

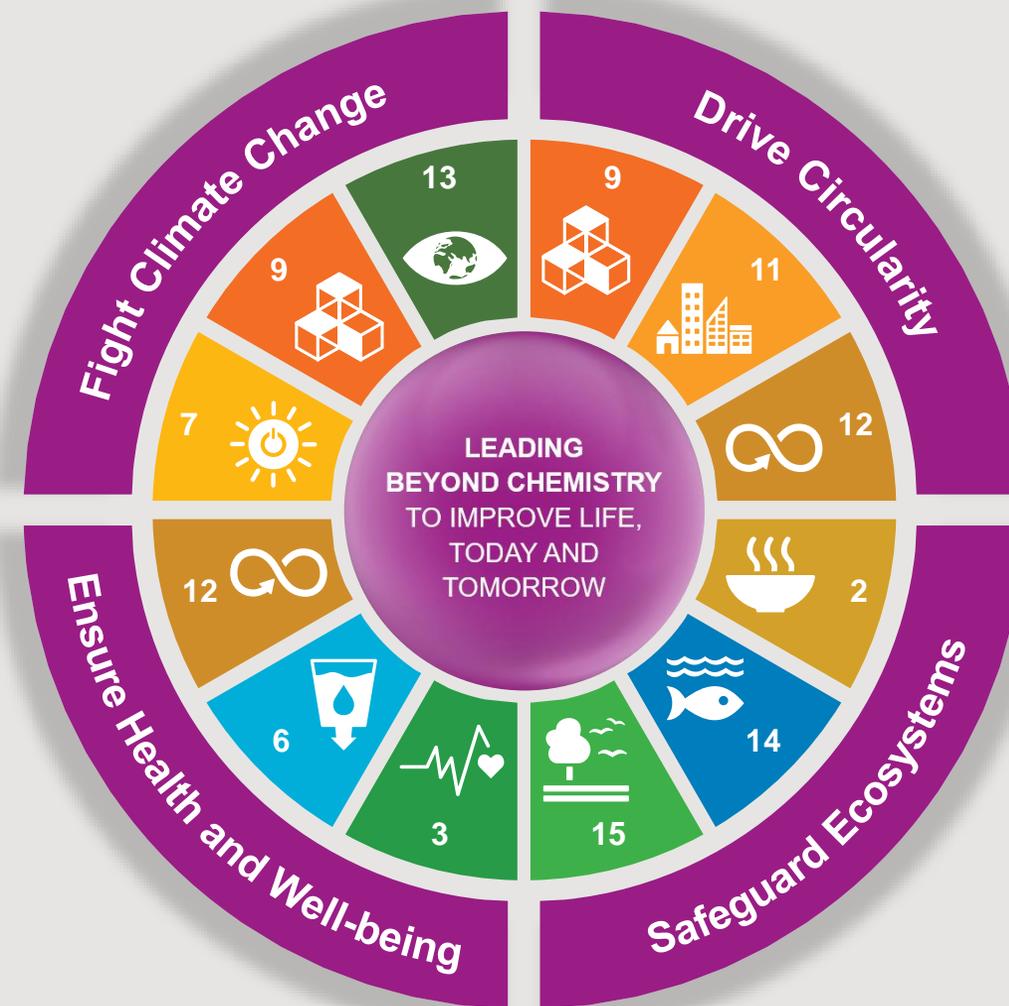
# Next Generation Evonik.

## Sustainability

BNP Paribas Exane  
ESG Conference  
September 28<sup>th</sup>, 2022

Stefan Haver  
Head of Sustainability

Cédric Schupp  
IR Manager



# Sustainability as backbone of Evonik's purpose and strategy

## Setting the frame

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# Ambitious commitments on handprint and footprint

In line with Science Based Targets



## NEXTGEN

### Solutions

Sales by 2030

Next Gen Solution <i>(Leaders + Drivers)</i>	>50%
Challenged Products	<5%



## NEXTGEN

### Technologies

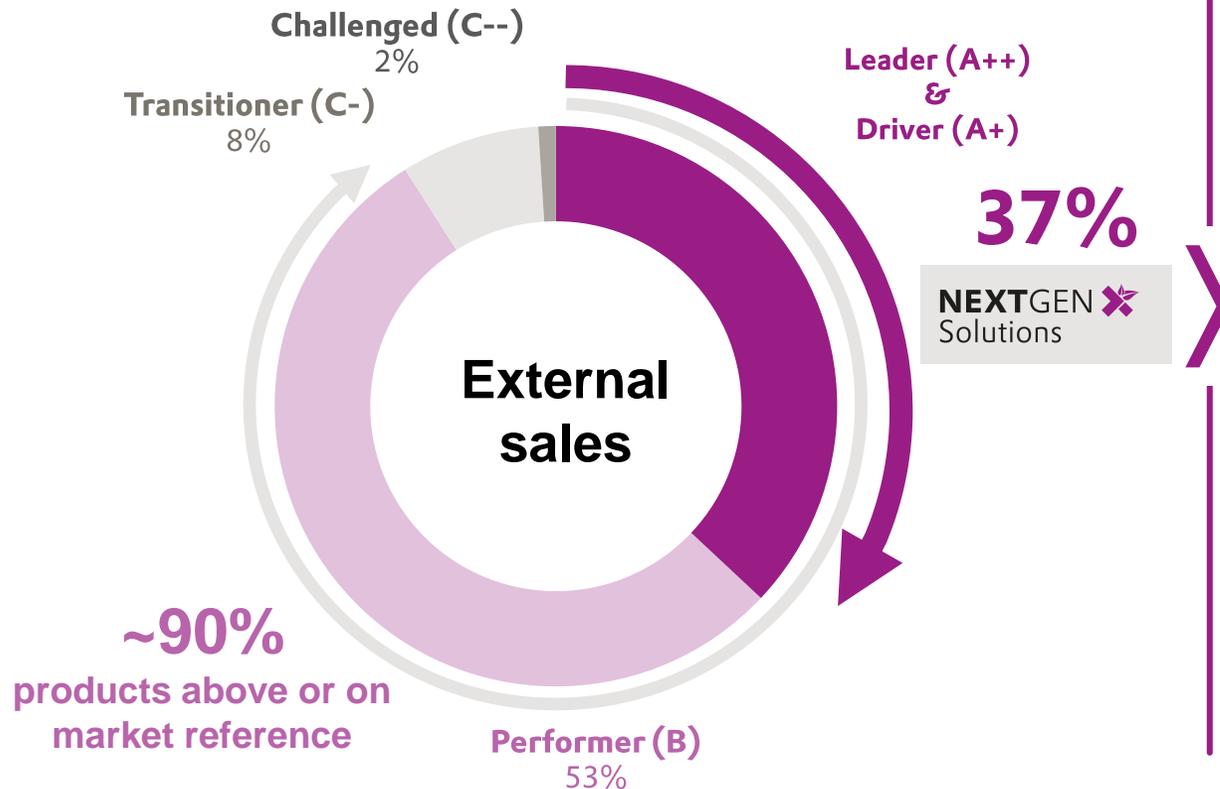
CO<sub>2</sub> reduction 2030

Scope 1+2 <i>(Well below 2 degrees)</i>	-25%
Scope 3 <i>(2 degrees, committed)</i>	

# Handprint: “Next Generation Solutions”

## 37% of Evonik’s portfolio with superior sustainability benefits

### Result of PSA analysis



### Best-in-class products in Evonik’s portfolio which...

...deliver **above-average growth**

...address **increasing customer demand** for sustainable solutions

**NEXTGEN**   
Solutions

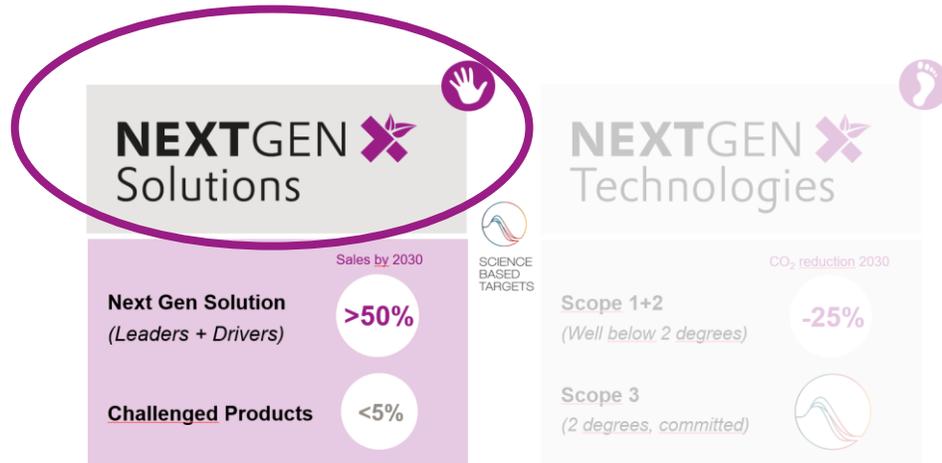
...deliver **superior sustainability benefits** to our customers

NGS: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions

# Handprint: “Next Generation Solutions” to grow beyond 50% by 2030

## Market-driven transformation

### Increase “Next Generation Solutions”



€3 billion of growth investments until 2030

NGS: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions

### Three levers to increase the share of NGS

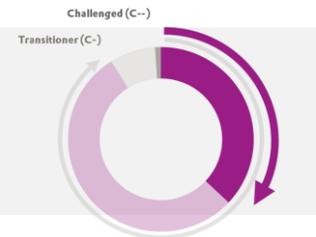
**1** Superior sales growth rates of existing “Next Generation Solutions”



**2** New sales from **innovations** becoming “Next Generation Solutions”



**3** “Challenged” and “Transitioner” products exiting or with new formulations



# Handprint: Superior sales growth rates of existing “NGS” Portfolio circled around our four “Sustainability Focus Areas”



# Footprint: Our commitments to reaching the Paris Climate Agreement

## Site-driven transformation

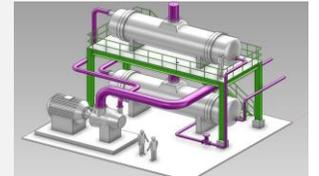
### Next Generation Technologies



€700 million of investments until 2030

### Key levers

1 Strong Sites



2 Green energy



3 Process Efficiency



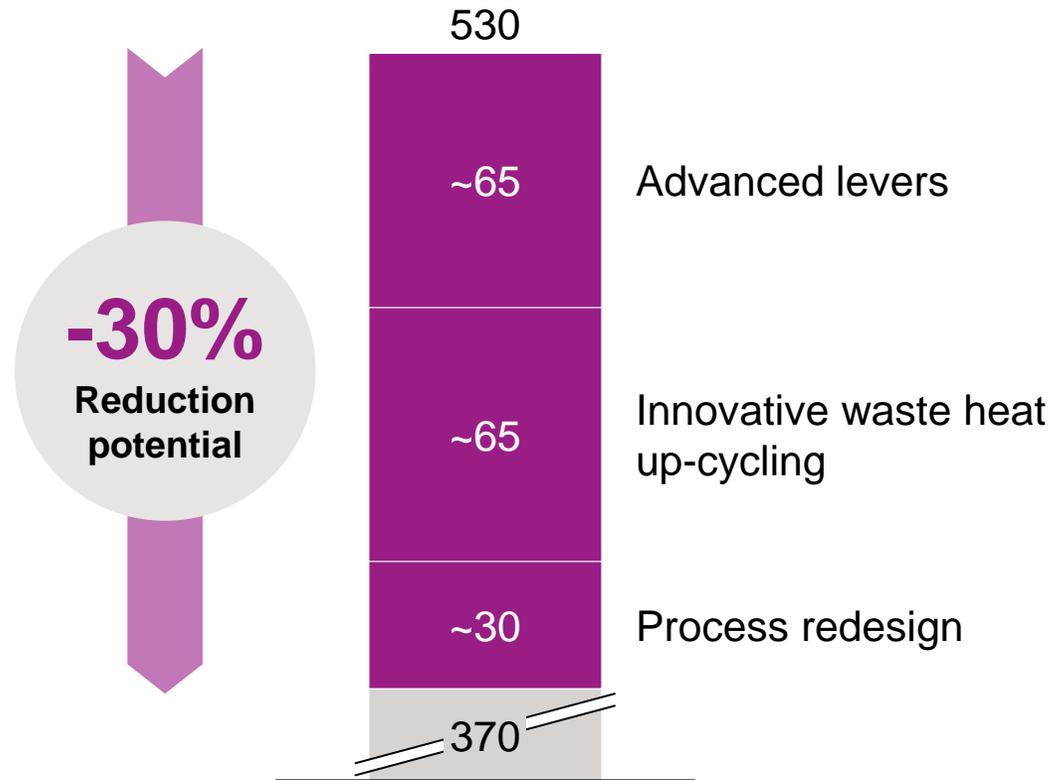
4 Sustainability Data Management



# Footprint: “Next Generation Technologies”

## Example Antwerp as blueprint for other sites

### Reduction<sup>1</sup> by economically attractive measures



1. Gross emissions in kt CO<sub>2</sub>e

### “Next Generation Technologies” (selected examples)

2a

- Advanced Process Control (APC) ensuring production at ideal operating point
- Heat exchangers for improved heat integration

2b

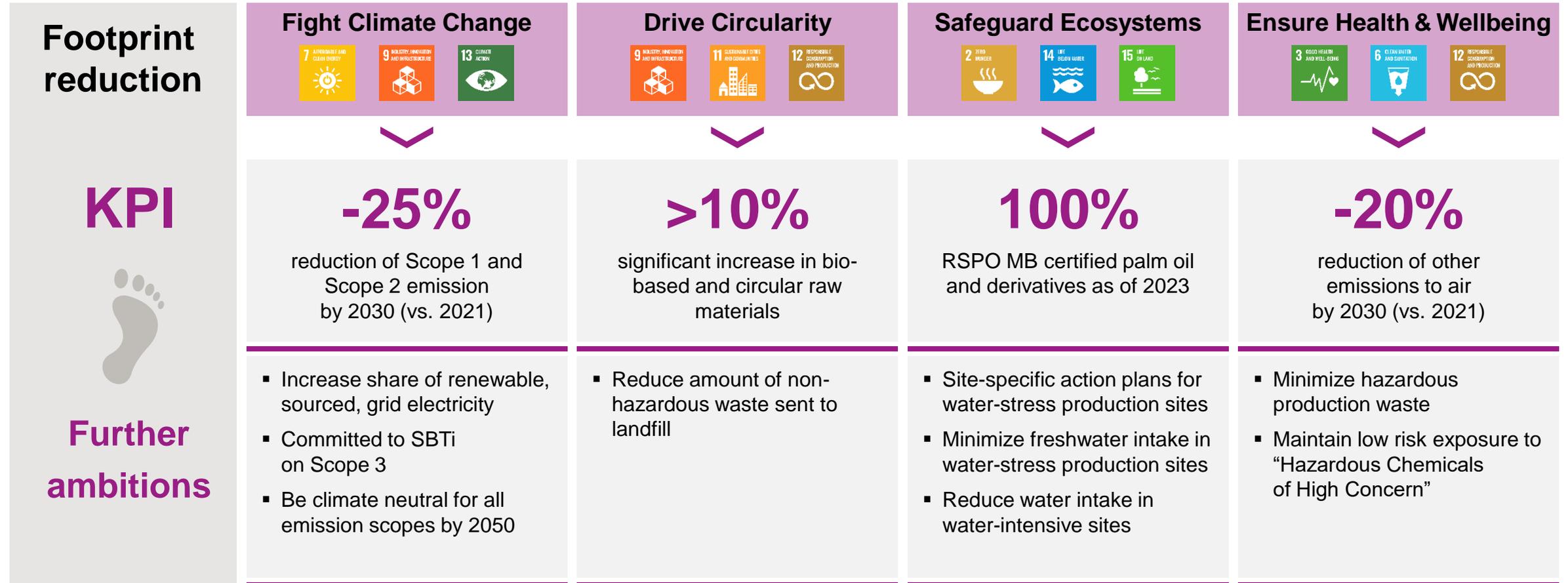
- High temperature heat pumps for valorization of waste heat
- Mechanical vapor recompression

2c

- CO<sub>2</sub> reuse in production processes
- Adaptation of reaction conditions for increased energy efficiency

# Footprint: Reduction targets in all our sustainability focus areas

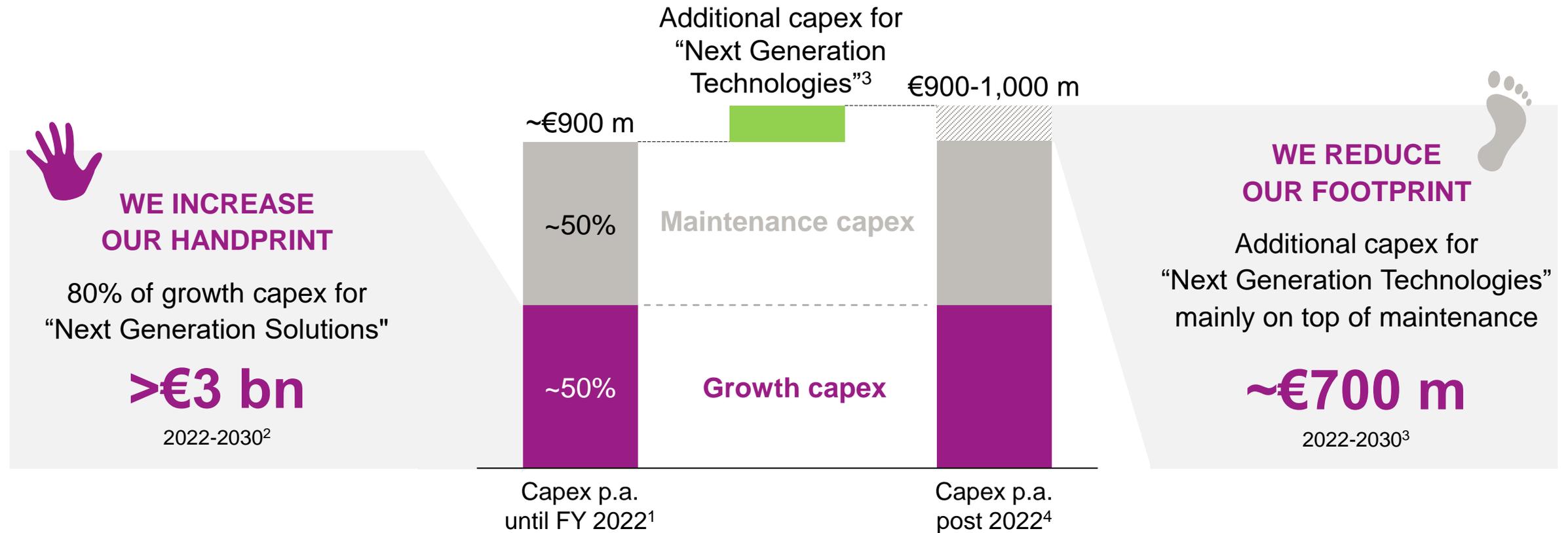
## Measurable set of KPIs in place, more to come with EAGER results



1. RSPO MB: Roundtable on Sustainable Palm Oil Mass Balance

# Ambitious sustainability targets backed by financial commitment

## Capex as key element for investments into handprint & footprint



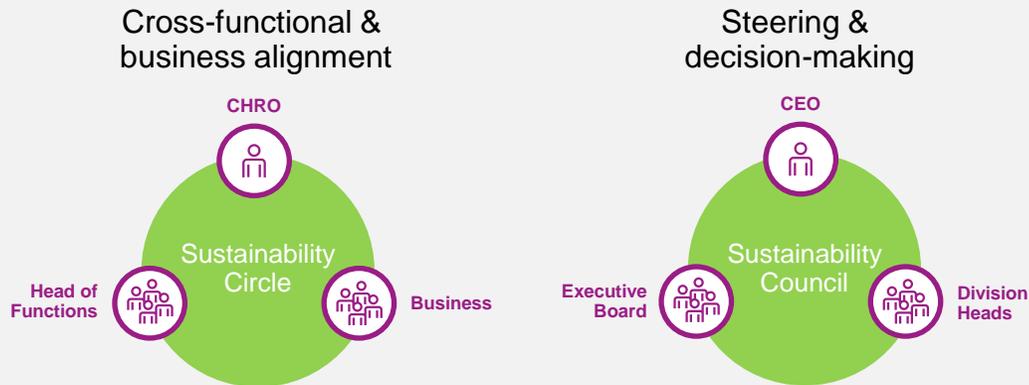
1. Incl. ~€50 m p.a. for Performance Materials | 2. ~€350 m p.a. | 3. ~€80 m p.a. on average incl. ~€15 m p.a. for PM, ramping up gradually over the coming years | 4. Incl. ~€65 m p.a. for PM

# Complementing governance on sustainability

## Reflected in organizational set-up and remuneration

### Clear responsibilities

- **Executive Board** has overall **responsibility** for sustainability
- Setting **strategic framework** and **executing measures** in close cooperation with operating divisions



### Part of remuneration

- Occupational safety part of remuneration of the executive board since more than a decade
- New ESG goals to be **integrated in remuneration schemes** of executive Board as of 2022



# Sustainability strategy - Key take-aways

To improve life, today and tomorrow.

Sustainability is an **integral part of our purpose** – four Evonik focus areas as guiding framework for Evonik

**Sustainability is fully integrated** into strategic management processes: portfolio & innovation steering, capital allocation

**Handprint:** increase NGS<sup>1</sup> sales share to **>50% by 2030**

**Footprint:** reduce CO<sub>2</sub> emissions by **25% by 2030<sup>2</sup>**

Driving **Next Generation Culture** & complementing **governance**

**NEXTGEN** ✦  
Solutions

**>50%**



**-25%**

1. NGS: "Next Generation Solutions"

2. Commitment letter signed and handed in for SBTi, 25<sup>th</sup> April 2022, gross emissions reduction with reference year 2021, target year 2030

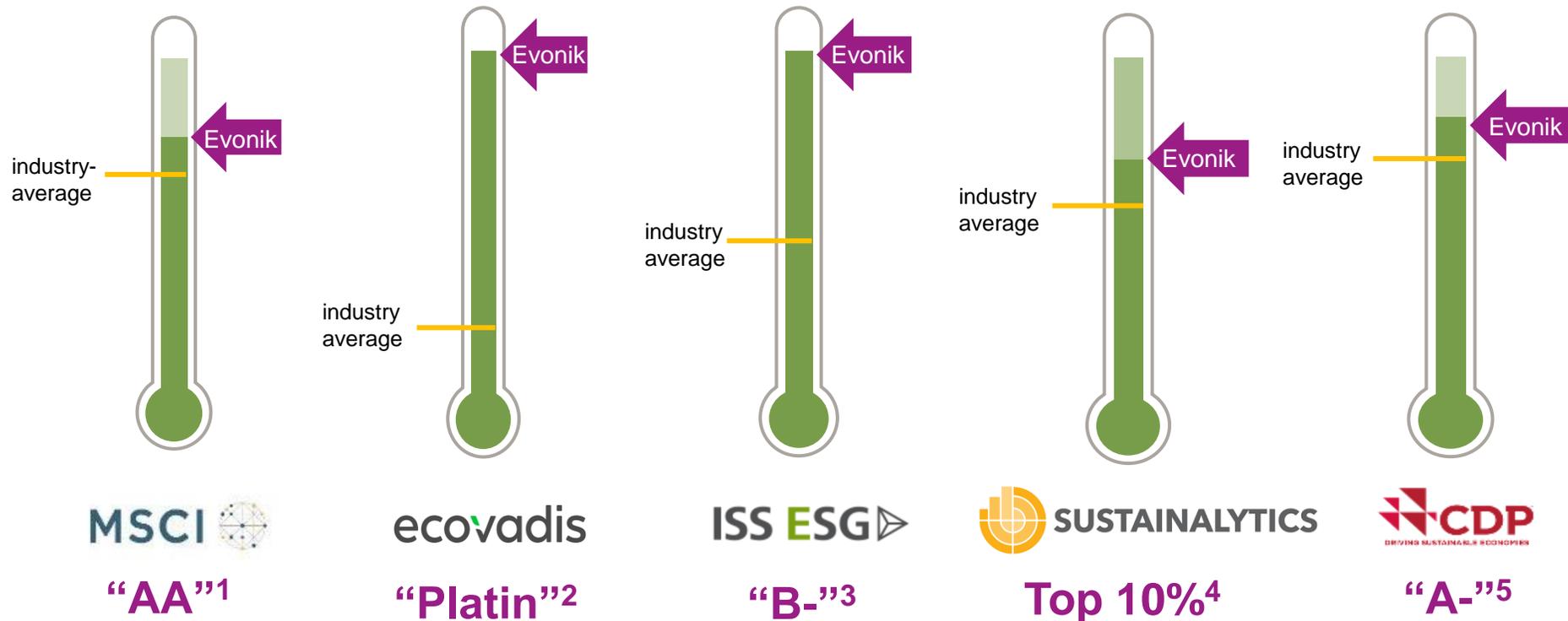


**EVONIK**

**Leading Beyond Chemistry**

# Sustainability Rankings

## Evonik best-in-class within chemicals sector



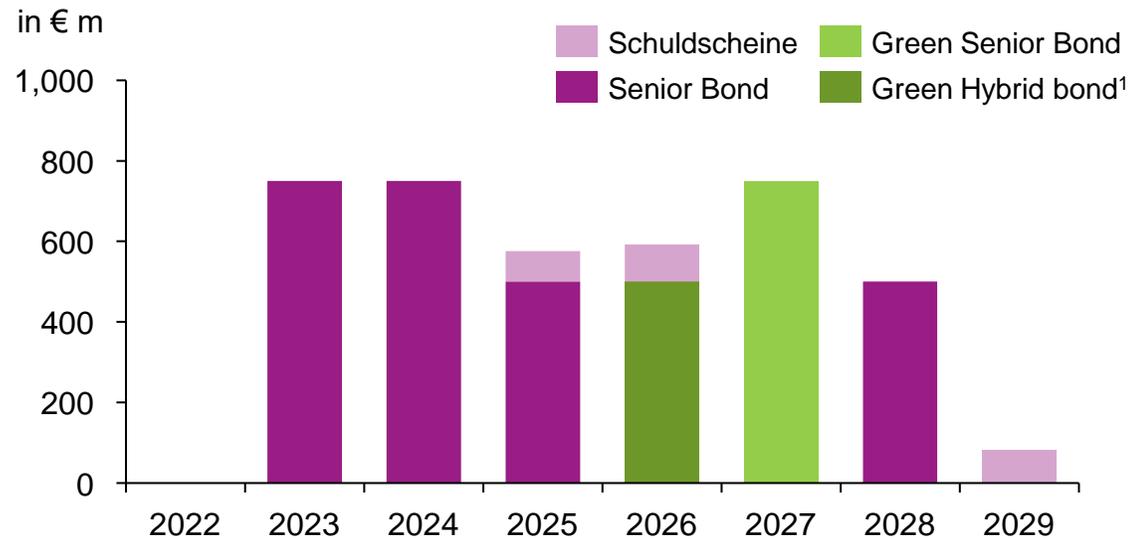
- 2022 recognitions:**
- ecovadis „Platin“ awarded for 2nd time
  - CDP Climate Change „A –“ confirmed

1: Rating on a scale of AAA to CCC | 2: Top 1% of companies assessed | 3: Rating on a scale of A+ to D- | 4: out of ~130 companies ranked in the chemical sector | 5: Rating on a scale of A+ to D-

# Green Finance supporting Evonik's sustainability strategy

## Green bonds as financial instrument firmly established

### Well-balanced bond maturity profile



August 2021

€500 m  
Green Hybrid Bond

May 2022

€750 m  
Green Senior Bond

Issuance

### Use of proceeds...

- ...according to **Green Finance Framework**, mainly allocated to **NextGen Solutions** capex
- In addition, **green RD&I opex** for NextGen Solutions and expenses for **energy efficiency** (e.g. for NextGen Technologies) and **renewable energy** (e.g. Green PPA)

### Green Finance firmly established

- **Sustainability strategy** well **accepted** by reputable ESG-investors
- Green Finance can be an important **differentiating factor**, especially in **difficult market situations**
- **Contribution** to achieving **sustainability targets**, e.g. increase sales share of **Next Generation Solutions to >50%**

1: Formal lifetime 60 years; first redemption right for Evonik in 2026

# Our top ESG targets

		Status 2021	Target
 <b>Strategy and growth</b>	▪ Sales share to be generated from “Next Generation Solutions” by 2030	37%	>50%
	▪ Generate >€1 bn in additional sales <sup>1</sup> in our six innovation growth fields by 2025	>€500 m	>€1 bn
 <b>Value chain and products</b>	▪ TfS assessments of all raw materials suppliers (with annual procurement volume >€100k) by year-end 2025	69%	100%
	▪ RSPO MB certified palm oil and derivatives as of 2023	>70% (Care Sol.) >10% (Oil Add.)	100%
 <b>The environment</b>	▪ Reduce green house gas emissions – absolute scope 1 and scope 2 emissions by 2030 (reference: 2021)	--	-25%
	▪ Reduce other emissions to air <sup>2</sup> by 2030 (vs. 2021)	--	-20%
 <b>Employees</b>	▪ Intercultural mix <sup>3</sup> in top management by 2023	14.6%	20%
	▪ Women in top and senior management by 2023	17.7% / 17.6%	23%
 <b>Safety</b>	▪ Safety		
	– Accident frequency rate <sup>4</sup>	0.19	≤0.26
	– Incident frequency rate <sup>5</sup>	0.48	≤0.40
	▪ Occupational health performance index	5.6	≥5.0
 <b>Governance and compliance</b>	▪ Sustainability Council reporting directly to CEO	--	✓
	▪ 20% of Long-Term Incentive linked to Sustainability targets <sup>6</sup>	--	✓

1. With products introduced in or after 2015 | 2. See table T12 in Sustainability Report | 3. Non-German Employees |  
4. New reference parameter from 2021 | 5. Modified calculation basis from 2021 | 6. to be approved at AGM 2022

# Sustainability fully integrated in corporate strategy

## Next phase of transformation in all three strategic levers

Three major strategic levers...

... with sustainability fully integrated ...

... delivering on ambitious targets

### Next Generation Portfolio

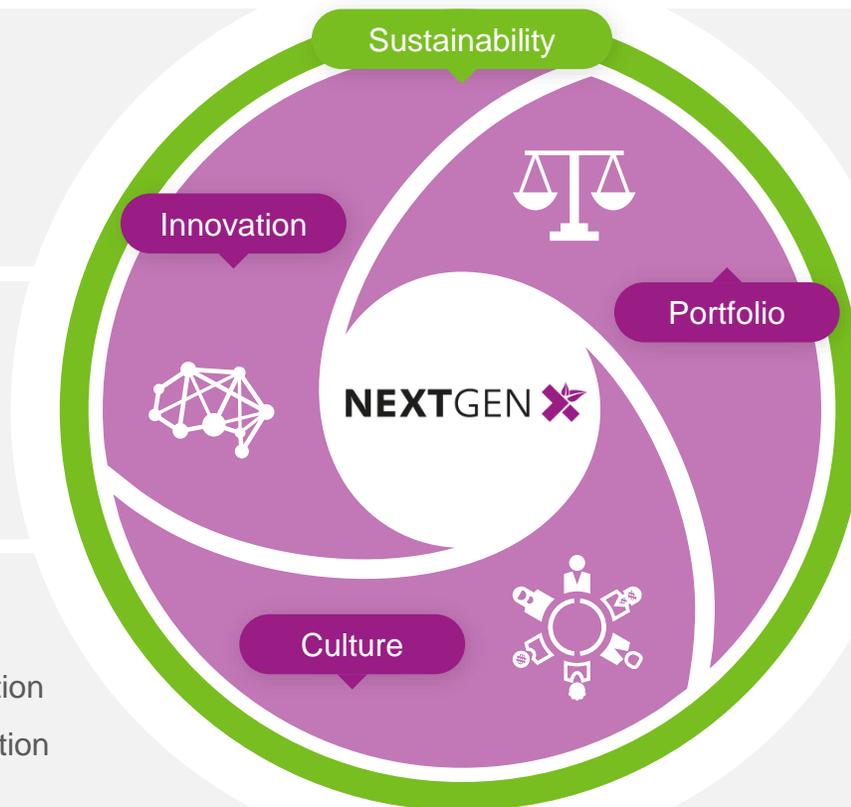
- + Exit Performance Materials
- + Full focus on three attractive growth divisions

### Next Generation Innovation

- + €1 bn new sales well on track
- + Growth areas beyond 2025 already launched

### Next Generation Culture

- + Diversity as key to successful strategy execution
- + ESG targets integrated into mgmt. compensation



### ESG Targets

- + >50% sales share of **NEXTGEN Solutions** ✦
- + -25% CO<sub>2</sub> emission reduction, e.g. via **NEXTGEN Technologies** ✦

### Financial Targets

- + Organic growth >4%
- + EBITDA margin 18-20%
- + ROCE ~11%
- + FCF Conversion >40%

# Agenda

## Sustainability fully integrated into all three strategic levers

---

1

### Portfolio

- Handprint: “Next Generation Solutions”
- Footprint: CO<sub>2</sub> emission reduction as key KPI

2

### Innovation

- Sustainability fully integrated into innovation portfolio steering
- Clear alignment with our four Sustainability Focus Areas

3

### Culture

- Safety and health protection are top of our agenda
- Strengthen diversity to lead in a complex world

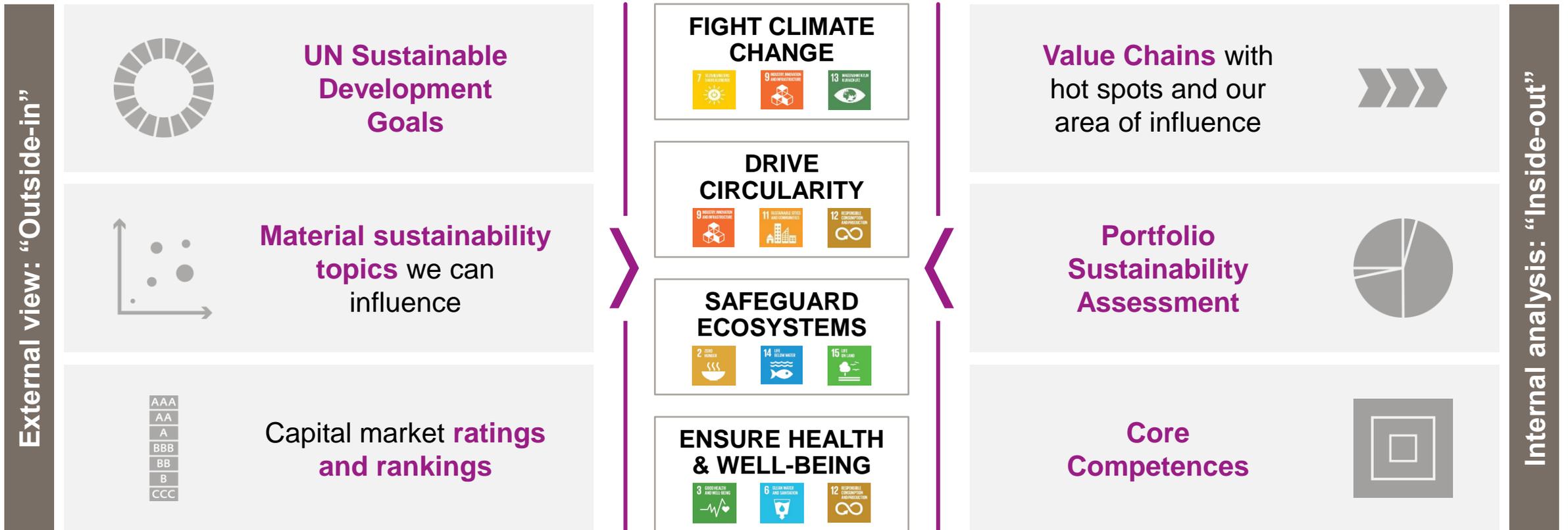
### Social & Governance

- Social commitments & responsible supply-chain management
- Sustainability KPIs as integral part of management compensation

# Our Sustainability Focus Areas defining footprint & handprint measures

## Result of external views and Evonik portfolio and competencies

### Our Sustainability Focus Areas

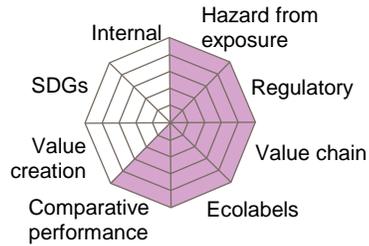


# Sustainability fully integrated in corporate strategy

## PSA and Emission Data Cube: core tools for strategic management process

### “Portfolio Sustainability Analysis” (PSA)

Assessing products vs. market signals



#### Categorization of product portfolio

- >500 PARC<sup>1</sup>s analyzed
- Classification into 5 product sustainability clusters with ranking from C-- to A++

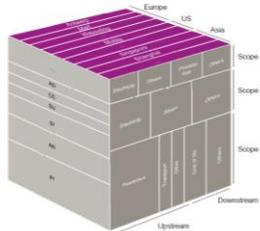
### Outcomes for Strategic Management Process

- Clear strategic roles of product groups acc. to sustainability cluster, managing “Next Generation Solutions”
- Portfolio guidelines for product and innovation steering



### “Emissions Data Cube” (Evonik GHG summary)

Emissions’ analysis



#### 3-dimensional emission data

- By business lines and divisions
- By type: scope 1-3 emissions, up- & downstream
- By site and region

- Reduction targets considered in asset strategy and accounted for in resource planning
- Simulation of scenarios in all dimensions (e.g. portfolio moves, regional choices)

Portfolio management

Innovation management

Capital allocation

1. PARC: product-application-region combinations

# Agenda

## Sustainability fully integrated into all three strategic levers

---

1

### Portfolio

- Handprint: “Next Generation Solutions”
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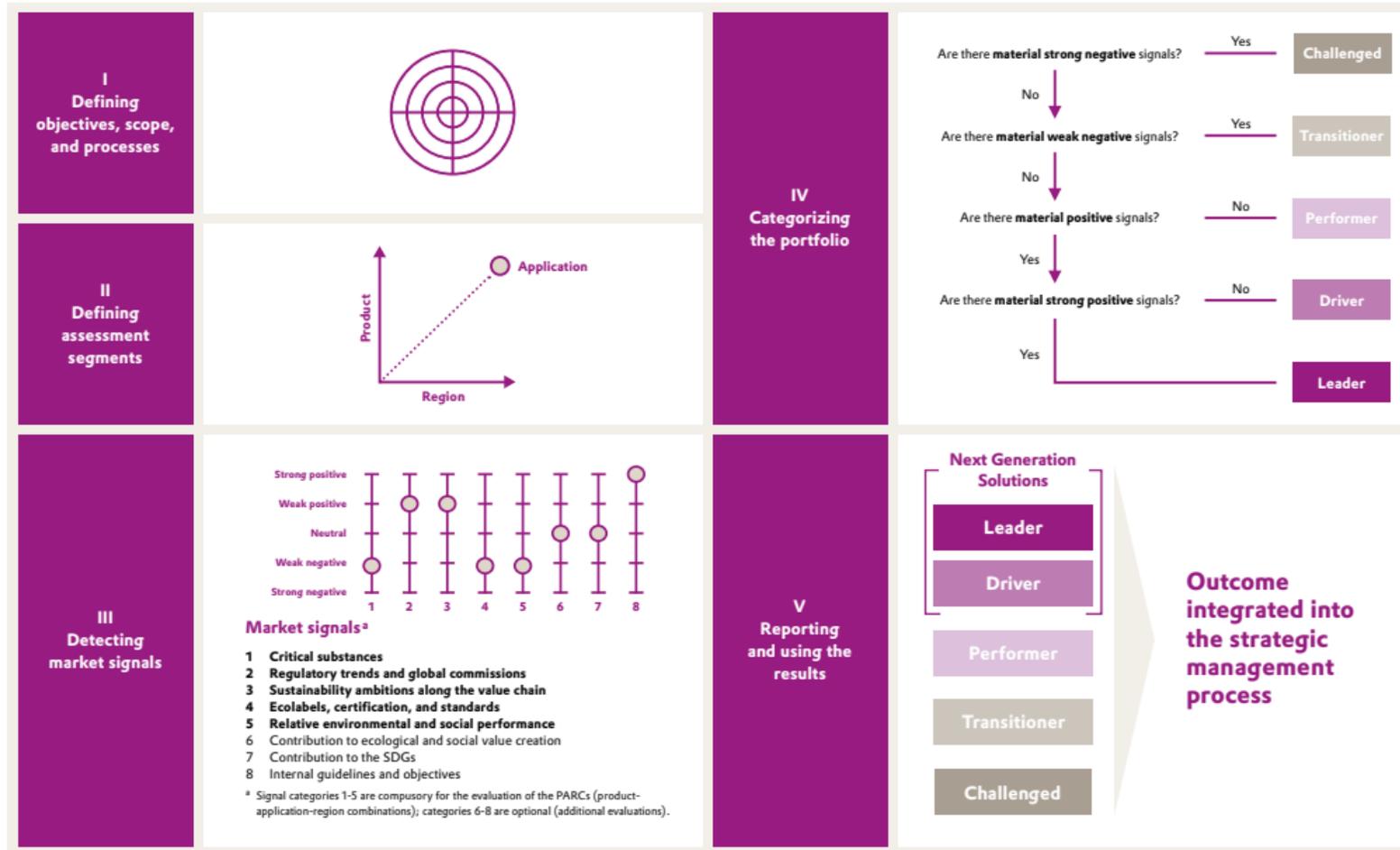
- Safety and health protection are top of our agenda
- Strengthen diversity to lead in a complex world

### Social & Governance

- Social commitments & responsible supply-chain management
- Sustainability KPIs as integral part of management compensation

# Portfolio Sustainability Analysis (PSA)

## Categorization of product portfolio, integrated in Strategic Management Process



# Portfolio management: Adding sustainability as integral dimension

## Alignment of sustainability clusters and strategic roles in strategy dialogues



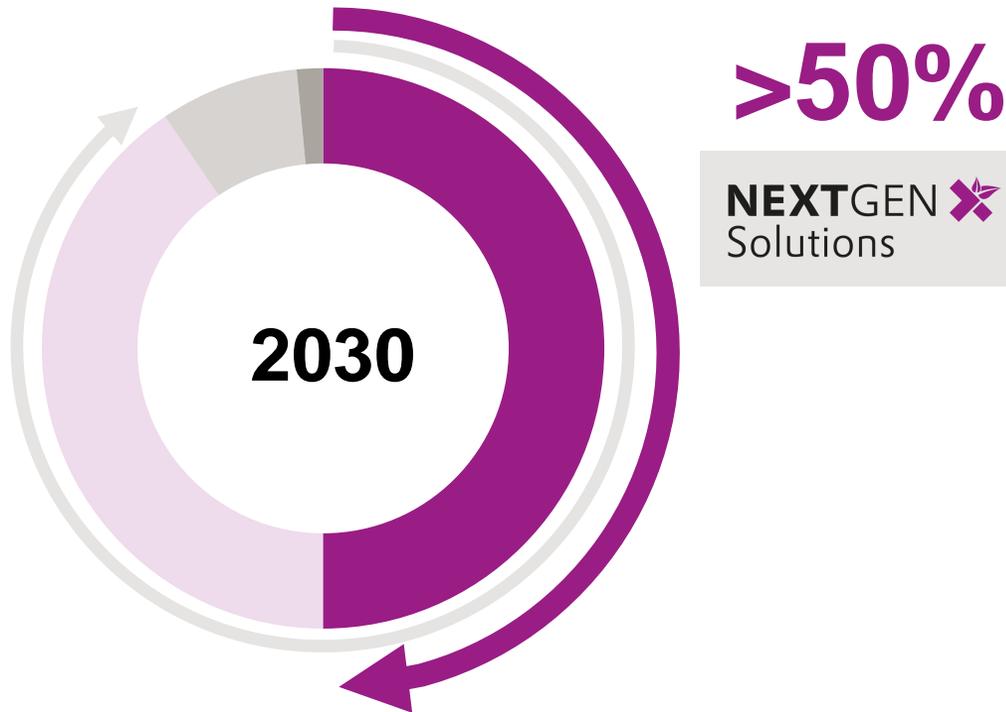
### To derive new strategic actions

Sustainability clusters	Leader				
	Driver				
	Performer				
	Transitioner				
	Challenged				
		Restructuring	Mature	Market Growth	Accelerated Growth
Strategic roles in portfolio					

## 2. Handprint: “Next Generation Solutions” to grow beyond 50% by 2030

Ambitious new sales share target to be achieved through three levers

### Increase “Next Generation Solutions”



### Three levers to increase the share of NGS

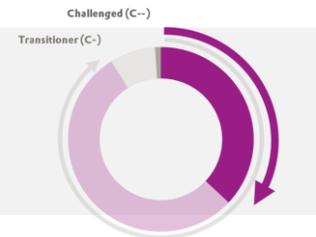
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**2** New sales from **innovations** becoming “Next Generation Solutions”



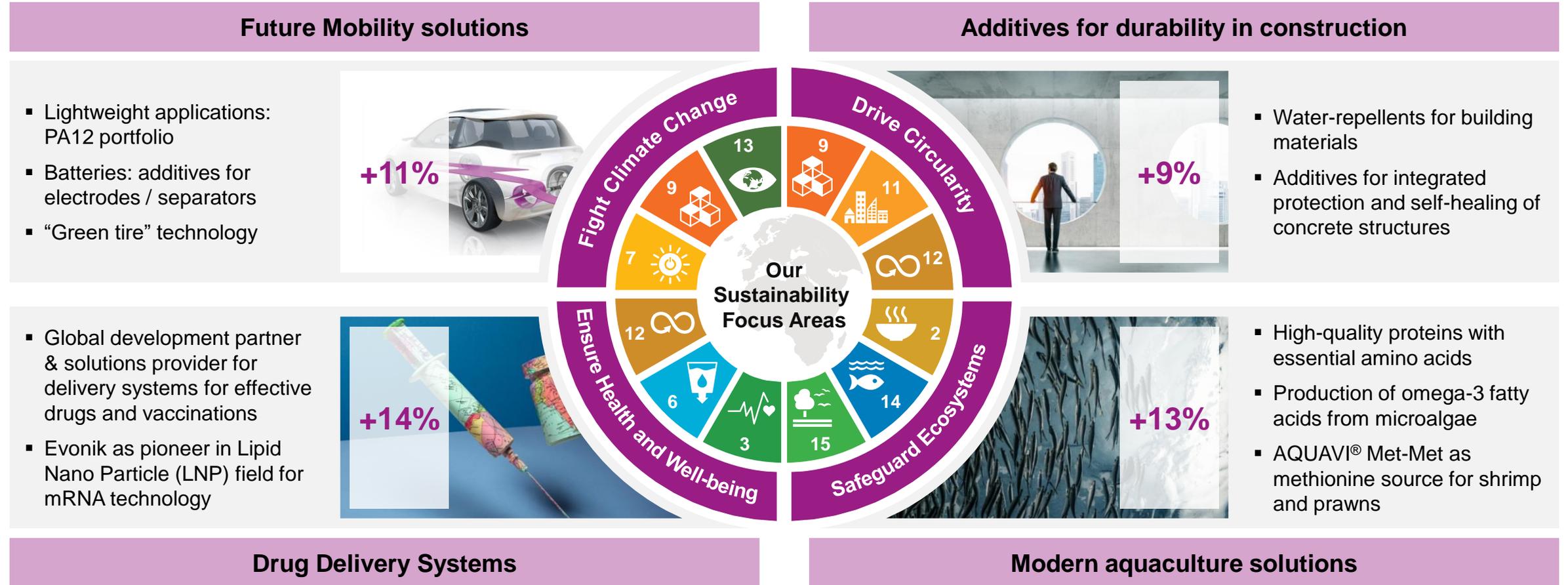
**3** “**Challenged**” and “**Transitioner**” products exiting or with new formulations



NGS: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions

# Superior sales growth rates of existing “Next Generation Solutions”

## Selected examples addressing our four Sustainability Focus Areas



% values: Target CAGR 2021-2030 defined in Strategy Dialogue

# Handprint: Fight Climate Change

## Focus “Future mobility”

### Cooling and A/C



Lightweight through metal / rubber replacement

- Weight reduction supports CO<sub>2</sub> and NO<sub>x</sub> reduction
- Smart battery temperature management

### Materials for Li-Ion-Batteries



Nanostructured high-quality metal oxide and silicon particles improve safety, lifetime and energy density

- Metal oxides extend cathode lifetime by ~50%

### Silica / Silane “green tires”



First Silica/Silane system for natural-rubber-based truck tires

- Fuel savings as high as 8%
- Pilot plant quantities available Q1/2022

# Handprint: Drive Circularity

## Focus “Durability”

### TEGOVISIN®



Water-repellents for building materials:

- Strong reduction of water uptake and efflorescence
- Long lasting stability and aesthetics reduce the need for resource and emission intensive maintenance

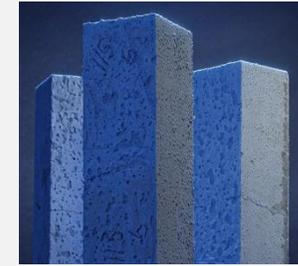
### SITREN®



Additives for integral protection of concrete structure:

- Durability for new and renovated concrete surfaces by protection against environmental influences
- Less emissions and reduced resource use by longer lifetime of constructions

### WallCraft – Upcoming launch

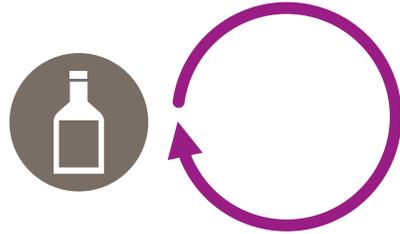


Self-healing concrete:

- Bacteria-based additive extends the longevity of concrete by stimulating its self-healing properties
- Cracks can grow together again resulting in a durable construction

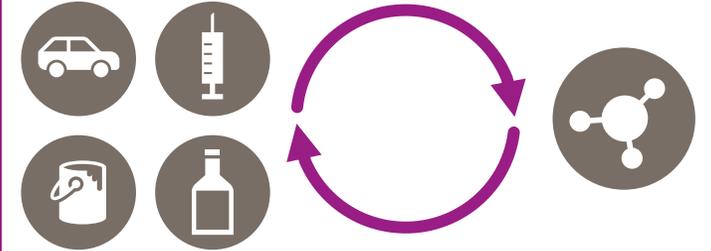
# Handprint: Drive Circularity

## MECHANICAL RECYCLING



- During separation/washing, **our additives help to make recycling processes more efficient** – resulting in higher quality of recyclates
- During compounding, **our additives improve processing** leading to competitive costs and quality

## CHEMICAL RECYCLING



- **Technologies & additives to enable chemical recycling**
- Additives enabling for example
  - use of recycled polyurethanes
  - silicone recycling

> €350 m

sales potential of Evonik Circular Plastics Program by 2030

# Handprint: Safeguard Eco-systems

## Focus “Aquaculture”

### Essential amino acids



The key to high quality proteins

- Modern, environmentally sound formulation techniques based on nutrient value, on supplementation with crystalline EAAs, and on animal nutrient requirement

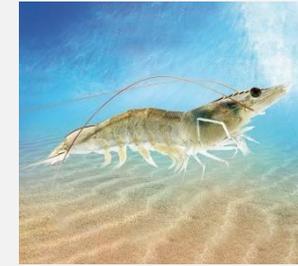
### Veramaris



Production of omega-3 fatty acids from microalgae

- Potential to reduce the fish-in-fish-out ratio to zero
- 1 ton EPA DHA replaces 60 Tons wild-caught fish

### AQUAVI® Met-Met



Ideal solution for precision protein dosing, especially for bottom feeders

- Higher nutritional value than any other Methionine source available today
- Reduces fishmeal use; reduction of overfishing

# Handprint: Ensure Health & Well-Being

## Focus “Drug Delivery Systems”

### Drug Delivery Systems



- Global development partner & solutions provider for delivery systems for effective drugs and vaccinations
- Evonik as pioneer in Lipid nanoparticles (LNP) field for mRNA technology

### Next generations of LNP-based gene therapies

#### Vaccines

**Cancer immunotherapy** expected to be the next breakthrough of mRNA therapeutics

#### Protein therapeutics

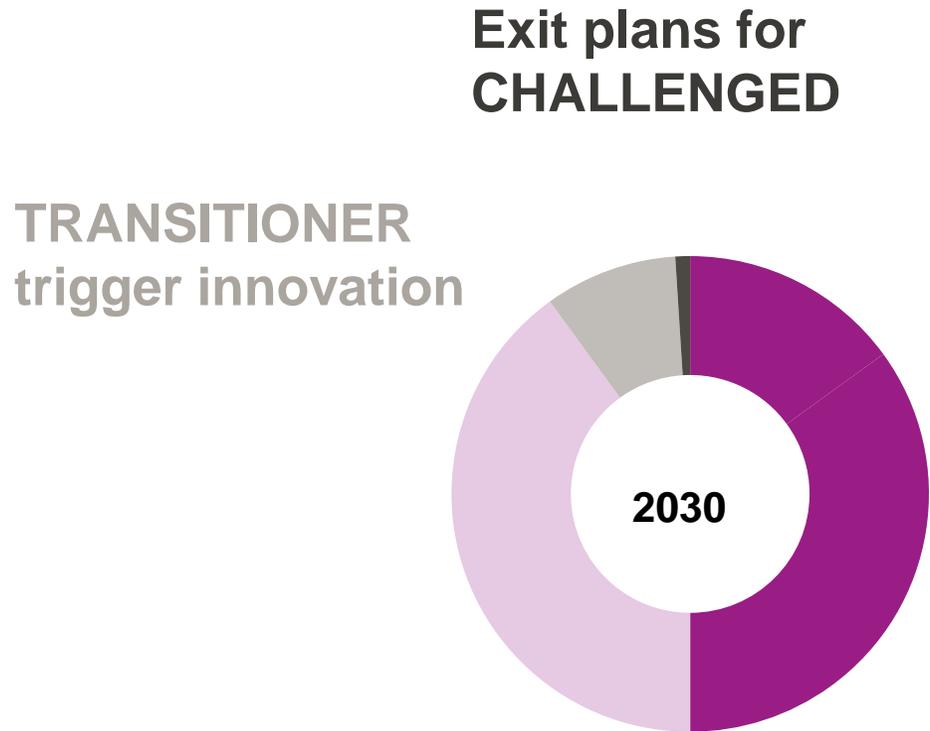
mRNA-based therapies can potentially **treat hereditary diseases**

#### Gene editing

**In-vivo modification of genes** to prevent diseases expected to be commercial within the next years

# Actively managing “Transitioners” & phase-out “Challenged” products

## Either improvement or exit



### “Challenged” products addressed with exit strategies

- Alternative, new product solutions without any negative signals are offered
- “Challenged” products included in financial risk-management

### “Transitioners” as driver for innovation

- Early identification of negative sustainability signals
- Valuable trigger for innovation and customer engagement in reformulation

**Further products will be exposed to negative signals as higher sustainability requirements develop**

# Agenda

## Sustainability fully integrated into all three strategic levers

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### 1

#### Portfolio

- Handprint: “Next Generation Solutions”
- Footprint: CO<sub>2</sub> emission reduction as key KPI

### 2

#### Innovation

- Sustainability fully integrated into innovation portfolio steering
- Clear alignment with our four Sustainability Focus Areas

### 3

#### Culture

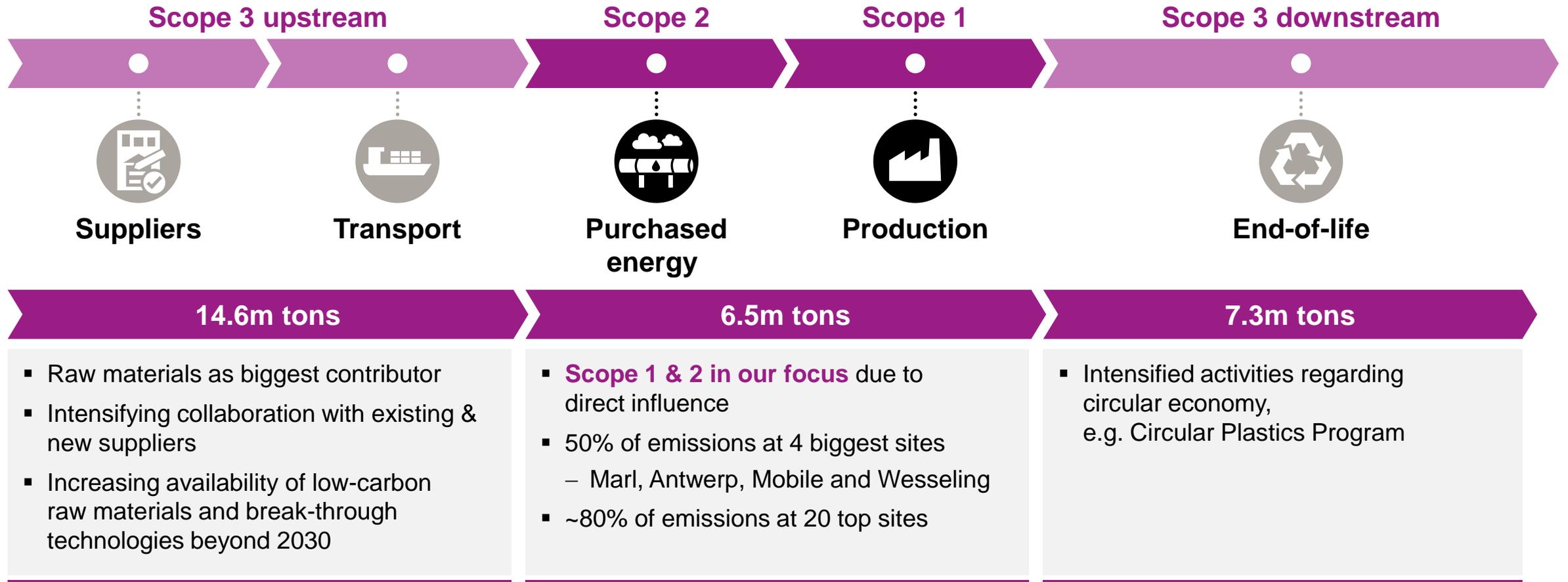
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- Strengthen diversity to lead in a complex world

#### Social & Governance

- Social commitments & responsible supply-chain management
- Sustainability KPIs as integral part of management compensation

# Footprint: Evonik Carbon Footprint 2021

Focus on Scope 1&2, intensifying efforts on Scope 3

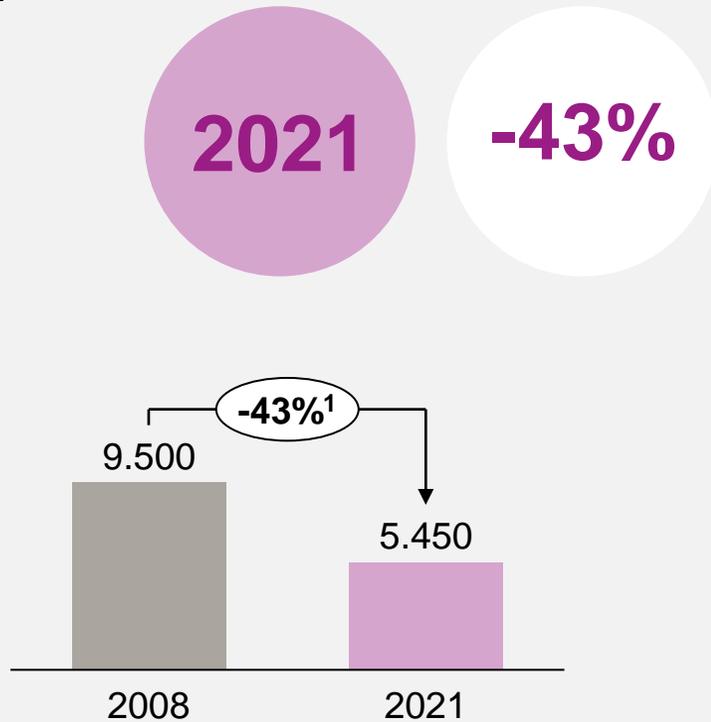


# Footprint: Our commitments to reaching the Paris Climate Agreement

Evonik will be climate neutral by 2050. Committed to SBTi.

## Achievements on GHG emissions' reduction

### Scope 1&2



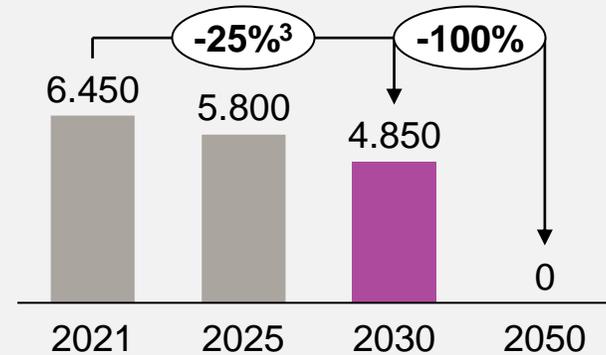
## New targets for GHG emissions scope 1&2

**Scope 1&2**  
Well below 2°C<sup>2</sup>

**Scope 3**  
Committed<sup>2</sup>



2030 -25%



2050 -100%

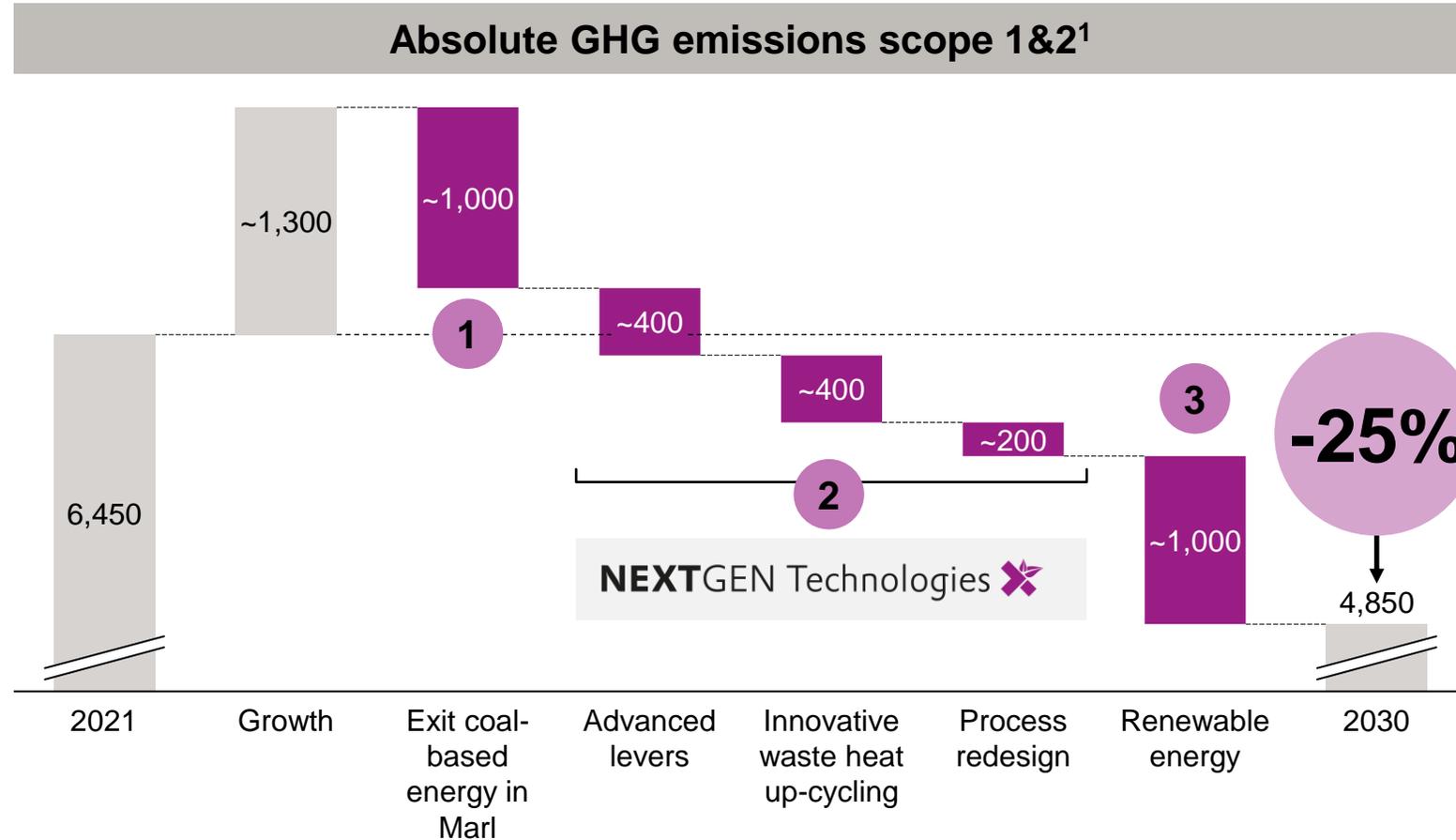
1. Net emissions (= gross emissions minus power and steam sold externally); reference year 2008; on initial -50% target by year 2025

2. Commitment letter signed and handed in for SBTi, 25<sup>th</sup> April 2022

3. Gross emissions; reference year 2021, target year 2030

# Footprint: Clear roadmap to achieve Scope 1 & 2 targets by 2030

Three clusters with economically attractive measures defined



## Reduction measures

1. Exit coal-based energy in Marl
2. “Next Generation Technologies”
  - a. Advanced levers, e.g. Adv. Process Control
  - b. Innovative waste heat up-cycling, e.g. heat pumps
  - c. Process redesign
3. Renewable energy, e.g. procuring green electricity

1. Gross emissions in kt CO<sub>2</sub>e

# 1 Exit coal-based energy in Marl



**Modernization** of Evonik's power plant park with two new power plants

Plan to replace the last coal-fired power plant at Marl Chemical Park by a **flexible combined cycle gas and steam power plant, on stream since September 2022**

Global **scope 1** GHG emissions to be cut **by ~20%**, mainly due to **annual reduction of up to 1 million metric tons CO<sub>2</sub>**

**Additional turbine plant** scheduled to be connected to the grid for end of 2022, replacing an old reserve gas-fired power plant

Total power output of 270<sup>1</sup> megawatts with an **efficiency exceeding 90%**

**Flexibility due to current energy market situation:**

Temporary prolongation of runtime of coal-fired power plant in order to increase security of supply, before readopting initial plan to replace coal with gas

1. 2x blocks in first power plant, 1x block in second plant, each generating 90 MW electricity and 220 tons of steam per hour

## 2 New EAGER program to assess main CO<sub>2</sub> emitting sites

### Definition of 2030 implementation plan with reduction measures

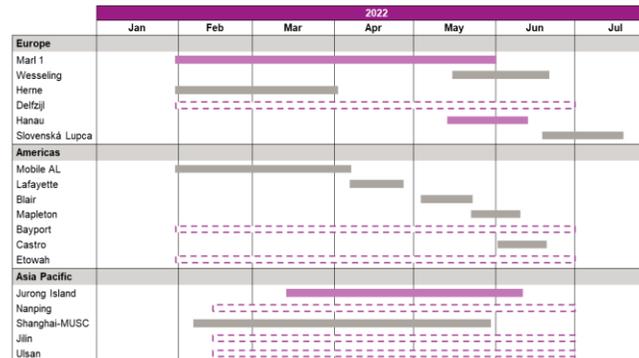
#### 2021: Starting point

- Detailed analysis of options for Antwerp and Rheinfelden sites
- Definition of most important reduction levers with necessary investments
- Blueprint for other sites



#### 2022: On-going

- Project EAGER<sup>1</sup> to develop a clear perspective for top sites to collect and prioritize suitable reduction measures
- New data collection on waste & water



#### 2022-2030

- “Next Generation Technologies” implementation plan ready end of 2022
- Investment into selected projects
- Execution of CO<sub>2</sub> reduction measures

**NEXTGEN**   
Technologies

**IMPLEMENTATION PLAN**

1. EAGER: Evonik Assessment of Greenhouse Gas Emission Reduction

## 2 EAGER to support sound decision making on site investments

### Program EAGER<sup>1</sup>

#### Setup



##### Organization

Cross-functional approach allows for fast and flexible execution



##### Methodology

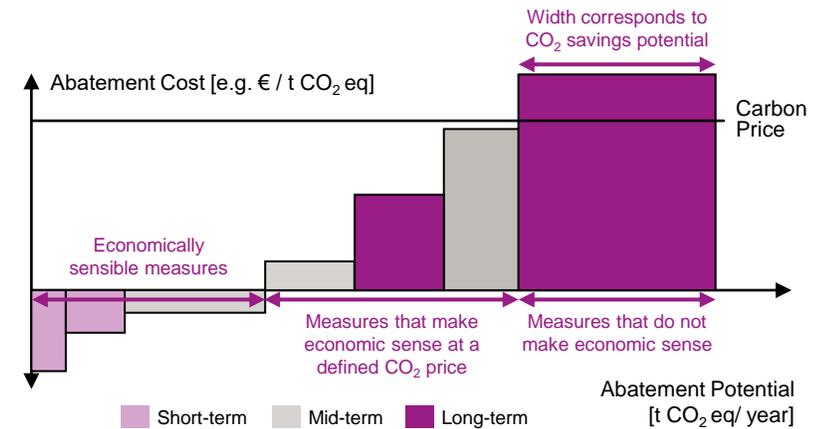
Holistic assessment of top 20 sites, incorporating existing ideas, analyses and measures



##### Calibrated Point of Truth

Ensuring a harmonized approach to allow for cross-site comparison

#### Results

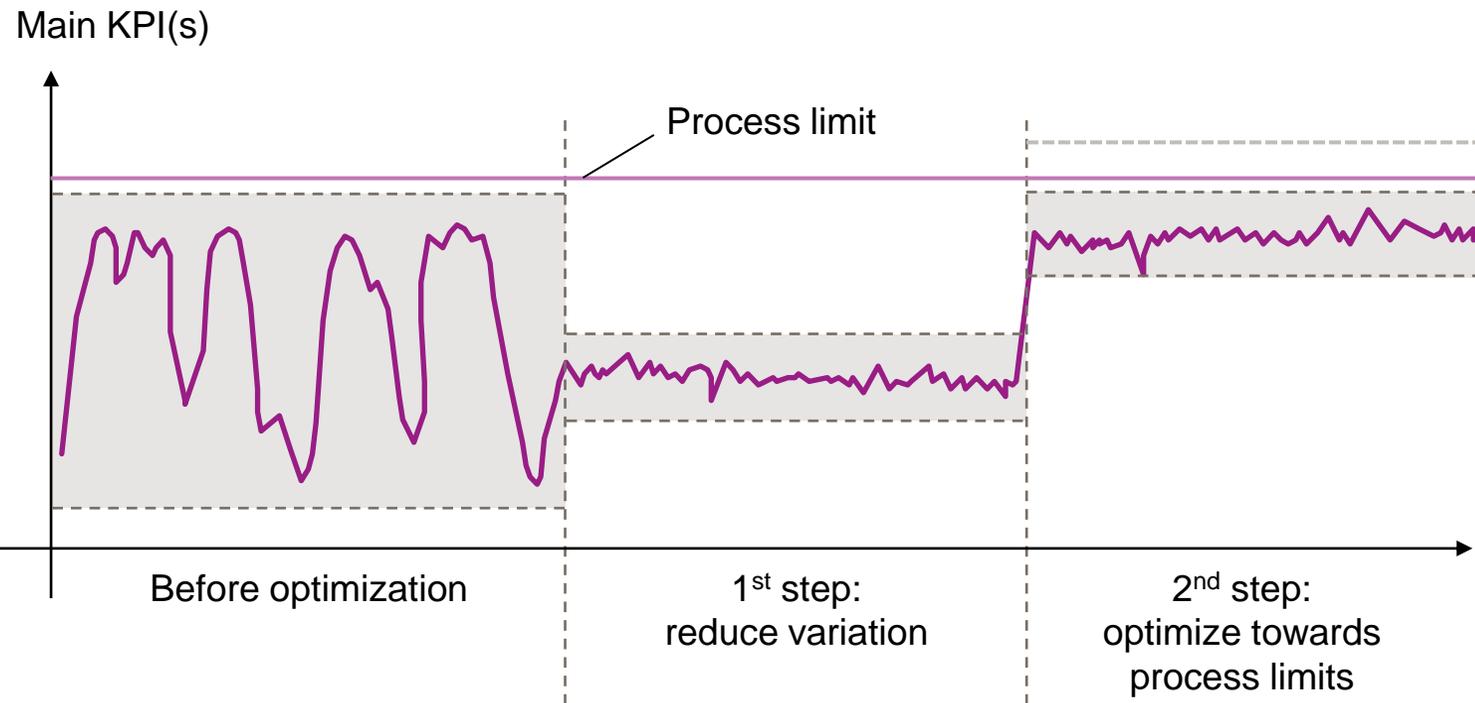


- Abatement Cost Curve: Specific measures on site level
- Validated CapEx/OpEx requirements considering real values and typical estimate accuracy
- Additional findings on water and waste data

1. EAGER: Evonik Assessment of Greenhouse Gas Emission Reduction

## 2a “Next Generation Technologies”: Advanced levers Example

### Advanced Process Control (APC)



**APC optimizes** complex production processes under consideration of many process parameters and ensures production at the **ideal operating point**

- Before optimization: High fluctuation
- 1<sup>st</sup> step: Reduce variation up to 50%
- 2<sup>nd</sup> step: Optimize towards process limits, typical benefit 5 % (throughput increase, specific energy/raw material consumption)

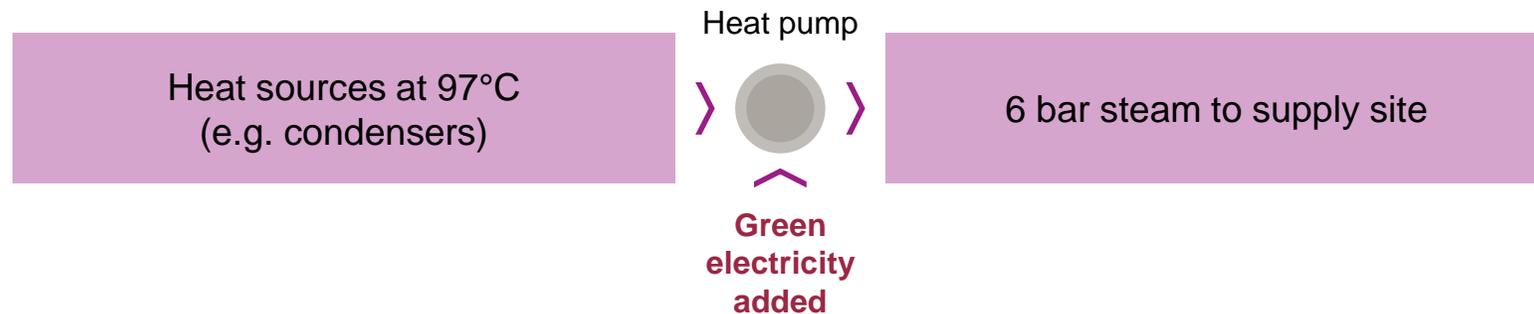
## 2b “Next Generation Technologies”: Innovative waste heat up-cycling Example

### Heat Pump deployment to switch entire site to renewable steam generation

#### Today



#### Future

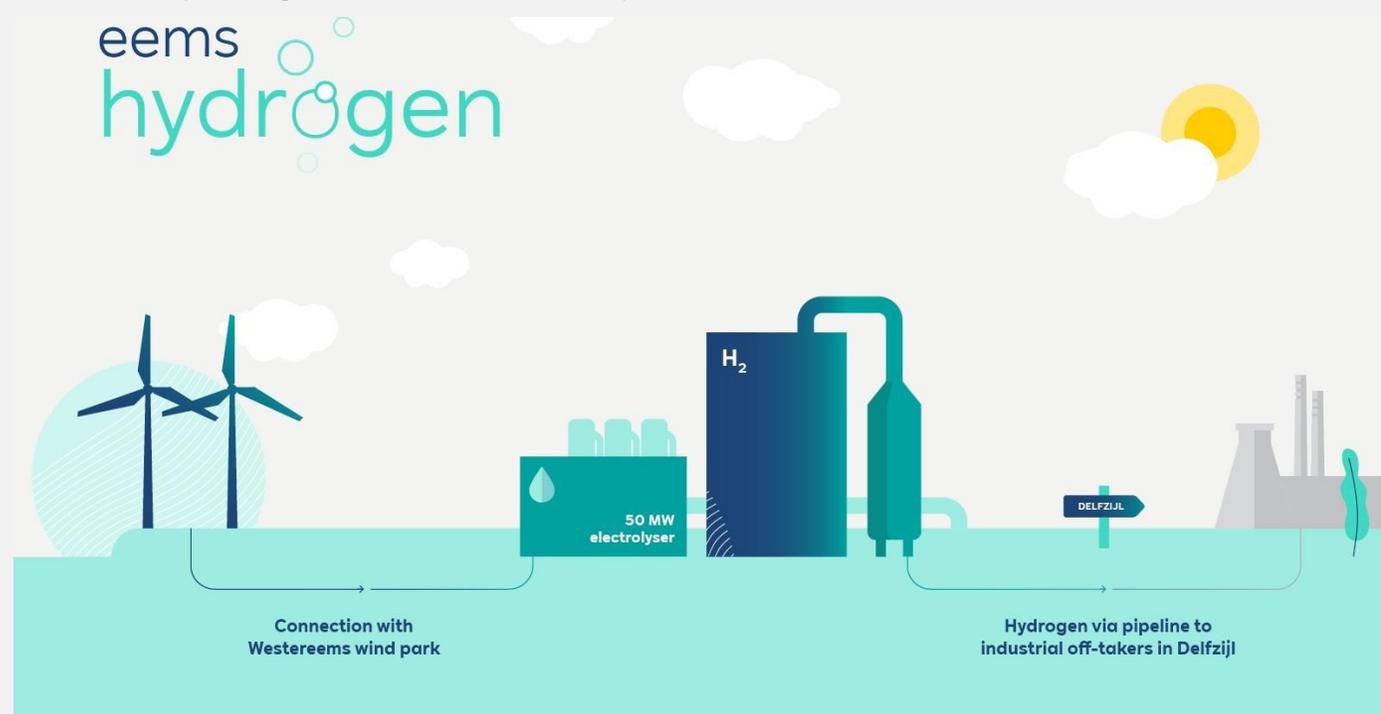


- **High-temperature heat pumps** for steam generation out of waste heat at chemical multi-user sites
- **65% energy saving** by heat recovery
- Substantial **CO<sub>2</sub> reduction** through total avoidance of natural gas boiler
- Central step for **CO<sub>2</sub> neutral production site**
- Project under discussion with Siemens Energy

## 2c “Next Generation Technologies”: Process redesign Example

### Partnering with RWE in order to replace steam methane reforming by electrolysis

#### Green hydrogen production by RWE in Eemshaven, NL



- Evonik currently uses steam methane reforming for (grey) hydrogen production at its site in Delfzijl, Netherlands
- MOU<sup>1</sup> signed with RWE for (green) hydrogen supply from their 50 MW electrolyzer, largest to have been granted a license in the Netherlands
- Powered by RWE’s Westereems, NL, wind farm
- RWE received environmental permit in January 2022
- Electrolyzer planned to be operational in 2024

1. MOU: Memorandum Of Understanding

Picture from <https://benelux.rwe.com/en/press/2020-11-06-rwes-innovative-electrolysis-project-eemshydrogen-enters-next-phase>

## 2c “Next Generation Technologies”: Process redesign Example

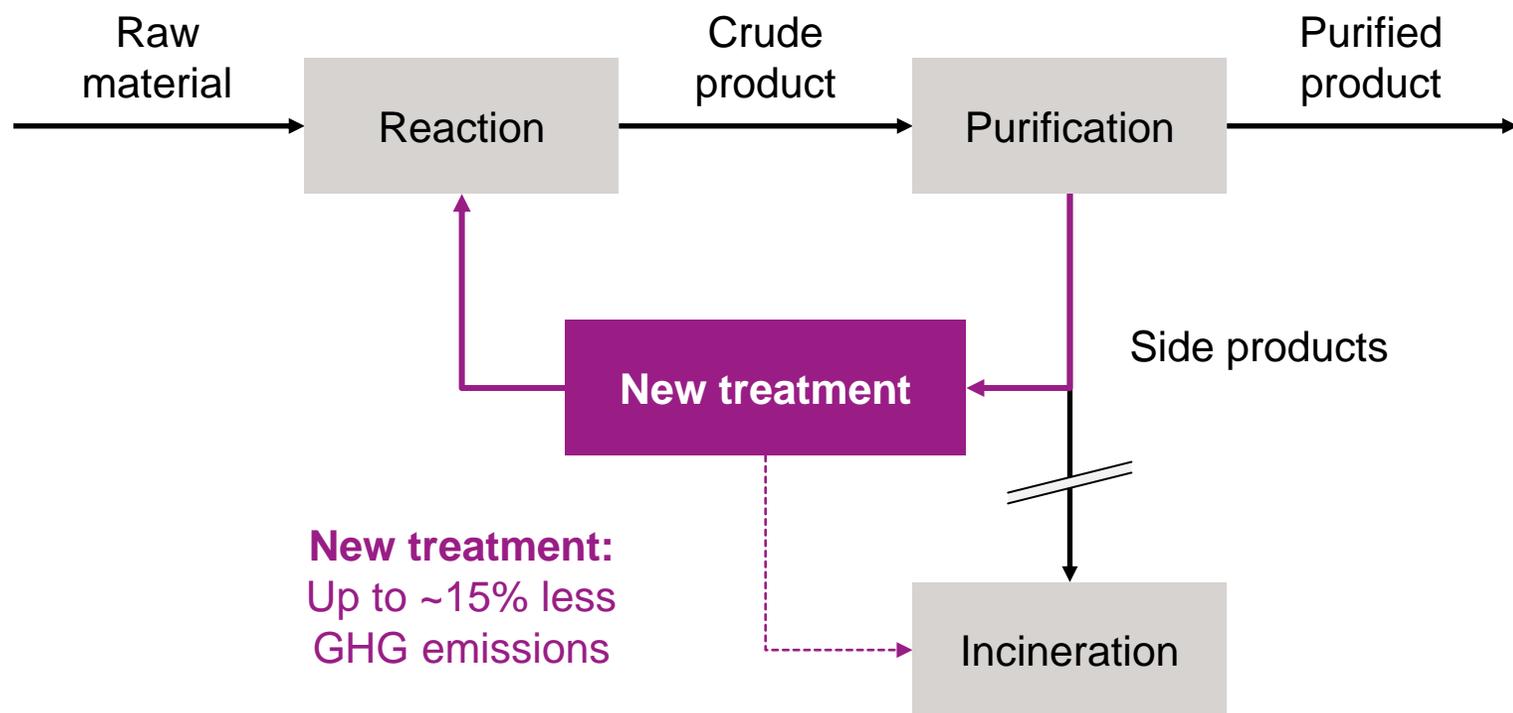
### Sustainable processes via electrochemical pH-shift



- Development of **sustainable processes** avoiding acids, bases and salt containing waste streams
- pH induced reactions by applying electrochemical process steps – **“electrons replace chemicals”**
- Technology as enabler to minimize carbon footprint

## 2c “Next Generation Technologies”: Process redesign Example

### Increased re-use of side products at our Herne site



**New treatment:**  
Up to ~15% less  
GHG emissions

- In the current process, all side products are incinerated
- A new side product treatment – as experimentally demonstrated for a single stream – would lead to GHG emission reduction of up to ~15 % in this process step
- Further CO<sub>2</sub> reduction potential by holistic network optimization

### 3 Renewable energy

#### Increase share of renewable grid electricity



- Advanced negotiations for first photovoltaic-based PPAs (Power Purchase Agreements)
- Increasing electrification of processes e.g. by heat pumps leading to increasing demand of green electricity

#### Other renewable energy sources

Other options for renewable energy include:

- Biomethane or biomass for self-generation of steam and electricity<sup>1</sup>
- Green hydrogen supplementing or replacing natural gas



1. CO<sub>2</sub> reduction occurs in GHG protocol scope 1 or 3, dependent on selected accounting methodology (incl. or excl. biogenic carbon removals and emissions)

# Evonik's Scope 3 approach

## Different levers to deliver outcome that matters to our customers

### Incremental Improvement

- Supplier engagement for raw materials and services investing in energy efficiency and use of renewable energy
- Turn electricity trading green
- Water stewardship and avoiding of production waste in alignment with scope 1&2 emission reduction pathway

Continuous reduction of product carbon footprints based on certified, market-based data

### Green Opportunities

- For existing products access renewable raw materials and energy to deliver green(er) products for high market pull applications
- New products based on renewable carbon and green energy without significant harm to other environmental or social sustainability topics

Evonik able to serve market segments with high demand for credible green solutions

### Back-Integration

- Backwards integration leveraging efficiency, green energy, carbon capture opportunities
- Reduce storage and transport of toxic chemicals
- Sites & technologies without high-carbon lock-in risk
- Access to raw materials with competitive green future

Improve resilience, profitability and competitiveness along the path to climate neutrality

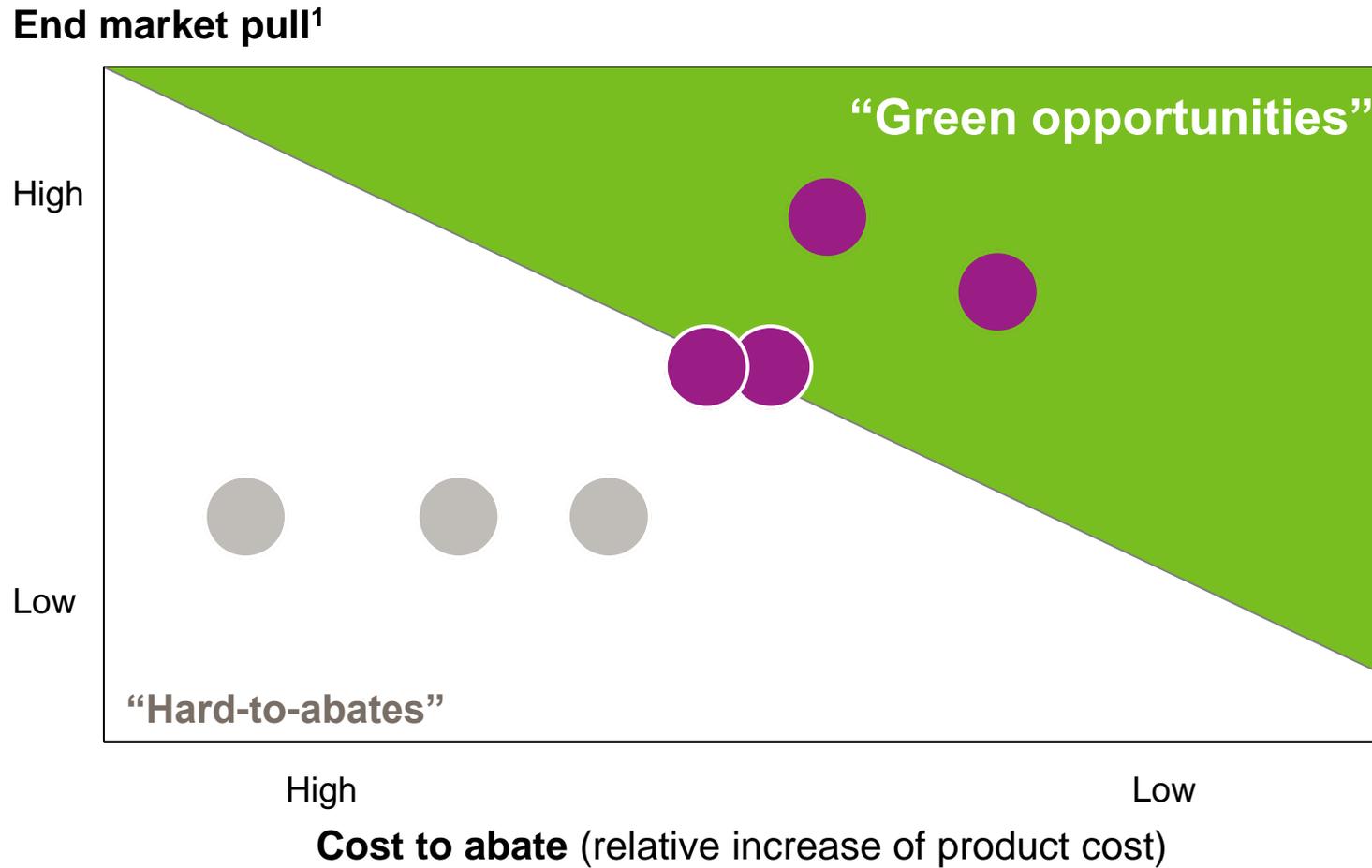
### Asset Transformation

- Identify lock-in risks (portfolio / technology / site / raw material) and ensure that capital allocation and innovation are steered towards climate-neutrality, circularity and "safe & sustainable by design" chemicals
- Collaborate with, or transfer of business to best owner for an asset-heavy business model

Secure financial resources, technology, and raw materials for products, the world will need

# Evonik's Scope 3 approach

## Take a selective approach on GHG reductions



1) Reflecting willingness –to-pay and relevance of products

# Sustainable use of palm oil

- Evonik member of *Roundtable on Sustainable Palm Oil (RSPO)* and cross-industry industry platform *Action for Sustainable Derivatives (ASD)*
- Our annual **demand** for palm-based derivatives is approx. 100 kilo tons, primarily used by Business Lines Care Solutions and Oil Additives
- For Evonik employees, we developed **recommendations for action** for the responsible handling of palm oil, palm kernel oil and their derivatives
- **Target:** By 2023, Evonik aims to ensure only RSPO-certified palm oil and palm kernel oil are used in its products.

## TEGO® Betain P 50 C

The cost-efficient, concentrated Cocamidopropyl Betaine based on RSPO certified palm kernel oil.



### Evonik's Personal Care Business

- ~60% of our cosmetic ingredients are made up of at least 50% renewable feedstocks
- Palm oil raw materials basket contains 65% RSPO-MB palm-based feedstocks
- Production of >40 cosmetic ingredients using CO<sub>2</sub>-optimized processes

# Promotion of sustainable palm oil production in Malaysia

## Evonik and Beiersdorf support WWF project

- Beiersdorf and Evonik committed to a sustainable palm oil economy for many years, being both members of RSPO<sup>1)</sup> and ASD<sup>2)</sup>
- Conservation and sustainable development project launched in Sabah's Tabin landscape in late 2020
- Goal is to certify local palm-oil farmers for sustainable production (RSPO), restore ecological connectivity and protect wildlife habitats
- Tabin's wildlife reserve safeguards many threatened species such as orangutans or Borneo elephants

## Tabin's ecosystem faces enormous challenges



1) RSPO = Roundtable on Sustainable Palm Oil 2) ASD = Action for Sustainable Derivatives

# Highlight – Water

## Methodology

- Distinction between water Scarcity Sites and Water Intensive Sites
- Development of Contextual Water Targets
- Introduction of the Sustainable Baseline Water Stress methodology in addition to AWARE<sup>1</sup>
- Assessment according to Physical, Regulatory and Reputational Risks

Understand water as a place dependent and shared resource  
(Basin risks)

Understand Evonik's impact on local basins  
(Operational risks)

Assess and prioritize water-related risks

Optimize water governance, improve water efficiency and reduce pollution and footprint

Reduce water demand in water-stress areas to a sustainable level

## Example

### Multi-User Site Shanghai (MUSC) – Implementation for 2022



- Demineralization of purge water from a cooling unit
- Usage in chemical processes
- Replacement of 250.000m<sup>3</sup> freshwater

### Potential targets depending on the results of the EAGER analysis

#### water-stress sites

- Minimize freshwater intake in water-stress production sites

#### water-intensive sites

- Reduce water intake in water-intensive sites

1. AWARE: available water remaining

# Highlight – Waste

## Methodology

- Alignment with two of our sustainability focus areas

### DRIVE CIRCULARITY



### ENSURE HEALTH & WELL-BEING



#### Goal for waste management:

- Promote the environmentally sound treatment of waste generated by Evonik

#### Goal for waste reduction:

- Reduction of waste generated at Evonik

## Example

### Hanau-Wolfgang



- Recycling of solvent from a chemical process
- Usage in other chemical processes
- Adapted by other Evonik site in China

### Potential targets depending on the results of the EAGER analysis

#### Non-hazardous waste

- Reduce amount of non-hazardous waste sent to landfill

#### Hazardous-waste

- Minimize hazardous production waste

# Agenda

## Sustainability fully integrated into all three strategic levers

---

1

### Portfolio

- Handprint: “Next Generation Solutions”
- Footprint: CO<sub>2</sub> emission reduction as key KPI

2

### Innovation

- Sustainability fully integrated into innovation portfolio steering
- Clear alignment with our four Sustainability Focus Areas

3

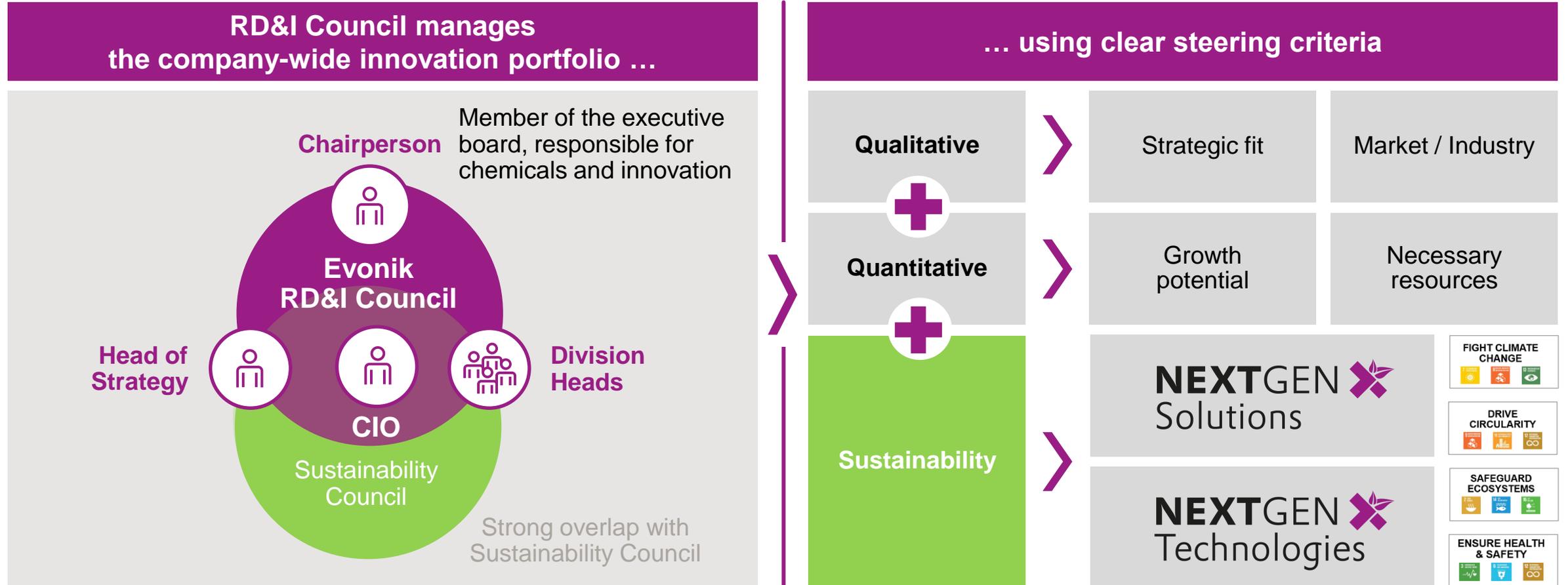
### Culture

- Safety and health protection are top of our agenda
- Strengthen diversity to lead in a complex world

### Social & Governance

- Social commitments & responsible supply-chain management
- Sustainability KPIs as integral part of management compensation

# Sustainability is fully integrated into innovation portfolio steering



# RD&I at a glance

## RD&I AT EVONIK

>€450 m SPENT

>€500 M SALES IN 2021 FROM  
INNOVATION GROWTH FIELDS

~24,000 PATENTS<sup>1</sup>

>€2,500 EMPLOYEES

100% SUSTAINABILITY-INTEGRATED

### FIGHT CLIMATE CHANGE



### DRIVE CIRCULARITY



### SAFEGUARD ECOSYSTEMS



### ENSURE HEALTH & SAFETY



1. Patents and patents pending

# Leading in Innovation – Growth fields and sales target

On track to achieve target of >€1 bn sales from innovation

## Innovation Growth Fields



Advanced Food Ingredients



Additive Manufacturing



Sustainable Nutrition



Cosmetic Solutions



Membranes



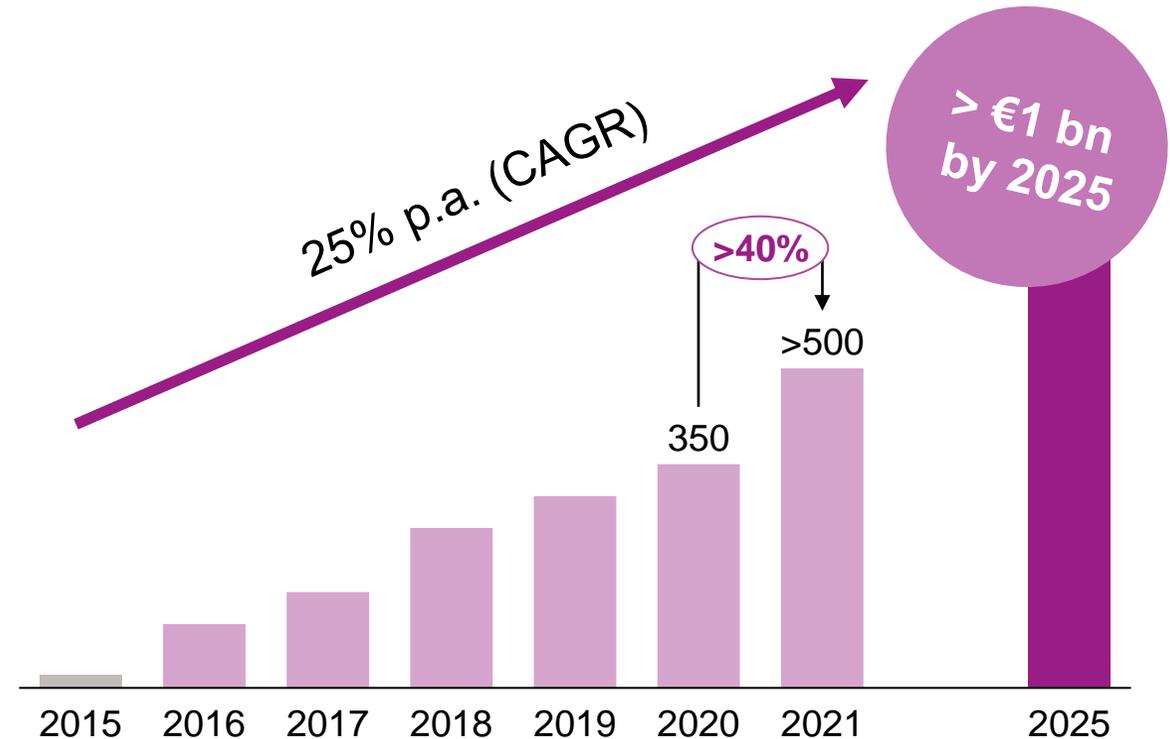
Healthcare Solutions



**Sizeable sales base** established in all growth fields

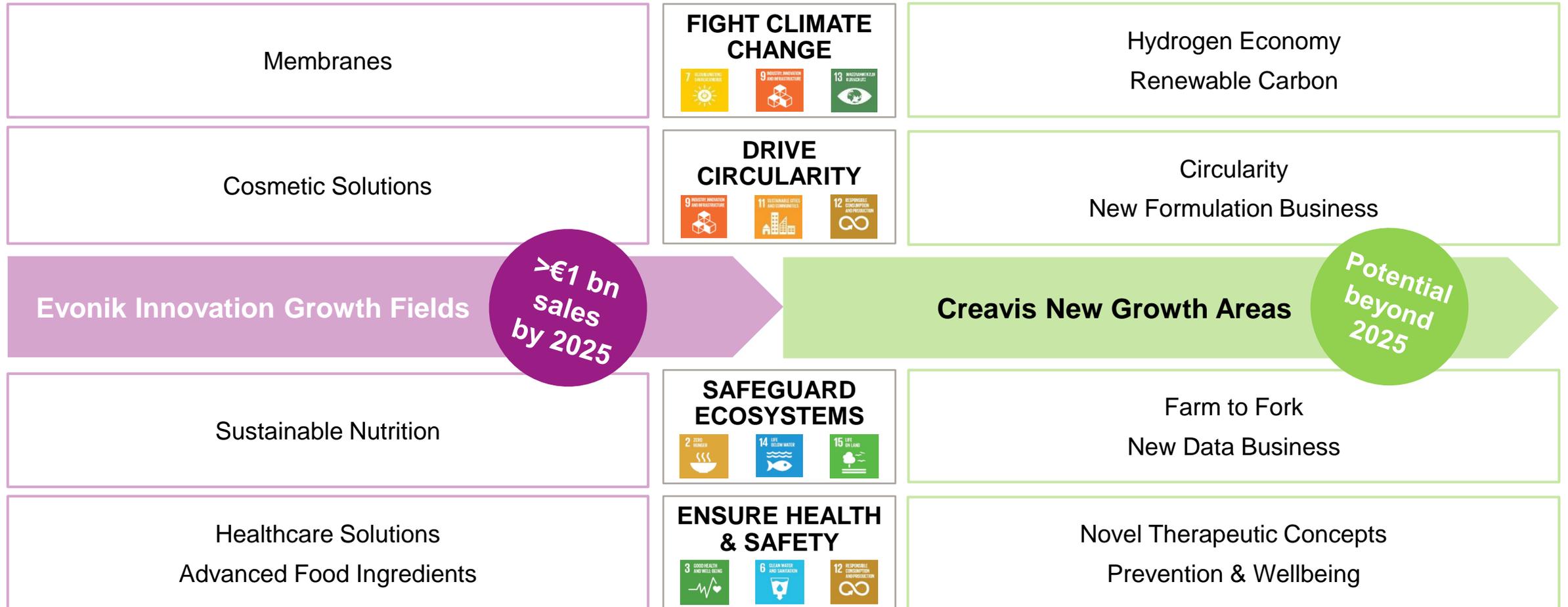
**Above-average margin** contribution

## Sales contribution Innovation Growth Fields



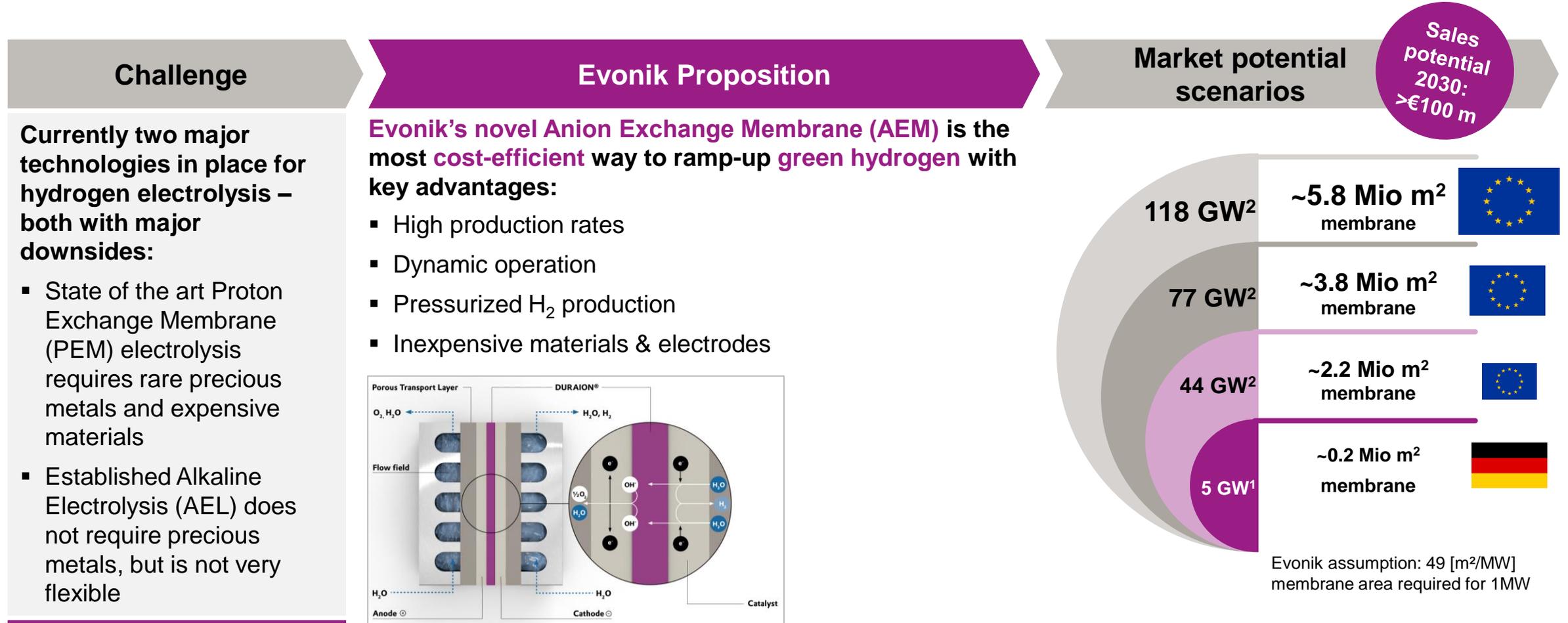
# New sales from innovations becoming “Next Generation Solutions”

## Innovation with clear focus on Sustainability Focus Areas



# Example for New Growth Area: Hydrogen Economy

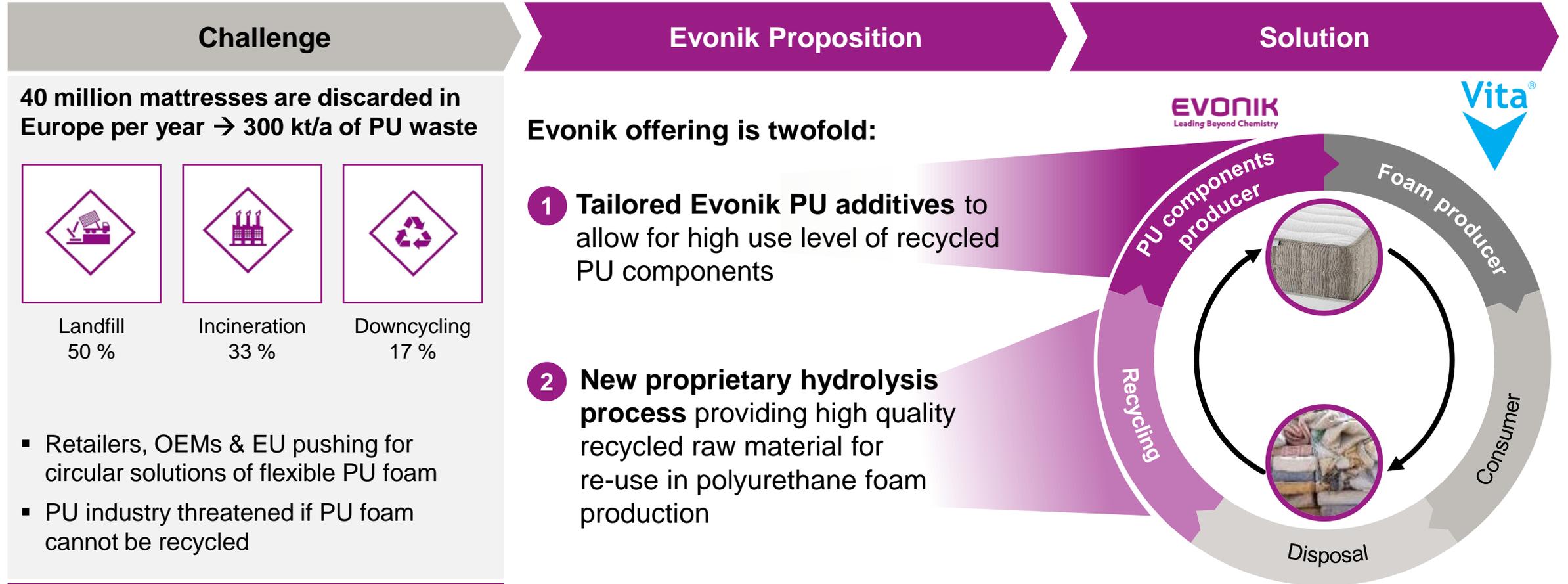
## Tapping into a major opportunity with our DURAION® membrane



1. Study IndWEDe– NOW GmbH, 2018 2 Green Hydrogen for a European Green Deal A 2 x 40 GW Initiative, Hydrogen Europe; Translation with internal assumptions (Creavis)

# Example for New Growth Area: Circularity

## Novel PU additives enabling chemical recycling of flexible foam



# Agenda

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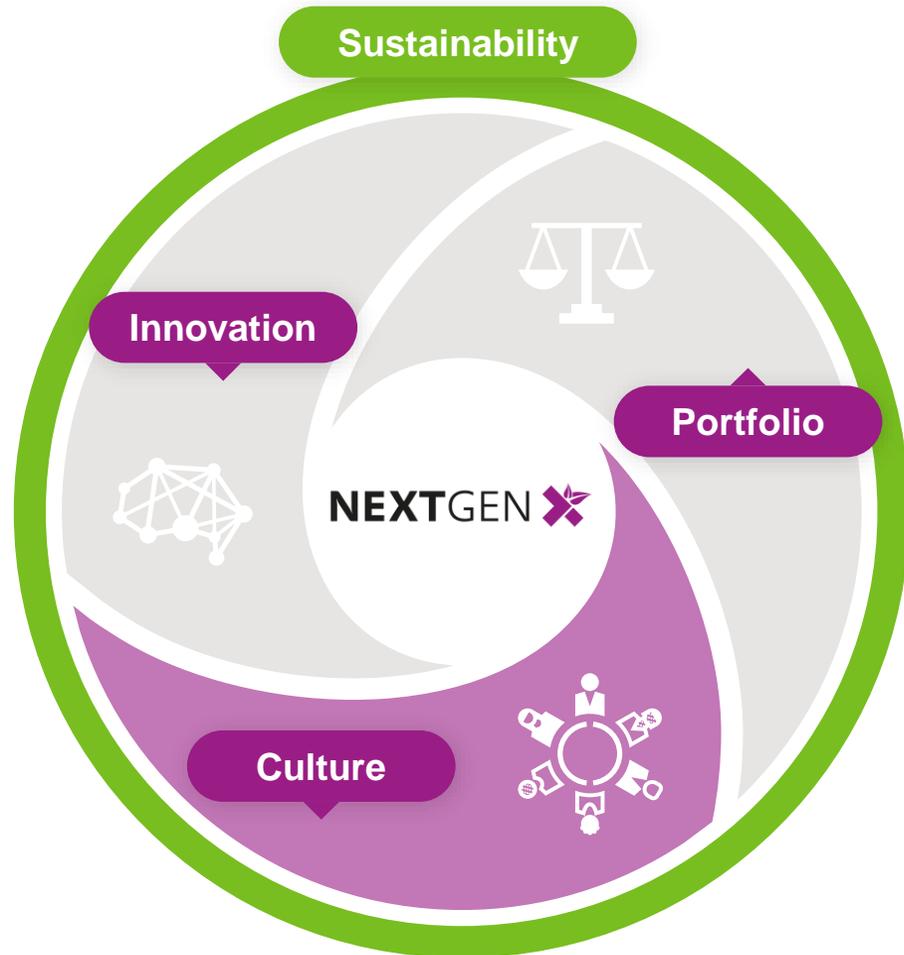
- Safety and health protection are top of our agenda
- Strengthen diversity to lead in a complex world

### Social & Governance

- Social commitments & responsible supply-chain management
- Sustainability KPIs as integral part of management compensation

# Driving “Next Generation Culture“

## Shifting mindset in the entire organization



### Safety first as foundation:

- Accident frequency as part of management compensation
- Low level secured over the last years<sup>1</sup>

### Diversity as basis of our economic success:

- Ambitious targets defined
- Inclusive mindset and behavior foster diversity

### Attractive employer:

- Employee commitment with increase of 5pp in latest employee survey
- Integrating sustainability stronger into HR core processes

1. below upper limit of 0.26 (number of accidents per 200,000 working hours)

# Our sustainability commitments

## External



### UN Global Compact

Aligning companies' operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption



### Responsible Care

The global chemical industry's initiative to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes



### Chemie<sup>3</sup>

An alliance of VCI, IG BCE and BAVC underpinning sustainability as a guiding principle of the chemical industry in Germany and providing inspiration for the international community

## Internal



### Global Social Policy

Evonik's internal commitment to human rights, core labor standards, international standards and principles of conduct



### ESHQ Values

Protecting people and the environment, treating partners fairly, and focusing on the needs of customers as core beliefs for everyone at Evonik



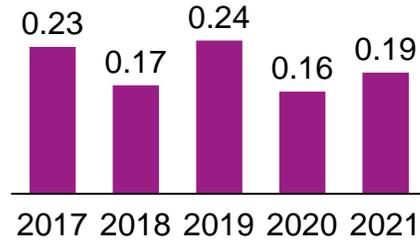
### Code of Conduct

Containing corporate values and principles, governing conduct of all Evonik employees; externally operated whistleblower system

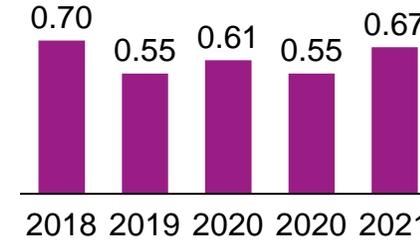
# Safety is at the top of our agenda



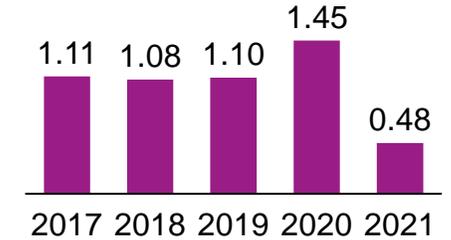
## Occupational safety & plant safety



**Accident frequency rate<sup>1</sup> for Evonik employees**  
 low level helped by home office;  
 no fatal accident.  
 Upper limit:  $\leq 0.26$



**Accident frequency rate<sup>1</sup> for contractors**  
 above previous year level;  
 caused by workers tripping, slipping, or falling;  
 no fatal accident.



**Incident frequency rate<sup>2</sup> increased due to awareness-raising measures and inclusion of newly acquired sites.**  
 Target:  $\leq 0.40$

Incorporation of safety performance in remuneration systems. Culture initiative “Safety at Evonik“ firmly established. Roll-out of new global server-based platform ESTER<sup>3</sup>

1) This indicator contains all work-related accidents (excluding traffic accidents) resulting in absences of at least one full shift per 200,000 working hours.

2) Number of incidents per 1 million working hours up to 2020, Number of incidents per 200,000 working hours as from 2021 in acc. with Cefic 2016 3) ESTER = Evonik Standard Tool ESHQ and Reporting

# Diversity goes far beyond qualitative targets

## We approach diversity with diversity

### Diversity is key to economic success

- Evonik ranks among **top European companies** in terms of diversity
- We address **diversity** strategically, culturally and with an eye toward our business processes
- **Top management** as prominent **role model** in embracing diversity, e.g. in Diversity Council



### Specific goals with highest priority (by 2023)

- **Gender diversity:** e.g. **23%** of executive & senior management positions and **30%** on manager level (2021: 18%/29%)
- **Intercultural mix:** e.g. **20%** of executive and **35%** of senior management positions (2021: 15%/25%)

### Diversity goes far beyond qualitative targets!

- Diversity is not only a numeric game but a **matter of culture**
- An **inclusive mindset and behavior** ultimately determine if we can utilize diversity successfully

Diversity creates growth

Diversity creates innovation

Diversity brings us closer to our customers

Diversity is our future

# Agenda

## Sustainability fully integrated into all three strategic levers

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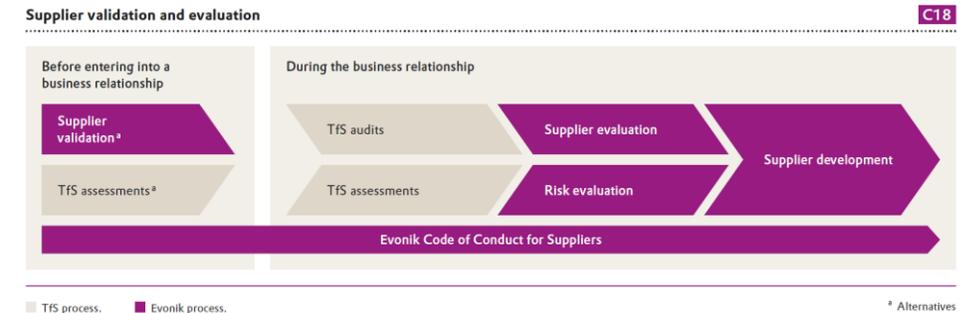
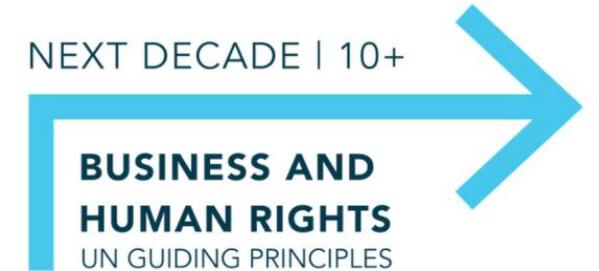
- Safety and health protection are top of our agenda
- Strengthen diversity to lead in a complex world

### Social & Governance

- Social commitments & responsible supply-chain management
- Sustainability KPIs as integral part of management compensation

# Taking a broad view on human rights throughout our value chains

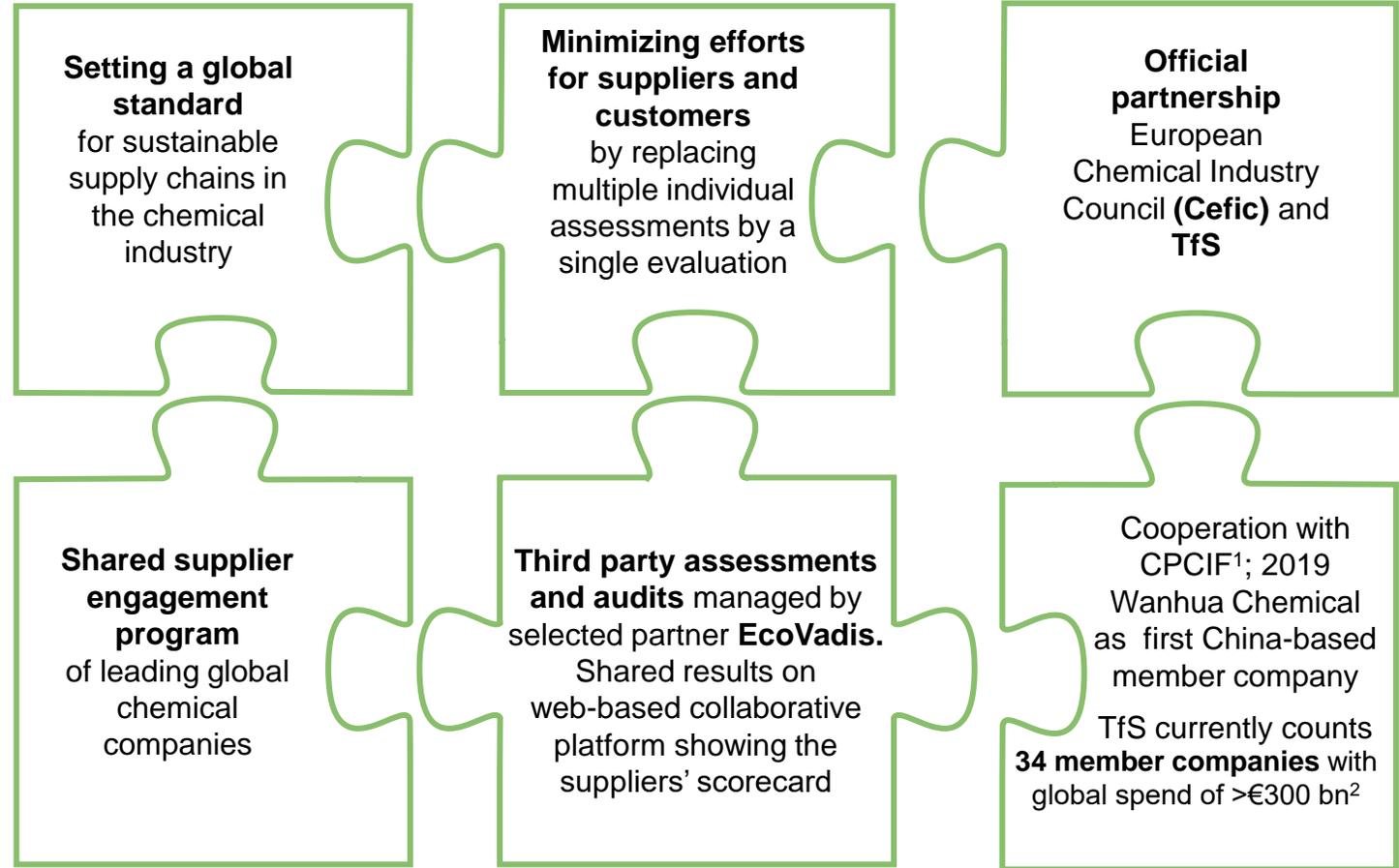
- Evonik commits to respecting human rights in line with the “Guiding Principles on Business and Human Rights” of the United Nations across its complete value chain.
- Our policy statement on human rights is based on
  - the International Bill of Human Rights,
  - the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work
  - the ten principles of the United Nations Global Compact.
- We also respect the OECD Guidelines for Multinational Enterprises.
- Evonik complies with applicable laws and regulations wherever it operates. In countries where local laws and regulations conflict with internationally recognized human rights, we seek ways to honor the above-mentioned international standards while not violating local law.



# Responsible supply chain management

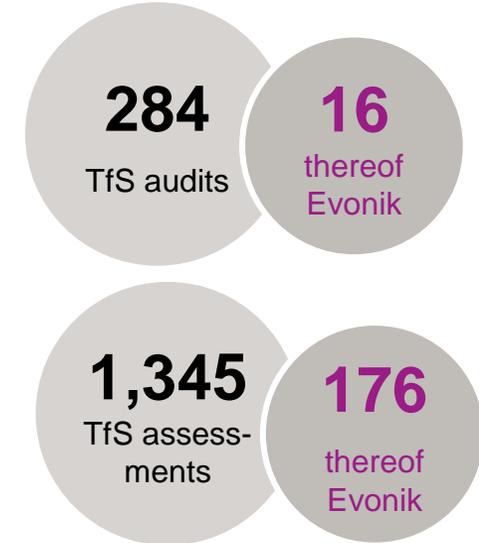
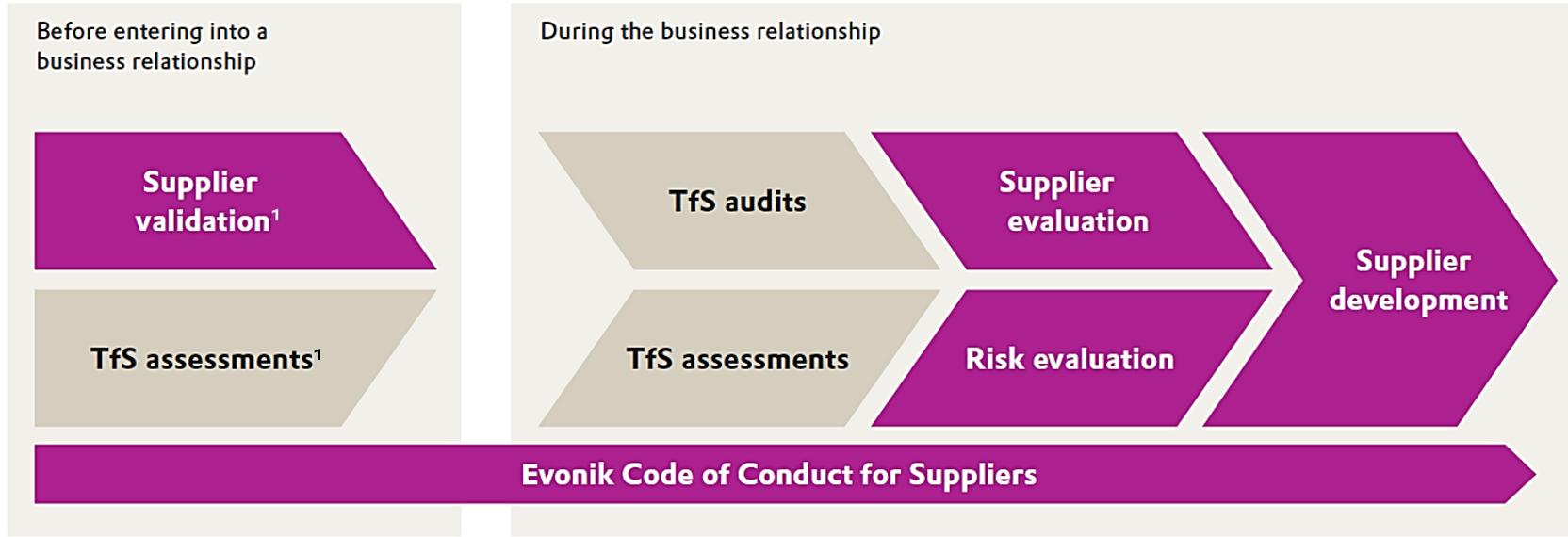


Evonik **founding member** of “Together for Sustainability” (TfS) initiative of chemical industry driving transparency and sustainability along the supply chain.



1) CPCIF = Chinese Petroleum and Chemical Industry Federation 2) estimated figure

# Responsible supply chain management



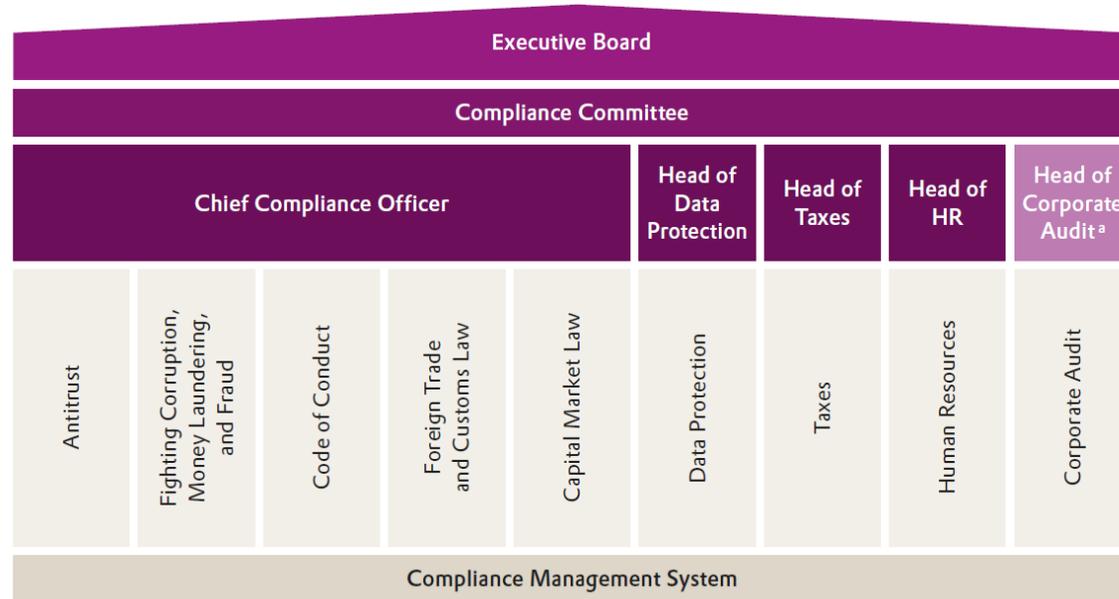
**Our target**

100% of raw materials suppliers<sup>2</sup> to be covered by TfS assessments by 2025 (2021: 69%)

~80% (~60%) of Evonik's direct (indirect) purchasing volume covered by TfS assessments

FY 2021 | 1. Alternatives; 2. with annual procurement volume of >€100k

# Compliance: Watching responsible business practices



## House of compliance

- The House of Compliance has been established to define minimum Group-wide standards for the relevant compliance management systems in relation to the topics specified above and to ensure that these standards are implemented
- Decision-making, exchange of experience, and coordination of the joint activities all take place in the Compliance Committee, which is comprised of the heads of the individual departments, who are independently responsible for their subject area, and the head of Corporate Audit

## Compliance management system

- The compliance management system comprises, on the basis of defined values and objectives, the instruments shown in the chart and any measures to be taken accordingly

# Compliance. Whistleblower hotline.

- All employees are required to report possible or actual violations of the code of conduct to the responsible department or compliance officer without delay
- In addition to internal reporting channels, electronic whistleblower hotlines operated by independent external providers are available group-wide
- Both employees and external stakeholders such as business partners and their employees, local residents near our sites, and employees' families can report suspected compliance violations
- Reports are possible on all key compliance issues and are automatically forwarded to the department responsible for the relevant compliance topic
- The whistleblower hotline is certified as conforming with European data protection legislation
- Evonik takes up all allegations and investigates them
- To protect whistleblowers, the general principles set out in the policy on internal investigations include security measures such as forbidding putting them at any disadvantage



▪ External Whistleblower System. Guarantees anonymity, if desired by whistleblower.

# Sustainability integrated into management compensation scheme

## 20% of long-term incentive based on strategic ESG KPI's

<p>Fixed salary</p> <p>~1/3</p>	<p>To be paid in cash for each financial year</p>	
<p>Bonus</p> <p>~1/3</p>	<p><b>KPIs aligned to mid-term strategic targets</b></p> <ol style="list-style-type: none"> <li>1. Progression towards EBITDA margin target</li> <li>2. EBITDA growth (yoy)</li> <li>3. Contribution to FCF target</li> </ol>	<p>... <b>and integrating Safety First mindset:</b></p> <ol style="list-style-type: none"> <li>4. Accident performance</li> </ol>
<p>Long-term incentive plan</p> <p>~1/3</p>	<p><b>80%</b> share price</p> <ul style="list-style-type: none"> <li>▪ Granted LTI target amount calculated in virtual shares (4-year lock-up)</li> <li>▪ Absolute performance: Real price of the Evonik share</li> <li>▪ Relative performance against external index benchmark (MSCI Chemicals)</li> </ul>	<p><b>20%</b> ESG</p> <p>LTI based on strategic ESG KPI's, e.g.:</p> <ul style="list-style-type: none"> <li>▪ Sales share of "Next Generation Solutions"</li> <li>▪ CO<sub>2</sub> emission reduction</li> </ul>

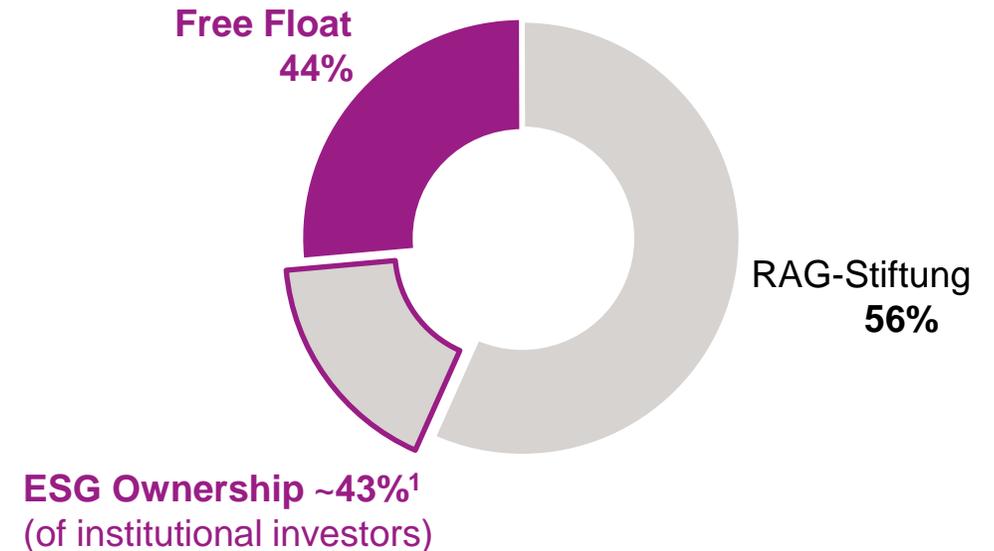
# Shareholder structure

“RAG-Stiftung”, long-term shareholder with focus on total shareholder return

## RAG Stiftung

- RAG-Stiftung manages a portfolio of ~€19 bn assets under management, one of the biggest foundations in Europe
- Portfolio consists of publicly traded securities, private equity, direct holdings, real estate and bonds of various types
- RAG-Stiftung focuses on investments with high total shareholder return and strong cash/distribution profiles
- Underlying goal is to finance/cover the perpetual liabilities arising from hard-coal mining in Germany
- >60% of total portfolio invested in assets other than Evonik
- RAG-Stiftung with strong interest in Evonik’s profitable growth, resulting in significant shareholder returns
- Clear intention to remain significant shareholder

## Ownership structure



1. ~15% of total shares outstanding, as of August 2022

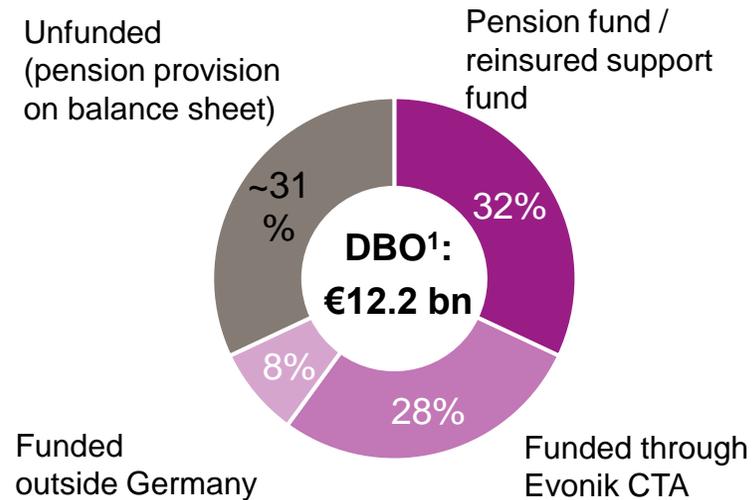
# Sustainability embedded in pension asset management

## Evonik Pensionstreuhand e.V. (CTA)

Sustainability process initially developed for portfolio held directly by Evonik Industries AG and thus directly under Corporate control (Contractual Trust Agreement, **CTA**)

- CTA: **>80%** of total plan assets under management supervised by managers committed to UN Principles for Responsible Investment (UN PRI)
- CTA: **>50%** of liquid assets overlapping with renowned sustainability indices such as FTSE4Good etc.

Funding level at ~70%



## Pensionskasse Degussa VVaG (Pension fund)

As one of the first pension funds in Germany, Pensionskasse Degussa VVaG (**PKD**) with own **ESG strategy** since April 2019

- Main focus on Governance requirements (compliance, audits, risk management, cyber security etc.)
- From 2020 on, 50% women in PKD Board of Management
- Investment criteria: managers required to have signed UN PRI; focus on democratic countries, respect for human rights, anti-corruption etc.
- Asset Class Specific: Suitable ESG factors taken into account in investment process

# Evonik Investor Relations / Sustainability team

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**EVONIK**

**Leading Beyond Chemistry**