SUSTAINABILITY REPORT

2017

LISTENING PAYS OFF

EVONIK
POWER TO CREATE

CONTENTS

The chapters "Strategy and growth," "Governance and compliance," "Employees," "Value chain and products," "The environment," and "Safety" were subject to a limited assurance review by PricewaterhouseCoopers GmbH (PwC) (indicated by ☑).

Status of our sustainability targets for 2017

T01

This is an overview of the targets we set for 2017. Except where otherwise stated, the data refer to 2017. You can find more detailed information on target attainment in the relevant chapters of this report.

● Target achieved ● Target partially achieved or target horizon extends beyond 2017 ● Target not achieved	Target attainment	Page no.
Strategy and growth		
Analysis of sustainability requirements in individual markets and regions	●	18
Harmonization of internal sustainability reporting processes and monitoring systems	●	18
Governance and compliance		
Female Executive Board members 20% or 25%[a]	●	22
Supervisory Board: ≥ 30% female and ≥ 30% male members	●	22
Women at the first and second management levels below the Executive Board: 20% at each level by year-end 2019[b]	●	22
Antitrust law: draw up a risk roadmap for all business lines and define measures	●	29
Code of Conduct: introduce an externally managed whistleblower system	●	29
Employees		
Establish a learning strategy for the ongoing development of various employee groups	●	36
Roll out our updated employer branding campaign	●	32
Conduct an annual pulse check on employee satisfaction	●	32
Value chain and products		
Conduct at least 20 supplier sustainability audits under the shared audit principle of the Together for Sustainability initiative	●	43
Continue the analysis of suppliers of critical raw materials through TfS assessments	●	42, 43
In collaboration with our customers and suppliers, we aim to further extend our portfolio of RSPO certified palm oil derivatives	●	42
Evaluate the sustainability performance of 90% of suppliers of critical raw materials by 2020	●	42, 43
We aim to generate more than €1 billion in additional sales by 2025 in the six innovation growth fields we have identified	●	44, 45
Increase sales of products and applications developed in the past five years to 16% in the mid term	●	45
Ongoing development of methods and indicators for sustainable portfolio management[c]	●	50
Structured presentation of the sustainability performance of the business lines	●	50
Extend life cycle assessments to approx. 80% of the external sales of our chemical segments	●	50
The environment		
Reduce specific greenhouse gas emissions by 12% by 2020 (reference base: 2012)[d]	●	54, 63
Reduce specific water intake by 10% by 2020 (reference base: 2012)	●	59, 63
Further reduction in production waste, including hazardous production waste	●	61, 63
Safety		
Accident frequency rate[e] should be ≤ 1.30	●	65, 66
Incident frequency rate[f] should be ≤ 48 (reference base 2008 = 100)	●	66
Revise the management development concept on safety	●	66
Occupational Health Performance Index ≥ 5	●	68
Include further sites in the calculation of the Occupational Health Performance Index (15 in three years, 2017–2019)	●	68
Identify critical products and drive forward transportation safety standards	●	69
Draft a training concept to implement the CTU Code[g]	●	69
Check products for potential classification as polymerizable substances	●	73
Establish a risk estimate for > 99% of substances placed on the market in quantities of >1 metric ton p.a. (by 2020)	●	73
Make GPS Safety Summaries for these substances available via the Evonik website and the ICCA's GPS portal (by 2020)	●	73
Conduct a more far-reaching assessment of all products containing > 0.1% hazardous chemicals of high concern (hChC) (by 2020)	●	73

[a] 20% by June 30, 2017 and 25% from July 1, 2017 through June 30, 2022. | [b] As of end-December 2017: first level 25%, second level 15.4%. | [c] This target was previously listed under "Strategy and growth." | [d] Reference base: 2012; 80% target attainment by 2018. | [e] Evonik employees including employees from staffing agencies. | [f] Number of incidents per 1 million working hours, taking 2008 as the reference base (expressed in percentage points: 2008 = 100); in 2017, the method was aligned to the method used to calculate accident frequency. The new target is ≤1.10. | [g] CTU Code = Code of Practice for Packing of Cargo Transport Units.

Our sustainability targets for 2018 and beyond T02

Our sustainability strategy is geared to integrating sustainability even more firmly into our operating units and establishing it in our regions. The following targets are intended to play a central part in this.

	Planned deadline
Strategy and growth	
Validate the materiality analysis	2018
Identify the UN Sustainable Development Goals (SDGs) of relevance for Evonik and their contribution to the business	2018
Governance and compliance	
Proportion of female Executive Board members: 25% up to June 30, 2022	2018 ff.
Women at the first two management levels below the Executive Board: 20% at each level[a]	Year-end 2019
Implement the defined antitrust and anti-money laundering measures	2018
Review and revise internal regulations on gifts and hospitality	2018
Employees	
Measure and increase employee satisfaction	2018 ff.
Drive forward global digitalization	2018 ff.
Encourage greater diversity in the Evonik Group, especially by increasing the number of female managers	2018 ff.
Value chain and products	
Complete the ongoing development of the sustainability analysis of our businesses	2018
Perform the next sustainability analysis using extended methodology	2019
Extend monetary evaluation of the impact of our business along the value chain (impact analysis) to further regions and indicators	2018 ff.
Conduct at least 20 supplier sustainability audits under the shared audit principle of the Together for Sustainability initiative	2018 ff.
Continue the supplier analysis by reviewing at least 80 TfS assessments	2018 ff.
Evaluate the sustainability performance of 90% of suppliers of critical raw materials	By 2020
Implement the new training concept and conduct internal sustainability training for all relevant procurement employees	2018 ff.
Increase sales of products and applications developed in the past five years to 16% in the mid term	[b]
More than €1 billion additional sales in the identified innovation growth fields	By 2025
The environment	
Reduce specific greenhouse gas emissions by 12% (reference base: 2012)	By 2020
Reduce specific water intake by 10% (reference base: 2012)	By 2020
Further reduction in production waste, including hazardous production waste	By 2020
Safety	
Accident frequency rate should be ≤ 1.30	2018 ff.
Incident frequency rate should be ≤ 1.10	2018 ff.
Create greater transparency and harmonize Group-wide ESHQ processes. Take the first steps towards introducing a new technical platform	2018 ff.
Occupational Health Performance Index ≥ 5.0	2018 ff.
Include further sites in the calculation of this index (15 in 2017–2019)	2019
Establish a requirements profile for warehouse services	2018
Establish minimum global standards for logistics service-providers	2018
Evaluate European rail logistics providers using "SQAS Rail[c]"	2018
Establish a risk estimate for > 99% of substances placed on the market in quantities of > 1 metric ton p.a.	By 2020
Make GPS Safety Summaries available via the Evonik website and the ICCA's GPS portal	By 2020
Conduct a more far-reaching assessment of all products containing >0.1% hazardous chemicals of high concern (hChC)[d], e.g., CMR[e] 1A/1B, PBT[f] (CMS^{PLUS})	By 2020

[a] So far 8% at the first management level below the Executive Board and 18.8% at the second management level.
[b] From 10 percent in 2017 to 16 percent in the mid term.
[c] "SQAS Rail" stands for a Cefic safety and quality evaluation system for rail transport.
[d] hChC = hazardous chemicals of high concern.
[e] CMR = carcinogenic, mutagenic, toxic for reproduction.
[f] PBT = persistent, bioaccumulative, toxic.

Sustainability indicators for the Evonik Group

T03

The following overview contains the main indicators for our six sustainability areas of action. You can find more detailed information in the relevant chapters.

		2015	2016	**2017**
Strategy and growth	Sales in € million	13,507	12,732	14,419
	Adjusted EBITDA in € million	2,465	2,165	2,360
	Adjusted EBITDA margin in %	18.2	17.0	16.4
	ROCE in %	16.6	14.0	11.2
	Value added in € million	4,838	4,616	4,688
Governance and compliance	Female Supervisory Board members in %	20	35	35
	Female Executive Board members in %	20	20	25
	Training rate[a] antitrust law in %	493	937	59
	Training rate[a] fighting corruption in %	1,600	828	84
	Training rate[a] Code of Conduct in %	2,823	12,025	71
	Internal investigations	27	33	27
	Disciplinary measures	11	17	12
Employees	Commitment Index[b]	151	–	–
	Employee turnover in %[c]	4.7	4.7	5.8
	Average length of service in years	15.0	14.9	14.6
	Continuing professional development per employee in hours[d]	13	16	12
	Female managers in %[e]	20.8	22.0	23.2
Value chain and products	Procurement expenses in € billion	8.3	7.6	9.1
	No. of sustainability audits (TfS)	179	241	441
	No. of sustainability audits (Evonik)	35	29	28
	No. of sustainability assessments (TfS)	2,580	1,773	1,794
	No. of sustainability assessments (Evonik)	118	145	149
	Use of renewable raw materials in production in %	8.6	9.2	10.4
	R&D expenses in € million	434	438	458
	Proportion of resource-saving products in %	~ 50	~ 50	~ 50
	External sales of chemicals segments covered by life cycle analyses in %	~ 70	~ 70	~ 70
The environment	Scope 1 greenhouse gas emissions in million metric tons[f]	5.6	5.4	5.6
	Scope 2 greenhouse gas emissions in million metric tons[g]	1.0	1.0	0.9
	Water consumption in million m^3[h]	71.3	65.7	66.5
	Output in million metric tons	10.36	10.58	10.98
	Hazardous production waste in thousand metric tons	213	227	244
	Non-hazardous production waste in thousand metric tons	153	124	153
Safety	Accident frequency[i]	0.97	1.24	1.16
	Incident frequency[j]	55	43	1.11[k]
	Health ratio in %[l]	95.4	95.3	95.1
	Occupational Health Performance Index[m]	5.3	5.5	5.4
	Occupational Disease Rate[n]	0.30	0.36	0.22
	Outgoing shipments, hazardous goods in thousand metric tons	5,531	4,025	4,141
	Outgoing shipments, other goods in thousand metric tons	3,438	4,078	4,469

[a] For 2017, the training rate in % is published for the first time; the data for the previous years are absolute figures and are therefore not comparable. The training rate is defined as the number of training candidates with a valid certificate relative to the total number of training candidates. | [b] The Commitment Index showing employee satisfaction is compiled every three years in conjunction with the employee survey. The maximum score is 200. Reference base: 2012 = 157 and 2010 = 148. | [c] Continuing operations only. | [d] Since 2016 the figure excludes apprentices in Germany. | [e] Management Circles 1–3; continuing operations only. | [f] CO_2 equivalents. | [g] CO_2 equivalents, net (market-based). | [h] Includes water used to generate steam, in the manufacture of products, to cover evaporation losses, and process water. | [i] Number of accidents involving Evonik employees and contractors' employees under Evonik's direct supervision per 1 million working hours. | [j] Number of incidents per 1 million working hours (reference base: 2008). | [k] From 2017, the indicator is shown as an absolute amount defined as the number of incidents per 1 million working hours (previous years in %). | [l] Refers to Germany; calculated from: (Target working hours - Sickness-related hours lost) / Target working hours. | [m] Max 6.0 (index takes account of key aspects of occupational medicine, health promotion, and emergency medical management). | [n] Number of newly identified cases of occupational illnesses per 1 million working hours.

CHRISTIAN KULLMANN
Chairman of the Executive Board

THOMAS WESSEL
Chief Human Resources Officer

Ladies and gentlemen:

To mark the tenth anniversary of Evonik Industries, we made an ambitious promise: We want this company to become the best-in-class specialty chemicals company. To achieve that, we will measure ourselves against the best in all our businesses and everywhere where we are not yet the leader. That includes our goal of achieving above-average profit margins in our markets. It also applies to the desire to be a sustainable solution provider for a whole range of important future issues.

Our sustainability strategy implements this through key areas of action, binding targets, and balanced management of economic, ecological, and social factors. We are also getting better because we listen very carefully to what our shareholders and customers, business partners and employees, politicians, and members of society have to say. That gives us food for thought. Some of these testimonials form a thread running through the various sections of this report. They represent the intensive discussion we engage in with a wide range of stakeholders, both within and beyond Evonik.

We owe it to them and to ourselves to document the effects of our business activities and make them fully transparent. We do that readily and with full conviction. Because developing sustainable products and solutions has long been a key driver of innovation and growth in our markets.

In the field of animal nutrition, for example, it is reflected in the trend to sustainable nutrition without antibiotics. In 2017, we presented the first probiotic developed by Evonik for poultry. Other examples include new paints that protect ships from encrustation by shells and algae and therefore reduce fuel consumption and emissions. As well as new products, process innovations often save resources and reduce environmental pressure. That is illustrated by our latest production process for methylmethacrylate.

The maxim "If you can't measure it, you can't manage it" is true for all of these improvements. One focus of our sustainability activities is therefore evaluating the economic, ecological, and social effects of Evonik's business along our value chains in monetary terms. Another new feature in 2017 was our intensive review of the contribution made by each of our businesses to meeting the United Nations Sustainable Development Goals.

As a specialty chemicals company, the two areas that top our list of priorities are the environment and safety. Here too, we made substantial progress last year. Examples are the water stress analyses we carried out at over 80 production sites and expansion of our database, for example, to include biodiversity at our sites. We do not simply use such developments for documentation purposes; they are also used more broadly to achieve a targeted improvement in ongoing management processes at Evonik. At the same time, they enable us to address new issues—from recycling through biodiversity to the use of digital technologies.

All that gives us important insights into the opportunities and potential risks we will encounter in our markets in the coming years. Alongside protecting the ecological basis for life on our planet, increasing attention is being paid to social issues. Following the Policy Statement on Human Rights adopted by the Executive Board in 2016, we took further steps in 2017 to underpin our obligation as a responsible company. They include integrating aspects of human rights into our supplier validation process and drawing up a global human rights risk map. We are also delighted by the confidence shown in Evonik by our recent election to the Steering Committee of the German Global Compact network.

The numerous awards we received in 2017 for the progress made in our sustainability work and the associated reporting, our excellent performance in the relevant ratings and rankings, and, above all, the trust we experience in our daily collaboration within and beyond the company all strengthen our resolve to continue systematically along the path we have chosen. We also want to be best-in-class in sustainability. That is our promise. And we will continue to work towards that goal in 2018 with full commitment and the necessary courage to innovate.

This report reflects that aspiration. It is once again shorter and more concise. The focus is on rapid access to information and a reader-friendly presentation of the key facts, figures, and data. For the first time, this report is available exclusively in electronic form, integrated into the completely redesigned "Responsibility" section of Evonik's website.

We hope you enjoy reading this report and look forward to receiving your comments and suggestions at sustainability@evonik.com. For the ongoing development of this report, both now and in the future, we know that:

Listening pays off!

CHRISTIAN KULLMANN
Chairman of the Executive Board

THOMAS WESSEL
Chief Human Resources Officer

The creative power of specialty chemicals

Evonik stands for appealing businesses and innovative strength. Around 80 percent of our sales come from market-leading positions.

We work in a results-focused corporate culture that is geared to profitable growth and increasing the value of the company.

Our strengths include the balanced spectrum of our business activities, end-markets, and regions as well as close collaboration with our customers.

More than 36,000 employees are bound by a claim: No product is so perfect that it couldn't be made better.

Living better with Evonik

We do quite a lot to make things better.
What exactly? This selection gives an indication.

We make ...

Car tires more fuel-efficient

Diapers more absorbent

Stadium seats more fade-resistant

Plastics more sustainable

Food healthier

Tablets more effective

Haircare gentler

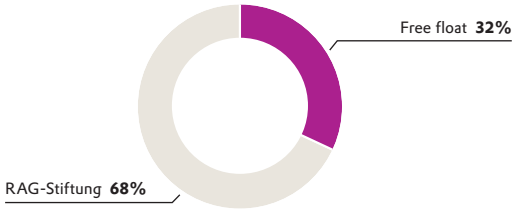
Airplanes lighter

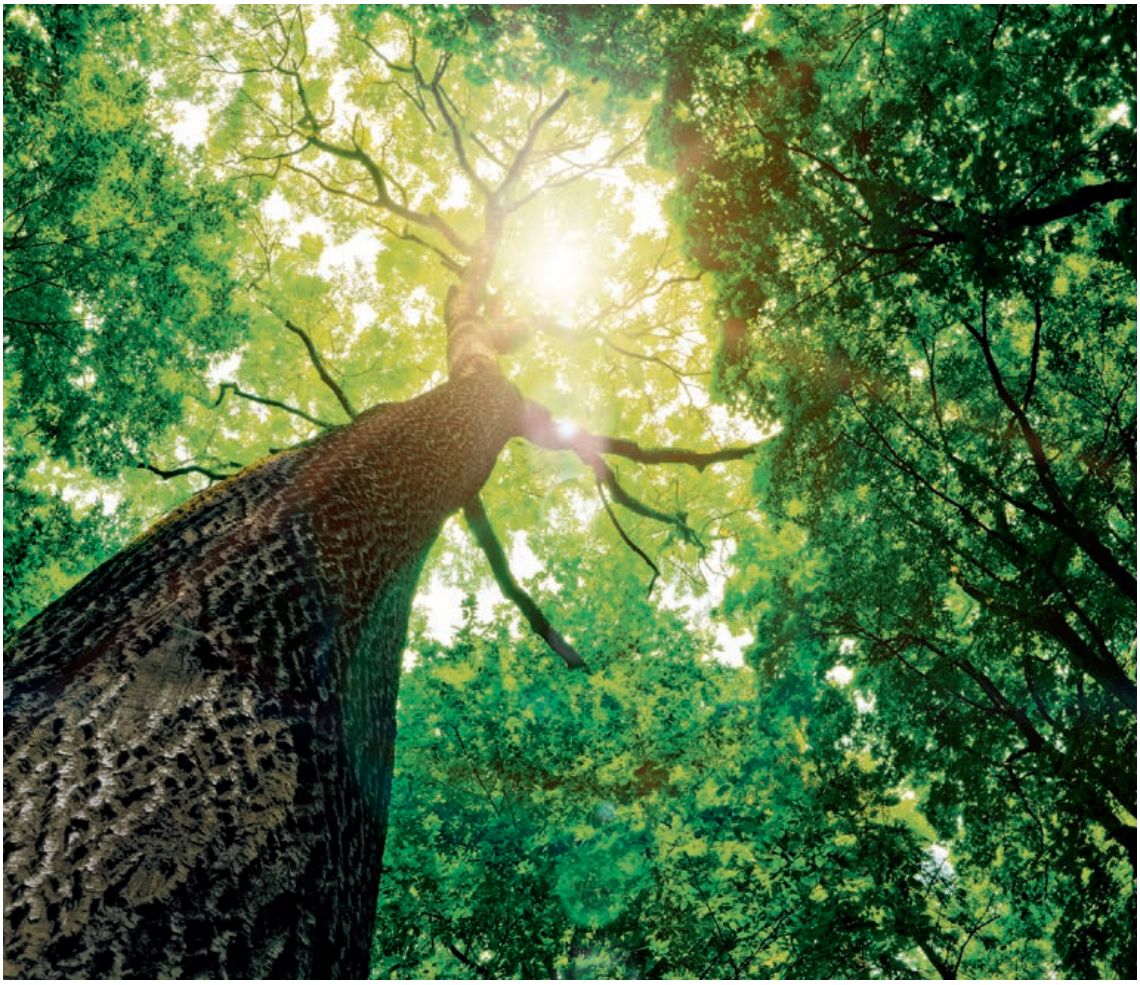
Car paint more scratch-resistant

Monuments more weather-proof

If you'd like to know what else gets better with Evonik specialty chemicals:
www.better-with-evonik.com

Shareholder structure G01





Evonik focuses on finding innovative solutions that help make life healthier, more sustainable, and more comfortable.

Evonik at a glance[1]

€2.4 billion
Adjusted EBITDA

11.2%
ROCE

16.4%
Adjusted EBITDA margin

€14.4 billion
Sales

€1.54
Earnings per share

€19.9 billion
Total assets as of December 31, 2017

approx. 230
New patents filed

[1] Fiscal 2017.

STRATEGY AND GROWTH

"The business case for sustainability has never been stronger. The opportunities provided by the United Nations Sustainable Development Goals (SDGs) could yield at least US$12 trillion in business value while generating up to 380 million jobs by 2030, according to the recent Better Business, Better World report."

Peter Bakker, *President of the World Business Council for Sustainable Development*

TARGETS FOR 2018

- ***Materiality analysis:*** *Validate the materiality analysis.*
- ***United Nations Sustainable Development Goals:*** *Identify the goals of relevance for Evonik and their contribution to the business.*

Econ Award 2017 Unternehmenskommunikation SILBER

The Evonik Perspectives stakeholder dialogue on resource efficiency in October 2017.

FOCUS IN 2017

In 2017, we focused on processes and indicators that make the economic, ecological, and social impact of our actions measurable. Our aim is to integrate the findings into our business processes.

Evonik's resources and value contributed in 2017

C04 on p. 10

Impact of Evonik's business along the value chain identified for the first time

C08 on p. 17

Page	Topic | GRI indicators
7	Business model | 102-15, 102-6
8	Fiscal 2017 | 102-15, 102-2, 102-7, 102-10, 103-1, 201-1
9	Sustainability management | 102-15, 102-18, 102-19, 102-20, 102-21, 102-32, 102-33
12	Stakeholder management | 102-41, 102-13, 102-40, 102-42, 102-43, 102-44, 102-21, 102-37, 402-1, 403-1, 407-1, 413-1
15	Materiality analysis | 102-46, 102-47, 102-48, 102-49, 102-43, 102-44

Business model

Strong market positions, a clear culture of innovation, sustainable business activities

Evonik is one of the world's leading specialty chemicals companies. Our strengths include the balanced spectrum of our business activities, end-markets, and regions. Around 80 percent of sales come from market-leading positions[1], which we are systematically expanding. Our strong competitive position is based on close collaboration with customers, high innovative capability, and integrated technology platforms.

Our specialty chemicals products make an indispensable contribution to the benefits of our customers' products, which generate their success in global competition. Close cooperation with our customers 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 around the world.

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

Highly trained employees are a key success factor. They drive forward the company on a daily basis through their hard work and identification. We have therefore developed a wide range of activities to gain and develop talented and qualified employees and to position Evonik as a preferred employer in order to retain them.

As preconditions for Evonik's future viability, sustainable business activities and responsible conduct are cornerstones of our business model. We drive forward our sustainability activities along the value chain in intensive dialogue with our stakeholders. In addition to our own production processes and the products we market, we examine our supply chain and how products benefit our customers and their customers. We have observed rising demand from our customers for products that demonstrate a good balance of economic, ecological, and social factors. That opens up a broad spectrum of future-oriented business opportunities for Evonik in attractive markets. Sustainability has long been a growth driver in many of our businesses.

Our sustainability reporting complies with the Global Reporting Initiative (GRI), in which we are a member of the Gold Community. This report has been prepared for the first time in accordance with the GRI Standards.

A decentralized corporate structure

Our specialty chemicals operations are divided into three chemical manufacturing segments, which operate close to their markets and customers and have a high degree of entrepreneurial independence.

The Nutrition & Care and Resource Efficiency Segments operate principally in attractive markets with above-average growth rates. Both segments offer customers customized, innovation-driven solutions, and the aim is for them to achieve above-average, profitable growth through innovations, investments, and acquisitions.

The Performance Materials Segment is characterized by processes that make intensive use of energy and raw materials. It therefore concentrates on integrated, cost-optimized technology platforms, efficient workflows, and economies of scale. Our strategic goal for this segment is to contribute earnings to finance the growth of the Evonik Group. In the future, investments and, where appropriate, alliances will concentrate on securing and extending our good market positions.

Corporate structure C02

Segments	Nutrition & Care	Resource Efficiency	Performance Materials	Services	Evonik Group[a]
Sales (in € million)	4,511	5,395	3,781	716	14,419
Employees	8,257	10,260	4,364	13,021	36,523

[a] Including Other/consolidation.

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

Fiscal 2017

Becoming the best-in-class specialty chemicals company

We registered high demand for our products worldwide, especially in our Nutrition & Care and Resource Efficiency growth segments, and were able to raise volumes sold considerably. Selling prices developed differently in the segments, but improved overall. 8 percent of the increase in our sales came from the initial consolidation of the businesses acquired from Air Products and Huber. Overall, Group sales grew 13 percent to €14,419 million.

Adjusted EBITDA at a good level

Adjusted EBITDA increased from €2,165 million to €2,360 million, driven principally by higher demand and consolidation of the acquired businesses. The adjusted EBITDA margin was 16.4 percent, down from the previous year's level of 17.0 percent.

Another good return on capital employed

Within our value-oriented management approach, our success is measured principally by ROCE, which was 11.2 percent in 2017 and therefore above our cost of capital. In our regular review, the cost of capital was adjusted to 10.0 percent before taxes in 2017.

Total value added

Value added is calculated from sales and other revenues less the cost of materials, depreciation, amortization, and other expenses. Overall, value added increased 2 percent to €4,688 million in 2017. The largest share of value added—72 percent (2016: 68 percent)—went to our employees. 7 percent (2016: 9 percent) was paid to the state in income and other taxes. Another 5 percent (2016: 5 percent) went on interest payments. Shareholders of Evonik Industries AG received 15 percent of value added (2016: 18 percent).

Breakdown of value added T04

in € million	2017	2016
Total value added	4,688	4,616
Split		
Employees	3,374	3,128
State	338	401
Creditors	242	229
Non-controlling interests	17	14
Net income	**717**	**844**

Major events

On January 3, 2017, we closed the acquisition of the Air Products specialty additives business, which has been integrated into the Nutrition & Care and Resource Efficiency Segments and linked to our established businesses. The acquisition of the Huber silica business was completed on September 1, 2017 and integrated into the Resource Efficiency Segment.

At its meeting on March 1, 2017, the Supervisory Board of Evonik Industries AG resolved on changes in the Executive Board. Dr. Klaus Engel handed over his post as Chairman of the Executive Board of Evonik Industries AG to Christian Kullmann after the Annual Shareholders' Meeting on May 23, 2017 and left the company with effect from the end of the meeting. Dr. Ralph Sven Kaufmann left Evonik by mutual and amicable agreement on June 30, 2017, before the scheduled end of his term of office. Dr. Harald Schwager has been Deputy Chairman of the Executive Board, with responsibility for chemicals and innovation, since September 1, 2017. Dr. Schwager is a chemist and was a member of the Board of Executive Directors of BASF SE, Ludwigshafen (Germany) until May 2017.

Our philosophy

Sustainability is a central element in our claim "Power to Create." We accept responsibility worldwide—for our business, our employees, the environment, and society. As a specialty chemicals company with a presence throughout the world, Evonik sees corporate responsibility and long-term business success as two sides of the same coin.

We aim to achieve sustained growth of our company and to find answers to pressing future questions for and with our customers. Evonik focuses on finding innovative solutions that help make life healthier, more sustainable, and more comfortable.

Our sustainability strategy takes up the growth engines identified in our corporate strategy and defines areas of action geared to balanced management of economic, ecological, and social factors. Through our innovative capability and leading technologies, we empower our customers to offer energy- and resource-efficient solutions. We are keenly committed to expanding the contribution made by our innovative solutions to sustainable development.

Creating extensive value

We take a holistic approach to sustainability. An awareness of how input and output factors influence value added is therefore important to us.

Chart C04 "Resources and value contributed" shows how we create value for our customers, society, and the environment. It shows the resources we need for our business operations and the resulting value contributions. The comparison provides valuable insights into how efficiently we use our resources.

Measurability, transparency, and reliable evaluation are vital for sustainable development. Processes and indicators that disclose the economic, ecological, and social impacts of our actions are therefore a focus of our present and future sustainability activities. The results are integrated into our ongoing management processes to strengthen the positive results of our business activity and minimize the negative effects.

The initial findings of this impact analysis are illustrated in chart C16 on page 39. In the intermediate term, we want to merge the impact analysis with our sustainability analysis.

Organization and management

The Executive Board bears overall responsibility for sustainability at Evonik, and direct responsibility is assigned to the Chief Human Resources Officer, who is also responsible for all climate-related aspects. The Corporate Responsibility (CR) Division bundles the strategic framework, in close collaboration with other central functions and the operational segments, and coordinates the Group-wide implementation of sustainability activities.

Responsibility for sustainability management in the Evonik Group is set out in a corporate policy.

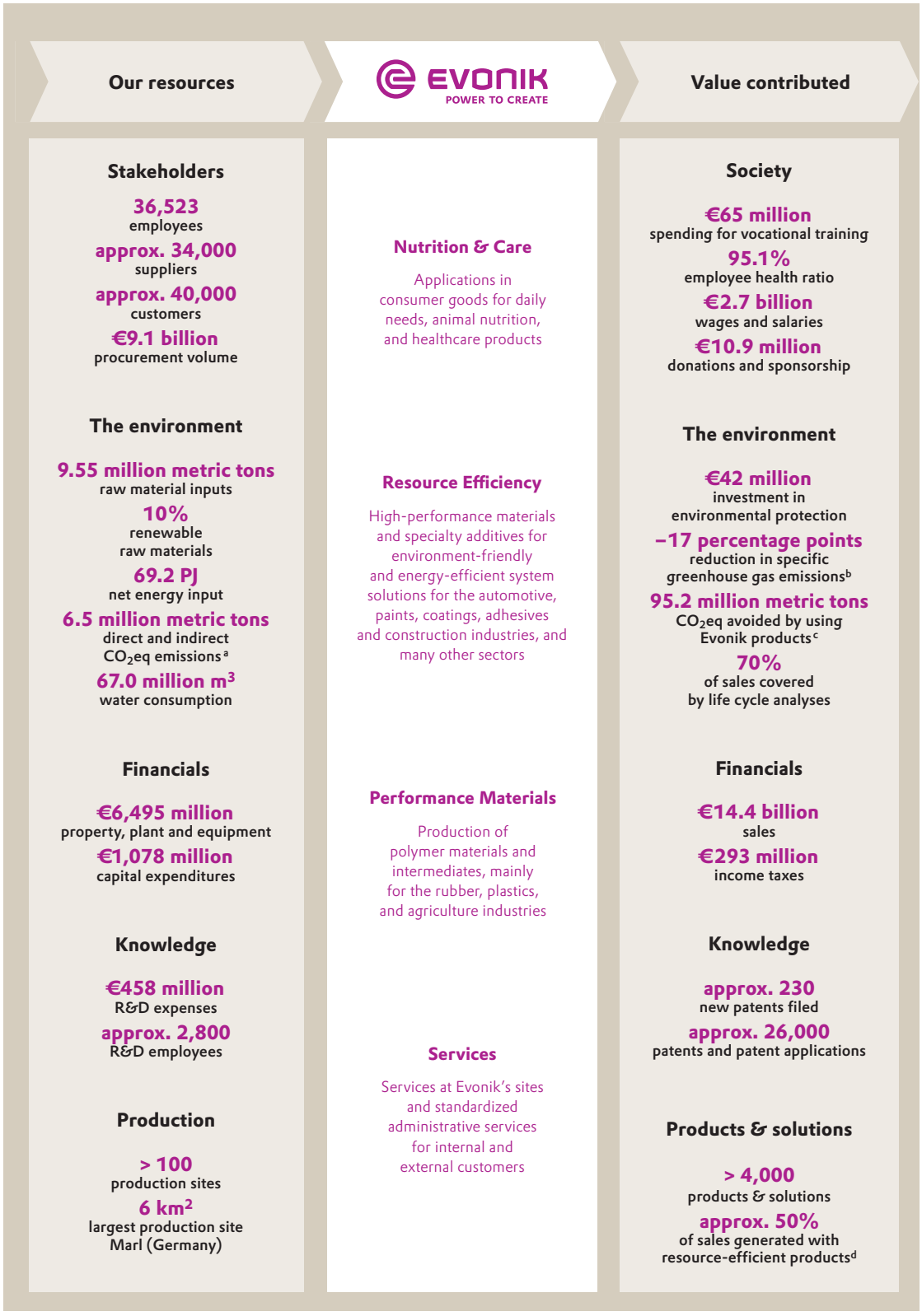
The global strategy for sustainability issues is adopted by the HR Executive Committee, which comprises the Chief Human Resources Officer, the human resources officers of the segments, and the heads of Corporate ESHQ, Corporate Responsibility, and Human Resources.

Sustainability management at Evonik C03

Decision-making competence for Group-wide sustainability projects is delegated to the CR Panel, which is chaired by the Head of Corporate Responsibility. The members are the strategic CR Partners of the segments, the corporate functions, and representatives of the workforce. As defined in its rules of procedure, the CR Panel meets at least twice a year.

Its strategic focus is supplemented by the Global Corporate Responsibility Committee, which concentrates on operational realization and on supporting the segments and corporate functions. Specialist input comes from project-based CR Expert Circles—currently on renewable raw materials and low carbon technologies. The CR Expert Circle on sustainability labels was disbanded in 2017 having successfully completed its work.

Resources and value contributed in 2017 C04



[a] Scope 1 and 2 (market-based).
[b] Reference base 2012.
[c] In accordance with WBCSD Avoided Emissions Guidance 2013. Figure refers to 2016.
[d] Products that are proven to make a contribution to resource efficiency during production.

Food for thought—Peter Bakker

Peter Bakker, President and CEO of the World Business Council for Sustainable Development (WBCSD), works with almost 200 forward-thinking businesses to accelerate the transition to a sustainable world.

How can an organization like WBCSD contribute to solving global challenges?
As a driver of innovation and economic development, global business is essential to finding solutions to the world's social, economic, and environmental challenges. WBCSD is a pre-competitive platform, which means that companies which would otherwise be in competition with each other can come together and work on solutions that will benefit companies, their sectors, and society as a whole.

Can you describe your vision of businesses and WBCSD working together in the future?
By working together, we can rally for change in a much bigger way. Each of WBCSD's members recognizes that business cannot succeed in societies that fail. We must look beyond the short-term or quarter-to-quarter thinking if we want to deliver long-term success.

The business case for sustainability has never been stronger. **The opportunities provided by the SDGs could yield at least US$12 trillion in business value while generating up to 380 million jobs a year by 2030,** according to the recent Better Business, Better World report. To take advantage of these opportunities, we must transform the major systems of our economy. That is why WBCSD connects business to the SDGs through five key systems, simplifying the sometimes complex world of the SDGs and providing a targeted way for business to measure the impact of their sustainability initiatives.

In your opinion, what is the most urgent issue for a more sustainable world?
The SDGs address a range of urgent priorities. What is often left out of the conversation, however, is the role the financial system needs to play in accelerating the transition. Right now, its focus is too narrow. It moves and manages the returns on financial capital and that's pretty much it. It was not designed to consider impacts and dependencies on other forms of capital, such as the value of nature or people.

An important development has been the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). These help investors, asset managers and bankers to understand how climate change may impact their investments. However, the recommendations are just the first step in an effort to deliver major reforms of corporate governance. Their successful implementation will be essential if we are to achieve the ambitious targets set out in the Paris Agreement and the SDGs.

Which role does the Low Carbon Technology Partnerships initiative (LCTPi) play in dealing with climate change?
LCTPi is a unique, action-oriented program that brings together companies to accelerate low-carbon technology solutions with the ultimate aim to stay below the 2°C limit as outlined in the COP21 Paris Agreement. Since its launch two years ago, LCTPi has become the platform for companies to shape industry best practice on climate action. During that time, 185 companies have been a part of LCTPi, working across eight areas, including renewables, low-carbon freight, and transport fuels.

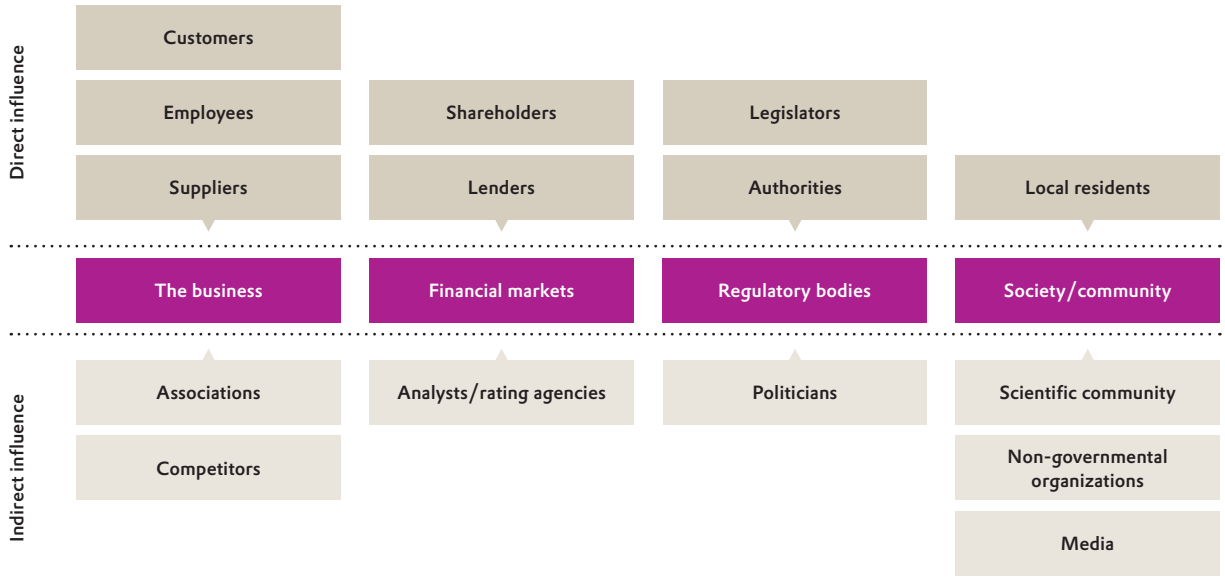
How should companies address global challenges and create opportunities?
The SDGs have the potential to unleash innovation, economic growth, and development at an unprecedented scale. Business must take advantage of these opportunities and incorporate sustainable solutions into their day-to-day-operations. To do this, business must keep it simple and prioritize efforts in just a few broad areas. By remaining committed and focused on those areas, you will future-proof your business and place it at the forefront to take advantage of new business opportunities as the world continues to move towards a more sustainable footing.

Engaging with our stakeholders

102-40 102-42 102-44 "Listening pays off" is the title of our Sustainability Report 2017, reflecting the enormous significance we attach to dialogue with our stakeholders. That gives us a better understanding of specific perspectives, allowing timely recognition of future trends and requirements so they can be taken into account in our management processes.

Brainstorming workshop on the reform of the Dual Use Regulation.

Evonik's stakeholder groups G05



102-48 In 2016, we systematically classified the stakeholder groups of relevance for us. In 2017, we took this a step further in a position paper providing further details of our processes to involve stakeholders. That includes continuous dialogue at both operational and Group level.

102-43 The format of our dialogue with stakeholders varies depending on the target group and issue. In addition, the Evonik regions with their wide-ranging contacts are closely integrated into the dialogue on sustainability issues.

We also use dialogue with stakeholders to validate our materiality analysis and confirm and, where necessary, adjust the relevance of issues. All that contributes to our philosophy of continuously improving and developing Evonik in open dialogue with those around us.

Evonik Perspectives: Frank Gmach, Marketing Thermal Insulation, at the workshop on energy efficiency and climate protection with high-performance insulating materials.

Evonik has developed a range of formats to reach out to stakeholders with both direct and indirect influence. We make an effort to ensure that these formats cover the entire spectrum of operational, local policy, and societal issues.

Stakeholder engagement 2017

C06 102-43 102-44

Stakeholder groups[a]	Examples of stakeholder engagement	Key issues
Customers	• Trade shows, talks with customer, reports, analyses • Stakeholder dialogue: "Efficiency wins—Intelligent use of resources" • Stakeholder dialogue: "Circular Farming 2030" • Forum on more sustainable protein for animal feed	• Quality, reliability of supply, prices • Innovations • Governance and compliance • Support to help customers achieve their sustainability targets
Employees	• Employee surveys • Intranet, employee magazine • "Roundtable" discussions and networks • Social media platforms • Interactive careers website • Workshops on specific issues, e.g., employer branding (#HumanChemistry)	• Wages and salaries • Vocational and advanced training, development opportunities • Safety • Combining work with raising a family • Leadership quality • Current business development • In-house changes • Customer focus • Diversity • Digitalization
Suppliers	• Supplier workshops, e. g., our "Sustainability Days" in Brazil and China • Chinese Supplier Academy • Supplier training in Shanghai	• Price, quality, payment practice • Governance and compliance • Safety • Environmental protection • Social standards
Shareholders	• Annual Shareholders' Meeting • Roadshows/conferences	• Attractive dividend policy • Current business performance and outlook
Creditors	• Talks with rating agencies • Talks with lenders	• Ratings and rankings • Current business performance and outlook
Legislators	• Involvement in the work of associations • Dialogue partner in the opinion-forming process • Stakeholder dialogue: "Efficiency wins—Intelligent use of resources" • Brainstorming workshop in Brussels on reform of the Dual Use Regulation • Brainstorming workshop on routes to a lower carbon future	• Governance and compliance • Safety • Environmental protection • Appeal as an employer
Authorities	• Talks with authorities • CSR breakfast in Darmstadt • Stakeholder dialogue: "Circular Farming 2030"	• Environmental protection • Safety • Permitting procedures • Governance and compliance • Appeal as an employer • Circular economy
Local residents	• Magazines for local residents • Environmental and neighborhood hotlines • Tour of the Hanau-Wolfgang industrial park • CSR breakfast in Darmstadt • Survey on acceptance at the Darmstadt and Herne sites • Neighborhood Council at the Antwerp site	• Safety • Appeal as an employer • Local activities • Current business development • In-house changes

[a] Only includes stakeholders with a direct influence.

102-40
102-42
102-43
102-47

Intensive dialogue in 2017

In 2017, we engaged in dialogue with our stakeholders through various formats:

- At the Evonik Perspectives expert forum, representatives of the Executive Board, the Corporate Responsibility Division, and the Resource Efficiency Segment discussed **opportunities and challenges on the road to greater energy efficiency and more efficient use of resources** with more than 100 stakeholders. This expert forum was held at the Berlin-Brandenburg Academy of Sciences and Humanities. It was organized in cooperation with DENEFF, the German enterprise initiative on energy efficiency. Through online interaction and workshops, we received important feedback that was used, among other things, to update our materiality analysis. The Resource Efficiency Segment will examine stakeholders' comments and issues and take action in its businesses where appropriate.
- To mark "Luther Year," a discussion on **industrial responsibility and human rights** was organized with selected representatives of churches, industrial unions, companies, authorities, and non-governmental organizations at Wartburg castle. The participants expressed their hope that Evonik would use its weight worldwide to advocate the obligation to respect human rights. The ways in which we do that include stepping up our involvement in the German Global Compact Network, where Evonik has been represented on the Steering Committee since October 2017. In addition, we are currently working on a human rights risk map for Evonik. See "Governance and compliance," page 21.
- At "brainstorming workshops" in Brussels, we fostered interaction with representatives of EU institutions, national representative offices, associations, and companies. Topics at these workshops included **"Reform of the Dual Use Regulation"** and **"Routes to a lower carbon future."**
- The CSR breakfast organized for members of the local community and stakeholders at Evonik's site in Darmstadt (Germany) had a local focus: The discussion centered on **sustainability at big companies, appeal as an employer,** and **safety.**

Evonik Perspectives: Jennifer Dörper, Business Manager SEPURAN® Green, at the workshop on "Sustainable methane and green hydrogen as flexible sources of energy."

Advocacy

Evonik plays an active part in many societal debates and is a partner in opinion-forming processes at regional, national, European, and international level. Our offices in Berlin and Brussels are important interfaces for dialogue between representatives of politics and public life. Our employees there network closely with politicians, trade associations, and the general public, support them in shaping political conditions, and take up issues in the areas of digitalization, energy and climate protection, the environment, sustainability, research and development, and labor market, agricultural, and trade policy. We took part in consultations, hearings, and discussions. In the environmental area, activities concentrated on the draft version of the German Clean Air Regulation (TA-Luft), amendment of the environmental impact process, and EU requirements on the circular economy and the ongoing development of the bioeconomy strategy. Consultations on the EU winter package, amendments to the German Renewable Energies Act (EEG), and the regulation of grid fees were the main issues relating to energy and climate policy.

Trustful collaboration

102-43 Trustful collaboration between representatives of the management and employees is a key element in Evonik's success. This collaboration takes account of operating conditions and the laws applicable in the various countries.

In Germany, the fundamental rights of our employees and their representatives to be consulted are anchored in statutory regulations such as the Codetermination Act and the legislation on executive staff councils. There are elected bodies representing our employees at all sites in Germany. Works Councils represent exempt and non-exempt employees, while executive staff councils represent our executives. Timely discussion of all major changes with these bodies is ensured. These take place several weeks or months prior to implementation of such measures, depending on the significance of the upcoming changes. Where necessary, during this period written agreements are made on the upcoming measures and their impact on the workforce. There are comparable rules on the type and scope of consultation and negotiation in many other regions where Evonik has employees.

The information and consultation rights of employees on cross-border European issues are represented by the Evonik Europa Forum, which is composed of employee and employer representatives.

At company level in Germany, employees' interests are represented by employee representatives on the Supervisory Board.

Evonik does not restrict employees' rights to freedom of 102-41 assembly or the right to collective bargaining. These rights are also ensured in countries where freedom of association is not protected by the state. Based on our sites worldwide, there are employee representatives for about 95 percent of our employees.

Materiality analysis reviewed and validated

102-40 Our sustainability activities are aligned to materiality. In our
102-42 materiality analysis in October 2015, we identified and prior-
102-43 itized the key sustainability issues for Evonik. We surveyed around 500 representatives of stakeholders of relevance for Evonik, including customers, suppliers, residents around our sites, analysts, investors, and representatives of universities, research institutes, associations, political parties, non-governmental organizations, and the media. They were selected by Evonik experts who are in close contact with the respective stakeholder groups. Evonik employees could take part in the survey in the intranet. In a second step, we included selected sustainability experts within the company, representatives of relevant corporate functions, and representatives of the workforce. The results of the materiality analysis were presented to the decision-making bodies and the Executive Board.

102-46 In the year under review, we produced binding documentation of the method used for our materiality analysis. This shows that in our review of material aspects, we focus on continuous, qualitative dialogue with our stakeholders. The results of this validation are confirmed annually by the CR Panel.

Changes in 2017

102-48 As a result, the importance of diversity for Evonik was raised
102-49 in 2017. In addition, we added human rights to the topic of "Responsible management/corporate governance." Digitalization, biodiversity, and the circular economy have been added to the materiality analysis.

We intend to examine the new topics included in the 102-46 materiality analysis in greater detail in the future. In addition, we plan to continue to sharpen and validate our sustainability analysis through stakeholder assessments. This applies, in particular, for the prioritization and focusing of topics. The CR Panel has signaled its approval of these changes.

Evonik Perspectives, October 19, 2017: Stakeholders use their smartphones to give Evonik feedback on sustainability issues.

102-46 102-47 102-44

Materiality analysis 2017[a] C07

[a] Based on the materiality analysis 2015.
102-48 [b] Change in the relevance of the topic.
[c] Topics added.
102-49

Six areas of action for sustainability

102-47 The results of our materiality analysis are grouped in six areas of action, which provide the basic structure for this report.

102-46 In 2017, for the first time, we defined reporting boundaries for these areas of action and the related topics. These specify whether we monitor and manage the area of action within our organization or externally. The following overview provides an insight into the possibilities and limits of our influence within the value chain—for example, through our procurement volume, our management systems, or current business processes.

Areas of action for sustainability showing reporting boundaries and level of Evonik's influence

C08 102-46 102-47

Areas of action and topics	Reporting boundary	Impact along the value chain		
		Supply chain/ raw materials[a]	Evonik production/ processes	Customer/end-customer applications[a]
STRATEGY AND GROWTH • Sustainability strategy and management as part of corporate strategy • Growth markets • Digitalization	Internal/external	Medium	High	Medium
GOVERNANCE AND COMPLIANCE • Compliance • Responsible management/ corporate governance/human rights • Morals and ethics (in business)	Internal/external	Medium	High	Low
EMPLOYEES • Appeal as an employer • Qualification/training, advanced training • Diversity	Internal	None	High	None
VALUE CHAIN AND PRODUCTS • Customer satisfaction • Innovations/technologies • Efficient use of scarce resources/materials • More sustainable products • Product and solutions/ life cycle considerations • Circular economy • Sustainability management in the supply chain (standards)	Internal/external	Medium	High	Medium
THE ENVIRONMENT • Waste management • Water management • Emissions into the air • Climate change • Biodiversity	Internal	None	High	None
SAFETY • Plant safety • Occupational safety • Health protection and promotion • Product stewardship • Transportation and logistics	Internal/external	Medium	High	Low

[a] Only direct suppliers and direct customers.

Chart C04 "Resources and value contributed" on page 10 shows the impact of our business activities structured by social, ecological, and economic aspects. In addition, chart C16 in the chapter "Value chain and products" provides a breakdown of the impact along the value chain.

For the topics defined in our materiality analysis, there is a complaints mechanism for both employees and external stakeholders. This includes our whistleblower system (see "Governance and compliance," page 21). If significant new topics are added, we will review our processes and adapt them as necessary.

Evonik and the UN Sustainable Development Goals

One focus in the reporting period was an intensive review of the United Nations' 17 Sustainable Development Goals (SDGs) and the contribution Evonik's businesses make to achieving them. We compiled information on this and published it on our Responsibility website (see evonik.com/responsibility).

In addition, we started to determine which of the SDG's are relevant for the Evonik Group so we can focus our future work on them. The activities to determine these SDGs will be continued and completed in 2018.

In addition to examining the SDGs at Group level, we looked at them at operational level in 2017. In particular, a viable method of evaluating the contribution made by value chains to the SDGs was developed. This has five process steps—from allocating the business to the relevant SDGs to the strategic implications. On this basis, we have started to analyze the value chains for initial products. More will be added in 2018. This helps us profile our positions on key sustainability topics and the interaction with others along the value chain. We expect this to give us additional insights into the growth opportunities and potential risks we will encounter in our markets in the coming years.

Accolades for our sustainability performance

Evonik is well-positioned in leading ratings and rankings. In 2017, we received several awards and accolades for our sustainability activities and the related reporting. For further details, see page 98.

TARGET ATTAINMENT IN 2017

- **Ongoing development of methods and indicators for sustainable portfolio management** (sustainability analysis of our business): see "Value chains and products," page 39.
- **Analysis of sustainability requirements in individual markets and regions:** We review and evaluate sustainability risks and opportunities at product level along the entire value chain.
- **Harmonization of internal sustainability reporting processes and monitoring systems:** Sustainability opportunities and risks are now systematically identified, monitored, and reported via the risk management system.

TARGETS FOR 2018

- Validate the materiality analysis.
- Identify the SDGs of most relevance for Evonik and their contribution to the business.

Target achieved · Target partially achieved or target horizon extends beyond 2017 · Target not achieved

GOVERNANCE AND COMPLIANCE

"I saw how corruption undermined everything we tried to build up. It is the main reason why many countries in Africa, Latin America, and Asia are underdeveloped—and therefore the main reason for poverty and conflict, and why hundreds of millions of people, especially innocent women and children, are forced to flee and to live in poverty."

Prof. Peter Eigen, *lawyer and founder of Transparency International*

TRAINING RATES[a]

71% Code of Conduct

59% Antitrust law

84% Fighting corruption

27 internal investigations *(2016: 33)*

12 measures taken *(2016: 17)*

FEMALE MANAGERS[b]

25% Executive Board

25% First management level

15% Second management level

SUPERVISORY BOARD

20 members, 10 employee representatives and 10 shareholder representatives

13 men — **7 women (35%)**

Diversity Champions: Evonik ranked 3rd out of 100

In the Diversity Champions BCG Gender Diversity Index 2017 compiled by the Boston Consulting Group in cooperation with Munich Technical University, Evonik was ranked 3rd. The index compares the proportion of male and female Executive and Supervisory Board members and the distribution of pay on these boards at the 100 largest German companies.

WHAT WE STAND FOR

Our corporate values: courage to innovate, responsible action, sparing no effort *www.evonik.com/responsibility*

Code of Conduct *www.evonik.com/coc*

Global Social Policy *www.evonik.com/gsp*

Our Values for the Environment, Safety, Health and Quality (ESHQ) *www.evonik.com/esh*

Executive Board Policy Statement on Human Rights *www.evonik.com/policy-statement*

Code of Conduct for Suppliers *www.evonik.com/coc-supplier*

Page	Topic | GRI indicators
20	Voluntary commitments | 102-12, 102-13, 102-16
21	Human rights | 406-1, 407-1, 408-1, 409-1, 103-2
21	Corporate governance | 102-18, 102-19, 102-20, 102-21, 102-22, 102-23, 102-27, 102-28, 102-35, 102-36, 102-17, 405-1
24	Compliance | 102-11, 102-33, 102-34, 102-17, 307-1, 103-2, 407-1, 410-1, 205-1, 205-2, 205-3, 206-1, 419-1
28	Opportunities and risks | 102-15, 102-29, 102-30, 201-2
28	Donations and sponsorship | 415-1

[a] Number of training candidates with a valid certificate relative to the total number of training candidates.
[b] Refers to the top two management levels below the Executive Board at Evonik Industries AG.

Our philosophy

We are convinced that reliable and responsible management of the company is the basis for our long-term business success and acceptance by society. As well as complying with the law, that includes internal regulations and binding voluntary commitments that go beyond the minimum legal requirements. Evonik has extensive governance and compliance activities and has established management systems to document compliance behavior. We are continuously refining these tools.

Respecting human rights in business activities is an integral part of good corporate governance and fair competition. Being a global company, we are particularly exposed to a risk of human rights violations. We are aware of the importance of this issue for us and our stakeholders. We therefore revised our materiality analysis to take account of this in 2017 (see "Strategy and growth").

Voluntary commitments

Evonik is committed to observing internationally recognized standards and its own more far-reaching guidelines and principles of conduct.[1]

The starting point for responsible corporate management at Evonik is the Code of Conduct, together with the Global Social Policy and our Environment, Safety, Health and Quality (ESHQ) Values. In summer 2016 the Executive Board adopted a Policy Statement on Human Rights. Human rights are included in the updated Code of Conduct that came into effect in spring 2017.

In its Global Social Policy, Evonik defines the principles of social responsibility to its employees. These include a commitment to comply with internationally recognized standards of conduct.

As a member of the UN Global Compact, we have given an undertaking that, within our sphere of influence, we will respect and promote labor rights and human rights, avoid discrimination, protect people and the environment, and fight against corruption. In addition, we want to make a contribution to achieving the 17 Sustainable Development Goals. Our sustainability activities support these goals in many areas.[2]

Voluntary commitments C09

[a] See glossary for further information.

[1] www.evonik.com/responsibility
[2] See http:/corporate.evonik.com/en/responsibility/unsustainabledevelopmentgoals

Evonik is committed to the Code of Responsible Conduct for Business, which includes fair competition, social partnership, the merit principle, and sustainability.

As a signatory to the chemical industry's Responsible Care® Global Charter, we have an obligation to continuously improve our performance in health protection, environmental protection, product stewardship, and safety. Our ESHQ Values define protecting people and the environment as core elements of our actions. Together with more detailed policies and procedures, they form Evonik's ESHQ regulations.

For information on our Code of Conduct for Suppliers and our activities as a founding member of the chemical industry's Together for Sustainability initiative, see "Value chain and products," page 41.

Evonik is involved in many national and international competency networks in the area of sustainability. These include econsense, an association of leading German companies that operate in the global arena, and Chemie^3, the sustainability initiative of the German chemical industry. Evonik is also a member of the World Business Council for Sustainable Development (WBCSD) and is committed to its Vision 2050. We are involved in the WBCSD's Low Carbon Technology Partnerships Initiative, see the food for thought contribution by Peter Bakker on page 11. We regularly report our climate and water performance to the CDP. Further information can be found in "'The environment" on page 51 ff.

Our sustainability reporting complies with the Global Reporting Initiative (GRI) in which we are a member of the Gold Community.

Human rights

Evonik looks at human rights at all stages in the value chain, including suppliers, its own processes, and customer applications. Our actions are based on the Code of Conduct for Evonik employees, our Global Social Policy, and the Executive Board's Policy Statement on Human Rights.

The demands made on our suppliers are set out in a separate code of conduct. We regularly check compliance through our supplier validation and evaluation processes (see "Value chain and products").

In fall 2017, we introduced a new whistleblower system to supplement our established system for reporting compliance violations. This is operated by an independent third party on behalf of Evonik (see page 26) and enables employees and third parties (e. g., local residents, suppliers, customers) to report suspected breaches of human rights. The Corporate Responsibility Division examines all allegations.

We are currently working on a human rights risk map for Evonik on the basis of a wide range of human rights indicators. This will form the basis for further preventive measures.

In June 2017, we organized a stakeholder dialogue on industrial responsibility and human rights (see "Strategy and growth," page 14). In addition, Evonik has stepped up its commitment to the German Global Compact Network and has been a member of the steering committee since fall 2017.

Discrimination

Our Code of Conduct and Global Social Policy forbid 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. Contacts for reporting cases of discrimination are available at all sites.

Information on complaints procedures is available to all employees via internal media and personal discussions. We have introduced additional measures and activities to prevent discrimination. These reach over 90 percent of our workforce. Eleven cases of discrimination were reported to us in 2017. In each case, action was taken to clarify and remedy the situation.

Corporate governance

As a specialty chemicals company with a presence throughout the world, good corporate governance with a focus on sustainability is essential to Evonik. The Executive Board and Supervisory Board are explicitly committed to responsible corporate governance and identify with the goals of the German Corporate Governance Code. Respecting and applying the principles of corporate governance are important management tasks.

These principles relate mainly to collaboration within the Executive Board and Supervisory Board and between these two boards. They also include the relationship between Evonik and its shareholders and other people and organizations that have a business relationship with the company.

As provided for by the foreword to the German Corporate Governance Code, Evonik reserves the right not to implement certain provisions if departure from the recommendations is justified. The latest declaration of conformity with the requirements of the German Corporate Governance Code has been published on our website.[1] According to the declaration of conformity as of December 2017, there are only two deviations from the Corporate Governance Code. These relate to transmission of the Annual Shareholders' Meeting via modern communication media and the availability of voting proxies during the Annual Shareholders' Meeting. The reasons for both exceptions are primarily organizational.

Executive Board

The Executive Board of Evonik Industries AG is responsible for running the company in the company's interests, taking into account the interests of the shareholders, employees, and other stakeholders. For details of the Executive Board's overall responsibility for sustainability, see "Strategy and growth," page 9. The Executive Board discusses sustainability at its meetings several times a year, especially aspects relating to the environment, safety, and society.

When making appointments to the Executive Board, the Supervisory Board considers both the professional qualifications of the candidates and the other criteria it has defined for the Executive Board as part of the diversity concept. These include, for example, a suitable mixture of ages and fulfillment of the targets for the proportion of women on the Executive Board.

Percentage of women on the Executive Board and in management

For the period from July 1, 2017 to June 30, 2022, the Supervisory Board has raised the target for the proportion of women on the Executive Board from 20 percent (the deadline for achieving this was June 30, 2017) to 25 percent. At present, one member of the Executive Board is female and three are male, so it meets this new target.

For the period from January 1, 2017 to December 31, 2019, the Executive Board has set a target of 20 percent female managers for each of the first two management levels below the Executive Board.The proportion of female managers is currently 25.0 percent at the first management level (2016: 16.7 percent) and 15.4 percent at the second management level (2016: 19.5 percent).

Supervisory Board

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: Executive Committee, Audit Committee, Finance and Investment Committee, Nomination Committee, and the Mediation Committee required by the German Codetermination Act. The newly established Innovation and Research Committee will take up its work in 2018. This committee has an equal number of employer and employee representatives. Its role is to examine trends in the chemical industry and topics of relevance for Evonik and to work with the Executive Board to align Evonik's innovation and research activities accordingly.

The Executive Board provides regular, timely, and extensive information for the Supervisory Board on all matters of relevance for the company. Major sustainability aspects are included in this context. On this basis, Evonik's sustainability activities are also discussed at meetings of the Supervisory Board. For example, the Executive Board's report to the Supervisory Board meeting in fall 2017 included the company's sustainability strategy.

Composition of the Supervisory Board

In accordance with the provisions of the German Codetermination Act, the Supervisory Board comprises twenty members, ten representatives of the shareholders and ten representatives of the workforce.

A minimum quota of 30 percent women is set by law. The Supervisory Board currently meets this requirement as it comprises seven women and thirteen men. Women therefore make up 35 percent the total. The Supervisory Board takes diversity into account, both in its own composition and in appointments to the Executive Board. The Supervisory Board's diversity concept includes rules on the independence and age of Supervisory Board members and their maximum term of office. Supplementary criteria apply for the profile of skills and expertise of the Supervisory Board as a whole. This sets out the necessary knowledge and abilities of the members of the Supervisory Board, for example, international experience, a knowledge of business administration and science, and experience in managing a company.

You can find further information on corporate governance in the Corporate Governance Report and Declaration on Corporate Governance on our website, which also form part of Evonik's Financial Report.[1]

[1] www.evonik.com/investorrelations

Food for thought—Peter Eigen

Prof. Peter Eigen, lawyer and founder of Transparency International, regards corruption as the main barrier to the world's democratic, economic, and social development.

Why is corruption such an important issue for you?
Probably because all my life I've had a very strong sense of justice. Corruption creates a world that I consider to be very unjust. During my time at the World Bank, I experienced the devastating effects of corruption at first hand. I saw how corruption undermined everything we tried to build up. **It is the main reason why many countries in Africa, Latin America, and Asia are underdeveloped—and therefore the main reason for poverty and conflict, and why hundreds of millions of people, especially innocent women and children, are forced to flee and to live in poverty.**

What do you think has changed since Transparency International (TI) was set up about 25 years ago?
There is no doubt that much has been achieved. The most evident success is the ban on bribing foreign officials. It's hard to believe that until 1999 Germany permitted corruption in other countries, in fact, that it was actually facilitated by being tax-deductible. 20 years ago TI achieved a consensus with companies and the government that Germany should play a part in drafting a convention under the auspices of the OECD. Without that, this important OECD convention that outlaws the bribery of foreign officials would never have been concluded. That was a dramatic watershed in the fight against international corruption. However, fighting corruption is still a challenge, especially in a global context. That has recently been demonstrated painfully by the Panama Papers and the Paradise Papers. We still need systematic change. And globalized markets mean that change can only be achieved through effective and constructive collaboration between politics, businesses, and civil society.

But companies have done lot to fight corruption in recent years. Why is that not enough?
It's true that many companies have made a big contribution, for example, by introducing codes of conduct, training, and whistleblower systems. And they are often victims when they are sidelined by competitors that use corrupt practices. One particularly acute issue at the moment is the call for disclosure of the beneficial owners of anonymous companies. Companies have to help create conditions that enable them to operate with integrity and social responsibility everywhere in the world. The people behind the basic framework are also very important. If there is no sense of justice, the measures will have no impact.

What do companies need to do in the future to have a truly lasting impact in the fight against corruption?
Fighting corruption is a permanent task for companies. Managers have to set an example and shape the company's culture. Companies that operate in countries where there is a high risk of corruption need to play an active role in bringing about systematic change. A key factor here is working with organizations within civil society. They have less exposure to the limitations of national sovereignty, such as limited geographical reach, short time horizons, and the specific interests of national electorates. They can use their global targets positively to diagnose shortcomings and to draft and implement reforms. That ensures that anti-corruption drives are supported by holistic, systemic approaches. A multi-stakeholder approach involving the state, the corporate sector, and civil society can strengthen credibility and mutual trust and bring about a significant improvement in government leadership even on difficult issues.

Performance-oriented remuneration of senior management

The Supervisory Board is responsible for the employment contracts with the members of the Executive Board. It sets the total remuneration package for each member of the Executive Board, comprising a basic salary, variable short- and long-term components, pension benefits, the reimbursement of expenses, insurance, and various other 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. As one of our significant sustainability topics, occupational safety (accident frequency and severity) influences the remuneration of the Executive Board. The remuneration report in the Financial Report 2017 contains further information on the remuneration of the Executive Board and Supervisory Board.

Compliance

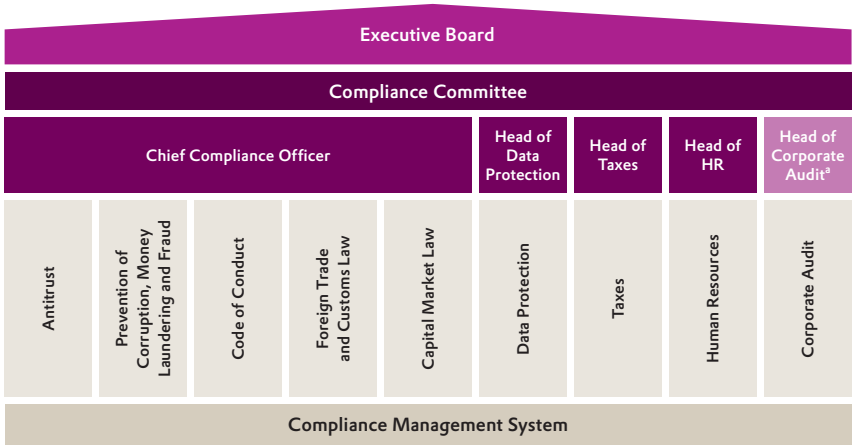
Every employee is required to observe compliance rules and the applicable laws and internal regulations. This strengthens the trust of business partners, shareholders, and the general public in Evonik and its employees. The main compliance rules are set out in our Code of Conduct.

House of Compliance

The compliance areas of specific relevance to Evonik are bundled in a House of Compliance. The principal focus in recent years was on our Code of Conduct, fighting corruption, and antitrust law. The scope and intensity of our compliance measures are derived from specific risk analyses carried out at our operating units. Activities mainly comprise training, raising awareness, and systematic investigation of allegations of compliance violations.

Functional responsibility for the environment, safety, health, and quality are bundled in a corporate division with the same name (see "The environment," page 52).

House of Compliance C10



[a] Advisory function.

Minimum Group-wide standards have been defined for the compliance management systems for the areas covered by the House of Compliance and we ensure that they are implemented. Final responsibility rests with the Executive Board, which defines the key elements of the compliance management system and ensures that it is observed. The Supervisory Board's Audit Committee monitors the effectiveness of the system.

The process of forming a consensus, sharing experience, and coordinating compliance activities takes place in the Compliance Committee, which is composed of the heads of the respective units, who have independent responsibility for their areas, and the Head of Corporate Audit.

Corporate Audit supports the Executive Board and subsequent management levels in the performance of their supervisory duties and continuous improvement of business processes by performing independent audits. A key focus is auditing the internal control system and the risk management system.

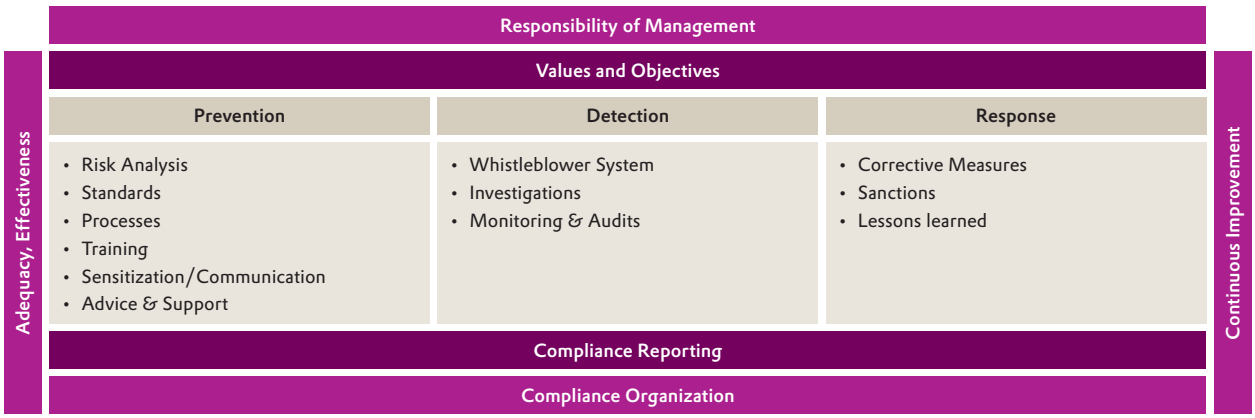
Compliance management system

The compliance management system is based on the values and targets adopted by the Executive Board. The main aim of the compliance management system is to avoid or at least minimize actual violations and the associated risks. The objective is to identify violations and impose sanctions based on their severity. The relevant compliance organizations ensure that the compliance management system is appropriate for the risks and is effective.

Principle of avoidance

Tools used to avoid potential compliance risks include risk analysis, training, raising awareness, and providing advice.

Evonik: Compliance Management System (CMS) C11



Risk analysis

To identify potential risks as early as possible, every unit is required to perform regular risk analyses. These take up the relevant rules and voluntary commitments entered into by Evonik that affect their area of operation and ensure timely identification and implementation of any changes. Based on the results of this risk analysis, each organizational unit issues binding standards and processes for the precautions to be taken with regard to business activities where there are special compliance risks.

Training

Group-wide training concepts have been developed for all aspects bundled in the House of Compliance. They define the type, frequency, and content of training and the target groups. Each organizational unit is responsible for their realization. We pay special attention to training in the areas of antitrust law, fighting corruption, and the Code of Conduct. Participants are allocated to three groups on the basis of risk. For example, all employees with contact to competitors are assigned to the highest risk category in the area of antitrust law, while customer service employees are allocated to the medium level. They receive training every two or three years, depending on the risk category, with training alternating between face-to-face and online sessions. Completion of these training sessions is documented via an electronic system.

Awareness and advice

Every organizational unit is responsible for raising its employees' awareness of the importance and scope of the rules on each compliance issue. In this way, advice and support can be provided as close as possible to specific functions. Moreover, this allows timely identification and evaluation of risks.

Uniform global training concept T05

Criterion	Description
Coverage	• Antitrust law (AT)
	• Fighting corruption (FC)
	• Code of Conduct (CoC)
Selection of target group	• Job function and qualifications (based on the HR Division's job family concept)
	• Uniform risk criteria
	• Risk level: none—low—high
	• Differentiation between compliance issues
Frequency of training	• Low risk: every three years → mandatory e-learning sessions
	• High risk: every two years → mandatory face-to-face and e-learning sessions (alternating)

Principle of identification

Whistleblower system

All employees are required to report possible or actual violations of the Code of Conduct to the responsible department or Compliance Officer without delay, regardless whether they relate to them personally or their colleagues. In October 2017, we introduced an improved, anonymous whistleblower system managed by an independent party for the reporting of possible compliance violations. Both employees and external parties, e.g., business partners, can now report possible compliance violations to Evonik without any technical risks that their identity will be disclosed. Anonymous reports are possible on all key compliance issues and are automatically forwarded to the responsible unit within the company for action.

We investigate all alleged violations and treat all information with the greatest possible confidentiality. Evonik does not tolerate any disadvantage to employees who report possible or actual violations or cooperate in the investigation of such violations.

Investigations

Internal investigations into alleged compliance violations, along with possible improvements and sanctions, are based on uniform principles and standards. They are applicable for all units that perform internal investigations, not just those in the House of Compliance.

Principle of reaction

Suitable measures are taken to end the violation and minimize the risk. Depending on the severity of the case, disciplinary action ranges from warnings or reprimands to redeployment or dismissal. Where appropriate, further action is taken to raise awareness, for example, through training.

Compliance reporting

The principal risks, events, and measures taken are outlined in an annual compliance report submitted to the Supervisory Board's Audit Committee, the Executive Board, and the Management Boards of the segments. In addition, where necessary, the Executive Board and segment management receive immediate information on material risks, violations of rules, and compliance-related developments.

Review

Every organizational unit must regularly check the appropriateness and effectiveness of its compliance management system. In addition, regular reviews are performed by Corporate Audit.

Specific compliance activities in 2017—Focus on antitrust law, fighting corruption, and the Code of Conduct

Evonik is committed to fair competition for the benefit of shareholders, customers, and other stakeholders. We comply with antitrust and competition law. All employees are required to abide strictly by the law and the related internal regulations.

In addition, we respect the independence of officials. Evonik forbids all forms of corruption, including so-called facilitation payments. We deliberately set stricter standards than the law in some countries. The Code of Conduct sets minimum standards and takes precedence over less stringent national laws. However, in the event of conflict, mandatory national laws take precedence. We have a zero tolerance principle. Our rules on preventing corruption are set out in our Code of Conduct, the Master Gifts and Hospitality Policy, together with regional implementation regulations, and the Policy for the Use of External Third Parties for Distribution and Dealing with Authorities. Every employee can call up checklists on the compliance site in the intranet. Corruption-related risks are explained at training sessions, with the aid of specific examples.

A completely revised version of the Code of Conduct came into effect in spring 2017. This applies for the entire Evonik Group: for the Executive Board, all Evonik employees, and the governance bodies of all Evonik companies. They are all required to comply with the rules set forth in the Code of Conduct, to ensure they are familiar with its content, and to take part in the relevant training. The Code of Conduct is available electronically in 28 languages.

Training in 2017

Since 2017 Evonik has reported training rates for antitrust law, fighting corruption, and the Code of Conduct, i. e., the number of training candidates with a valid certificate as a proportion of total training candidates. The data refer to both face-to-face training and e-learning. The low figures in some cases result from the fact that the e-learning programs were unavailable for several months for technical reasons.

To improve Group-wide participation in face-to-face and e-learning training sessions, an extensive concept to deal with employees who fail to take part in training has been drawn up and agreed with employee representatives.

Compliance rules for business partners

Evonik has issued a special code of conduct for suppliers, setting out binding requirements. See "Value chain and products," page 40.

Intermediaries, above all sales intermediaries, are subject to a compliance check before the establishment of the business relationship and every five years thereafter. They also have to sign a compliance declaration.

Risk-based compliance checks (due diligence) and any necessary measures are also applied to business partners involved in acquisitions, joint ventures, corporate venture projects, and major investment projects. These are based on uniform rules for the Evonik Group.

Compliance training T06

	Antitrust law		Fighting corruption		Code of Conduct	
	Training candidates total	Coverage in %	Training candidates total	Coverage in %	Training candidates total	Coverage in %
Worldwide	**4,270**	**59**	**11,035**	**84**	**28,814**	**71**
Management functions	**2,721**	**50**	**6,590**	**82**	**7,430**	**72**
Management Circle 1	130	66	181	83	173	83
Management Circle 2	349	61	581	83	561	81
Management Circle 3	2,242	48	5,828	82	6,696	71
Non-management functions	**1,549**	**73**	**4,445**	**86**	**21,384**	**70**
Functions						
Production & Technology	138	51	3,053	87	11,634	72
Innovation Management	593	51	1,727	92	4,580	79
Marketing & Sales	2,574	64	2,285	78	2,730	70
Administrative functions	965	50	3,965	82	8,646	70
Other functions	0	0	5	100	1,224	24
Regions						
Asia-Pacific North (APN)	701	55	1,289	80	2,351	63
Asia-Pacific South (APS)	315	47	606	77	1,163	58
Middle East & Africa (MEA)	85	28	103	57	161	42
North America (NAM)	675	66	1,628	77	4,125	54
Eastern Europe (EEU)	110	40	170	84	316	44
Western Europe (EUW)	2,213	63	6,982	88	20,036	77
of which Germany	2,032	67	6,677	88	19,254	78
Central & South America (CSA)	171	42	257	70	662	35

Management Circle 1 = Executive functions, i. e., senior management functions in the Evonik Group.
Management Circle 2 = Senior management functions, i. e., key functions in the segments, regions, service units, and corporate divisions.
Management Circle 3 = Further management functions.
Other functions = Apprentices, apprentices outside Germany, non-permanent staff.

Internal investigations in 2017

Group-wide, 27 internal investigations into suspected violations of compliance rules were conducted in 2017. 20 allegations were received via internal reporting channels (email, phone, etc.), while seven were received via external channels (email, letter, etc.). Twelve disciplinary measures were taken as a result of these internal investigations. Six employees were dismissed, one warning/reprimand was issued, and one employee was transferred to a different position. In four cases, further measures were taken, e.g., training/action to enhance awareness.

Internal investigations in 2017 T07

	2017	2016	2015
Reported potential compliance violations	**27**	**33**	**27**
Disciplinary measures taken	**12**	**17**	**11**
of which termination of employment contract	6	4	3
of which warning or reprimand	1	6	4
of which redeployment	1	1	2
of which awareness-raising/training	4	6	2

Fines and other sanctions

In 2017, the annual compliance reporting for all units included in the House of Compliance was supplemented by a structured survey to identify significant fines (over €100,000) and non-monetary sanctions resulting from failure to comply with laws or regulations. No such fines or sanctions were imposed on Evonik in the areas bundled in the House of Compliance in 2017.

Legal proceedings resulting from anti-competitive conduct or the formation of cartels and monopolies

Following a fine imposed by the EU Commission in 2002 on various methionine producers (including Evonik), in 2012 the Brazilian antitrust authorities filed proceedings against Evonik in connection with the delivery of methionine to Brazil in the period prior to 2000. In our opinion, a fine cannot be imposed due to the statute of limitations.

In one country, there is a pending case brought against Evonik by a former dealer for compensation for alleged damage by a former cartel, which was ended in 2004.

In Germany, a claim for damages resulting from a cartel has been filed against the parties involved in the European hydrogen peroxide cartel, which was ended in 2001. Since Evonik concluded a settlement with the plaintiff years ago, it is not a defendant and is merely a party cited in the case.

Opportunities and risks

As a specialty chemicals company with a presence throughout the world, Evonik is exposed to a range of influences that may constitute either opportunities or risks. Timely identification and mitigation of risks is therefore the basis of our extensive opportunity and risk management.

Last year, we took steps to integrate non-financial risks even more closely into our conventional risk reporting. Our established risk management system now systematically captures and monitors non-quantifiable sustainability risks. At the same time, we raised the awareness of risk officers throughout the Group to enable them to identify sustainability risks.

Further information can be found in the opportunity and risk report in the Financial Report 2017.

Donations and sponsorship

The Executive Board defines the aims and conditions for the Group's donations and sponsorship. It has delegated coordination and monitoring to the Board Office/Communications Division on the basis of specific policies and guidelines. For example, individual donations of supra-regional significance and sponsorship from a threshold of €100,000 require the approval of the Executive Board. The segments and regions can decide on regional and site-specific activities within an annual budget approved by the Executive Board. At the Evonik Foundation, the management is responsible for coordinating and supervising donations. The Executive Board of the Evonik Foundation defines the areas of focus.

The Evonik Group made many donations and was involved in many sponsorship projects in 2017 (see "Society," page 74 ff.). These included donations totaling €200,000 to political parties in Germany. Of this amount, €80,000 was donated to the CDU/CSU, €80,000 to the SPD, €20,000 to Bündnis 90/Die Grünen, and €20,000 to the FDP.

In 2017, Evonik once again renewed and refined its entry in the joint list of lobbyists maintained by the European Commission and European Parliament.

TARGET ATTAINMENT IN 2017

- **Female Executive Board Members 20%/25%[1]:** Female Executive Board members: 25% since July 1, 2017.
- **Supervisory Board: ≥ 30% female and ≥ 30% male members:** Female Supervisory Board members 35%.
- **Women at the first and second management levels below the Executive Board: 20% at each level by year-end 2019:** 1st management level 25%, 2nd management level 15.4%.
- **Antitrust law: draw up a risk roadmap for all business lines and define measures:** The antitrust risk analysis has been completed. Risk maps have been produced for all business lines. These indicate significant antitrust risks—separately for each region—and specific measures to minimize these risks have been defined in agreement with the global management.
- **Code of Conduct: Introduce an externally managed whistleblower system:** A whistleblower system managed by an external service-provider has been installed.

TARGETS FOR 2018 AND BEYOND

- Proportion of female Executive Board members: 25% up to June 30, 2022.
- Women at the first and second management levels below the Executive Board: 20% at each level by year-end 2019.
- Implement the defined antitrust and anti-money laundering measures.
- Review and revise internal regulations on gifts and hospitality.

Target achieved | Target partially achieved or target horizon extends beyond 2017 | Target not achieved

[1] 20% until June 30, 2017 and 25% from July 1, 2017 through June 30, 2022.

EMPLOYEES

"For me it is important that a company does not only publish nice glossy brochures about issues such as sustainability and safety, but also acts on these ideals. Societies around the globe face many challenges these days."

Samantha Meyer, *employee, participant in Evonik's International Professional Rotational Enrichment Program (IPREP)*

TRAINING

Vocational training

€65 million

98%
pass rate in vocational training

Continuing professional development

€500
per employee p. a.

12
hours per employee p. a.

EMPLOYEES

36,523

New employer branding campaign

#HumanChemistry

14.6 years
average length of service

1.4%
employee turnover[c]

DIVERSITY

24.9%
women
Group-wide

23.2%
female managers
Group-wide

30%
of new hires are female

23%
of talents are female

41%
international managers

110
nationalities

7%
employees with disabilities[b]

AWARDS AND ACCOLADES[a]

for employer branding

Page	Topic | GRI indicators
31	Our philosophy | 103-1, 103-2, 103-3
31	HR organization and management | 102-19
31	Leadership | 404-2
32	Appeal as an employer | 102-36, 102-37, 102-41, 202-2, 401-2, 404-1, 405-2
34	Diversity | 401-1, 401-2, 401-3, 405-1
36	Vocational training and continuing professional development | 404-2, 404-3
37	Further facts and figures | 102-8, 401-1

[a] Excerpt.
[b] Based on data for Germany.
[c] Employees leaving within the first year after hiring.

Our philosophy

As a specialty chemicals company, our goal is profitable growth worldwide. Our materiality analysis confirms the significance of being an attractive employer and of our employees' skills, vocational training, and continuing professional development. Diversity is becoming increasingly important as we ramp up our business internationally. Therefore, we have raised the importance of diversity management at Evonik.
As a result of progressive digitalization of working processes, developing new forms of working is one focus of Evonik's human resources work. We have therefore added digitalization to our materiality profile.

As part of our annual strategy process, we ensure continuous development of our human resources activities in line with our materiality analysis and human resources strategy. The key performance indicators used to measure our success in implementing these measures are the same as those we use to manage our global HR work.

HR organization and management

The Corporate Human Resources (HR) Division bundles Group-wide strategic management and coordination of personnel. The head of the Corporate HR Division reports directly to the relevant member of the Executive Board, the Chief Human Resources Officer. The HR Executive Committee is the highest decision-making body for HR. It adopts the global HR strategy and takes decisions on the Group-wide HR organization. This committee comprises Evonik's Chief Human Resources Officer, the human resources officers of the segments, and the Head of Corporate Human Resources. The Global HR Committee supports the HR Executive Committee in defining the global HR strategy and takes further decisions on its implementation in the Group. The permanent members of the Global HR Committee are representatives of the HR departments in the segments, regions, corporate functions, and global service units. Operational support comes from HR Expert Circles comprising specialists on specific issues. Given its strategic significance, the development of corporate executives is allocated directly to the Chairman of the Executive Board.

Structure of Human Resources steering bodies C12

Leadership—clear, consistent, cooperative

In spring 2017, we deepened the dialogue between the Executive Board and corporate executives through our executive survey, Share your wisdom. The discussion of the findings was divided into three areas: profitable growth, customer-oriented innovative capability, and performance-oriented corporate culture, which were the focus of a management conference in September 2017.

To prepare our executives systematically for the demands of digitalization, we launched the Valley to Alley pilot program in the first half of 2017. This comprised two modules that took the participants on a learning tour of digital companies and start-ups in Silicon Valley and Berlin. Various initiatives in our segments and regions explored topics such as agile leadership, feedback and error culture, and diversity in management.

Talent management

The development of future top managers is organized as a structured process at Evonik. Job rotation, evaluation of potential, and succession scenarios are discussed and analyzed in detail at regular personnel conferences attended by the Executive Board.

Alongside ongoing development, for example via job rotation and project work, Evonik works with the International Institute for Management Development in Lausanne (Switzerland). Together, we ran programs for various groups of talented employees. The focus was on content of direct relevance to the business and on day-to-day management requirements.

The personal development of our managers is supported by a program of community work in Vietnam. Another format addresses ethics, values, and moral aspects and reflects the role of the company in politics and society.

For potentials at the second management level, we piloted a program in cooperation with WHU School of Management in Koblenz (Germany) in 2017. This led to the opening of a training center in Mongolia.

Digitalization of working processes

Flexibilization and individualization, digitalization and networking are bringing massive changes to how we work. In order to utilize the resultant opportunities, Evonik systematically taps into employees' ideas and experience.

We use our New Work Lab to test new working methods. A group of volunteers spends a defined period of time testing alternative forms of cooperation. Formats explored in this model cover working methods and conditions, career paths and job descriptions, leadership and organization, learning and competencies, and culture and values. When the lab phase ends, a decision will be taken on whether the working model can be rolled out either Group-wide or for specific parts of the Evonik organization.

#HumanWork, which is part of Evonik Digital GmbH, provides cross-unit support for all digitalization ideas in our segments, regions, and service units. The aim is to put people at the heart of the digital transformation and to prepare the management for a combined world of traditional and agile working methods.

Appeal as an employer

Creative approaches to employer branding and recruitment

In our new employer branding campaign, #HumanChemistry, employees from various Evonik regions share their experience and perspectives of working at Evonik. A sharp rise in the number of visitors to our careers page shows that reaching out to the target groups in this way achieves a good response.

We are particularly pleased that various surveys show that Evonik is viewed as a particularly attractive employer. The news magazine Focus still ranks Evonik among the top 10 employers in the chemical industry. In China, Evonik has again been included in the list of the most popular employers (Top Employer Institute). In the Brandwatch B2B Social Media Ranking, our activities advanced to first place, up from 35th place in the previous year, mainly thanks to our presence on Facebook and Twitter.

Employee satisfaction

102-43 In our employee survey in fall 2015, the leadership quality index scored 143 out of a total 200 points, while the commitment index[1] scored 151 out of 200 points. These are very good results overall. However, they also highlight scope for further selective improvement. We want to utilize this potential. By the end of December 2017, a total of 2,477 measures had therefore been initiated. About a quarter of them are designed to strengthen communication and cooperation. The next employee survey will be held in 2018.

Low turnover of newly hired employees within the past three years compared with other companies also indicates a good level of identification and high employee satisfaction. Looking at employees giving notice within the first year, we score very well compared with our competitors with a rate of 2.3 percent in the USA and 0.6 percent in Germany.

Length of service T08

	2017	2016	2015
Early employee turnover in %	1.4	1.2	1.1
Total employee turnover in %	5.8	4.7	4.7
Average length of service in years	14.6	14.9	15.0

Maintaining and promoting the health and employability of employees is an important element in Evonik's corporate responsibility. Our well@work program supports this goal. The focus is on three aspects: exercise, a healthy diet, and work-life balance. Worldwide, more than 94 percent of our workforce can seek advice on workplace-related, health, personal, or family problems from social and employee counseling centers. Our health protection and health promotion performance indicators can be found in the chapter on "Safety."

[1] The commitment index comprises employee engagement and identification.

Evonik's HR policy is family-friendly and geared to different phases in people's lives. From talking to present and prospective employees, we are aware of the importance of combining work with family life. Core elements of our approach are support in caring for children and close relatives and flexible worktime models. More than 94 percent of our employees around the world have access to initiatives to help them combine working with family life. Examples in Germany are the provision of childcare places, vacation programs for more than 800 children, and extensive support on issues related to caring for elderly and sick relatives. In fall 2017, we held the groundbreaking ceremony for a new childcare facility for employees' children at our site in Marl (Germany).
632 employees took parental leave in 2017. The proportion of male employees on parental leave was around 44 percent. In 2017, they took an average of 1.6 months parental leave, while female employees took an average of 6.4 months. Apart from a few exceptions, all employees who returned to work after parental leave in 2016 were still working for us a year later.

The regular, contractually defined working hours for approximately 74 percent of our employees are based on collective agreements. We are not aware of any fines imposed on the company in 2017 for exceeding statutory working hours. We limit employees' regular working hours to 48 hours a week, unless shorter working hours are applicable. More than 81 percent of our employees benefit from annual vacation rules that exceed the statutory provisions in their country. Since there are no statutory rulings in the USA and the United Arab Emirates, the situation there is based on customary regional practice.

Some employees ask about the possibility of taking paid or unpaid leave for an extended period, for example, to ensure the compatibility of private and professional phases in their lives. However, interest is very low. In percentage terms it is in the low single-digit range, based on our total headcount.

Percentage of part-time employees by gender and region T09

	Part-time employees 2017			Part-time employes 2016		
in %	Female	Male	Total	Female	Male	Total
Regions/countries	17.6	1.9	5.8	17.9	1.9	5.9
Asia-Pacific North	0.0	0.1	0.1	0.0	0.0	0.0
Asia-Pacific South	0.8	0.4	0.5	0.6	0.3	0.3
Central and South America	0.0	0.0	0.0	0.0	0.0	0.0
Eastern Europe	2.2	0.7	1.1	3.4	0.4	1.3
Western Europa	27.2	2.7	8.5	27.0	2.7	8.4
Middle East, Africa	0.0	0.0	0.0	0.0	0.0	0.0
North America	0.9	0.2	0.4	0.2	0.2	0.2

Extended periods of leave T10

	Percentage of employees who have the option of taking an extended period of paid or unpaid leave (more than 3 months)
Germany	100
Other European countries	48
North America	96
Central and South America	83
Asia-Pacific	85
Middle East & Africa	67

Performance and remuneration

Fair, market- and performance-oriented remuneration is anchored in our human resources tools worldwide. Our overall remuneration concept is accompanied by Group-wide policies on remuneration and fringe benefits. Remuneration is set on the basis of objective criteria such as responsibility, competencies, and success. Personal attributes such as gender, age, etc., play no part in the process. Evonik complies with the obligation to provide information on equal pay for men and women in comparable functions as defined by the German Remuneration Transparency Act, which took effect on January 6, 2018. To meet the statutory requirements, an application form is provided in the intranet. By agreement with the Group Works Council, at Evonik these requirements are met by the employer and information can also be obtained by employees at smaller entities.

102-41 Collective agreements on remuneration cover almost 100 percent of our employees in Germany and around 70 percent of our employees worldwide. Around 96 percent of our sites and regions have performance- or profit-oriented incentive systems. These systems cover around 99 percent of our employees.

Evonik offers voluntary social benefits to employees in all regions where it has a presence. These are available to more than 98 percent of our employees. More than 99 percent of our employees have statutory or company pension insurance and health insurance. As a rule, part-time employees benefit from our performance- and profit-oriented incentive systems and our voluntary social benefits, provided that they meet the minimum working hours prescribed in some regions.

In addition, our employees in Germany, Belgium, and the USA and, for the first time in 2017, staff in China and Singapore are offered the "Share" employee share program. The participation rate rose for the third time in succession to a new record of 41 percent.

Personnel expense T11

in € million	2017	2016
Wages and salaries	2,665	2,498
Social security contributions	404	377
Pension expenses	229	205
Other personnel expense	76	48
	3,374	**3,128**

Diversity

Diversity management is our opportunity to make full use of the empowering resources of diversity for Evonik's future success. For us, diversity goes beyond focusing on background and gender. The diversity of disciplines pursued during training, experience of several organizational units or functional areas, and mixed-age teams are equally important to us. We regularly evaluate our employee data on the basis of these criteria.

Our diversity strategy includes clear diversity targets for managers, as well as gender networks for all employee groups. Through our Diversity Council, we have established diversity firmly in our organization as a task for top management. The Diversity Council is a high-caliber body comprising members of the Executive Board and executives from various organizational units. It coordinates the ongoing development of our diversity strategy and the implementation of effective measures for the entire Group.

We regularly compile diversity indicators. These show that the proportion of female employees in managerial positions rose from 20.8 percent in 2015 to 23.2 percent in 2017. In the same period, we also managed to keep the proportion of international managers stable at 41.4 percent.

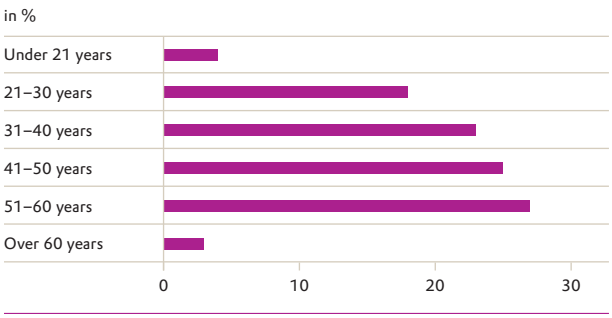
Subconscious stereotyping is one of the biggest obstacles to diversity in daily work. We are aware that these unconscious biases are a potential hindrance to diversity. To drive forward diversity at Evonik, we have therefore introduced training for executives and talents.

Percentage of women in management T12

in %	2017	2016	2015
Senior management	10.0	9.6	10.4
All management functions	**23.2**	**22.0**	**20.8**

Employees with disabilities accounted for 7.2 percent of the workforce at Evonik in Germany. That is above the quota of 5 percent set for the country. The average age of our employees on the reporting date was 41.9 years. Our workforce comprises more than 110 nationalities.

Age structure C13



We work with staffing agencies in Germany to cover short-term or temporary bottlenecks. All agencies must provide evidence of a valid operating permit. If agency staff have been used for a job for more than six months, we examine whether it is a permanent job for which a permanent employee can be hired. Alongside appropriate remuneration, we make sure that agency staff are covered by the high social and safety standards applicable for our own staff. Since the chemical industry requires a large number of highly qualified employees, fewer agency staff are used than in other sectors of manufacturing industry. Evonik had around 675 agency staff as of December 31, 2017. That was around 3 percent of our total workforce in Germany.

Food for thought—Samantha Meyer

Samantha Meyer was born in Minneapolis (Minnesota, USA) and earned degrees in chemistry and chemical engineering. She first got in contact with Evonik at a career fair at the University of Minnesota. After learning about the breadth of industries served by the specialty chemicals company and its North American rotational program, IPREP, she knew Evonik would be a great fit.

How is your experience working with Evonik?
As I was finishing university, I could never have guessed that I was about to begin such an exciting adventure—meeting groups of people all over the world and working across fields from Personal Care to Acrylic Products in one company. Now, two years later, I have worked in three different groups in two countries and am excited to see what comes next!

Speaking about a potential employer in general—what are your expectations?
I was looking for the opportunity to work with an international team for a company that had a strong focus on developing young employees. Growing up as the first native technology generation, willingness to adapt, question the status quo, and promote new working styles is very motivating. Finally, I want to work for a company that understands the human element of business. A company that empowers employees to take on meaningful projects and make business decisions at all levels and a company that engages in accessible progress-oriented development backed by the belief that all employees are capable of mastering new challenges.

As a digital native—do you think that social media such as Facebook or Twitter deliver important information about a potential employer?
Because social media increases my access to a company, it is important that they consciously tell a story about the company's markets, culture, and values. When I can learn about the work being done, the value a company places on its employees, and the desire they have to positively impact their communities, I look for opportunities to become a part of this business.

What in your view makes companies fit for the future?
For me it is important that a company does not only publish nice glossy brochures about issues such as sustainability and safety, but also acts on these ideals. Societies around the globe face many challenges these days. In my opinion, only those companies stand out that use their expertise to actively enhance the communities around them and by doing that contribute to solving some of those challenges.

Employees by contractual status and gender T13

	2017	of which female in %
Employees	36,523	24.9
of which employees on permanent contracts	32,754	24.2
of which employees on limited-term contracts	2,191	34.6
of which apprentices/trainees	1,578[a]	24.8

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

Employees by contractual status and region T14

in %	Employees	of which employees on permanent contracts	of which employees on limited-term contracts	of which apprentices/ trainees
Evonik	36,523	32,754	2,191	1,578
Asia-Pacific North	3,793	2,402	1,391	0
Asia-Pacific South	1,741	1,680	61	0
Central and South America	680	663	6	11
Eastern Europe	643	621	22	0
Western Europe	24,488	22,223	708	1,557
Middle East & Africa	196	187	3	6
North America	4,982	4,978	0	4

Vocational training and continuous professional development

Well-trained employees are a clear competitive advantage. Our learning strategy and personnel development programs focus on our corporate targets and future business needs. In keeping with our open and performance-oriented culture, the employee perspective is always taken into account.

Continuing professional development

In 2017, Evonik invested around €500 per employee in training and continuing professional development. Training time totaled 12 hours per employee. These indicators cover 99 percent of employees worldwide.

In view of the growing importance of experience-based specialist careers, we have started to develop segment-specific career paths for various positions. In the Services Segment, Technology & Infrastructure conducted a pilot project on expert careers in 2017. This involved describing career paths that facilitate development from entry-level positions to strategically important expert functions.

Our competency-based development landscape offers employees a wide range of professional and personal development opportunities. Each employee discusses personal development measures with their line manager. We regularly review the expediency of the programs on offer, taking into account the regional needs of our employees and business entities.

Vocational training

In 2017, Evonik trained around 1,900 young people, including about 390 on behalf of other companies. Our training covered more than 38 recognized vocational training courses and combined vocational training and study programs at 16 sites. In 2017, 90 places for young people who were not yet ready for an apprenticeship were taken up on the "Start in den Beruf" pre-training program. That figure includes the 20/20/20 training initiative of the Evonik Foundation, which financed 40 places, including 20 for young refugees.

In the most recent academic year, all 500 new apprentices received a tablet PC, giving them a digital start to their working life. This tool provides digital access to more than 10,000 exam questions and answers and hundreds of interactive learning media. In this way, we enable our future employees to engage in practice-based individual learning—anytime, anywhere, independently of the curriculum at their technical school.

Apprentices accounted for around 7.6 percent of our workforce in Germany, which is still above the national average of 4.8 percent. In all, we invested €65 million in vocational training of employees. Our high commitment to vocational training is also reflected in their examination results. Over 98 percent of our apprentices passed their examinations and around 9 percent received an overall grade of "very good."

TARGET ATTAINMENT IN 2017

- **Establish a learning strategy** for the ongoing development of various employee groups: achieved.
- **Roll out our updated employer branding campaign:** The new campaign was launched in fall 2017.
- **Conduct an annual pulse check on employee satisfaction:** This was not conducted because an employee survey is scheduled for 2018.

TARGETS FOR 2018

- Measure and increase employee satisfaction.
- Drive forward global digitalization.
- Encourage greater diversity in the Evonik Group, especially by increasing the number of female managers.

Target achieved · Target partially achieved or target horizon extends beyond 2017 · Target not achieved

Further facts and figures

Employee turnover in 2017[a] T15

	Fluctuation rate in %	No. of employees who left the company
By gender		
Female	6.1	522
Male	5.6	1,458
By age		
Under 30 years	5.7	434
30 to 50 years	3.8	641
Over 50 years	9.0	905
	5.8	**1,980**
thereof dismissed by employer	2.0	687

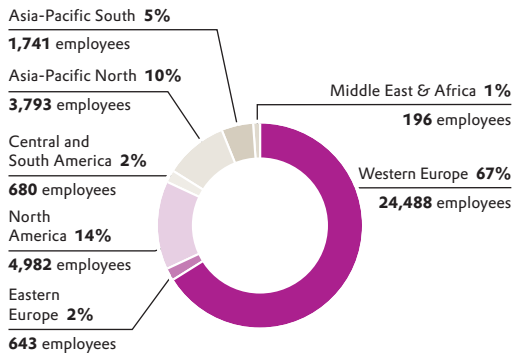
[a] Reference base: no. of employees in each category as of December 31, 2016.

Recruitment of employees from the labor market in 2017[a] T16

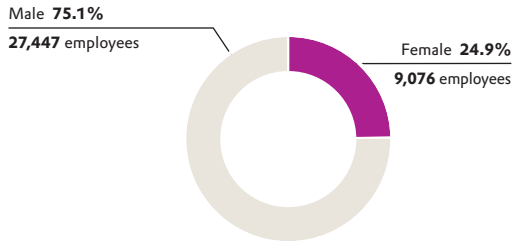
	No. of employees	in %
By region		
Asia-Pacific North	231	6.6
Asia-Pacific South	222	14.7
Central and South America	94	14.9
Eastern Europe	57	8.9
Western Europe	1,076	4.5
Middle East & Africa	26	14.0
North America	534	13.2
By gender		
Female	679	8.0
Male	1,561	6.0
By age		
Under 30 years	1,035	13.7
30 to 50 years	1,040	6.2
Over 50 years	165	1.6
	2,240	**6.5**

[a] Reference base: employees by category in the continuing operations as of December 31, 2017 based on headcount in each category.

Employees by region C14



Employees by gender C15



VALUE CHAIN AND PRODUCTS

"Since we are an independent lubricant formulator and processor and therefore purchase all starting products at the end of the process and value chain, we are particularly reliant on our suppliers in the area of sustainability."

Apu Gosalia, *Vice President Sustainability Fuchs Petrolub*

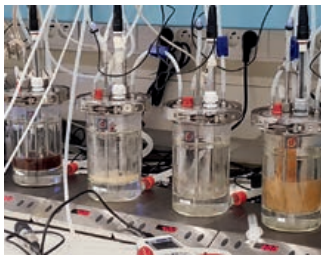
458
€ million
R&D expenses

3.2%
R&D ratio

52%
patent-driven sales[a]

approx. **230**
new patents filed

[a] Excluding products from businesses acquired in 2017.



As a contribution to healthy animal nutrition, Evonik is researching probiotics, which can reduce the use of antibiotics.

Monetary impact analysis of our business along the value chain in Germany[a]

€1 : €2.50[b]

Every €1 spent by Evonik creates a total of €2.50 **added value** for society

1 : 3.7 jobs[b]

1 Evonik employee secures an average of 3.7 **jobs** in the value chain

€1 : €1.14[b]

Every €1 spent by Evonik results in **public revenue** of €1.14

Page	Topic | GRI indicators
40	Supply chain | 102-9, 102-10, 204-1, 308-1, 308-2, 414-1, 414-2, 407-1, 408-1
43	Production inputs and output | 102-7, 301-1
44	Research & development | 201-4, 203-1
47	Products and markets | 102-2, 102-6
47	Customer satisfaction | 102-44
47	Sustainability analysis of the business

[a] For details of the calculation, see page 39. These data were not part of the limited assurance review.
[b] The total includes Evonik's direct impact.

Our philosophy

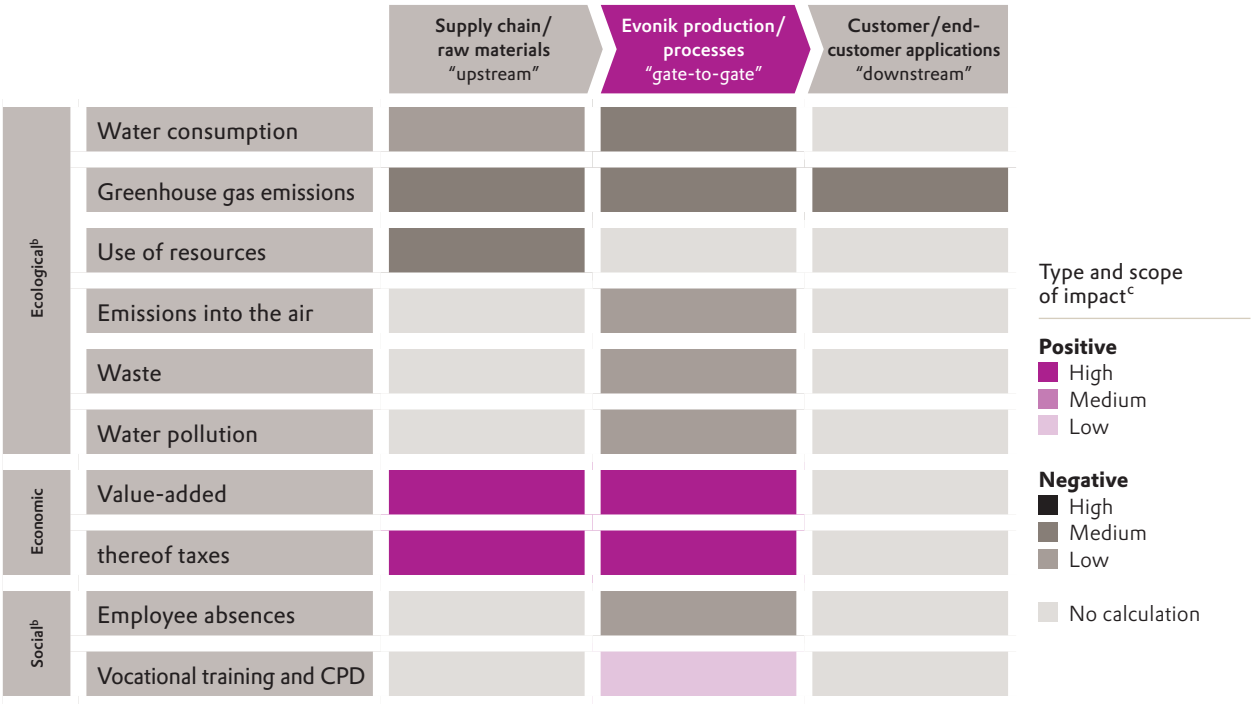
All Evonik's business processes are based on the principle of responsible management. We drive forward our sustainability activities along the value chain in dialogue with our stakeholders. In addition to our own production and business processes and the products we market (gate to gate), we always have an eye on the supply chain for our raw materials, goods, and services (upstream) and on product benefits and applications, both for our direct customers and in end-markets (downstream).

Our focal areas are derived from our materiality analysis. They include sustainability management in the supply chain, efficient use of scarce resources, innovation, customer satisfaction, and more sustainable products and solutions. Processes and indicators that make the economic, ecological, and social impact of our actions measurable are also important to us. Our aim is to integrate the findings into our business processes.

Starting from the United Nations Sustainable Development Goals (SDGs), in the year under review we developed a method of analyzing sustainability opportunities and risks at product level. This covers entire value chains (see "Strategy and growth," page 17).

As part of an impact analysis, we examined the economic dimension of the direct and indirect effects of our business activities in Germany. A monetary value was placed on the ecological and social dimensions on the basis of the data for 2016 published in the Sustainability Report and the Annual Report. This impact analysis was outside the scope of the assurance report by PwC. The next chart outlines the impacts along our value chain, without taking into account the induced effects, which were calculated separately.

Impact valuation of our business activities along the value chain in Germany in 2016[a] C16



[a] This model is based on monetized data for 2016.
[b] As a supplement to chart C08, this shows the impact of our business activities along the entire value chain, from the extraction of raw materials to the disposal of our products.
[c] The colors indicate the monetary thresholds defined by Evonik.

Target for 2018 and beyond:

- Impact analysis: extend monetary valuation of the impact of our business along the value chain to further regions and indicators.

"Upstream": supply chain

Evonik has a significant influence on society and the environment through its procurement volume. We are aware of this responsibility.

By selecting suppliers carefully, we do not simply secure and increase their sustainability standards, we also enhance the quality of the entire value chain. On the one hand, we focus on validating and evaluating suppliers, while on the other we specifically monitor certain raw materials. These include renewable raw materials and those where there is a potential supply risk or reputational risk. We have implemented strategic procurement concepts and management systems for these "critical raw materials," whose availability is vital for our production processes.

In 2017, we sourced raw materials and supplies, technical goods, services, energy, and other operating supplies with a total value of around €9.1 billion (2016: €7.6 billion) from around 34,000 suppliers. Local sourcing accounted for around 77 percent of this amount (2016: 77 percent).[1] 60 percent of procurement volume comprised raw materials and supplies (2016: 59.3 percent). Spending on petrochemical feedstocks was around €3.6 billion and accounted for 66 percent of our raw material base.

Strategy and management

Our goal is an efficient procurement organization to guarantee long-term reliability of supply for the production of Evonik products and, at the same time, to secure competitive advantages for our operating businesses.

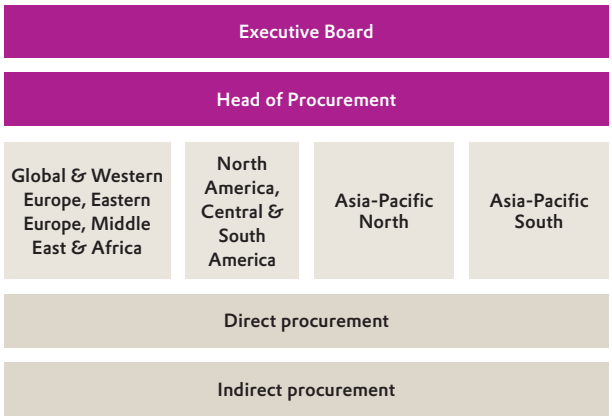
Alongside economic requirements, our procurement strategy takes account of sustainability aspects such as health, quality, safety, social factors, and environmental protection. As a member of the UN Global Compact, we are committed to its principles. These requirements are documented in our Code of Conduct for Suppliers, which is based on our corporate values, the principles of the UN Global Compact, the International Labour Standards issued by the International Labour Organization (ILO), and the topics addressed by the Responsible Care® initiative.

Validation and evaluation of our suppliers is an integral part of sustainable supply chain management at Evonik. Here, we pay special attention to our strategic suppliers and suppliers of strategic raw materials. We work systematically both to extend strategic relationships with suppliers and to validate new suppliers. To supplement our Code of Conduct for Suppliers, our approach includes self-assessments, audits, and validation of suppliers through Together for Sustainability (TfS). We aim to perform a sustainability evaluation of 90 percent of suppliers of critical raw materials by the end of 2020.

Organization and competencies

Procurement is organized globally at Evonik and comprises direct procurement (raw materials, logistics, and packaging) and indirect procurement (general and technical goods and services). Both are subdivided into strategic and operational procurement activities. Global procurement is managed from Germany, with the support of regional units in Asia and in North and South America.

Evonik's procurement organization C17



To further increase the competencies of our employees, we have developed the Shaping Procurement and Developing Excellence (SPADE) vocational training and continuous professional development program. This program helps to promote international and interdisciplinary sharing of experience.

In addition, in 2017 a new training concept was developed with content covering the Together for Sustainability initiative. Local training is designed to make procurement staff aware of the importance of sustainability in the supply chain and inform them of internal processes and changes. Our aim is to use this new concept to train all relevant procurement staff by the end of 2018.

Processes

As a responsible company, we are continuously driving forward transparency and sustainability along the supply chain. If suppliers have particularly serious shortcomings and no improvement can be identified, we reserve the right to end our collaboration with them. Three suppliers were dropped in 2017. This figure includes both suppliers with which we had an active supply relationship and those that were dropped as a precaution.

[1] We define local sourcing as deliberate procurement from sources that are geographically close to our production sites.

In addition to ongoing contact to Evonik's procurement organization, employees at supplier companies always have the option of contacting our externally operated whistleblower hotline if they have any issues or problems to report. All such cases are examined promptly so suitable action can be taken. We did not receive any reports from our suppliers in 2017.

Validation and evaluation of suppliers

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

Validation is the first step in every new supply relationship. For this purpose, we use the Evonik validation process, which is based on the values defined in our Code of Conduct for Suppliers. Alongside quality, environmental protection, safety, health, and energy management, the assessment now also includes corruption prevention, antitrust law, labor and social standards, human rights, conflict minerals, and responsibility within the supply chain. All details are collected via a questionnaire and evaluated using a validation matrix.

In addition, successfully completed TfS assessments can be used as evidence of validation. Overall, suppliers are evaluated using a method that identifies and quantifies risk factors. The aim is to safeguard the supply of raw materials and technical goods to Evonik and gain access to new procurement markets and suppliers. In the year under review, around 2,000 new suppliers of raw materials, technical goods, and services were examined.

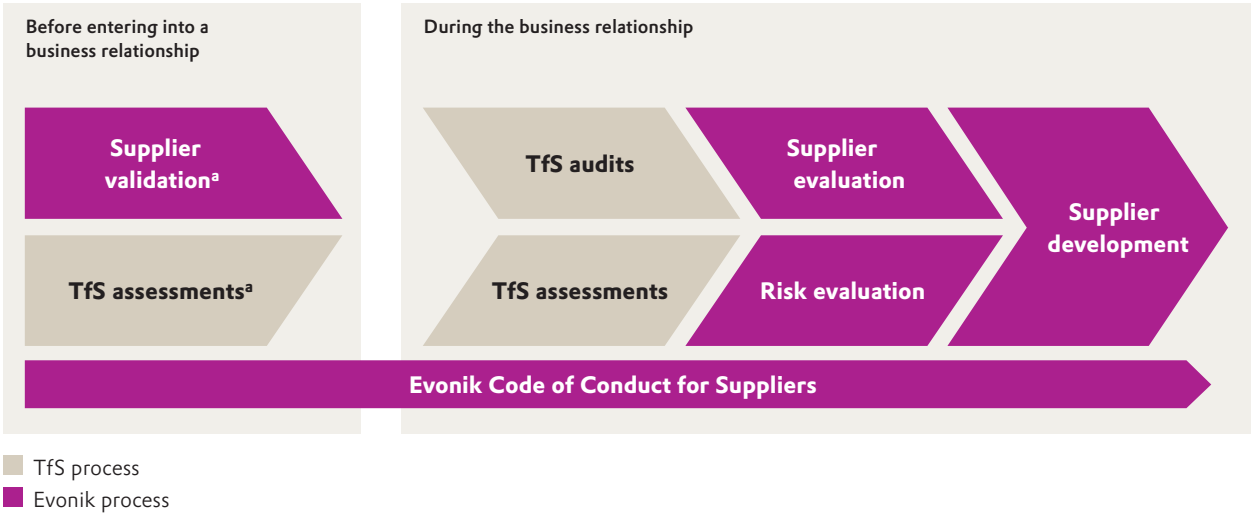
We apply the same care to the evaluation of existing relationships with suppliers. Strategic suppliers are examined regularly as a basis for initiating improvements where necessary.

To minimize the risk to Evonik, as part of our management of contractors, we obtained and evaluated evidence and self-assessments on compliance with the relevant German legislation (MiLOG, AEntG, SGB, and HwO[1]) from more than 3,400 suppliers. In the future, the checks on the relevant categories will be extended to new suppliers.

Together for Sustainability

Harmonizing global standards in the supply chain creates transparency and makes it easier for both suppliers and customers to assess and evaluate sustainability performance. The chemical industry set up the Together for Sustainability (TfS) initiative for this purpose in 2011. Evonik is one of the six founding members of this initiative. The aim of TfS is the joint development and implementation of a global assessment and audit program for responsible procurement of goods and services. In this context, TfS helps make environmental and social standards measurable and implement specific improvements. The member companies initiated 441 audits and 1,794 assessments worldwide in 2017.[2]

Supplier validation and evaluation C18



[a] Alternatives.

[1] MiLoG = German Minimum Wage Act; AEntG = German Employee Secondment Act; SGB = German Social Code; HwO = German Ordinance on Craftsmen.
[2] For further information see: https://tfs-initiative.com

In 2017, we evaluated around 74 percent of suppliers of critical raw materials using sustainability criteria. These criteria include country risks, the supply situation, and market availability. We also used TfS assessments and audits to review further significant suppliers.

A particular focus in 2017 was the process for following up on audits and assessments. Corrective measures were initiated with 31 suppliers, where major or critical deviations were identified during audits. In 125 cases, supplier assessments showed that insufficient attention had been paid to sustainability aspects. In these cases as well, corrective action was initiated. At suppliers audited by TfS, we identified shortcomings in the implementation of environmental measures and potential for improvement in occupational safety in 2017. No cases of child labor or forced labor were identified in on-site inspections, nor were there any cases of discrimination or restriction on the freedom of assembly.

In 2017, we audited sustainability standards at 28 supplier sites and arranged for 149 sustainability assessments to be conducted by an external service provider.

Active involvement in TfS is important to us. That is also evidenced by the fact that our Chief Procurement Officer continues to serve the initiative as president following his re-election in 2017. Evonik employees are members of TfS Workstreams in Germany, North and South America, and Asia.

In 2017, a TfS conference was held in Shanghai (China) and Evonik organized a conference on sustainability for suppliers in São Paulo (Brazil).

As a member of the initiative, Evonik is also subject to TfS assessments. Our gold rating positioned us among the top 1 percent of the suppliers assessed in 2017.

Procurement of raw materials

Critical raw materials

We have established special procurement strategies and risk management systems for our critical raw materials. These raw materials include palm oil, conflict minerals, and renewable raw materials. For further information on renewable raw materials, see page 44.

Palm oil

A small proportion of palm oil and palm oil derivatives are used in our production processes. Evonik has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2010 and publishes its targets for palm oil in the RSPO's annual progress report. Evonik supports the RSPO's goal of placing global production of palm oil on a sustainable long-term basis.

All nine sites operated by our Personal Care business that use palm oil derivatives have now been certified by an external auditor. This shows that our organizational structure at these sites meets the RSPO requirements, which is a basic precondition for the continuous transition to certified raw materials.

More than 50 percent of products offered by the Personal Care and Household Care Business Lines are based on certified raw materials. Since 2017, this has also applied to the Interface & Performance Business Line. In 2017, more than 40 percent of volume sales by our Personal Care business had Mass Balance Supply Chain Certification. In collaboration with our customers and suppliers, we aim to extend our portfolio of certified products further in 2018.

Conflict minerals

The Dodd-Frank Act requires companies listed on the US stock market to disclose whether their products contain potential conflict minerals. These are mineral raw materials from the Democratic Republic of Congo and its neighboring countries that are used to finance armed conflicts. Evonik is not listed on US stock exchanges and therefore has no legal obligation to comply with the reporting requirements of the US stock market regulator. At the same time, as a responsible company, Evonik meets its duty of care with regard to conflict minerals in the supply chain and checks the origin of such substances. Moreover, Evonik requires new suppliers to provide evidence of origin in the pre-validation process. In our checks in 2017 we did not identify any use of conflict materials in Evonik products.

TARGET ATTAINMENT IN 2017

- **Conduct at least 20 supplier sustainability audits under the shared audit principle of the Together for Sustainability initiative:** 28 audits conducted.
- **Continue the analysis of suppliers of critical raw materials through TfS assessments:** As of year-end 2017: A total of 149 supplier assessments had been performed (coverage of suppliers of critical raw materials: around 74% at year-end 2017).
- **In collaboration with our customers and suppliers, we aim to further extend our portfolio of RSPO certified palm oil derivatives:** More than 50 percent of products offered by the Personal Care and Household Care Business Lines are based on certified raw materials. This has also applied to the Interface & Performance Business Line since 2017.
- **Evaluate the sustainability performance of 90 percent of suppliers of critical raw materials by 2020:** As of year-end 2017: around 74%.

TARGETS FOR 2018 AND BEYOND

- Conduct at least 20 supplier sustainability audits under the shared audit principle of the Together for Sustainability initiative.
- Continue the supplier analysis by reviewing at least 80 TfS assessments.
- Evaluate the sustainability performance of 90 percent of suppliers of critical raw materials by 2020.
- Implement the new training concept and conduct internal sustainability training for all relevant procurement employees.

Target achieved | Target partially achieved or target horizon extends beyond 2017 | Target not achieved

"Gate to gate": raw materials, production, and processes

The biggest direct influence on sustainability requirements in the value chain comes from our production and business processes and the products we market. In many cases, we develop and use our own production processes that enable us to combine safety and efficient use of resources with innovative capability and cost-efficiency.

At many of our sites, we have backwardly integrated production complexes where key precursors are produced in adjacent production facilities. That ensures high reliability of supply for our customers. Our world-scale facilities are also a high entry barrier for potential competitors.

82 percent of sales are generated outside Germany. That shows the global focus of our business. We have production facilities in 28 countries on five continents and are therefore close to our markets and our customers. Our largest production sites—Marl, Wesseling and Rheinfelden (Germany), Antwerp (Belgium), Mobile (Alabama, USA), Shanghai (China), and Singapore—have integrated technology platforms used by various units. This results in valuable economies of scale and maximizes the use of material flows.

Continuous process optimization and efficient use of resources have always been very important for our production activities. That is reflected in our environmental targets (see "The environment," page 63).

Production inputs and output

Evonik uses a wide range of raw materials in the production of its products. Along with technical goods and services, they are sourced from a variety of suppliers. Production inputs increased from 9.32 million metric tons to 9.55 million metric tons in 2017. Output increased slightly to 10.98 million metric tons in the same period.

Production inputs and output T17

in million metric tons	2012	2013	2014	2015	2016	2017
Raw material inputs	8.16	8.23	8.75	8.66	9.32	9.55
thereof renewable raw materials	0.73	0.79	0.77	0.74	0.86	0.99
Use of renewable raw materials in production in %	9.0	9.6	8.8	8.6	9.2	10.4
Production	9.71	10.06	10.35	10.36	10.58	10.98

Renewable raw materials

In 2017, renewable raw materials accounted for around 10 percent of production inputs (2016: around 9 percent). The vast majority comprised dextrose and saccharose, which were used as substrates in 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 endeavor to raise the proportion of renewable raw materials wherever this makes sense from a technical, economic, ecological, and social perspective.

Research & development

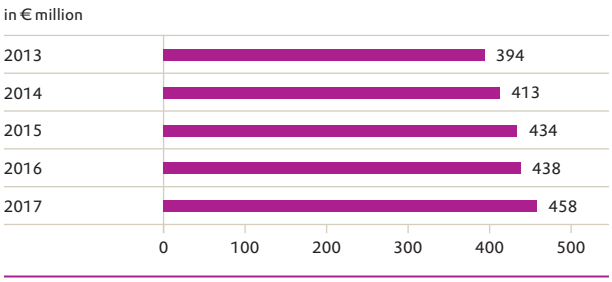
Innovative capability is essential for Evonik's business model. It is an important driver of profitable growth and strengthens our leading market positions.[1] As a company, we are proud of our culture of innovation, which is firmly established in our innovation management and management development. Evonik sees itself as an open and learning organization with a constructive approach to errors. Sustainability is an important criterion in our innovation activities. We therefore work for and with our customers to find increasingly energy- and resource-efficient solutions for a broad spectrum of applications.

Research and development (R&D) in our strategic innovation unit Creavis and in the Nutrition & Care and Resource Efficiency Segments is aligned to six innovation growth fields:

- **Sustainable Nutrition:** Establishing additional products and services for sustainable nutrition of livestock and people
- **Healthcare Solutions:** Developing new materials for implants, as components of cell culture media, and for custom-tailored, innovative drug formulations
- **Advanced Food Ingredients:** Creating a portfolio of health-enhancing substances and nutritional supplements as a contribution to healthy nutrition
- **Membranes:** Extending SEPURAN® technology for efficient gas separation to further applications
- **Cosmetic Solutions:** Developing further products based on natural sources for cosmetics and sensorially optimized formulations for skin care products
- **Additive Manufacturing:** Developing products and technologies for additive manufacturing

Evonik's global R&D network comprises 40 locations with approximately 2,800 R&D employees. In view of the strategic importance of R&D, we have raised R&D expenses by an average of 4 percent since 2013. In 2017, R&D expenses totaled €458 million. The ratio of R&D expenses to sales was 3.2 percent (2016: 3.4 percent). Our R&D projects are managed using the multi-step Idea-to-Profit process developed by Evonik to support the systematic development of projects right up to profitable commercialization.

R&D expenses C19



Successful innovations

Our innovation pipeline includes both completely new business options and securing and enhancing the prospects of existing businesses. Equal attention is paid to product and process innovations and to business model and systems innovations. Our project portfolio is aligned to the differing strategies of the various business entities. In the reporting period, some of our projects were funded by the European Union or the Federal Republic of Germany. In all, we received around €2.9 million for this.

Evonik has an extensive patent strategy to protect new products and processes. The value and quality of our patent portfolio have increased steadily in recent years. Around 230 new patent applications were submitted in 2017, and we had around 26,000 patents and pending patents. Patent-driven sales accounted for 52 percent of total sales in 2017. This figure does not include products from the businesses acquired in 2017.

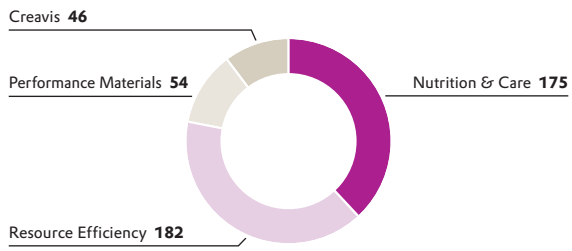
[1] We define these as ranking 1st, 2nd, or 3rd in the relevant markets.

Organization and management

The segments account for around 90 percent of our R&D expenses. That includes, first and foremost, research geared specifically to their core technologies and markets, and the development of new business. An above-average proportion of our R&D funding is allocated to the growth segments, Nutrition & Care and Resource Efficiency. The Performance Materials Segment focuses on process optimization and product improvements.

Breakdown of R&D expenses C20

in € million



Working closely with the segments, our innovation unit, Creavis, is engaged in research into new technologies. It concentrates on mid- and long-term projects, focused on Evonik's innovation growth fields. Where there is sufficient potential, Creavis sets up project houses, which spend three years researching a promising area of innovation in collaboration with the segments and external experts. At present, the Medical Devices Project House in the Healthcare Solutions innovation growth field is working on new solutions for medical technology and extending Evonik's competence in biomaterials and polymers. In particular, it is addressing applications in implantology.

Evonik also obtains access to innovative technologies and new business options through its corporate venture capital activities. We invest specifically in specialized technology funds and start-ups of strategic relevance to Evonik. More than 20 investments have been made since 2012. For instance, in 2017 Evonik invested in the biotechnology start-up NUMAFERM and in the hydrogen peroxide start-up HPNOW, whose technology allows local production of low concentrations of hydrogen peroxide as required.

Digitalization and innovation

Evonik aims to be the trailblazer in digitalization in the chemical industry. In the period up to 2020, we plan to invest around €100 million in developing and testing digital technologies and building up the related competencies. In 2017, we therefore took a stake in Digital Growth Fund I, which provides venture capital for young IndustrialTech and FinTech companies with successful B2B business models. The digital transformation is also at the heart of our strategic cooperation with Duisburg-Essen University in Germany.

TARGET ATTAINMENT IN 2017

- **We aim to generate more than €1 billion in additional sales by 2025 in the six innovation growth fields we have identified:** We do not currently publish figures on this; we intend to report on attainment of this target in 2025.
- **Increase sales of products and applications developed in the past five years to 16 percent in the mid term:** 10 percent achieved in 2017.

TARGETS FOR 2018 AND BEYOND

- Increase sales of products and applications developed in the past five years to 16 percent in the mid term.
- Generate additional sales of over €1 billion in the six identified innovation growth are as by 2025.

Target achieved · Target partially achieved or target horizon extends beyond 2017 · Target not achieved

Food for thought—Apu Gosalia

Apu Gosalia is Vice President Sustainability at Fuchs Petrolub in Mannheim (Germany), the world's largest independent producer of lubricants. In addition to his commitment to sustainability at Fuchs Petrolub, he helped create "NaSch", the sustainability initiative of the German lubricants industry.

What does sustainability mean to you personally?
For me it is about maintaining and continuing to develop the basis of life for the benefit of future generations. In my family life, I would like to make sure that my son will enjoy at least the same or even better living conditions than I do today. That means his financial situation, the air he breathes, and his educational opportunities. Those are my three personal dimensions of economic, ecological, and social sustainability.

How important is sustainability for a company?
Naturally, a company's strategy must be geared to making genuine profits so it can create value for its owners. But I also expect a company to show equal responsibility towards its employees, society, and the environment. At Fuchs, for example, we are constantly striving to reduce our ecological footprint while increasing our "Fuchs-print."

What do you mean by the "Fuchs-print"?
I mean the benefits of our lubricants for our customers and the environment. They help reduce friction, wear, and corrosion in end-applications. Those are benefits that can be measured using a life cycle analysis and they can give us an added competitive advantage, over and above price and performance. In view of the e-mobility trend, for our customers in the automotive industry in particular, the focus on avoiding CO_2 emissions is shifting from the usage phase to the supply chain.

What role do your suppliers play in sustainable development at Fuchs?
Since we are an independent lubricant formulator and processor and therefore purchase all starting products at the end of the process and value chain, we are particularly reliant on our suppliers in the area of sustainability. We can only achieve a big reduction in our ecological footprint in collaboration with them. We endeavor to initiate (sustainable development) projects with future-oriented suppliers.

Looking ahead to the future, what are the main challenges for your suppliers?
A key issue in our industry is digitalization, because it will help us improve resource efficiency. For example, foresighted control with the aid of sensors will enable us to use exactly the right amount of energy and materials in production systems to meet our customers' requirements. Demands for recycling to reduce pressure on primary raw materials can also be taken into account if information on the availability of secondary raw materials is fed into the relevant systems. Our suppliers also face these challenges and the associated opportunities, and we will be taking a close look at whether and how they utilize them.

"Downstream": customers and end-customer applications

Sustainability has long been a growth driver in many of our businesses. Demand from customers for products for energy- and resource-efficient applications is rising. In response to this interest we provide innovative solutions that utilize our expertise as a world-leading specialty chemicals company. Our special strength is working in close partnership with our customers. That gives us a good basis so we can ensure timely identification of promising developments in our markets and gain access to new growth areas.

Evonik's product portfolio ranges from high-quality intermediates to complex formulations and system solutions. Our markets cover a balanced and diverse spectrum, including pharmaceuticals, consumer and care products, food and animal feed, paints and coatings, the automotive industry, mechanical engineering, and construction. None of the end-markets that we supply accounts for more than 20 percent of our sales.

Evonik's customers are mainly industrial companies that use our intermediates in their own products and solutions. Our operating segments make a key contribution to enhancing the product benefits that differentiate our customers in the market and make them successful in global competition.

Our products and markets

102-44 Working closely with our customers, we extend our solid knowledge of their requirements, markets, and trends. That helps us tailor products to their individual needs. Regional specifics are taken into account through our numerous technology and competence centers.

Alongside products and solutions, many of our businesses sell services along the entire value chain. A good example is our Animal Nutrition Business Line, with its broad range of specialist services.

At Evonik, the operating businesses are responsible for customer relationship management, which is aligned to market and customer needs on a decentralized basis by our segments and business lines. Alongside competence centers and customer-focused development centers, all employees play a part in this through their high expertise and professionalism.

Customer satisfaction

Leading market positions[1] account for around of 80 percent 102-44 of Evonik's sales. Our aim is to be integrated into our customers' supply chains where possible. That allows optimal alignment of our research & development, production, marketing, and distribution workflows to our customers' requirements.

High customer satisfaction is very important to maintain and extend our operating business. That is illustrated by the priority accorded to this in our materiality analysis.

At Group level, we have a Marketing & Sales Excellence (MSE) team that offers special staff training and management tools to support the continuous development of our segments through customer focus.

That includes, for example, regular analyses of customer satisfaction and the measures derived from them to raise customer loyalty across the board and identify scope for improvement in the development of products and services. The focus is on a holistic view of customer relationships, including product quality, product development, pricing, service, communication, logistics, and complaints management.

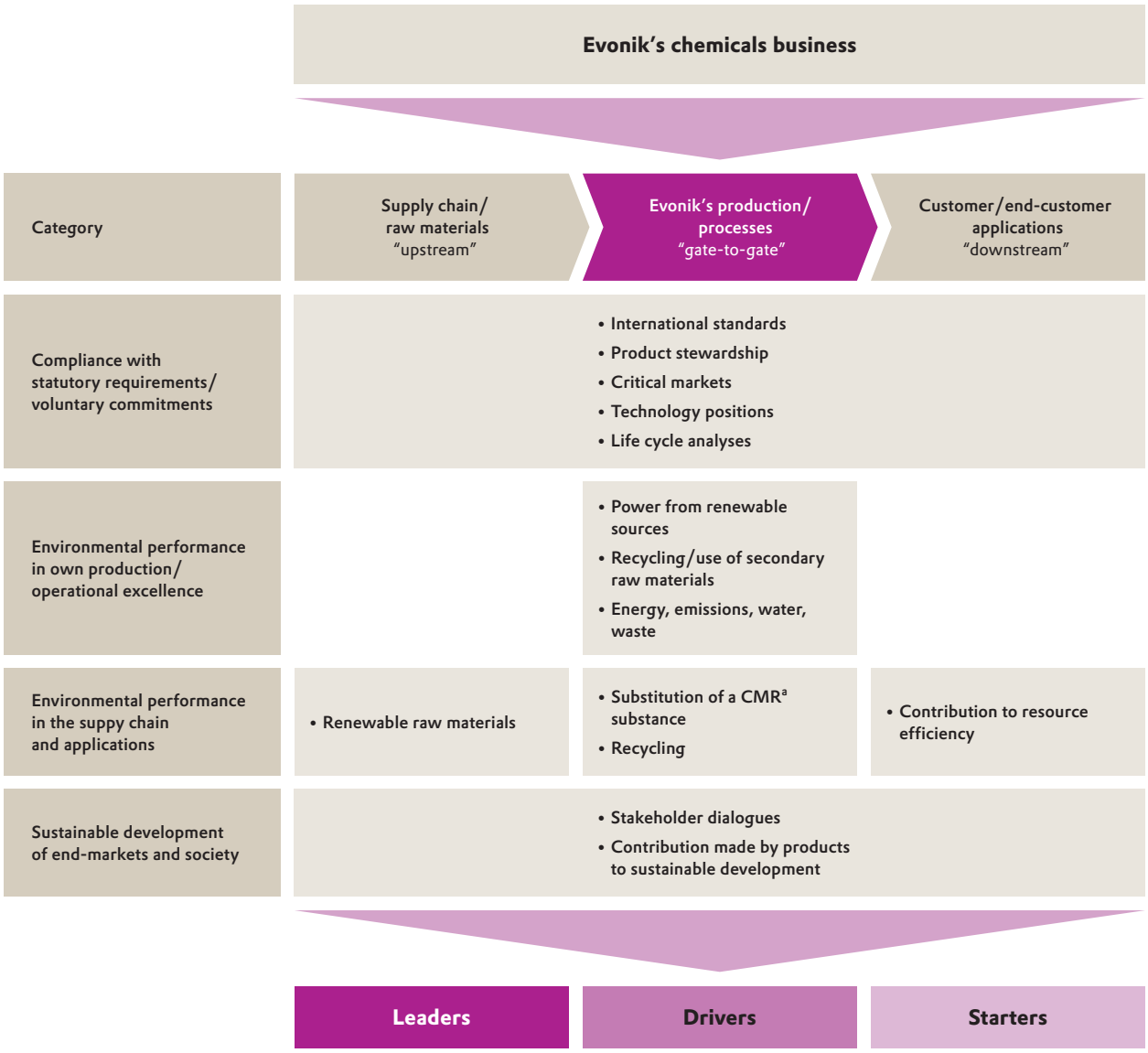
Evonik's eleven cross-business industry teams also make an important contribution to marketing. These teams pool solutions expertise for specific sectors or markets and provide a Group-wide communication platform for dialogue with customers. In this way, we build expertise and at the same time increase our visibility in our key markets. Examples of the present industry teams are Automotive and Paint & Coatings.

Sustainability analysis of the business

Sustainability is an important criterion in many of our markets and is increasingly becoming a growth driver. Our sustainability analysis makes the contribution of corresponding products and services to our business performance measurable. The methodology is illustrated in chart C21.

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

Sustainability analysis method C21



[a] CMR: carcinogenic, mutagenic, toxic for reproduction.

Methodology

The method used for our sustainability analysis is aligned to the value chain of our businesses and therefore takes into account criteria from the supply chain through production to subsequent use. The list of criteria reflects key ecological and societal aspects of our materiality analysis.

This was the basis for our third extensive sustainability analysis of our business—following the analyses performed in 2013 and 2015. Our analysis covers around 94 percent of Evonik's external sales.

The findings are used in a structured overall evaluation of the sustainability performance of our businesses. On this basis, each business line is classified as a Leader, Driver, or Starter.

Leaders fully meet the standards set for sustainable business, which include implementing the requirements set for the categories governance and risk assessment, supply chain performance, and focus on sustainable development. Drivers meet almost all requirements, but there is still scope for improvement on a few specific criteria. Starters are business lines that have the potential to improve their performance based on our standards for sustainable business because they do not yet meet our requirements on several criteria.

We are continuously developing the methodology used for our sustainability analysis. At the end of 2017 we therefore decided to add further criteria to allow more accurate differentiation of the sustainability requirements and sustainability performance of our products. Examples include social and societal aspects and innovation. We plan to complete this development work in 2018 and to apply the extended methodology in 2019 when we perform the sustainability analysis of our business in 2018.

Results

Our sustainability analysis ensures transparency on the following points:

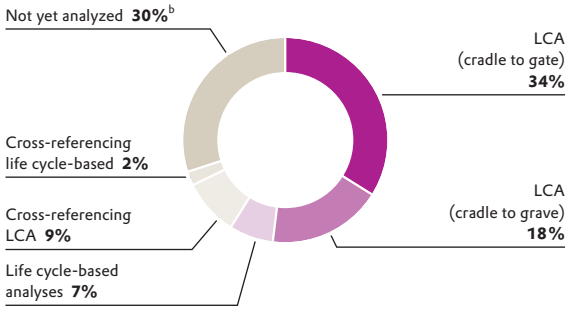
- Exposure of the business to issues that could affect our reputation (e. g., sensitive end-markets, standards, product stewardship)
- Overview of our contribution to reducing the ecological footprint and extending our handprint along our value chains (e. g., greenhouse gas emissions and water consumption).
- Additional scope for product and technology development (e. g., customers' and end-market sustainability requirements).
- Contribution made by our products and solutions to solving the social challenges defined in the United Nations Sustainable Development Goals.

Life cycle analyses

Life cycle analyses are a focal area of our sustainability analysis. The high expertise and strong operational involvement of the Life Cycle Management group plays a key role in ensuring that Evonik has wide-ranging knowledge of the environmental impact of its operations and is able to quantify this. In 2016, we performed life cycle analyses covering around 70 percent of the external sales of our chemical segments. In the mid term, we aim to extend this to around 80 percent of the external sales of our chemical segments.

Our procedure includes a broad spectrum of methods, including life cycle assessments (LCA), which comprise either a cradle-to-gate analysis covering all stages from product development through raw material and energy inputs to production, or a cradle-to-grave analysis covering the entire life cycle including subsequent use and disposal. Another tool is the life cycle-based calculation of the carbon footprint of our products. In addition, we use cross-referencing approaches, where findings, for example from existing LCAs, are used to evaluate similar products.

Sales of our chemicals segments covered by life cycle analyses[a] C22



[a] Based on data for 2016; presentation unchanged from Sustainability Report 2016.
[b] Life cycle analyses planned in some cases.

Resource-saving solutions

Evonik products offer customers resource-saving and energy-efficient solutions for a wide range of applications. In this way, we play a part in meeting the rising sustainability requirements of our markets. At the same time, we are continuing to develop our business opportunities in these markets.

Our sustainability analysis includes an extensive analysis of the contribution made by our products to improving resource efficiency in their respective applications. This covers energy savings and the reduction in greenhouse gas emissions, water consumption, and the use of raw materials. The results confirm that around 50 percent of the sales generated by our chemical segments already come from products that make a measurable contribution to improving the resource efficiency of their applications.

TARGET ATTAINMENT IN 2017

- **Ongoing development of methods and indicators for sustainable portfolio management[1]:** We have defined steps for the further development of the sustainability analysis of our business. These were approved by the CR Panel in November 2017 and will be implemented in 2018.
- **Structured presentation of the sustainability performance of the business lines:** This target is part of our work on the sustainability analysis of our business and will be tackled as part of the ongoing development in 2019.
- **Extend life cycle assessments to approx. 80 percent of the external sales of our chemical segments:** This target is part of our work on the sustainability analysis of our business and will be tackled as part of the ongoing development in 2019.

TARGETS FOR 2018 AND BEYOND

- Complete the ongoing development of the sustainability analysis of our businesses in 2018.
- Perform the next sustainability analysis using the extended methodology in 2019.
- Extend monetary valuation of the impact of our business along the value chain (impact analysis) to further regions and indicators.

Target achieved | Target partially achieved or target horizon extends beyond 2017 | Target not achieved

[1] This target was previously listed under "Strategy and growth."

THE ENVIRONMENT

"In my view, the increase in energy and resource efficiency should be combined with putting a price on CO_2. Pricing CO_2 would channel investment and energy efficiency in the right direction."

Prof. Ottmar Edenhofer, *Professor of Economics of Climate Change at TU Berlin*

TARGET ATTAINMENT IN 2017

–17%
specific greenhouse gas emissions[a]

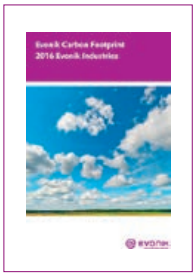
–5%
specific water intake[a]

TARGETS FOR 2018 AND BEYOND

- ***Reduce specific greenhouse gas emissions***
  by 12 percent by 2020 (reference base: 2012)
- ***Reduce specific water intake***
  by 10 percent by 2020 (reference base: 2012)
- ***Further reduction in production waste***
  including hazardous production waste

CDP
DRIVING SUSTAINABLE ECONOMIES

A–
rating
CDP Climate Change



Evonik Carbon Footprint brochure
www.evonik.com/responsibility

55
ESHQ[b] audits worldwide

B
rating
CDP Water

95.2 million metric tons
avoided greenhouse gas emissions[c]
over the application life cycle of selected Evonik products

New wastewater treatment facility in Zubillaga (Spain).

Page	Topic | GRI indicators
52	Strategy and management | 102-19
53	Climate change and emissions into the air | 201-2, 302-1, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7
59	Water management | 303-1, 301-3, 306-1
61	Waste management | 306-2
62	Biodiversity | 203-2, 304-1

[a] Reference base 2012.
[b] Environment, Safety, Health & Quality.
[c] In fiscal 2016.

Our philosophy

Protecting our environment and the climate are major global challenges of our age. Maintaining the natural basis of life for future generations is part of our corporate responsibility. That includes steadily reducing emissions and continuously improving the efficient use of materials and resources.

As a specialty chemicals company, we are aware that our production impacts the environment. Our materiality analysis also confirms that the issues of relevance for the environment area of action are climate change, emissions into the air, water management, and waste management. Our environmental targets provide valuable guidance on how to manage and improve our endeavors to protect the climate and our environment.

Strategy and management

The basis for our actions is an extensive, integrated management system for the environment, safety, health, and quality that applies to the whole of the Evonik Group. The structure of the management system is based on legal requirements and internal regulations such as policies and standard operating procedures. That ensures that we meet compliance requirements and supports continuous improvement of our environmental performance. In addition, we require our manufacturing sites to be validated as conforming to ISO 14001, the internationally recognized environmental management standard.

The Corporate ESHQ (Environment, Safety, Health & Quality) Division uses a central audit system to regularly monitor implementation of our binding Group-wide strategy and our management system. Based on the findings and analysis of our internal and external audits, site inspections, and reviews, talks are held on possible improvements and how to implement them. The Executive Board is informed annually of the outcome of the audits.

Internal and external audits are also performed on the processes used to collect and process environmental data. Our central sustainability reporting system (SuRe) compiles data on more than 50 production- and plant-related parameters. From these, we derive a wide range of information on climate change, emissions into the air, water management, and waste management. Regular training ensures that our high quality standards are met. The data are entered locally and can be evaluated via the reporting system on the basis of management units, legal structures, or regions.

Issues of particular importance to us are reducing specific greenhouse gas emissions, specific water intake, and production waste. Therefore we have set environmental targets for these areas.

Organization and competencies

Our global ESHQ (environment, safety, health, and quality) strategy is adopted by the HR Executive Committee.

Decisions on ESHQ issues relating to implementation of this strategy are taken by the ESHQ Panel, which is composed of representatives of the segments, regions, and the Technical Committee, and employee representatives. It is chaired by the head of the Corporate ESHQ Division, who reports directly to the Chief Human Resources Officer.

The Corporate ESHQ Division pools all Group-wide strategic management and coordination tasks relating to the environment area of action and ensures cross-segment rules on the relevant processes.

The role of the Global ESHQ Committee is to regularly discuss ESHQ issues and prepare decisions to be taken by the ESHQ Panel. This committee comprises representatives of all relevant functions in the segments and the heads of the regions.

Specialist knowledge of selected issues is bundled in ESHQ Expert Circles, which are convened as required. They are responsible for proposing solutions to specific environmental issues. These are then implemented by the operational and service units. For example, there are Expert Circles on climate strategy, environmental protection, and management & audits.

Structure of the Environment, Safety, Health and Quality (ESHQ) steering bodies C23

Status of our environmental targets

We have set demanding environmental targets for the period 2013–2020 (reference base: 2012; based on 1 metric ton of output in each case):

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

In addition, we want to achieve a further reduction in production waste.

Progress towards attaining our environmental targets varied in 2017. Specific greenhouse gas emissions remained at the previous year's level. This was mainly due to the initial consolidation of the Air Products specialty additives facilities and an altered fuel mix in Marl (Germany). Routine shutdowns of the gas-fired power plants were offset by higher use of the coal-fired power plant. Specific water intake rose slightly in 2017. This was principally caused by an increase in cooling water requirements as a result of organic production growth.

Status of our environmental targets T18

in % compared with 2012	2014	2015	2016	2017	Target 2020
Reduction in specific greenhouse gas emissions[a]	–8	–11	–17	–17	–12
Reduction in specific water intake[b]	+12[c]	+7	–6	–5	–10

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

Hazardous production waste was 7 percent higher than in the previous year, while non-hazardous production waste was 23 percent higher. In both cases, the initial consolidation of the businesses acquired from Air Products contributed to the increase. In addition, maintenance shutdowns at the sulfuric acid cracking plant in Marl (Germany) increased hazardous production waste as waste sulfuric acid had to be disposed of via external reprocessors.

Our activities in 2017

Audits of our segments, regions, and sites are conducted to monitor compliance with ISO 14001 validation at our production locations. We conducted 55 ESHQ audits worldwide in 2017. As a result of the necessary start-up and preparatory phase for new units, the proportion of output covered by ISO 14001 validation varies. However, it is always between 95 and 100 percent.

In 2017, we invested €42 million (2016: €37 million) in measures to achieve a further improvement in environmental protection. Investment in environmental protection can fluctuate considerably because it depends on specific projects. In 2017, for example, a more effective wastewater treatment facility was constructed in Zubillaga (Spain) and a new thermal incineration plant was built in Marl (Germany).

Operating costs for environmental protection facilities rose to €310 million in 2017 (2016: €292 million). This was principally due to the acquisition of the Air Products specialty additives business.

Environmental protection investment and operating costs T19

in € million	2012	2013	2014	2015	2016	2017
Operating costs for environmental protection	251	250	259	283	292	310
Investment in environmental protection	39	29	107	43	37	42

Climate change and emissions into the air

Energy inputs

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. Many of our energy management systems meet the high standards of ISO 50001.

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. We also use substitute fuels such as thermal processing of by-products from production, waste, and sewage sludge. These accounted for around 11 percent of total net energy inputs in 2017, the same proportion as in 2016.

Energy inputs T20

in petajoules	2012	2013	2014	2015	2016	**2017**
Gaseous fossil fuels	32.72	31.74	32.93	35.48	37.96	38.12
Solid fossil fuels	23.93	22.38	23.69	19.86	15.84	16.50
Liquid fossil fuels	0.27	0.20	0.18	0.23	0.24	0.25
Substitute fuels	7.42	7.96	7.62	7.75	7.71	7.93
Power, external input[a]	18.98	18.59	18.45	19.38	19.17	20.15
Power, external output	11.77	12.50	12.31	12.41	11.60	12.87
Steam, external input	6.18	5.15	6.34	6.59	6.27	7.52
Steam, external output	10.51	8.26	8.00	7.92	7.83	8.36
Energy input, gross[b]	**89.48**	**86.03**	**89.23**	**89.29**	**87.20**	**90.47**
Energy input, net (after subtraction of output)[b]	**67.20**	**65.27**	**68.92**	**68.95**	**67.76**	**69.24**
Production in million metric tons	9.71	10.06	10.35	10.36	10.58	10.98
Specific energy input, net	6.92	6.49	6.66	6.66	6.40	6.31

[a] Including captive hydroelectric and solar power.
[b] Differences between the data and totals are due to rounding differences.

Solid fossil fuels increased by 4 percent in 2017 compared with the previous year. The temporary shutdown of the gas turbine power plants in Marl (Germany) for maintenance and repair work was offset by increased use of the coal-fired power plant. Another reason for the increase was higher production at Chinese sites, which use coal-based energy generation. The increase in external input of power and steam was attributable to higher production and the acquisition of the Air Products specialty additives business.

Greenhouse gas emissions

Our goal is to reduce specific greenhouse gas emissions by 12 percent by 2020 (reference base 2012 = 100 percent). Use of efficient technologies and production processes will help us achieve this. The standard used to report our greenhouse gas emissions is the Greenhouse (GHG) Protocol Standard.

In the past, Scope 2 emissions were calculated using the location-based method, which includes regional emission factors. Since 2015, the majority of our sites around the world have also calculated Scope 2 emissions using the market-based method, which takes account of the specific emissions of individual suppliers and market participants. This enhances accuracy and also enables us to meet the requirements of the GHG Protocol. If, in individual cases, insufficient data are available, we use established factors from the International Energy Agency. To ensure comparability, for 2017 the CO_2 contribution to Scope 2 emissions is therefore reported using both methods. In addition, we have recalculated our Scope 2 emissions retroactively from 2012 using the market-based method. These data are used to determine the specific GHG emissions for our CO_2 target. The new method covered more than 95 percent of our power-related Scope 2 emissions in 2017, and around 70 percent of external steam inputs.

Greenhouse gas emissions T21

in thousand metric tons CO_2 equivalents [a]	2012	2013	2014	2015	2016	**2017**
Scope 1						
Carbon dioxide (CO_2)	5,879	5,725	5,846	5,525	5,312	5,546
Methane (CH_4)	14	14	14	14	12	14
Dinitrogen oxide (N_2O)	63	130	66	50	53	47
Fluorinated hydrocarbons (HFC)	7.0	6.3	8.1	3.6	3.2	2.8
Total	5,964.0	5,875.3	5,933.7	5,593.2	5,380.2	5,609.1
Scope 2 [b]						
CO_2 gross (location-based)	3,126	2,925	3,003	3,156	3,068	3,272
CO_2 gross (market-based)	4,220	3,996	3,967	4,189	4,084	4,282
CO_2 net [c] (location-based)	973	859	966	1,058	1,009	991
CO_2 net [c] (market-based)	1,025	882	909	1,011	1,004	925
Production in million metric tons	**9.71**	**10.06**	**10.35**	**10.36**	**10.58**	**10.98**
Specific greenhouse gas emissions, net (market-based) in metric tons CO_2 equivalents per metric ton production	**0.72**	**0.67**	**0.66**	**0.64**	**0.60**	**0.60**
Changes compared with the reference year (2012) in %	**100**	**93**	**92**	**89**	**83**	**83**

Differences between the data and totals are due to rounding differences.

[a] GWP factors: CO_2: 1, N_2O: 310, CH_4: 21, HFC: 140–11,700.
[b] Recalculated from 2012 using the market-based method of calculating Scope 2 emissions to ensure comparability.
[c] Total Scope 2 = Power and steam sourced externally less power and steam supplied to third parties. The table shows the CO_2 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 production supplied to third parties from total inputs. That enables us to eliminate the proportion of energy-related CO_2 emissions attributable to third parties at our large multi-users sites and generate company-specific indicators.

Greenhouse gases are clearly dominated by CO_2 emissions. In line with Evonik's fuel mix, most Scope 1 CO_2 emissions (72 percent) are due to the combustion of coal and natural gas. Due to higher use of coal-fired power plants in Marl (Germany) and increased production, CO_2 emissions from the combustion of coal were 13 percent higher in 2017 than in 2016. Greenhouse gas emissions (GHG emissions), i. e., the sum of Scope 1 and Scope 2 (market-based) emissions increased from 6.38 million metric tons CO_2 equivalents in 2016 to 6.53 million metric tons CO_2 equivalents in 2017. Since production also increased in the same period, specific net GHG emissions were unchanged. Around half of the increase in the production and more than 90 percent of the rise in net GHG emissions resulted from the initial consolidation the Air Products specialty additives production facilities.

The 26 facilities operated by Evonik that fall within the scope of the EU Emissions Trading System (EU ETS) emitted 3.8 million metric tons of CO_2 in 2017 (2016: 3.7 million metric tons CO_2).

We 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 validation under ISO 50001. 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. Another example is the use of liquid and gaseous by-products from production as substitute fuels for energy generation. We also generate steam from the exhaust heat from various incineration plants for waste, sewage sludge, exhaust gases, and wastewater.

The second largest source of GHG emissions at Evonik after CO_2 emissions from fuels are N_2O emissions (in greenhouse gas equivalents). However, they only account for less than 1 percent of the total.

Food for thought—Ottmar Edenhofer

Prof. Ottmar Edenhofer holds the Professorship of Economics of Climate Change at the Technical University of Berlin and is Deputy Director and Chief Economist of the Potsdam Institute for Climate Impact Research (PIK). In 2012, he was appointed Director of the Mercator Research Institute on Global Commons and Climate Change, which was established jointly by the Mercator Foundation and PIK.

Are we responding fast enough to climate change?
There are visible signs of climate change: Glaciers are melting, sea levels are rising, the monsoon dynamics are changing, and there is danger that the Amazon will become a net source of CO_2 rather than a net CO_2 sink. If we want to make sure that life on our planet remains bearable, the temperature rise must be kept below 2 degrees. To do that, we need to act faster than at present.

What about water?
Water is in short supply. Climate change is impacting all relevant areas—energy, water, the supply of food. Essentially, climate change has the potential to fundamentally change the way our planet works.

You want to make people aware of the costs of climate change. How are you doing that?
The basic idea is that it is cheaper to act now than to accept the damage caused by climate change. Once a certain amount of CO_2 has been stored in the atmosphere, the average temperature of our planet will rise and it will no longer be possible to correct it. Then our only option will be to adapt to unchecked climate change. However, that would be too much for many countries, especially developing nations.

Is smart and efficient use of natural resources a solution?
Energy efficiency and efficient use of resources have increased almost everywhere in the world in the past 30 years, but that has been more than offset by economic and population growth. Today, we drive more efficient automobiles and live in insulated rooms—but we drive more autos, heavier autos, and live in larger apartments.

So what can be done?
In my view, the increase in energy and resource efficiency should be combined with putting a price on CO_2. Pricing CO_2 would channel investment and energy efficiency in the right direction.

In Germany, we've been doing environmental protection for so long, why are we so far behind in climate protection?
Germany's environmental policy has been very successful in the past, but in climate protection we've lost our pioneering role. If we have an effective climate policy and only want to emit a certain amount of CO_2 into the atmosphere—to stay below 2 degrees, that would be between 700 and 800 gigatonnes—that would mean 80 percent of coal and a third of oil and gas would have to stay in the ground. That's unbelievably challenging! A CO_2 price would set the right incentives.

What are the preconditions for achieving this massive transformation process?
The problem is that evolution has not equipped us to make decisions that have a global impact. We are made to deal with local matters that have a direct effect on us. Evolution has made us sensitive to those close to us. But to overcome global challenges, we need to empathize with those furthest away from us: with people in the Philippines or on the Fiji Islands, and also for generations to come.

In our relationship with those around us we learn sensitivity, responsibility, love. We need to learn to build a relationship with people with whom we cannot have a direct relationship, with those who are a long way away, either geographically or in time. That is our task. The focus of our political institutions needs to help us develop the right mindset. If someone could already come up with the solution to that, I would award them both the Nobel Peace Prize and the Nobel Prize for Economics!

Evonik Carbon Footprint

We pay special attention to greenhouse gas emissions along the value chain. Since 2008, we have reported an extensive overview of greenhouse gas emissions—from the extraction of raw materials through production to disposal of the products.

The key parameter is the carbon footprint (CO_2eq footprint). The data cover Evonik's direct energy and process emissions (Scope 1), emissions from purchased electricity and heat (Scope 2), and selected indirect emissions (Scope 3). These include emissions from the production of purchased raw materials, packaging materials, capital goods, energy-related emissions outside Scope 1 and 2, emissions from inbound transportation of raw materials, from the disposal of production waste, business trips, commuting by employees, Evonik's fleet of vehicles, energy requirements for offices, and emissions from the disposal and recycling of products sold. The reported data exclude, among other things, the usage phase of Evonik's products.

Greenhouse gas emissions increased from 24.7 to 25.9 million metric tons CO_2eq between 2015 and 2016. The increase of 1.2 million metric tons CO_2eq in 2016 compared with 2015 was mainly due to the higher volume of products sold and the related rise in purchased raw materials. This resulted in an increase of around 1.0 million metric tons CO_2eq in category 1, while higher sales volumes were principally responsible for the rise of 0.4 million metric tons CO_2eq for the disposal of products (category 12). By contrast, there was a reduction in Scope 1 direct emissions: Alongside targeted measures to raise energy efficiency, the reduction mainly came from structural upgrades at the site in Marl (Germany).

Change in greenhouse gas emissions along Evonik's value chain[a] T22

in million metric tons CO_2eq	2012	2013[b]	2014[b]	2015[b]	2016
CO_2eq emissions	22.2	23.4	25.7	24.7	25.9

[a] The updated figures for 2017 will be published in summer 2018 in our brochure "Evonik Carbon Footprint." Therefore, the figures here relate to 2016.
[b] Compared with the data for 2012, the reporting threshold contains two additional Scope 3 categories from 2013 and three additional categories from 2014.

The method used is closely based on the GHG Protocol Standard of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

The next table shows a breakdown of greenhouse gas emissions along Evonik's value chain, based on the categories in the GHG Protocol Standard.

Evonik Carbon Footprint T23

in million metric tons CO_2eq (excluding the usage phase)		2016
Scope 1	Evonik's energy- and process-related emissions	5.4
Scope 2	Purchased energy (net, total purchased power and steam—sale of power and steam to third parties)	1.0
Scope 3	Category 1: Purchase of chemical raw materials, packaging materials, and indirect goods	10.3
	Category 2: Capital goods	0.6
	Category 3: Energy-related activities (outside Scope 1 and 2)	0.6
	Category 4: Inbound shipments of chemical raw materials	0.4
	Category 5: Disposal and recycling of production waste	0.5
	Category 6: Business trips by employees	0.04
	Category 7: Commuting by employees	0.1
	Category 8: Leasing of goods, upstream (company cars, power, and heating requirements for offices)	0.02
	Category 9: Outbound shipments of products	0.4
	Category 12: Disposal and recycling of products	6.6
Total		**25.9**

CO_2eq avoided by using Evonik products

Evonik markets a variety of products whose use makes a positive contribution to reducing greenhouse gas emissions compared with conventional alternatives. The avoidance of greenhouse gases shown here results from applications for the following four products/system solutions: "green" tire technology, amino acids for animal nutrition, foam stabilizers for insulating materials, and oil additives for hydraulic fluids. The amounts stated are avoided over the usage life cycle of the products, based on volume sales of the products manufactured by Evonik in the year given. The method used to compile the data is the WBCSD Avoided Emissions Guidance published in October 2013.

The increase in avoided emissions between 2015 and 2016 was due to an increase in volume sales of technologies for "green" tires and a more detailed regional breakdown of sales volumes of foam stabilizers for insulating materials, which improved the data basis used in the calculation.

Greenhouse gas avoidance during the application life cycle T24

in million metric tons	2012[a]	2013	2014	2015	2016
CO_2eq avoided	60.4	61.2	92.5	92.2	95.2

[a] The data for 2012 have been recalculated and adjusted retroactively on the basis of the WBCSD Avoided Emissions Guidance.

CDP Climate Change—Climate reporting at a high level

Evonik is engaged in intensive exchange with rating agencies such as CDP on the reporting of key environmental indicators. In 2017, we were able to retain the very good CDP Climate Change rating of "A–" attained in 2016.

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. Our environmental management systems set the framework for us to achieve the statutory thresholds. Relevant sources of emissions are constantly monitored in accordance with statutory requirements.

Other emissions into the air T25

in metric tons	2012	2013	2014	2015	2016	**2017**
Carbon monoxide (CO)	1,017	1,066	1,053	889	1,057	1,132
Sulfur oxides (SO_X)	3,652	3,215	3,052	2,424	2,297	2,826
Nitrogen oxides (NO_X)	4,963	4,734	4,739	4,478	4,528	4,362
Non-methane volatile organic compounds (NMVOC)	1,019	951	835	661	701	672
Particulates	441	363	366	257	359	386
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	1.38	1.41	1.58	0.15	0.23	0.13
Emissions of ozone-depleting substances[a] in metric tons CFC-11 equivalents	0.05	0.07	0.09	0.16	0.07	0.14

[a] 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).

SO_x emissions predominantly come from energy generation and the recycling of sulfuric acid. The increase in SO_x emissions was mainly due to the higher use of coal in Power Plant 1 and the lower availability of the sulfuric acid cracking plant in Marl (Germany).

The decline in heavy metal emissions was mainly due to a change in the fuel mix at the coal-fired power plant in Marl (Germany).

Water management

We aim to save water wherever possible and to achieve a further reduction in our emissions into water. At the same time, a good water supply is crucial for smooth production. Our goal is to reduce specific water intake, i. e., intake per metric ton of output, by 10 percent by 2020 (reference base 2012). We take into account surface water, groundwater, and drinking water to reflect the special significance of freshwater.

Evonik mainly uses water for cooling, for process purposes in production facilities, and to generate steam in power plants. To reduce the use of fresh water, we have established integrated supply systems with graduated water qualities. In addition, the water that evaporates from cooling circuits is often replaced by condensate or recycled drinking water. In accordance with ISO 14046, the intake of sea water for cooling purposes at our methionine facility in Singapore is not taken into account in our overview of our water footprint; however, it is reported separately.

Water stress analysis is an important element in water management. Water stress is a condition that was originally used to describe the impact of water shortages on living organisms such as plants, but it is increasingly being used with reference to the availability of water for industrial processes. Evonik conducted extensive analyses of all 83 production sites in 2016. These show that 14 production sites (17 percent of the sites analyzed) are in areas that could potentially be affected by water stress. To secure the availability of water at these sites, regular talks are held with the responsible authorities and other water users. In 2017, no reports were received of production restrictions due to water shortages at any of our sites.

CDP Water

Evonik participated in the CDP Water for the second time in 2017. We received a level B rating (management level showing coordinated action) for our very extensive and transparent reporting. At the end of 2017, we launched activities to drive forward our water stress analysis. The aim is to achieve leadership level.

Consumption of freshwater increased from 429.1 million m^3 to 446.3 million m^3 in 2017. The main reason for this was increased demand for surface water for cooling due to production increases.

Water intake by source T26

in million m^3	2012	2013	2014	2015	2016	**2017**
Drinking water[a]	18.2	18.4	19.2	18.5	18.1	17.7
Groundwater	84.7	77.7	80.9	80.1	75.8	77.6
Surface water	313.9	315.0	394.9	371.8	331.6	347.2
Recycling of water from third parties and use of rainwater	4.0	2.9	2.6	4.3	3.4	3.8
Total freshwater[b]	**420.9**	**413.9**	**497.6**	**474.6**	**429.1**	**446.3**
Salt water (sea water)	–	–	–	41.9	130.9	130.2
Total	**420.9**	**413.9**	**497.6**	**516.5**	**560.0**	**576.6**
Production in million metric tons	**9.71**	**10.06**	**10.35**	**10.36**	**10.58**	**10.98**
Specific water intake[c] in m^3 freshwater per metric ton production	**41.2**	**39.2**	**46.3**	**43.9**	**38.7**	**38.9**
Changes compared with the reference year (2012) in %	**100**	**95**	**112**	**107**	**94**	**95**

Differences between the data and totals are due to rounding differences.

[a] Water from municipal or other utilities.
[b] The water data for 2012–2015 have been recalculated. Based on our regular analytical verification—checks on random samples of reported data and audits—gaps in reporting in one organizational unit (mainly once-through and closed-circuit cooling water) were identified and corrected.
[c] Excluding water for remediation purposes.

About 78 percent of the freshwater used in 2017 was surface water, mainly from rivers. 1 percent comprised recycled water and rainwater. Around 96 percent (1,837 million m^3) of our total water intake was used for cooling purposes in energy generation and production. Only 4 percent (66 million m^3) was used for production purposes. Water used in closed cooling circuits is included when calculating the proportion of total water that is used for cooling. In 2017, 72 percent of cooling of production facilities used closed-circuit systems with recooling facilities. The remainder were cooled using once-through systems. Most of the surface water and sea water reported was used for once-through cooling. In addition, around 64 percent of groundwater intake was for this type of cooling.

Cooling water and water discharge T27

in million m^3	2012	2013	2014	2015	2016	**2017**
Cooling circuits[a]	1,101	1,141	1,250	1,293	1,262	1,327
Once-through cooling water[b]	340.7	339.4	419.5	445.2	494.3	510.2
Process water (including drinking water and water from sanitary installations)[c]	55.4	54.6	55.3	54.0	53.0	52.4
Total water discharge[d]	**396.1**	**394.0**	**474.8**	**499.2**	**547.3**	**562.7**

Figures for 2012-2015 recalculated.

[a] Water used in cooling circuits is reused several times.
[b] Including salt water.
[c] Direct and indirect discharge and water sold to third parties.
[d] Total once-through cooling and process water.

The difference between water intake and water discharge is due to the use of water, among other things, to produce steam, in production, and to cover evaporation losses. In 2017, the difference was 13.8 million m^3 (2016: 12.7 million m^3).

Emissions into water

Our sites aim to make a contribution to protecting natural water resources. When planning new production plants, we therefore consider the use of processes that generate little or no wastewater. 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. 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. Wastewater discharged from our sites is carefully monitored by regular sampling and continuous measuring equipment.

Wastewater loads[a] T28

in metric tons	2012	2013	2014	2015	2016	**2017**
Chemical oxygen demand (COD)	4,787	4,767	4,302	4,808	4,633	5,399
Total nitrogen (N)	447	469	441	434	388[b]	359
Total phosphorus (P)	96	97	95	84	107	100
Adsorbable organic halogen compounds (AOX)	1.8	1.7	1.9	1.7	1.9	1.7
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	5.5	5.1	5.1	5.6	5.6	5.7

[a] The data on wastewater loads comprise all direct discharges into receiving water and proportionate indirect discharges.
[b] The total nitrogen figure reported for 2016 has been recalculated. As a result of our regular analytical verification, incorrect reporting was identified and corrected.

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. About half of the increase in COD is due to the initial consolidation of the businesses acquired from Air Products. In addition, there was an increase in wastewater loads in some cases due to higher production output. The slight rise in heavy metal emissions was essentially within the analytical variation for the measuring method because in many cases the values obtained are only slightly above the detection threshold.

Waste management

Our goal is to further reduce production waste. The following priorities have therefore been set for waste management: The first priority is to avoid waste through continuous process improvements and by extending integrated production systems. If this is not possible, waste should be recycled or used to generate energy and, as a last resort, it should be disposed of safely.

We use catalysts to increase yields and reduce side reactions. Integrated material flows are another tool. We also use the benefits of integrated production sites and systems for systematic waste management. Sewage sludge can also be reused within the integrated production structure. After dewatering, it is thermally processed by incinerating it in a separate incineration plant with integrated flue gas treatment. Some of the exhaust gases from the production plants are used as substitute fuels in this process. The incineration gases are then used to generate 20 bar steam. To conserve resources, at many of our sites we use substitute fuels such as liquid residues from production processes.

Waste[a] **T29**

in thousand metric tons	2012	2013	2014	2015	2016	2017
Hazardous production waste	**227**	**218**	**212**	**213**	**227**	**244**
of which reprocessed	138	137	131	132	133	128
of which disposed of	89	81	81	81	94	115
Non-hazardous production waste	**160**	**152**	**156**	**153**	**124**	**153**
of which reprocessed	104	104	110	93	71	91
of which disposed of	56	48	46	60	53	63
Subtotal production waste	**387**	**370**	**368**	**366**	**351**	**397**
Hazardous building and demolition rubble	**32**	**23**	**19**	**8**	**14**	**42**
of which reprocessed	4	3	6	2	5	22
of which disposed of	28	20	14	6	9	20
Non-hazardous building and demolition rubble	**96**	**97**	**109**	**82**	**73**	**73**
of which reprocessed	65	64	87	62	50	55
of which disposed of	31	33	22	20	23	18
Total	**515**	**489**	**497**	**455**	**438**	**512**

[a] Differences between the data and totals are due to rounding differences.

In 2017, the total amount of waste increased by 17 percent compared with 2016 to 512,000 metric tons, but the development differed by category. Hazardous production waste was 7 percent higher than in the previous year, while non-hazardous production waste was 19 percent higher. In both cases, the initial consolidation of the businesses acquired from Air Products contributed to the increase. In addition, lengthy maintenance shutdowns at the sulfuric acid cracking plant in Marl (Germany) increased hazardous production waste, as waste sulfuric acid had to be disposed of via external reprocessors. For production reasons, the non-hazardous production waste included a higher amount of sewage sludge.

Building and demolition rubble can fluctuate considerably between years because it depends on specific projects. In 2017, it increased by 28,000 metric tons, principally due to dismantling of disused electrolysis facilities in Marl (Germany).

Waste management T30

in thousand metric tons	2012	2013	2014	2015	2016	**2017**
Incineration with recycling of heat energy	68	66	63	64	58	45
Disposal by incineration	84	84	90	81.5	93	114
Recycling (including composting)	181	185	224	176	127	189
Landfill	58	51	31	46	50	62
Chemical/physical/biological treatment	24	18	19	7	16	19
Other disposal methods	37	30	23	21	20	22
Other reprocessing methods	63	56	47	61	75	62
Total[a]	**515**	**489**	**497**	**455**	**438**	**512**

[a] Differences between the data and totals are due to rounding differences.

The percentage of waste reprocessed comprises recycled substances, incineration with recycling of heat energy, and other disposal methods. The reprocessing rate was virtually unchanged at 58 percent in 2017, compared with 59 percent in 2016. Evonik develops methods of recycling waste in accordance with the statutory framework. For example, we recycle or re-use precious metal catalysts and industrial packaging.

Biodiversity

As a result of progressive industrialization, biodiversity is decreasing worldwide. Consequently, the reproductive capacity of our ecosystems is increasingly reaching its limits. However, intact ecosystems and the associated ecosystem services, for example, the air we breathe and access to groundwater and surface water, are essential for our society. As a specialty chemicals company, Evonik is also dependent on functioning ecosystems and ecosystem services.

In 2017, biodiversity was added to our materiality analysis, partly due to feedback from internal and external stakeholders.

Declining biodiversity has a negative effect on Evonik's business activities. At the same time, we are aware that our value chains involve risks for biological diversity.

In future, we will be looking more closely at biodiversity, identifying links to our sites and business activities, and—in the intermediate term—developing an Evonik position on biodiversity covering all value chains.

Evonik production sites adjacent to conservation areas T31

Evonik site	Country	Area in km²	Use	Status of conservation area (adjacent)
Hanau	Germany	0.776949	Production	92/43/EEC area
Lülsdorf	Germany	1.035502	Production	92/43/EEC area
Marl	Germany	8.029755	Production	92/43/EEC area
Wesseling	Germany	0.328367	Production	92/43/EEC area
Americana	Brazil	0.300699	Production	national
Etzen-Gesäß	Germany	0.039277	Production	national
Lenzing	Austria	0.003585	Production	national
Mobile	USA	6.772000	Production	national
Morrisburg	Canada	1.318957	Production	national

In principle, the industrial premises used by Evonik do not include any protected or restored natural habitats. However, some of our sites are adjacent to conservation areas.

For example 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. Other 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 Protection 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.

TARGET ATTAINMENT IN 2017

- **Reduce specific greenhouse gas emissions by 12 percent by 2020 (reference base: 2012):** Status in 2017: reduced by 17 percent.
- **Reduce specific water intake by 10 percent by 2020 (reference base: 2012):** Status in 2017: reduced by 5 percent.
- **Further reduction in production waste, including hazardous production waste:** Total production waste in 2017: 396 thousand metric tons (2016: 351 thousand metric tons).

TARGETS FOR 2018 AND BEYOND

- Reduce specific greenhouse gas emissions by 12 percent by 2020 (reference base: 2012).
- Reduce specific water intake by 10 percent by 2020 (reference base: 2012).
- Further reduction in production waste, including hazardous production waste.

Target achieved · Target partially achieved or target horizon extends beyond 2017 · Target not achieved

SAFETY

"Many innovation demands need a chemistry solution. Likewise many chemistry innovations provide demand solutions. So chemistry needs to continuously change. I think sustainable chemistry is a concept which gives companies long-term advantages."

Bjorn Hansen, *Executive Director of the European Chemicals Agency (ECHA)*

SAFETY INDICATORS AT A VERY GOOD LEVEL

1.16
Accident frequency rate
max. 1.30

1.11
Incident frequency rate
max. 1.10

TRANSPORTATION SAFETY

4.1
million metric tons
Outgoing shipments of hazardous goods
(2016: 4.0 million metric tons)

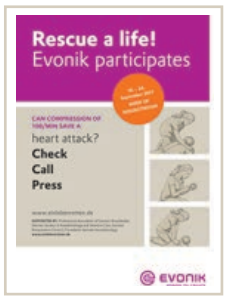
4.5
million metric tons
Outgoing shipments of other goods
(2016: 4.1 million metric tons)

>200
Participants at Rail Safety Days organized by Evonik and partner firms

Rail Safety Days: safety training at Marl Chemical Park.

HEALTH PROTECTION

Occupational Health Performance Index



0.22
Occupational Disease Rate
(2016: 0.36)

CPR Awareness Week in Germany, Belgium, and China.

Page	Topic | GRI indicators
65	Occupational and plant safety | 102-11, 102-13, 102-43, 403-1, 403-2
67	Health protection | 403-1, 403-4
68	Transportation safety and logistics | 403-3, 403-4, 416-1
71	Product stewardship | 417-1, 413-2

Our philosophy

102-43 Safety and health protection have priority over sales and profits at Evonik. Our materiality analysis and regular discussions with our stakeholders confirm the high priority we give to occupational and plant safety, product stewardship, safety in transportation and logistics, and protecting health.

We have defined Environment, Safety, Health and Quality Values. These address our responsibility and our endeavors to continuously improve our products, processes, and systems.

Occupational and plant safety

We have developed the Safety at Evonik initiative into a Group-wide management approach to implement a safety culture in all areas of occupational and transportation safety. It defines binding principles of action that give our managers and employees reliable guidance on safety-compliant conduct in their daily work. All employees worldwide receive training in this.

At Evonik, the management of occupational and plant safety is ensured by globally binding policies and operating procedures that form an integral part of our management system. Observance of these rules is monitored by central audits, while business-specific implementation is assigned to the segments. Steering bodies at Group level ensure that mission-critical processes are standardized for all segments (see "Environment," Structure of the ESHQ steering bodies, page 52).

Group-wide targets based on key performance indicators are used to check implementation of the requirements and identify the need for further action. The relevant indicators are accident frequency as a measure of occupational safety and incident frequency as an indicator of plant safety.

Our crisis and incident management ensures that in the event of accidents and incidents everything humanly possible is done to prevent and limit damage. To build and share the necessary experience, we are actively involved in various national and international networks.

We analyze incidents carefully so we can learn from them. Our global newsletter "Learning from one another" provides information on incidents and topical safety issues.

Occupational and plant safety in 2017

In 2017, we continued our global video training on safety issues, supplemented by measures derived from the latest Group-wide employee survey. Examples include practical work with the new Safety at Evonik Toolbox that gives our plants access to best practices from around the Group.

In addition, we made considerable progress with plant safety in 2017. The expectations and requirements for the analysis of processes and dangers at Evonik were bundled in a Group-wide policy, which was drafted jointly with external safety specialists. This state-of-the-art policy is binding throughout the Group for all issues related to process safety.

Slight improvement in the accident frequency rate

Employee safety covers safety on the way to and from work as well as safety at work. Contractors' employees working at our sites are also included. In 2017, the accident frequency rate[1] for Evonik employees[2] was below our defined maximum limit of 1.30. In fact, the accident frequency rate of 1.16 was slightly lower than in the previous year (1.24). Discussing the accidents provided valuable pointers for developing accident prevention measures for the future and communicating them to employees.

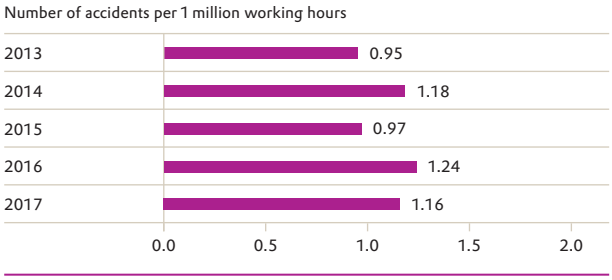
Framework of the safety culture C24

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

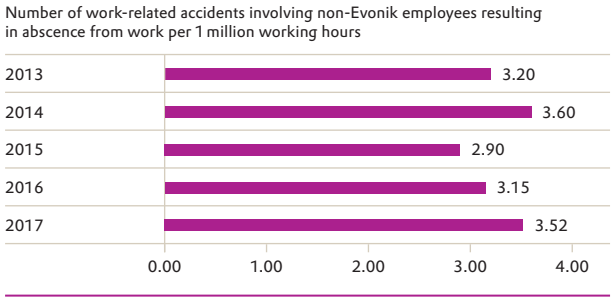
Theme	Everyone	Supervisors	Managers
Standards	Follow rules	Ensure compliance	Set high standards
Communication	Speak up	Encourage the team	Communicate openly
Risk management	Be mindful	Promote risk awareness	Confront risk
Involvement	Get involved	Involve the team	Involve the workforce

[1] Number of accidents resulting in absence from work per 1 million working hours.
[2] Evonik employees including personnel from staffing agencies.

Accident frequency indicator C25



Accident frequency indicator, contractors' employees C26



In 2017, there was one fatal accident at our sites involving an Evonik employee. There were no fatal traffic accidents involving contractors' employees, nor any fatal accidents involving employees on the way to or from work or on business trips. The accident frequency rate for contractors' employees was 3.52, slightly higher than in 2016 (3.15).[1] As a consequence, we have embarked on a thorough analysis of these accidents. This will look at technical and organizational aspects as well as individual behavior.

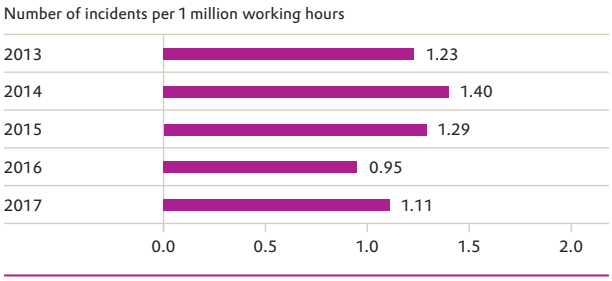
Incident frequency indicator at a very good level

In 2017, we once again documented the process safety of our plants based on the number of incidents involving the release of substances, fire, or explosion (process safety performance indicator defined by the European Chemical Industry Council, Cefic).

To further enhance clarity and transparency, we now report incident frequency as an absolute figure, i.e., the number of incidents per 1 million working hours instead of as percentage points, taking 2008 as the reference base.

In 2017, the incident frequency rate was 1.11, so we did not quite meet our target of 1.10. Nevertheless, that was a very good performance.

Incident frequency indicator C27



TARGETS ATTAINMENT IN 2017

We set annual limits for the occupational safety and plant safety indicators. For 2017, these were:

- **Accident frequency rate should be ≤ 1.30:** In 2017, it was 1.16.
- **Incident frequency rate should be ≤ 48 (reference base 2008 = 100):** In 2017, we altered the calculation of this indicator and aligned the method used to calculate accident frequency. The new target is ≤ 1.10. In 2017, we narrowly missed our target of ≤ 1.10, with an incident frequency rate of 1.11.
- **Revise the management development concept on safety:** The Nutrition & Care Segment trained its senior management.

TARGETS FOR 2018 AND BEYOND

- Accident frequency rate should be ≤ 1.30.
- Incident frequency rate should be ≤ 1.10.
- Create greater transparency and harmonize Group-wide ESHQ processes. Take the first steps towards introducing a new technical platform.

Target achieved | Target partially achieved or target horizon extends beyond 2017 | Target not achieved

[1] Calculation based on assumptions and estimates.

Health protection

Global management of health protection and promotion takes a long-term, holistic approach, covering employees, the working situation, and the general working environment. This approach includes high-quality medical care where necessary, applying ergonomic and health-related measures to structure working conditions, and a functioning emergency management system at plant level. In addition, we offer a selective range of health promotion measures, which are bundled in the Group-wide well@work initiative. In this way, we help our employees adopt a healthy lifestyle.

The main goals and aspects of our occupational health strategy are outlined in the Evonik Global Health Program. The corporate policy "Occupational Health and Health Promotion" sets binding worldwide standards.

There are works agreements on health-related issues at many of our sites, especially in Germany. In line with statutory requirements, at our German sites we have Occupational Safety Committees that meet at least four times a year to discuss issues relating to occupational safety and the protection of health. They are composed of employer and employee representatives, safety specialists, safety officers, and occupational medicine specialists and cover more than 99 percent of our employees in Germany. There are also comparable bodies at sites outside Germany. Fulfillment of these requirements is checked regularly by corporate audits and regional environmental, safety, and health audits, and through an extensive occupational health and safety reporting system. Action is taken if there are indications of scope for improvement or deviations from the applicable guidelines. Where necessary, improvements are suggested or required. As an overriding indicator, we have established an Occupational Health Performance Index.

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 worldwide. The exact equipment and human resources required depend on production-related risks and the availability and quality of local medical infrastructure.

Specific procedures have been defined for accidents where employees come into contact with chemicals and require special medical treatment. Emergency medical management also includes pandemic plans and regular training exercises. An extensive preventive health and risk management program is in place for employees on business trips and foreign assignments.

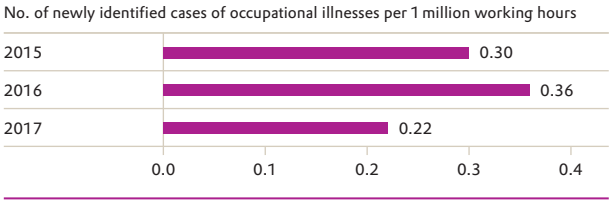
In 2017, for the first time Evonik took part in the CPR Awareness Week. All employees at sites in Germany, Belgium, and China were offered the opportunity to learn simple methods of cardiopulmonary resuscitation (CPR).

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 we identify a heightened risk for specific employees, technical and organizational measures have priority over the use of personal protective equipment. Information and training of employees play an important part in avoiding health impairments. Such training is mandatory for all employees. At preventive medical check-ups, employees receive advice on their individual health risks. Where necessary, we offer additional preventive screening for occupational illnesses.

Evonik regularly reports on occupational illnesses. The indicator used for this is the Occupational Disease Rate (ODR), which is defined as the number of newly identified cases of occupational illnesses per 1 million working hours. The calculation includes all cases recognized in the reporting period, including latent illnesses (i. e., those where the causes lie well in the past). The ODR was 0.22 in 2017.

Occupational Disease Rate (ODR) C28



The well@work company health management program

In the area of health promotion, Evonik supports long-term programs on five defined topics. The aim is to encourage employees to adopt a healthy lifestyle. 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. In addition, in 2017 we developed a new seminar format targeted specifically at employees with a dual burden caused by working and caring for a close relative.

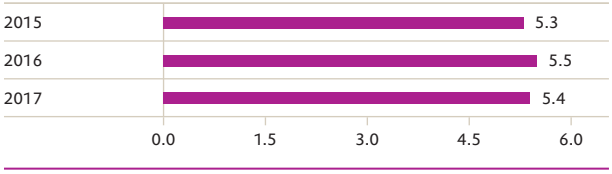
In the intermediate term, we aim to establish programs in the five basic health promotion topics at all sites. There are already health promotion offerings of various types at almost all sites around the world. These basic programs are supplemented by campaigns, which concentrate on different topics each year, and general medical check-ups to screen for treatable risk factors and diseases. At all of our German sites there are interdisciplinary health task forces that concentrate on implementing health management as part of the Group-wide well@work initiative.

Occupational Health Performance Index

This index shows the extent to which internal requirements and goals have been implemented. It enables us to measure progress in the area of occupational health and drive forward continuous improvement. The index is calculated from two parameters from each of the following areas: occupational medicine, health promotion, and emergency medical management. Both the quality and the scope of the measures are taken into account. The index is calculated annually. In 2017, it covered 64 sites and 82 percent of Evonik employees.

Occupational Health Performance Index C29

Calculated from occupational medicine, health promotion, and emergency medical management



We have defined a long-term annual target of ≥ 5.0 for the Occupational Health Performance Index. In 2017, the index was 5.4 compared with 5.5 in 2016 (maximum: 6.0).

For Germany, we also calculate a health ratio, which was 95.1 percent in 2017 (2106: 95.3 percent). This is the ratio of target working hours less sickness-related hours lost to target working hours.

TARGET ATTAINMENT IN 2017

- **Occupational Health Performance Index ≥ 5.0: Status in 2017:** 5.4.
- **Include further sites in the calculation of the Occupational Health Performance Index (15 in three years, 2017–2019):** No further sites were included in the calculation of the index in 2017.

TARGETS FOR 2018 AND BEYOND

- Occupational Health Performance Index ≥ 5.0.
- Include further sites in the calculation of this index (15 in 2017–2019).

Target achieved | Target partially achieved or target horizon extends beyond 2017 | Target not achieved

Transportation safety and logistics

Safe transportation of goods is extremely important for us. Logistics service providers for transportation are selected carefully using a uniform process and their performance is reviewed regularly. That includes evaluating the Responsible Care® performance of all transportation providers. Our aim is to minimize risk at all stages, from loading through transportation to unloading. The standards we set for the transportation of dangerous goods are even higher than the national and international regulations.

To support safe transportation by logistics partners, we have developed profiles for logistics service providers and collection by customers. In addition to quality management, the specific aim of these profiles is to ensure safety and properly secured loading, and to make sure that environmental and sustainability aspects are taken into account in the transportation of chemicals.

Activities in 2017

Our logistics department has started to roll out a global transport management system across the Evonik Group. The benefits are more flexible planning of transportation and greater transparency of workflows. In this way, freight, process, and network costs can be reduced.

Evonik uses DHL's Resilience 360 risk management solution to optimize the supply chain. This system provides real-time analysis of incidents that can occur in the supply chain. To this end, the platform links information on natural catastrophes, sociopolitical and other risks with Evonik's global production and distribution network. Active monitoring of supply chains supports the successful transportation risk analyses that had already been introduced and make a contribution to digitalization of processes in the supply chain.

Securing loads correctly is another important aspect. This covers both the operational process of physically securing loads and developing a strategy to harmonize and standardize the procedure for securing loads and the equipment required.

We use the VCI's uniform Responsible Care® criteria to evaluate transportation incidents. There were no reportable incidents in the shipment of goods in 2017. In 2017, we used many national and international campaigns to bring about a further improvement in our safety performance.

Outgoing shipments of hazardous goods T32

in thousand metric tons	2015	2016[a]	**2017[a]**
Air	0.3	0.3	0.4
Ocean	384	410	408
Inland waterway	1,081	750	752
Rail	749	601	586
Pipeline	1,814	838[b]	826[b]
Road	1,502	1,426	1,569
Total	**5,531**	**4,025**	**4,141**

[a] Excluding goods collected by customers.
[b] External shipments only.

Outgoing shipments of other goods T33

in thousand metric tons	2015	2016[a]	**2017[a]**
Air	3	3	5
Ocean	898	1,106	1,221
Inland waterway	22	103	52
Rail	173	457	459
Pipeline	16	40[b]	20[b]
Road	2,326	2,369	2,712
Total	**3,438**	**4,078**	**4,469**

[a] Excluding goods collected by customers.
[b] External shipments only.

The volume of hazardous goods shipped rose by 2.9 percent, with a slight rise in transportation by road.

Sustainable logistics

In the transportation of goods, we keep a close eye on protecting the climate and the environment. In collaboration with Procurement, our operational logistics staff regularly examine ways of reducing the number of road shipments by optimizing capacity and using multimodal shipment by rail, inland waterway or ocean freight. In 2017, improved transportation concepts, load optimization, pre-loading concepts and a shift away from road transportation to environment-friendly intermodal transportation helped reduce CO_2 emissions. This also reduced the impact on communities around our sites, for example, as regards of noise, exhaust fumes, and vibrations.

TARGET ATTAINMENT IN 2017

- **Identify critical products and drive forward transportation safety standards:** Product identification was performed by the Transport Security Process Expert Circle; this is an ongoing process.
- **Draft a training concept to implement the CTU Code[1]:** A training concept for implementation of the CTU Code was developed. This was rolled out with an 80 percent training rate.
- **Check products for potential classification as polymerizable substances:** The check was performed.

TARGETS FOR 2018

- Establish a requirements profile for warehouse services.
- Establish minimum global standards for logistics service-providers.
- Evaluate European rail logistics providers using "SQAS Rail[2]".

Target achieved · Target partially achieved or target horizon extends beyond 2017 · Target not achieved

[1] CTU Code = Code of Practice for Packing of Cargo Transport Units.
[2] "SQAS Rail" stands for a Cefic safety and quality evaluation system for rail transport.

Food for thought—Bjorn Hansen

Bjorn Hansen became Executive Director of the European Chemicals Agency (ECHA) in January 2018. He has been involved in international chemicals regulation since 1991 when he started working for the European Commission in different management positions. From their very early days, he was involved in the development of the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and CLP (Classification, Labelling and Packaging (CLP) Regulations of the European Union.

Is chemicals legislation a trigger for better occupational safety in chemical industry?
If you take the examples of REACH and CLP, then the interface with occupational safety and health (OSH) is well designed. REACH generates the information, CLP classifies and labels, REACH promotes communication in the value chain e.g., through the safety datasheet, OSH tailors the risk management advice to the sites, and REACH again documents it all in the registration. The main "overlap" is the derivation of exposure levels where the respective expert groups do not obtain the same values. For the sake of efficiency and consistency this needs to be tackled.

How do chemicals management and chemicals regulation reduce negative impacts on human health and the environment?
They do this in three respects. Firstly, by establishing minimum information requirements and the obligation to use the information to classify and label, risks are identified and assessed. Secondly, by creating an equal playing field between substances on the EU market and thirdly by internalizing safety considerations into the marketed product. This creates a better market position for safer products and improves protection of humans and the environment.

What do you consider the major advantages of REACH and CLP for a globally active company?
Complying with REACH and CLP gives a company a better insight to the risks of their substances. This not only enables them to manage the risks and communicate correspondingly to customers—both a longer-term market advantage—it also gives the company better planning security as the uncertainties related to regularity action are reduced. These advantages are valid for EU-acting companies but the more so for globally acting companies.

Can EU-REACH legislation serve as a blueprint for chemicals regulation around the world?
Yes, of course! All chemicals legislation designed to date has strong similarities with parts of REACH or CLP. For example the new TSCA (Toxic Substances Control Act) in the USA has strong similarities with the REACH Community Rolling Action Plan (CoRAP) and REACH Restrictions.

As legislation needs to serve a country's political priorities and specific problems and needs to be embedded in the legal framework, I think our legislation can inspire and possibly serve as a toolbox for other countries—but whatever legislation they adopt, they should ensure that the implementation uses internationally harmonized chemicals management tools. This reduces double work and creates efficiencies for industry and for authorities, which ultimately leads to improved protection for humans and the environment.

Speaking about sustainable chemistry, how will chemistry change in the future?
Many innovation demands need a chemistry solution. Likewise many chemistry innovations provide demand solutions. So chemistry needs to continuously change. I think sustainable chemistry is a concept which gives companies long-term advantages.

However, considering how far away we are today from meeting the SDG 12.4. I think the more immediate urgency for government internationally is action to create chemical management systems and for the EU to invest in its knowledge bases. The latter would enable better predictive (eco)-toxicology and predictive efficacy, both prerequisites for sustainable chemistry.

Product stewardship

In the chemical industry, product stewardship ranks alongside plant, occupational, and transportation safety as a vital precondition for doing business. It is our "license to operate." Evonik is no exception, as confirmed by the results of our materiality analysis.

That includes timely identification and evaluation of the potential health and environmental risks in our portfolio. We therefore examine the entire value chain of each of our products—from procurement of the raw materials to delivery to our industrial customers, who receive all relevant information on the handling and disposal of our products. That includes, for example, safety data sheets and technical information sheets.

As well as complying with all statutory requirements such as the European Chemicals Regulation REACH[1] and the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), product stewardship at Evonik includes voluntary commitments that go beyond these regulations.

We have been committed for many years to the international Responsible Care® initiative and the Responsible Care® Global Charter of the International Council of Chemical Associations (ICCA), which includes the Global Product Strategy (GPS). The key elements of our product stewardship have been defined in a Product Policy. To supplement this, an operating procedure defines how these commitments are to be implemented within Evonik, together with control mechanisms to monitor their observance.

Responsible handling of chemicals

In the light of global trade in chemicals and chemical products, it is important to encourage broad communication on their safe handling and use. We ensure this through an extensive worldwide information system. This includes information portals, safety data sheets—not just for dangerous products—in more than 30 languages, technical data sheets, GPS Safety Summaries, and extensive information on our website. There are also 24/7 emergency hotlines, including a translation service, and email addresses.

Trustful collaboration with our customers

Our specialist departments provide advice for our customers at all stages in the product lifecycle, from selection of the raw materials through dealing with possible toxicological, ecotoxicological, and physical chemistry risks and the resulting exposure-based risks, regulatory requirements relating to the planned application, right up to transportation and disposal. Where necessary, we give customers training in how to handle our products.

Our chemicals management systems

We evaluate all substances placed on the market (> 1 metric ton p. a.). Particularly dangerous substances are included from lower tonnages. That allows a soundly based assessment of the risks. Where necessary, restrictions are placed on certain usage patterns or, in extreme cases, a complete ban is issued on use in certain products.

Evonik evaluates its substances using its own Chemicals Management System (CMS). This system, which was developed in-house, supports us in global product evaluation, analogously to a life cycle analysis. The content of the CMS has been harmonized with the GPS requirements. Over 70 percent of these assessments had been completed by the end of 2017 and GPS Safety Summaries for around 160 relevant substances have been made available on our website and the ICCA portal. The summaries are in English; some are also available in Japanese, Korean, and Chinese.

As an extension of the CMS, our Chemicals Management System^{PLUS} is used for products containing substances of very high concern. These are subject to a more detailed examination to bring about a further reduction in the negative impact on people and the environment. Based on the reporting in 2016, excluding the acquisitions made in 2017, around 1 percent of our products currently meet the criteria for evaluation on the basis of CMS^{PLUS}.

In addition, we play an active role in many national and international associations and initiatives that are driving forward scientifically based risk assessment.

Evonik is systematically implementing REACH

Under REACH, 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 aim of protecting health and the environment in the handling of chemicals. To implement the complex REACH requirements, we maintain a close dialogue with our suppliers and customers, as well as with industry associations and authorities.

So far, phase-in registration has been undertaken for over three quarters of the substances currently identified as being relevant. We will complete all necessary REACH registrations on schedule by the end of May 2018.

[1] REACH = Registration, Evaluation, Authorisation and Restriction of Chemicals.

Alongside registration, evaluating dossiers and substances, restriction, and authorization are becoming more important. 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. If such substances are identified, we examine suitable measures. We also collaborate closely with our customers to work out the next steps. In addition, we examine the raw materials we procure. If any substances 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 email addresses for all REACH-related inquiries from customers and suppliers to ensure they receive timely and full replies.

REACH will be a focal area of our activities in 2018. We assume that there will be a significant increase in the number of our substances registered under REACH until complete fulfillment of the requirements in May 2018. In addition, follow-on activities are required for those substances that have already been registered (updating dossiers, test proposals, evaluations, etc.).

Some countries and regions such as South Korea and Turkey are currently introducing chemicals legislation similar to the REACH requirements. Other countries, such as the USA, are also raising their standards significantly. Evonik will therefore be driving forward global product stewardship through its own task force. In 2017, the focus was on establishing a product stewardship function for the Asia-Pacific South region. Turkey has already been identified for the next project to check the need for adjustments.

The Globally Harmonized System (GHS)

The Globally Harmonized System of Classification and Labelling of Chemicals (GHS) initiated by the United Nations classifies dangerous goods and substances for labeling on packaging and in safety data sheets. Evonik ensured timely implementation of the requirements of the CLP Regulation[1] in 2015. The GHS is still not applied uniformly around the world. We have therefore set up an in-house database to gather information on progress, changes, and national requirements for internal communication.

Nanotechnology

Nanotechnology is a generic term covering a wide range of developments and innovations as well as established technologies. Their common feature is the investigation, production, and use of minute structures measuring around 1 to 100 nanometers. Some have been known for many decades, while others are new developments. Nanomaterials used in products and efficient system solutions for our customers make a substantial contribution to environmental protection and climate protection. We handle the associated technologies responsibly and utilize the possibilities they offer. For example, we see considerable opportunities in new materials for high-end batteries and energy-saving applications in the construction sector.

Based on our long-standing experience, we implement measures to protect employees, customers, and consumers in the handling of nanomaterials. These measures are based on the latest assessment of the risks and dangers resulting from scientific investigations and epidemiological and toxicological studies. In addition, Evonik supports the establishment of new methods of investigation aligned to the specific effects of nanomaterials, which refine the evaluation of risks. We are also continuously investigating the potential hazards and safe handling of these materials.

The results of our research are communicated openly and transparently to our stakeholders. Representatives of Evonik take part in the German government's NanoDialog, where experts from industry, science, authorities, and industry associations discuss the opportunities and risks of nanotechnology.

Biotechnology

Evonik utilizes the opportunities offered by biotechnology for efficient and environmentally compatible production processes and innovative products. We use micro-organisms for biocatalysis processes and fermentative production processes. Biotechnology is used to produce essential amino acids, probiotics, nutritional supplements, pharmaceuticals, and cosmetic ingredients that are difficult or impossible to access through conventional chemical synthesis.

Such products have to be registered before they can be produced and placed on the market. That requires detailed explanations of the production processes and the micro-organisms used as well as safety aspects. We have issued guidelines on safe and responsible use of biotechnology. In this way, we meet demands from our customers and the general public for transparent action, open communication, and stringent risk prevention.

[1] EU Regulation No. 1272/2008 on the classification, labelling and packaging of substances and mixtures.

Microplastics

Pollution of rivers and oceans is currently one of the most widely debated sustainability issues in the political arena. Particular attention is being paid to pollution by plastics because an estimated 8 million metric tons of plastic waste find their way into marine systems every year. Since 2013, Evonik has been involved in the Zero Pellet Loss campaign initiated by the European plastics association PlasticsEurope, and in 2015, we became a signatory to Operation Clean Sweep®. The aim of these two global initiatives is to reduce pellet loss in production, processing, and transportation. Evonik is also actively working on solutions to this challenge through Cefic.

Evonik offers substitutes for microplastics in cosmetics. For example, our customers use a variety of specialty silicas in face and body exfoliants and in shower gels.

Animal protection

We need toxicological and ecotoxicological data to assess the safety of our products. As the first step, we examine all alternatives in detail (QSAR[1], read-across, literature, non-animal testing). Various task forces have therefore been set up, for example, to pool expertise in in-silico methods and evaluate in-vitro methods for the skin sensitization endpoint.

A first in-vitro feasibility study has been performed for the respiratory tract sensitization endpoint, using various typical sensitization markers at protein and gene expression level—including distinguishing between skin and respiratory tract sensitization. This project has not yet been completed. The initial findings indicate that the respiratory tract irritation endpoint should be pursued so that in future substances can be tested in vitro to evaluate irritation thresholds (clear distinction between irritation and sensitization of the respiratory tract).

From a scientific and legal perspective, in many cases tests on animals are still the only way to meet the necessary data requirements. Evonik only arranges for animal tests to be performed by test institutes that are validated in accordance with the applicable national and international legal provisions and ensures that they meet animal protection standards. As a responsible company, we have also drawn up our own animal protection guidelines.

TARGET ATTAINMENT IN 2017

- **Establish a risk estimate for >99 percent of substances placed on the market in quantities of > 1 metric ton p.a. (by 2020):** Status > 70 percent.
- **Make GPS Safety Summaries for these substances available via the Evonik website and the ICCA's GPS portal (by 2020):** Around 160 summaries were available in 2017.
- **Conduct a more far-reaching assessment of all products containing > 0.1% hazardous chemicals of high concern (hChC) (by 2020):** The questionnaires were refined in 2017.

TARGETS FOR 2018 AND BEYOND

Evonik has set the following targets for product stewardship for the period up to 2020 <:

- Establish a risk estimate for >99 percent of substances placed on the market in quantities of > 1 metric ton p. a.
- Make GPS Safety Summaries available via the Evonik website and the ICCA's GPS portal.
- Conduct a more far-reaching assessment of all products containing > 0.1% hazardous chemicals of high concern (hChC)[2] , e.g., CMR[3] 1A/1B, PBT[4] (CMS[PLUS]).

Target achieved · Target partially achieved or target horizon extends beyond 2017 · Target not achieved

[1] Quantitative structure-activity relationship (QSAR) analyses.
[2] hChC = hazardous chemicals of high concern.
[3] CMR = carcinogenic, mutagenic, toxic for reproduction.
[4] PBT = persistent, bioaccumulative, toxic.

SOCIETY

"Employees often want to get involved and contribute their knowledge and companies should recognize and support that."

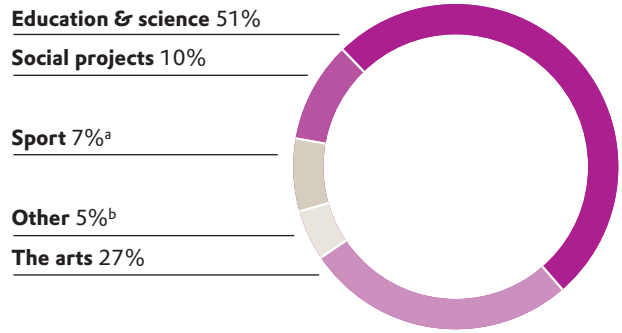
Andreas Wörster and Masauso Phiri
Founders of the charitable organization Utho Ngathi

DONATIONS AND SPONSORSHIP

of public projects

C30

Evonik provided €10.9 million for donations and sponsorship projects in 2017. This budget was used principally for education & science, social projects, the arts, sport, and other projects and activities.



[a] Excludes sponsorship of the Borussia Dortmund soccer club.
[b] Includes donations of €200,000 to political parties in Germany: €80,000 was donated to the CDU/CSU, €80,000 to the SPD, €20,000 to Bündnis 90/Die Grünen, and €20,000 to the FDP.

Helping children and young people

The Evonik Foundation donated €160,000 to support the work of the German children's charity Deutscher Kinderschutzbund at 16 locations.

Evonik at the Russian science festival

Evonik uses experiments and hands-on events to interest children around the world in science.

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77	Evonik Group

Our philosophy

Social commitment has a firm place in Evonik's corporate culture and our understanding of values. We regard it as part of our contribution to the sustainable development of society. Essentially, we make a distinction between donations and sponsorship activities.[1] Our active responsibility and the personal commitment of our employees around the world provide important social impetus in and around our sites.

How we live our social commitment

Our sponsorship is aligned to **Evonik's** four core competencies—creativity, specialization, self-renewal, and reliability. We normally only sponsor projects and initiatives that fit our core brand. Moreover, our aim is to foster the positive development of society through our sites around the world. Within binding strategic guidelines, our operating units therefore support projects tailored to the regions and sites where they operate. The work of the **Evonik Foundation** is an important element in how we put our social responsibility into practice. In keeping with its mission, this company-related foundation focuses its activities on four principal themes: young people, science, Germany, and integration. The Evonik Foundation only provides scholarships and donations for projects and organizations based in Germany. In addition to this, it implements its own projects.

Overall, Evonik concentrates its social commitment on the following areas:

- **Education & science**
  Education & science are prerequisites for the progress and prosperity of society as a whole. Evonik and the Evonik Foundation therefore support education at all levels—from preschool, elementary, and secondary schools to university degrees (including doctoral degrees), as well as vocational and specialist training. For many years, we have also been involved in programs that give young people opportunities to prepare for work.
- **Social projects**
  Intact communities and solidarity make societies viable and worth living in. One special goal is therefore supporting people in difficult circumstances. Consequently, we provide funding for the Evonik Foundation, for example, to enable it to establish and support corresponding projects and initiatives. In addition, the Evonik Group provides humanitarian assistance in the wake of natural disasters.
- **The arts**
  Our commitment to culture and the arts has grown out of our core competency "creativity." We are convinced that encounters with culture and the arts contribute to the ongoing development of society, and foster diversity and an open and tolerant co-existence—values that we live daily in our company.
- **Sport**
  Sport creates bonds that transcend cultural, social, and language barriers. It fosters tolerance and respect and therefore makes a contribution to peaceful coexistence. Evonik supports both popular and professional sports activities.

Evonik Foundation

The roots of the Evonik Foundation are providing support for the development of young scientists. Since the foundation's statutes were extended in fall 2015, it has also supported charitable and church-related undertakings as well as not-for-profit activities. One focus of the Evonik Foundation is granting scholarships through three different programs:

- The **Evonik Foundation Scholarships** are awarded exclusively for scientific research for academic qualifications, especially doctoral degrees. The aim is to support talented and committed young scientists. Each year a focal area is defined for these scholarships. In 2017, the Evonik Foundation supported 18 students at 15 universities in Germany and in collaboration with foreign universities.
- With 180 scholarships at 15 universities, the Evonik Foundation is one of the biggest sponsors of the **Germany Scholarship** program initiated by the German Ministry of Education and Research. Scholarships are awarded to support students who demonstrate strong social commitment as well as a good academic record.

[1] Further information on donations and sponsorship can be found in the "Governance and compliance" chapter of this report.

Food for thought—Andreas Wörster and Masauso Phiri

Andreas Wörster and Masauso Phiri are the founders of Utho Ngathi, a charitable organization registered in South Africa, Zambia, and Germany. They focus on self-help projects for people with disabilities in rural areas of southern Africa.

What is life like for people with disabilities in southern Africa?
They are completely marginalized by the community. Many live in appalling conditions with little access to healthcare. In rural areas, in particular, some people believe that a disability is a punishment meted out by their ancestors. As a result, there are people who have not left the house for years because of their disability. We want to put an end to such isolation.

How can greater social integration be encouraged?
It is important to enable such people to work. Poultry farming is an example. We have built a number of facilities in rural areas where people with disabilities care for the poultry and manage egg production. Through their work, they provide eggs and poultry for the village and are better accepted by the community.

Why should companies play a role in society?
Companies with a presence on local markets are close to the people, benefit from the markets and should therefore accept responsibility.

What exactly can companies do?
They should gain an insight into the local situation and consider how best they can contribute—funding alone is not enough. **Employees often want to get involved and contribute their knowledge and companies should recognize and support that.** Above all, continuous and dependable support is vital. That is the only way humanitarian projects can have a lasting effect.

In addition, the Evonik Foundation awards **scholarships specifically to refugees** in cooperation with the Ruhr University in Bochum (RUB). This program targets young people who wish to embark on a degree course in engineering, science, or business studies at RUB, or to continue a course they had started in their home country. This gives them the opportunity to obtain a bachelor's or master's degree. The first seven scholarships were awarded in 2016, followed by another seven in 2017.

Giving young people opportunities is also the motto of another support program. The Evonik Foundation is taking part for the third time in the 2017/2018 "Start in den Beruf" progam initiated by the social partners in the chemical industry to prepare young people for an apprenticeship. Evonik's vocational training unit has 90 places on this pre-apprenticeship program. The Evonik Foundation offers twenty of these places to young refugees and another 20 to other young people in Germany.

The Evonik Foundation's commitment to training young people extends beyond Germany. In collaboration with the Westerwelle Foundation, a center for entrepreneurs and start-ups is being established in Kigali, the capital of Rwanda. This center also plans to offer 20 places to people with a vocational qualification. The joint aim of the Westerwelle Foundation and the Evonik Foundation is to help young people use their creative potential to work independently.

Alongside the education and development of young people, science is a major focus of the Evonik Foundation. This is reflected in further projects, where the foundation acts principally as a sponsor. Since 2016, the Evonik Foundation has provided support for KEMIE, a project organized by RUB where parents and children experience chemistry together. This gives kids in grades three to six an early introduction to science. The children visit RUB once a month with one of their parents and perform experiments under the professional guidance of educational specialists.

Through its social commitment, the Evonik Foundation specifically aims to assist needy and disadvantaged children. At its Christmas party in 2017, the Deutscher Kinderschutzbund was presented with a donation to support the work of local branches in the vicinity of 16 Evonik sites in Germany. In addition, the Evonik Foundation supports three social projects by selected partners near Evonik's headquarters in Essen (Germany), all of which are dedicated exclusively to helping educationally disadvantaged children.

The Evonik Group

Our social commitment is increasingly being focused on projects and partners that are a good fit with Evonik's core brand.

Education & science

Evonik is involved in many initiatives and projects that support a variety of educational institutions. Employees who take part in our Young Spirit initiative share their enthusiasm for science by visiting preschools and schools to conduct simple experiments with children. Thanks to its success in Germany, we have transferred this initiative to many other regions where we have a presence.

The Evonik Kid's University is also aimed at tomorrow's scientists. In cooperation with two newspapers, Rheinische Post and, for the first time, Hanauer Anzeiger, preschools were invited to take part in a competition in 2017. The prize money awarded to the winners enabled them to set up small areas for experiments. In Japan, Evonik took part in a two-day chemical show for children during the summer vacation.

Another high-profile educational project is the Evonik Cyber Classroom. Our partner schools around the world use this virtual classroom to make scientific relationships clearer with the aid of 3D technology. Since 2017, users have been able to use the internet for joint development processes to optimize the existing 3D learning materials and add new modules. Evonik presented this new development at the Science Centre World Summit in Tokyo (Japan).

Trips by the scientific submarine Lula 1000 have attracted attention around the world: The discovery of U 581, a lost German submarine, off the coast of the Azores provides valuable insight into the speed of biological developments in the depths of the ocean, where it is almost completely dark. In 2013, Evonik fitted the Lula 1000 with an observation dome made from high-quality optical PLEXIGLAS® from Evonik, which withstands high pressure. It has also sponsored expeditions by the submarine since then.

Social projects

Evonik's social commitment has two main focuses. As a responsible company, a good relationship with our neighbors is important to us. Evonik is therefore involved in many projects to foster good community relations at its sites around the world. In addition, Evonik is involved in projects with broad social relevance. These include, in particular, countering right-wing radicalism. Given the involvement of our predecessor companies in the crimes committed by the Nazis, Evonik has a special responsibility in this field.

In 2017, a joint delegation of young managers from Evonik and our sponsorship partner Borussia Dortmund, which has to address radical right-wing groups among its fans, visited Auschwitz. The roughly 40 participants then drew up a range of measures that were adopted by Evonik's Executive Board in December 2017. Ahead of this, 120 apprentices from Hanau and Darmstadt addressed Evonik's history in the Nazi period and anti-semitic and anti-muslim prejudice at a special apprentices day.

Commitment at our sites

Our commitment to local communities is broadly based. Our site in Barro do Riacho (Brazil) has worked with local inhabitants for many years. The "Saber Viver" (learning to live) project aims to foster the development of disadvantaged children and young people through educational and socio-cultural offerings and additional tuition.

At our site in Rheinfelden (Germany), we play an active role in the "Lokales Bündnis für Familien," an organization that supports disadvantaged children, young people and senior citizens in the region. In Darmstadt (Germany), Evonik is involved in the German government's "Social City" urban development program to drive forward the development of the area adjacent to its site.

In addition, many of our sites take part in local charity and environmental campaigns. Following the devastation caused by hurricanes on the coast of Texas and Florida in fall 2017, Evonik partnered with the American Red Cross and promised to double every dollar donated by Evonik employees to the relief work. This resulted in a total donation of more than US$90,000.

The fire service at our production site in Shanghai Chemical Industry Park in China offers training for voluntary fire brigades in neighboring communities. In Japan, many employees from Nippon Aerosil, a joint venture of Evonik and Mitsubishi Materials, cleared trash from the river banks as part of the Suzuka River Clean-Up Event.

The arts

Evonik fosters diversity in society through a wide range of cultural projects. In 2017, we continued our traditional support for the Ruhr Festival in Recklinghausen, the Küppersmühle museum in Duisburg, Villa Schöningen in Potsdam, the Nibelungen Festival in Worms, and the intonations chamber music festival in Berlin. In addition, we continued the partnership established in the previous year with Thomas Hengelbrock and the Balthasar-Neumann choir and ensemble. We also supported the lit.RUHR literature festival in Essen for the first time.

Sport

In the spirit of good neighborly relations, Evonik promotes sport at many of its sites around the world. As part of the celebrations to mark the tenth anniversary of the "Evonik" corporate brand, more than 1,000 children of employees around the world were able to attend training sessions run by the BVB club's Evonik soccer school.

ANNEX

About this report

Evonik's Sustainability Report 2017

This is the tenth full Sustainability Report published by Evonik. The report covers the 2017 fiscal year (January 1 to December 31, 2017), except where otherwise indicated, and is based on Evonik's organizational structure in 2017. The aim is 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 supplements the ecological and societal aspects included in the Financial Report 2017. The next Sustainability Report will be published in 2019.

Method

102-49 This Sustainability Report meets the requirements of the Global Reporting Initiative (GRI) and has been prepared for the first time in compliance with the GRI Standards in accordance with the "core" option. Further, it takes account of the ten principles of the UN Global Compact and constitutes Evonik's progress report on these principles.

102-48 The title of this year's report is "Listening pays off," reflecting the enormous significance we attach to dialogue with our stakeholders. Food for thought from stakeholders forms a thread running through all chapters of this report.

We reviewed and validated our materiality analysis in 2017. The procedure and results are outlined in the chapter on "strategy and growth." In addition, we generated binding documentation of our approaches used for stakeholder management and for our materiality analysis.

The scope and depth of this Sustainability Report are aligned systematically to materiality. The reporting structure is based consistently on the six sustainability areas of action derived from this analysis, which form the basis of our sustainability activities: strategy and growth, governance and compliance, employees, value chain and products, the environment, and safety. Key content—for example, on governance and compliance—has been extended, while other passages such as the chapter on society and the glossary have been streamlined. There is no longer an image section at the start of the report.

The Executive Board bears overall responsibility for sustainability, and direct responsibility is assigned to the Chief Human Resources Officer, who is also responsible for all climate-related aspects. He approved the content of this report and confirmed that it addresses all material sustainability topics of relevance for Evonik and its stakeholders.

In 2017, we focused on the processes and indicators used to measure the economic, ecological, and social impact of our actions. These are illustrated in the chart "Resources and value contributed" and in the extended chart "Areas of action and influence along the value chain"—both of which are contained in the chapter on strategy and growth—and in the chart "Impact valuation of our business activities along the value chain" in the chapter on value chain and products.

Non-financial risks have been given a more prominent place in our conventional risk reporting since 2017. Sustainability opportunities and risks are now systematically identified, monitored, and reported via our risk management system. In this way, we ensure further meshing of sustainability information with our internal control system and take account of the altered requirements of the legislation implementing the Corporate Social Responsibility (CSR) Directive. Accordingly, sustainability opportunities and risks are outlined more extensively than in the past in the opportunity and risk report in the Evonik's management report 2017. As a consequence, this element of the governance and compliance chapter of the Sustainability Report has been shortened.

Our management approaches have been specified in greater detail and are outlined in a new section on our philosophy at the start of each chapter, which highlights their relevance. In addition, target attainment and new targets are presented closer to the management approaches.

Rapid access to key data and a clear structure are important to us. In view of this, reader-friendly overviews of our performance indicators, target attainment, and future targets can be found at the start of this report. Additional charts are included to enhance the content and improve transparency. Examples are new charts illustrating supplier validation and evaluation and outlining the methodology used for the sustainability analysis of our business.

For the first time, this report is available exclusively as an electronic version. It is available from the Responsibility section of Evonik's website. We have deliberately refrained from producing printed copies.

Scope of reporting, limits, and data capture

102-45 Our data cover the relevant companies worldwide that were included in the scope of consolidation[1] for the consolidated financial statements of Evonik Industries AG for the period from January 1 through December 31, 2017. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). Alongside Evonik Industries AG, they include all material German and foreign subsidiaries directly or indirectly controlled by Evonik Industries AG. Joint operations are included on a pro rata basis. Material associates and joint ventures are recognized at equity if we are able to exert a significant influence. Initial consolidation or deconsolidation takes place as of the date on which Evonik gains or loses its controlling influence.

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[1] An overview of all companies included in the consolidated financial statements and all shareholders pursuant to Section 313 Paragraph 2 is presented in the list of shareholdings. www.evonik.com/list-of-shareholdings

In fiscal 2017, the Evonik Group comprised 48 German and 120 foreign companies. Reporting focuses on the continuing operations. Relevant data on personnel and social indicators are based largely on the global SAP HR information system. For supplementary information, we use the HR information collector application (SAP notes management). The focus of our reporting and thus the limits of our report are based principally on the sustainability topics derived from our materiality analysis.

The ecological data comprise emissions and consumption data for 100 production sites in 28 countries and thus cover our entire production volume. Occupational safety data include other, smaller sites (mainly administration sites), so the data here cover 215 locations in 56 countries. The data are compiled using sustainability reporting software developed specifically for this purpose (SuRe 2.0). The segmentation used in this report reflects Group and segment interests in order to provide a detailed insight into of production activities. In some cases, data are reported at plant level to ensure this.

All reporting units are clearly coded to allocate them to organizational and business entities 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.

The key data in this report are rounded in line with standard commercial practice. In some cases, this may mean that individual values do not add up exactly to the totals given and percentages are not an exact reflection of the values stated.

This report is published in English and German. To ensure it is up-to-date, we have included all relevant data available to us as of the editorial deadline on February 28, 2018.

Major acquisitions of relevance for ESH in 2017

102-48 102-49 On January 3, 2017, Evonik acquired the specialty additives business (Performance Materials Division) of Air Products and Chemicals, Inc. (Air Products), Allentown (Pennsylvania, USA). This acquisition comprised both asset deals and the acquisition of 100 percent of the shares in six companies and 50 percent of the shares in one company (share deals). The specialty additives business, which employs around 1,100 employees at eleven production and development locations, has been integrated into the Nutrition & Care and Resource Efficiency Segments. The acquisition also had an impact on product streams and the emissions and consumption data. It has expanded Evonik's position in the North American market and enables it to serve its increasingly global customers even better around the world.

The key financial figures for the Evonik Group published in this report also include the silica business acquired from J. M. Huber Corporation (Huber), Atlanta (Georgia, USA) as of September 1, 2017. This acquisition comprised asset deals and the acquisition of 100 percent of the shares in four companies (share deals). The silica business has around 700 employees at six sites and has been integrated into the Resource Efficiency Segment. Due to the greater complexity of the environmental data, Huber will only be included in these data from January 1, 2018. The acquisition complements the product range of the existing silica business. While Evonik previously concentrated principally on industrial applications, for example, in tires and the coatings industry, Huber has a strong focus on the consumer goods sector through its dental business.

Updated data

Our ESH data are constantly checked by a large number of internal and external audits. In addition, large amounts of data have to be reported to national authorities. In most cases, their submission and approval dates are later than the internal deadline for Evonik's ESH data. To enhance efficiency, we endeavor to use a single set of data for both internal and external 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, 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.

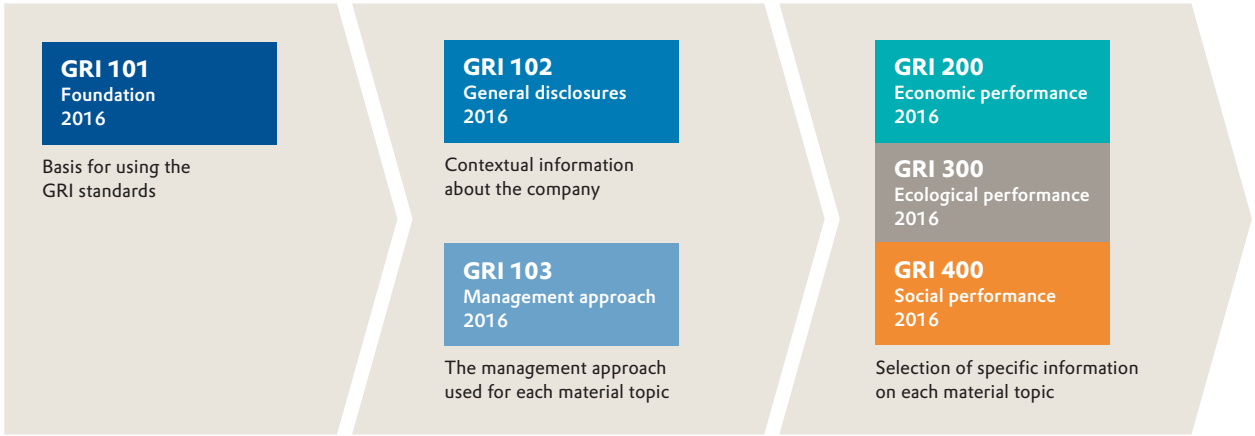
External review

The chapters titled "Strategy and growth," "Governance and compliance," "Employees," "Value chain and products," "The environment," and "Safety" were subject to a limited assurance review by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (indicated by ☑). The independent practitioner's limited assurance report is printed on pages 92 to 93.

GRI content index of the Global Reporting Initiative (GRI) including the ten principles of the UN Global Compact (UNGC)

The following GRI content index is based on the topics of material relevance to Evonik and therefore on the structure of the chapters in this report. The aim is to enhance readability and ensure that topics can be located easily. In the description of the management approaches, we have also increased the focus on topics of relevance to us. Consequently, the GRI indicators are not necessarily presented in ascending order. Instead, they are presented on the basis of our areas of action: strategy and growth, governance and compliance (including an additional management approach on human rights), employees, value chain and products, the environment, and safety. "Local communities" brings together a variety of aspects, so an overarching management approach is necessary.

In 2017, for the first time, we applied the 2016 standards of the Global Reporting Initiative. This report has been prepared in accordance with the GRI Standards, "core" option. The Sustainability Report 2017 was submitted to the GRI Materiality Disclosures Service. The GRI has verified that the materiality disclosures in accordance with the GRI standards (102-40 through 102-49) are correctly located.



GRI content index and UN Global Compact[a]

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UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	General disclosures				
	Organizational profile				
	GRI 102-1	Name of the organization	Credits	97	
7	GRI 102-2	Primary brands, products and services	Business model; Product stewardship	7, 71	
	GRI 102-3	Location of headquarters	Credits	97	
	GRI 102-4	Location of operations	About this report; Major sites; (Regional development)	80, 94, (26)	
	GRI 102-5	Ownership and legal form	Shareholder structure; Credits	4, 97	
	GRI 102-6	Markets served	(Broadly diversified end-markets)	(12)	
	GRI 102-7	Scale of the organization	Evonik at a glance; (Key figures for the Evonik Group)	5, (U2)	

[a] Following the transition to the GRI Standards, non-disclosures are not yet indicated in full.

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
6	GRI 102-8	Information on employees and other workers	Employees	30	
	GRI 102-9	Supply chain	"Upstream": supply chain	40	
	GRI 102-10	Significant changes to the organization and its supply chain	About this report; "Upstream": supply chain	80, 40	
	GRI 102-11	Precautionary principle or approach	Voluntary commitments; House of Compliance	20, 24	
	GRI 102-12	External initiatives	Voluntary commitments; German Corporate Governance Code	20, 21	
	GRI 102-13	Membership of associations	Voluntary commitments; Product stewardship	20, 71	
	Strategy				
	GRI 102-14	Statement from the most senior decision-maker	Foreword	2	
	GRI 102-15	Key impacts, risks, and opportunities	G04; G16; Opportunities and risks; (Opportunity and risk report)	10, 39, 28, (46)	
	Ethics and integrity				
10	GRI 102-16	Values, principles, standards, and norms of behavior	Voluntary commitments; Compliance	20, 24	
	GRI 102-17	Mechanisms for advice and concerns about ethics	Training in 2017; Internal investigations in 2017; Whistleblower system	27, 28, 26	
	Governance				
	GRI 102-18	Governance structure	Corporate Governance; Organization and Management	21, 9	
	GRI 102-19	Delegating authority	Sustainability management at Evonik C03	9	
	GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability management at Evonik C03	9	
	GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	Engaging with our stakeholders	12	
	GRI 102-22	Composition of the highest governance body and its committees	Composition of the Supervisory Board; (Report of the Supervisory Board)	22, (59)	
	GRI 102-23	Chair of the highest governance body	Corporate governance; (Report of the Supervisory Board)	21, (59)	
	GRI 102-24	Nominating and selecting the highest governance body	Corporate governance; (Report of the Supervisory Board)	21, (59)	
	GRI 102-25	Conflicts of interest	Corporate governance; Donations and sponsorship; (Report of the Supervisory Board)	21, 28, (59)	
	GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	Non-financial report[a]; (Report of the Supervisory Board)	(59)	
	GRI 102-27	Collective knowledge of highest governance body	Non-financial report[a]; (Profile of skills and expertise/ Diversity concept)	(71, 73)	
	GRI 102-28	Evaluating the highest governance body's performance	(Report of the Supervisory Board/ Remuneration report)	(59, 79)	
	GRI 102-29	Identifying and managing economic, environmental, and social impacts	Our philosophy; C06; (Supervisory Board committees; Corporate governance report)	8, 13, (61, 66)	
	GRI 102-30	Effectiveness of risk management processes	Opportunities and risks; (Opportunity and risk report; Corporate governance report)	28, (46, 66)	

[a] www.evonik.com/nonfinancial-report

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	GRI 102-31	Review of economic, ecological, and social topics	Opportunities and risks; (Opportunity and risk report; Corporate governance report)	28, (46, 66)	
	GRI 102-32	Highest governance body's role in sustainability reporting	Foreword; Organization and management	2, 9	
	GRI 102-33	Communicating critical concerns	Whistleblower system; Engaging with our stakeholders	26, 12	
	GRI 102-34	Nature and total number of critical concerns	Internal investigations in 2017	28	
	GRI 102-35	Remuneration policies	Performance and remuneration; (Remuneration report; Performance-oriented components)	33, (79, 80)	
	GRI 102-36	Process for determining remuneration	Performance and remuneration; (Remuneration report; Performance-oriented components)	33, (79, 80)	
	GRI 102-37	Stakeholders' involvement in remuneration	(Corporate governance report)	(66)	
	GRI 102-38	Annual total compensation ratio			In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board commissions a remuneration report (vertical comparison) to review the ratio of remuneration of the Executive Board to that of senior executives and Evonik's workforce. The results are confidential and are not published.
	GRI 102-39	Percentage increase in annual total compensation ratio			See comment on 102-38.
	Stakeholder engagement				
	GRI 102-40	List of stakeholder groups	C05 Evonik's stakeholder groups	12, 14, 15	
3	GRI 102-41	Collective bargaining agreements	Trustful collaboration; Performance and remuneration	15, 34	
	GRI 102-42	Identifying and selecting stakeholders	Systematic identification of stakeholder groups C05	12, 14, 15	
	GRI 102-43	Approach to stakeholder engagement	Engaging with our stakeholders	12, 13, 14, 15, 32, 65	
	GRI 102-44	Key topics and concerns raised	Engaging with our stakeholders; Materiality analysis	12, 13, 16, 47	
	Reporting process				
	GRI 102-45	Entities included in the consolidated financial statements	Scope of consolidation and list of shareholdings[a]	80	
	GRI 102-46	Defining report content and topic boundaries	Materiality analysis; About this report	15, 16, 17, 80	
	GRI 102-47	List of material topics	Materiality analysis C07 and C08	14, 16, 17	
	GRI 102-48	Restatement of information	Engaging with our stakeholders, About this report	12, 15, 16, 80, 81	
	GRI 102-49	Changes in reporting	Materiality analysis C07; About this report	15, 16, 80, 81	
	GRI 102-50	Reporting period	About this report	80	
	GRI 102-51	Date of the most recent report	About this report	80	

[a] www.evonik.com/list-of-shareholdings

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	GRI 102-52	Reporting cycle	About this report	80	
	GRI 102-53	Contact point for questions regarding the report	Credits	97	
	GRI 102-54	Claims of reporting in accordance with the GRI Standards	About this report	80	
	GRI 102-55	GRI content index	GRI content index	83	
	GRI 102-56	External assurance	About this report; Independent Practitioner's Limited Assurance Report by PwC	80, 92	
	Standards on specific topics				
	Strategy and growth			Reporting boundaries: internal and external	
7 ,8, 9	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Materiality analysis reviewed and validated; C07; Business model; Fiscal 2017; Whistleblower system	15, 16, 7, 8, 26	
	GRI 103-3	Evaluation of the management approach	Sustainability indicators for the Evonik Group; Stakeholder engagement 2017; Materiality analysis 2017; About this Report; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
	Economic performance				
	GRI 201-1	Direct economic value generated and distributed	Total value added	8	
7	GRI 201-2	Financial implications and other risks and opportunities due to climate change	Opportunities and risks; (Opportunity and risk report)	28, (46)	
	GRI 201-3	Defined benefit plan obligations and other retirement plans	(Company pension plans)	(82)	
	GRI 201-4	Financial assistance received from government	Research & development	44	
	Market presence				
6	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Performance and remuneration	33	Evonik believes it is very important to offer market-oriented and performance-related salaries based on uniform global evaluation criteria. Evonik pays at least the local minimum wage worldwide, regardless of gender.
	GRI 202-2	Proportion of senior management hired from the local community	Further facts and figures	37	The table does not give a breakdown of managers, nor does it show whether they are recruited from the local community.
	Indirect economic impacts				
	GRI 203-1	Infrastructure investments and services supported	C04; C16; Donations and sponsorship projects	10, 39, 74	
	GRI 203-2	Significant indirect economic impacts	C04; C08; C16; (Regional development)	10, 17, 39, (26)	

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	Governance and compliance			Reporting boundaries: internal and external	
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Our philosophy; Voluntary commitments; Compliance; Internal investigations in 2017; Whistleblower system	20, 24, 28, 26	
	GRI 103-3	Evaluation of the management approach	Stakeholder engagement 2017; Materiality analysis 2017; About this report; Sustainability indicators for the Evonik Group; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
	Fighting corruption				
10	GRI 205-1	Operations assessed for risks related to corruption	Risk analysis; (Opportunity and risk report)	25, (46)	Through our compliance systems we examine all sites for the risk of corruption and ensure regular risk-based training of all relevant employees. We do not currently publish absolute or percentage data on this.
	GRI 205-2	Communication and training about anti-corruption policies and procedures	Compliance training T06	27	
	GRI 205-3	Confirmed incidents of corruption and actions taken	Internal investigations in 2017	28	We do not explicitly report on internal investigations relating exclusively to fighting corruption; instead we report on all relevant aspects covered by our House of Compliance.
	Anti-competitive behavior				
	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Governance and compliance/Internal investigations in 2017	28	See comment on 205-3.
	Human rights and participation				
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Materiality analysis reviewed and validated; C03; Trustful collaboration; Our philosophy; Human rights; Internal investigations in 2017; "Upstream": supply chain; Whistleblower system	15, 9, 8, 21, 28, 40, 26	
	GRI 103-3	Evaluation of the management approach	Stakeholder engagement 2017; Materiality analysis 2017; About this report; Sustainability indicators for the Evonik Group; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
	Non-discrimination				
6	GRI 406-1	Incidents of discrimination and corrective actions taken	Human rights	21	
	Freedom of association and collective bargaining				
3	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Trustful collaboration; "Upstream": supply chain; Human rights; Whistleblower system	15, 40, 21, 26	

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	Child labor				
5	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Human rights; Compliance rules for business partners	21, 27	Child labor and compulsory or forced labor in connection with human rights were added to our materiality analysis this year. We plan to develop a management approach for this topic in the future.
	Forced and compulsory labor				
4	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human rights; Compliance rules for business partners	21, 27	
	Security practices				
1	GRI 410-1	Security personnel trained in human rights policies or procedures	Human rights; Compliance training; "Upstream": supply chain	21, 27, 40	All Evonik employees are trained in the Code of Conduct. No separate data are compiled for security personnel.
	Human rights				
1	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	Human rights; Compliance training; Compliance rules for business partners	21, 27	
	GRI 412-2	Employee training on human rights policies or procedures	Human rights; Compliance training; Compliance rules for business partners	21, 27	All Evonik employees are trained in the Code of Conduct. This includes a section on human rights.
	Public policy				
	GRI 415-1	Political contributions	Donations and sponsorship	28	
	Customer privacy				
	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	House of Compliance; (Opportunities and risks "Legal/Compliance")	24, (53)	No specific breakdown.
	Socioeconomic compliance				
	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	House of Compliance; (Opportunities and risks "Legal/Compliance")	24, (53)	No specific breakdown.
	Employees				Reporting boundaries: internal
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Materiality analysis reviewed and validated; Our philosophy; HR organization and management; Trustful collaboration; Vocational training and continuing professional development, Corporate governance; Diversity; Human rights; Whistleblower system	31, 15, 36, 21, 34, 26	
	GRI 103-3	Evaluation of the management approach	Sustainability indicators for the Evonik Group; Stakeholder engagement 2017; Materiality analysis 2017; About this report; Sustainability indicators for the Evonik Group; Limited Assurance Report by PwC	1, 13, 16, 80, 92	

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	Employment				
6	GRI 401-1	New employee hires and employee turnover	Employees T15, T16	37	
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Performance and remuneration	33, 34	
	GRI 401-3	Parental leave	Employee satisfaction; Part-time employees	32, 33	
	Labor/management relations				
3	GRI 402-1	Minimum notice periods regarding operational changes	Trustful collaboration	15	
	Training and education				
6	GRI 404-1	Average hours of training per year per employee	Vocational training and continuous professional development	36	Drawing a distinction by gender or employee category is not significant for us.
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Vocational training and continuous professional development	36	
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Vocational training and continuous professional development	36	We do not disclose this figure separately.
	Diversity and equal opportunity				
6	GRI 405-1	Diversity of governance bodies and employees	Corporate governance; Diversity	21, 22, 34	
	Value chain and products			Reporting boundaries: internal and external	
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Our philosophy; C03; "Upstream": supply chain; Validation and evaluation of suppliers; TfS; "Gate-to-gate": raw materials, production, and processes; Whistleblower system	39, 9, 40, 41, 43, 26	
	GRI 103-3	Evaluation of the management approach	Sustainability indicators for the Evonik Group; Stakeholder engagement 2017; Materiality analysis 2017; About this report; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
	Procurement practices				
	GRI 204-1	Proportion of spending on local suppliers	"Upstream": supply chain	40	
	Supplier environmental assessment				
8	GRI 308-1	New suppliers that were screened using environmental criteria	"Upstream": supply chain; Validation and evaluation of suppliers	40, 41	
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	"Upstream": supply chain	40	
	Supplier social assessment				
	GRI 414-1	New suppliers that were screened using social criteria	Validation and evaluation of suppliers; TfS	41	
	GRI 414-2	Negative social impacts in the supply chain and actions taken	Validation and evaluation of suppliers; TfS; C16	41, 39	
	Materials				
7, 8	GRI 301-1	Materials used by weight or volume	Production inputs and output T17	44	

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	The environment				Reporting boundaries: internal
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Materiality analysis reviewed and validated; C03; Our philosophy; Strategy and management; Climate change and emissions into the air; Water management; Waste management; Biodiversity; Internal investigations in 2017; Whistleblower system	15, 9, 52, 53, 59, 61, 62, 28, 26	
	GRI 103-3	Evaluation of the management approach	Sustainability indicators for the Evonik Group; Stakeholder engagement 2017; Materiality analysis 2017; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
	Energy				
7, 8	GRI 302-1	Energy consumption within the organization	Energy inputs T20	54	
8, 9	GRI 302-4	Reduction of energy consumption	Energy inputs T20	54	
	Water				
7, 8	GRI 303-1	Water withdrawal by source	Water management T26	59	
8	GRI 303-3	Water recycled and reused	Water management	59	
	Biodiversity				
	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity	62	
	Emissions				
7, 8	GRI 305-1	Direct (Scope 1) GHG emissions	Greenhouse gas emissions T21	55	
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	Greenhouse gas emissions T21	55	
	GRI 305-3	Other indirect (Scope 3) GHG emissions	Evonik Carbon Footprint T23	57	
8	GRI 305-4	GHG emissions intensity	Greenhouse gas emissions T21	55	
8, 9	GRI 305-5	Reduction of GHG emissions	Greenhouse gas emissions T21	55	
7, 8	GRI 305-6	Emissions of ozone-depleting substances (ODS)	Other emissions into the air T25	58	
	GRI 305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	Other emissions into the air T25	58	
	Effluents and waste				
8	GRI 306-1	Water discharge by quality and destination	Water management	59	
	GRI 306-2	Waste by type and disposal method	Waste management	61	
	GRI 306-3	Significant spills	Waste management	61	There were no spills of hazardous substance in the reporting period resulting in serious injury or a significant impact on the environment.
	GRI 306-4	Transport of hazardous waste	Waste management	61	Data for this indicator has not yet been compiled.

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	Environmental compliance				
8	GRI 307-1	Non-compliance with environmental laws and regulations	Internal investigations in 2017; (Opportunities and risks "Legal/Compliance")	28, (53)	No significant fines exceeding €100,000, and no non-monetary penalties were imposed on Evonik in 2017 for failure to comply with laws or regulations.
	Safety			Reporting boundaries: internal and external	
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Materiality analysis reviewed and validated; C03; Our philosophy; Occupational and plant safety; Health protection; Transportation safety and logistics; Product stewardship; Human rights; Compliance training; Compliance rules for business partners; Whistleblower system	15, 9, 65, 67, 68, 71, 21, 27, 26	
	GRI 103-3	Evaluation of the management approach	Sustainability indicators for the Evonik Group; Stakeholder engagement 2017; Materiality analysis 2017; About this report; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
	Occupational health and safety				
	GRI 403-1	Workers representation in formal joint management–worker health and safety committees	Health protection	67	
	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health protection	67	
	GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	Health protection	67	
	GRI 403-4	Health and safety topics covered in formal agreements with trade unions	Health protection	67	
	Customer health and safety				
	GRI 416-1	Assessment of the health and safety impacts of product and service categories	Product stewardship	71	Our assessments focus on products not services.
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product stewardship; (Opportunities and risks "Legal/Compliance")	71, (53)	We do not report on the number of incidents of non-compliance with regulations and voluntary codes of conduct relating to the health and safety impact of products and services. Any incidents and proceedings are reported in the opportunity and risk report in the Financial Report.

UNGC principle	GRI Standard		Reference Sustainability Report (Financial Report)	Page	Comments on non-disclosure
	Marketing and labeling				
	GRI 417-1	Requirements for product and service information and labeling	Product stewardship	71	
	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	Product stewardship; (Opportunities and risks "Legal/Compliance")	71, (53)	There were no violations of product labeling requirements in the reporting period.
	Other topics				
	Local communities				
	GRI 103-1	Explanation of the material topic and its boundary	Our philosophy; C03; Materiality analysis (C07, C08)	8, 9, 16, 17	
	GRI 103-2	The management approach and its components	Materiality analysis reviewed and validated; Our philosophy; C03; Whistleblower system	15, 8, 9, 26	
	GRI 103-3	Evaluation of the management approach	Sustainability indicators for the Evonik Group; Stakeholder engagement 2017; Materiality analysis 2017; About this report; Limited Assurance Report by PwC	1, 13, 16, 80, 92	
1	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Stakeholder engagement 2017; Trustful collaboration; Employee satisfaction; Biodiversity; Health protection; Whistleblower system; Sustainable logistics	13, 15, 32, 62, 26, 69	
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	C08; C16	17, 39	No details of sites.

Independent Practitioner's Limited Assurance Report

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information[1]

To the Evonik Industries AG, Essen

We have performed a limited assurance engagement on the chapters denoted with ✓ with the exception of disclosures marked as "non-audited" in the sustainability report of Evonik Industries AG, Essen (hereinafter: "the Company"), for the period from 01 January 2017 to 31 December 2017 (hereinafter: "Report"). Our engagement in this context relates solely to the chapters denoted with the symbol ✓ with the exception of disclosures marked as "non-audited".

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter: "GRI-Criteria") and for the selection of the disclosures to be evaluated.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 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.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the chapters denoted with ✓ with the exception of disclosures marked as "non-audited" in the Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the chapters denoted with ✓ with the exception of disclosures marked as "non-audited" in the Company's Report for the period from 01 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the sustainability report of the business report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Identification of the likely risks of material misstatement of the Report under consideration of the GRI-Criteria
- Analytical evaluation of selected disclosures in the Report
- Performance of site visits or web conferences as part of the inspection of processes and guidelines for data collection at the following locations:
  - Essen, Germany
  - Marl, Germany
  - Krefeld, Germany
  - Rheinfelden, Germany
  - Shanghai MUSC, China.
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the selected disclosures regarding sustainability performance

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the chapters denoted with ☑ with the exception of disclosures marked as "non-audited" in the Company's Report for the period from 01 January 2017 to 31 December 2017 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Düsseldorf, 17 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
(German Public Auditor)

ppa. Pia Schnück

Major sites

Major sites[a]

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Employees	2015	2016	2017
Western Europe			
Marl (Germany)	6,939	6,988	7,018
Hanau (Germany)	3,391	3,561	3,398
Essen (Germany)	2,447	2,510	2,611
Darmstadt (Germany)	1,736	1,712	1,728
Wesseling (Germany)	1,358	1,385	1,397
Eastern Europe			
Slovenská Ľupča (Slovakia)	247	248	238
Istanbul (Turkey)	110	120	142
Kaba (Hungary)	124	128	127
Moscow (Russia)	66	60	61
Podolsk (Russia)	31	34	37
Asia-Pacific North			
Shanghai (China)	1,448	1,446	1,469
Nanping (China)	353	418	373
Nanning (China)	369	367	355
Taoyuan (Taiwan)	132	147	161
Tokyo (Japan)	135	137	156
Asia-Pacific South			
Singapore (Singapore)	496	562	597
Dombivli (India)	275	279	280
Mumbai (India)	137	143	146
Selangor (Malaysia)	24	84	107
Jhagadia (India)	–	–	106
North America			
Mobile (Alabama, USA)	789	830	845
Lafayette (Indiana, USA)	570	606	633
Parsippany (New Jersey, USA)	415	423	429
Allentown (Pennsylvania, USA)	–	–	211
Mapleton (Illinois, USA)	168	157	166
Central and South America			
São Paulo (Brazil)	206	217	221
Americana (Brazil)	85	98	111
Castro (Brazil)	107	102	110
San José (Costa Rica)	–	64	87
Barra do Riacho (Brazil)	46	46	42
Middle East & Africa			
Midrand (South Africa)	44	50	52
Umbogintwini (South Africa)	32	30	30
Teheran (Iran)	17	23	27
Dubai (United Arab Emirates)	20	22	25
Elandsfontein (South Africa)	16	18	21

As of December 31.

[a] The list covers around 64 percent of Evonik employees.

Glossary

CDP
The CDP is a not-for profit organization that brings together investors from around the world. It encourages companies and local authorities to report data on greenhouse gas emissions and water use. CDP manages the world's largest database on greenhouse gas emissions and water use.

Chemie[3]
This is a joint initiative of the German Chemical Industry Association (VCI), the German Mining, Chemical and Energy Industrial Union (IG BCE), and the German Chemical Industry Employers' Federation (BAVC) to drive forward sustainable development.

Dodd-Frank Act, Section 1502 (conflict minerals)
The Dodd-Frank Wall Street Reform and Consumer Protection Act (known as the Dodd-Frank Act for short) was adopted in 2010. Its prime aim is regulation of the US financial market.

Section 1502 contains disclosure and reporting requirements for listed US companies on the use of certain minerals originating from the Democratic Republic of Congo and neighboring states. The Dodd-Frank Act defines coltan, cassiterite, wolframite and their derivatives (tantalum, tin, tungsten), and gold as conflict minerals if they are used to finance armed conflict.

econsense—Forum for Sustainable Development of German Business
econsense is an association of leading German companies and organizations. The members aim to work together to promote sustainable economic development through open dialogue.

Global Reporting Initiative (GRI)
The GRI is a global, network-based, not-for-profit organization. It publishes the world's most commonly used guidelines on sustainability reporting. This sustainability report has been prepared on the basis of the specifications of the GRI Standards, Core level.

International Labor Standards
The International Labour Organization (ILO), a sub-organization of the United Nations (UN), and its actions are defined by four basic principles: freedom of association and the right to collective bargaining, the elimination of forced labor, the abandonment of child labor, and the elimination of discrimination in respect of employment and occupation. These basic principles are set out in eight conventions with the ILO.

Life cycle assessment
A life cycle assessment comprises compiling and assessing the inputs and outputs and potential environmental impact of a product system during its life cycle, based on a standardized international method (DIN EN ISO 14040/44). Alongside life cycle assessments, Evonik performs life cycle-based analyses with reduced scope to obtain information on specific environmental impacts (e.g., carbon footprints).

Low Carbon Technology Partnerships Initiative (LCTPi)
The Low Carbon Technology Partnerships Initiative (LCTPi) was set up by the World Business Council for Sustainable Development to accelerate the development of low-carbon technology solutions.

OECD Guidelines for Multinational Enterprises
The guidelines issued by the Organisation for Economic Cooperation and Development (OECD) are government recommendations to multinational enterprises operating in or from member states. They comprise principles and benchmarks for responsible corporate action, but are not legally binding.

Responsible Care®
Responsible Care® is the global initiative of the chemical industry to bring about a continuous improvement in environmental protection, health, and safety. As well as complying with legislation, the industry cooperates with government agencies and stakeholders in various voluntary initiatives.

Sustainable Development Goals
In fall 2015, the United Nations published 17 global sustainable development goals, to be achieved by 2030. They replace the eight Millennium Development Goals, which expired in 2015.

UN Global Compact
The Global Compact is an initiative of the United Nations based on ten principles for responsible action by companies.

World Business Council for Sustainable Development (WBCSD)/Vision 2050
The WBCSD is a company-led organization that aims to drive forward sustainable development worldwide. The WBCSD's Vision 2050 describes the pathway to achieving a sustainable world with around 9 billion people living well within the limits of the planet by 2050.

List of tables and charts

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Charts

Credits

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Sustainability awards 2017

Awards and accolades for our sustainability performance—at Group level:

German Awards for Excellence 2017 Evonik Industries AG

DQS CFS, the German society for certification of management systems, presented Evonik with an award in the life cycle assessment category. DQS is an audit and certification company based in Frankfurt (Germany). The award was for an educational game developed by Evonik's Life Cycle Management unit in collaboration with the Animal Nutrition Business Line and Quantis GmbH & Co. KG.

SBA sg Sustainable Business Awards Singapore

Evonik was honored with the Sustainable Business Awards Singapore for the first time—in three categories: Energy Management, Business Responsibility and Ethics, and Best Newcomer. These awards are presented by the media company Global Initiatives in partnership with PwC.

Econ Award 2017 SILBER

Evonik's Sustainability Report 2016 received the Econ Award in silver. The jury singled out the excellent data presentation and analysis, which provide extensive insights into Evonik's commitment. The Econ Award—one of the most prestigious communications accolades in German-speaking countries—is a cooperation between two publishing houses, Econ-Verlag, which belongs to Ullstein-Verlag, and the Handelsblatt Group.

LACP 2016 VISION AWARDS SILVER WINNER

The League of American Communications Professionals (LACP) presented Evonik with the international "Vision Award" in silver for its sustainability report. The jury awarded Evonik 97 out of 100 points.

The Building Trust Awards

Evonik was presented with the Building Public Trust Award by the audit firm Pricewaterhouse-Coopers AG (PwC) in the category MDAX. PwC makes this award to companies that credibly highlight non-financial value drivers in both their conventional financial reporting and their sustainability reporting.

FOX FINANCE 2017

The jury for the FOX FINANCE Awards presented Evonik with the Gold Award, confirming the outstanding efficiency performance of the reporting concept submitted in the chemicals and pharmaceuticals category. The design concept for the report was awarded the FOX FINANCE VISUAL in silver.

Awards and accolades for our sustainability performance—at segment level T36

	Awards and accolades	Products and projects	Presented by
Nutrition & Care, Personal Care Business Line	Sensory Award in Bronze	For an innovative texture concept	In-cosmetics 2017
Nutrition & Care, Comfort & Insulation Business Line	Most innovative supplier	Innovative research into foam formation with modified polyether siloxanes from Evonik	Covestro
Resource Efficiency, Strategy and Growth Business	2017 product prize in the Material and Construction category	Development of CALOSTAT® high-performance insulation	DETAIL trade journal
Resource Efficiency, Coating Additives Business Line	Ringier Technology Innovation Award 2017	For the newly developed AEROSIL® product VP RS 92	Ringier
Resource Efficiency High Performance Polymers Business Line	Supplier Award	For outstanding reliability of supply	Hubbell Inc.
Performance Materials, Acrylic Products Business Line	Silver Award in the category B2B website	Brand campaign www.world-of-plexiglas.com	European Best of Content Marketing competition
Performance Materials Agrochemicals & Polymer Additives Business Line	Top Supplier	For the high reliability of supply and quality of 1,7-octadiene	Borealis AG

Ratings and indices 2017

C31

Evonik was included in leading stock market indices for responsible investment and positioned itself successfully in major sustainability ratings.

MSCI once again included Evonik in its World ESG Leaders Index and the Socially Responsible Index Europe. MSCI is a US financial services company that mainly provides services for investment banking. In addition to international equity indices, it provides portfolio and risk analyses and research.

Evonik is a member of the Dow Jones Sustainability Index (DJSI) Europe and DJSI World published by the Swiss rating agency RobecoSAM. Evonik received top scores on the criteria innovation management, climate strategy, and customer relationship management.

Evonik's sustainability performance was given a B rating by oekom Corporate Rating, which awarded it the highest level, Prime Status.

Evonik received an A– rating from CDP for its climate strategy (CDP Climate Change). It was awarded a grade of B (management level) for its water reporting (CDP Water). Evonik aims to achieve leadership level with the activities launched at the end of 2017 to drive forward its water stress analysis.

Evonik's sustainability performance was also evaluated by the independent rating agency Sustainalytics. Sustainalytics uses the ESG approach, i.e., the rating covers environmental, social, and governance aspects. Evonik is one of the Top 5 of the 130 companies ranked in its sector.

Evonik is a member of the FTSE4Good index. This index family of the London-based FTSE Group rates companies in categories such as environmental management, human and labor rights, health and safety, sustainability in the supply chain, and corporate governance.

Evonik is included in the STOXX® Global ESG Leaders Index. This index, which was launched by Deutsche Börse among others, lists the best 25 percent of sustainable companies in the investment universe on transparency in environmental, social, and governance performance.

In the Euronext index family, Evonik has gained a place in the Europe120 as one of the strongest companies in Europe, based on an evaluation of its corporate responsibility performance. The Europe120 index comprises leading companies from various sectors.

As a founding member of the Together for Sustainability (TfS) initiative, Evonik drives forward transparency and sustainability in the supply chain and is subject to annual assessments. Evonik has a gold rating, positioning it among the top 1 percent of suppliers evaluated.

As of: December 31, 2017.

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EVONIK
POWER TO CREATE