



Responsibility leads to success

How we combine economic, ecological,
and social action

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Our cover shows an argan tree. STOCKOSORB® by Evonik helps new argan trees to grow in the Moroccan desert.



Dr. Klaus Engel,
Chairman of the Executive Board



Thomas Wessel,
Chief Human Resources Officer

Dear Readers,

2011 was the best fiscal year for Evonik Industries since the Group was formed. An operating result (EBITDA) of €2.8 billion from sales of €14.5 billion is proof of our economic strength. But success and responsibility are two sides of the same coin.

The major challenges of a growing world population and climate change can be met only with new technologies, smart products, and modern processes. As one of the world's leading specialty chemicals companies, Evonik is a development partner of and supplier to many key industries. We are aligning our business to long-term global megatrends and aim to offer solutions that will solve the pressing problems of our time. Consequently, we believe that increased benefits for our customers, improvements in quality of life, and social added value are the foundations for economic success.

Each year, in our Corporate Responsibility Report, we explain how we maintain this—not always simple—balance between economic, ecological, and social responsibility. As a member of the United Nations Global Compact, we undertake to promote the ten principles of the Global Compact and see them as a guiding principle in our everyday work. Against this background, it is especially our employees who, with their attitude and commitment, contribute enormously to the fact that Evonik is not only successful but also acts responsibly.

A handwritten signature in black ink, appearing to read 'Klaus Engel'.

Dr. Klaus Engel
Chairman of the Executive Board

A handwritten signature in black ink, appearing to read 'Thomas Wessel'.

Thomas Wessel
Chief Human Resources Officer

"Success and responsibility go hand in hand"

An interview with Dr. Klaus Engel, Chairman of the Executive Board, and Chief Human Resources Officer Thomas Wessel

It's all a question of attitude. For Evonik, responsibility isn't just a buzzword; it's a question of attitude. Like a common theme, it permeates every area in the Group. This can be seen not only in Evonik's understanding of growth.

In the last fiscal year, Evonik generated sales of €14.5 billion and an operating result (EBITDA) of €2.8 billion. That makes 2011 the best financial year since the Group was formed. What part did responsible conduct play in this success?

Engel: Responsible conduct and financial success cannot be separated from each other. They need each other. At Evonik we think long-term—not only since the last financial crisis, which demonstrated impressively where focusing solely on short-term profits gets you. Just consider our understanding of growth, for example: As one of the world's leading specialty chemicals companies, of course Evonik wants to grow. But for us, growth as such is not a value. It's the way in which this growth is achieved that is important. We aim to grow in three ways: profitably, value-oriented, and sustainably.

Wessel: For Evonik, responsibility isn't just a buzzword. Rather, accepting responsibility is a question of attitude, of one's own mindset. Transferred to our Group, this means: responsibility must permeate every area of the Group. It determines how we act. Ultimately, it's our employees who make the difference with their everyday actions. This is why we encourage this mindset among our trainees and apprentices when they join the Group. Raising awareness for Corporate Responsibility issues is a fixed part of the training in Germany—also on a very practical level.

In spite of record figures, the Group continues to promote efficiency to underline the Group's planned growth. But, surely this has to affect the employees?

"For us, growth as such is not a value. It's the way in which this growth is achieved that is important. We aim to grow in three ways: profitably, value-oriented, and sustainably."

Dr. Klaus Engel, Chairman of the Executive Board



Wessel: Broad-based acceptance by our employees is an important requirement for the success of the On Track 2.0 efficiency program. We're designing On Track 2.0 in close collaboration with the employee representatives in the company. Efficiency, competitiveness, and profitable growth on the one hand, and good prospects for jobs and employees on the other, are two sides of the same coin.

Engel: Our goal is to improve the structures and workflows in the company noticeably. On Track 2.0 is closely linked with our Group program Evonik 2016, in which we focus on efficiency, growth, and values. The idea is: The more efficient and powerful we are as a Group, the sooner we can develop and market solutions that will help to improve the quality of life of many people in the long term. And our shareholders also profit from this.

As regards the future: Where does Evonik see economic perspectives?

Engel: Evonik is focusing its activities on the important global megatrends of health, nutrition, resource efficiency, and globalization. For example, our pill coatings help optimize drug administration for patients. Thanks to our amino acids for animal nutrition, more people have access to a healthy diet. Special additives used in resin systems allow the construction of large wind turbines. I could go on and on. But the important thing is: Evonik sees itself as a specialty chemicals company that develops and markets solutions for the pressing problems and major challenges of our time. The more comprehensively we fulfill this role, the more people can benefit from our knowledge. Evonik is already a preferred development partner and solution provider. We aim to expand this position. This is why we are moving closer to our markets and our customers throughout the world—not only in terms of production but also development.

Wessel: Research and development (R&D) play a key role at Evonik. On the one hand, we increased our spending on R&D again in 2011.

And on the other hand, the conceptual structure of our research allows us to develop new solutions quickly and specifically. I'm thinking here of our strategic research unit Creavis and our project houses that carry out research in specific areas for a fixed time. Just recently, we opened a new project house in Taiwan. In this booming region for consumer electronics, we want to make use of new opportunities for optoelectronic applications.



"Efficiency, competitiveness, and profitable growth on the one hand, and good prospects for jobs and employees on the other, are two sides of the same coin."

Thomas Wessel,
Chief Human Resources Officer

There are already more than 7 billion people on the planet. According to United Nations' estimates, this figure will have risen to about 8 billion by 2025. They all have to live from the resources of just one planet.

Engel: In view of this development, the economy, politicians and society will face enormous challenges. Managing climate change and its consequences is of key importance. On the one hand, global warming threatens the livelihood of so many people. On the other hand, a whole range of other pressing problems are closely linked to climate change. I'm talking about access to clean drinking water, for example.

Wessel: This is an assessment that our employees and customers also share. Our strategies are based on findings from the materiality analysis with which we evaluate the relevance of global challenges for Evonik, and also on numerous discussions and surveys.



"Resource efficiency must increase if a growing world population is to live from the resources of a single planet."

Thomas Wessel, Chief Human Resources Officer

What specific contribution does Evonik make to contain climate change and its consequences?

Engel: As an industrial company, we consume raw materials and cause emissions. In principle, this will remain so. But at the same time, our solutions form the backbone of many products that conserve resources and protect the environment. But of course, we must keep our emissions as low as possible.

Wessel: Back in 2005, we set ourselves ambitious emission targets in our key business of specialty chemicals. By 2014, we aim to reduce our specific, energy-related greenhouse gas emissions by 20 percent compared to 2004. We're well on the way to meeting this target. Naturally, our vision must also extend beyond 2014. This is one reason why we're currently further developing Evonik's Corporate Responsibility strategy. Last year, for the first time we determined the carbon footprint of our specialty chemicals. In strategic research, we established a method which we use to investigate the greenhouse gas effects of specific innovation projects at a very early stage. In other words, we're leveraging various areas so that we'll emit fewer greenhouse gases in future.

Engel: Our products also contribute to climate protection. We've also calculated that. But you can't simply subtract the savings from the emissions—that would be disingenuous. But the message remains: With the Group's innovative products and solutions, Evonik is making an important contribution towards climate protection.

Wessel: It must also be said that ecological sustainability means more than just climate protection. For example, consider our new AVENEER® process to produce MMA, the starting substance for PLEXIGLAS® (ACRYLITE® in the Americas). The process no longer uses sulfuric acid. This is a major step towards resource efficiency, which must increase if a growing global population is to live from the resources of a single planet.

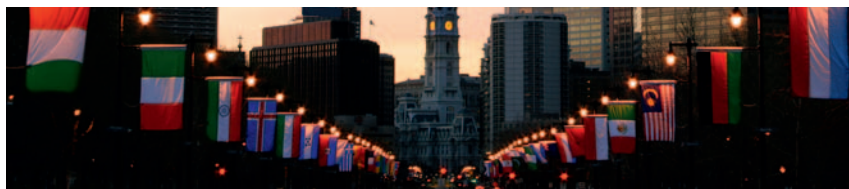
Success stories 2011 ✓



AVENEER®

Less CO₂ from direct process emissions is only one of the advantages of our new MMA production process.

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Multinational teams

We take advantage of diversity in the Group to enhance the future prospects of employees and the company.

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Argan tree project in Morocco

STOCKOSORB® helps new argan trees to grow in the Moroccan desert—trees and opportunities.

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Corporate Foresight Team

We project a picture of the future and think about how to make megacities livable.

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Sponsoring education

For the patents of tomorrow, we invest in educational opportunities today.

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This penguin



strengthens our technological position.



Perpetual ice?



When it comes to the climate, the earth is in bad shape.

This century, global temperatures could climb by four to six degrees. This sounds negligible, but it will have an enormous impact on the melting of the polar ice caps. Reducing CO₂ emissions, therefore, is imperative—even if only in small steps. One such step is a new production process from Evonik that also makes the Group a technology leader.

The pilot of the small Twin Otter plane descends, and drops the nose of the aircraft, which is equipped with integrated snow runners, to land on the glacier on the Antarctic continent. The roar of the engine seems to make little impression on the small penguin. It pauses on the ice, motionless, as if it knows there is no danger.

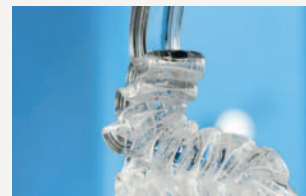
Technically feasible

In reality, the danger lies elsewhere: in increasing global warming, which contributes to the melting of the polar ice caps and thus threatens the penguin's habitat. The main culprit is the greenhouse gas CO₂, which is generated by such sources as industrial production processes. Significant reduction of CO₂ emissions and more efficient use of resources are among the biggest challenges we face in the next few years.

A new study by the US Department of Energy shows just how great these challenges are. The study reveals that in 2010, such factors as the improved world economy caused the largest increase in CO₂ emissions ever recorded. Worldwide CO₂ emissions increased by 500 million metric tons, or 6 percent, with the greatest increases in the emerging markets. It is all the more important, then—in keeping

with the philosophy of small steps—to develop sustainable climate protection projects such as Evonik's innovative AVENEER® process. Among its advantages, it dispenses with the sulfuric acid that is normally used in the production of methylmethacrylate (MMA). It also significantly reduces CO₂ emissions through direct process emissions. In addition, AVENEER® more or less eliminates the SO₂ emissions that occur with established processes. As Gregor Hetzke, head of Evonik's Performance Polymers Business Unit, explains, "Over the last few years, we've worked feverishly on proving that the new process is technically feasible, and that it saves costs and conserves resources as anticipated."

Evonik's commitment to the development of the process is not surprising. After all, the production of methylmethacrylate, which is used as a starting material in the production of PLEXIGLAS®, for example, is highly resource-intensive. Here, too, AVENEER® is superior. Compared to other MMA production processes,



Methylmethacrylate (MMA) is the starting product for the production of PLEXIGLAS®.

it offers significant advantages in terms of raw-material efficiency. The pilot plant in Worms (Germany) has confirmed an overall yield of 95 percent in the use of raw materials, while the traditional ACH sulfo process produces yields of 85–90 percent. In fact, the C4 process, which is widely used in Asia, utilizes only about 60–70 percent of the raw materials.

This is not the only advantage of AVENEER®: While established processes produce large waste streams that have to be disposed of through costly incineration, the Evonik process leads the field with its nearly complete closed loop and recycling of raw materials such as ammonia.

First AVENEER® plant in the planning stage

All these facts and figures have proven their validity year after year in the pilot plant in Worms, which was built in 2007. There, we meet the head of the Acrylic Monomers Business Line, Hans-Peter Hauck, who also thinks highly of the AVENEER® process—and for a special reason. “It’s an excellent illustration of the fact that economics and ecology don’t have to be mutually exclusive. With this innovation, we can ensure security of supply—not only long-term but permanently—for our VISIOMER® methacrylate monomers, which are used in the coatings and plastics industry, and also as raw materials for cosmetics and contact lenses.” This is particularly important in light of the increasing scarcity of fossil resources, but AVENEER® can do even better than that: In the future, the process will allow renewable resources to be used as starting products, an area in which a lot of work is currently being done.

Taken together, the considerably higher yield and significantly lower emissions mean that plants using AVENEER® will see clear improvement in their carbon footprint compared to established processes such as C4 and ACH sulfo. Compared with Asia’s C4 process,



Evonik is one of the major producers of acrylic worldwide.

the new process improves the carbon balance by about 15 percent. The CO₂ footprint of various MMA processes is determined from the consumption data of the raw materials used, the most important energies, such as steam and electricity, as well as the masses and energy balances that can be prepared from them.

Environmental protection is not the only area in which the process represents a quantum leap forward: It also opens up new opportunities and gives Evonik enormous flexibility in its choice of locations for future production facilities. Add to this the fact that MMA and methacrylic acid are produced in a single unit, which allows the company to consolidate its position as one of the world’s leading technological players in methacrylate chemistry. Evonik is currently planning construction of the first plant based on the new AVENEER® technology.

AVENEER® shows that financial targets and sustainability are equally achievable. Nevertheless, it still takes countless and far-reaching ideas and actions to come to grips with climate change and the melting of the polar ice caps. Which is why, over the long term, the airplane may remain the least of the Antarctic penguin’s problems.

Benefit to society

The AVENEER® process promotes the globalization and resource efficiency megatrends. It protects the environment through a significant reduction of direct process emissions and uses raw materials efficiently. Use of renewable raw materials in the process is also currently under development.

By conserving resources, Evonik achieves significant cost savings and increases its ability to compete by ensuring security of supply for its customers. Evonik also comes closer to achieving its goal of cost and technology leadership, and improves the eco-friendliness of its manufacturing processes.

Benefit to Evonik

This diversity





supports our growth.

It's the mixture that does it



Options for external growth through diversity (from left to right): Dr. Björn Brunnhöfer, Artur Leng, Vinod Paremal and Dr. Frank Steding.

Every person is different. From birth. And by what marks us thereafter—our cultural and social environment and our experience. All that makes each one of us completely unique, and humanity as a whole all the more varied. That is good, because only different ways of looking at things open up new paths, expand our horizons, and lead to new solutions. As they do at Evonik. Where we have long since recognized and treated the diversity of our workforce as a valuable asset.

The development of a growth strategy for Asia is on the agenda in the Corporate Development conference room at the Evonik Corporate Center. The focus is on the attractiveness of the specialty chemicals market in the region, and how Evonik can benefit from the potential of the Asian market. Johann-Caspar Gammelin, head of Corporate Development, has assembled a hand-picked team for this discussion. Clare Torralba, for instance, was born in the Philippines, and brings not only her training in business and chemical engineering to the table, but also her experience gained as Vice President Sales Asia South. As a chemical engineer and now head of the Comfort & Insulation Business Line in the Consumer Specialties Business Unit, Tammo Boinowitz possesses comprehensive technical knowledge and extensive business experience. Economist Daniel Brünink brings an outside perspective to bear from his earlier work at a consulting firm. With their different biographical backgrounds, perspectives and competencies, they can now help project the clearest possible picture for specialty chemicals in Asia and the opportunities for Evonik.

For Walter Weimer, head of Executives & Talent Development, this scenario is not an accident but an integral part of our corporate culture: "To recognize and acknowledge the

diversity of our workforce, and to use it purposefully for our benefit is a stated goal at Evonik." To develop all individuals to the maximum of their potential, and to strengthen competitiveness and respond to developments such as demographic change. And because we have long since learned that diverse teams are significantly more efficient. Diversity does not only mean equal and performance-oriented consideration of men and women wherever possible. It also includes different life/work experience and functional backgrounds, different ages and different nationalities—the entire range of diversity.

A broader perspective

The "Asia Round" that is meeting just now demonstrates the value of this diversity. Clare Torralba is familiar with specific Asian habits of thought, knows the buying habits and preferences of the people and the related demands on products. Tammo Boinowitz tests possible opportunities to see if they are implementable and feasible; from his macro-economic viewpoint, Daniel Brünink broadens the perspective to include possible new or different approaches. The key point for division head Gammelin: "Different skills, talents and experiences help broaden the base for our strategic decisions."

To use diversity in this way, and to benefit from it, we must also promote it consistently. Evonik does this by purposefully directing diversity through three levers. Talent Management, Recruiting and other departments can access key indicators for gender and age, and also for current and medium-term needs. The creation of an attractive employer brand, recruitment and job filling vacancies are managed through transparent processes and a corresponding set of policies and guidelines. These are supplemented by development programs, training events and workshops, as well



Clare Torralba, Corporate Development.

as by networking, for instance for women. "The support for women in specialized and management positions, for instance through the 'Women@Work' seminars, which were started this year, is only one point along the diversity spectrum, but it is an important one," notes Andrea Napalowski from the Executives & Talent Development Division. But compatibility of career and family is just as important, as is a different mindset for senior executives. As the benefits of diversity are discussed and concrete measures are developed in Mindset Workshops, flexible working conditions and new forms of working contribute to a better work-life balance. Diversity has also been included as an element of the goal agreements for executives.

Corporate Development is now turning its attention to options for external growth, in other words, possible acquisitions, for the continued successful development of Evonik.

Here, too, diversity in terms of culture, age, function, and experience is needed. Chemical engineer Dr. Frank Steding, for example, has held various positions in the operating areas and in Controlling and has also spent several years in the USA. Vinod Paremal grew up in Dubai, holds an MBA degree from a French business school, and got to know Evonik through a talent development program. Artur Leng started his career at Evonik in the USA and possesses comprehensive experience in company valuations. Chemist Dr. Björn Brunnhöfer previously worked on a number of projects at a business consulting firm. Now they are contributing their knowledge to the structured development of external growth topics, and will also benefit from this time when they move on to other areas later. Then, they will, indeed, possess far-reaching experience and background knowledge for strategy development.

Evonik promotes diversity not only in its strategic planning offices but everywhere throughout the Group. Diversity, moreover, is not just limited to our workforce but also includes customers, suppliers, shareholders, and other stakeholders. Because globalization changes markets, demands and expectations, because values are changing, and because the company can only succeed by adjusting to change and by anticipating future developments. Evonik meets these conditions a thousandfold: through its employees, who, in their diversity, can make the difference. Because one thing is certain: It's the mixture that does it! Everywhere and always.

Benefit to society

By valuing diversity and consciously acknowledging differences in origin, gender, age, function, and experience, Evonik creates the conditions that are needed for its employees to develop their talents to the fullest. This contributes to their personal and professional growth and opens up new and different career opportunities.

The purposeful promotion and use of individual abilities strengthens motivation and commitment to performance throughout the company. In this way, Evonik can fully utilize the available creative potential—for the development of innovative products and solutions, and of effective strategies for the regions. A better understanding of the culture also enhances local business opportunities.

Benefit to Evonik

This tree



may open up new markets.



The tree of the Berbers



For the Berbers in Morocco, the argan tree is a source of firewood, animal feed, and valuable oil. But the number of these trees has declined considerably. This is where STOCKOSORB®, a granulate product for the soil from Evonik, can help with reforestation.

The dusty road stretches mile after mile across the landscape. Here in southwestern Morocco, the sun can regularly push temperatures above 40°C in the summer. Goats search for food amidst the rocks and boulders. They find precious little, as grass and bushes are sparse in this wasteland. Indeed, this would be all the livestock would have were it not for the young leaves and shoots of the argan tree. Side by side, the animals crouch in the crowns of the trees, which reach more than 10 meters into the sky. Some of the trees are said to be 400 years old.

Heat, nutrient-poor soil, and water shortages have little effect on *argania spinosa*, as the tree is called in Latin. The plant will even thrive in otherwise barren landscapes. Thanks to its long roots, the trees can reach water deep below ground. Under particularly adverse conditions, they simply stop growing and drop their leaves.

That is how the argan tree ensures its own survival—and that of the Berbers, whom it supplies with valuable raw materials. For this reason, the Berbers refer to it as the “tree of life.” Its hard wood provides fuel and construction materials. The shoots and young leaves feed the goats raised by many of the local inhabitants. And finally, the seeds of the argan fruit supply a valuable oil rich in unsaturated



These goats venture high into the tops of *argania spinosa* to find the tree's shoots.

fatty acids. The Berbers have traditionally used this oil for cooking—and for beauty care. What is more, Berber women have established numerous cooperatives over the years for producing and marketing argan oil. The tree is thus a key element in the proper functioning of the local economy. Even the press cake left over from oil production can be fed to the livestock.

The argan tree is also crucially important ecologically: it tolerates high temperatures, prevents soil erosion, needs little water, and thrives under extreme climatic conditions. Nevertheless, the area covered by these trees has shrunk dramatically over the past century for a variety of reasons, including clearing, overgrazing, and modern farming methods. Efforts are now underway to preserve the existing stands. In 1998, UNESCO designated the



The seeds of the tree supply a high-quality oil.

remaining forest a Biosphere Reserve. Reforestation is turning out to be excruciatingly difficult, though. "So far, no approach has worked," says Cherif Harrouni, professor at the Institut Agronomique et Veterinaire Hassan II in Agadir, where the focus of his work is preserving the remaining stands of argan trees. "Primarily because argan seedlings are extremely sensitive to drought."

This is where STOCKOSORB® from Evonik enters the scene. The soil granulate, a "super-absorbent," can absorb and store many times its own weight in water, which makes it ideally suited to improving the water storage ability of poor soil. If the soil dries out, STOCKOSORB® gradually releases the water and prevents the plants from suffering drought stress. Farmers, landscape conservationists, and forest owners worldwide are exploiting its benefits to grow vegetables, ornamentals, and trees.

Harrouni and his team planted over a thousand argan saplings at four different locations in the area around Agadir in early 2010. Prior to planting, the soil was mixed with prehydrated STOCKOSORB®. The saplings were then divided into two groups: one was irrigated with 30 liters of water a month, while the other was not irrigated at all. Control groups without STOCKOSORB® were also planted for both categories.

The scientists found that the saplings planted in the soil treated with STOCKOSORB® have a significantly higher survival rate than that of the control group. Depending on the location,

when the Evonik product was used, the survival rates rose by 40 to 150 percent. The young trees did best with a combination of STOCKOSORB® and irrigation.

For this, the European Chemical Industry Council has honored Evonik with its Sustainability Award in the "Large Companies" category. "These results are very encouraging," says Harrouni. Nevertheless, the scientists are still just starting out: "Whether the saplings survive long-term will become apparent only after three, four or even five years."

But from Evonik's standpoint, the experiment has already paid off. "Reforestation projects with native plants may become increasingly important worldwide over the next few years. It is important to know as much as possible about potential areas of application for STOCKOSORB®," stresses Dr. Annette zur Mühlen, Evonik's specialist in agricultural uses of STOCKOSORB®.

And who knows? Before long, small, young plants might be growing right next to giant, centuries-old argan trees in southwest Morocco. In any case, Harrouni and Evonik are continuing their research. New tests, including the use of STOCKOSORB® to fight soil erosion, are currently in preparation.



Cherif Harrouni of the University of Agadir is working on a reforestation program for *argania spinosa*.

Benefit to society

Argan trees secure a living for the Berbers of southwest Morocco and prevent desertification. If reforestation is successful, people and the environment will benefit equally.

The Group is increasing its knowledge of the properties and potential fields of application of STOCKOSORB® soil granulate. At some point, these efforts could result in new business opportunities.

Benefit to Evonik

These children



keep five employees busy.



Pictures of the future



We can't predict the future. But we can think about it, try to evaluate developments and anticipate trends so we can draw a picture of the future, sketch solutions to challenges, and try to identify attractive new growth markets. Evonik's Corporate Foresight Team shows how to do this.

A live illustrator at a meeting? Someone who draws everything that happens? Many people find this pretty unusual. For Evonik's Corporate Foresight Team, which works out of the company's strategic research unit Creavis Technologies & Innovation in Marl (Germany, it's quite reasonable—as are the Future Wheel, Brainwriting, and other creative methods. But the Foresight Team doesn't fit a template, either in terms of its objectives, tasks and working methods, or in its composition. Ultimately, as its name suggests, its objective is to look forward and describe potential future scenarios. Sustainable scenarios, of course.

This demands a change in perspective: different approaches, changing points of view, and new ideas. Dr. Bernhard Schleich took all these points into account when putting together his Foresight Team. "I wanted to find team members who fit the interdisciplinary character of the task," says Schleich, a physicist, who has been appointed to head the team, partly due to his experience in establishing Creavis.

The members of the team, which began its work in 2011, actually complement each other exceptionally well. They include, for example, Dr. Norbert Kern, a chemist, who has worked for Evonik for many years and conducted research for Creavis. Regine Trippe brings her expertise

in business management to the team. Political scientist Ines Lietzke has experience in foresight activities. And as the youngest member of the team, Dr. Rafael Gentsch, not only contributes a fresh perspective but increases the international flavor of the team, as he holds both Spanish and Swiss passports.



Looking together into the future (from left to right): Dr. Norbert Kern, Dr. Rafael Gentsch, Dr. Bernhard Schleich and Regine Trippe.

Focus on megacities

This is the kind of diversity that gives contours to the team's vision of the future, and directs its focus to topics such as "megacities." Indeed, urbanization is a global megatrend and megacities are becoming hot spots of economic



Outside the box: Creative methods help to develop a picture of the future.

growth. The numbers prove it. In 1950, New York was the only city with more than 10 million inhabitants. By 2015, there will be 26 such cities, and 22 of them will be located in developing countries. The Vision 2050 study by the World Business Council for Sustainable Development (WBCSD) goes even further, forecasting that 98 percent of the growth in world population from the current 7 billion to 9 billion people will occur in cities. According to predictions, two-thirds of the world's population will live in cities by 2030.

To place this development in the context of specialty chemicals and open up growth markets for Evonik, the Corporate Foresight Team has literally drawn a picture of these cities, developed Pictures of the Future, and supplemented them with trends and projections of current development. The result has been a variety of sketches, with just as wide a variety of challenges with regard to issues such as energy, traffic, water supply, nutrition and health. The Corporate Foresight Team's job now is to develop ideas to solve these problems, and at the same time, sound out growth markets and new business options.

To come up with these kinds of ideas, the Corporate Foresight Team relies on the creative methods mentioned above. Roleplay is used in a current workshop. To discuss drinking water supply in a megacity and the various issues associated with it, each workshop participant plays a different role. One plays the

mayor, another the representative of the public utilities, and yet another an environmentalist. The method clarifies differing viewpoints, and illuminates an issue from all possible sides. By the end, the team has gathered concrete results, such as a special method for supplying and processing drinking water that can be used to obtain water from the surrounding air. The first technical tests are already underway. And with regard to energy efficiency, the team is exploring the idea of using an Evonik product for building insulation.

Firmly anchored in the Group

As these examples illustrate, the team isn't exactly locked away in some ivory tower. It is more like a think tank firmly anchored in the Group. For example, the team looks to the future together with representatives from all six business units, Process Technology & Engineering, as well as Innovation Management. In facing the future and describing the scenarios it sees, the team also relies on support from external futurologists, as well as experts in science and research. The reason is clear. "The growth markets we identify must be sustainable, attractive and financially feasible," says Bernhard Schleich. "The future is complex. The Foresight team's scenario technology, in particular, offers us a tool for reducing that complexity and translating it into concrete options."

Benefit to society

A fact-based exploration of future trends and possible future developments and their associated problems make it possible to develop solutions for resource and energy efficiency in a timely manner. Ideas for meeting the demand for drinking water or safeguarding energy supplies help create a greater quality of life as regards the urbanization to come.

By looking to the future early on, Evonik wants to recognize potential growth markets and develop sustainable solutions for the largest markets of the future. This should help consolidate the company's trendsetting role in specialty chemicals, and contribute to securing business success for the long-term.

Benefit to Evonik

This bus



is expected to provide us with many new patents.



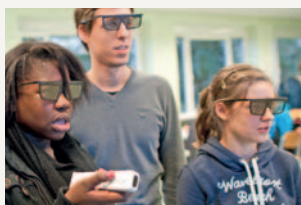
Taking a fresh look at chemistry



In the German educational system, scientific and technical training leads a shadow existence in many places. It starts too late, and often even dedicated teachers fail to attract students. Evonik is helping to change all that. With its educational sponsorship offers, Evonik wants to help present chemistry in a more interesting way, and bring back the fun of experimentation.

Miriam Tabot doesn't have complete control over the pointer. No matter how hard she tries, the tool simply does not obey. But the 13-year-old is fully engrossed in her attempt to combine the available chlorine molecules and sodium atoms into sodium chloride. That wouldn't be such a problem if it weren't for the 3D pointer that keeps escaping her, but Miriam thinks it's all cool. "This makes learning fun," she says, passing the controller to her classmate, Leon Florysiak, who immediately knows what to do. "I have a Wii console at home," he laughs and takes the 3D glasses off.

Totally engrossed, Miriam Tabot controls a virtual 3D pointer.



This scene isn't taking place in a teen bedroom, but in the chemistry lab of the Elsa Brändström vocational high school in Essen, one of four German schools that received a Cyber Classroom station from Evonik. The 3D learning environment is intended to help students experience and understand the complexity of chemistry in theory and practice. The Cyber Classroom stations that Evonik provided to

schools near its production sites include hardware and software along with several chemistry modules. The technology of the innovative 3D learning and teaching environment was developed by Visenso GmbH from Stuttgart and customized for use in schools and universities, with the explicit input of schools for the content design of the modules.

That was an important aspect for Andreas Roy-Werner, chemistry teacher and assistant principal at the Essen school. "It allows us to include our own topics in the modules," he notes. As an example, the school included a short video about burning steel wool in its laboratory into the module. In the virtual chemistry classroom, this experiment can now be shifted from the visual level to explaining molecules and theory. Even during the pilot test, the teacher found that the Cyber Classroom increased motivation and enhanced the students' understanding of chemical processes and reactions. "This makes it easier for us to switch from the material level in the lab to the world of atoms."

Markus Langer enjoys being part of the Evonik educational sponsoring initiative to provide teachers with options for lesson planning. As the head of Corporate Marketing and PR, he sees three major goals of the initiative. "Our educational sponsorship must show that



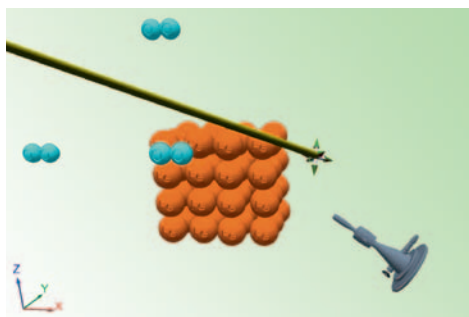
An experiment with burning steel wool ...

Evonik is taking its corporate citizenship responsibility seriously. At the same time, the initiative, along with all of our sponsorship activities, has to position Evonik as a creative industry group, and it has to make a positive contribution to attract qualified employees in the future to support the work of our HR team." The comprehensive approach of the Cyber Classroom meets all three of these goals for the specialty chemicals company, from preschool to graduation, and has already been used for a number of unusual projects.

3D learning experience

Five-year-old Thomas has benefited from such a project, or more precisely from our Evonik Kinderuni (Evonik "Kids' University"), a joint project of Evonik and the North Rhine-Westphalian daily newspaper Rheinische Post. For three weeks, numerous preschools in the region received free copies of the paper, with instructions for age-appropriate experiments. Little Thomas learned about setting up experiments every day and then built a submarine for gummy bears or an elevator for candles. The text also explained the scientific background to the experiments in understandable language and pointed out the many scientific phenomena that can be discovered in daily situations. On the side, the children also learned that newspapers can be truly exciting.

For Evonik, Kinderuni is just a continuation of a proven approach, since the company spon-



... is transferred to the molecular level via 3D animation.

sors numerous school activities near its sites. Some 120 employees have been engaged in a program to conduct exciting chemical experiments in preschools and schools for more than ten years, and apprentices visit their alma maters as school scouts to recruit students for work in the chemical industry. The participating sites also share information regularly at an internal "Sponsoring Academy" to learn about successful approaches.

Evonik also wondered how to get "digital natives" excited about natural sciences, but the answer was obvious: teaching methods and materials had to adapt to a time characterized by Playstation and iPhones to help teens develop an emotional relationship with science and to find professional prospects in that field.

The plan seems to be a success with Miriam Tabot, Leon Florysiak, and their schoolmates at Elsa Brändström vocational high school in Essen. The fascination with 3D that went mainstream when Avatar came to the big screen is now moving into schools and lesson plans. With 3D goggles students can virtually move through a complex molecule and experience reaction equations from within the involved atoms. This makes it easier to understand complex chemical processes and can even be fun, or "totally cool," as Miriam Tabot would say about her new chemistry classes.

Benefit to society

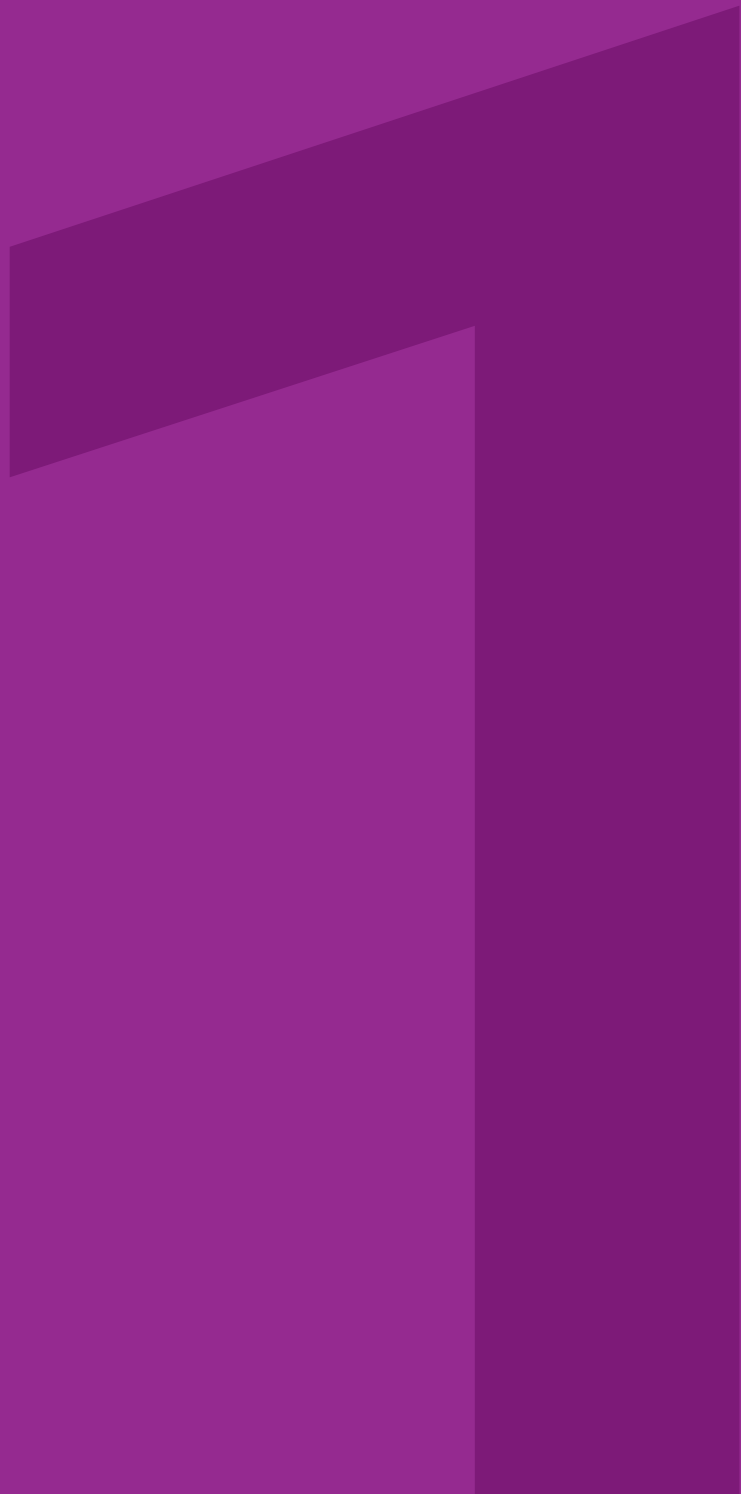
With its educational sponsorship activities, Evonik assumes social responsibility and promotes understanding of scientific concepts, giving teens new access to science and opening up new vistas in terms of careers.

Educational sponsorship is important for Evonik to ensure a qualified future labor pool for its own company. The comprehensive approach teaches sciences at a young age and continues to promote them.

Benefit to Evonik

Corporate Responsibility

Strategy ✓



Our CR Strategy	29
Values and management systems	42



Our CR Strategy

Evonik is one of the world's leading specialty chemicals companies. In addition, it maintains investments in real estate and energy. Profitable growth and a sustained increase in the value of the value of the company are the key focus of our strategy.

 See also page 53
Evonik Group: Key figures

 See also page 101 f.
Profile

Focus on high-growth megatrends

With our specialty chemicals, we are focusing on high-growth megatrends that are especially significant for the sustained development of our company, especially resource efficiency, health, nutrition and globalization, so as to open up attractive markets for the future. In doing so, we will take advantage of our integrated technology platforms and consistently continue to develop them further. We possess a well-balanced spectrum of operating areas, end consumer markets and regional presences. We work closely with our customers. We intend to continue our ambitious growth strategy consistently over the coming years. To this end, we are purposefully expanding our activities in economically attractive regions. We view market-oriented research and development as an important engine for future growth. The continuous improvement of our cost structure is also a high priority for Evonik.

 See also page 56 ff.
Research and Development

Strategy consistently implemented

In keeping with the orientation of our strategy toward the megatrends resource efficiency, health, nutrition and globalization, we restructured our operations in 2011. The six business units, in which our core specialty chemicals business is grouped, are now aligned in the three segments Consumer, Health & Nutrition, Resource Efficiency, and Specialty Materials and organized in line with similar themes and long-term success factors. We divested activities that no longer fit our core business.

Thus, we divested of our carbon black business during the reporting period. We also sold our majority stake in the electric power company STEAG GmbH to a consortium of municipal utilities in the Rhine-Ruhr region. Together with the German Mining, Chemicals and Energy industrial union (IG BCE), we signed important agreements in the reporting period to implement the future model for our real estate activities.

 See also page 55
Focus on specialty chemicals leads to changes in the Group

In order to make Evonik even more transparent and flexible, we further reduced the complexity of the Group in the reporting year. To this end, we transferred the management of all operations of Evonik Degussa GmbH, Evonik Goldschmidt GmbH, Evonik Oxeno GmbH, Evonik Röhm GmbH and Evonik Stockhausen GmbH to Evonik Industries AG. Other entities followed effective April 1, 2012.

As of April 1, 2011, the operating business will be directly managed by Evonik's Executive Board, which we have expanded from three to six members for this purpose. The direct management of the operating business by members of Evonik's Executive Board makes it possible to streamline decision-making structures and thus to speed up processes.

Responsibility is indivisible

For Evonik, business success and responsibility belong together and are contingent upon one another. We endeavor with our innovative products and solutions to help overcome global challenges such as climate change, scarce resources, poverty and malnutrition. In doing so, we are supported by our Corporate Responsibility (CR) strategy. This strategy is founded on corporate values and core competencies. Based on three dimensions, the business, employees and processes, it is an integral part of our corporate strategy, strengthen it and lending it new impetus. It assists in achieving the corporate goals of profitable growth and added value, which are indivisibly linked to the critical drivers of sustained development, and at the same time, promote clear differentiation from the competition.

We want to continue to develop our CR strategy in the future. Now that corporate responsibility activities have been stepped up significantly in corporate functions such as procurement and training, the aim is, in the future, to integrate the responsibility for a sustainable focus of business activities even more deeply into the core processes of the individual business units, including their research, production, marketing and sales activities.

 **Internet**
Responsibility/CR at Evonik
at www.evonik.com

Materiality analysis in greater depth

In 2010, we identified and assessed the most significant challenges for sustainable development, both for Evonik and for our stakeholders. To this end, all business units performed a materiality analysis, which revealed that the following challenges are considered particularly important: climate change, utilization of resources, health, population growth, and demographic change.

Based on these results, we developed specific recommendations for action by the business units in 2011. These include such items as an intensive dialog with customers to inquire into shared system solutions and the implementation of the main themes and focal points from the risk management analysis in the business units.

In order to gain a keener vision of the challenges for our international locations, we included the Greater China and South America regions in the materiality analysis.

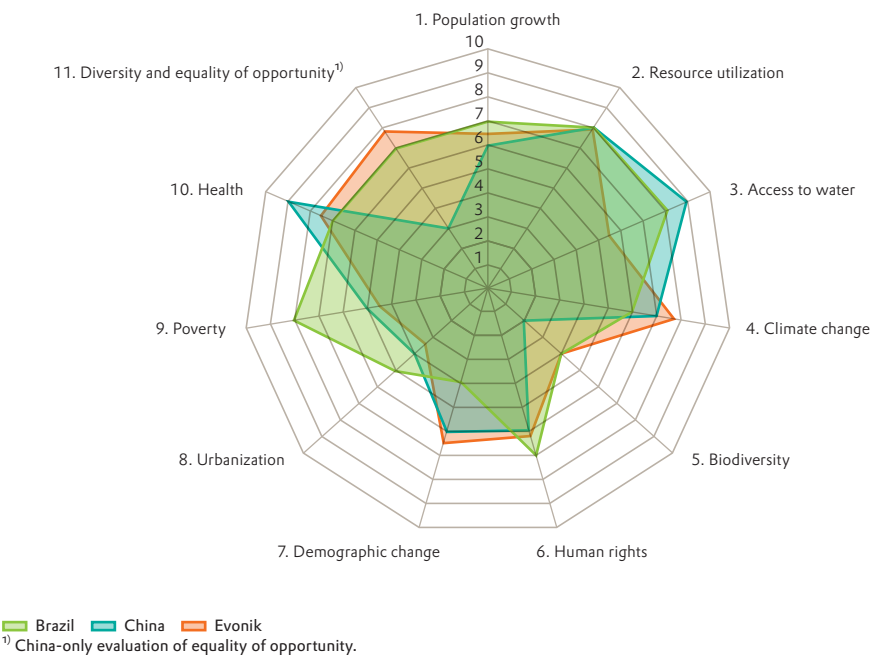
This largely confirmed the results from the business units, but specific regional differences also emerged. Access to water is assigned far greater significance in both Greater China and Brazil. For Brazil, this is also true for biodiversity, especially with regard to business opportunities. Opportunities that might follow from climate change were rated lower in Greater China. Moreover, diversity and equality of opportunity, were treated separately in the Greater China Region, since the assessment of these two aspects proved to differ greatly.

We will use the results of the materiality analysis to adjust the main areas of focus for our CR strategy and to identify new business opportunities with and across the business units, while also giving consideration to the other CR dimensions, processes and employees. To this end, we will continue to add depth to the materiality analysis in 2012.

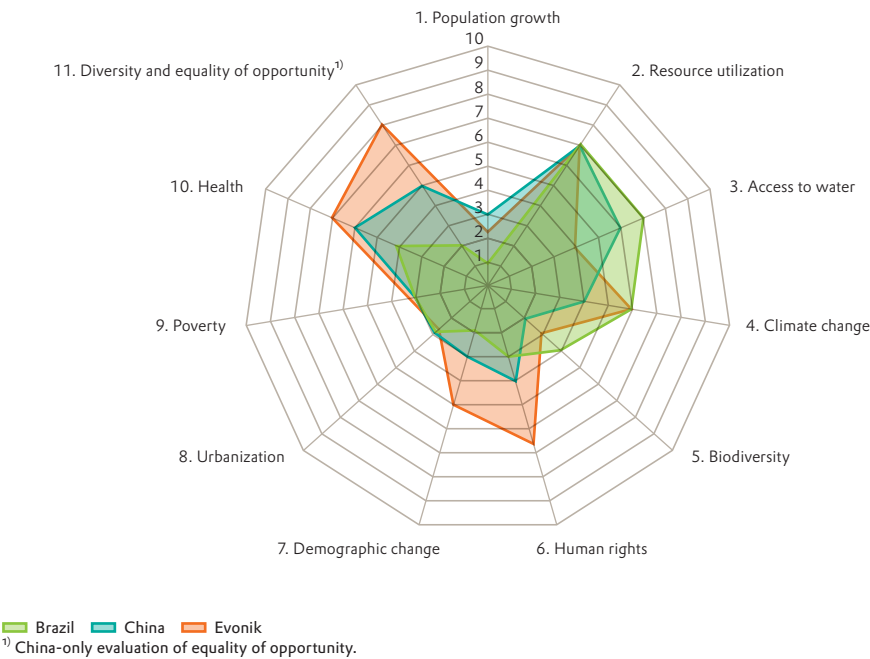
 **Further information**
CR Report 2010, page 16 ff.

Materiality analysis of society - Regions and Evonik in comparison

Stakeholder expectations

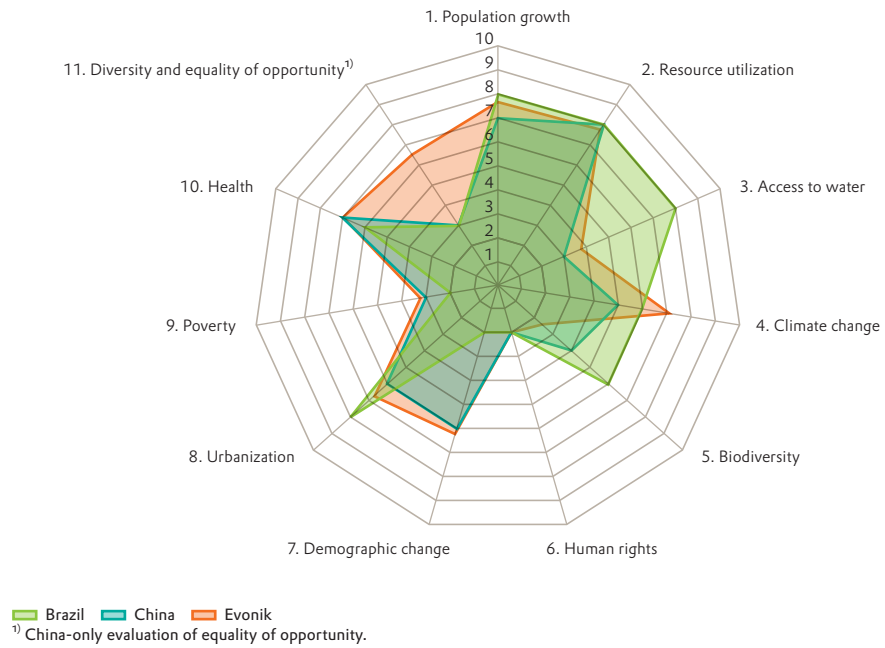


Impact of Evonik

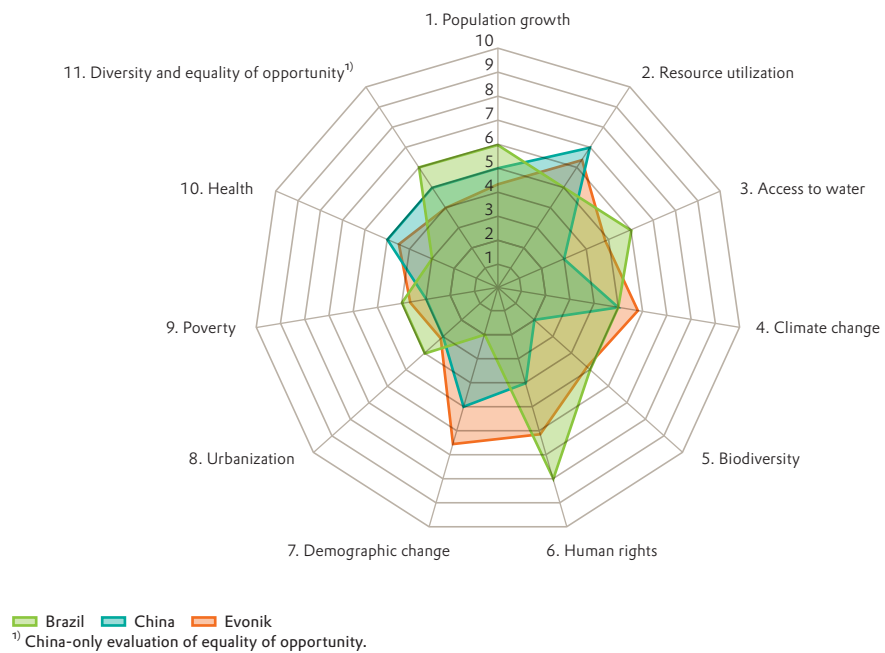


Materiality analysis of the business - Regions and Evonik in comparison

Opportunities



Risks



Dialog with our stakeholders

Exchanges with our stakeholders are a key element of Evonik's CR strategy. We are engaged in a continuous dialog with customers, employees, owners, investors, suppliers, labor unions, scientific organizations and legislators and maintain contact with local residents and non-governmental organizations. In 2011, we continued to intensify the exchange with our stakeholders. In view of the sustainability challenges, we expect this to produce not only a balancing of interests, but also continued strategic development of our business with respect to potential process improvements and the role of Evonik in the social environment.

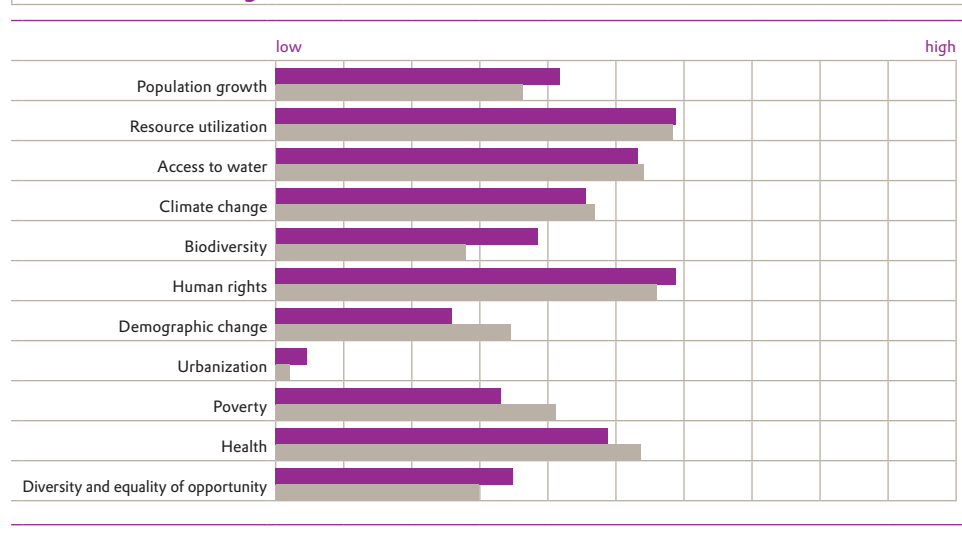
Stakeholder survey

In the fall of 2011, we asked our stakeholders again how well informed they felt by Evonik's last CR report and what global challenges they felt were particularly important for the Group. Unlike in 2010, we mainly surveyed customers. Of the 198 stakeholders surveyed, 45 responded. This was a significant increase in the return rate from 4 percent to 22 percent.

The majority of those questioned felt they were "well" or "very well" informed by the 2010 CR Report. Here, the theme of responsible management was the most interesting to readers, followed by information about the supply chain, as well as climate protection and energy efficiency.

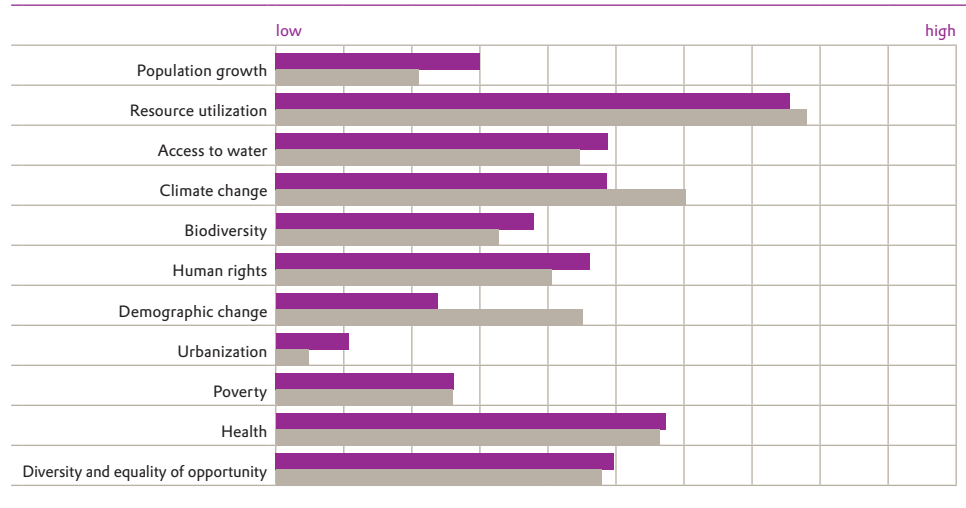
In the view of the respondents, the most important challenges that Evonik should address were human rights, resource utilization, access to water, and health. By contrast, the importance of the challenge of climate change was clearly rated lower than in the previous year. These results coincide largely with the findings of our materiality analysis. The internal and external assessments of the most important challenges for Evonik are thus in agreement.

Relevance of challenges for our stakeholders



Participants were asked to rank the aspects in the order of their importance for our shared future. While the stakeholder survey in 2010 addressed a variety of stakeholder groups, the 2011 survey focused on customers.
 ■ 2010 ■ 2011

Relevance of challenges for Evonik



Participants were asked to rank the topics in the order of their importance for Evonik. While the stakeholder survey in 2010 addressed a variety of stakeholder groups, the 2011 survey focused on customers.
 ■ 2010 ■ 2011

Stakeholder dialog

On April 20 and 21, 2011, Evonik held its first Sustainability Day. More than 100 of Evonik's senior executives and participants representing politics, business and society engaged in discussions with Evonik's Executive Board and other experts about the importance of sustainability for business.

On the second day, Evonik's executives formed six working groups in order to develop specific ideas and projects for the Group and cast light on sustainability as a business model. They addressed the demands that customers and society place directly on Evonik as well as approaches to enhancing the sustainability performance of the Group through supplier and/or logistics management. The process that was thus set in motion was continued along the value chain in subsequent months and the results of the Sustainability Day were further refined.

Based on the results from the individual working groups, specific proposals for the implementation of the strategy in the individual business units will be developed in the spring of 2012 and the projects will then be presented to operational units. We will also assimilate these ideas as we continue to evolve our CR strategy and thus align our CR activities even more closely with Evonik's business.

How to build on the results of the Sustainability Day will also be the subject of the CRconnect dialog which will be held for the first time in 2012. The objective here is for employees involved in CR to network and to engage in discussions about current CR issues that are relevant to the business. Those employees who are particularly concerned with CR topics as part of their work will be invited to a one-day event, including workshops.

Due to internal restructuring, we postponed the Future forum planned for 2011 to 2012. The series of events will now start under the name Forum Future in 2012 and promote the exchange of views with stakeholders, above all with customers.

Employee participation

The CRtopic series which was begun in 2011 offers information on current CR issues and is open to all interested employees. The format for these half-day events, which feature presentations by experts, is designed to introduce business-relevant future-oriented CRtopics, raise participants' awareness of them, and discuss their relevance to Evonik. After starting with the topic of human rights in 2011, a CRtopic was held in January 2012 on the Wittenberg Process, by which labor and management in the chemical industry are seeking to revitalize their social partnership. At least one other CRtopic event is planned for 2012.

Cooperation

Forming a network with universities and scientific institutes is another pillar of our stakeholder dialog. In the "Evonik Meets Science," forum for example, our experts engage in an exchange about current research issues with top scientists from various disciplines. The forum is regularly held in Europe, Asia, and North America. As a result of this year's meetings in Japan and the USA, an agreement to cooperate in an "Industrial Partnership for Research in Interfacial and Materials Engineering" was signed with the University of Minnesota.

 See also page 94 ff.
Society

Focus in 2011

In 2011, the general theme of which was "Focusing," we advanced our CR management as well as our activities along the three dimensions of our CR strategy—the business, employees, processes.

To this end, the focus was on creating methodological foundations to measure CR and sustainability criteria along the value chain.


The planned realignment of the CR strategy in 2012 will respond to the expectations of our stakeholders and the results of our materiality analysis.


CR management

The activities in 2011 were marked by the adaptation of the CR organization to the new corporate structure. The close alignment to the needs of the operating business was the primary concern here. To this end, we have begun to move the CR Steering Committee and the CR Coordination Committee closer to the business in terms of personnel.

To monitor the effectiveness of CR management we have developed a management model. In 2011, we expanded the model to include the three CR areas of action as well as internal and external CR performance evaluations. We will test this model in 2012.

 See also page 43 ff.
Management systems and tools

 See also page 8 f.
Perpetual ice?

 See also page 80 f.
Emissions of greenhouse gases

 Internet
www.ghgprotocol.org

Contribution to the business

Evonik Carbon Footprint (ECF)

Climate change confronts industry, politicians and society with new challenges that also affect Evonik. In order to be able to develop a reasonable approach to the reduction of greenhouse gases, we have calculated the Group's CO₂ footprint (Evonik Carbon Footprint or ECF).

To this end, in 2011, for the first time ever, we compiled data on our greenhouse gas emissions along the value chain, based on the data for 2008. In terms of methodology, we were guided by the "Greenhouse Gas (GHG) Protocol Corporate Standard." Because of our focus on specialty chemicals and the divestment of a majority stake in our energy operations, we looked exclusively at climate-relevant emissions from the chemicals operations, as this is our core business. Excluding the usage phase of Evonik's products in 2008 the ECF was approximately 25.2 million metric tons of CO₂ equivalents (CO₂e). The results of the ECF were subject to a limited-assurance review by an independent German auditing firm. The plan now is to update the ECF continuously based on current data.

The accounting for greenhouse gases serves to identify the material sources of emissions along the value added chain for our products—from the provision of raw materials to the disposal of wastes after the usage phase. Building on this foundation, the next steps will be to identify potential savings and take the appropriate action. The emissions data that have been identified can be used further to participate in mandatory and voluntary initiatives. This includes, for example, the Carbon Disclosure Project (CDP) in which we plan to participate from 2012 forward.

To be able to quantify and evaluate the potential climate effect of new products even in the early stages of development, Evonik is developing a method of its own, the Carbon Footprint Estimation model (CFE). A limited-assurance review by an independent auditing firm found that the model is suitable for correctly determining savings based on our internal standards. The CFE model enables a standardized evaluation of development projects with respect to greenhouse gas emissions in all phases of the product life cycle. In this way we will ensure that various Evonik projects are evaluated on the basis of comparable criteria. In the reporting period, the method was piloted during strategic research in the Eco² Science-to-Business Center (S2B).

We are also calculating the greenhouse gas savings for the application of selected beacon projects. To this end, the full life cycle emissions from the application of Evonik products were compared with comparable alternatives without Evonik products. The greenhouse gas emission savings from the beacon projects were calculated to equal 43.5 million metric tons of CO₂e. However, these cannot be compared directly with the ECF, since this is based on emissions that are caused by the manufacturing of products (as a rule, intermediate products) by Evonik (including production and supply chain emissions, excluding the usage phase). The savings, on the other hand, are calculated on the basis of life cycle emissions during the use of Evonik's products. We also arranged for an independent auditing firm to conduct a limited-assurance audit of the total amount of greenhouse gas savings.

 Download
ECF Folder and CFE Folder
under "Responsibility"
at www.evonik.com

Strategic management via sustainability indicators

In the future, we will seek to evaluate investment and acquisition decisions by using so-called sustainability indicators. We also want to use these key parameters for the strategic management of our business activities.

For this purpose, in 2011 we analyzed the major ecological and societal indicators used to measure CR and sustainability. Aspects such as energy efficiency, CO₂ intensity, water consumption, waste volumes, recycling, use of renewable raw materials, plant and occupational safety, diversity, demography, and sustained benefits for our customers represent the basis for the assessment of our CR and sustainability activities. In 2012, we will apply the method we have developed for the first time in two business units.

Systematic registration of requirements

A system for capturing the published CR sustainability goals of our major customers, retailers and competitors was developed and implemented by the Consumer Specialties Business Unit. This is to help us meet the external demands made on Evonik. At the same time, this system is designed to support Evonik's strategic positioning. The targets that are captured include, for example, standards for the reduction of greenhouse gas emissions and water consumption as well as social sustainability goals. After testing in one additional business unit, this system will now be available throughout the Group. In addition, we have laid the foundations for establishing an ongoing CR communications channel with key customers in order to coordinate the methodology and reciprocal expectations about CR targets. Here, we are proactively promoting joint pilot projects for transparency and environmental efficiency along the supply chain.

Focus on employees

In 2011, the pilot project "CR in vocational training" was rolled out to all of Evonik's training locations in Germany. The apprentices worked together with the trainers on a joint multi-site project on the topic of social media. The goal was to raise apprentices' awareness of responsible use of social networks and train them accordingly. The participants presented the results of this project to a broad internal audience in November 2011. The content developed to date has been transferred to a web-based mediateque, which is available to all apprentices and employees at Evonik.

During the reporting period, we also advanced the integration of CR into our ongoing training. After the starting signal in March 2011, we identified potential points of expansion for our existing training and continuing education offerings—for instance, a CR module at the orientation events for new employees. In addition to putting the basic message across, sensitizing employees is also a primary concern. We are currently developing a system of flagging ongoing training offerings of relevance to CR to make them easier to identify. For our online training, we are presently developing a separate module designed to convey the basics of CR and sustainability to all employees. The range of CR issues covered by the ongoing training program is to be expanded by the end of 2012.

CR management expanded along the supply chain

In 2011, Evonik procured raw materials, energy sources, technical goods and services with a value of about €9.4 billion. About 60 percent of the total value of purchases was accounted for by the procurement of raw materials. CR is systematically integrated into the procurement of these goods.

To test compliance with sustainability standards by our suppliers, a risk analysis systematically identifies suppliers who pose a potential risk. This is particularly based on internationally recognized country indices showing the status of humanitarian development and fair business practices, as well as an annual minimum invoice volume. The assessment of compliance with sustainability standards is based largely on the principles of the UN Global Compact and covers the areas of quality, health and occupational safety, environmental protection, anti-corruption, working conditions, and responsibility along the supply chain. In 2010, we surveyed about 80 percent of the suppliers identified as a potential risk by way of a self-assessment. In 2011, we expanded the survey to over 90 percent of these suppliers. We will continue the process of analyzing the potential risk posed by our suppliers over the next few years until nearly all relevant suppliers have been evaluated. Analysis and evaluation of the suppliers' self-assessments are supported by standardized supplier management software.

60 percent of the evaluated suppliers have a valid quality management certificate, but 19 percent do not have certified management systems (or components). In the area of environmental protection, 66 percent of the suppliers evaluated meet Evonik's requirements—34 percent of the suppliers evaluated have a valid certificate, while an additional 32 percent indicate that they have implemented a non-certified environmental management system that meets Evonik's requirements. In the area of safety and health, 71 percent of suppliers surveyed meet Evonik's requirements—34 percent with a valid certificate and 37 percent with a management system that has not been certified yet.

The supplier assessments described here are the basis for identifying suppliers for whom further reviews and improvements must be initiated. In the case of these firms, our survey in 2010 in the previous year revealed a need for clarification due to reported shortcomings or missing or contradictory responses, which resulted in on-site CR audits—for example, in China. To support us in this we retained the services of a recognized certification organization. Based on the audits, improvements were agreed with the firms in question, which are now being successively implemented. The goal stated in the CR Report 2010, therefore, which has been fully achieved.

73 percent of the suppliers surveyed meet Evonik's requirement for management commitment to corruption prevention.



For Procurement, CR training events are an important way of increasing sensitivity to the overall topic of Corporate Responsibility. The purchasing staff (26 employees) whose task is to monitor and process the self-assessments of suppliers who pose a potential risk completed an intensive training program in 2011. In addition, we educated close to 40 percent of our employees in procurement worldwide on CR topics at classroom training events in 2011. The CR training events will be continued in 2012 until all employees involved in the global procurement training programs have completed them. The training programs will be supported by online and classroom training modules.

 **See also page 47**
Supply chain management

 **Further information**
CR Report 2010, pages 12, 21, 35

Procurement: CR objectives for 2012

Continue risk analysis to cover 90 percent of suppliers identified as potential risks using a self-assessment questionnaire

Conduct at least ten CR audits with a focus on China and Brazil

Expand CR training to 50 percent of procurement staff in charge of procurement from suppliers with risk potential

CR Program 2012

Objectives	Action	Deadline	Current status (as of February 29, 2012)
CR management			
Align CR organization to new corporate structure	Alter membership of committees	2011	New CR Coordination Committee members named
	Name new CR Steering Committee members in response to new strategic focus	2012	New appointments to CR Steering Committee after Strategy 2.0 development
Establish and strengthen CR coordination	Establish a CR department	2011	Completed
	Validate responsibilities of CR Partners	2011	Completed
	Develop Evonik-specific CR performance management model: adapt to new CR strategy	2012	Alignment to new strategy underway
Corporate Citizenship	Conduct regional status assessment; adapt to new CR strategy	2012	Survey started
Position CR	Maintain active membership in UN Global Compact and econsense	Ongoing	Active collaboration in German Global Compact network and econsense
	Join Global Reporting Initiative as organizational stakeholder	2011	Membership as organizational stakeholder obtained; active collaboration anticipated
	Present CR roadshow	2nd half of 2012	To be continued after strategy development
	Introduce CR in diverse functional areas	Ongoing	Global ESHQ officers, location managers, innovation managers, etc.
	Continue to develop CR strategy	1st half of 2012	Preparation underway, consultants selected
The business			
Establish CR issues management as an early warning system	Conduct materiality analyses in business units and regions	Ongoing	Completed for the business units and some regions; materiality analyses completed in the BUs; results validated with participants and recommendation issued
	Deepen understanding of "global challenges:" develop and employ a training concept	2012	In preparation
Engage in systematic dialog with stakeholders	Hold Sustainability Day	2011	Day held, implementation of follow-on projects in business units kicked-off
	Hold Forum Future 2012-2014	2014	In preparation
Integrate CR into R&D	Ensure methodical assessment of innovation projects	2013	Started
	Implement CR in the strategic innovation process	2014	Planning underway
Integrate CR into customer relations	Implement cross-BU "customer relations" project	2012	Systematic implementation begun
Employees			
Ensure responsible treatment of employees	Distribute main policies to regions	2011	Completed
	Evaluate policies from a human rights perspective	2011	Completed
	Conduct human rights due diligence	2012	Planning underway
	Revise policies in light of findings from human rights review	2012	Planning underway
	Implement diversity strategy	Ongoing	Diversity integrated in goals agreed with executives; network for women established; mentoring program for women in preparation, etc.
	Ensure continual improvement of family and work offerings	Ongoing	Reauditing for "berufundfamilie" certificate in spring of 2012; identify optimization requirements; include additional sites and regions; increase involvement of fathers
	Expand CR questions in the employee survey	2012	Planning underway

CR Program 2012

Objectives	Action	Deadline	Current status (as of February 29, 2012)
Motivate and involve employees in CR implementation	Include CR aspects in employee appraisal interviews	2012	Include aspects of responsible conduct and leadership in employee appraisal interviews; exempt employees/executives in 2012; for use from 2013
	Integrate CR into performance objectives agreed with managers and employees	2015	Planning underway
Integrate CR into training	Develop new CR aspects with respect to the relevant megatrends from a training perspective	Ongoing	CR aspects integrated into training at all German locations; common toolbox developed
Integrate CR into career development	Integrate CR at start of career and into ongoing training	2012	Status assessment completed; content and program development begun
	Promote CR designation as a mark of quality	2012	Development of a list of criteria to assess ongoing training from a CR perspective
	Develop CR training tool for ongoing training of employees	2012	Development of a web-based training tool
Processes			
Continue ongoing improvement of CR performance in relevant areas of action	Implement long-term environmental targets	2014	Within the target range
	Implement long-term occupational safety targets for Chemicals and Real Estate	2014	Target achieved in the chemicals segments, reduction in accident frequency in Real Estate segment within target range
	Train in the Code of Conduct and anti-corruption compliance	Ongoing	Regular classroom training sessions and e-learning tools
	Develop and implement a climate strategy, identify Evonik's carbon footprint	2011	Evonik's carbon footprint (ECF) 2008 determined, methodology evaluated, conditions for development of a climate strategy created
	Evaluate relevant KPIs to assess investment decisions and portfolio management (Evolution)	2012	Pilot project completed, integration into business begun
	Participate in Carbon Disclosure Project (CDP) starting in 2012	Ongoing	In preparation
	Expand the Ecological Monitoring and Management System	2013	Planning begun
	CR self-assessment for new raw materials suppliers prior to concluding contract	2012	Started
	Nearly complete evaluation of suppliers identified as potential risks	2016	Started
	Standardize CR data collection through use of IT tools	Ongoing	New GRI indicators integrated, implementation in the HR Information Collector
Promote exchange of experience on CR	CRconnect: Format for internal dialog and networking	Ongoing	1st CRconnect event planned for 2012
	CRtopic: Format for information on CR-related issues	Ongoing	2nd CRtopic held in early 2012, additional events planned
	Regular Group-wide exchange of experience	Ongoing	International exchange on CR and related topics

Values and management systems

Corporate responsibility is part of Evonik's basic philosophy and covers the business, employees, society and the environment. We have committed ourselves to a number of external principles and guidelines, which are supported and supplemented by our own rules and regulations.

Corporate values and competencies

"Courage to innovate," "responsible action" and "sparing no effort" are Evonik's three corporate values and are firmly rooted in our day-to-day working life.

They form the principal foundation for decisions by our employees. Here, the competence of our employees, their creativity, specialization skills, self-renewal and reliability, are a major factor that determines Evonik's success.

Principles, policies and guidelines

External principles and guidelines

Good corporate governance, in other words, responsible, goal-oriented management and supervision of the company are an integral part of Evonik's business processes. It is designed to strengthen confidence in our company. At the same time, good corporate governance contributes to the creation of transparency for all stakeholders and roots responsible action firmly in our company.

For Evonik, the starting point for ensuring responsible management and supervision of the company that is oriented towards the sustained creation of added value is found—aside from compliance with the relevant laws and standards—in the acceptance of the German Corporate Governance Code.

Evonik signed the Code of Responsible Conduct by Business in late 2010. It sets out standards for responsible corporate conduct that are visible, verifiable and usable in daily practice. These include fair competition, cooperation between social partners, the merit principle and sustainability.

In 2009, Evonik joined the United Nations Global Compact and thus committed itself, in its sphere of influence, to compliance with the ten Global Compact principles. These include respecting labor and human rights, avoiding discrimination, protecting people and the environment and the fight against corruption. To the extent that it is possible within its corporate framework, Evonik will also not tolerate conduct that violates the guidelines for responsible corporate behavior issued by the Organisation for Economic Cooperation and Development (OECD). We respect the general Convention on Human Rights and the core labor standards of the International Labor Organization (ILO).

As part of the global Responsible Care initiative, we have been committed for many years to the continuous improvement of our performance in health, safety, the environment and product stewardship, and we emphasized this once again in 2006 as a co-signer of the "Responsible Global Care Charter" of the International Council of Chemical Associations (ICCA).

Code of Conduct


Evonik's binding Group-wide Code of Conduct covers its main corporate values and principles and governs the conduct of Evonik and its employees internally in dealing with each other and externally in their interactions with shareholders, business partners, public authorities, governmental representatives and the public. It requires all employees to comply strictly with all relevant laws, regulations and other standards. It also demands adherence to certain ethical standards. Compliance is monitored and any violations are followed by sanctions. The Code of Conduct promotes a culture of clear responsibility, mutual respect and trust, reliability and integrity.

Global Social Policy

In our Global Social Policy (GSP) we have undertaken to adhere to fundamental values based on internationally recognized standards of conduct and principles. These include the United Nations' Convention on Human Rights, the OECD Guidelines for Multinational Enterprises as well as the core labor standards of the International Labor Organization (ILO). Evonik is committed to compliance with and implementation of basic values such as the protection of children, freedom of engagement, equality of opportunity and diversity, freedom from discrimination as well as health and safety in the work place. In 2011, the GSP was distributed to all employees in 13 languages. We expect our suppliers to respect the principles set out in the GSP and to taken them into account in their conduct. Going forward, we will not only seek to strengthen our employees' awareness of the need to respect human rights but also establish a due diligence process specific to human rights. As a first step to this end, we have analyzed our internal guidelines accordingly. In 2012, we plan to revise the GSP in line with our findings.

 **See also page 91 ff.**
Safety

 **Download**
www.oecd.org
www.ilo.org

 **Internet**
www.verantwortlich-handeln.com/html/en/529.htm
www.unglobalcompact.org
www.responsible-care.de

Environment, Safety, Health and Quality Values

The Environment, Safety, Health and Quality (ESHQ) Values define the Group's understanding of ESHQ. In combination with more detailed guidelines and operating procedures, they form our binding ESHQ framework. The ESHQ Values define protection of people and the environment as a fundamental component of our conduct.

With the ESHQ Values as our starting point, we manage the topic of ESHQ for the entire Group by means of guidelines and goals. An outside expert opinion confirmed in 2009 that these rules and policies are in compliance with the law. The responsibility for their implementation rests with the business units, which verify implementation by various means, including regular audits of the regions and sites.

 **See also page 77 ff.**
The environment

 **Download**
Code of Conduct, Global Social Policy and ESHQ values under "Responsibility" at www.evonik.com

CR Management Policy

The corporate CR Management Policy sets out the responsibilities for CR and the CR management organization. The Policy ensures that the Group's CR strategy is implemented according to uniform standards. In addition, it governs the Group-wide coordination of all CR activities. Together with the CR Strategy, we plan to further refine the CR Policy in 2012.

Management systems and tools

We derive other policies, together with management systems and tools, from the Code of Conduct, the Global Social Policy and the ESHQ Values. The corporate divisions perform a coordinating function for the relevant topics. Within this overall organization, CR Management and the House of Compliance perform an overarching coordinating function.

CR organization



CR management

Our CR management helps us meet our responsibility to the business, our employees, the environment and society. We have further expanded this area in 2011.

Responsibility and organizational structure

The overall responsibility for CR rests with the Executive Board. Organizational responsibility is delegated to the Chief Human Resources Officer, who also chairs the CR Steering Committee. The Steering Committee is the highest body in the CR organization at Evonik. Its members are the heads of selected corporate divisions and Evonik Business Services as well as a representative of the Central Works Council. This committee, which meets at least once a year, is charged with the implementation and continued development of the CR Strategy. The committee also decides on specific CR projects. The Steering Committee is supported by the CR Coordination Committee, which initiates new projects, monitors them on an ongoing basis and forms working groups to implement CR projects. The CR Coordination Committee is formed by the CR Partners.

In 2011, we established the new Corporate Responsibility Department within the Environment & Responsibility division. This supports and advises the Steering Committee. It also guides the activities of the Coordinating Committee and initiates CR projects.

CR Partners

The task of the CR Partners is to ensure broad acceptance of corporate responsibility throughout the Group. They are representatives of the business and service units, and as the Corporate Center, and the major regions in which Evonik is active. This combination ensures that the concerns of the operating units and the Corporate Center, as well as the points of view of the foreign companies flow into the ongoing development and implementation of the CR Strategy. The CR Partners form the CR Coordination Committee. In 2011, the CR Partners reviewed and confirmed their tasks at a workshop.

House of Compliance

Compliance refers to conduct on the part of a company, the members of its governance bodies and its employees that complies with and respects all applicable laws, statutory mandates and prohibitions, as well as the company's own internal policies and commitments.

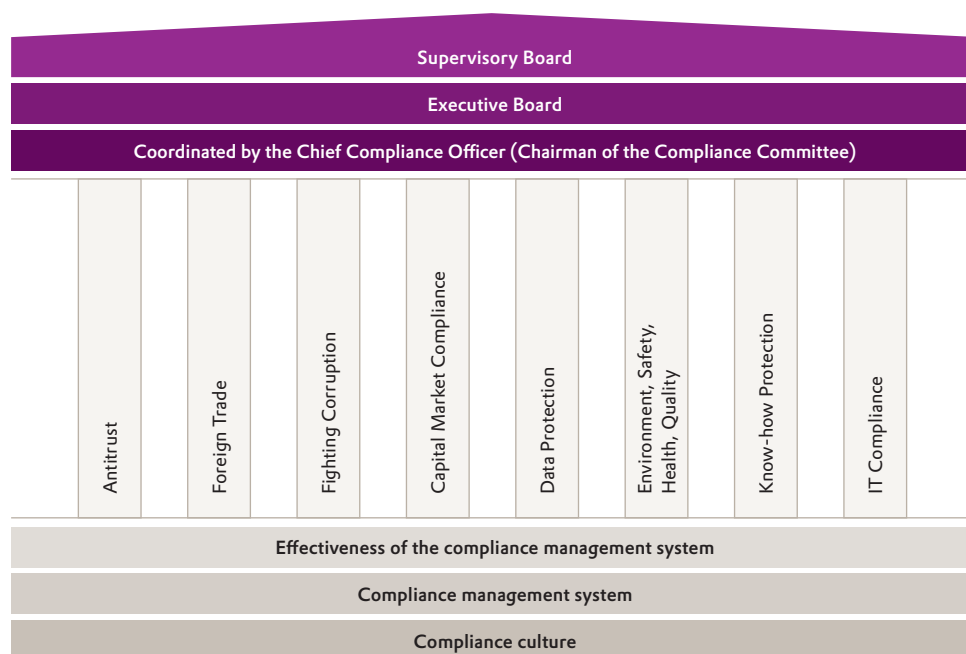
Conduct in conformance with the rules is guided by the Evonik Code of Conduct. The compliance culture created especially by the Code of Conduct is the foundation for the House of Compliance.

The Master Policy on Compliance was issued in 2011 to ensure a consistent Group-wide understanding of compliance. It sets out the relevant standards and criteria for the creation and ongoing development of a compliance management system. The Policy defines responsibilities, authorities, tasks and reporting requirements within the House of Compliance.

The issues that have been identified as particularly relevant for our company form the pillars of our compliance management and are brought together in what we call the House of Compliance. As a technology-driven specialty chemicals company, we value environment, health, safety, quality, intellectual property protection IT compliance as highly as the classic compliance issues of antitrust law, foreign trade law, anti-corruption measures and data protection. This comprehensive definition of compliance is the result of a risk analysis conducted with external support. The issues are subject to regular reviews initiated by the Chief Compliance Officer.

The Chief Compliance Officer coordinates the structure and ongoing development of the House of Compliance. He operates autonomously and reports directly to the Chairman of the Executive Board. On all major issues he is supported by the Compliance Committee, which acts as an internal advisory committee and is composed of the heads of various corporate and specialist departments and of the Corporate Audit division. Compliance officers in the business units and regions ensure the close integration of our business activities.

House of Compliance



Antitrust law

Compliance with antitrust law is one of Evonik's key corporate objectives and is also set out in our Code of Conduct. Group-wide classroom and online training, conduct guidelines as well as specific legal advice on all issues relevant to cartel law are the primary elements of our compliance activities in relation to antitrust law.

Foreign trade law

Each employee is responsible for compliance with all applicable export and customs regulations.

We ensure compliance with the applicable export controls through our Policy on Compliance with Global Trade Regulations, as updated in 2011, and the trade compliance organization, which builds on it and has been realigned accordingly. Our trade compliance organization relies on a special department with Group-wide responsibility, a specialized IT system, as well as a worldwide network of about 70 trade compliance officers and trade compliance managers.

Fighting corruption

Evonik is strictly opposed to all forms of corruption. Even the impression of corruption and corruptibility must be consistently avoided.

The Code of Conduct therefore establishes a zero-tolerance principle, which is set out in detail in the Master Gifts and Hospitality Policy together with the regional implementation regulations as well as the Policy for the Use of External Intermediaries for the Sale of Evonik Products and Merchandise. For the practical application of the guidelines, any employee can access the relevant checklists that briefly summarize the principal requirements for the respective guidelines via the compliance page on the Evonik Intranet.

In 2011, the Executive Board issued the Group Policy on Fighting Corruption and Advancement of the Code of Conduct. It defines responsibilities, authorities, tasks, reporting requirements aimed at avoiding corruption and the consequent harm to Evonik.

Capital market compliance

In early 2011, capital market compliance was included in the House of Compliance. The requirements for the conduct and organizational obligations of Evonik and the employees of the Group are set out in Group-wide policy guidelines, which also provide information about the legal consequence of any violation of the prohibitions under capital markets law.

Data protection management

The organization of data protection and the permissibility of processing personal data are set out in Evonik's Data Protection Policy. The implementation and coordination of the regulations are supported by the Corporate Data Protection Officer. Web-based training programs and information about the relevant laws and responsibilities are available on the Evonik Intranet.

ESHQ management

With the corporate Environment, Safety, Health and Quality Values as our starting point, we manage ESHQ for the entire Group by means of policies and operating procedures.

The responsibility for the implementation of these regulations rests with the business units, which verify and ensure this implementation with the aid of regular audits of the regions and sites.

In addition, the Environment & Responsibility division at the Corporate Center reviews compliance with corporate regulations by means of audits. In 2011, 25 audits were conducted worldwide. Based on the findings and analyses of international and external monitoring activities, on-site inspections and reviews, talks are conducted that focus on the potential for improvement and the implementation of agreed measures. The Executive Board is informed annually about the audit findings.

Intellectual property protection

Protecting the knowledge and expertise of our employees and thereby preserving Evonik's competitive and technological edge is the aim of the Know-how Protection Policy. This policy was adopted mid-year and sets out the principal responsibilities, authorities and reporting requirements, as well as the baseline standards for know-how protection.

IT compliance

The secure handling of information and the secure use of information systems are set out in Group-wide policies and regulations. The IT Compliance Enforcement Program (ICEP) at Evonik enforces the implementation of the compliance requirements that legislation and the Group have set out for persons in charge and employees for the operation and use of IT systems.

State-of-the art information security and data protection technology is employed throughout the Group. Modern security systems are installed to prevent potential unauthorized access and loss of data wherever possible. These are continuously enhanced and adapted to the constantly changing risk situation in order to remain appropriately prepared for potential risks in the future.

Various training measures are used to heighten all employees' awareness of the need for information technology security.

Human resources management

Evonik's strategic growth and efficiency targets require comprehensive support by Human Resources (HR) using specifically tailored concepts. Some key future issues that still have to be addressed include ongoing internationalization, the promotion of diversity and demographic trends.

Realignment of our HR strategy has paid off in this area: Based on the three strategic goals Attract, Develop and Retain, together with the professionalization of HR work as an internal target, we have defined various fields of action in the areas of employer branding and recruitment, career development and management, as well as the specific challenges of HR work in Asia. These will serve as the focus for HR work in 2012.

Important structural requirements for outstanding global HR work are established by the HR on Track program, which has been used to set the initial direction for the HR organization and HR processes.

Acquisitions and divestments

We seek to strengthen our existing core business through targeted acquisitions. Thus, we conduct a systematic and intensive due diligence process for all potential acquisition targets prior to any purchase in order to identify all material chances and risks and arrive at an appropriate assessment.

Should restructuring or divestment be necessary, we also implement these consistently. In addition to the legal and financial conditions and the reliability of the transaction, we also attach great importance in any divestment to the future development prospects of the business concerned and its employees. Our activities should therefore be part of a new owner's core business with good prospects for future development.

 **Annual Report**

For more information, see also page 112 ff. in the Evonik Annual Report 2011

Supply chain management

The standards that Evonik sets for suppliers throughout the Group are set out in the corporate procurement policy. We expect our suppliers and business partners to accept our principles for responsible and fair treatment of employees, customers, suppliers and the general public, and to meet their responsibility accordingly. In addition, we have incorporated the CR Strategy into our general purchasing conditions. In this way, supply chain management is aligned even more closely with the themes of health and safety, environmental protection and anti-corruption measures, as well as social aspects such as working conditions. This approach is intended to enable more sustainable procurement and contribute to risk management at Evonik.

 **Further information**

CR Report 2010, pages 12, 21, 35

Corporate Responsibility

Performance



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Corporate governance and compliance

Corporate governance comprises all principles for the management and supervision of a company. As an expression of good and responsible corporate management, it is therefore a key element in Evonik's management philosophy.

The principles of corporate governance relate mainly to cooperation within the Executive Board and Supervisory Board and between these two boards and the shareholders, especially at Shareholders' Meetings. They also relate to the company's relationship with other people and organizations with which it has business relations.

The Executive Board and Supervisory Board of Evonik Industries AG are explicitly committed to responsible corporate governance and identify with the goals of the German Corporate Governance Code.

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


The Supervisory Board advises and supervises the Executive Board. It appoints the members of the Executive Board and the Chairman of the Executive Board. The Supervisory Board is subject to the German Codetermination Act 1976 (MitbestG). In accordance with these statutory provisions, the Supervisory Board comprises twenty members: ten representatives of the shareholders and ten representatives of the workforce. The representatives of the employees are elected by the workforce and comprise seven employee representatives and three representatives of the industrial union.

 See also page 29 ff.
Our CR Strategy

Performance-based remuneration for senior management

The Supervisory Board is responsible for the employment contracts with the members of the Executive Board. It determines the total remuneration for each Executive Board member comprising a fixed base salary, short- and long-term remuneration components, post-employment benefit payments, expense reimbursements, insurance and various other fringe benefits.

The contracts for all Executive Board members and all senior executives include elements that are based on their individual performance and on the overall performance of the Group.

 Annual Report
For more information, see page 154 f. and 188 ff. in the Evonik Annual Report 2011

Fighting corruption

In 2011, Evonik further strengthened its anti-corruption measures. As a company that operates on a global basis, we also enter into transactions with regions where there is a risk of corruption according to the ranking on Transparency International's Corruption Perceptions Index. We exercise particular care in our dealings with public officials and in the selection of sales agents. Corruption risks are monitored as part of the Group-wide risk management system. Once a year, they are subjected to a risk inventory, which is updated each quarter.

Our employees can contact the responsible compliance officer at any time on a confidential basis or, if need be, anonymously, or via the compliance hotline in order to report compliance-related matters. Any indication of conduct that does not comply with the guidelines is pursued. If necessary, the investigation is followed by disciplinary measures. In 2011, in a total of five cases in the entire Group staff members were dismissed. A violation of the anti-corruption guidelines also has far-reaching consequences for our business partners and can result in the termination of the business relationship. In 2011, this occurred in three cases.

Since 2011, Corporate Audit and Compliance have pursued signs of unsound practices at the joint venture Evonik Sanzheng Fine Chemicals Co., Ltd. in Northern China. The investigations uncovered a significant number of irregularities. As a result, we dismissed three employees of the joint venture on short notice in January 2012. We intend to terminate the joint venture as quickly as possible.

Compliance training

In order to continue to raise awareness of compliance topics among our employees, various online and classroom training sessions are offered on the individual elements of the House of Compliance. The goal is for all employees to undergo training in all topics that are relevant to their work every three years.

In the anti-corruption area, we have defined job groups for which this topic is especially important. This includes all departments engaged in external contacts. In Germany, these are presently about 5,600 employees for whom participation in the training is mandatory. About 85 percent have already successfully completed the web-based training program. The e-learning program on anti-corruption measures was prepared in early 2011 and translated into four languages (English, Chinese, Portuguese and Japanese). It was first introduced in Germany and the international roll-out is currently underway.

In order to raise awareness of compliance among Evonik's apprentices at the very beginning of their working life, they receive training in compliance activities and our Code of Conduct as part of the Evonik Starting Kit in their first year of training. New employees are also informed about compliance issues and the rules and regulations in effect in the Group during classroom training sessions.

Various measures were taken in 2011 to raise the awareness of compliance issues among employees: "Tone from the Top," an interview with the Chairmen of Evonik's Executive Board on various compliance topics was distributed as a video via the intranet with subtitles in 15 languages. To reinforce these messages, appropriate video formats featuring the heads of the business units were also produced for dissemination via the intranet in 2012.

Additional episodes of "Compliance Reports" were produced in 2011. These short videos portray various situations that pose a risk for Evonik and its employees in relation to compliance topics.

In addition, a Responsibility Folder combining the corporate brochures containing the publications on the Code of Conduct, the Global Social Policy and the Environment, Safety, Health and Quality Values was distributed to employees in Germany and in the regions in 15 languages.

The business

Excellent performance

2011 was a very successful year for Evonik. We were able to significantly increase our earnings as the result of high global demand for our products. The key drivers of this success were high demand and, accordingly, high capacity utilization together with improved margins. Most of our production facilities operated at full capacity, particularly during the first half of 2011. Toward the end of the year, capacity utilization returned to normal levels in line with the development of demand. Overall, our sales in 2011 increased 9 percent to €14.5 billion. We were again able to improve our operating earnings as a consequence of increased volume, high capacity utilization, successful cost reductions, and higher selling prices. Earnings before interest, taxes, depreciation, amortization and the non-operating result (EBITDA) grew 17 percent to €2.8 billion, while the EBITDA margin increased from 17.8 to 19.0 percent as earnings rose faster than sales. Earnings before interest, taxes and the non-operating result (EBIT) surged 28 percent to €2.1 billion. Thanks to our success business performance, our net income rose 38 percent to €1,011 million.



For more information, see page 9 ff. in the Evonik Annual Report 2011

Evonik Group: Key figures ✓

in € million	2007	2008	2009	2010	2011
Sales	14,444	15,873	10,518	13,300	14,540
EBITDA ¹⁾	2,236	2,165	1,607	2,365	2,768
EBITDA margin in %	15.5	13.6	15.3	17.8	19.0
EBIT ²⁾	1,363	1,298	868	1,639	2,099
ROCE ³⁾ in %	9.7	9.0	7.7	15.0	18.7
Net income	876	281	240	734	1,011
Total assets as of December 31	19,800	20,115	18,907	20,543	16,944
Equity ratio as of December 31 in %	25.7	25.6	27.6	29.1	35.8
Cash flow from operating activities	1,215	388	2,092	2,075	1,309
Capital expenditures ⁴⁾	1,032	1,160	569	652	830
Depreciation and amortization ⁴⁾	862	842	712	694	647
Net financial debt as of December 31	3,924	4,583	3,431	1,677	843
Employees as of December 31	43,057	40,767	33,861	34,407	33,556

Figures for 2009 adjusted to reflect the reclassification of the former Energy Business Area to discontinued operations, figures for 2008 and 2007 as reported.

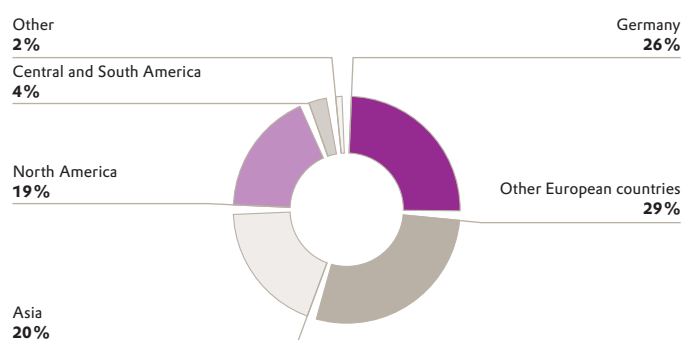
¹⁾ EBITDA = Earnings before interest, taxes, depreciation, amortization, write-downs and non-operating result.

²⁾ EBIT = Earnings before interest, taxes and non-operating result.

³⁾ Return on capital employed.

⁴⁾ Intangible assets, property, plant, equipment and investment property.

Sales by region¹⁾ ✓



¹⁾ By point of sale.

Value added

Value added is calculated from sales and other revenues less the cost of materials, depreciation and amortization and other expenses. In line with the successful development of the operating business, value added rose 9 percent to €4,565 million in 2011. The largest share of value added—58 percent (2010: 65 percent)—went to our employees. 11 percent (2010: 5 percent) of value added was paid to the state in income tax and other taxes, while another 9 percent (2010: 11 percent) went on interest payments. Shareholders of Evonik Industries AG received 22 percent of value added, up from 18 percent in 2010.

Breakdown of value added

in € million	2011	2010
Total value added	4,565	4,191
Split		
Employees	2,628	2,732
State	492	215
Creditors	431	451
Non-controlling interests	3	59
Net income	1,011	734

Figures do not include the energy business.

Significant increase in investments

Evonik is expanding in business segments and markets where it already has—or intends to build—a strong competitive position. The company's targeted investments are intended to secure potential for sustained, profitable growth and added value. In 2011, we increased capital expenditures 27 percent to €830 million (2010: €652 million). The increase was based on strategic growth projects that had already been planned during the economic crisis and were either begun or continued in 2011. This was compounded by newly approved projects, which will result in higher capital expenditures in the years to come. The largest single project completed in 2011 was the expansion of our production capacities for lithium-ion cells in Kamenz (Germany). In regional terms, the focus of capital expenditures was on Germany, which accounted for 58 percent, followed by the USA and China, which accounted for 13 and 8 percent, respectively. We have budgeted total capital expenditures of over €6 billion in the next five years to expand our specialty chemicals business.

Major projects completed or virtually completed in 2011

Segment	Location	Project
Consumer, Health & Nutrition	Various sites	Expansion of production capacity for methionine
	Garyville (LA, USA)	New steam and power supply infrastructure
Resource Efficiency	Yokkaichi (Japan)	New production plants for monosilane and AEROSIL®
Specialty Materials	Liaoyang (China)	Expansion of production capacity and relocation of production of stabilizers/additives
	Changchun (China)	Expansion of production capacity for PEEK
	Marl (Germany)	Expansion of compounding capacity
Real Estate	Germany	Energy-efficient modernization, new developments in the Cologne area, selective purchases of residential real estate in the Ruhr region, portfolio acquisitions

Focus on specialty chemicals leads to changes in the Group

We made great advances in our effort to turn Evonik into a company with an exclusive focus on specialty chemicals. On March 2, 2011, we closed the agreement signed in December 2010 to sell 51 percent of shares in STEAG to a German municipal utilities consortium in the Rhine-Ruhr region. This offers the Energy business the opportunity to fully leverage its growth potential with a new majority shareholder. We also agreed to binding commitments to divest the remaining stake in STEAG between 2014 and 2017.

We also concluded agreements with the German Mining, Chemicals and Energy industrial union (IG BCE) on the implementation of the future model for our real estate activities. The planned merger of our real estate business with THS, in which Evonik and IG BCE each hold 50 percent of the shares, will result in the third-largest German housing company. To ensure a stable ownership structure in the long term, Evonik plans to transfer a portion of its real estate holdings to the Contractual Trust Arrangement (CTA) that secures the long-term pension claims of Evonik employees. RAG-Stiftung also plans to take a stake in the real estate company. As part of our concentration on specialty chemicals, we expect to completely divest our real estate holdings in the intermediate term. Evonik and THS pooled the management of their real estate holdings in the joint venture Vivawest Wohnen GmbH effective January 1, 2012.

 See also page 29
Strategy consistently implemented

Active portfolio management combined with efficient capital allocation is a high priority for the Evonik Group. We invest only in businesses that promise sustained, profitable growth, and supplement our portfolio with targeted acquisitions to add specific products, markets, and technologies. At the same time, we divest activities that no longer match our strategy or fall short of our profit expectations.

To strengthen our leading market position in the Consumer, Health & Nutrition Segment we acquired the RESOMER® business of the Boehringer Ingelheim Group of Ingelheim (Germany), the pharmaceutical business of SurModics Pharmaceuticals Inc. of Birmingham (Alabama, USA) and the hanse-chemie Group in Geesthacht (Germany) in 2011. We also took over the activities of the Norwegian company FESIL Sunergy AS from FESIL AS of Trondheim (Norway) to supplement the Resource Efficiency Segment and boosted the North American position of our hydrogen peroxide business in the Specialty Materials segment by acquiring a Canadian production facility from Kemira Canada Inc. of Maitland (Ontario, Canada).

In late July 2011, we divested the carbon black business from the Resource Efficiency segment to a investment company owned by funds, which are managed and advised by Rhône Capital LLC, New York (New York, USA) and Triton Partners, St. Helier (Jersey, Channel Islands). At the same time, we also sold the plastic additives and plastisols business from the Resource Efficiency segment to Kaneka Belgium N.V. of Westerlo-Oevel (Belgium).

Fostering customer relationships

Close cooperation with our customers is one of Evonik's strength. Our customers are a source of inspiration and ideas and therefore act as value drivers, particularly with regard to CR and sustainability demands coming from the market and consumers. We work with our customers to develop or advance new and existing products and adjust our services. In some cases, we also move up the value chain and share intermediate steps of production with customers, depending on the parties' expertise.

 See also page 33 ff.
Dialog with our stakeholders

Regarding customers as cooperation partners is an essential step in the direction of CR and sustainability. It takes a shared understanding of our products and how they are applied in the market to clearly define and present their advantages. We performed life cycle analyses for all major products and product groups and shared them with our customers to create transparency about the environmental impact of our products and their application. Based on this information, customers can compare us effectively with our competitors and give us feedback on our performance. This approach creates trusting cooperation, an important cultural step for the future of our society.

Important aspects of customer relationships include the many contacts with employees in procurement, product development, engineering, marketing, strategic development, and management. For our key accounts, these contacts are coordinated in our Strategic Partnership Management system.

Research and Development

Driver of profitable growth

For Evonik, innovative energy and customer proximity are important success factors and drivers of profitable growth. As one of the world's leading specialty chemicals companies, in 2011, we increased spending on research and development (R&D) by 8 percent to €365 million (2010: €338 million) so that we can continue to offer our customers new and improved products and applications. Our R&D is organized on a decentralized basis and is closely aligned to market requirements. Evonik's worldwide R&D network spans more than 35 sites with about 2,400 employees. These days, future-oriented areas of innovation are found principally at the interfaces between traditional disciplines, for example, between chemistry and biology, and chemistry and engineering. Our experts thus increasingly work in interdisciplinary teams. In addition, Evonik has defined six cross-unit Areas of Competence that will allow us to leverage further synergies in the development of innovations and realize additional growth potential.

R&D at Evonik

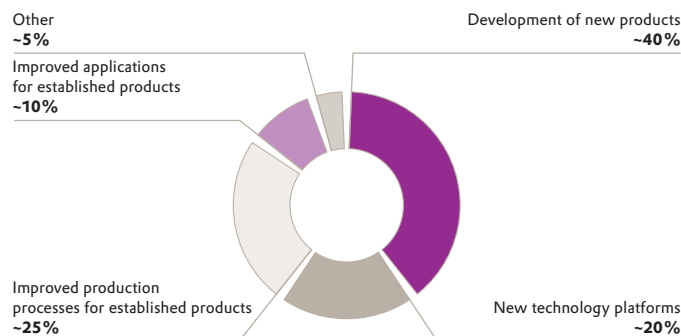
R&D expenses	€365 million
Expenses for joint research with other companies, universities and scientific/technical institutes	approx. €8 million
R&D employees	approx. 2,400
Locations	more than 35
R&D projects	approx. 450
Number of new patent applications filed	approx. 300
Total patents held and applications filed	more than 24,000
Total registered trademarks (including applications filed)	more than 7,500
Funding of innovation projects by the European Union and the Federal Republic of Germany	about €16.1 million

A strong culture of innovation

Evonik sees itself as a "learning organization" and has anchored this in a long-term innovation management program. We have set up stringent processes in our operating units and our strategic research unit Creavis Technologies & Innovation (Creavis) to allocate the R&D budget to specific projects. I2P® (Idea to Profit)—our all-round project management system—allows efficient identification and evaluation of the entire innovation process. Sustainability also plays an important role in our innovation culture. For example, Evonik has developed a method to evaluate the carbon footprint of future products and processes at an early phase in their development.

 See also page 36
CFE

R&D spending



To complement current innovation processes and structures, we intend to invest up to €100 million in promising start-ups in the next few years through our corporate venturing activities, either directly or indirectly through specialist venture capital funds. We see this as a suitable tool for accelerating the development of new businesses and opening up new growth opportunities in the megatrends that we have identified. At the same time, our Corporate Foresight Team is developing robust future businesses for Evonik with a time horizon of 10 to 15 years. The focus will be on future needs. Based on trend analyses we will identify the challenges that the markets will face in the future. One example of this is the growing number of megacities throughout the world—cities in which more than 10 million people live—and the associated opportunities for our specialty chemicals activities.

 See also page 20 f.
Pictures of the future

Interdisciplinary strategic research

Our project houses, science-to-business (S2B) centers, and internal start-ups are run by Creavis. After the recent completion of our successful System Integration Project House, we are currently operating the Light & Electronics Project House in Taiwan.

 See also page 60
Globalization—a megatrend

We currently have two S2B centers: the S2B Center Biotechnology, which is developing new biotechnology products and processes based on renewable raw materials, and the Eco² S2B Center, which is working on innovative products and applications in the field of energy efficiency and climate protection. As of January 1, 2012, the Coatings & Additives Business Unit took over the printed electronics project from the former Nanotronics S2B Center. This is the first time a business unit has taken over a business built up according to the S2B concept, together with all employees and the research and applications technology.

Systematic networking with scientists

Based on the motto “Open Innovation,” Evonik also has many cooperation agreements with universities and scientific institutes to ensure that top research findings on sustainable aspects of chemistry, biology, and physics are rapidly transferred to the company. In 2011, we invested about €8 million in joint research with universities, scientific and technical institutes, and other companies.

 See also page 95
Support for junior researchers

Our technology scouts in China, Japan, India, Brazil, and the USA have a network of contacts to leading scientific institutions and companies in their regions. This enables them to rapidly identify suitable cooperation partners for business ideas developed by their colleagues on the operational side.



Company/Research & Development
at www.evonik.com

Internal Innovation Award

We also have an internal Innovation Award, which is presented annually in recognition of outstanding application-oriented research achievements. In December 2011, the award for the category "New Product/New System Solution" went to VESTAMID® for a fluoride-free backsheet for solar modules. The new VESTAMID® backsheet is much easier to recycle than a composite film made from polyvinyl fluoride and polyester. In addition, it is more resistant to temperature and light, reflects better, and is also less expensive. In the category "New or Improved Process," the award went to an innovative process for producing a titanium silicalite catalyst that was developed in collaboration between the Inorganic Materials and Advanced Intermediates Business Units. This innovation is used in the HPPO (hydrogen peroxide to propylene oxide) process that Evonik and Uhde developed together. In the HPPO process, hydrogen peroxide is used to produce propylene oxide, a starting product for polyurethanes. The market for propylene oxide is growing fast, especially in Asia. With the new catalyst the process is now simpler, less expensive and, because of the reduced waste flows, more environmentally friendly.

Research also contributes to sustainable development

On the basis of its technology and research expertise, Evonik works in areas of research where particularly strong growth is expected.

We provide key answers to the economic megatrends of resource efficiency, health, nutrition, as well as globalization, while opening up promising new growth markets. In the long term, our R&D contributes to sustainable development and to balancing economic, ecological and social interests.

Resource efficiency—a megatrend

Secure energy supplies together with environmental conservation—Evonik researches and develops new products and applications to improve resource efficiency.

New polyimide membranes optimize biogas purification

Biogas is an eco-friendly energy source that is becoming increasingly important in today's energy supply. It can be used to generate power or heat or as a fuel, and provides a high energy yield per square meter of land. Evonik has developed SEPURAN® Green, a product for the inexpensive and energy-efficient purification of biogas, which increases the yields and conserves valuable resources more than previous technologies.

The alternative energy source is produced as raw biogas by fermentation of biomass, an organic substance consisting of, for example, plants, liquid manure, or effluent sludge. The methane content is the most important reason for using the biogas, as it releases energy when under combustion. Apart from methane, the fermentation also produces carbon dioxide and other trace gases. Since carbon dioxide is not combustible, it lowers the calorific value of the gas and thus has to be removed. Only then can the biogas be fed into the natural gas grid.

This is where the new especially selective polymer membranes from Evonik come in. They convert raw biogas simply and efficiently into highly pure biomethane. The special feature of the product is its pressure- and temperature-resistant high selectivity which ensures improved separation of carbon dioxide and methane. The high-performance polymers also have the advantage that the separated, highly pure biomethane no longer has to be compressed to be fed into the grid. Consequently, the biogas can also be used in smaller plants, which allows decentralized energy supply.

Improved building insulation

The requirements for renovation work are increasing, particularly when it comes to energy consumption. This is a particular challenge in the case of heritage-protected facades and buildings with little available space, both of which require special solutions.

In collaboration with a customer, Evonik developed this solution: panels that insulate the building from inside. The special feature of these panels is their AEROSIL® core. The insulation panels will be marketed under the brand name CALOSTAT®. Because of the outstanding thermal insulation of properties AEROSIL® the panel thickness could be reduced by two-thirds compared to other insulation panels. Several buildings have already been insulated with the new panels.

Health and nutrition—a megatrend

Aging while remaining healthy, and without looking old: Evonik helps make this dream come true. We develop active ingredients that are used in the cosmetic and pharmaceutical industries. We also produce the four most important amino acids for advanced animal feeds. In doing so, we make an important contribution to the sustainable nutrition of the world's population.

The BMBF's PeTrA project: Simpler administration of biotherapeutics

The goal of the PeTrA project (Platform for efficient epithelial transport of pharmaceutical applications with innovative particular carrier systems), which is sponsored by the German Ministry for Education and Research (BMBF) is to make injections superfluous in biotherapeutics through new tablet and spray formulations.

PeTrA is managed by a consortium consisting of Evonik Industries AG, Merck KGaA, EMC microcollections GmbH, the Helmholtz Center for Infection Research, and the Fraunhofer Institute for Interfacial Engineering and Biotechnology (IGB). Universities and hospitals are also participating. PeTrA started on July 1, 2011, will run for three years, and has a budget of €6 million.

Biotherapeutics enable new therapies, such as cancer immunotherapy, but generally have to be injected. The objective of PeTrA is a broadly applicable system for administration orally via the respiratory tract. To this end, the biotherapeutics are packaged in nanoparticles made of new biofunctional polymers. The particles protect them against degradation in the stomach or intestine and transport them safely to the target region.

Amino acids in aquaculture

Within the scope of its strategic development, Evonik has expanded its amino acid marketing activities to include aquaculture. In view of the increasing scarcity of natural resources, the addition of amino acids to feedstuff saves valuable fish meal, increases the feed efficiency for fish and crustaceans, and reduces environmental impact because of the lower nitrogen output. To open up premium markets with a differentiated range of products, Evonik developed a new, innovative product that provides an optimized and more efficient source of methionine for shrimps and other crustaceans. We are also investigating fermentative production of innovative algae with a high Omega-3 fatty acid content as a substitute for fish oil.

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**Federal Ministry
of Education
and Research**

PeTrA (Evonik funding reference number: 13N11454) is part of the BMBF funding program "Efficient transport of active ingredients in biological systems – BioMatVital: Biotransporter"

Globalization—a megatrend

Strong growth in emerging countries is enabling many people to improve their standard of living, which also means that demand for high-quality products will increase. Evonik is expanding its presence in growth regions because we can best fulfill our customer's requirements when we are close to them.

First project house in Asia

In April 2011, Evonik started its Advanced Project House "Light & Electronics," which moved into its newly built premises and laboratories in Hsinchu (Taiwan) at the beginning of 2012. By taking this step towards Asia, we are advancing the necessary globalization of our research activities and getting even closer to our customers and markets. The project house will deal with new products and technologies for the photovoltaics, display, and lighting industries.

In its project houses, Evonik develops research topics that span multiple business units. Employees work together with cooperation partners and universities to develop new products and technologies. The Advanced Project House represents an evolution in this successful concept with an even greater focus on business development and customer loyalty, where innovation processes are adapted to customers' increasingly short innovation cycles. Light & Electronics is Evonik's ninth project house and the first one outside Germany.

"Tego Innovation Center" services the Asian growth market locally

In November 2011, Evonik opened its first research and development center for coatings and colorants additives in Asia. The Tego Innovation Center covers the Shanghai and Singapore sites, and is part of Evonik's global innovation network.

In the new Tego Innovation Center, scientists and experts from the region work together with regional customers and research institutes to develop individual solutions that will enhance our Asian customers' competitive strengths. The research concentrates on regional needs, with the focus on future-oriented, environmentally friendly coating systems, and thus takes account of the resource efficiency megatrend.

In addition to cooperating with business partners, particular emphasis will be placed on research cooperation agreements with the top local universities.

Product stewardship

Responsible handling of chemicals

Evonik gives high priority to the safe handling and use of chemicals. Consequently, our ESHQ (environment, safety, health and quality) Values reflect a commitment to protecting people and the environment. This also includes an explicit commitment to product stewardship in keeping with the provisions of the chemical industry's Responsible Care initiative.

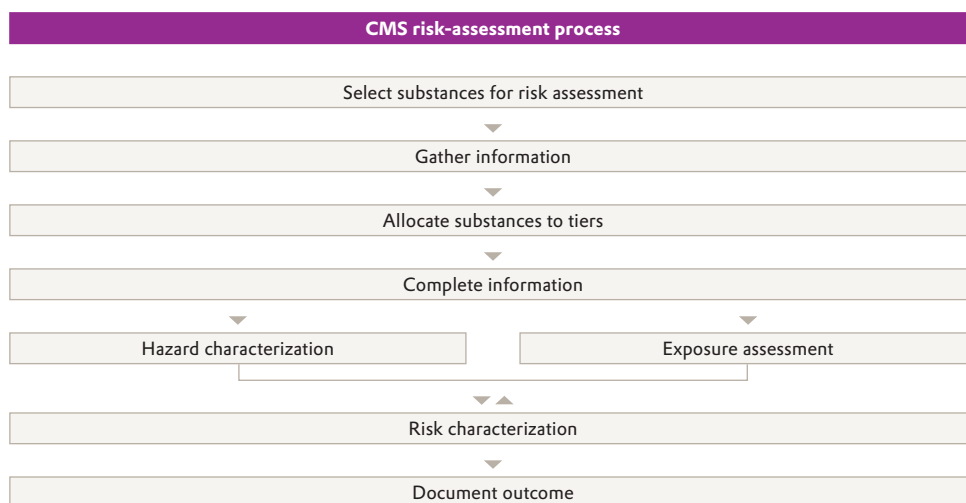
Systematic evaluation of product life cycles

Since 2001, Evonik has used a Chemicals Management System (CMS) that facilitates an evaluation of products in the form of lifecycle tracking. The CMS is structured to meet the voluntary commitments to the Responsible Care initiative as well as the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). It contributes to the development of a future-oriented and sustainable product portfolio through the identification and evaluation of substance-related hazards, thus facilitating a timely response which also helps protect our employees.

The CMS ensures the identification of risks that arise from the use of substances for their intended purpose. In this way, it also provides the basis for effective and technically sound communications about the potential impact of our products.

 Internet
www.responsible-care.de

 Internet
Products & Solutions/
Product stewardship
at www.evonik.com



The overall evaluation of a substance in CMS is a multi-step process. As a first step, all substances that are placed on the market in quantities exceeding one metric ton p.a. are registered and the available data on the selected substances is collected. The substances are then prioritized and any missing data is obtained. In the next step, the intrinsic properties of the substances are evaluated to characterize the potential hazard to people and the environment. This is followed by an assessment of the exposure of people and the environment during the handling and use of the substance. This is the basis for the risk assessment. The information about the risk potential of a product makes it possible to reach conclusions about whether the present safety practice is adequate or needs to be improved. Improvements also include possible restrictions on the use or a ban on the marketing of products by Evonik.

Implementation of REACH

Under the EU chemicals regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), all substances produced, imported or placed on the market in the EU in quantities of more than 1,000 metric tons p.a. had to be registered by November 30, 2010. Particularly hazardous substances for the environment, as well as substances that are carcinogenic, mutagenic or have an adverse effect on the reproductive organs in quantities above one metric ton also had to be registered.

In this initial phase, Evonik pre-registered 167 substances and registered additional substances without pre-registration status. Since early 2011, Evonik has been preparing substance dossiers and substance safety reports for the second registration phase, which runs through May 31, 2013. This covers substances that are produced in quantities of between 100 and 1,000 metric tons p.a.. Evonik expects to register approximately 160 substances for this tonnage band.

 **Internet**
www.reach-info.de

By the end of 2011, Evonik had completed a total of more than 300 registrations. It is estimated that Evonik will register up to 800 substances by 2018. To date, the registration obligations have caused no noteworthy changes in the portfolio.

 **Further information**
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Evonik supports the Global Product Strategy

The aim of the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA) is to create a consistent process for the risk evaluation of substances so as to ensure the safe handling of chemicals. Evonik explicitly supports the GPS initiative and actively drives it forward. As a member of the GPS steering committee—the Chemical Policy and Health Group—we actively participate in shaping the working principles and framework for the strategy. One of the goals of the GPS is to make information about the safe handling and use of chemical substances available in the form that can be understood by the general public. Under an agreement by the

 Internet
www.icca-chem.org

European Chemical Industry Council (Cefic), the relevant Safety Summaries for substances used in the EU were to be prepared on the basis of the REACH registration dossiers by the end of 2011. Evonik published these Safety Summaries on its website on a timely basis. Presently, more than 90 Safety Summaries are available there for the EU as well as 104 Safety Summaries for the USA. They can also be accessed via the website of the International Council of Chemical Associations (ICCA).

In 2012, we will update the Safety Summaries for the USA. In addition, Safety Summaries that are relevant for the China region will also be made available in Chinese and/or new information sheets will be prepared.

GHS: uniform labeling of chemicals

 Internet
www.umweltbundesamt.de/chemikalien/ghs

The Global Harmonized System of Classification and Labeling of Chemicals (GHS) has been in effect in Europe since the start of 2009. In compliance with the EU Regulation, we implemented the new rules for substances by the end of 2010. This includes adjustments to the classification and labeling of substances as well as the safety data sheets and tags. Implementation for mixtures is mandatory as of June 1, 2015 and is already being successively implemented in the segments. We also submitted information on more than 1,600 substances for the classification and labeling register. There are no minimum quantities for substances under this reporting obligation.

Minimizing animal testing

 Internet
www.epaa.eu.com

To comply with national and international legislation, Evonik is also required to conduct tests on animals. In doing so, we follow what is referred to as the 3R concept: Reduce, Refine, Replace. This concept is also an element of our new guideline on the topic of animal testing, which we adopted in 2012.

Before we order testing on animals, we examine in light of the exposure whether it is scientifically justifiable and legally possible to avoid it. In order to avoid animal testing wherever possible, we agree on joint testing with other manufacturers of the same substance and rely on data that has already been published. In addition, Evonik also supports the development of alternative test methods. Thus, the Group is a member of EPAA (European Partnership for Alternative Approaches to Animal Testing). It also supports SET (Foundation for the Promotion of Alternate and Complementary Methods to Reduce Animal Testing) via the Chemical Industry Association. We are engaged in a direct dialog with the responsible authorities about the acceptance of alternative methods.

Employees ✓

Realignment of HR work

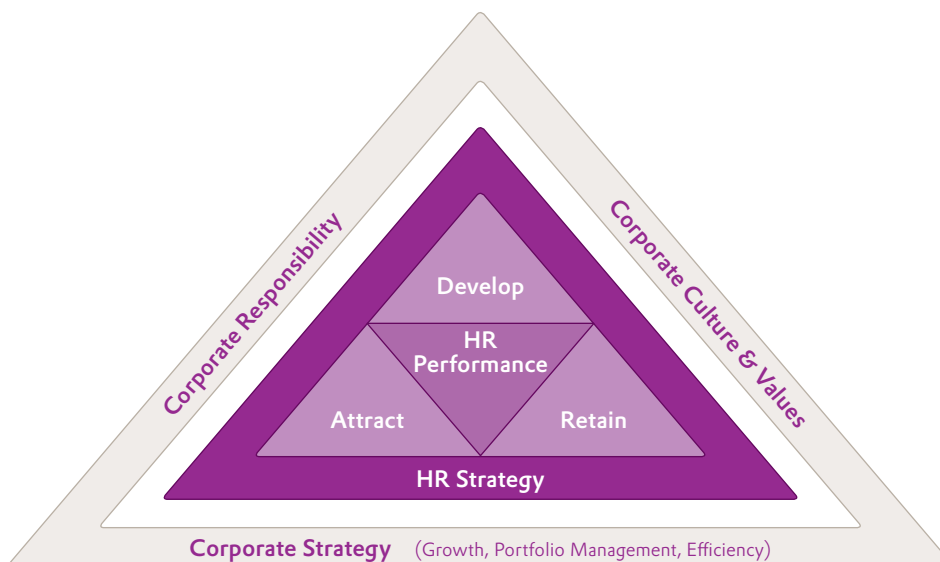
The strategic realignment of the Group with a focus on specialty chemicals and the changes in the management structure in 2011 posed many challenges for the Human Resources departments. In the course of these changes, HR work at Evonik also underwent a realignment. Consistent performance evaluation and remuneration systems, consistent labor union agreements and a competency model adapted to the new requirements in 2011 testify to this.

See also page 47
Human resources management

HR Strategy—Employees as a critical success factor

The realignment of our HR strategy in accordance with the strategic drivers Attract, Develop and Retain has proven its worth. The next important step is to put the HR Strategy into practice as a guiding framework for HR work and to continue and implement it through concrete measures. Here, the HR departments are bound by their own commitment in the spirit of functional excellence. On the HR business side, we want to achieve excellence for all of our employees. We will support the strategic growth and efficiency goals of the Group with specifically tailored personnel concepts in order to make an important contribution to keeping Evonik on a sustainable course to success, especially in the rapidly growing markets in Asia.

Based on the three strategic goals Attract, Develop and Retain, together with the professionalization of HR work as an internal target, we defined various fields of action in 2011 in the areas of employer branding and recruitment, career development and management as well as the specific challenges of HR work in Asia. These will be the substantive focus of our work in 2012 so that we can achieve our goal of delivering outstanding HR performance.



Outstanding HR performance

HR on Track provides important structural requirements for our HR work worldwide. The goal is to achieve an outstanding HR performance through efficient and uniform processes, transparent structures and modern HR IT systems. This also includes a culture of partnership and cooperation across departmental boundaries in order to create HR work "from the same mold."

In late 2011, we decided on the first organizational and procedural changes—the reorganization of HR support for the German locations in three sub-regions under uniform management starting in 2012. At the same time it was agreed to introduce an Evonik Recruiting Center and an Evonik HR Counseling Center for Germany; further standardization of existing rules and regulations is planned jointly with the workforce representatives.

In addition, we worked with international participants in 2011 to develop a uniform HR process model. The results are to be implemented starting in 2012 together with the introduction of a new global HR IT system for all employees.

Strategic HR planning with dynamic scenario simulations

Evonik uses a system for strategic HR planning that can model quantitative and qualitative changes in the workforce and future workforce requirements under dynamic scenarios. This was put into production at the German sites in 2011. In 2012, we expect to support important investment projects of the Group with this approach to HR planning.

From the labor market, 3,160 new employees were recruited in 2011. In addition, we were able to recruit 660 young people for an apprenticeship at Evonik and another 100 were given places on a special program to prepare them for work.

Recruitment of employees from the labor market 2011

	in % (Reference: employees as of Dec. 31, 2010)	No. of new hires
By region		
Europe	6.0	1,497
Americas	10.8	476
Asia	23.8	1,158
Other	12.2	29
By gender		
Female	11.4	886
Male	8.5	2,274
By age		
Under 30	19.4	1,180
30 to 50	8.7	1,723
Over 50	3.0	257
	9.2	3,160

We are opposed to any form of forced labor. Our employment contracts are entered into with the independent consent of our employees who are free to end the employment relationship by giving unilateral notice.

Employee structure

As of year-end 2011, the Evonik Group had 33,556 employees; 35 percent of the workforce was employed outside of Germany. The headcount declined by 5,767 employees mainly as a result of divestments. Following the sale of the majority interest in STEAG, about 5,500 employees left the Group. Owing to the acquisition of an Indian energy company, which occurred in January 2011, this number is materially higher than the figure at year-end 2010. With the divestment of the carbon black business in the Resource Efficiency segment, the headcount decreased by about 1,450 employees. We are certain that we have placed both activities into good hands that will enable the positive future development of the business as well as of the employees.

The overall staff fluctuation rate at the company in 2011 was 2.2 percent worldwide; 412 employees left our Group after giving notice on their own accord. Other reasons for fluctuations mainly include parental leave and long-term illness.

Staff fluctuation 2011

	Fluctuation rate in % (Reference: employees as of Dec. 31, 2010)	Unplanned turnover (number of employees)
By region		
Europe	1.9	468
Americas	3.5	155
Asia	2.4	115
Other	3.4	8
By gender		
Female	3.5	275
Male	1.8	471
By age		
Under 30	3.1	187
30 to 50	2.4	479
Over 50	0.9	80
	2.2	746

Employee structure

	2009	2010	2011
Total employees	33,861	34,407	33,556
of whom female	7,557	7,749	7,863
of whom male	26,304	26,658	25,693
of whom apprentices in Germany	1,883 ¹⁾	1,840 ¹⁾	1,811 ¹⁾ 2,165 ²⁾

¹⁾ Apprentices with a training contract with Evonik.

²⁾ Apprentices with a contract with Evonik, third party training and the "Start in den Beruf" program to prepare young people for work.

The average age of employees in 2011 was 41.4 years.

Employees by segment¹⁾

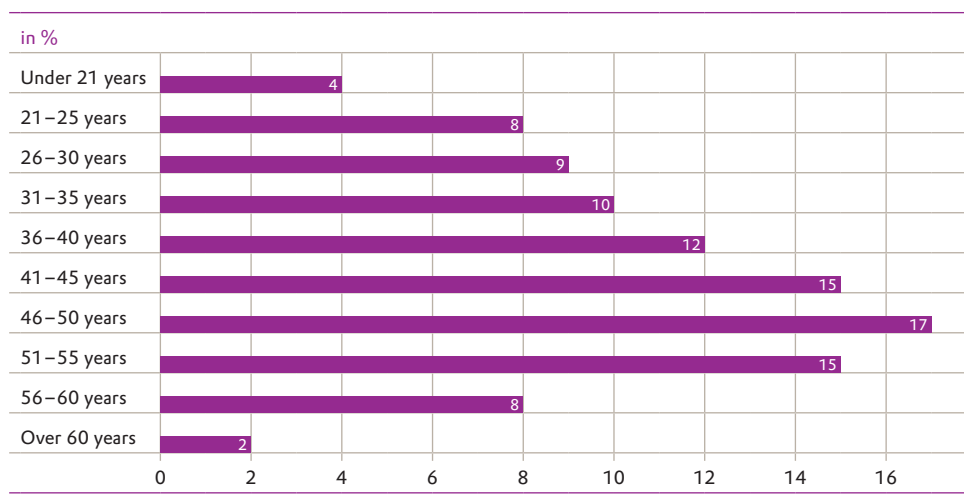
	Dec. 31, 2011	Dec. 31, 2010
Consumer, Health & Nutrition	6,384	6,326
Resource Efficiency	6,381	7,874
Specialty Materials	6,846	6,789
Services	10,946	10,616
Real Estate	1,135	1,098
Other operations	1,864	1,704
Continuing operations	33,556	34,407
Discontinued operations (Energy)	0	4,916
Evonik	33,556	39,323

¹⁾ The former Energy Business Area was deconsolidated in 2011 following divestment of the majority stake.

Employees by region

	2011		2010	
	Count	Count in %	Count	Count in %
Europe	24,654	73	24,904	72
thereof Germany	21,909	65	21,894	64
thereof Western Europe, excluding Germany	2,355	7	2,545	7
thereof Eastern Europe	390	1	465	1
Americas	4,214	13	4,400	13
thereof North America	3,905	12	4,064	12
thereof Central and South America	309	1	336	1
Asia	4,523	13	4,865	14
Other	165	1	238	1
	33,556	100	34,407	100

Age structure in the Evonik Group



To prevent child labor, we verify the age of our employees during the hiring process. Our four youngest employees are 15 years of age and participate in a training program.

Structural changes—new corporate alignment

As of August 1, 2011, the management of all operations of Evonik Degussa GmbH, Evonik Goldschmidt GmbH, Evonik Oxeno GmbH, Evonik Röhm GmbH and Evonik Stockhausen GmbH was transferred to Evonik Industries AG. As a result of these changes in company management and the associated transfer of a total of more than 13,600 employees, Evonik Industries AG is now the single employer for all employees of the transferred units. At the same time, the Framework Balancing of Interest agreement and the On Track Framework Social Plan, including the provision that excludes contract termination with notice, were extended for another two years until December 31, 2014.

Standardization of employment conditions

As part of the realignment of Evonik as a specialty chemicals group, the staff of the Corporate Center and of the corporate service provider Evonik Services GmbH were migrated from the company-based union collective bargaining agreement to the industry-wide collective bargaining agreement for the chemical industry as of January 1, 2012. With the exception of the Real Estate segment, the Evonik Group is thus largely covered by uniform collective bargaining agreements.

Remuneration systems realigned world-wide

In cooperation with the employees' representatives, the remuneration systems for employees exempt from collective agreements and for senior executives in Germany were adjusted in keeping with the new corporate alignment. The previous remuneration arrangements in the Group, which varied in the extreme, were replaced by a new uniform system. This creates transparent remuneration structures that take the specific needs of Evonik into account.

At the international level, two projects to introduce global remuneration standards and to realign the remuneration systems were undertaken in Asia. In the Greater China Region, the appraisal and job grading system was revised. In the South-East Asia, Australia, New Zealand (SEAANZ) region, we have started the regrading. Our next step is to integrate additional regions into the Evonik Global Grading System.

Performance bonus under the wage agreement—the Performance is right

In connection with the performance evaluation for 2011, we agreed with the Central Works Council on new uniform regulations for the performance bonus for all non-exempt employees in Germany. In doing so, we succeeded in designing a new uniform performance bonus system for the Evonik Group that combines the appraisal interview and the performance review for the non-exempt employees into one logical unit.

Employee participation 2011—sharing in the company's success

The "Mitwachsen" employee participation plan was offered in Germany for the fourth time in 2011. About 34 percent of the entitled employees subscribed to participation rights (2010: 29 percent). The plan rewards our employees for their commitment by enabling them to share in the success of the Group: Capital invested in the form of participation rights yields a return that is based on the return on capital employed (ROCE) realized by the Group. In addition, Evonik also promotes participation through subsidies. For legal and tax reasons, the employee participation plan in this form is only available in Germany.

This notwithstanding, close to 83 percent of our worldwide locations offer performance and/or profit-based incentive systems, in many cases in the form of premiums and/or bonus schemes. These systems cover about 83 percent of our employees (excluding apprentices). At some German locations, incentive systems that are primarily performance-based are also available to apprentices.

Competencies—consistently growth oriented

The clear focus on specialty chemicals is also reflected in the changed demands on management, senior executives, and employees. The central perspectives Passion For Business and Passion About People establish key points of focus for the future within the framework of the Evonik competency model. A reasonable balance of profit orientation and longer-term strategic thinking will be as relevant for success as a permanent capacity for innovation and change.

The key to this are people with a broad range of experience to whom we will assign responsibility in line with their strength, and to whom we will offer sustained development—on the basis of the Evonik competency model.

Employee appraisal interviews—a core element of employee development

We established a uniform Group-wide standard for annual appraisal interviews back in 2008. In 2011, we refined it based on our new competency model. We continue to view regular employee appraisal interviews as a core element of career development and as a core management tool. The results of the most recent employee survey in November 2010 show that this tool is used across the board in almost all business units.

Personnel expenses and social security contributions

The personnel expenses for the continuing operations of the Evonik Group in 2011 totaled €2.63 billion and thus decreased by €104 million (3.8 percent) from the prior year. Provisions for pensions were recognized on the basis of benefit plans for retirement, disability and survivors' benefits. The benefit obligations differ according to the legal, tax and economic circumstances in the respective countries in which the companies operate. As a rule, the level of benefit obligations depends on the employee's length of service and remuneration. Germany accounted for the great majority of the provisions for pensions recognized on the balance sheet date, i.e. about 93.6 percent (2010: 93.2 percent). The great majority of company pension plans at companies in Germany are defined benefit plans. The benefit obligations in Germany are primarily funded by provisions and by the pension fund assets. In 2010 for the first time, some pension obligations were partly funded externally in the form of a contractual trust arrangement. The plans agreed at foreign entities are either defined contribution or on defined benefit plans.

Personnel expenses

in € million	2011	2010
Wages and salaries	2,140	2,207
Social security contributions	315	309
Pension expenses	149	198
Other personnel expense	24	18
	2,628	2,732

Voluntary social benefit plans depend on regional conditions and requirements. In most countries in which Evonik operates, there is a public health insurance system with a varied range of benefits. Depending on regional requirements, Evonik offers its employees company health insurance—to supplement or replace the lack of legally stipulated care—in order to ensure adequate care in the event of illness.

Proportion of employees with access to health insurance 2011¹⁾

in % (multiple entries possible)	Statutory health care system	Company plan	Mixed forms
Germany	100	0	0
Other European countries	98	0	65
North America	8	92	1
Central and South America	97	0	88
Asia	84	9	49
Other	62	24	18

¹⁾ Deviations from prior year possible owing to process improvements.

Disabled employees account for 5.7 percent of the workforce at Evonik in Germany. Thus, Evonik exceeds the quota of 5 percent that is prescribed in Germany.

Except in a very few cases, there are also public retirement benefit schemes and a large number of company pension plans that differ from region to region. In addition to employer models, these include models financed solely by employees and in many countries, a mixture of both types.

Proportion of employees who have a company pension plan 2011

in % (multiple entries possible)	Financed by employer	Financed by employee	Mixed forms
Germany	42	35	85
Other European countries	50	0	33
North America	100	0	100
Central and South America	0	0	87
Asia	9	0	8
Other	0	0	92

Equality of opportunity

Equality of opportunity is part of our responsibility to our employees. Our Code of Conduct and our Global Social Policy forbid any form of discrimination on the basis of origin, race, religion, age, gender, sexual orientation, or disability.

Contacts for reporting cases of discrimination are available in all regions. In addition, measures for the integration of foreign employees are available to 70 percent of our workforce. More than half of our employees have access to measures or activities to prevent discrimination. In 2011, there was one reported case of discrimination that led to sanctions under employment law.

The remuneration of both exempt and non-exempt employees is gender neutral and is based solely on the grade assigned to the job they perform. 23.4 percent of our employees are female. 16 percent of our employees occupy a senior executive position. In that group, every sixth job is held by a woman.

 See also page 42 f.
Code of Conduct and
Global Social Policy

Cooperation based on mutual trust

The success of the company relies to a significant degree on cooperation between employer and employee representatives on the basis of mutual trust. Such cooperation occurs in compliance with the relevant laws of the countries in question and takes the operating framework into account. The representatives of the employees receive timely information on significant operational changes.

Employee representation is in place at almost all locations in Germany in the form of works councils and senior staff committees. The works councils are empowered by law as the legitimate representative for the non-exempt and exempt employees, while the senior staff committees are the legitimate representative for senior executives. Issues for the respective groups of employees that span across specific sites fall under the jurisdiction of the Central Works Council and the Group Senior Staff Committee.

At the European level, the Group-wide interests of the employees are represented by the Evonik Europa Forum, which brings representatives of management and workforce together.

In all regions in which Evonik operates, our employees have the fundamental right to join labor unions, to the extent that national law does not limit the right to freedom of assembly or collective agreements.

The works councils and the senior staff committees work together constructively on the basis of mutual trust. In 2011, their work was focused on the development of the new remuneration system for all exempt employees and senior executives of the Group.

Worldwide, 96 percent of our employees work at companies where employee representation is in place. 96 percent are covered by collective bargaining agreements or other collective rules governing remuneration.

Initiatives from employee surveys

In late 2010, 78.8 percent of those surveyed participated in the Group-wide employee survey that is conducted at regular 2-year intervals. The results show that loyalty to the company and the rating of employee involvement have noticeably increased. One issue where employees are specifically demanding action is the issue of individual development initiatives. From the perspective of our employees, there have been sustained improvements in the area of management, which was often strongly criticized in earlier surveys. As part of the follow-up process, the survey results are translated into specific improvement measures. By the end of 2011, more than 200 improvement measures had already been worked on.

 **Further information**
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Preparing for work

As labor and management partners, IG BCE and the Federal Employers' Association for the Chemical Industry (BAVC), created the "Start in den Beruf" initiative more than ten years ago. This program offers school leavers without an apprenticeship position the opportunity to start their working lives nevertheless. In 2011, we increased the number of participants throughout Evonik from 70 to 100 in light of our good experience. Since 2001, more than 500 young adults have gone through the program at Evonik locations. A little more than 71 percent of the participants subsequently started a training program; seven percent were referred to continuing programs.

Evonik offers special project days and internships for high school students. A total of more than 2,600 boys and girls participated in these in 2011. More than 4,200 days across all participating training locations were devoted to these programs—that accounted for about 38 percent of the total time that the training locations invest in preparing high school students for the working world.

Training

We want to recruit our future employees—for which the need will grow in the coming years as a result of demographic trends—primarily from the ranks of those that we have trained and developed, so as to realize sustained HR work.

About 2,160 young adults are being trained at more than 20 training locations in Germany for about 40 officially recognized qualifications. Apprentices account for close 9 percent of our workforce and thus way above the industry average (5.1 percent including the “Start in den Beruf” program). In 2011, investment in training totaled €49.8 million. Nearly half of all apprenticeships at Evonik are in the field of chemicals. The other half is spread mainly across metal, electrical and commercial qualifications. In the past five years more than 99 percent of our apprentices successfully completed their training.

In 2011, we increased the share of apprentices hired on a permanent contract at the end of their training by about 150 percent. This means that starting in March 2011, every other apprentice was immediately offered a permanent employment contract upon completing their apprenticeship. In the past, it was approximately one in five. To the others who complete the training, Evonik offers employment contracts for a period of between six and twenty-four months, which frequently also lead to permanent employment.

Various cooperative programs with universities exist at a regional level that combine training or work with a university education (dual-track and/or cooperative majors). Cooperative programs with general high schools are in place in various regions to support high school students prepare for their future career.



Internet

Career at www.evonik.com

Ongoing education and training

The success of all of our employees is important to us, because only this will allow Evonik to succeed. Depending on their current function and position in the Group, our employees have access to various development programs. Beyond the training offerings and the development landscape at Evonik, we support life-long learning by our employees through specific initiatives. In this way, we ensure that ongoing training is based on requirements and thus supports the strategic objectives of HR work while developing the personal competencies and skills of our employees.

In Germany, a large part of the personal development/training on offer is supported by Evonik Business Services. The figures calculated for 2011 also include some contract employees and some foreign participants:

- approximately 270,000 hours of ongoing education, of which more than half involved foreign language training, plus workshops, seminars or training courses at external providers. Another point of focus were measures that were conducted in response to special requirements and/or served to advance the general technical and/or personal education of the employee.
- an average of 20 hours in which the nominated employees were offered ongoing education at classroom training events (12 hours/employee averaged over the entire German workforce).

Scholarship programs—from training to the lecture hall

Evonik offers attractive scholarships to high-performing former apprentices who have demonstrated above-average performance at the company and wish to study for a bachelor's degree after completing their apprenticeship, or a master's degree after earning a bachelor's degree. The goal of the program is to win the loyalty of specialist employees over the long term and to work with them early to shape their professional future. The scholarship program is a building block for our ability to meet personnel-related challenges even more readily in the future. In 2011, 13 scholarships were awarded to high-performing graduates from our own training programs.

Evonik on Facebook

As a contribution to the dialog with a new generation of media users, Evonik can also be found on Facebook. The company page which went live in summer 2011 is not meant to convey comprehensive information. It follows the usual customs of social networks such as the "word of mouth" principle, quick response times, and the opportunity to participate directly in ever-changing actions and campaigns. The dialog with the (primarily) young target groups is supported by a Social Media officer and the voluntary involvement of numerous apprentices at the company. Based on their personal first-hand experience, they make a valuable contribution by easing possible anxiety about the transition from school to job and establishing a first uncomplicated contact with the company. This is utilized above all by students who have learned about Evonik at a job fair or university event and want to continue and exchange experience in this way.

 Internet
www.facebook.com/Evonik

Career and family

For Evonik, family-focused corporate management is both a manifestation of social responsibility and a profitable long-term investment. Our goal is therefore to promote the compatibility of work and family with the same degree of attention and intensity as before.

As early as 2009, Evonik was awarded a corporate certificate as a family-focused company by the non-profit Hertie Foundation. The re-auditing process at the German locations started in September 2011. Concrete site-specific measures for the next three years will be developed with the involvement of a large number of employees and senior executives, and a new goal agreement for Evonik will be signed. Evonik will not only establish a commitment with this "berufundfamilie" audit but will also use this as a strategic management tool in support of the implementation of a family-focused HR policy for the long term.

 Internet
www.berufundfamilie.de

Examples of new site-specific measures are the expansion of the child vacation programs by increasing their duration and regional scope, the expansion of emergency child care at Evonik's locations, and more extensive regular care for children under 3. Through informational events, we drew the attention of our employees to the many opportunities for immediate and free counseling and referrals available to employees in Germany who need to care for sick or elderly relatives through our long-standing cooperation partner.

In the course of 2011, 447 employees were on parental leave, a third of them number had already started their parental leave at the turn of the year 2010/2011. Men accounted for about 38 percent. They took an average of 4.1 months parental leave (women: 12.4 months). Of the employees who returned from parental leave in 2011, on average, almost three times as many returned to full-time employment than to part-time employment. For the returning women, full-time and part-time employment was more or less balanced. On a worldwide basis, more than one in two employees was able use on a part-time model offered at the location where they work, even though there is no statutory right to part-time employment at most locations outside Germany.

Ability to work and quality of life

As a result of our simulation-based approach to strategic HR planning for some year now we have had a clear insight into how the age structure of the Group will change in the future. One fact can be observed at almost all locations: The number of employees who will be 50 and older will increase significantly in the next few years. The question arises whether our jobs and working positions are suitable for this age group. The projected shortage of skilled staff is not the only factor that highlights our dependence on our 55+ employees.

In addition to demographic change, there has been a noticeable increase in life-style related diseases such as psychological illnesses and diseases of the musculoskeletal system. Changes in general habits and constant availability, increased pressure of work and the mixing of leisure time and work time also represent a new dimension of challenges for our employees.

Many locations have already worked actively toward meeting these challenges for some years. In the reporting period, we began to develop a Group-wide concept that includes the initiatives that were already in place. This concept is to ensure in future that the ability to work and the quality of life will gain even greater visibility as a topic for Evonik and that even more employees can be reached. In addition, Evonik is planning to create systems that will establish uniform basic standards and promote an exchange of best practices within the Group.

Counseling in case of problems in which employee or social counseling can help is available on site for between 79 percent and 95 percent (depending on the specific case) of our employees.

Worktime models by region 2011¹⁾

Percentage of staff with access to the models in % (multiple entries possible)	Fixed work time model	Flextime model	Special Shift Work model	Part time model	Extended unpaid leave (> 3 months)	Extended paid leave (> 3 months)
Germany	2	83	25	81	82	41
Other European countries	9	34	40	52	68	12
North America	43	52	44	93	92	92
Central and South America	90	0	0	10	89	0
Asia	41	32	13	1	9	0
Other	2	25	45	4	18	0

¹⁾ Deviations from prior year possible due to process improvements.

Working hours and vacation entitlements by region 2011¹⁾

	Weekly working hours		Vacation days p.a.	
	Working hours permitted by law	Evonik	Statutory requirement	Evonik
Germany	Up to 48	37.5–40	24 ²⁾	28–30 ³⁾
Other European countries	35–48	35–40	20–30 ³⁾	20 ³⁾ –51 ⁴⁾
North America	44 – no limits	37.5–42	0–10 ⁴⁾	10–30 ³⁾
Central and South America	44–48	40	15–30 ⁴⁾	22–30 ⁴⁾
Asia	40–48	37.5–48	5–30 ⁴⁾	10 ⁴⁾ –25 ³⁾
Other	37.5–40	37.5–40	15 ³⁾ –30 ⁴⁾	20 ⁴⁾ –30 ³⁾

¹⁾ Deviations from prior year possible due to process improvements.

²⁾ Work days (Monday–Saturday).

³⁾ Work days (Monday–Friday).

⁴⁾ Calendar days.

The regulations in question include country-specific rules, e.g. for reasons of tenure, age.

Two cases in working hours exceeded the permitted level were identified at Evonik (outside Germany) in 2011.

Talent management

Competition for the best talent is increasing. It is our belief that we should fill key positions from within the company, if possible. For this reason, Evonik promotes and fosters quality within its own ranks. Top performance—together with the potential to assume an executive or key function—is a criterion for identifying talent.

For Evonik, the “2/2/2 Rule” is an important element of development, as it allows our senior managers and young talent the opportunity to become involved in at least two functions, two organizational entities and two countries.

Alongside this “on-the-job” career development, we also closely integrate our “off-the-job” talent-management measures with operating activities.

Living a feedback culture

Evonik Industries uses 360° feedback as a tool for targeted employee and organizational development. Many employees are already familiar with 360° feedback and took advantage of the opportunity to receive extensive responses from supervisors, colleagues, employees, and customers. The tool was revised in the reporting period on the basis of the newly revised competency model.

In 2011, Evonik’s Executive Board also conducted a 360° feedback procedure for the first time. The Group’s senior executives are to follow this year.

Diversity—driver of creativity and innovation

Evonik acknowledges diversity as a value for the company. It creates a sustained basis for ideas and innovation and thus enhances competitiveness company. For us, diversity means more than focusing on differences of gender or nationality. A diversity of disciplines during education and training, experience in multiple organizational entities and functional areas as well as mixed age teams are equally important to us. The Evonik Diversity Strategy was developed and adopted by the Executive Board in early 2011. In order to draw the attention of senior executives to diversity, the Executive Board included the topic in the goal setting process for all senior executives in the Group. At the same time, more than 100 top managers discussed the individual aspects of diversity and, especially, the challenges for leadership behavior in all-day Mindset workshops. In doing so, each

management team reflected on the relevance of the topic for its own area in order to identify where there was a need for action and to introduce measures. In many units, these workshops have already been extended to the teams.

In addition to the Diversity Mindset workshops, we established the Women@Work format, a specially-designed seminar for the demands on women in specialized and management positions. Five pilot events were held to analyze personal strengths and competencies, intensify active self-marketing, and exchange strategies for effective communications. A total of 70 women from various areas have already participated. Additional seminars are to follow in 2012. We also supported networking among our female colleagues.

 See also page 12 f.
It's the mixture that does it

Protecting and promoting health

Maintaining employees' health as a matter of corporate policy

Protecting and promoting the health and, therefore, productivity of employees is firmly anchored in Group policy. Our Global Health Program sets down our basic philosophy, and its requirements are detailed in the "Corporate Policy Occupational Health and Health Promotion," which was revised in 2011.

Many sites, particularly those in Germany, also have Works Agreements on health topics, which primarily regulate non-smoker protection in the workplace, the handling of addictions, and the procedures for reintegration following prolonged illness.

 Internet
www.demographic-risk-map.eu

Implementation of Group requirements is regularly reviewed through corporate audits. In some regions, these are supplemented by regional audit systems. An additional tool for monitoring performance in occupational medicine and health is our extensive Occupational Health Reporting System at the large sites. In 2011, this system was expanded for the first time to include a regional reporting system for the entire North America Region.

Programs and measures for preventive health protection

All measures related to occupational health protection and medicine are based on a risk assessment. The key focus of risk limiting activities—wherever possible—is on reducing exposure by taking technical or organizational precautions, such as the use of closed systems when handling hazardous substances. Where this is not possible, employees protect themselves by wearing suitable protective clothing. The effectiveness of these occupational safety precautions is monitored by means of preventive medical examinations, such as biomonitoring. Employees receive regular instruction in workplace risks and precautions, including training in ergonomic work methods and minimizing back strain.

One major aim of these activities is to prevent occupational illnesses and work-related health problems. During 2011, 18 cases of occupational illnesses were registered in the chemicals segments (2010: 11). As in the previous year, no occupational illnesses were registered in the Real Estate segment.

Programs to promote health

In 2011, Evonik launched a uniform system for promoting health in the workplace, the primary goal of which is promoting a healthy lifestyle. To this end, the company defined five subject areas of special importance to health preservation: exercise, a healthy diet, work-life balance, addiction prevention, and infection prevention. A medium-term target is to offer programs in all five areas at all locations. Many Evonik sites already have at least some of these programs in place. For example, many sites around the world promote sports activities or offer flu shots free of charge in the fall.

The basic programs are supplemented by targeted health campaigns for the early detection of common and preventable or treatable disease patterns. In 2011, health campaigns at the German sites focused primarily on Diabetes mellitus, osteoarthritis, and hypertension.

The selection and design of all activities to promote workplace health at Evonik's sites are aligned to local needs and opportunities. This can also include provision of basic on-site healthcare services, especially in countries with limited healthcare options such as Barro do Riacho (Brazil), Yingkou (China) and Gajraula (India).

Focus on occupational safety

There were no fatal accidents involving Evonik employees or contractors under Evonik's direct supervision in 2011. Moreover, no fatal traffic accidents were reported, either during business trips or to employees traveling to and from work. However, one contract employee, who was not under our direct supervision, lost his life in an accident involving a mobile working platform at the site in Tippecanoe (Indiana, USA).

Accident frequency^{1) 2)}

	2011	2010
Chemicals including Services	1.5	1.3
Real Estate	1.1	2.3
Real Estate (other activities)	28.2	42.0
Continuing operations	2.1	2.1
Discontinued operations (Energy)	–	5.2
Total	2.1	2.5

¹⁾ Number of accidents involving Evonik employees and contract employees under Evonik's direct supervision per one million working hours, which have resulted in lost working days.

²⁾ The former Energy Business Area was deconsolidated in 2011 following divestment of the majority stake.

In our core specialty chemicals business, the accident frequency rose to 1.5 (2010: 1.3), which makes the third time in a row that we have reached the target value of 1.5 that we announced for 2014. The increase in accident frequency was not spread evenly over all production sites but was concentrated in a few. Targeted measures have been agreed to improve performance.

 See also page 91
Plant safety

A severe accident, in which two of our employees died, occurred in late March 2012 at the Marl site.

To monitor the trend in occupational safety at Evonik, we are using lagging indicators. These include accident frequency, among others. However, these indicators are no longer sufficient at the high level Evonik has now reached. This is why, in the future, we will be using leading indicators for monitoring and control purposes. We created a leading indicator based on an employee survey on the status of occupational safety and the safety culture. The first Group-wide survey on the safety culture took place in November 2011. About 50 percent of all employees were approached to take the survey, and some 65 percent of these responded. The survey was evaluated after this report went to press and, therefore, could not be included.

The environment

Key environmental data for the core specialty chemicals business

Environmental targets

Evonik is committed to making a contribution to climate protection, minimizing the environmental impact of its business activities, and steadily improving its environmental performance. Consequently, we established goals for reductions in key parameters for our chemicals business in 2005 for a ten-year period (2004–2014).

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

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

Our environmental attainments remained in line with our targets in the reporting year and we were again able to reach our goal of reducing the specific water consumption.

The specific data relating to our environmental attainment are based on continuing operations. Divestments are deconsolidated in the same manner as for financial reporting to keep the focus of improvement measures on current business with current operational facilities. At the same time, this allows for elimination of effects resulting from the divestment of businesses.

The data of acquired businesses are recorded at the time of acquisition and their emissions and production are added into our environmental impact calculations. This improves or lowers our performance, depending on the deviation of absolute environmental impacts of the new activities from the corporate average. As a consequence, future portfolio developments may have a significant impact on our environmental performance indicators.

 See also page 109 f.
About this report

Since key environmental data are standardized for production, economic factors play a role as well. To give an example, a reduction in production volume typically does not result in a reduction in energy-related CO₂ emissions of the same magnitude. This is due to a base load that is unrelated to production and also takes into account the fact that some facilities actually have lower efficiencies when they are not producing at full capacity.

Thanks to targeted environmental measures, such as efficiency improvements in energy generation and optimized production processes, specific greenhouse gas emissions declined continuously from 2004 to 2008. During the economic crisis of 2009, this performance indicator increased slightly by one percentage point. In spite of the economic recovery in 2010, our emissions performance remained at that level. This is primarily attributable to the acquisition of the Tippecanoe site in Lafayette (Indiana, USA), which was added to our scope of consolidation that year. The Tippecanoe site manufactures active ingredients and intermediates for the pharmaceutical industry, which require high specific energy volumes for complex, multi-step syntheses.

The development of specific water consumption followed a similar curve to greenhouse gas emissions. After a successful reduction through 2008, we experienced a minor setback in 2009, which had been fully compensated by 2010. This is mainly the result of targeted water savings measures, cooling water circuits, and the shutdown of production plants that required large amounts of cooling.

Attainment of greenhouse gas emission targets in the core specialty chemicals business¹⁾



Target

Reduction in the specific greenhouse gas emissions was within the target corridor

¹⁾ Continuing operations.

²⁾ Excluding CO₂ emissions from chemical processes.

³⁾ The information for the years 2004, 2010 and 2011 were subject to a limited assurance statement by PwC.

Attainment of production wastes targets in the core specialty chemicals business¹⁾



Target

Reduction in the specific production waste was within the target corridor

¹⁾ Continuing operations.

²⁾ The information for the years 2004, 2010 and 2011 were subject to a limited assurance statement by PwC.

Attainment of water consumption reduction targets in the core specialty chemicals business¹⁾



Target

The target concerning reduction in specific water consumption was attained again

¹⁾ Continuing operations.

²⁾ The information for the years 2004, 2010 and 2011 were subject to a limited assurance statement by PwC.

In addition to characteristics that are directly associated with the production process, specific factors may also impact the volume of specific production waste. For example, certain reactions can result in by-products as well as the target product. These may either be marketed directly for other applications in compliance with legal requirements, serve as raw materials for additional syntheses without reprocessing, or be considered waste. Furthermore, devices such as effective filter presses can reduce the water content and accordingly, the volume of sludge. This led to a significant reduction in waste volumes in Antwerp (Belgium) in 2008 and 2009. The increase in 2010 is mainly associated with the addition of the Tippecanoe site to the scope of consolidation.

Production

Evonik's worldwide production capacity dropped 2 percent to a total of 10.35 million metric tons in 2011. This was primarily attributable to the divestment of the carbon black business. In the continuing operations, production rose slightly by 1 percent from 9.62 million metric tons to 9.74 million metric tons.

Some 9.51 million metric tons of raw materials were required for the synthesis of products in the continuing and discontinued operations. This included some 0.69 million metric tons of renewable resources, which is the equivalent of about 7 percent of the raw material input. The bulk of renewable resources used in 2011 comprised dextrose, saccharose, fats, and oils that primarily were used for the fermentative production of amino acids and cosmetic products. The reduction of the total raw material input is essentially attributable to the reduced use of black oils after the divestment of the carbon black business.

Production volumes and inputs in the core specialty chemicals business

in million metric tons	2006	2007	2008	2009	2010	2011
Raw material inputs	9.79	10.55	10.27	9.06	10.13	9.51
of which renewable raw materials	0.68	0.71	0.79	0.64	0.68	0.69
Output	10.46	10.88	10.79	9.26	10.61	10.35

Environmental protection costs

In 2011, we invested around €48 million (2010: €36 million) in environmental protection. This included improves to effective end-of-pipe technologies, which do not involve the production process, but reduce environmental impact through downstream measures, such as the installation of modern filters. We also invested in environmental protection measures that were integrated in systems and processes. Capital expenditures for environmental protection were divided among a large number of smaller measures. To give a few examples from Germany, Wesseling invested in water and flood protection, Rheinfelden installed an additional activated carbon absorption system, Essen renovated an exhaust scrubber and floor coatings, Rheinmünster introduced air purification measures in the context of facility expansions, and Krefeld reduced its wastewater load. Our site in Antwerp (Belgium) rebuilt a wastewater buffer tank, expanded the central container storage, and optimized suction systems and exhaust gas lines.

Operating costs for environmental protection were €251 million in 2011 (2010: €264 million). Among other factors, this reduction is attributable to the divestment of the carbon black business and a temporary reduction in the costs associated with REACH.

Environmental protection costs in the core specialty chemicals business

in € million	2006	2007	2008	2009	2010	2011
Operating costs for environmental protection	236	252	259	259	264	251
Investment in environmental protection	56	49	44	43	36	48

Emissions of greenhouse gases

Compared to 2010, absolute greenhouse gas emissions from the continuing and discontinued operations declined significantly by 9 percent to 8.324 million metric tons of CO₂ equivalents in 2011. Based on the changes in our portfolio, we expect another reduction in the same range for 2012. Specific emissions, i.e. emissions relative to output, also declined significantly by 7 percent. The reduction in greenhouse gas emissions is principally due to a reduction in process-related CO₂ emissions, which dropped by one quarter with the divestment of the carbon black business.

In the scope of consolidation of continuing operations, i.e. after deconsolidation of the carbon black business, greenhouse gas emissions remained nearly unchanged from the previous year. They declined slightly, by 1 percent, relative to output.

Thanks to the excellent capacity utilization use in 2011, the facilities operated by our core specialty chemicals business ran at full capacity, with optimized efficiency.

As a consequence of targeted energy initiatives and numerous individual measures, we were able to reduce energy-related CO₂ emissions by 2 percent in the continuing operations, although the output rose (+ 1 percent) in the same time. To achieve this decoupling of greenhouse gas emissions and growth, our activities in Marl included reducing the power needs for the in-house cooling water supply of a power plant, optimizing the turbo compressor in refrigeration, and using more efficient pumps in the recooling plants. Evonik even received an award from the government of Shanghai (China) for its successful implementation of energy savings projects, including for the wastewater treatment at the MMA plant at the Multi-User-Site China (MUSC). The Rheinfelden site (Germany) used a number of CIP (=continuous improvement process) ideas from employee teams to reduce energy.

The increased use of the gas and steam power plant in Marl had another positive effect on the development of CO₂ emissions. Some coal-fired power plant blocks were not fully operational in 2011 because of repair and maintenance and repair work. Furthermore, the Tippecanoe site in the USA discontinued the use of coal to fuel its steam production and switched to natural gas in late 2011.

Evonik's direct CO₂ emissions are logged in accordance with the Greenhouse Gas (GHG) Protocol, a globally recognized accounting standard, which includes the emissions from combustion in our own facilities along with, for example, CO₂ emissions caused by our business vehicles. Their impact on total emissions was comparatively minor in 2011 and amounted to some 5,800 metric tons of CO₂ equivalents (=0.07 percent). Nevertheless, the Group decided in 2011 to give preference to vehicles with low CO₂ emissions in the future.

In addition to direct emissions, our overview also included indirect CO₂ emissions, i.e. those associated with the purchase of energy (power and steam). The data on both energy sources are “net”—in other words output for third parties is subtracted from input volumes. That enables us to eliminate the proportion of energy-related CO₂ emissions attributable to third parties at our large multi-user sites to generate chemicals-specific indicators.

In 2011 we compiled data on Evonik’s carbon footprint for the first time ever, on the basis of the data for 2008, in order to identify greenhouse gas emissions from our core specialty chemicals business at the various stages in the value chain.

 See also page 36
Evonik Carbon Footprint

Greenhouse gas emissions in the core specialty chemicals business

in thousand metric tons CO ₂ equivalents ¹⁾	2006	2007	2008	2009	2010	2011
a) Continuing and discontinued operations						
Energy-related CO ₂ emissions (from energy inputs, net)	5,631	5,694	5,656	4,966	5,482	5,451
Process-related CO ₂ emissions	3,870	3,965	3,813	3,172	3,618	2,728
CH ₄	35.9	16.2	17.4	16.8	15.4	14.8
N ₂ O	18.5	59.4	74.1	74.3	68.1	129
HFC	1.41	2.04	1.10	0.65	2.4	1.6
	9,556	9,737	9,561	8,230	9,186	8,324
Output in millions of metric tons					10.61	10.35
Specific greenhouse gas emissions in metric tons CO ₂ equivalents per metric ton output	0.914	0.895	0.886	0.889	0.866	0.804
b) Comparison 2010 and 2011, continuing operations only²⁾						
Energy-related CO ₂ emissions (from energy inputs, net)					5,629	5,537
Process-related CO ₂ emissions					1,179	1,230
CH ₄					15.2	14.7
N ₂ O					68.1	129
HFC					2.6	1.6
					6,894	6,912
Output in millions of metric tons					9.62	9.74
Specific greenhouse gas emissions in metric tons CO ₂ equivalents per metric ton output					0.717	0.709

¹⁾ GWP factors: CO₂: 1, N₂O: 310, CH₄: 21, HFC: 140–11,700, PFC: 6,500–9,200.

²⁾ Excluding carbon black.
Prior-year figures restated.

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

Energy inputs

Compared to the previous year, absolute net energy inputs remained virtually unchanged in the continuing and discontinued operations in 2011. By contrast, specific net energy inputs increased slightly by 2.5 percent. In terms of the development in continuing operations (core specialty chemicals business, divestment of carbon black business, and others), the absolute and specific net energy input decreased by 1 and 2 percent, respectively. This is a clear sign of increased efficiency in the generation of energy, production improvements, and successful energy management systems in the core specialty chemicals business. In many cases, the potential to raise efficiency further from this high level becomes increasingly smaller and more expensive. However, since chemical production is typically associated with high energy demand, inefficiency is unacceptable for economic reasons in addition to environmental considerations. As a result, we are continuously searching for savings potential, and involve our employees in the process through a suggestion system, special workgroups, and dedicated workshops.

The operating units can also rely on the services of dedicated corporate departments such as OPEX (Operational Excellence), which develop specific proposals for increasing energy efficiency.

The integrated production model in chemical plants is an example of energy-efficient management. The intelligent connection of energy requirements and production rules out resource waste. To give an example, various chemical plants generate steam in exothermic (i.e. heat-releasing) processes, which is then used in exhaust heat networks. This relieves power plants of some steam production needs and saves fossil fuels. Additionally, the use of liquid and gaseous fuels from production for energy generation contributes to reduced resource consumption. The port operations in Marl (Germany), for example, improved their control concepts in 2011 and implemented technical changes to allow for the combustion of exhaust gases from the liquid gas area in the power plant. We also use a variety of incineration plants for waste, treatment sludge, exhaust gas, and wastewater to generate steam. Alternative fuels account for nearly 9 percent of total energy inputs in our core specialty chemicals business.

Energy inputs in the core specialty chemicals business

in terajoules	2006	2007	2008	2009	2010	2011
a) Continuing and discontinued operations						
Gaseous fossil and non-fossil fuels	38,087	38,372	37,169	34,052	36,584	37,572
Solid fossil fuels	26,349	26,699	26,707	23,642	25,350	22,445
Liquid fossil and non-fossil fuels ¹⁾	4,059	4,087	5,305	3,446	3,636	3,471
Power, external input ²⁾	18,364	18,573	18,134	15,211	16,960	20,818
Power, external output	9,079	8,904	8,180	6,346	7,472	10,551
Steam, external input	7,309	6,471	6,305	5,822	7,656	7,596
Steam, external output	14,172	14,106	14,991	14,031	14,650	13,246
Net energy input (after subtraction of output)	70,917	71,191	70,448	61,796	68,064	68,105
Gross energy input	94,167	94,201	93,618	82,173	90,186	91,902
Output in millions of metric tons	10.46	10.88	10.79	9.26	10.61	10.35
Specific energy input (net) in terajoules per thousand metric tons output	6.78	6.54	6.53	6.67	6.42	6.58
b) Comparison 2010 and 2011, continuing activities only³⁾						
Net energy input (after subtraction of output)					70,117	69,294
Output in millions of metric tons					9.62	9.74
Specific energy input (net) in terajoules per thousand metric tons output					7.29	7.11

¹⁾ Including biomass.

²⁾ Including captive hydroelectric power generation.

³⁾ Excluding carbon black.
Prior-year figures restated.

Other emissions into the air

We use a large number of technical and organizational measures to minimize air pollution. These include returning exhaust gases to the production process, thermal processing of residual gases with high caloric value (to replace natural gas), effective integrated and additive environmental protection measures, and consideration for emissions in the engineering of new facilities. For example, our power plants use electro-filters to remove particulates from flue gases. NO_x reduction is achieved with catalysts and scrubbers ensure the removal and precipitation of sulfur. Emissions reduction in the production plants also relies on a variety of end-of-pipe systems that use condensation, adsorption, and thermal and catalytic incineration processes.

The range and volume of emissions in the core specialty chemicals business depends largely on the characteristics of the fuel mix used for energy generation and chemical production processes.

Accordingly, the divestment of the carbon black business led to a sharp drop in CO₂ emissions and other emissions into the air in 2011 in line with the emissions spectrum of the carbon black production, particularly SO₂, NO_x, CO and particulates emissions. Now that the carbon black facilities are no longer part of the scope of consolidation, in SO₂ and NO_x emissions of the continuing operations are largely associated with combustion processes in energy generation. Portfolio adjustments were mainly responsible for the sharp drop in CO emissions (–91 percent) in 2010, along with the almost complete elimination of emissions of ozone-depleting substances.

Other emissions into the air in the core specialty chemicals business

in metric tons	2006	2007	2008	2009	2010	2011
Carbon monoxide (CO)	111,670	79,895	103,359	87,141	7,557	4,936
Sulfur oxides (SO _x as SO ₂)	34,492	35,791	35,029	27,335	30,959	19,463
Nitrogen oxides (NO _x as NO ₂)	12,126	12,527	11,639	9,449	11,313	9,074
NM VOC	2,648	1,760	1,567	1,300	1,297	1,172
Particulates	1,311	1,328	1,273	1,064	1,188	872
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	0.62	0.85	0.78	0.73	0.84	1.16
Emissions of ozone-depleting substances ¹⁾						
in metric tons CFC-11 equivalents	0.48	15.9	15.6	15.6	0.04	0.05

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

Emissions into water

When it comes to planning new production facilities, we follow the principle of “avoid over process over eliminate” to minimize the volume of wastewater, which in turn benefits the environment and saves treatment costs. In the operational phase, we strive to improve process systems to minimize or eliminate wastewater volumes.

To enhance safety in the disposal of wastewater, we use separate drainage systems that prevent contamination of cooling water and ensure that production wastewater is not diluted with cooling water. We have also built high-performance collector systems as part of our water protection measures, which are used for intermediate storage of peak wastewater loads that could overburden the wastewater treatment facilities. In this manner, wastewater can be fed gradually to the treatment plants for environment-friendly disposal. We also incinerate some treatment sludge in our own facility, and the heat from the resulting incineration gases is used to generate steam. The wastewater flow at our sites is carefully monitored by regular sampling and continuous measuring equipment. In addition to in-house monitoring, we are subject to supervision by the authorities, in the form of unannounced control visits to verify our compliance with permissible discharge values.

Chemical oxygen demand (COD) wastewater loads declined 18 percent in 2011 compared to the previous year, mainly because of production changes.

Total phosphorus loads (phosphates expressed as phosphorus), total nitrogen load, and AOX loads remained approximately at the previous year's levels. The increase in total phosphorus loads in 2010 is associated with the addition of the Tippecanoe site in the USA to the scope of consolidation. This plant requires phosphoric acid for its production processes. Heavy metal wastewater loads have stabilized at a low level since 2006.

Wastewater loads¹⁾ in the core specialty chemicals business

in metric tons	2006	2007	2008	2009	2010	2011
COD	5,908	7,403	6,764	5,558	5,960	4,890
N	656	543	523	475	468	484
P	72	62	66	46	116	114
AOX	3.0	3.0	2.0	1.6	1.6	1.6
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	4.7	4.3	4.3	4.0	5.4	4.5

¹⁾ The data show the accumulated volumes of wastewater loads at all sites. Alongside direct discharges into receiving water, it shows the proportionate indirect discharges.
Prior-year figures restated.

Waste

Our waste management priorities are:

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

The process optimizations in operational systems focus on avoiding and minimizing waste. Examples include the internal recycling of substance flows and the use of highly specialized catalysts to increase yield and reduce secondary reactions.

In 2011, the total amount of waste was 18 percent higher than in 2010, mainly due to construction activities at the Marl site and the complete demolition of all chemical production facilities and buildings at the Münchsmünster site (Germany).

Waste in the core specialty chemicals business

in metric tons	2006	2007	2008	2009	2010	2011
Hazardous production waste	214,691	201,769	188,590	140,555	175,867	195,916
of which reprocessed	120,625	114,802	94,011	74,563	100,423	103,071
of which disposed of	94,066	86,967	94,579	65,992	75,444	92,845
Non-hazardous production waste	223,080	227,323	206,588	152,343	188,633	167,752
of which reprocessed	127,408	150,713	135,022	99,848	131,396	110,545
of which disposed of	95,672	76,610	71,566	52,496	57,237	57,208
Hazardous building and demolition rubble	15,842	37,177	19,613	8,580	4,932	12,665
of which reprocessed	484	6,400	6,674	713	1,243	1,880
of which disposed of	15,358	30,777	12,939	7,867	3,689	10,785
Non-hazardous building and demolition rubble	102,031	82,463	88,443	60,770	54,721	125,105
of which reprocessed	59,664	61,359	68,186	48,088	37,906	72,236
of which disposed of	42,367	21,104	20,257	12,682	16,815	52,869
	555,644	548,732	503,234	362,248	424,153	501,438
Specific waste in metric tons of waste per metric ton output	0.053	0.050	0.047	0.039	0.040	0.048
Specific production waste in metric tons of production waste per metric ton output	0.042	0.039	0.037	0.032	0.034	0.035

Prior-year figures restated.

Hazardous production waste increased 11 percent from 2010. This is mainly attributable to increased use of liquid hydrocarbon residues as a replacement for heavy fuel oil in the gas synthesis plant in Marl. The reduction in non-hazardous production waste is based, among other factors, on a change in the fuel mix used for energy generation at the Tippecanoe site in the USA. The substitution of coal with natural gas also reduced the boiler ash volume.

The reprocessing rate was 57 percent in 2011 (2010: 64 percent). This includes recycled substances, incineration with recycling of heat energy, and other processing methods. Prominent examples of recycling at Evonik include the reuse of PLEXIGLAS®, which can be almost completely recycled.

 **Further information**
CR Report 2010, page 61 f.

Waste management in the core specialty chemicals business

in metric tons	2006	2007	2008	2009	2010	2011
Incineration with recycling of heat energy	107,849	128,847	79,926	41,595	55,828	51,857
Disposal by incineration	91,265	81,798	89,527	69,720	75,645	94,813
Recycling (including composting)	200,333	175,873	194,630	142,296	144,060	182,288
Landfill	89,479	99,683	74,678	33,866	42,965	48,299
Chemical/physical/biological treatment	59,542	25,593	30,477	17,452	14,436	19,801
Other disposal methods	4,092	8,384	4,658	17,999	19,576	50,793
Other reprocessing methods	3,083	28,553	29,338	39,320	71,643	53,587
	555,644	548,732	503,234	362,248	424,153	501,438

Prior-year figures restated.

The question of recycling or reusing packaging is a special concern in the context of waste avoidance strategies. A high proportion of products in the core specialty chemicals business are distributed as bulk goods. Bulk packaging includes intermediate bulk containers (IBC), drums, canisters, and flexible bags. This industrial packaging conforms to statutory requirements such as the German Packaging Ordinance. To comply with German regulations, we use third-party disposal companies to collect and dispose of such empty packaging in Germany. These companies have a nationwide network of pick-up points to ensure completely emptied industrial packaging can be returned anywhere in the country. Depending on the percentage of recyclable materials, different companies are used for the recycling of steel/tin, paper and plastic packaging. Where possible, packaging is reconditioned by specialist companies for reuse. Internationally, Evonik complies with the applicable regulations in each country.

Water data

The core specialty chemicals business processes water from a number of sources to make it suitable for further use. Water is mainly used for cooling and process purposes in production facilities, to generate steam in power plants and for sanitary requirements. We raise efficiency with integrated systems of graduated water qualities and by reusing water in conjunction with recooling facilities.

To give an example, we use water that is no longer suitable for cooling purposes for rinsing filters or for industrial cleaning. Furthermore, water that evaporates from cooling cycles is often replaced by condensate or reutilizing water from other sources.

Total water intake decreased 6 percent in 2011 compared to the previous year. This sharp reduction in the use of groundwater in part resulted from the divestment of the AlzChem Group. Portfolio changes were also the main cause of the reduction in the consumption of surface water in 2011.

Water intake in relation to production output decreased 3 percent compared to 2010, indicating increased water use efficiency at our sites.

Water intake by source in the core specialty chemicals business

in thousand m ³	2006	2007	2008	2009	2010	2011
Drinking water ¹⁾	15,480	16,043	15,721	14,732	17,185	17,312
Groundwater	135,041	125,132	123,970	113,214	87,341	84,157
Surface water	249,169	248,914	240,514	201,200	214,223	200,169
Rainwater	654	667	2,413	2,387	2,423	2,228
Other ²⁾	12,213	15,103	12,850	5,844	7,594	6,162
	412,557	405,860	395,468	337,378	328,766	310,028
Specific water consumption in m ³ per metric ton output	39	37	37	36	31	30

¹⁾ Water from municipal or other utilities.

²⁾ Various sources.

Prior-year figures restated.

As in 2010, around 95 percent of water consumption in 2011 was for cooling purposes. The calculation of the proportion of total water consumption used for cooling includes the amounts used in closed cooling circuits. In 2010 and 2011, some 80 percent of cooling of production facilities used closed circuits with recooling facilities, while the remainder relied on through-flow cooling. The use of recooling facilities saves considerable amounts of fresh water compared with through-flow cooling, since only evaporation volumes have to be offset, and generally cuts costs. However, potentially higher energy requirements for the circulation and evaporation of the water in cooling circuits and safety criteria have to be taken into consideration.

Water consumption in the core specialty chemicals business

in thousand m ³	2006	2007	2008	2009	2010	2011
Cooling, without cooling circuits	334,040	327,280	322,442	273,827	255,610	240,919
Cooling circuits	926,541	939,741	944,336	916,987	1,143,161	1,124,003
Production ¹⁾	78,517	78,580	73,026	63,550	73,155	69,109
Share in %						
Cooling	94	94	95	95	95	95
Production	6	6	5	5	5	5

¹⁾ Including drinking water and water for sanitary requirements.

Prior-year figures restated.

In 2011, as in previous years, the majority (73 percent) of the water discharged from our drainage systems into the environment was uncontaminated water from through-flow cooling systems. In some cases, production effluent is pretreated in decentralized production facilities before full treatment in in-house or municipal wastewater treatment plants.

Water discharge in the core specialty chemicals business

in thousand m ³	2006	2007	2008	2009	2010	2011
Through-flow cooling water (uncontaminated)	303,242	303,710	299,850	249,899	227,784	217,680
Process effluent	66,822	62,375	64,034	59,872	66,680	72,725
Drinking water and water from sanitary installations	1,515	1,417	1,745	1,460	1,669	1,261
Other	799	741	605	777	5,427	6,280
	372,378	368,243	366,233	312,008	301,559	297,945

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

Biodiversity and ecosystem services

It is widely acknowledged that any loss in biodiversity diminishes the quality of goods and services which ecosystems provide. The chemical industry and others benefit from these ecosystem services. Examples include the availability of clean water and renewable raw materials as well as ecosystem services which regulate and maintain the quality of our planet's air, water, and soil. The sustainable use of natural resources is Evonik's primary means of conserving biodiversity and ecosystems. We substantially foster the sustainable use of resources by means of our certified environmental management (ISO 14001), the continuous optimization of the energy and resources efficiency of processes, concerning energy efficiency and resource efficiency, the pursuit of long-term environmental objectives (2004–2014), and our innovative products.

To achieve a better understanding of locale-specific aspects of biodiversity, in 2011 we established for the first time which of our sites border a conservation area protected by international or national conservation status as well as whether or not our operations at these sites have a significant impact on the biodiversity of the conservation areas in question.

Four sites in Germany abut conservation areas which are protected by the European Union's Directive on the Conservation of Natural Habitats and of Wild Fauna and Flora (Council Directive 92/43/EEC). Five sites in other countries are adjacent to conservation areas which are regulated by country-specific legislation. Evonik did not identify any significant impact on the biodiversity of these conservation areas in 2011. Although treated wastewater is discharged into the Lippe and Rhine rivers from our sites in Marl, Wesseling, and LÜlsdorf (all in Germany), the pollutant loads in these wastewater flows do not exceed permissible levels.

Sites and protected areas

Evonik site	Country	Status of conservation area (adjacent)
Marl	Germany	92/43/EEC area
Wolfgang	Germany	92/43/EEC area
Wesseling	Germany	92/43/EEC area
Lülsdorf	Germany	92/43/EEC area
Lafayette	USA	national
Portland	USA	national
Morrisburg	Canada	national
Americana	Brazil	national
Dandenong	Australia	national

Evonik will conduct biodiversity checks in 2012 for the first time ever. The European Business & Biodiversity Campaign (EBBC), coordinated by the Global Nature Fund, has developed biodiversity checks for companies. These assessments help companies to gauge the impact on biodiversity of the company as a whole or individual departments. Based on the objectives of the United Nations Convention on Biological Diversity (CBD), EBBC biodiversity checks examine aspects such as a site's premises, properties, procurement, product development and production, logistics and transport, and products. Moreover, Evonik is actively participating in a study—commissioned by Cefic (European Chemical Industry Council)—which examines biodiversity and ecosystem services as well as their significance for the chemical industry.

Carbon dioxide emissions in the Real Estate segment

In the Real Estate segment, heating-related CO₂ emissions from residential units let by Evonik remained at the previous year's level at around 300,000 metric tons. The energy technology in our housing units is systematically being modernized, 850 residential units were upgraded in 2011. We also invested in numerous individual measures, from optimized heating systems to improving the insulation of various parts of the buildings.

CO₂ emissions have been calculated since 1992, using a method on the basis of heating-related CO₂ emissions for the general housing stock in Germany developed by the German Energy Agency (dena). The calculation also assumed a consistent, comparable housing stock based on the updated year-end inventory of 2011 and included inventory changes due to demolition and new construction.

As in the previous year, maintenance plans were established and implemented by regional tradesmen for all heating facilities. This not only ensures proper use, but also optimizes energy consumption.

Vivawest, which was established by Evonik's Real Estate segment and THS started operating in January 2012. This new company will continue the effort to ensure optimal residential quality for tenants in its approximately 130,000 housing units.

Safety

Safety is a top priority at Evonik. Our objective is to protect our employees and local residents of our sites, as well as the environment, against any potential negative impact of our activities. To this end, we strive to ensure the safe operation of our installations and safe transportation of our products and intermediates.

 See also page 60 ff.
Product stewardship

 See also page 76
Focus on occupational safety

Plant safety

Avoiding the release of protection against the release of hazardous substances, fires and explosions is of prime importance not only to employees but also to local residents.

There were no accidents with a significant impact on people or the environment at any of Evonik's production sites in 2011. At the site in Mapleton (Illinois, USA) about 230 kilograms of caustic methyl chloride was released through a properly functioning safety valve. No one was injured, however, and the environment was not endangered. The incident was reported to the responsible authorities.

There was a severe fire in the CDT (cyclododecatriene) plant at the Marl site at the end of March 2012. Two Evonik employees died, and a member of the emergency-response team was slightly injured. CDT is used as a starting material for plastics production. The substance released in the accident was butadiene, a highly flammable liquid gas that is classified as a cancerogenic under long-term exposure. Based on measurements taken immediately after the accident occurred, the concentration remained below the detection limit.

To prevent incidents, even if they cause little or no damage, Evonik has developed its own key plant safety indicator. This lagging indicator records the frequency of unplanned substance releases, fires, and explosions. The reporting thresholds are 5 kilograms for toxic gases, 25 kilograms for toxic liquids, and 100 kilograms for other hazardous substances. It is important to note that incidents are also recorded when the substances in question have been captured and have not caused any damage. Fires and explosions are recorded if they cause damage of €20,000 or above. Fires and explosions that result in inconvenience or a warning to the local community are also recorded along with incidents that cause minor damage.

In general, that means the smaller the value of the lagging indicator, the higher the process safety. The value has improved significantly since the key indicator was launched in 2008. Using a reference base of 100 points for 2008, the value of the index dropped to 70 points in 2009, and 68 points in 2010. In 2011, it was 52 points.

Evonik also plans to introduce a leading indicator for process safety, which will show the efficiency of the company's management system for preventing incidents. The leading indicator is based on a survey of the production sites on such key aspects of process safety as standards and objectives, initiatives and programs. The first survey is scheduled for 2012, and will be integrated into the regular audits or implemented by the site managers as a self-assessment.

Transportation safety

In our core specialty chemicals business, the volume of shipments in 2011 was approximately 9.61 million metric tons of goods (2010: 10.06 million metric tons). Hazardous materials accounted for 60 percent of that total and other goods accounted for 40 percent. The decrease in shipping volumes is primarily attributable to the sale of the carbon black business.

Outgoing shipments of hazardous materials in the core specialty chemicals business ✓

in thousand metric tons	2011	2010
Air	0.5	0.6
Ocean	807	530
Inland waterway	912	1,108
Rail	882	833
Pipeline	1,601	1,578
Road	1,559	1,596
	5,762	5,646

Outgoing shipments of other goods in the core specialty chemicals business ✓

in thousand metric tons	2011	2010
Air	5	6
Ocean	768	916
Inland waterway	20	24
Rail	256	365
Pipeline	66	103
Road	2,733	3,000
	3,848	4,414


Based on reports in our internal system, there were a total of 16 transportation-related incidents in 2011. Of these, 14 occurred on roadways. Five fewer incidents occurred than in the previous year. The data comprises all accidents, including damage to packaging and transport containers, even when they involve no product release. We attribute the decline in transportation-related incidents to our efforts to prevent accidents during the transportation of our products. Some of these efforts include our practice-oriented safety days, which we and our logistics service providers devote to training and drilling our employees in best practices in securing loads and checking containers.

Based on the Responsible Care reporting criteria set by the German Chemical Industry Association (VCI)—release of over 200 kilograms of hazardous substances or more than 1,000 kilograms of other substances, damage to people or damage to property exceeding €40,000 with road closures of several hours—we had no transportation-related incidents to report for Germany in 2011. If we apply those criteria worldwide, there were four transportation-related incidents to report.

Evonik is also working with VCI and the European Chemical Industry Council (Cefic) on the preparation and ongoing development of appropriate guidelines, which would give small- and medium-sized companies access to information and recommendations for practical application. The guidelines assist these companies in implementing legislation, rules, and additional standards set by the chemical industry.

Guidelines are also becoming increasingly important in the field of supply chain security, since regional certifications, such as those required under the US Customs-Trade Partnership against Terrorism (C-TPAT) of the United States, and the EU's Authorized Economic Operator (AEO) program of the EU are still not mutually recognized as equivalent by the relevant authorities. Having acquired the C-TPAT certificate in 2005, Evonik obtained site-specific AEO certificates for all German production sites in 2011.

From this solid base, and following the cost-benefit analysis in 2011, we intend to apply to the German Federal Aviation Office for “known consignor” approval for the relevant production sites, as defined by Regulation 300/2008 of the European Parliament, within the transitional period that runs to March 25, 2013.

 See also page 38
CR management expanded
along the supply chain

Corporate security

Evonik’s Emergency Management team was activated once in 2011 after the earthquake and tsunami that occurred in Japan in March. Its first task was to ensure the safety of employees in Japan. Our production sites, which are located in the south of the country, were not seriously damaged in the catastrophe. For a long time, however, it was unclear whether the Fukushima nuclear accident would also affect South Korea and parts of China. Evonik is active in both regions.

The Group’s Emergency Management team set up an information platform on the Evonik intranet with current news and assessments of the situation in Japan by our local Emergency Management team. The employees at our German locations were advised on the proper handling of products from Japan. The experience gained from this incident was incorporated into the Group Emergency Management Plan. We also answered inquiries from customers on compliance with our due diligence in the procurement of raw materials in Japan. Here, the most pressing concerns were supply reliability and non-contamination of procured materials.

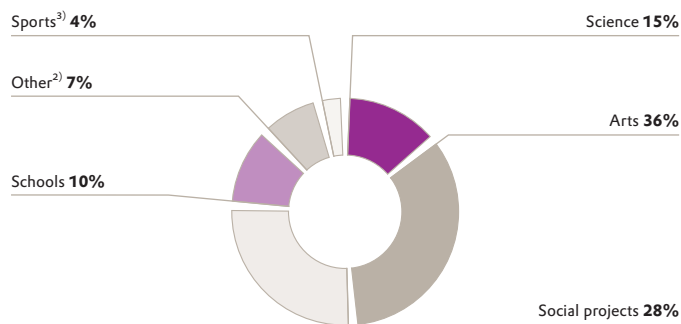
Evonik is also monitoring developments in the Middle East and North Africa (the MENA region). The emergency management organization for the region has been fundamentally modified.

Cefic and VCI have incorporated the topic of security into the Responsible Care initiative. The European Responsible Care Security Code describes and stipulates management practices. Evonik’s management system for Group security meets and, where appropriate, supplements this standard.

Society

Evonik regards itself a corporate citizen, with all associated rights and obligations. As a consequence, maintaining positive and trusting relationships with neighbors and communities is a high priority for our sites and we are donors and sponsoring partners for issues that are especially important to us. As a member of numerous associations and initiatives, we actively contribute to the social and political dialog.

Donations and sponsorship of non-profit projects 2011¹⁾ ✓



¹⁾ Expenditures by the Corporate Center, the business units and Innovation Management; total: approx. €8.9 million.

²⁾ Includes political donations.

³⁾ Not including sponsorship for the Borussia Dortmund and MSV Duisburg soccer clubs.

Getting children excited about chemistry

As one of the world leaders in specialty chemicals, we are interested in boosting education in natural sciences and technology, not just in Germany. Our approach starts in preschools and elementary schools, where children typically do not attend systematic lessons in chemistry, biology, or technology. Nevertheless, they often show interest in scientific and technological concepts and strive to better understand the world they live in.

Some 150 Evonik employees take part in the company's Young Spirit initiative. Armed with Evonik materials, they visit preschools and schools in their free time and carry out easily understandable classroom experiments. Young Spirit started cooperating with the university student network Young Chemists Forum in 2011.

A collaboration with effort with a major regional newspaper led us to visit preschools in the Lower Rhine area with our Evonik Kinderuni ("Evonik Kids' University"). For three weeks, the participating preschools received copies of the paper with a daily experiment for teachers and children.

Our Evonik Foundation joined the company's efforts to make sciences more exciting for children in late 2011. Professor Proto's Fantastic Institute is a virtual chemistry lab and is designed to attract interest in chemistry among elementary school children. Using video material, Professor Proto answers questions on the function of baking powder or making your own effervescent candy powder. The site contains many practical examples from the history of chemistry, and also contains experiments to do at home. Elementary school teachers can download descriptions of experiments for use in science lessons.

 Internet
www.professor-proto.de

These projects are accompanied and supported by a large number of cooperations and sponsorships for preschools, schools, and other educational institutions. As an example, Evonik supports the Youth Dialog of the Ruhr Initiative's Youth Dialog and the nationwide Girls' Day.

Our path to educational sponsorship—Evonik Cyber Classroom

Evonik joined forces with Visenso last year to start an innovative project intended to get high school students excited about chemistry. The Evonik Cyber Classroom uses modern fascination with 3D animation and interactivity to explore the world of molecules and reactions with a Wii-style controller. The first four modules of the Cyber Classroom were developed in close cooperation with four schools in the vicinity of our sites in Essen, Hanau, Rheinfelden, and Wesseling (Germany).

 **See also page 24 ff.**
Taking a fresh look at chemistry

Support for junior researchers

As a world leader in specialty chemicals, we need to attract sufficient numbers of qualified professionals to work for us. We therefore actively seek contact with universities and college students.

The Evonik Foundation, Essen, awards annual scholarships to young researchers who do not have sufficient means to finance their studies.

In the 2011/2012 academic year, Evonik is supporting support ten universities with a total of 150 German scholarships. These scholarships, which are awarded by the federal government in cooperation with private donors, are intended to counter the shortage of skilled labor and encourage more young people to earn a university degree. The Evonik Foundation has a long tradition of sponsoring the research projects of dedicated undergraduate and graduate students.

 **See also page 71**
Scholarship programs—from training to the lecture hall

 **Internet**
www.evonik-stiftung.de/en/

 **Internet**
www.deutschland-stipendium.de

A passion for culture

Evonik is a key sponsor of the arts in North Rhine-Westphalia, but our commitment reaches far beyond this German federal state. We are proud sponsors of the Ruhr Festival in Recklinghausen, Europe's oldest theater festival, and also support the Küppersmühle Museum in Duisburg as well as the establishment of an academy for the Jewish Museum in Berlin. Together with the renowned Bach Academy, we regularly organize a popular Christmas concert in the Essen Philharmonic Hall.

Sports make us strong

Evonik is the main sponsor of the professional soccer club Borussia Dortmund (BVB), which won the German championship in 2011. We also support the second league club MSV Duisburg.

This commitment strengthens the Evonik brand, but we also use our position as the main sponsor of BVB to promote concerns that are close to our heart. Thus, we started supporting the "Evonik BVB Soccer School," which has given more than 1,000 children a chance to receive instruction.

We have also reserved space in the BVB stadium to give organizations such as Adveniat, the Latin America charity of the Catholic Church, and "roterkeil.net," a network to fight child prostitution, a chance to promote their activities. When the BVB organized a fundraiser match to help earthquake victims in Japan, Evonik donated €1 million to help children.

 **See also page 93**
Corporate security

Being a good neighbor

In our view maintaining a positive relationship with local residents is a basis for our long-term success and we are convinced that the regions in which Evonik is active benefit from our commitment. Our fair compensation boosts the purchasing power in the regions, and our employee benefits provide additional social security. Furthermore, the surroundings of our sites also see increased economic activity from cooperations with local suppliers.

The Group and its employees make active contributions at the sites to work toward social cohesion. Examples of such efforts range from taking part in a fundraiser footrace in Shanghai to donating the revenue from a porcelain sale to a school in Hanau, and helping apprentices from Marl to repair an open-air swimming pool.

In 2011, the company established a Sponsoring Academy to promote information sharing among Evonik sites and to further professionalize neighborhood communication.

Campaigns during the International Year of Chemistry

When the United Nations proclaimed 2011 the International Year of Chemistry, Evonik took part in the campaign as a sponsor to make chemistry more transparent and to show what it can do. The company supported several projects.

The nationwide Chemistry Day was the focus of these activities and involved Open House activities at nine of Evonik's German sites on September 24, 2011. Some 40,000 visitors were offered information about our products and services, for example in terms of apprenticeships, and learned which role chemistry plays in the areas of climate protection, mobility, and health. Similar activities took place at our plants in Antwerp (Belgium) and Xinzhuang (China).

Working with other major chemical companies, Evonik also sponsored a worldwide school contest on the topic of water. UNESCO and IUPAC (International Union of Pure and Applied Chemistry) supplied two simple experiment kits to give students the necessary tools for taking water samples, analyzing their salt content, and testing various filter methods in a "global experiment."

Representation our interests

Evonik also maintains a constructive dialog with politicians, representatives of industrial associations and unions as well as with numerous non-governmental organizations. We play an active role in the public and political debate and raise awareness of our interests as a value-enhancing industrial corporation. These activities range from the local and national level in Germany to European and international activities. In the area of energy and resources policy, our contributions have focused on the design of emissions trading, the development of electromobility and questions relating to biofuels, while nano and storage technologies are our priorities in research policy. We also play an active role in chemicals and raw materials policy. Evonik is included in the European Commission's list of lobbyists as required by the European Directive on transparency in lobbying.

Evonik contributes to numerous industry associations and organizations. Dr. Klaus Engel, the Chairman of Evonik's Executive Board also serves as the President of the German Chemical Industry Association (VCI). The Evonik Group is a member of econsense, an association of leading German companies and organizations that promotes corporate social responsibility (CSR) and sustainable development. We are also a member of the World Business Council for Sustainable Development (WBCSD) and we are committed to the global Responsible Care Initiative and have signed the Responsible Care Global Charter. Representatives of our Group also play a role in national, European and global interest groups and actively contribute to the development of international, European and national standards. We regularly sponsor the annual conference of the Boao Forum for Asia (BFA) in China and regard participating in this forum as an important opportunity to share knowledge and experience in one of the world's most dynamic regions. Since its establishment in 2001, the BFA has become one of the leading platforms for high-level interaction of business leaders from Asia and elsewhere in the world.

**Internet**www.econsense.de/enwww.wbcsd.org<http://english.boaoforum.org>



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Profile

Essen-based Evonik Industries AG is one of the world's leading specialty chemicals companies. Profitable growth and a sustained increase in the value of the company form the heart of our strategy, which is supported by our owners, RAG-Stiftung (74.99 percent) and funds managed by CVC Capital Partners (25.01 percent). Evonik is active in over 100 countries around the world and has its own production facilities in 26 countries. The Group had 33,556 employees at the end of 2011. In fiscal 2011, Evonik generated sales of around €14.5 billion and an operating result (EBITDA) of around €2.8 billion.

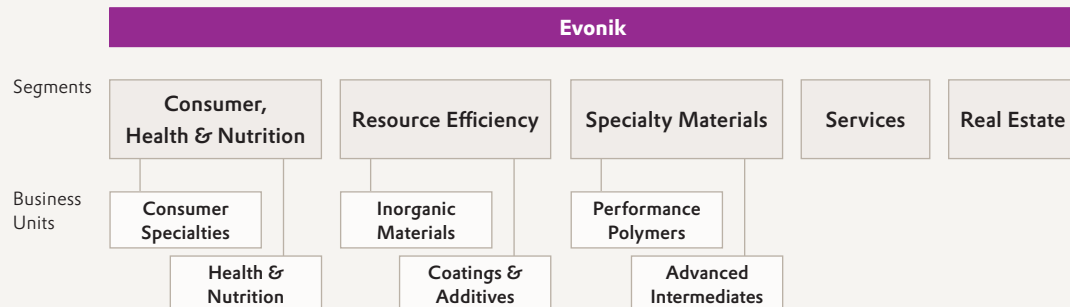
Our specialty chemicals activities focus on high-growth megatrends—especially health, nutrition, resource efficiency, and globalization—and our goal is to enter attractive future-oriented markets. To support this, we use integrated state-of-the-art technology platforms which are constantly being refined. Our strengths include the balanced spectrum of our business activities, end-markets and regional presence, and working closely with our customers. We intend to systematically pursue our ambitious growth strategy in the coming years and drive forward our leading market positions and technological edge. At the same time, we intend to step up our presence in economically attractive emerging markets, especially in Asia, through significant investment projects. Our market-oriented research and development is a key driving force for profitable growth in the future. A steady improvement in the cost position of the Evonik Group, for example, through operational excellence, is also very important to us.

Evonik's operations are grouped in three segments, each of which has two business units which act as entrepreneurs within the enterprise. The Group also includes the Services and Real Estate segments. The Corporate Center supports the Executive Board in its strategic management.

In order to focus on specialty chemicals, at the end of 2010 we signed an agreement to sell 51 percent of the shares in the energy company STEAG to a consortium of municipal utilities in Germany's Rhine-Ruhr region. We also made binding arrangements to sell our remaining shares in these activities between 2014 and 2017.

Our real estate activities, which we plan to exit entirely in the medium term, focus on letting homes to private households in the federal state of North Rhine-Westphalia. Alongside Evonik's portfolio of residential real estate, it comprises a 50 percent stake in THS. Effective January 1, 2012, Evonik and THS bundled the management of their properties in a newly formed joint venture, Vivawest Wohnen.

Structure of the Evonik Group



Consumer, Health & Nutrition

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

Resource Efficiency

This segment provides solutions for environment-friendly and energy-efficient products. It is comprised of the Inorganic Materials and Coatings & Additives Business Units.

Specialty Materials

The heart of the Specialty Materials segment is the production of polymer materials and their preproducts, and additives. It comprises the Performance Polymers and Advanced Intermediates Business Units.

Services

This segment principally comprises Site Services and Evonik Business Services. It mainly provides services for Evonik's chemicals segments and Corporate Center, but also serves third parties.

Real Estate

The Real Estate segment comprises Evonik's portfolio of residential real estate and a 50 percent stake in THS.

Largest sites

Employees	
Germany	
Marl	6,618
Hanau-Wolfgang	3,119
Essen	2,397
Darmstadt	1,538
Wesseling	1,288
Other European countries	
Antwerp (Belgium)	1,019
Zurich (Switzerland)	276
Ham (France)	227
Slovenská L'upča (Slovakia)	188
Gramatneusiedl (Austria)	167
North America	
Mobile (Alabama, USA)	712
Lafayette (Indiana, USA)	642
Parsippany (New Jersey, USA)	402
Greensboro (North Carolina, USA)	277
Hopewell (Virginia, USA)	254
Central and South America	
São Paulo (Brazil)	159
Barra do Riacho (Brazil)	54
Buenos Aires (Argentina)	34
Americana (Brazil)	33
Querétaro (Mexico)	23
Asia	
Shanghai (China)	1,021
Yingkou (China)	644
Nanning (China)	402
Nanping (China)	333
Taipei (Taiwan)	200
Other/rest of world	
Dandenong (Victoria, Australia)	73
Morrinsville (New Zealand)	29
Umbogintwini (South Africa)	28
Midrand (South Africa)	22

As of December 31, 2011.

Market positions 2011

Product	Application	Global ranking ¹⁾	Capacity in metric tons p.a.
Consumer Specialties			
Fat chemistry, quaternary derivatives	Fabric softeners	1	⁵⁾
Amphoteric surfactants	Shampoos, shower gels	1	⁵⁾
Ceramides, phytosphingosines	Cosmetics	1	⁵⁾
Skin cremes	Professional skin protection	2–3	⁵⁾
Organically modified silicones	Additives for polyurethane foams, cosmetics, radiation-cured separation coatings	1–2	80,000
Superabsorbents	Diapers, feminine hygiene products, incontinence products, technical applications	1–2	470,000
Health & Nutrition			
Exclusive synthesis	Intermediates and active substances for pharmaceuticals and specialty applications	2	⁵⁾
Pharmaceutical polymers	Drug-delivery systems, e. g. tablet coatings	2	⁵⁾
Amino acids and amino acid derivatives	Pharmaceutical intermediates and infusion solutions	3	⁵⁾
DL-methionine	Animal nutrition	1	360,000
Threonine	Animal nutrition	3	35,000
Tryptophan	Animal nutrition	3	⁵⁾
Inorganic Materials			
Organosilanes, chlorosilanes	Rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers, photovoltaics	1 ³⁾	270,000
Fumed silicas, fumed metal oxides	Silicone rubber, paints and coatings, adhesives, sealants and plastics, pharmaceuticals, cosmetics, high-temperature insulation, electronics	1	500,000
Precipitated silicas	Binders for fuel-saving tires ("green tires"), battery separators	1	
Matting agents	Additives for the paints and coatings industry	2 ⁴⁾	
Precious metal powder catalysts	Life sciences and fine chemicals	1	
Activated nickel catalysts	Life sciences and fine chemicals, industrial chemicals	3	⁵⁾
Coatings & Additives			
Organically modified silicones	Additives for paints and printing inks	2	⁵⁾
Polyester resins	Can- and coil coating	1	31,000
Isophorone chemistry	Environment-friendly coating systems, high-performance composites (crosslinkers)	1	⁵⁾
Oil additives	Viscosity index improvers	1	⁵⁾
Thermoplastic and reactive methacrylate resins	Binders for paints and coatings	1–2	⁵⁾

Product	Application	Global ranking ¹⁾	Capacity in metric tons p.a.
Performance Polymers			
Polyamide 12	High-performance specialty polymer applications (e.g. automotive, medical, sport, gas and offshore pipelines)	1	⁵⁾
Methacrylate monomers	Dispersions, coatings, plastics, additives, adhesives, optical lenses	1–2	⁵⁾
Methacrylate polymers (PMMA molding compounds and PMMA semi-finished products)	Construction materials for the automotive and electrical/electronics industries, specialty medical technology, architecture, design and communications applications	1–2	390,000
PEEK	Special applications in the oil and gas, automotive and aviation industries, electronics/semiconductors, specialty medical technology (e.g. implants)	2	500
Advanced Intermediates			
Alcoholates	Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications	1	>200,000
Cyanuric chloride	Crop protection and industrial applications (e.g. optical brighteners)	1	115,000
Hydrogen peroxide	Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane	2	650,000
Butene-1	Co-monomer for polyolefins	1 ²⁾	235,000
Isononanol	High-molecular plasticizers	2	340,000
DINP	High-molecular plasticizers	2	220,000

¹⁾ Evonik's assessment based on various individual market reports/information and in-house market research.

²⁾ Freely traded volumes.

³⁾ Chlorosilanes: freely traded volumes. Overall assessment—market position differs depending on application.

⁴⁾ Ranked second by volume and first by sales.

⁵⁾ No data available.

Major shareholdings¹⁾

Name of company	Registered office	Shareholding in %
Consolidated subsidiaries		
Germany		
CyPlus GmbH	Hanau	2) 100.00
Evonik Degussa GmbH	Essen	2) 100.00
Evonik Goldschmidt GmbH	Essen	2) 100.00
Evonik Litarion GmbH	Kamen	100.00
Evonik Oxeno GmbH	Marl	2) 100.00
Evonik RohMax Additives GmbH	Darmstadt	2) 100.00
Evonik Röhm GmbH	Darmstadt	2) 100.00
Evonik Services GmbH	Essen	2) 100.00
Evonik Stockhausen GmbH	Krefeld	2) 100.00
Evonik Tego Chemie GmbH	Essen	2) 100.00
hanse chemie AG	Geesthacht	100.00
Infracor GmbH	Marl	2) 100.00
Li-Tec Battery GmbH	Kamen	50.10
Vivawest GmbH	Essen	100.00
Other countries		
Evonik Cyro LLC	Parsippany (New Jersey, USA)	100.00
Evonik Degussa Antwerpen N.V.	Antwerp (Belgium)	99.99
Evonik Degussa Brasil Ltda.	São Paulo (Brazil)	100.00
Evonik Degussa Canada Inc.	Burlington (Canada)	100.00
Evonik Degussa (China) Co., Ltd.	Beijing (China)	100.00
Evonik Degussa Corporation	Parsippany (New Jersey, USA)	100.00
Evonik Degussa Japan Co., Ltd.	Tokyo (Japan)	100.00
Evonik Monosilane Japan Co., Ltd.	Tokyo (Japan)	100.00
Evonik Oxeno Antwerpen N.V.	Antwerp (Belgium)	100.00
Evonik RohMax USA, Inc.	Horsham (Pennsylvania, USA)	100.00
Evonik Stockhausen LLC	Greensboro (North Carolina, USA)	100.00
Nippon Aerosil Co., Ltd.	Tokyo (Japan)	80.00
Joint ventures (recognized at equity)		
Germany		
StoHaas Monomer GmbH & Co. KG	Marl	50.00
THS GmbH	Essen	50.00
Associated companies (recognized at equity)		
Germany		
STEAG GmbH	Essen	49.00

¹⁾ A full list of companies included in the consolidated financial statements can be found in the Annual Report 2011.

²⁾ Utilizes the exemptions permitted under Sections 264 Paragraph 3 and 264 b of the German Commercial Code (HGB).

Awards and accolades 2011

Category	Awards and accolades	Presented by
Products		
Evonik Industries AG	ÖkoGlobe 2011 environmental award First Prize in the "Ecological Concept Car" category	ÖkoGlobe Institute of the University of Duisburg-Essen (Germany)
Consumer Specialties (Baby Care/STOCKOSORB®)	Responsible Care Award in the "Large Companies" category	European Chemical Industry Council (Cefic)
Consumer Specialties (Personal Care)	The China Personal Care & Cosmetics Innovation Awards 2011	Reed Sinopharm Exhibitions & Ringier Trade Media
Coatings & Additives Inorganic Materials	Technology Innovation Award 2011 for Coatings Industry	Ringier Trade Media
Coatings & Additives Inorganic Materials	1st Place in the "Silicas" and "Tintometric Systems – Colorants" categories	Paint & Pintura
Advanced Intermediates (Agrochemicals & Polymer Additives)	Ringier Food & Beverage Technology Innovation Award	Ringier Trade Media
Employees		
Evonik Industries AG (Evonik Degussa (China) Co., Ltd.)	China's Top Employer 2011	Corporate Research Foundation (CRF) Institute
Awards from customers		
Health & Nutrition	Frost & Sullivan Europe Customer Service Leadership Award 2011	Frost & Sullivan
Inorganic Materials (Functional Silanes)	Supplier of Excellence Award	Jushi Group
Consumer Specialties (Household Care/Baby Care)	Supplier of Excellence	Procter & Gamble
Coatings & Additives (Evonik RohMax USA, Inc.)	Superior Service & Support Award	Idemitsu Lubricants America Corporation
Performance Polymers (Acrylic Polymers)	Outstanding Supplier Award 2011	BYD Company Limited
Advanced Intermediates (Performance Intermediates)	Supplier of the Year	Tarkett
Other		
Evonik Industries AG (Mergers & Acquisitions Legal)	JUVE Award – Inhouse Team of the Year for M&A	JUVE Verlag
Evonik Industries AG (Creavis Technologies & Innovation)	Science-to-Business Center in Marl honored as "Location of Progress"	Ministry of Innovation, Science and Research of North Rhine-Westphalia (Germany)
Rhine-Main Training Center (Worms production site)	1st place for the introduction and concept of introducing the role of safety apprentices in training and education	German Chemical Industry Association (VCI) in Rhineland- Palatinate (Germany)

Membership of networks and initiatives



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



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



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



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



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

About this report

Evonik's Corporate Responsibility Report 2011

This is Evonik's fourth full Corporate Responsibility (CR) report and it continues the tradition of reporting introduced by the companies from which it was formed. The reporting period is the 2011 fiscal year (January 1 to December 31, 2011). The report was written to give our customers, employees, owners and the general public insights into the way we run our business and live our values. The CR Report focuses on ecological and societal issues, supplementing the Annual Report for 2011. The next report will be published in 2013.

Method

In 2011, we continued the systematic analysis of responsible conduct of relevance to Evonik that had been started in the previous year and also conducted a stakeholder survey. The results of these activities are incorporated in this report.

This report follows the current G.3.1 guidelines of the Global Reporting Initiative (GRI) and focuses on reporting core indicators. It addresses all standard information and core indicators required by GRI. We have provided background information and verifiable performance indicators where necessary.

The GRI has checked the report for adherence to its sustainability reporting guidelines and has confirmed successful application of Level A+ throughout this report. This report also represents the progress report of Evonik for the UN Global Compact.

Scope of reporting and data capture

Evonik Industries AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). Alongside Evonik Industries AG, the consolidated financial statements include all material German and foreign subsidiaries that are directly or indirectly controlled by Evonik Industries AG. Material associated companies and joint ventures are recognized at equity if Evonik is able to exert a significant influence. Initial consolidation or deconsolidation takes place as of the date on which the company gains or loses control. In fiscal 2011, the Evonik Group comprised 79 German and 120 foreign companies. The reporting concentrates on continuing operations.

In 2011, we compiled relevant data on working hours, employee rights, social benefits, diversity, equal opportunities, and work-life-balance in the continuing operations using the HR Information Collector software from Cundus AG.

The ecological data for the core specialty chemicals business in 2011 comprise emissions and consumption data at 99 production sites in 26 countries and thus cover about 95 percent of total output.

Occupational safety data include other small production and non-production sites, so the data here cover 139 locations in 35 countries.

All data for our core specialty chemicals business are compiled with sustainability reporting software designed for this purpose (SuRe). The reporting segments reflect Group and business unit interests in order to provide a detailed picture of production activities. In some cases, data are reported at plant level to ensure this. All reporting segments are clearly coded to allocate them to organizational and business units and geographical regions. This allows for consolidation at the management and legal-entity level as well as a detailed geographical analysis of the data.

Major acquisitions/divestments of relevance for ESH in 2011

Following the divestment of 51 percent of shares in STEAG to a German municipal utilities consortium effective March 2, 2011, the environmental impact of the Evonik Group is now dominated by the emissions and consumption data of its chemicals operations. Evonik Carbon Black GmbH was divested effective July 29, 2011, and of the 16 carbon black production sites, only the site in Qingdao (China) remained within the scope of consolidation. Evonik and Dalian Kionge Group Co. Ltd. of Dalian (China) signed an agreement on the sale of shares in the subsidiary Evonik Lynchem Co. Ltd., Dalian on May 30, 2011. Evonik acquired the hanse chemie Group from a vendor consortium on May 12, 2011. This company supplies products for specialty silicone applications. In the United States, Evonik also acquired SurModics Inc., Eden Prairie (Minnesota) and SurModics Pharmaceuticals Inc., Birmingham (Alabama) on November 17, 2011. With an asset deal effective November 30, 2011, Evonik took acquired the hydrogen peroxide business of Kemira Chemicals Canada Inc. of Maitland (Ontario, Canada), through an asset deal.

Other changes in the scope of reporting and the remaining portfolio adjustments did not have a significant impact on emissions and consumption data in the ESH report for 2011.

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 the Group's stake in them.

Impact of acquisitions/divestments on the 2011 ESH indicators

The environmental impact of the carbon black activities was included in the Evonik's ESH data for 2011 to the time of divestment, i.e. from January to July. As a result, Evonik's environmental indicators for the period August to December 2011 were proportionately lower than in the same period of 2010. This is evident in many individual indicators. For example, emissions into the air fell significantly compared to the previous year.


The emissions and consumption data for hanse chemie and the acquisitions made in the fourth quarter of 2011 will be included in the ESH data for 2012. Occupational safety indicators for some of the business operations acquired were consolidated in 2011.

Updated data

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

If the English version of this report differs from the German version, the statements and phrasing of the original German copy shall prevail.

External review

The sections "Success stories 2011," and "CR Strategy," together with selected data in the CR Performance section were subject to a limited assurance engagement by PricewaterhouseCoopers AG (PwC) (labeled with ). The corresponding independent assurance report is included on pages 114–115.

GRI statement



Statement GRI Application Level Check

GRI hereby states that **Evonik Industries AG** has presented its report "Responsibility leads to success." (2011) to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

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

Amsterdam, April 10th 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



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

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on April 2nd 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI index and UN Global Compact

More Information about GRI and the UN Global Compact can be found online at www.globalreporting.org and www.globalcompact.org.

Global Compact Principle	GRI Indicator		Page	Reporting status
Strategy and Analysis				
	1.1	Foreword by the Chairman of the Executive Board	1–4	Fully
	1.2	Description of key impacts, risks and opportunities	29–37	Fully
	2.1–2.10	Organizational profile, markets, structures, data and facts	101–108	Fully
	3.1–3.4	Report parameters	109, 116	Fully
	3.5–3.13	Report content, limitations, verification	30–32, 109–110, 112–115	Fully
	4.1–4.7	Corporate Governance	31, 51, Annual Report 2011: 180–195	Fully
	4.8–4.13	Obligations and commitment	40–47, 51, 60–62, 96–97, 108, Annual Report 2011: 161–167, 188–191	Fully
	4.14–4.17	Stakeholders	33–35, CR–Report 2009: 25–26	Fully
Economic Performance Indicators				
		Management Approach	52–60, 94–97, 104–105	Fully
	EC1	Economic value generated/distributed	54	Fully
7	EC2	Implications of climate change	2–4, 30–34	Fully
	EC3	Pension plans (defined benefit plans)	68, Annual Report 2011: 136–140	Fully
	EC4	Government assistance	56	Fully
	EC6	Business policy/practices	96	Fully
6	EC7	Hiring procedure	64, 74	Fully
	EC8	Investment for public benefit	94–96	Fully
Environmental Performance Indicators				
		Management Approach	44–46, 77–93	Fully
8	EN1	Materials by weight/volume	79	Fully
8, 9	EN2	Recycled inputs		Not reported ¹⁾
8	EN3–EN4	Energy consumption: direct and indirect	83	Fully
8	EN8	Water withdrawal	88	Fully
8	EN11–EN12	Biodiversity	89–90	Fully
7, 8, 9	EN16–EN20	Emissions	81, 84	Fully
8	EN21	Wastewater	89	Fully
8	EN22	Waste	86–87	Fully
8	EN23	Substance releases	91–93	Fully
7, 8, 9	EN26	Reducing environmental impact	36–37, 77–79	Fully
8, 9	EN27	Reclaimed packaging	87	Fully
8	EN28	Non-compliance with environmental regulations		Not reported ²⁾

Global Compact Principle	GRI Indicator		Page	Reporting status
Social Performance Indicators				
Labor Practices and Decent Work				
		Management Approach	10–13, 63–76	Fully
6	LA1–LA2	Workforce	64–66, 69	Fully
6	LA15	Return to work and retention rate after parental leave, by gender	72	Fully
1, 3	LA4–LA5	Employee representatives/Collective bargaining agreements	70	Fully
1	LA7–LA8	Occupational safety	75–76	Fully
	LA10	Training and education	71	Partially ³⁾
1, 6	LA13	Employee structure	51, online: http://corporate.evonik.com/en/company/management/pages/default.aspx	Fully
1, 6	LA14	Ratio of basic salary men/women	69	Fully
Human Rights				
		Management Approach	36–39, 42–43, 47, 64, 67, 69, 70, 91–93	Fully
1, 2, 3, 4, 5, 6	HR1	Key investment agreements		Not reported ⁴⁾
1, 2, 3, 4, 5, 6	HR2	Screening of suppliers/contractors	37–39	Fully
1, 2, 6	HR4	Discrimination	69	Fully
1, 2, 3	HR5	Risk to freedom of association	37–39, 69	Fully
1, 2, 5	HR6	Risks and countermeasures against child labor	37–39, 67	Fully
1, 2, 4	HR7	Risks and countermeasures against forced and compulsory labor	37–39, 64	Fully
1, 2	HR10	Assessment: Percentage of total number of operations that have been subject to human rights reviews and/or impact assessments	37–39, 64, 67, 69	Fully
1, 2	HR11	Remediation: Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	37–39, 64, 67, 69	Fully
Society				
		Management Approach	44–46, 51–52, 94–97	Fully
	S01	Impact on communities	96	Fully
1–10	S09	Local Community: Operations with significant potential or actual negative impacts on local communities	51–52, 89–93	Fully
1–10	S010	Local Community: Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	51–52, 89–93, Annual Report 2011: 63–68	Fully
10	S02	Corruption: business units analyzed	45, 51–52, CR–Report 2010: 31, Annual Report 2011: 66	Fully
10	S03	Corruption: employees trained	52	Fully
10	S04	Corruption: action taken	51	Fully
1–10	S05	Public policy positions	96–97	Fully
	S08	Legal compliance: fines/sanctions		Not reported ²⁾

¹⁾ Our intelligent linking of production plants along value-enhancing chains often makes it possible to use by-products from one plant as starting products for another plant. Moreover, many of the raw materials we use are not available as recycled input materials.

²⁾ If there are risks arising from litigation and other claims, these are disclosed in the consolidated financial statements in our Annual Report.

³⁾ At the moment our data covers Germany only. We plan to report fully from 2015.


⁴⁾ As a member of the Global Compact, we strive to contribute to the protection and promotion of human rights within our spheres of influence. The exact number of our investment agreements is confidential business-relevant information which is therefore not reported.

Independent Assurance Report

To Evonik Industries AG, Essen

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of the chapters "Success stories 2011," "CR Strategy" and selected information in the chapter "CR Performance" of the Corporate Responsibility Report 2011 "Responsibility leads to success: how we combine economic, ecological and social action." and issued an independent assurance report, authoritative in German language, which has been translated by Evonik Industries AG as follows:

We have been engaged to perform a limited assurance review on the information in the chapters "Success stories 2011," "CR Strategy" and selected information in the chapter "CR Performance" of the Corporate Responsibility Report 2011 "Responsibility leads to success: how we combine economic, ecological and social action."

The selected data is indicated in the report by the symbol . Information that refers to sources outside of the CR Report, or to which there is a link in the report, was not a subject of our engagement.


Management's responsibility

The Executive Board of Evonik Industries AG is responsible for the preparation of the CR Report using the criteria set forth in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7–17) of the Global Reporting Initiative (GRI):

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



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

Practitioner's responsibility


Our responsibility is to express a conclusion based on our work as to whether any matters have come to our attention that cause us to believe that the disclosures in the "Success stories 2011" and "CR Strategy" or the data in the chapter "CR Performance" chapters of the CR report indicated by the symbol  have, in any material respects, not been prepared in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7–17) of the GRI. We were also engaged to offer recommendations for the further development of CR management and CR reporting on the basis of the results of our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with the ethical requirements of our profession and that we plan and perform the assurance engagement so as to be able to express our conclusion with limited assurance. In a limited assurance engagement, the evidence-gathering procedures are more limited than in a reasonable assurance engagement (for example an audit of annual financial statements in accordance with section 317 of the German Commercial Code (HGB)), so that less assurance is obtained than in a reasonable assurance engagement.

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

- Interviews with the management and employees responsible for reporting CR information and for preparing the CR report as well as employees from individual fields of specialization;
- Examination of the processes used for CR management, selecting topics and report preparation;
- Examination of the structures and effectiveness of the relevant systems and processes used to gather and analyze the data indicated by the symbol ;
- Site visits to the corporate head office in Essen and to Evonik Stockhausen LLC, Greensboro/USA; Evonik Degussa Corporation, Parsippany/USA; Evonik Industries AG, Rheinfelden/Germany; Evonik Industries AG, Herne/Germany, as well as location-specific interviews and data collection;
- Collection of random samples as selected evidence for the accuracy of the data indicated by the symbol ;
- Evaluating the consistency of the statements made in the CR Report with our findings from our work with respect to the areas included in the limited assurance engagement.

Conclusion

Based on our limited assurance review, no matters have come to our attention that cause us to believe that the disclosures in the chapters "Success stories 2011" and "CR Strategy" or the data in the chapter "CR Performance" of the CR report indicated by the symbol  have, in any material respects, not been prepared in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol. 3.1 (pp. 7–17) of the GRI.

Additional remarks and recommendations

Without qualifying the conclusions from our limited assurance engagement, we express the following recommendations for the further development of CR management and CR reporting:

- The long-term quantitative CR targets should continue to be updated.
- As further developments of the CR Strategy are completed, they should be discussed in future CR communications.
- CR reporting should increasingly respond to stakeholder feedback.
- Consideration should be given to the possibility of mid-year data collection to strengthen control and management options.

Düsseldorf, April 23, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Bröcher
 German Public Auditor

ppa. Nicole Kummer

Credits

Published by

Evonik Industries AG
Rellinghauser Straße 1–11
45128 Essen
Germany
www.evonik.com

Contact

Issues Management

PHONE +49 201 177-3831

FAX +49 201 177-2908

Corporate Responsibility

PHONE +49 201 177-3327

FAX +49 201 177-3322

cr@evonik.com

Concept, design and production

XEO – Energy for Brands, Düsseldorf (Germany)

Photographs

Dirk Bannert

Karsten Bootmann

Hartmut Idzko

Benno Kraehahn

Christian Lord Otto

Frank Preuß

Markus Schmidt

Fotofinder

Getty Images

istockphoto

Mauritius

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Evonik Industries AG

Rellinghauser Straße 1–11

45128 Essen

Germany

www.evonik.com

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