace accidents at one site in Germany. Specific measures to improve the situation were therefore defined and implemented in the reporting period.

Preparations are currently under way for a new reporting system. In future, our occupational safety performance indicator will also include accidents at work involving injuries that do not result in absence from work. The average number of working hours lost as a result of accidents is currently 144 worldwide, which was below the average for the previous year (2013: 240). Our research shows that in comparison with the data for other chemical companies we are well within the sector average.

As part of the Safety at Evonik initiative, we conducted an accident prevention program on commuting safely at all our sites in Germany. We aim to raise employees' awareness of road safety.

One big challenge is how to take account of the psychological strain that people are exposed to in the workplace, for example as a result of time or performance pressure, because they are over- or understretched or due to frequent interruptions. A uniform list of criteria has been drawn up and will be integrated into future job-specific hazard assessments. For this we use a recognized procedure recommended by Germany's Federal Institute for Occupational Health and Safety (BAuA). This is another area where we expect our employees to benefit from a continuous improvement over time.

See Sustainability Report 2013, p. 111 f.

See p. 22

The indicator for contractors (number of work-related accidents involving non-Evonik employees resulting in absence from work per 1 million working hours) increased to 3.6 in the continuing operations, compared with 3.2 in 2013. This indicator declined at our German sites. We are pleased to report that there were no serious accidents with lasting effects in the reporting period. We attribute the overall stability of this indicator at Group level to an improvement in our worldwide reporting culture. Accident frequency was recorded for non-Evonik employees for the first time in 2013.

Since then we have made considerable progress in the management of our contractors and are able to monitor and evaluate contractors' employees better at our sites in Germany because we have produced a more accurate description than in the past of our occupational safety requirements and accountability.

Health protection ✓

Evonik has an all-round approach to protecting and promoting health. This covers employees, working conditions, products and the general working environment, and includes high-quality medical care where necessary, applying ergonomic and health-related measures to structure working conditions, and a functioning emergency management system at plant level.

To foster and maintain the health and employability of our employees over the long term, we offer a selective range of health-related measures. These are bundled in the Group-wide well@work initiative, which aims to help employees adopt a healthy lifestyle.

The Corporate Policy on Occupational Health and Health Promotion sets binding worldwide standards for assessing health hazards, occupational medicine, emergency medical response, preventive check-ups, workplace ergonomics, rehabilitation and reintegration, health promotion in the workplace and dealing with alcohol and drug abuse.

In Germany, in particular, there are Works Agreements on health topics. At our German sites we have Occupational Safety Committees composed of employer and employee representatives, safety specialists, safety officers and occupational medicine specialists. They meet at least four times a year to discuss issues relating to occupational safety and the protection of health. There are comparable bodies at sites outside Germany.

Fulfillment of these requirements is checked regularly by corporate audits and regional environment, safety and health (ESH) audits, and through an extensive occupational health reporting system. In addition, in 2013 we introduced a performance index as an overall indicator of occupational health. This index takes account of the quality and scope of measures relating to key aspects of occupational medicine, health promotion and emergency medical provision. It shows the extent to which internal regulations and goals are achieved. In future, we will therefore be able to systematically track our progress in occupational health as part of a continuous improvement process. Our goal for 2014 was a further improvement in this index compared with the 2012 baseline (5.2 out of a maximum of 6 points). The index was not available as of the editorial deadline. We also calculate a health ratio for our German sites. This shows the proportion of working hours lost due to sickness based on target working hours. In the reporting period, it was 97.4 percent (2013: 94.9 percent).

Emergency medical management

The Group-wide standard on Medical Incident and Emergency Management defines binding basic requirements for emergency medical management at Evonik's sites. The exact equipment and human resources required at each site depend on production-related risks and the quality of the local infrastructure (e.g. emergency services and hospitals).

Specific treatment instructions have been defined for accidents where employees come into contact with chemicals. Emergency medical management also includes pandemic plans and regular training exercises. An extensive preventive program is in place for employees on business trips and foreign assignments, including a global emergency management system for medical problems and risks to personal safety.

Workplace-related preventive healthcare

The results of our hazard assessment help us take suitable preventive measures to avoid work-related illnesses and health problems. Where possible, technical and organizational measures have priority over the use of personal protective equipment. Information and training of employees in risks and preventive measures play an important part in avoiding health impairments. At preventive medical check-ups, employees receive advice on their individual health risks and, where necessary, appropriate precautions.

Evonik regularly reports on occupational illnesses. The indicator used for this is the Occupational Disease Rate (ODR). This shows the number of recognized occupational illnesses per 1 million hours worked. The calculation includes all new cases of recognized occupational illnesses in the reporting period, including latent illnesses (i.e. those where the causes lie well in the past). The ODR for 2014 will be calculated as soon as the data are available from the industry insurance association (2013: 0.3).

The well@work company health management program

In the area of health promotion, Evonik supports long-term programs on exercise, diet, stress and work-life balance, substance abuse and avoiding infections. The aim is to encourage employees to adopt a healthy lifestyle. In the intermediate term, we aim to establish programs in these five basic areas at all sites. Special attention is paid to measures to maintain mental health. We also offer our employees fit-for-life seminars. These run over several days and focus on a healthy lifestyle and maintaining long-term well-being and employability.

The basic program is supplemented by campaigns, which concentrate on different topics each year, and general medical check-ups to screen for the related risk factors and diseases. Focal areas of these campaigns at our German sites in 2014 were coronary heart diseases and heart attacks, avoiding travelers' diarrhea, and chronic bronchitis. We also organized our first cross-site health campaign in North America as part of the well@work program. This focused on high blood pressure. The main topics in the Greater China Region were depression and hepatitis.

At most of our German sites there are interdisciplinary health taskforces that concentrate on local implementation of health management as part of the Group-wide well@work initiative.

Transportation safety and logistics

Safety also has top priority for Evonik in logistics activities. Safe and secure transportation of goods are therefore especially important. Logistics service providers are responsible for transportation. A uniform procedure is therefore needed for the selection of such service providers, accompanied by regular review of their services. In keeping with our understanding of sustainability, that includes evaluating the Responsible Care performance of all transportation providers. Our aim is to minimize risk during the entire process, from loading through transportation to unloading.

Evonik maintains constant contact with other chemical companies and transportation providers so that everyone can learn from incidents and recommend preventive measures. We offer and receive support through the European Council of Chemical Associations (Cefic). For example, through this collaboration social aspects have been added to the Cefic list of criteria for logistics service. This is based on the detailed Cefic process to evaluate the quality, safety and environmental compatibility of logistics service providers (SQAS). The aim is to assure comparability as a basis for mutual recognition of standards. This is in line with the Together for Sustainability (TfS) initiative, of which we are a co-founder. To ensure transparency worldwide, TfS uses the benchmarking offer of the World Trade Organization (WTO).

Shipments of raw materials and products subject to labeling regulations are increasing in all shipment classes. This is mainly due to ongoing changes in the classification for hazardous and dangerous chemicals.

Regular training of employees to raise awareness of hazardous goods and help them meet statutory requirements in the transportation of hazardous goods is therefore essential. Evonik publishes a monthly Group-wide newsletter that highlights topical issues in the area of hazardous goods. This has a firm place in the Safety at Evonik initiative.

@ www.sqas.org

@ www.tfs-initiative.com

T47 Outgoing shipments of hazardous goods ✓

| in thousand metric tons | 2012 | 2013 | 2014 |
|--------------------------|--------------|--------------|--------------|
| Air | 0.4 | 0.3 | 0.9 |
| Ocean | 581 | 563 | 379 |
| Inland waterway | 984 | 953 | 1,168 |
| Rail | 760 | 821 | 871 |
| Pipeline | 1,620 | 1,727 | 1,806 |
| Road | 1,634 | 1,537 | 1,625 |
| Total^a | 5,579 | 5,600 | 5,849 |

^a Total may vary due to rounding differences.

T48 Outgoing shipments of other goods ✓

| in thousand metric tons | 2012 | 2013 | 2014 |
|-------------------------|--------------|--------------|--------------|
| Air | 3 | 3 | 4 |
| Ocean | 880 | 954 | 981 |
| Inland waterway | 11 | 15 | 16 |
| Rail | 179 | 203 | 182 |
| Pipeline | 24 | 19 | 18 |
| Road | 2,342 | 2,352 | 2,328 |
| Total | 3,439 | 3,546 | 3,529 |

Total shipments of goods increased by roughly 3 percent to 9.38 metric tons in 2014 due to the increase in production capacity. As a result of the altered product mix, the total volume of hazardous goods increased slightly to 62 percent of the total.

For products with heightened risk potential, our experts conduct transportation risk analyses using a systematic method developed by an international insurer. We use tracking and tracing systems in selected pilot projects to ensure end-to-end tracking of the transportation process. These systems can also monitor pressure and product temperature, and respond to leaks. Safety-related data allow preventive action to be taken quickly to avoid transportation accidents.

If there should be an accident despite the precautions taken, the German Chemical Industry Association (VCI) can provide rapid assistance through the TUIS information and assistance system. Around 130 site fire services and many specialists throughout Germany are able to offer competent assistance ranging from initial advice by phone to the provision of trained personnel with special equipment.

Assistance for accidents involving the release of products is now also available for ocean freight and inland waterways via Cefic.

 www.emsa.europa.eu

Evonik uses uniform Responsible Care criteria to evaluate transportation incidents. The volume of goods shipped in 2014 was almost unchanged and there were no reportable transportation-related incidents caused by Evonik. To strengthen this high level of safety, our logistics procurement staff regularly examine scope to optimize road transportation capacities and to combine shipments for transportation by rail, inland waterway and ocean. This also helps to reduce logistics-related CO₂ emissions. Through selected projects with customers to whom we make regular deliveries, we have already cut CO₂ emissions by well over 50 percent per shipment. Further savings have been made by collecting packaging and using reconditioned drums and intermediate bulk containers (IBC).

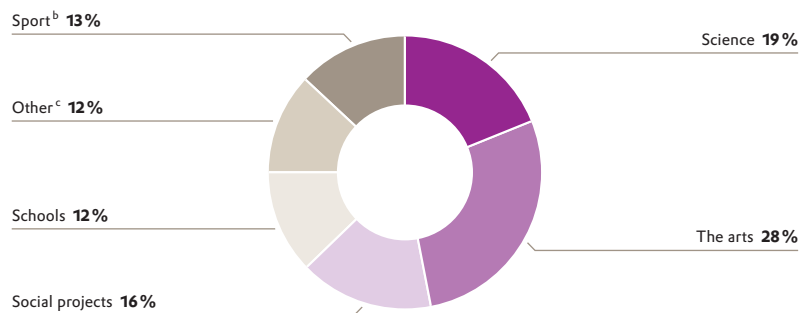
Commitment to society

Evonik is a world leader in specialty chemicals with a global presence. That also means being an active partner in local communities, with their historical backgrounds, present requirements, and future challenges.

Donations and sponsorship

As part of our contribution to the positive development of communities around our sites, we support numerous social projects and sponsor science, the arts, education and sport.

C03 Donations and sponsorship of public projects in 2014^a



^a Expenditures by the Corporate Center, business units and Innovation Management. Total: approx. €8.2 million.

^b Excludes sponsorship of the Borussia Dortmund soccer club.

^c Includes donations of €260,000 to political parties in Germany: €100,000 to the CDU/CSU, €90,000 to the SPD, €50,000 to the FDP, and €20,000 to Bündnis 90/Die Grünen (total amounts in each case). Also includes sponsorship of trade fairs and congresses focusing on various different areas.

Management approach

Our donations and sponsorship are an expression of our understanding of Evonik's values and help make the company more real to people. They are based on our brand strategy and specific guidelines and policies governing donations and sponsorship by the Evonik Group. The Communications division and Board Office are responsible for ensuring that these rules and regulations are implemented.

Individual donations affecting the interests of more than one region normally have to be approved by the Executive Board. The segments and regions can decide on regional and site-specific activities within an annual budget approved by the Executive Board.

Sponsorship of the arts

As a creative industrial group, it is important to Evonik to foster openness and tolerance in society. Culture and the arts are an inexhaustible source of diversity and continuous self-renewal in society. They are the basis for our awareness of common values and traditions and a source of new ideas and solutions for the future. That makes sponsorship of the arts an important element in Evonik's commitment to society.

For example, as the main sponsor of one of Europe's most traditional theater festivals. Since its unique beginnings in the region, the Ruhr Festival has been dedicated to a greater extent than most other festivals to presenting culture as a broad social experience.

Evonik also supports the "intonations" chamber music festival at the Jewish Museum in Berlin. "intonations" extends the Jewish International Chamber Music Festival founded by Elena Bashkirova, which is one of the most significant cultural events in Israel, to Berlin. This group of musicians from different countries and religions symbolizes integration and is an example of tolerance and inter-cultural understanding.

Other projects where we are the main sponsor are the Küppersmühle modern art museum (MKM) in Duisburg (Germany) and Villa Schöningen in Potsdam (Germany). At MKM Evonik has sponsored the Young People Interpret Art competition since 2014. This is an opportunity for school students from all over Germany to demonstrate their creative and organizational potential.

Another project that focuses on the cultural development of children is the TUP in schools initiative by the Essen Theater and Philharmonie (TUP), which aims to interest elementary school kids in the arts.


Educational projects

The education and training of children and young people is especially important to Evonik. As well as demonstrating our social responsibility, our commitment in this area is an investment in our own future. A long-term horizon is the central feature. As an innovation-driven company, we need well-trained young people so we give special priority to science and technology-based educational projects.

We provide scholarships for especially gifted children and students and support young people who find it difficult to secure a vocational training place. The "Start in den Beruf" program at our sites in Marl and Hanau in Germany prepares disadvantaged youngsters for regular vocational training courses. Their chances at the end of this program are good: Around 70 percent are offered a training place. Evonik also takes part in a scholarship program initiated by the German Ministry for Education and Research.

To interest children in chemistry at a young age, we have run the "Young Spirit" initiative for the past eleven years. Through this initiative Evonik employees regularly visit preschools and schools to present the world of chemistry through exciting hands-on experiments. In this way, around 150 volunteers give children a playful introduction to scientific interactions. The volunteers receive regular training to prepare them for their educational activities. This initiative now operates throughout Germany: At the last Open Day, Young Spirit champions conducted experiments with young visitors at ten Evonik sites. Evonik's commitment to education is rounded out by initiatives such as the "Kid's University" in collaboration with the publisher of the Rheinische Post newspaper, and science camps for employees' children. Both of these initiatives draw on the commitment and extensive knowledge of our employees.

In Germany and Brazil we have stepped up our collaboration with our partner schools, where we are increasingly using the Evonik Cyber Classroom. This 3D technology makes complex chemical topics clearer and helps raise interest in science. In Belgium, the Cyber Classroom at the Technopolis Science Center in Mechelen is now a favorite outing for school classes. A job shadowing initiative at our site in Hopewell (Virginia, USA) gave teachers and school students an insight into career opportunities. As part of our North American Ag Trip, the Differentiation Initiative Feed Additive Business organized a meeting for students from around the world to inform them about industrial production of animal feed. Attendees from Algeria, Brazil, Canada, Germany, Spain, Zambia and the Philippines took up this offer. As well as touring Evonik's site in Mobile (USA), they visited our customers in the pig and poultry industry and dairy cattle farms.

 See p. 23

Since 2013, Evonik has supported a completely different type of project in collaboration with the Rebikoff-Niggeler not-for-profit foundation in the Azores. The foundation operates the Lula 1000 manned research submarine, which has a 1.40 meter PLEXIGLAS dome. The objective of this foundation is to investigate the depths of the ocean. Its cooperation partners include the German Oceanographic Museum in Stralsund and the University of Cologne. Focal areas include endeavoring to film a giant squid in its natural environment to discover more about this largely unresearched species.

Sports sponsorship

As the main sponsor of the professional soccer club Borussia Dortmund (BVB), Evonik also has a strong commitment to fostering children and young people. The Evonik BVB Soccer School runs a wide range of soccer courses for boys and girls aged between seven and thirteen. Around 6,000 children received instruction through this soccer school in 2014. Overall, the school ran more than 130 courses in Dortmund and 30 other courses elsewhere in Germany and abroad. In Tokyo it runs year-round courses for children aged six to 15 under the instruction of a BVB trainer who is permanently based in Japan.

The Evonik Foundation

Under the motto "People open up future potential. We open up people potential", the Evonik Foundation has fostered young scientists for many years. The foundation awards scholarships for scientific research, especially doctoral theses.

The Evonik Foundation supported 21 young scientists in the reporting period. Its commitment goes well beyond financial assistance. Recipients of scholarships are supported by Evonik employees who provide mentoring as they approach the start of their career. They give the young scientists an insight into how a major chemical company works, advice and networking opportunities. The scholarship students are also integrated into Evonik's talent program. Thanks to the close links between scientific theory and practice, the scholarships offered by the Evonik Foundation have an excellent reputation in academic circles.

The foundation also fosters upcoming talent. For example, some years ago it launched Professor Proto's Fantastic Institute in collaboration with its scholarship students. This informative learning platform is linked to the internet, Facebook and YouTube and offers elementary school kids a playful and interactive introduction to scientific phenomena and interactions. Videos and comics offer the children, and their parents and teachers, many exciting discovery options and experiments that children can perform themselves.

Responsibility and commitment at our sites

A trustful relationship with the communities close to our sites is particularly important to us. In our view, being a good neighbor goes beyond open and trustful dialogue. We are therefore involved in many local assistance projects and initiatives.

Dialogue with our neighbors

To strengthen trust, we regularly enable local residents and employees' families to take a look behind scenes at our sites. Ten of our German sites took part in the last Open Day. Around 14,000 visitors in Marl alone used this opportunity to visit the plants, laboratories and workshops at the Chemical Park. Regular site tours and an "Industrial Heritage Route" also foster transparency. Around 2,000 visitors a year take up these opportunities in Marl and Hanau.

Visitor days and tours are not the only way people can contact us. We have environmental and community hotlines at many sites to ensure that residents and local politicians can ask questions and air their views. In addition, regular information events are held to provide information on the latest developments at our sites. For example, our site in Antwerp (Belgium) has had a Neighborhood Council comprising representatives of the local council, community associations, environmental associations and journalists, for 20 years. It holds three meetings a year to talk to the management.

Community assistance projects

As a Group that trains a large number of young people, we believe that is very important for our apprentices to learn to recognize and engage in social responsibility. Our apprentices in Rheinfelden (Germany) therefore participate in "social days" at refugee centers, retirement homes and children's homes. For many years, our apprentices in Krefeld (Germany) have spent their fall vacation helping a local organization that distributes food to needy families. This site received the North Rhine-Westphalia Responsible Care Award in 2014 for its exemplary community assistance.

Internationally, Evonik employees were again involved in a wide range of initiatives in 2014. Examples of community assistance projects in the SEANZ region are collections for typhoon victims in the Philippines and children with cancer in Singapore. Employees at our sites in North America actively collect money for charitable projects. One example is Hopewell, where staff donated money to fund a program that gives students at local schools practical experience of science and technology.

Donations by employees in Tippecanoe helped equip a temporary classroom for a school that had been badly damaged by a tornado.

Employees at our sites in Castro, Americana and Barra do Riacho in Brazil support vocational training in disadvantaged communities. In this way, they help improve the employability of those they help. Around 255 young people have already received instruction in Evonik's laboratories. In 2003, Evonik launched the "Saber Viver" program in Brazil (which roughly translates as: "learning to live") and constructed a community center on its site. Teachers and social workers organize courses for children in dancing, soccer, music, crafts and surfing.

Alongside all of this, we have set up a large number of projects around the world to maintain and improve environmental quality at our sites. For example, a new natural gas station has come into service at our site in Worms (Germany). Using natural gas to generate sulfuric acid reduces carbon dioxide emissions by around 15 percent. At our sites in Thailand and Indonesia, committed volunteers regularly help clean nearby rivers.

Advocacy

Evonik demonstrates its social responsibility as a good corporate citizen in a variety of ways.

Our representative offices in Berlin and Brussels are important interfaces for dialogue with representatives of politics and public life. Our employees at these offices network closely with representatives of trade associations, politicians and the general public. For example, Evonik takes part in many debates of relevance for society from energy, climate and environmental issues through research and innovation to challenges related to raw materials and industrial policy. Many of these dialogues play an important part in shaping the political framework as part of an open opinion-forming process with a view to maintaining the industrial hubs in Germany and Europe and strengthening their sustained growth.

Key aspects of our advocacy work in Berlin in 2014 were the amendment of Germany's renewable energies policy, and the EU's energy and environmental guidelines and their impact on the chemical industry. Supporting research, the bioeconomy, the use of renewable raw materials in the chemical industry and environmentally compatible livestock farming were other important topics.

At European level, key issues included the revision of the EU's energy and climate policy for the period to 2030, stabilizing emissions trading and strategies for a clean environment and improved air quality. Evonik renewed its entry in the joint list of lobbyists maintained by the European Commission and European Parliament.

At European and national level we were involved in talks on a range of free trade agreements and in endeavors to raise the proportion of industrial value added in the European Union. We assume that common economic areas result in higher standards of chemicals policy.

Evonik is involved in a large number of industry associations and organizations such as the German Chemical Industry Association (VCI), the European Chemical Industry Council (Cefic), and the Federation of German Industries (BDI). It also belongs to a number of other forums and specialist associations such as the German Council on Foreign Relations (DGAP), Atlantik-Brücke and the Forum for Future Energy.

Evonik 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 committed to the World Business Council for Sustainable Development (WBCSD) and the global Responsible Care Initiative, and have signed the Responsible Care Global Charter. In addition, Evonik plays a central role in the Chemie³ sustainability initiative of the German Chemical Industry Association (VCI), German Mining, Chemical and Energy Industrial Union (IG BCE) and German Chemical Industry Employers' Federation (BAVC).

ANNEX

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Major sites

T49 Major sites^a

| Employees | 2012 | 2013 | 2014 |
|----------------------------------|-------|-------|-------|
| Germany | | | |
| Marl | 6,737 | 6,837 | 6,923 |
| Hanau-Wolfgang | 3,210 | 3,348 | 3,385 |
| Essen | 2,313 | 2,396 | 2,435 |
| Darmstadt | 1,585 | 1,648 | 1,691 |
| Wesseling | 1,282 | 1,318 | 1,334 |
| Other European countries | | | |
| Antwerp (Belgium) | 1,025 | 1,040 | 1,007 |
| Slovenská Ľupča (Slovakia) | 219 | 243 | 251 |
| Zurich (Switzerland) | 281 | 281 | 245 |
| Ham (France) | 217 | 217 | 209 |
| Gramatneusiedl (Austria) | 171 | 167 | 165 |
| North America | | | |
| Mobile (Alabama, USA) | 758 | 753 | 731 |
| Lafayette (Indiana, USA) | 601 | 556 | 544 |
| Parsippany (New Jersey, USA) | 407 | 421 | 409 |
| Hopewell (Virginia, USA) | 265 | 270 | 276 |
| Greensboro (North Carolina, USA) | 274 | 281 | 205 |
| Central and South America | | | |
| São Paulo (Brazil) | 176 | 194 | 197 |
| Castro (Brazil) | 0 | 25 | 99 |
| Americana (Brazil) | 32 | 37 | 70 |
| Mexico City (Mexico) | 80 | 74 | 64 |
| Barra do Riacho (Brazil) | 49 | 46 | 44 |
| Asia | | | |
| Shanghai (China) | 1,298 | 1,386 | 1,418 |
| Singapore (Singapore) | 259 | 430 | 523 |
| Nanping (China) | 369 | 389 | 370 |
| Nanning (China) | 408 | 394 | 357 |
| Qingdao (China) | 184 | 186 | 181 |
| Other/Rest of the world | | | |
| Morrinsville (New Zealand) | 32 | 32 | 32 |
| Umbogintwini (South Africa) | 31 | 32 | 30 |
| Midrand (South Africa) | 29 | 35 | 28 |
| Dubai (United Arab Emirates) | 15 | 17 | 19 |

As of December 31

^a The list refers to the continuing operations and covers about 70 percent of Evonik employees.


Market positions

T50 Market positions 2014^a

| Product | Application | Global ranking ^b | Capacity in metric tons p.a. |
|---|---|-----------------------------|------------------------------|
| Consumer Specialties | | | |
| Amphoteric surfactants | Shampoos, shower gels | 1 | ^e |
| Ceramides, phytosphingosines | Cosmetics | 1 | ^e |
| Fat chemistry, quaternary derivatives | Fabric softeners | 1 | ^e |
| Organically modified silicones | Additives for polyurethane foams, cosmetics, radiation-cured separation coatings | 1–2 | ^e |
| Superabsorbents | Diapers, feminine hygiene products, incontinence products, technical applications | 1–2 | 570,000 |
| Health & Nutrition | | | |
| Amino acids and amino acid derivatives | Pharmaceutical intermediates and infusion solutions | 3 | ^e |
| Exclusive synthesis | Intermediates and active substances for pharmaceuticals and specialty applications | 3 | ^e |
| Pharmaceutical polymers | Drug delivery systems (e.g. tablet coatings), and medical devices (e.g. bioresorbable implants) | 2 | ^e |
| DL-methionine | Animal nutrition | 1 | 430,000 |
| Inorganic Materials | | | |
| Fumed silicas, fumed metal oxides, precipitated silicas, matting agents | Silicone rubber, paints and coatings, adhesives, sealants and plastics, pharmaceuticals, cosmetics, high-temperature insulation, electronics, reinforcement of rubber, consumer products, additives for the coatings and printing inks industry | 1 | 600,000 |
| Organosilanes, chlorosilanes | Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers | 1 ^c | ^e |
| Activated nickel catalysts | Life sciences and fine chemicals | 3 | ^e |
| Precious metal powder catalysts | Life sciences and fine chemicals | 1 | ^e |
| Coatings & Additives | | | |
| Isophorone chemistry | Environment-friendly coating systems, high-performance composites (crosslinkers) | 1 | ^e |
| Organically modified silicones | Binders for paints and printing inks | 2 | ^e |
| Amorphous polyalphaolefins | Thermoplastic hot melt adhesives | 1 | ^e |
| Polybutadienes | Automotive manufacturing (adhesives and sealants) | 2 | ^e |
| Polyester resins | Can and coil coating, reactive hot melt adhesives | 1 | ^e |
| Thermoplastic and reactive methacrylate resins | Binders for paints and coatings | 1–2 | ^e |
| Oil additives | Viscosity index improvers | 1 | ^e |

T50 Market positions 2014^a

| Product | Application | Global ranking ^b | Capacity in metric tons p.a. |
|--|--|-----------------------------|------------------------------|
| Performance Polymers | | | |
| Methacrylate monomers | Dispersions, coatings, plastics, additives, adhesives, optical lenses | 1–2 | ^e |
| Methacrylate polymers (PMMA molding compounds and PMMA semi-finished products) | Construction materials for the automotive and electrical/electronics industries, specialty medical technology, architecture, design and communication applications | 1–2 | 400,000 |
| PEEK | Special applications in the oil and gas, automotive and aviation industries, electronics/semiconductors, specialty medical technology (e.g. implants) | 3 | ^e |
| Polyamide 12 | High-performance specialty polymer applications (e.g. automotive, medical, sport, gas and offshore oil pipelines) | 1 | ^e |
| Advanced Intermediates | | | |
| Butene-1 | Co-monomer for polyolefins | 1 ^d | 235,000 |
| DINP | High-molecular plasticizers for use in flexible PVC | 2 | 220,000 |
| Isononanol | Intermediate for high-molecular plasticizers | 2 | 350,000 |
| Hydrogen peroxide | Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane | 2 | >850,000 |
| Alcoholates | Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications | 1 | >200,000 |
| Cyanuric chloride | Industrial applications and specialties (e.g. crosslinkers, optical brighteners and UV stabilizers); crop protection (especially Chinese producers) | 3 | 30,000 |

^a The structure of the Evonik Group was altered effective January 1, 2015. For information on our new structure, see Management Report 2014  p. 62.

^b Evonik's assessment based on various individual market reports/information and in-house market research.

^c Chlorosilanes: freely traded volumes. Overall assessment—market position differs depending on application.

^d Freely traded volumes.

^e No data available.

Major shareholdings

T51 Major shareholdings^a

| Name of company | Registered office | Shareholding in % |
|---|------------------------------|----------------------|
| Consolidated subsidiaries | | |
| Germany | | |
| CyPlus GmbH | Hanau | 100 |
| Evonik Degussa GmbH | Essen | 100 |
| Evonik Goldschmidt Rewo GmbH | Essen | 100 |
| Evonik IP GmbH | Eschborn | ^b 100 |
| Evonik Nutrition & Care GmbH | Essen | ^b 100 |
| Evonik Oil Additives GmbH | Darmstadt | 100 |
| Evonik Performance Materials GmbH | Essen | ^b 100 |
| Evonik Resource Efficiency GmbH | Essen | ^b 100 |
| Evonik Röhm GmbH | Darmstadt | 100 |
| Evonik Services GmbH | Essen | ^b 100 |
| Evonik Technochemie GmbH | Dossenheim | ^b 100 |
| Evonik Technology & Infrastructure GmbH | Essen | ^b 100 |
| Other countries | | |
| Evonik Agroferm Zrt. | Kaba (Hungary) | 100 |
| Evonik Canada Inc. | Calgary (Canada) | 100 |
| Evonik Corporation | Parsipanny (New Jersey, USA) | 100 |
| Evonik Cyro LLC | Wilmington (Delaware, USA) | 100 |
| Evonik Degussa Antwerpen N.V. | Antwerp (Belgium) | 100 |
| Evonik Degussa Brasil Ltda. | São Paulo (Brazil) | 100 |
| Evonik Degussa (China) Co., Ltd. | Beijing (China) | 100 |
| Evonik Industries Mexico S.A. de C.V. | Mexico City (Mexico) | 100 |
| Evonik Hong Kong Ltd. | Hong Kong (Hong Kong) | 100 |
| Evonik Japan Co. Ltd. | Tokyo (Japan) | 100 |
| Evonik Methionine SEA Pte. Ltd. | Singapore (Singapore) | 100 |
| Evonik Specialty Chemicals (Shanghai) Co., Ltd. | Shanghai (China) | 100 |
| Evonik Specialty Chemicals (Jilin) Co., Ltd. | Jilin (China) | 100 |
| Evonik Oil Additives Asia Pacific Pte. Ltd. | Singapore (Singapore) | 100 |
| Evonik Oil Additives USA, Inc. | Horsham (Pennsylvania, USA) | 100 |
| Evonik Oxeno Antwerpen N.V. | Antwerp (Belgium) | 100 |
| Nippon Aerosil Co., Ltd. | Tokyo (Japan) | 80 |
| Silbond Corporation | Weston (Michigan, USA) | 100 |
| Joint operations included in the consolidated financial statements on a pro rata basis | | |
| Germany | | |
| StoHaas Monomer GmbH & Co.KG | Marl | 50 |
| Joint ventures (recognized at equity) | | |
| Other countries | | |
| Daicel-Evonik Ltd. | Tokyo (Japan) | 50 |
| Associates (recognized at equity) | | |
| Germany | | |
| Vivawest GmbH | Essen | ^c 35.33 |

^a A list of companies included in the consolidated financial statements can be found in the Annual Report 2014 on page 182 ff.

^b Utilizes the exemptions permitted under Section 264 Paragraph 3 and Section 264b of the German Commercial Code (HGB).

^c A 25 percent stake is included here as it constitutes pension plan assets in accordance with IAS 19.

Awards and accolades 2014

T52 Awards and accolades 2014

| Category | Awards and accolades | Presented by |
|---|---|--|
| Products and projects | | |
| Silica | 18th Paint & Pintura Award | Agnelo Editora |
| Glossy (Global Assignment Efficiency) | Finalist in the German Industry Innovation Award | F.A.Z.-Institut |
| Evonik Specialty Chemicals (Shanghai) Co., Ltd. | Responsible Care Best Practice Award | China Petroleum and Chemical Industry Federation (CPCIF) |
| ROHACELL® HERO | Innovation Award | Smithers RAPRA |
| Employees | | |
| Evonik Degussa (China) Co., Ltd. | 100 Best HRM Company Award | 51Job |
| Evonik Specialty Chemicals (Shanghai) Co., Ltd. | Top employer 2014 | Top Employers Institute |
| Evonik Industries AG | 3rd place in employer ranking in the chemical and pharmaceutical sector in the large companies category | "FOCUS" magazine |
| Awards from customers | | |
| Chlorosilanes | Global Partner Award | Furukuwa Electrics |
| Other | | |
| Krefeld site | Responsible Care Award 2014 "We have good ideas for dialogue with our neighbors" | German Chemical Industry Association (VCI) |
| Gibbons site | "Return on Environment" and "Proof Not Promises" leadership awards | General Electric |

@ [www.evonik.com/
investor-relations](http://www.evonik.com/investor-relations)
go to *Sustainable
Investment (SRI)/
Sustainability Ratings
and Rankings*

In addition, Evonik's sustainability performance is regularly analyzed and evaluated by rating agencies. We publish the main findings in the internet.

Membership of networks and initiatives



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

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



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.



Global Reporting Initiative

Evonik supports the Global Reporting Initiative (GRI) as an organizational stakeholder. GRI is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework. Evonik has used it as a guideline since 2009.



UN Global Compact

Evonik joined the UN Global Compact in 2010. Evonik supports the principles of the Global Compact, which are geared to sustainable and ethical business management.

About this report

Evonik's Sustainability Report 2014

This is the seventh full Sustainability Report (CR Report) published by Evonik Industries and continues the tradition of reporting introduced by the companies from which Evonik was formed. The report covers the 2014 fiscal year (January 1 to December 31, 2014). It has been written to give our customers, employees, owners and the general public an insight into how we run our business and live our values. The Sustainability Report focuses on ecological and societal issues and thus supplements the annual report for 2014. The next report will be published in 2016.

Method

 See glossary p. 124

This report is based on the current G3.1 guidelines of the *Global Reporting Initiative (GRI)* and the ten principles of the UN Global Compact (UNGC). It focuses on reporting core indicators, and addresses all standard information and core indicators required by the GRI. We have provided background information and verifiable performance indicators where necessary. The GRI has checked the report and confirmed that level A+ has been applied. This report also represents Evonik's progress report for the UN Global Compact. In addition, this year we will again be issuing a declaration of conformity with the German Sustainability Code (GSC).

Scope of reporting and data capture

Evonik Industries AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), while the separate annual financial statements for the company are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). Alongside Evonik Industries AG, the consolidated financial statements include all material German and foreign subsidiaries directly or indirectly controlled by Evonik Industries AG. Joint operations are included on a pro rata basis. Associates 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 its controlling influence. In fiscal 2014 the Evonik Group comprised 49 German and 109 foreign companies. Reporting focuses on the continuing operations. In 2014 we compiled relevant data on working hours, employee rights, social benefits, diversity, equal opportunities and work-life balance for the Group's continuing operations using the HR Information Collector software of PricewaterhouseCoopers cundus AG.

The ecological data for the core specialty chemicals business in 2014 comprise emissions and consumption at 87 production sites in 24 countries and thus cover 95 percent of total output.

Occupational safety data include other small production and non-production sites (mainly administration), so the data here cover 130 locations in 35 countries. All data for our core specialty chemicals business are compiled with sustainability reporting software designed for this purpose (SuRe). 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 region. This allows consolidation at management and legal entity level as well as a detailed regional analysis of the data. 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.

Major acquisitions/divestments of relevance for ESH in 2014

Under an agreement dated March 31, 2014, Evonik divested its 50.1 percent stake in Li-Tec Battery GmbH, Kamenz (Germany), to Daimler AG, Stuttgart (Germany). The wholly owned subsidiary Evonik Litarion GmbH, Kamenz (Germany) did not form part of this transaction. On March 19, 2014 Evonik and Deb Holdings Ltd, Denby (UK) signed an agreement on the sale of the operating assets of the STOKO® Skin Care business (asset deal). It was agreed not to disclose the purchase price. The assets were transferred on June 2, 2014. Until then this business was part of the Consumer, Health & Nutrition segment.

On February 28, 2014 Evonik acquired all shares in Silbond Corporation, Weston (Michigan, USA) from Silbond Holdings LLC, Bloomfield Hills (Delaware, USA). Silbond Corporation is a leading supplier of silicic acid esters, a special group of functional silanes used in a wide variety of future-oriented applications, for example, in the electronics industry and in chemical applications. The business has been integrated into the Resource Efficiency segment.


In 2014, Evonik's organic growth was boosted by a large number of capacity increases in attractive markets and regions with high growth momentum. The various capacity increases and new facilities, for example, the worldwide expansion of capacity for silicas, also affected material flows and emission and consumption data. The main impacts are commented in the data section of this Sustainability Report.

Acquisitions, capacity expansions and new facilities are recognized as soon as possible. However, if the facilities are only acquired at the end of a fiscal year or new plants have not yet come into service or are at an early stage of start-up, inclusion of environmental aspects in the Sustainability Report can normally only start in the following year. Therefore, product streams and the environmental data for the production facilities for organic specialty surfactants in Shanghai (China) and the production plant for catalysts for the production of biodiesel from renewable raw materials in Puerto General San Martino (Argentina), both of which came on stream in 2013, were included in our reporting for the first time in 2014. Similarly, the environmental impact of the world-scale DL-methionine complex in Singapore, which came into operation in fall 2014, will only be included from 2015.

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 authorities. In many cases, their submission and approval dates are far later than the internal deadline for Evonik's ESH report. To enhance efficiency, we endeavor to use a single set of data for both internal and external reporting. Since internal and external audit findings are examined for any possible change in ESH indicators, our databases are naturally subject to dynamic change. If such adjustments reveal discrepancies of more than 3 percent compared with published data for prior periods, (principle of materiality), the data are corrected and indicated accordingly. If the English version of this report differs from the German version, the statements and phrasing of the original German shall prevail.

External review

The "Employees" and "Environment" sections and selected sections and data from the sections headed "Sustainability management", "The business", "Safety and health protection" and "Commitment to society" were subject to a limited assurance engagement by Pricewaterhouse-Coopers AG (PwC) (labeled with ). The corresponding independent assurance report is printed on pages 119 to 121. In addition, parts of the report on the business and the section on research and development are taken from the annual report for 2014. In this context they were subject to an external audit by PwC.

GRI index, UN Global Compact and the German Sustainability Code (GSC)



T53 GRI index, UN Global Compact and the German Sustainability Code (GSC)

| Global Compact Principle | GRI Indicator | GSC | Topic | Page | Reporting status |
|--|---------------|---------------|---|---|------------------|
| Strategy and Analysis | | | | | |
| | 1.1 | 1 | Foreword by the Chairman of the Executive Board | 4–5 | |
| | 1.2 | 1, 2, 3, 4 | Description of key impacts, risks and opportunities | 26–29, 38 f., 48, 53–55, 60 ff., 66, 69 f. | |
| | 2.1–2.10 | | Organizational profile, markets, structures, data and facts | Inside front cover, 26–29, 45 f., 49–53, 126, 106–110, 112–113 Annual Report 2014: 66 | |
| | 3.1–3.4 | | Report parameters | 112, 126 | |
| | 3.5–3.13 | | Report content, limitations, verification | 29–33, 43 f., 47 f., 49–53, 66–68, 73, 112–117, 119–121 | |
| | 4.1–4.7 | 8 | Corporate governance | 26–30, 32, 38, 44, Annual Report 2014: 32 f., 36, 47–50, 128–131, 134 ff., 264–266 http://corporate.evonik.de/en/investor-relations/Pages/default.aspx | |
| | 4.8–4.13 | 3, 5, 6, 7, 8 | Obligations and commitments | 16, 29–31, 37–38, 41, 53, 56, 74, 77, 97–98, 103, 111 Annual Report 2014: 40, 44, 51, 105 f., 142 f. | |
| | 4.14–4.17 | 9 | Stakeholders | 29, 31–33, 48, 54, 74, 93–95, 99–103 | |
| Economic Performance Indicators | | | | | |
| | | | Management Approach | 43–47, 45, 99–103, 107 f. | |
| | EC1 | 18 | Economic value generated/distributed | 43–46 | |
| 7 | EC2 | | Implications of climate change | 30–32, 64, 78, Annual Report 2014: 117, 120, 122, 123 | |
| | EC3 | | Pension plans (defined benefit plans) | 72 f., Annual Report 2014: 217–221 | |
| | EC4 | | Government assistance | 64 | |
| | EC6 | | Business policy/practices | 54, 102 | |
| 6 | EC7 | | Hiring procedure | 67, 69 f., 72 f., 76 | |
| | EC8 | | Investment for public benefit | 99–101 | |

| Global Compact Principle | GRI Indicator | GSC | Topic | Page | Reporting status |
|---|---------------|--------|---|--|---------------------------------|
| Environmental Performance Indicators | | | | | |
| | | | Management Approach | 27, 29–33, 39–42, 56–60, 77–81, 85–90, 90 f., 97 f. | |
| 8 | EN1 | 11 | Materials by weight/volume | 53, 79 | |
| 8, 9 | EN2 | 12 | Recycled inputs | | Not reported ^a |
| 8 | EN3–EN4 | 12 | Energy consumption: direct and indirect | 80 f. | |
| 8, 9 | EN6 | 10 | Energy-efficient products and services | 12 f., 18 f., 27, 79, 88, 90, 97 | |
| 8 | EN8–EN10 | 11, 12 | Water | 78, 86 f. | |
| 8 | EN11–EN12 | 11 | Biodiversity | 90–92 | |
| 7, 8, 9 | EN16–EN20 | 13 | Emissions | Inside front cover, 77 ff., 81–85 | |
| 8 | EN21 | | Wastewater | 86 f. | |
| 8 | EN22 | 12 | Waste | 88 f. | |
| 8 | EN23 | | Significant spills | 93, 97 | |
| 7, 8, 9 | EN26 | 10 | Reducing environmental impact | 56–60, 77 f., 82 f., 84 | |
| 8, 9 | EN27 | | Reclaimed packaging | 53, 89 | |
| 8 | EN28 | | Non-compliance with environmental regulations | | Not reported ^b |
| 7, 8, 9 | EN30 | 13 | Environmental protection expenditures and investments | 78 | |
| Social Performance Indicators | | | | | |
| Labor Practices and Conditions | | | | | |
| | | | Management Approach | 8 f., 14 f., 22, 41 f., 48, 54 f., 65–68, 68–71, 72–74, 92–96 | |
| 6 | LA1–LA2 | | Workforce | 66–69 | |
| 6 | LA15 | | Return to work and retention rate after parental leave, by gender | 75 | |
| 1, 3 | LA4–LA5 | | Employee representatives/collective bargaining agreements | 47, 66, 74 | |
| 1 | LA6 | 14 | Percentage of workforce represented on occupational safety committees | 95–96 | Partially reported ^c |
| 1 | LA7–LA8 | 15, 16 | Occupational safety | 94–96, 102 | |
| | LA10 | 16 | Training and education by employee category | 71 | Partially reported ^d |
| | LA11 | 16 | Programs for employability and lifelong learning | 70–71 | |
| | LA12 | 14 | Employee development reviews | 74 | Partially reported ^d |
| 1, 6 | LA13 | 16 | Employee structure | 66–68, http://corporate.evonik.com/en/company/management/Pages/default.aspx | |
| 1, 6 | LA14 | | Ratio of basic salary men/women | 73, Annual Report 2014: 97, 132 ff., 258 | |

| Global Compact Principle | GRI Indicator | GSC | Topic | Page | Reporting status |
|--------------------------|---------------|------------|---|---|---------------------------|
| Human rights | | | | | |
| | | | Management Approach | 14 f., 22, 37 f., 53–55, 68, 74, 93–97, Annual Report 2014: 120–122 | |
| 1, 2, 3, 4, 5, 6 | HR1 | 17 | Significant investment agreements | | Not reported ^e |
| 1, 2, 3, 4, 5, 6 | HR2 | 17 | Screened suppliers/contractors | 37, 53–55 | |
| 1, 2, 3, 4, 5, 6 | HR3 | | Training in human rights issues | 37, 53–55 | |
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| | SO1 | 18 | Impact on communities | 99 | |
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| 1–10 | SO5 | | Public policy positions | 103 | |
| 10 | SO6 | 19 | Contributions to political parties and politicians | 99 | |
| | SO7 | 20 | Anti-competitive behavior, anti-trust and monopoly practices | | Not reported ^b |
| | SO8 | 20 | Legal compliance: fines/sanctions | | Not reported ^b |

| Global Compact Principle | | | | | |
|----------------------------|---------------|-----|--|--------------------------|---------------------------|
| | GRI Indicator | GSC | Topic | Page | Reporting status |
| Product stewardship | | | | | |
| | | | Management Approach | 37, 39–42, 53–55, 56–60 | |
| 1, 7 | PR1 | | Lifecycle stages in which products have a health and safety impact | 48, 56–60, 60–64, 82 f. | |
| 8 | PR3 | | Product labeling | 56–60 | |
| | PR6 | | Programs for adherence to laws and standards in advertising | 32–33, 37, 40–42, 99–103 | |
| 1 | PR9 | | Fines for non-compliance with laws and regulations | | Not reported ^b |

^a 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.

^b Any risks arising from litigation and other claims are disclosed in the Annual Report.

^c No worldwide data including small and mid-sized sites are available.


^d Evaluation by gender is not material to us.

^e As a member of the UN Global Compact, we strive to contribute to the protection and promotion of human rights within our sphere of influence. The exact number of investment agreements is confidential business-relevant information and is therefore not reported.

More information about GRI, the UN Global Compact and the German Sustainability Code can be found online at www.globalreporting.org, www.globalcompact.org and www.nachhaltigkeitsrat.de/en/.

Independent Assurance Report¹

To Evonik Industries AG, Essen

We have been engaged to perform a limited assurance engagement on selected data set out in the German printed version of the Sustainability Report 2014 of Evonik Industries AG, Essen (subsequently referred to as "the company") for the financial year from January 1 to December 31, 2014 (subsequently referred to as the "Sustainability Report").² The information selected by the company and evaluated by us has been marked with the symbol  in the Sustainability Report.

Management's Responsibility

The company's Executive Board is responsible for the proper preparation of the Sustainability Report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 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 Sustainability Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Sustainability Report.

Our Independence and Quality Control


We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

¹ Our engagement applied to the German version of the sustainability report. This text is a translation of the Independent Assurance Report issued in German—the German text is authoritative.

² Our engagement refers to the German version of the Sustainability Report.




Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that the information marked with the symbol  in the Sustainability Report of the company for the business year from 1 January to 31 December 2014 have not been prepared, in all material respects, in accordance with the above mentioned criteria of the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7 to 17) of the GRI. Any links to external sources of documentation as well as prospective statements and statements from external experts were not in scope of our engagement. We also have been engaged to make recommendations for the further development of sustainability management and sustainability reporting based on 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, under consideration of materiality, in order to provide our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgement.

Within the scope of our engagement, we performed, amongst others, the following procedures:

- Inquiries of personnel of departments responsible for the preparation of the sustainability report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inspection of documents regarding the sustainability strategy as well as obtaining an understanding of the sustainability management structure and of the development process of the company's sustainability program;
- Inquiries of personnel in the corporate functions that are responsible for the chapters of the Sustainability Report marked with the symbol .
- Recording of the systems and processes for collection, analysis, validation and aggregation of sustainability data marked with the symbol  and inspection of its documentation as well as performing checks on a sample basis;
- Performance of site visits or web conferences as part of the inspection of processes for collecting, analyzing and aggregating selected data at the corporate headquarters in Essen, as well as at selected sites or group companies in Hanau-Wolfgang, Worms und Marl (Germany) and São Paulo (Brazil);
- Analytical procedures on sustainability data marked with the symbol  in the Sustainability Report;
- Comparison of selected data with corresponding data published in the company's annual report 2014;
- Gaining further evidence for selected data of the Sustainability Report due to inspection of internal documents, contracts and invoices/reports from external service providers.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the data marked by the symbol ✓ in the company's Sustainability Report, in all material respects, have not been prepared in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol 3.1 (pages 7–17) issued by the GRI.

Emphasis of Matter – Recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of the company's sustainability management and sustainability reporting:

- Further development of a systematic approach and integration of material business and stakeholder issues, in particular with regards to the further development of the sustainability strategy in a global business context;
- Further formalization of the internal control system for sustainability information;
- Further integration of sustainability information and performance indicators into existing management systems or standard processes.

Munich, April 28, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hendrik Fink

ppa. Anne Pattberg

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Glossary

Accident frequency**(occupational safety indicator)**

Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours.

Adsorbable organic halogens (AOX)

Total organic halogen compounds in water that can be adsorbed by activated carbon using a standardized process. X stands for the halogens fluorine, chlorine, bromine and iodine. Adsorption is the accumulation of a substance on the surface of a solid as a result of molecular forces.

Audit

An audit is a general investigation used to check that specific products and/or processes meet certain specified criteria. Audits may be performed by internal specialists or external auditors, especially if the product or process is to be validated as complying with official standards.

Carbon dioxide (CO₂)

Gaseous combustion product of all carbon-containing compounds (e.g. coal, natural gas and oil).

Carbon footprint

This shows the aggregate impact of all relevant carbon dioxide emissions of the entity under consideration (e.g. an organization, product or person).

Carbon monoxide (CO)

Odorless, toxic gas produced by incomplete combustion of carbon-containing fuels with insufficient oxygen; converted into CO₂ in the atmosphere.

Chemical oxygen demand (COD)

Metric showing the sum of all organic substances in the water. COD shows how much oxygen is required to oxidate the organic substances.

CO₂ equivalents

Parameter used to compare the global warming potential of various different greenhouse gases. The reference basis is carbon dioxide and the abbreviation is CO₂e. The global warming potential (GWP) provides information on the impact of the various gases compared with CO₂.

Compliance

Compliance refers to all activities to ensure that the conduct of the company, members of its governance bodies and its employees respect all applicable mandatory standards such as legal provisions, statutory provisions and prohibitions, in-house directives and voluntary undertakings entered into by Evonik.

Corporate governance

Corporate governance comprises all principles underlying the management and oversight of a company. As an expression of good and responsible management of the company, it is therefore a central element in a company's management philosophy. The principles of corporate governance relate mainly to collaboration within the Executive Board and Supervisory Board and between these two boards and the shareholders, especially at Shareholders' Meetings. They also relate to the company's relationship with other people and organizations with which it has business dealings.

Corporate responsibility (CR)

See sustainability.

Dinitrogen oxide (N₂O)

Colorless gas, also known as laughing gas. Small amounts have a big impact because of its high global warming potential. Its impact is approx. 310 times greater than CO₂.

Diversity

We define diversity not simply as the best possible balance between male and female employees, but also between different educational backgrounds, experience of working in different organizational units and functional areas, a broad age range and a variety of nationalities, in other words, diversity in all its facets.

Fluorinated hydrocarbons (HFC)

These compounds do not occur naturally. They have an extremely damaging effect on the climate, even compared with methane and dinitrogen oxide. They are sometimes used as refrigerants.

Global Reporting Initiative (GRI)

This organization publishes the world's most commonly used guidelines on sustainability reporting, which have become established as a standard. The aim is to ensure standardized and comparable presentation of the economic, ecological, social and societal performance of the reporting company.

Greenhouse Gas Protocol (GHG Protocol)

The Greenhouse Gas Protocol is regarded as the most widespread voluntary international standard for calculating and compiling data on greenhouse gas emissions from industry. It was developed by the World Business Council for Sustainable Development (WBCSD) and the World Resource Institute (WRI).

Incident frequency (plant safety indicator)

This indicator is based on the process safety performance indicator defined by the European Chemical Industry Council (Cefic). Analogously to the accident frequency indicator for occupational safety, it covers incidents involving the release of substances, fire or explosion, even if there is little or no damage. It is calculated from the number of incidents per 1 million working hours in the business units' production facilities.

International Labor Standards

The International Labor Standards are set out in a Declaration of the International Labour Organisation (ILO). This United Nations agency sets minimum global employment and social standards to improve living and working conditions.

Lifecycle assessment

A lifecycle assessment is a systematic analysis of the environmental impact of products, processes or services from cradle to grave, i.e. from the extraction of raw materials to disposal of the end-products.

Materiality

A materiality analysis is used to identify significant areas of action for sustainability policy. The aim is to evaluate the relevance of issues from the viewpoint of stakeholders and the company. A materiality matrix is derived from the expectations of both groups.

Megatrends

Megatrends are global societal issues relating to the future which companies can help to address through their business activities. They are large, wide-ranging and durable trends of strategic significance.

Methane (CH₄)

Colorless, odorless combustible gas; main component in oil. Methane is one of the most important natural greenhouse gases and is utilized in synthesis reactions in the chemical industry.

Nitrogen oxides (NO_x)

Compounds comprising nitrogen and oxygen; mainly generated by combustion in production plants and engines.

Non-methane volatile organic compounds (NMVOC)

Collective designation for all organic substances that are volatile or present as gases at low temperatures (excluding methane gas).

Plant safety

See incident frequency.

REACH

REACH is an EU Regulation. It stands for Registration, Evaluation, Authorisation, and Restriction of Chemicals. The REACH Regulation aims to improve protection of health and the environment from the risks that can arise from chemicals. In addition, it encourages the development of alternative methods of determining the damaging effects of substances in order to reduce animal experiments.

Responsible Care

Responsible Care is a global initiative of the chemical industry, which aims to bring about a continuous improvement in environmental protection, health and safety. As well as complying with legislation, it encourages the industry to engage in voluntary initiatives in cooperation with government agencies and other stakeholders. The original principles were extended in the Responsible Care Global Charter to include a greater focus on modern demands with regard to transparency and communication. Responsible Care also dovetails with the principles set out in the UN Global Compact. The International Council of Chemical Associations (ICCA) monitors the implementation and integrity of Responsible Care.

Scope 1, Scope 2 and Scope 3 emissions

To harmonize reporting of greenhouse gas emissions in the corporate sector, emissions are allocated to three categories (scopes): emissions from a company's own plants (Scope 1), emissions from purchased energy (Scope 2), and indirect emissions (Scope 3).

Stakeholders

Stakeholders are individuals or groups that have a legitimate interest in the activities and decisions of a company or organization. They may be, for example, the company's shareholders, suppliers, customers, politicians, non-governmental organizations, the media and people who live and work close to its production facilities. They are often directly or indirectly affected by the company's business activities.

Sulfur oxides (SO_x)

Sum parameter for various sulfur oxides. The main source is sulfur contained in fuels such as hard coal, lignite and oil, which is oxidized during combustion and released as sulfur dioxide.

Sustainability

Sustainability and corporate responsibility are often used as synonyms for sustainable development. Sustainable development addresses the challenge of finding a fair and viable balance between the needs of the present generation and perspectives for the lives of generations to come. This is not simply a duty towards future generations. It is also an opportunity to establish a successful long-term strategy for the future that combines economic success with social and societal responsibility and protection of the environment.

Together for Sustainability

Together for Sustainability (TfS) is an initiative set up in 2011 by a number of multinational chemical companies. It aims to develop and implement a global program for responsible procurement of goods and services and uses standardized audits to improve suppliers' ecological and social standards. A uniform questionnaire is used worldwide for all suppliers and TfS members.

**Total nitrogen load (N),
total phosphorous load (P)**

The total nitrogen and phosphorous loads are sum parameters indicating the amount of organic and inorganic nitrogen and phosphorous in water.

UN Global Compact

The United Nations' Global Compact is a strategic initiative for companies that undertake to respect ten universally recognized principles relating to human rights, workers' rights, environmental protection and fighting corruption in their business operations and strategy. As a major driving force behind globalization, industry should ensure that all regions and societies benefit from the development of markets and trade relations, technologies and the finance sector. Companies that join the Global Compact give an undertaking that they will report annually on the progress (COP—Communication on Progress).

Credits

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