Evonik Materiality Analysis 2022: The Methodology

Analysis/ **Description of the** environment of **Evonik**

Overview and context

- Key Figures Evonik
- Company structure
- Locations etc.

Business connections/ supply chain

- Customers
- R&D
- Supply chain etc.

Sustainability context

- Sus. strategy²/Governance
- Stakeholder management
- SDGs etc.



What impacts³ does our business activities have on the economy, the environment and society?

Internal sources (complaint mechanisms, portfolio sustainability assessment etc.)



What impacts³ do sustainability aspects have on our company's business activities?

Stakeholder perspectives (insights from ratings, peer/media analyses, etc.)



Collection of impacts³ in a Long List

Bundling of the impacts of the Long List

Assessment of the significance of impacts

Based on the bundled Long List: Development/dispatch of the evaluation sheet to a wide range of Group experts for impact materiality assessment and financial materiality assessment

Impact materiality assessment

- Assessment of the magnitude of the impacts from a sustainability perspective by internal experts
 - according to the GRI criteria: Severity (Scale + Scope + Remediability4) and Likelihood
 - EFRAG Severity Scale
 - Evonik scale for likelihood defined
- Significance = Average Severity X Value

Financial materiality assessment

- Assessment of the magnitude of impacts from a financial perspective by internal experts
 - Qualitative consideration of the opportunities/risks that (can) influence cash flow/enterprise value
 - Evaluation of impact according to EFRAG scale in five categories: "minimal", "informative", "important", "significant" and "critical"
 - To report: "important", "significant", "critical"

Cut-off,

clustering and prioritization

The result is four rankings of impacts positive and negative Impact materiality: Materiality threshold (pos./neg.) impacts according to GRI6 based on the value of significance Financial materiality: Materiality threshold (pos./neg.) according to EFRAG7 ("important", "significant" und "critical") material **Impacts** The result is the total amount of material impacts Clustering⁶ of the material impacts into material topics Prioritization⁶ of material topics

Validation of material topics Validation of material topics by selected Evonik finance & sustainability experts and external stakeholders

Approval of material topics by the member of the executive board responsible for sustainability

Final internal validation⁶ to define reporting boundaries with focus on top topics

- According to GRI 3: Material Topics 2021, ESRG 1: Double Materiality conceptual guidelines for standard-setting (working paper) January 2022 and ESRS 4: Sustainability material impacts, risks and opportunities (working paper), January 2022 Sustainability is abbreviated to Sus. actual & potential as well as positive & negative impacts
 Value only for negative impacts, for positive impacts the sum of scale and scope is formed incl. comparison with opportunities and risk management

- entation by Function Sustainability
- ESRG 1: Double Materiality conceptual guidelines for standard-setting (working paper), January 2022, page 19 (paragraph 114)

