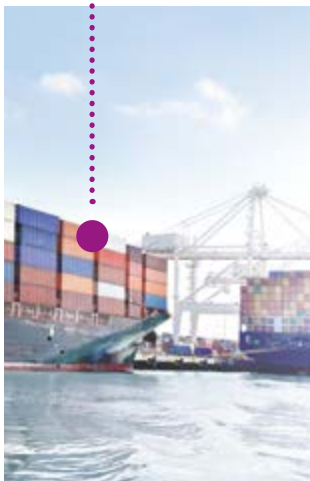


# HERE WE ARE!

## SUSTAINABILITY REPORT 2013

● Business



● Employees



● Environment



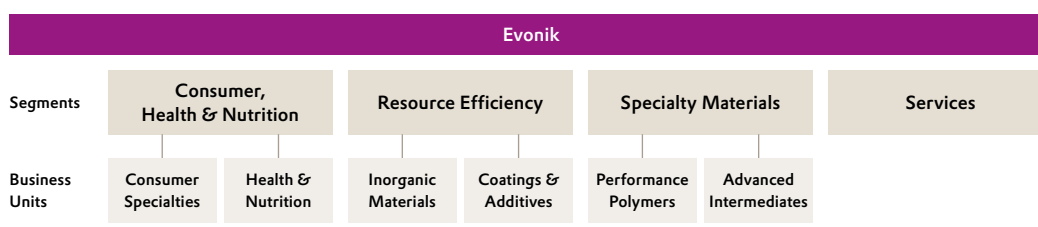
● Society



**EVONIK**  
INDUSTRIES

# The company at a glance

## C01 Corporate structure



## T03 Employees <sup>a</sup>

	2012	2013
Number of different nationalities represented at Evonik	Not reported	94
Average age of employees	41.3	41.3
Percentage of female employees	approx. 24	approx. 24
Employees hired from the labor market	2,539	2,218
Vocational training ratio in Germany in %	approx. 9	approx. 9

<sup>a</sup> Continuing operations.

## T04 Safety and health protection

	2012	2013
Accident safety <sup>a</sup> Number of work-related accidents involving Evonik employees and contractors' employees under the direct supervision of Evonik per 1 million hours worked	1.4	0.9
Incident frequency Number of incidents per 1 million working hours in the production facilities operated by the business units, taking 2008 as the reference year (reference base = 100 points).	46	50

<sup>a</sup> Continuing operations.

## T05 Status of our environmental targets

	2012	2013	Target for 2020
Change in % compared with 2012			
Specific greenhouse gas emissions	100	94 <sup>a</sup>	88
Specific water consumption	100	95 <sup>a</sup>	90

<sup>a</sup> Temporary effects in the energy supply area as a result of production shutdowns and portfolio adjustment effects.

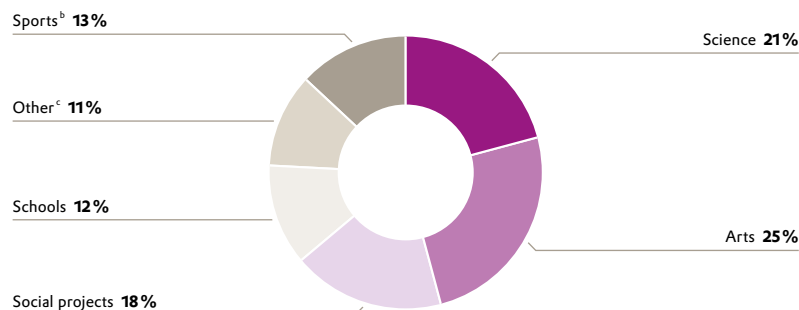
## C02 Sustainability management at Evonik



## T06 Supplier management

	2012	2013
Purchased raw materials and supplies in % of total procurement volume	60	63
Renewable raw materials in % of total raw material inputs	9	8
Number of suppliers selected for assessment as potential risk candidates	213	216
Percentage of suppliers that failed to meet Evonik's requirements	1	1

## C03 Donations and sponsorship of public projects in 2013<sup>a</sup> ✓



<sup>a</sup> Expenditures by the Corporate Center, business units and Innovation Management. Total: approx. €7.1 million.

<sup>b</sup> Excludes sponsorship of the Borussia Dortmund soccer club.

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

# Key data at a glance

## T01 Key business data

in € million	2009	2010	2011	2012	2013
Sales	10,518	13,300	14,540	13,365	12,874
Adjusted EBITDA <sup>a</sup>	1,607	2,365	2,768	2,467	2,007
Adjusted EBITDA margin in %	15.3	17.8	19.0	18.5	15.6
Adjusted EBIT <sup>b</sup>	868	1,639	2,099	1,887	1,424
ROCE <sup>c</sup> in %	7.7	15.0	18.7	20.4	14.5
Net income	240	734	1,011	1,165	2,054
Earnings per share in €	0.52	1.58	2.17	2.50	4.41
Adjusted earnings per share in €	–	2.09	2.70	2.31	1.78
Total assets as of December 31	18,907	20,543	16,944	17,166	15,898
Equity ratio as of December 31 in %	27.6	29.1	35.8	31.9	43.1
Cash flow from operating activities	2,092	2,075	1,309	1,420	1,083
Capital expenditures <sup>d</sup>	569	652	830	960	1,135
Depreciation and amortization <sup>d</sup>	712	694	647	580	577
Net financial assets/debt as of December 31	–3,431	–1,677	–843	–1,163	552
Employees as of December 31	33,861	34,407	33,556	33,298	33,650

Figures for 2009 and 2010 contain the former Energy segment as a discontinued operation.

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

<sup>a</sup> Adjusted EBITDA = Earnings before interest, taxes, depreciation and amortization; after adjustments.

<sup>b</sup> Adjusted EBIT = Earnings before interest and taxes; after adjustments.

<sup>c</sup> Return on capital employed.

<sup>d</sup> Intangible assets, property, plant, equipment and investment property.

## T02 Key environmental data

	2009	2010	2011	2012	2013
Greenhouse gas emissions in thousand metric tons CO <sub>2</sub> equivalents	10,188.5	11,320.3	10,833.7	9,090.0	8,800.3
Energy inputs in petajoules	82.98	90.47	92.62	89.48	86.03
Output in million metric tons	9.26	10.61	10.35	9.71	10.06
Operating costs for environmental protection in € million	259	264	251	251	250
Investment in environmental protection in € million	43	36	48	39	29
Waste in thousand metric tons <sup>a</sup>	400	458	551	515	489
Water intake in million m <sup>3</sup>	337.4	328.8	310.0	297.1	292.9

<sup>a</sup> Prior-year figures restated due to changes in waste legislation.

HERE WE ARE!—FINDING INNOVATIVE SOLUTIONS THAT HELP TO MAKE LIVES MORE HEALTHY, COMFORTABLE, AND ENVIRONMENTALLY SUSTAINABLE. SUSTAINABILITY IS PART OF EVONIK'S CORPORATE PHILOSOPHY, AND IT IS DEEPLY ROOTED IN OUR DNA THROUGH THE THREE STRATEGIC PILLARS OF GROWTH, EFFICIENCY AND VALUES. THOSE WHO TRULY TAKE ON RESPONSIBILITY ARE THE ONES WHO KEEP A CLOSE WATCH OVER THEMSELVES AND THEIR PRODUCTS AND PROCESSES. THEY CONSTANTLY MONITOR THE RESULTS OF THEIR ACTIONS THROUGHOUT THE VARIOUS PHASES OF THEIR PRODUCTS' LIFE CYCLES. AS A COMPANY, WE WANT TO GROW SUSTAINABLY AND WORK FOR AND WITH OUR CUSTOMERS TO FIND SOLUTIONS FOR THE URGENT ISSUES THAT ARE SHAPING OUR FUTURE.

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Klaus Engel, Chairman of the Executive Board



Thomas Wessel, Chief Human Resources Officer

## Dear readers,

According to the prognoses of the WWF Living Planet Report 2012 on the health of the earth, in the year 2030 we will need two earths. That's because, on a worldwide average, the human race already consumes twice the amount of resources that the planet can renew every year. That's an idea that should give us pause—and also inspire us to develop products that make a noticeable contribution to sustainability and are themselves produced sustainably.

Sustainability is part of our corporate philosophy and is firmly anchored in our DNA. In order to remain competitive in line with this philosophy over the long term, we need innovations, investments, and growth. As a chemicals company, we are also aware of our responsibility to combine economic success with social justice and environmental compatibility. We want to grow sustainably and find solutions for the urgent issues that are shaping our future.

Those who truly take on responsibility are those who keep a close watch over themselves and their products and processes. Some time ago we set long-term environmental targets for ourselves for the period between 2004 and 2014, and we've reached these targets two years earlier than expected. However, we're not going to be content with this success. We've set ourselves new and challenging targets for the period between 2013 and 2020: We aim to decrease our specific greenhouse gases by a further 12 percent and our specific water consumption by ten percent.

A supply of raw materials is essential for a manufacturing company. In many countries all over the world, economic development has caused the demand for raw materials to grow by leaps and bounds. At the same time, companies as well as end consumers are increasingly basing their



purchasing decisions on the documented sustainability and environmental compatibility of the supply chain. That's why we have joined together with other leading chemicals companies to establish the initiative "Together for Sustainability." Its goal is to improve sustainability along the supply chain by setting shared environmental and social standards. It also aims to increase transparency and efficiency and to optimize the environmental and social standards of our suppliers in a targeted way.

Sustainability plays an important role for our customers. They expect the products and technologies they receive from us to comply with high environmental and social standards while also being cost-efficient. By developing constantly improved solutions, we are strengthening the trust our customers place in us. For example, we have proved through certified lifecycle assessments that the addition of amino acids to animal feed not only provides balanced nutrition but also saves resources and the environment. Another example is the CAREtain toolbox. This platform documents approximately 25 environmentally relevant characteristics of the most important cosmetics ingredients produced by Evonik and thus gives the cosmetics industry new options for formulating their products.

All over the world, Evonik makes sure that the operation of our production plants is safe and free of incidents—for the sake of our employees as well as our neighbors and the environment. We have reduced our plants' material emissions and energy releases by 50 percent since 2008. The number of work-related accidents and days lost through sickness has decreased by 90 percent since 2000. Those are very good values, but every work-related accident and every release of material emissions is one too much. We therefore launched the initiative "Safety at Evonik" in 2013.

As a member of the Global Compact of the United Nations, we have committed ourselves to make its ten principles the guidelines of our work. Many initiatives of our production locations and our employees are also helping to boost the social acceptance of Evonik. As a good neighbor, we regularly open the gates of our facilities to visitors participating in guided tours and "open house" days. Many of our employees volunteer for socially beneficial activities in their neighborhoods. For example, in Thailand they clean up local beaches, in Brazil they help socially disadvantaged young people, and in Germany they support a workshop for handicapped people.

These examples show that Evonik can truly say "Here we are!" when responses to economic, environmental, and social challenges are called for. We only have this one earth, and we want to do our share to increase our quality of life and improve sustainability for all the people on this planet.



Klaus Engel, Chairman of the Executive Board



Thomas Wessel, Chief Human Resources Officer



## Globalization of responsibility

*Evonik aims at producing and purchasing goods in a socially and environmentally responsible manner worldwide. That's why the company is working together with other chemical firms to efficiently assess all suppliers according to a common standard.*

Evonik is making the supply chain more transparent.



*"We make it easier for our buyers to talk about sustainability in their daily dealings with the suppliers."*

Dr. Gerrit Schneider,  
Head of Sustainability in Procurement  
at Procurement Strategy

### Sustainability spreads around the world

The globalization process has dramatically accelerated in recent years, causing the global export volume to grow more than 300-fold within two generations. The growing prosperity of hundreds of millions of people is inextricably linked with the increasing international division of labor. Evonik is part of this development as well as one of its driving forces. The Essen-based specialty chemicals company operates in more than 100 countries worldwide and now generates three fourths of its sales outside Germany. This growth is also causing Evonik to bear more responsibility worldwide. Evonik is working together with seven leading chemical companies to promote the ambitious Together for Sustainability initiative, which aims at ensuring sustainability and establishing universally valid standards along the supply chain in order to protect people and the environment.





### Giving the green light

"We use the scorecard to determine how sustainable a supplier is," explains Dr. Gerrit Schneider, who heads the Sustainability@Procurement team.

"The scores a company gets shows us whether it meets international standards and how it compares with other businesses in the sector." Evonik set a good example by becoming one of the first companies to be assessed. The results showed that "we rank third in sustainability among the chemical companies that have been tested to date," says Schneider.

Evonik ensures transportation safety.



### Pioneering work behind the scenes

Ingrid de Wilde is in demand whenever chemicals have to be transported from one place to another. She knows the regulations, safety requirements, and specifications for tanks and containers like the back of her hand. Furthermore, her decades of experience have made her an expert regarding more than just transport safety. She also represents the sector association at the International Maritime Organisation in London, where she gives presentations to 600 delegates. She is also a much sought-after advisor for difficult cases in particular.

At Evonik, her office is located in the Marl Chemistry Park. Her job title is Senior Manager Procurement Chemicals, and her mission is to promote safety and sustainability along the entire supply chain. "Today the work involves more than just ensuring safe transportation," she says. "We want to commit our suppliers to uphold the same high standards as we do, and we want to check whether these standards are actually met."

To ensure that this task is organized more efficiently and effectively on a daily basis, eight of Europe's largest chemical companies recently banded together to form the Together for Sustainability (TfS) initiative. In the future the initiative will help AkzoNobel, BASF, Bayer, Clariant, Evonik Industries, Henkel, Lanxess, and Solvay to standardize, and thus simplify, the inspection of their suppliers. As a result, a supplier that has already demonstrated its sustainability within the supply chain to one of the participating companies won't have to be closely examined again by the other TfS members.

The benefits will be considerable, since Evonik's supplier list alone encompasses tens of thousands of companies, ranging from major energy corporations to raw materials suppliers and providers of technical services. "Each sector has its own special questionnaire with up to 50 questions," explains de Wilde. "The suppliers are asked to provide detailed information about working conditions, safety precautions, anti-corruption measures, accident figures, and much more beyond." However, answering the questions alone isn't enough, because all of the replies have to be backed up by written documentation or corresponding certificates. If these assessments reveal any irregularities or discrepancies, a corrective action plan is drawn up. The offending supplier has to implement this plan in order to rectify the failings. An independent organization can later audit the company to check the results.

"We first examine suppliers from regions with below-average living standards and anti-corruption measures," explains de Wilde. The selection criteria used here include the indexes and standards of independent organizations such as Transparency International, the International Labour Organization, and the United Nations. Suppliers that deliver especially critical raw materials are automatically assessed as well. One of these raw materials is palm oil, the production of which should be sustainable. Other critical resources include minerals such as gold, tin, tantalum, tungsten, and their compounds if they are mined in African conflict areas, such as the Congo region.

● Ingrid de Wilde ensures that safety standards are adhered to along the entire supply chain.





€8.5

**billion** is the approximate amount of Evonik Industries' annual procurement volume. You can find out more about the use of raw materials on page 96.

● Corinna Lied employs the common TfS test standards to look for the best suppliers.



Ingrid de Wilde's colleague Corinna Lied demonstrates how much work it takes to examine companies down to the last link of the supply chain. In 2013 Lied was named Manager Sustainability @ Procurement. In this position she processes a huge amount of data once a year. Lied uses de Wilde's criteria to select candidates for the supplier assessment from an Excel file containing far more than half a million items of data. Thanks to TfS, she is also helping to organize this work more efficiently in the future. "Because practically all major companies ask their suppliers about their corporate responsibility activities nowadays, the suppliers have to repeatedly answer the same questions and provide the same documentation," explains Lied. TfS aims at making this work easier in the future.

Although it might sound simple, it's actually not that easy to organize. On the one hand, uniform criteria and standards are needed, but on the other, competitiveness has to be maintained and therefore confidential data regarding supply contracts, specifications, and prices must be reliably protected against access by the other partners. In order to guarantee this an independent CR rating agency in France has been engaged which provides the participating companies with the suppliers' final scores only. The number of points a supplier has on the scorecard reveals how sustainable its operations are.

Recently Lied once again attended a two-day workshop at Bayer AG in Leverkusen. "With our partners we mainly talk about the necessary processes," she explains. "We want to know how the database should be set up, for example, as well as which data views and filter possibilities are best at making our daily work easier." It's not always easy to find answers to such issues for a single company, and doing so for eight doesn't make the task any simpler. But according to Lied, "It's really interesting to see that my colleagues are also committed to this task and that some great ideas have come up." Now that the pilot phase has come to a successful conclusion, the TfS initiative has passed its first big test with flying colors. The first scorecards have been issued and additional companies have expressed their interest in joining TfS. They are warmly welcomed, since the more companies take part in the initiative, the larger the economies of scale will be and the more everyone will benefit from standardization. "The work hasn't gotten any easier yet," says Lied. "Before this can happen, we first have to work behind the scenes to create the processes that are needed. However, it's exciting to be part of this pioneering work."







## Safety is our top priority

*At Evonik, safety takes priority over sales and earnings. Evonik's exemplary standards are anchored in a culture of safety that is shared by all employees—worldwide.*

A new plant in Singapore:  
From the beginning, the  
focus here has been on  
"Safety at Evonik."

### Safe from the very beginning

A dense and dizzying array of pipes runs through Singapore's Jurong Island. Located just off the coast of the bustling city-state, this small piece of land is the heart of Singapore's chemical industry. Around 100 international chemical companies have set up shop in the island's chemical park, which is considered one of the most modern facilities in the world. In the second half of 2014, a new Evonik plant is set to go into operation here. It will produce methionine, an essential amino acid used in animal feed. It's the largest chemical investment project in the Group's history, and it's keeping many Evonik employees very busy. That's because in addition to coordinating, planning, and implementing the project, the future workforce must be trained to operate the facility. The focus here is on safety—as it is everywhere at Evonik.



#### Apprentices learn to play it safe

Our apprentices start learning the rules regarding occupational health and safety during the very first days of training for their professional careers. We have established numerous safety initiatives at our sites in order to firmly anchor the theme of safety in the apprenticeship period. These apprentices in Hanau, for example, are members of a ten-person occupational safety group. In order to raise the safety awareness of their colleagues, the team has produced its own film about occupational safety. In addition, the team is working on improving employees' safety when they are traveling to and from work—for example, it has developed a bicycle checklist.

Dr. Paul Lambert is implementing Evonik's safety model in Singapore.



### More safety for everyone

The new employees at the production plant are natives of ten different countries. A large portion of the workforce had already been hired last year. Since then, these individuals have been completing an intensive training program. In addition, plant-operation managers are being trained at the existing methionine production facilities in Mobile, Antwerp, and Wesseling. The new employees need to be completely familiar with the facility and the company before the plant is put into operation for the first time. "That's especially true when it comes to our philosophy of occupational safety as well as Evonik's overall 'culture of safety,'" says Dr. Paul Lambert, who is responsible for the environment, health, and safety in Evonik's Health & Nutrition Business Unit. "The basis of these efforts is our Group-wide safety model 'Safety at Evonik.'"

Numerous employees all around the world were involved in developing the new safety model. This new set of standards is based on the findings of all the Environment, Safety, Health, and Quality (ESHQ) coordinators and the company's many safety experts. The experience of the employees was also taken into consideration. This information was collected at workshops and in a wide-ranging employee survey. The result of this process is a safety model that establishes concrete practical guidelines that are binding on all employees, regardless of hierarchy, Business Unit, region, and location.

"Safety has always had top priority at the company," says Dr. Rainer Kohlen, Head of Occupational and Plant Safety in the Corporate Environment & Responsibility Unit at Evonik. "This is reflected in the very low accident rate that we have had for years. So our safety systems are very good." Yet despite these factors, Kohlen and his team asked how safety at Evonik could be improved even more. Because today's company is the result of the merging of various corporate entities—each with long historical roots and its own facilities—many sites have developed their own standards. "These good local approaches have now become part of our Group-wide model," says Kohlen. "We deliberately didn't limit our focus to technical and organizational processes but also looked at the behavior of the employees." "The human factor plays a critical role," confirms Lambert. "At the end of the day, it's human behavior that determines the outcome in a given situation."

The new safety model will now be implemented for the first time in Singapore. "It's an ideal place for it," says Lambert. That's because many diverse cultures come together here. At the new plant, safety won't just be taught theoretically. In order for this topic to be firmly anchored in people's minds, Evonik has even produced a series of films that use impressive and emotionally charged images to increase safety awareness. For two thirds of the year Lambert, a native of the UK, travels around the world in order to talk to the people working at various Evonik facilities. "I'm convinced that the only way to ensure occupational health and safety is to work closely with our colleagues on site," he says.

● In Singapore, Evonik is teaching its employees about safety.



*"It's not enough to focus on technology and organization. We're already very good in these areas. Targeted changes in employee behavior can have a much bigger effect."*

Dr. Rainer Kohlen,  
Head of Occupational and Plant Safety,  
Evonik Industries

Margit Hahn, Senior Manager Global Process Safety, agrees. Hahn, a chemical engineer, inspects facilities and talks with the managers and employees on site in order to work out safety concepts together. Hahn heads the Global Process Safety Competence Center (GPSC), which was also established at the beginning of 2012 as part of the Group-wide initiative "Safety at Evonik." "Our goal is to develop a global safety standard for all of our facilities," she says.

Evonik's safety experts from around the world get together at regular meetings. For them, the most important thing is to learn from one another. After all, whether they're in Europe, Asia or America, Evonik sites worldwide have established exemplary processes and safety systems that could serve as best practice examples for others. "When it comes to safety, we want to learn from one another and be good examples for each other, so that our company will become even safer in the future," says Hahn.



Margit Hahn develops global safety standards for company facilities.



**work-related accidents** is the long-term goal at Evonik. Today that figure has reached one work-related accident per million labor hours—the lowest level in the company's history.





## Natural beauty

*The demand for renewable raw materials is greater than ever before, especially for cosmetics and personal care products. Sustainability is a crucial performance factor along Evonik's entire value chain.*

Evonik continuously develops new active substances made of renewable raw materials.

### Sustainability and renewable raw materials

For many years now, a wide range of products at Evonik have been based on renewable raw materials, whose importance for the company is steadily growing. Evonik continually develops new methods for making specialty chemicals based on renewable resources. However, an assessment of a product's sustainability depends not only on the use of renewable raw materials, but also on their sources, manufacturing processes, framework conditions, and competition with food production. Social aspects are also becoming increasingly important—for example, the working conditions of people involved in the production or extraction of the raw materials. Because more and more customers want to buy sustainable products, sustainability is no longer just an aspect of corporate culture; it has become a fixed product attribute. This is especially the case for cosmetics and skincare products, for which customers demand transparency, corporate responsibility, and the use of harmless substances.

● Products from  
Evonik care  
for and protect  
the skin.







#### Climate-friendly biogas

The high-performance polymers of the SEPURAN® Green brand are extremely efficient at converting biogas into bio-methane, and that's not all. They have also won the German Innovation Award for Climate and the Environment 2013 in the "Environmentally friendly technologies" category. The polymers convert biogases generated from renewable raw materials and organic waste into bio-methane with a purity of 99-percent. The methane is fed into natural gas pipelines so that it can be used for climate-friendly operations.

*"The corporate responsibility requirements are very stringent in the area of personal care products. We examine our entire portfolio, not just individual products."*

Peter Becker,  
Key Account Manager Corporate Responsibility  
in the Personal Care Business Line

#### Carefree beauty

When Peter Becker showers in the morning, he, like most people, doesn't think about anything in particular. However, when he is with his team at work, he contemplates how this carefree feeling in the shower can be maintained and communicated. Becker is not only the Head of the Corporate Responsibility unit at the Personal Care Business Line, but also the Key Account Manager for Sustainability. Plant-based raw materials play a crucial role for Personal Care, which develops products that clean and care for the skin and hair or that protect people against too intense sunlight and make them smell better and look more attractive. To meet such demands, raw materials—whether renewable or not—have to hold up even under the closest scrutiny. Sales can be severely impacted if consumers have even the slightest doubts about this when they shower or look at themselves in the mirror. Customers must be able to use the product without being at all concerned. As a supplier of ingredients for cosmetics and personal care products, Evonik cooperates with the manufacturers of such items to eliminate any cause for concern from the very start.

1,000

**members are registered at** the multi-stakeholder Roundtable on Sustainable Palm Oil (RSPO), and this figure is steadily increasing. Evonik has belonged to the RSPO since 2009. Palm oil and palm kernel oil are important sources for the base materials used in cosmetics chemicals. They supply much more oil than other native sources while requiring less space. But because the demand for such oleochemical base materials is rapidly growing for food and cosmetics, there is a risk that areas worthy of protection are being cleared or converted to the production of palm oil or palm kernel oil. To prevent this from happening, the RSPO certifies sustainable plantations and supply chains. In 2013 the Personal Care Business Line received its first RSPO certificates for production facilities (Essen and Steinau). This means the unit can now use certified palm oil derivatives. The first products based on this certification system will be offered later this year.

### Stringent criteria

That's why the Personal Care Business Line closely examines every item in its diverse range of products. The cosmetics manufacturers expect this of Evonik, so they ask in-depth questions regarding each product's contents, origins, and manufacturing process. "The corporate responsibility requirements are very stringent in the area of personal care products," says Becker. Not every product made of renewable raw materials deserves to be called sustainable itself. It has to fulfill a variety of other criteria as well. The supply chain has to be transparent and secure, and significant benefits have to be documented for the production and use phases. However, sustainability also sets minimum standards for a product's profitability to ensure it is also suited for growth markets. Last but not least, the product has to work. Today a product's sustainability, price, and performance are equally important criteria in the sector.

Evonik is researching new cosmetics applications at its Goldschmidtstraße facility in Essen.





### Transparency pays off

The Personal Care Business Line responds to these demands with a level of transparency that is without parallel in the industry. The unit has created an “ambassador model,” in which employees from different departments help to disseminate sustainability concepts. Customers and suppliers can also be part of this communications system. However, the model requires the participants to have a shared understanding of which facts are important and which are not. That’s because all producers, cosmetics manufacturers, institutes, and certification organizations use their own criteria to determine sustainability. This makes it difficult to compare different products. In response, Evonik created the CAREtain® structure for depicting how suitable a segment’s products will be for the cosmetics market in the future. It enables manufacturers of cosmetics and personal care products to make their decisions on the basis of objective data. The structure categorizes products on the basis of about 70 criteria. It also includes minimum criteria that products must fulfill in order to meet the customers’ basic requirements. Customers are rewarding Evonik for this high level of transparency. “We have taken the first step and benefited greatly from doing so,” says Becker. “Customers are increasingly using the CAREtain® toolbox, which is also generating new projects.” CAREtain® has put Evonik into a very good position in the rapidly growing market segment for near-natural cosmetics and personal care products. In this sector, multinational manufacturers are looking for precisely this kind of information.

Peter Becker ensures that cosmetics are made of renewable raw materials.









## Here's to good neighbors!

*Helping one's neighbors is a point of honor. At Evonik sites, our employees get personally involved when help is needed.*



Employees in Thailand clean a beach in Map Tha Phut.



*"Instead of just donating money, we form teams and help local projects. We believe this involvement makes a difference."*

Dr. Florian Kirschner,  
Country Head Thailand

### Getting involved when help is needed

With approximately 33,000 employees working on every continent, Evonik Industries AG is at home all over the world. And wherever we operate, we are actively engaged in out-reach initiatives. We want to promote trust in our company, so our employees get involved when help is needed, just as a good neighbors should do. Sometimes financial assistance is required, but very often it's direct personal involvement that makes the difference. One example can be found in Map Tha Phut, Thailand, where Evonik employees regularly clean up the beach, bringing along trash bags and an upbeat spirit. "We usually form a group of 30 to 40 colleagues, and we walk along the local beaches picking up what doesn't belong here," says Dr. Florian Kirschner, Country Head Thailand. "You wouldn't believe the things we find." In other parts of Thailand, the beaches are cleaned up by service crews hired by hotel chains. But the town of Map Tha Phut, which is home to a chemical park, is located far from the tourist beaches, so companies based in the town do the cleaning up. Helping out is a point of honor for Evonik.





### Customized cooperation

For the past ten years, Evonik has relied on a very unusual cooperation partner in Essen. The renowned Franz Sales Workshops, which are staffed by people with handicaps, operate a carpentry shop called “Am Zehnthof” that specializes in custom-made products. This workshop produces the special pallets Evonik uses to send its products safely from its Goldschmidtstraße facility to destinations all over the world.

### The neighbor with the broad shoulders

Reza Setiawan’s parents hardly dared to hope that their son would study at a university one day—but that was exactly this young Indonesian’s dream. Last year Setiawan, who is now 23, completed his mechanical engineering degree at the Indonesia University of Education in Bandung, the provincial capital. In fact, he graduated at the top of his class. And he needed only four years to complete the program, instead of the usual four and a half. Setiawan already had the makings of an academic high flyer at an early age, but the financial means were lacking. “My parents are simple rice farmers, and we are four siblings at home,” he says. “We would never have been able to afford my university education.” Setiawan’s parents earn about 500,000 Indonesian rupees per month, the equivalent of just under €40. “A month at the university costs at least 850,000 rupiah,” he adds. However, this rangy young man with spectacles was lucky. He was the first recipient of a university scholarship donated by Evonik in Cikarang. Here Evonik Industries produces hydrogen peroxide, primarily for the paper industry. The plant is located only 20 minutes from Setiawan’s former high school, SMAN Cikarang Utara, which lies in a residential neighborhood north of the industrial park. For a number of years, Evonik’s plant in Indonesia has been providing financial support to the 15 best students in each year. Four years ago HR Head Andri Gunawan and Country Head Kamaludin Setiawan conducted personal interviews with the year’s five best graduates to choose the recipient of a scholarship for the university. “Reza impressed us immediately, because he’s clever and he comes from this neighborhood. He’s a Cikarang original!” says Gunawan. In addition to university fees, Evonik also financed Setiawan’s living expenses away from the family, books, and a laptop. This investment has paid off. Setiawan is now studying engineering on a state scholarship and plans to become a university instructor one day. “I’d really like to write my master’s or doctor’s thesis in Germany,” he says.

Reza Setiawan realized his dream of a university education.





### Promoting a better life

Evonik promotes good living conditions in the places where it operates, especially for young people. The small town of Barra do Riacho on the Atlantic coast of Brazil is a good example. Until recently, there were very few work opportunities here besides those at the industrial harbor and at a huge plant that produces cellulose pulp for the paper industry. Evonik has operated here for 17 years producing hydrogen peroxide bleach for the region's pulp industry. "Our business success brings with it a sense of responsibility for the region," says the local plant manager, Alexandre Paula. "The settlement located right next to our plant has always struggled with social problems." There's a cycle of unemployment, drugs, and prostitution that robs hope from young people in particular. In order to break the cycle, Evonik launched the "Saber Viver" (knowing how to live) program in 2003. The program's guiding idea is simple: Children and young people can take courses here to learn how to dance, play soccer, do handicrafts, play music or even surf. The courses are taught by teachers and social workers who also talk to the participants about health, drugs, and problems at home. In order to provide the 250 participating children with a safe place, Evonik has erected a community center on the company's site and has also invited other companies to participate in the project. "It's been a real success story," says Paula. "And the young people involved in the program have been doing much better since its started. Other interna-

Evonik's charitable projects give children and teenagers new outlooks on the future.



# €7.1

**million (approx.)** was spent by Evonik on **donations and sponsorships** in 2013. You can find out more on page 117.

● Jutta Reinelt  
liven up her  
chemistry  
lessons with  
materials from  
Evonik.



tional companies have settled here, and we are teaching the children the social and professional skills they will need in the future." A few years ago, Alirianne Loureiro, who is now 23, was the pioneer. She came to Saber Viver as an orphan, eventually did an internship at Evonik and got a job there. After getting a degree as a building technology engineer at night school, she started her career at a local construction company. Today Evonik accepts one young neighbor from the Saber Viver program as a trainee every year.

### The school beyond the plant gates

At Evonik locations in Germany, the Group's social commitment focuses mainly on the local schools. One example is the Freiherr-vom-Stein School in Krefeld, which is situated only a few hundred meters from the Evonik plant. Here Evonik helps Jutta Reinelt, who teaches chemistry, to liven up her lessons with exciting experiments. Reinelt is an active teacher who has for years been coordinating the school's successful and award-winning cooperation with Evonik. "For example, in social science we visit the Evonik plant's works council. In computer science, the pupils gain important insights into workplace ergonomics. And Evonik's environmental and water protection experts enrich our biology lessons with practical examples," she says. Kerstin Oberhaus, her contact at Evonik, adds, "Our employees provide the children with practical knowledge and get them excited about the natural sciences." The cyber-classroom that is sponsored by the Group also helps. It's a specially developed 3D educational tool that can be used in biology lessons for the virtual investigation of parts of the human body, for example. Reinelt reports that the intensive job application training that HR personnel from Evonik offer to ninth graders is especially popular. During these sessions the students receive practical tips on how to write a job application and how to act at their first job interview. The sessions have had some success. "The last class reunion at the school was attended by almost 50 former students who are now working at the Evonik site in Krefeld," she says. In Krefeld as elsewhere, Evonik has no reservations about getting involved with the local community.

# CORPORATE RESPONSIBILITY

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# Sustainability management

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Megatrends

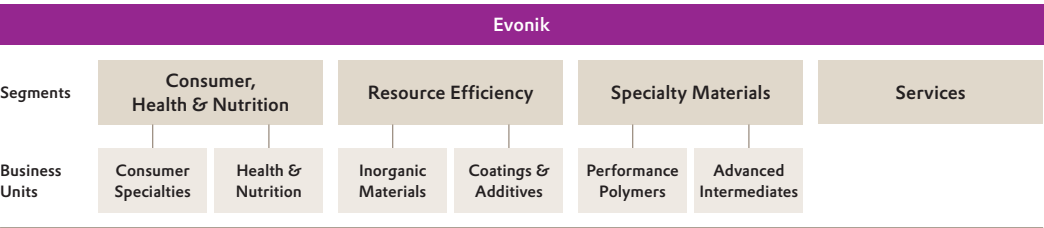
See p. 71 ff.

## Evonik’s strategic focus ✓

Evonik is one of the world’s leading specialty chemicals companies. The central elements of our strategy of sustained value creation are profitable growth, efficiency and values. Around 80 percent of sales come from market-leading positions, which we are systematically expanding. We concentrate on high-growth *megatrends*, especially health, nutrition, resource efficiency and globalization. As part of our ambitious growth strategy, we are also stepping up our presence in emerging markets, especially in Asia. Important competitive advantages come from our integrated technology platforms, which we continuously refine.

Our strengths include the balanced spectrum of our business activities, end-markets and regions, and working closely with customers over the long term. We strive to increase the contribution we make to sustainable development through innovative products, systems and solutions. Market-oriented research and development is an important driver of our profitable future growth. To gain access to future markets, we are constantly exploring new areas of growth and innovation. In addition, we attach especial importance to further improving our cost base.

### C01 Corporate structure



Our operations are grouped in three segments, each of which has two business units. Site Services bundles typical services for the chemicals industry such as utilities, waste management, logistics and plant management for our sites. Service functions provide standardized Group-wide business services. The Corporate Center supports the Executive Board in the strategic management of the Group and provides administrative functions for the Group.

Active portfolio management has high priority at Evonik. The aim is to achieve a further increase in the proportion of high-margin chemical specialties in our portfolio. In keeping with our focus on specialty chemicals, in July 2013 we successfully realized our plans to divest the residential real estate activities bundled at Vivawest, and we plan to sell our remaining 10.9 percent stake in these activities to long-term investors in the intermediate term. In 2011, we sold 51 percent of the shares in the energy company STEAG and made binding arrangements to divest the remaining shares in this company between 2014 and 2017.

Shares in Evonik have been traded on the stock exchanges in Frankfurt am Main (Prime Standard) and Luxembourg since April 2013. Since fall 2013, the company has been included in the MDAX and STOXX Europe 600 share indices.

### Our sustainability strategy

We are convinced that sustainable and responsible business activities are vital for the future of our company. We therefore accept responsibility worldwide—for our business, our employees and society. Our sustainability strategy takes up the megatrends identified in our corporate strategy and supplements them with ecological and societal challenges. Evonik aims to make a substantial contribution to sustainable development by developing new products and business models. At the same time, we want to strengthen our leading market positions.

In 2013 we refined the sustainability strategy for the Evonik Group. This is currently being agreed with the operational units to facilitate subsequent integration into corporate processes. We are firmly convinced that economic success and corporate responsibility go hand in hand. Transparent evaluation of sustainability aspects is important to support business decisions. Objectives of the revised strategy include taking further aspects of sustainability into account in long-term corporate decisions, for example, with regard to investments and research. In addition, we want to make sure that strategic aspects of sustainability are anchored even more firmly in our environment, safety and health (ESH) activities. The aim is to take up issues such as resource efficiency and social responsibility that our stakeholder dialogs showed to be of material importance. Our guide is the "Vision 2050" of the World Business Council for Sustainable Development (WBCSD). One of the central elements of this vision is: "9 billion people living well, within the limits of the planet." We address economic, ecological and social challenges. In our view, the growth, efficiency and values areas of our corporate strategy are the main ways in which we can respond to these challenges.

**G** See Glossary p. 143

**@** [www.evonik.com](http://www.evonik.com)  
go to Company/  
Megatrends

**G** See Glossary p. 142

### Central responsibility for sustainability management

The Executive Board bears overall responsibility for sustainability at Evonik, and direct responsibility is assigned to the Chief Human Resources Officer. The issues derived from the sustainability strategy are implemented through goals set for the business units and specialist departments, and their attainment is monitored using performance indicators. The role of the steering committees is to ensure that these goals are achieved. The strategy is mainly developed and monitored in the Corporate Center. In addition, issue-based network platforms, which are supplemented as required, are used to track sustainability-related issues in the Evonik Group and translate them into specific measures.

Our direct contacts in the business units, service units, Corporate Center and the main regions in which Evonik operates are important multipliers and ensure that the development and implementation of sustainability strategy takes account of the requirements of the operating units and Corporate Center, and the views of our foreign companies.

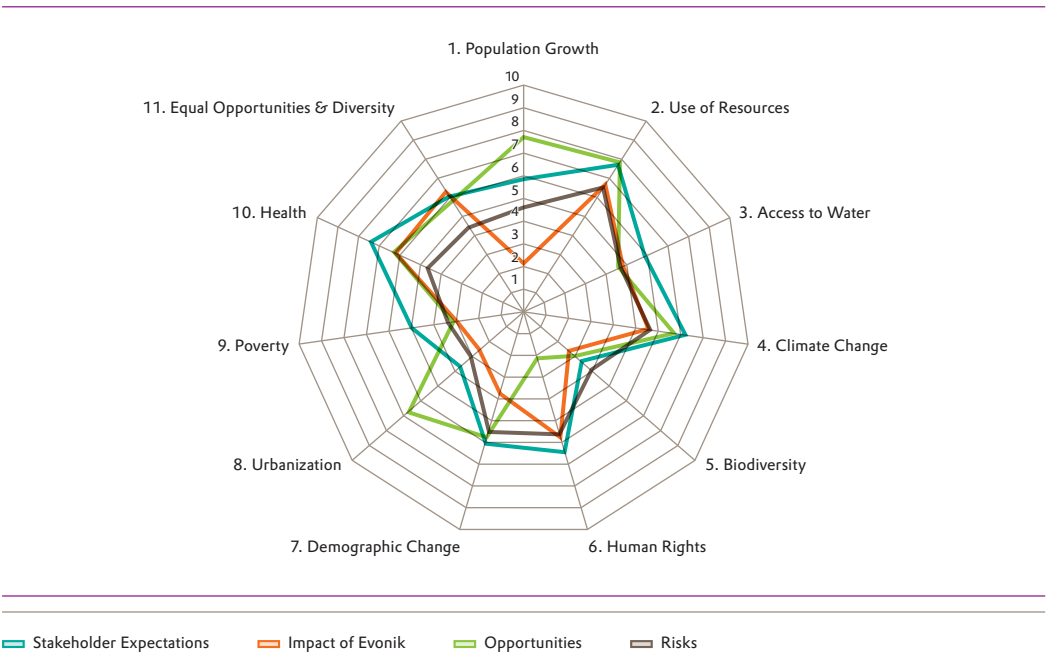
C02
Sustainability management at Evonik



Materiality analyses

Between 2010 and 2012 we conducted several materiality analyses within the Evonik Group to identify and evaluate global challenges. The results are used to drive forward our sustainability strategy and have triggered sustainability activities in our regions and business units. To obtain a final overview, in 2013 we consolidated the results of all materiality analyses performed in our operating and service units and in China, Brazil and North America as a basis for redefining the issues of significance for Evonik.

C04
Materiality analysis of Evonik’s business



This consolidated view shows that stakeholders' expectations of Evonik are focused principally on the global challenges relating to resource utilization, health, climate change, human rights, demographic change and equality of opportunity/*diversity*. Apart from demographic change, these are areas our stakeholders consider we have considerable scope to influence. Globally, the main business opportunities are derived from the challenges of resource utilization, population growth, urbanization, climate change and health. Our stakeholders see particularly high risks in the areas of utilization of resources, human rights, demographic change, climate change and—some way behind—access to water.

The results of the *materiality* analyses essentially dovetail with the expectations of our employees, which were identified in an internal stakeholder survey in 2013. More than 750 employees took part in the survey and identified resource utilization, health, human rights, access to water and climate change as particularly important issues for the future. Employees consider that Evonik has a special responsibility as regards the challenges of resource utilization, health, climate change, equality of opportunity/*diversity* and human rights.

In 2014 we will be conducting a new stakeholder survey on a broader range of issues. The outcome will be used to develop a new materiality matrix so we can detect risks from a sustainability perspective at an early stage in order to minimize them and identify new business opportunities.

See  
CR Report 2011, p.30  
CR Report 2012, p.30

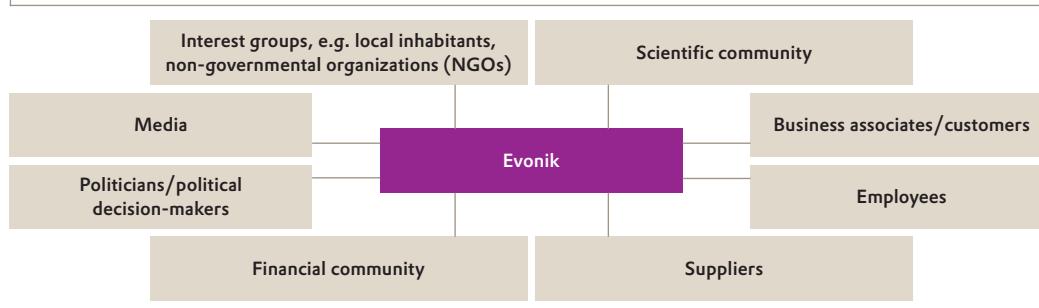
See Glossary p.141

See Glossary p.142

### Dialog and cooperation with our stakeholders

Open debate and communication are key elements in sustainability management at Evonik. A continuous dialog with our stakeholders helps us understand different perspectives, and identify key issues so we can incorporate them into our business decisions.

#### C05 Evonik's stakeholder groups



Events to foster dialog are held at local, national and international level and may focus on specific issues or target certain stakeholder groups. Speeding up the development of products from the initial idea to market maturity is both a challenge and an economic necessity. Developing products that offer the maximum benefit for customers and society is at least equally difficult. The best way to achieve these goals is through collaboration. Solutions that are both innovative and sustainable,

support the long-term success of Evonik and its customers, and make a positive contribution to a sustainable future are not mutually exclusive. We are convinced that working closely with customers and developing solutions in partnership are the keys to success. This is highlighted by the large number of accolades received by our business units for supplier excellence.

At our Green Logistics Day, we invited experts and logistics partners to discuss various ways of integrating sustainability aspects into the planning of logistics chains and networks at an early stage in order to enhance the sustainability of chemical logistics.

At an event with our US distributors it became clear that products that contribute to sustainability meet rising consumer expectations and can open up new or additional market opportunities.

The central issues at our first Capital Markets Day, which attracted around 60 analysts and investors, were our growth strategy, specialty chemicals portfolio and long-term financial targets.

Local residents are also an important stakeholder group. They have a legitimate interest in receiving information about our activities. We therefore organize local family days, open days or regular informal meetings. In Germany, Evonik participates in the regional "Industry Evening" events designed to bring together companies and members of the general public.

As a specialty chemicals company, regulatory requirements are particularly important. We therefore want to play an active role in shaping the political framework and engage in an open dialog with political decision-makers, the social partners and non-governmental organizations (NGOs).

We were actively involved in the development of the "Chemie<sup>3</sup>" sustainability initiative with the German Chemical Industry Employers' Association, the German Mining, Chemicals and Energy Industrial Union (IG BCE), and the German Chemical Industry Association (VCI), along with input from external stakeholders. The aim of this initiative is to strengthen the sustainability of the chemical industry in Germany and provide international impetus.

Our global commitment to sustainability is also expressed in our membership and active involvement in many international projects and initiatives. We are committed to the principles of the *UN Global Compact* and have signed the *Responsible Care* Global Charter. Evonik is a founding member of econsense, the forum for sustainable development of German business, and actively supports the World Business Council for Sustainable Development. Together with five other international chemical companies, we have set up the *Together for Sustainability* (TfS) initiative, which aims to improve suppliers' ecological and social standards.

In 2013 we did not hold the Evonik Sustainability Business Forum, a platform for stakeholder dialog with experts from the corporate sector, industry associations, scientists and non-governmental organizations. We are planning to develop further dialog formats for various stakeholder groups in 2014.

See p. 116

See Glossary p. 143

See Glossary p. 142

See Glossary p. 143


See p. 6 ff. and p. 63 ff.

[www.tfs-initiative.com](http://www.tfs-initiative.com)



## Employee involvement

Our employees are closely integrated into the sustainability debate through a range of in-house events. In 2013 issues discussed at CRconnect, our interdepartmental symposia on various aspects of sustainability, included opportunities and scope for integrated reporting. Representatives of many of our business units took part in a workshop on "conflict minerals" to find out about the current legal background to this issue and establish the resulting demands on Evonik. In connection with our sustainability reporting on 2012 we issued an online appeal to our employees as a key stakeholder group to give us feedback on the content, scope, and completeness of the report, together with their assessment of Evonik's role in addressing current sustainability challenges. On a scale of 1 (poor) to 5 (very good), the average score for the information content of the various aspects was just over 4. The best scores were for Evonik's strategic focus, the environment, and safety and health protection. Evonik's health and safety commitment received the highest score.

 See p. 10 and 64

For the internal Evonik Ideation Jam, we invited employees around the world to submit ideas on new products, technologies and business models with which Evonik could make a contribution to maintaining the health, mobility and independence of older people. Well over 100 suggestions were submitted.

Sustainability also plays an important role in vocational training at Evonik. Apprentices at our site in Rheinfelden (Germany) won first place in the Responsible Care competition organized by the German Chemical Industry Association (VCI) for their "Walk the Future" project. This nationwide competition is for vocational and further training projects in the areas of environmental protection and sustainability. The "Walk the Future" project will have a firm place in vocational training at Rheinfelden and other training locations in the future.

## Cooperation with universities and scientific institutes

Networking with universities and scientific institutes is another pillar of our stakeholder dialog. At the Evonik Meets Science forum, for example, our experts discuss current research issues with top scientists from various disciplines. These forums are held in Germany, Asia and the United States. The forum held in the United States in 2013 focused on surface-active systems for consumer and industrial systems. The Innovation Networks & Communications unit and the Health & Nutrition Business Unit initiated the Evonik Call for Research Proposals 2013, a project to find solutions to specific chemical issues in collaboration with scientists.

## T07 Our objectives

Area	Objective	Planned deadline	Status as of December 31, 2013
<b>Sustainability management</b>			
	Conduct at least 20 ESHQ audits in the Evonik Group	Annual objective	Achieved in 2013: 23 corporate audits were completed so the target was exceeded.
	Continue to develop the sustainability strategy and plan the rollout to the operating units	2014	Agreement with operating units basically completed. This process also includes the objective set in 2012 relating to the evaluation of investment decisions and portfolio management.
<b>The business</b>			
	Investment of approximately €6 billion in the coming years	2016	First projects completed/almost completed in 2013. They include the superabsorbents plant at the joint venture with Saudi Acrylic Acid Company (SAAC) in Saudi Arabia, the production facility for organic specialty surfactants in Shanghai (China), and the production facility for hydrogen peroxide in Jilin (China).
	Step up the systematic stakeholder dialog and exchange of experience on sustainability.	Annual objective	Achieved in 2013: Dialogs were organized at local, national and organizational level on specific issues or for specific target groups. The Evonik Sustainability Business Forum was discontinued.
Supplier management	Continue to analyze suppliers defined as a risk by checking 90 percent of identified potential risk suppliers using self-assessments	Annual objective	Achieved in 2013: 216 suppliers defined as a potential risk were selected for checking; as of the editorial deadline, 36 percent had submitted results that can be evaluated.
Supplier management	Conduct at least 20 sustainability audits of suppliers	Annual objective	Achieved in 2013: 17 suppliers were audited under the co-funding model established by the "Together for Sustainability" initiative; three shared audits were performed.
Supplier management	Continue internal sustainability training for 50 percent of procurement staff who deal with suppliers classified as a potential risk and carry out at least four internal audits	Annual objective	Partially achieved in 2013: 93 percent of procurement staff involved in these processes received training. Four of the six planned internal audits were conducted.
Product stewardship	Conduct a risk assessment for at least 99 percent of all substances marketed in quantities of >1 metric ton p.a.	2020	Risk assessments have started; the relevant risk assessments are publicly available on Evonik's homepage and the ICCA website.
<b>Employees</b>			
	Develop a personnel planning concept and conduct a pilot to validate its effectiveness	2014	
	Develop further training modules on sustainability issues	Annual objective	Achieved in 2013: In the reporting period "napuro", a sustainability business planning game, was introduced in German-speaking areas. Develop a web-based training in fundamentals of sustainability for all employees is almost complete.

Area	Objective	Planned deadline	Status as of December 31, 2013
<b>Employees</b>			
	Develop a harmonized remuneration concept that reflects corporate strategy, corporate culture and employees' influence on corporate performance	2014	
	Include a diversity target in the target-setting process for executives	2014	Participants in WoMentoring, the 18-month mentoring program for female employees introduced in 2012, met up to discuss and share their experiences. The international Diversity Day planned for 2013 was postponed.
<b>The environment</b>			
	Reduce specific greenhouse gas emissions <sup>a</sup> by 12 percent (reference base: 2012)	2020	
	Reduce specific water intake by 10 percent (reference base: 2012)	2020	
	Launch the first products from the Personal Care Business Line based on RSPO-certified traceability (palm oil)	2014	
<b>Safety and health protection</b>			
	Introduce a performance index for occupational health	2014	Achieved in 2013: the index was introduced in 2013.
	Derive leadership and behavior principles from the guiding principles for safety in the Evonik Group	2014	Achieved in 2013: Core messages defined in the guiding principles.
	Adapt the occupational safety indicator: accident frequency at Evonik	Annual objective	Achieved in 2013: Objective of < or = 1.5 was exceeded with an indicator of 0.9.
	Plant safety indicator: improve Cefic Process Safety Indicator for Evonik (business units with production activities). (Target: < or = 48 points compared with 2008 [reference base = 100])	Annual objective	Target narrowly missed in 2013: the indicator for 2013 was 50, so Evonik did not quite meet the target of < or = 48.
<b>Society</b>			
	Introduce an international tool to support science education	2015	A 3D learning system was introduced. It is available in five languages. Cyber Classrooms were set up close to our sites in São Paulo (Brazil) and Antwerp (Belgium).

<sup>a</sup> As defined in the Greenhouse Gas Protocol.

It was not possible to continue the rollout of the "Big Brothers Big Sisters" mentoring program because the program is halting its German activities at year-end 2014. We are not currently pursuing the objective of evaluating and flagging training with a sustainability content.

## What we stand for ✓

Our corporate values—“courage to innovate”, “responsible action”, and “sparing no effort”—are firmly anchored in our employees’ day-to-day work and form the basis for their decisions. Our activities are dominated by responsibility to society, the environment, colleagues and the business. Evonik’s success is determined principally by the core competencies of our employees: creativity, specialization, self-renewal and reliability.

Our internal regulations are supported and supplemented by external principles and guidelines that we are committed to.

### External principles and guidelines

Good *corporate governance*, in other words, responsible and targeted management and supervision, forms an integral part of Evonik’s business processes. It is designed to strengthen trust in the company. At the same time, good corporate governance enhances transparency for all stakeholders and firmly anchors responsible conduct in our company.

Acceptance of the German Corporate Governance Code and compliance with the applicable legal requirements form the basis for responsible management of our company with a focus on sustained value creation.

Evonik has signed the Code of Responsible Conduct for Business, which sets measurable standards for responsible corporate conduct that have to be firmly anchored in participating companies. These include fair competition, social partnership, the merit principle and sustainability. As a member of the United Nations’ Global Compact, Evonik is committed to the ten principles of this compact. These include respecting workers’ rights and human rights, preventing discrimination, protecting people and the environment, and fighting corruption. We respect the Guidelines for Multinational Enterprises issued by the Organisation for Economic Cooperation and Development (OECD). In addition, Evonik respects the *International Labor Standards* of the International Labour Organisation (ILO).

We have signed the international Responsible Care initiative and are therefore committed to continuously improving our performance in the areas of health, safety, the environment, and product stewardship. This commitment has been confirmed by signing the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA).

### Code of Conduct

Evonik’s binding Group-wide Code of Conduct contains the most important corporate values and principles and governs the conduct of Evonik, its legal representatives and its employees both internally, in the treatment of one another, and externally in the treatment of the company’s shareholders and business partners, representatives of authorities and government bodies, and the general public. It requires employees to strictly observe the relevant laws, regulations and other norms and comply with ethical standards. All employees are given training on the Code of Conduct and systematic action is taken to deal with any infringements. The Code of Conduct fosters a culture that ensures clear responsibility, mutual trust and respect, dependability and lawfulness.

In 2013, the Executive Board also issued a Supplier Code of Conduct.

**G** See Glossary p.141  
**@** [www.evonik.com/responsibility](http://www.evonik.com/responsibility)

**G** See Glossary p.142

## Global Social Policy

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

## Corporate governance

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 collaboration within the Executive Board and Supervisory Board and between these two boards and the shareholders, especially at Shareholders' Meetings. They also relate to the company's relationship with other people and organizations with which it has business dealings.

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


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

The Supervisory Board advises and supervises the Executive Board. It appoints the members of the Executive Board and names one member as the Chairman of the Executive Board. The Supervisory Board is subject to the German Codetermination Act of 1976 (MitbestG). In accordance with these statutory provisions, the Supervisory Board comprises 20 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.

## Performance-oriented remuneration of senior management

The Supervisory Board is responsible for the contracts of employment with the members of the Executive Board. It sets the total remuneration package for each member of the Executive Board, comprising a base salary, variable short- and long-term components, pension benefits, reimbursement of expenses, insurance and various fringe benefits.

The contracts with members of the Executive Board and all executives include remuneration elements based on personal performance and the overall performance of the Group.

 See Annual Report  
2013, p. 124 ff.

House of Compliance ✓

G See Glossary p.141

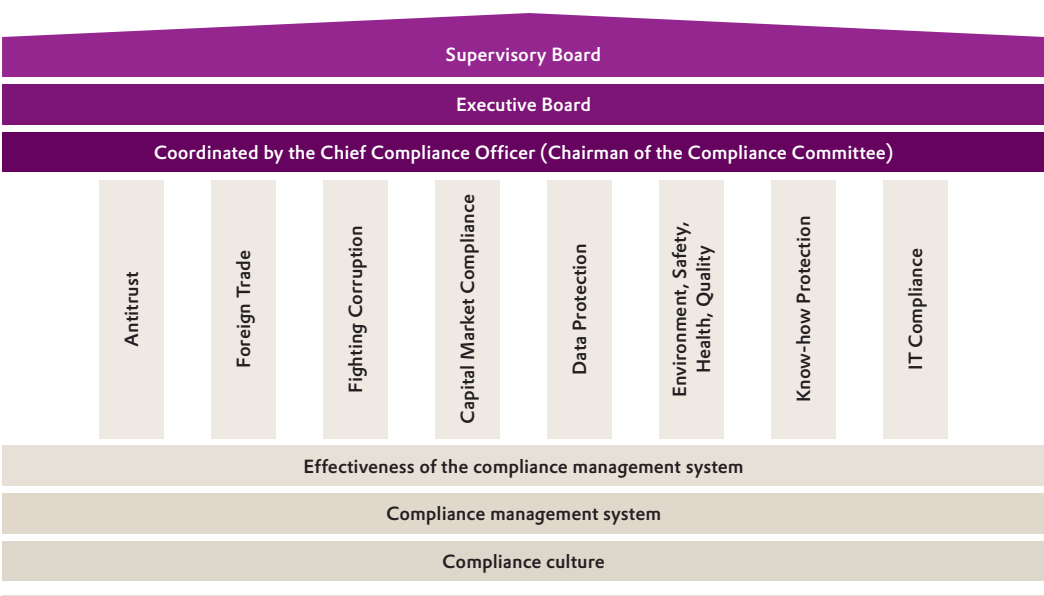
Evonik understands *compliance* as all activities to ensure that the conduct of the company, members of its governance bodies and its employees respects all applicable mandatory standards such as legal provisions, statutory requirements and prohibitions, in-house regulations and voluntary undertakings. The basis for this understanding and for compliance with these binding standards is set out in Evonik’s Code of Conduct.

The compliance culture created by the Code of Conduct, in particular, forms the basis for the “House of Compliance.”

@ [www.evonik.com/responsibility](http://www.evonik.com/responsibility)  
go to Compliance & Corporate Governance

The compliance issues identified as being of specific relevance to our company are bundled in the House of Compliance. These are the pillars of compliance management, which is based on uniform minimum requirements for all these issues. Alongside traditional compliance issues such as antitrust law, foreign trade law, fighting corruption and data protection, as a technology-driven specialty chemicals company, issues of relevance to us include the environment, safety, health, quality, know-how protection, and IT compliance. Since Evonik is a publicly listed company, these are supplemented by capital market compliance.

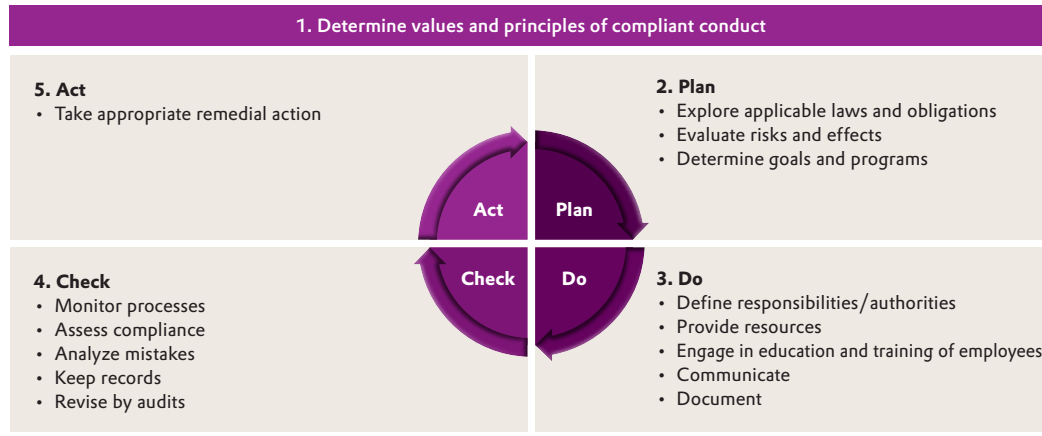
C06 House of Compliance



The Chief Compliance Officer coordinates the structure and ongoing development of the House of Compliance. He operates autonomously. He is supported in all major issues by a Compliance Committee. This is an internal advisory committee composed of the heads of the various compliance units and Corporate Audit. Specially appointed staff officers in the business units, regions and other organizational units (for example, Compliance Officers for Fighting Corruption) ensure close networking of compliance and our business operations.

The organizational units have a compliance management system based on defined values and principles of lawful conduct. Its principal purpose is to ensure the observance of regulations. In addition, it ensures timely identification and elimination of infringements, and fulfillment of the organizational obligations imposed by law. It is based on four core elements: Plan, Do, Check and Act (PDCA cycle, see next chart).

### C07 PDCA cycle



### Antitrust law

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


### Foreign trade law

Every employee is required to observe all applicable foreign trade and customs regulations.

The Corporate Policy on Compliance with Global Trade Regulations and the associated trade compliance organization are designed to ensure compliance with the applicable export controls. Our trade compliance organization comprises a special department with Group-wide responsibility, a special IT system and a Group-wide network of around 70 trade compliance officers and trade compliance managers.

### Fighting corruption

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

 See p. 46

### Capital market compliance

A Group-wide policy sets out the rules for capital market compliance by Evonik employees. It also contains information on the legal consequences of violating prohibitions imposed by capital market law. Through this policy and the accompanying organizational instructions, Evonik fulfills its organizational obligations in this area.

### Management of data protection


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

### ESHQ management

Policies and standard operating procedures based on our Environment, Safety, Health and Quality (ESHQ) Values are used to manage these areas throughout the Evonik Group.

The operational units are responsible for ensuring application of these policies and procedures. Regular *audits* are carried out at our sites and in the regions to check that they are being applied.

In addition, the Environment & Responsibility Department at the Corporate Center conducts audits to check compliance with the requirements of company regulations. Based on the findings and on analyses of internal and external monitoring activities, site inspections and reviews, talks are held on potential for improvement and the action to be taken. The Executive Board is informed annually of the outcome of the audits.

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

 See Glossary p. 141

 See p. 94



### Know-how protection

The Master Policy on Know-how Protection aims to protect the knowledge and expertise of our employees and thus Evonik's competitive and technological edge. The policy defines the basic responsibilities, powers, reporting obligations and fundamental requirements in this area.

### IT compliance

Binding Group-wide policies and regulations outline the safe handling of information and the secure use of information systems. Corporate IT monitors and drives forward implementation of the compliance requirements imposed on managers and employees by legislation and the Group. The internal control system was extended further in the reporting period. The business units and internal service-provider report quarterly to Corporate IT on observance of these regulations via an IT compliance index. In addition, an IT risk management system has been designed and will be implemented in the future, and an access authorization system is being implemented for accounting-related SAP systems as part of the SAP migration. Its basic principles are "need to know" and "separation of functions."

Operational security, especially of critical IT systems, has been improved substantially through better systems management, uniform systems documentation, and by defining and applying a zero-defect strategy.

State-of-the-art information security and data protection technologies are used throughout the Group to avoid such risks. Modern technical protection is installed to counter the risk of potential unauthorized access and the loss of data. These are continuously expanded and adapted to the constantly changing risk situation to ensure that we have adequate protection against potential risks in the future. A variety of training methods and a constant flow of information in the intranet and other internal media are used to make sure employees are aware of the need for security.

### Compliance training

To give our employees continuous information on compliance and heighten their awareness of this issue, we organize online and face-to-face training on the various areas covered by the House of Compliance. Under this binding training concept, every employee should normally receive training in relevant issues every three years. To create an awareness of compliance issues from the start of their working life, our apprentices are introduced to compliance and our Code of Conduct in their first year of training. In addition, new employees are required to attend face-to-face training in compliance issues, where they are given information on the company's rules and regulations.

## Fighting corruption

In 2013 Evonik stepped up its activities to fight corruption. As a global corporation, we do business in regions that are classified as a corruption risk in the Corruption Perceptions Index (CPI) issued by Transparency International. We exercise particular care in dealings with officials and in the selection of external intermediaries. Corruption risks are identified as part of our Group-wide risk management system. Under this system, a risk inventory is completed once a year and evaluated every quarter. In 2013 we also rolled out the Group-wide compliance risk analysis to a further entity.

Our employees can contact the Chief Compliance Officer, Head of Compliance or the compliance officer responsible for their entity to report compliance issues confidentially at any time, anonymously if they wish. There is also a compliance hotline. All allegations of conduct that infringes compliance policy are investigated and disciplinary action is taken where appropriate. In 2013 we terminated the employment contracts of six employees as a result of violations of our compliance policy involving corruption/fraud, and in three cases we also filed claims for compensation against the individuals concerned. Violating the ban on corruption also has far-reaching consequences for our business partners and can result in termination of the business relationship. This occurred in five cases in 2013.

In the reporting period, training in the Code of Conduct and preventing corruption concentrated on face-to-face training sessions. More than 8,000 employees attended training sessions on the Code of Conduct while over 5,500 attended training sessions on fighting corruption.

The 2011-2013 training cycle has now been completed. During this period more than 10,000 employees across the Group received face-to-face or online training in our Code of Conduct and fighting corruption.

# The business

## Strategic success—A solid operating performance

From a strategic viewpoint, 2013 was a very successful year for Evonik in which it achieved two long-standing objectives. Shares in Evonik Industries AG have been traded on the stock exchanges in Frankfurt am Main and Luxembourg since April 25, 2013. Moreover, following divestment of the majority interest in the real estate activities, Evonik is now entirely a specialty chemicals company.

Operationally, the overall economic environment in 2013 was tougher than had been anticipated. That resulted in perceptible pressure on selling prices and we suffered considerable price erosion for some important products. Very pleasing, by contrast, was the continued high demand for our products around the world, driven partly by global megatrends. In response to the more challenging conditions, we stepped up our efforts to optimize our cost position. Overall, sales declined by 4 percent to €12.9 billion, while adjusted EBITDA slipped 19 percent to €2.0 billion.

Despite the decline in our operating performance, profitability remained attractive: the adjusted EBITDA margin was 15.6 percent. Our return on capital employed was also attractive at 14.5 percent, which was well above the pre-tax cost of capital. Net income increased substantially to €2.1 billion thanks to the gain from the the sale of the majority of the shares in the real estate activities.

See Annual Report 2013, p. 43 ff.

### T08 Key figures

in € million	2009	2010	2011	2012	2013
Sales	10,518	13,300	14,540	13,365	12,874
Adjusted EBITDA <sup>a</sup>	1,607	2,365	2,768	2,467	2,007
Adjusted EBITDA margin in %	15.3	17.8	19.0	18.5	15.6
Adjusted EBIT <sup>b</sup>	868	1,639	2,099	1,887	1,424
ROCE <sup>c</sup> in %	7.7	15.0	18.7	20.4	14.5
Net income	240	734	1,011	1,165	2,054
Earnings per share in €	0.52	1.58	2.17	2.50	4.41
Adjusted earnings per share in €	–	2.09	2.70	2.31	1.78
Total assets as of December 31	18,907	20,543	16,944	17,166	15,898
Equity ratio as of December 31 in %	27.6	29.1	35.8	31.9	43.1
Cash flow from operating activities	2,092	2,075	1,309	1,420	1,083
Capital expenditures <sup>d</sup>	569	652	830	960	1,135
Depreciation and amortization <sup>d</sup>	712	694	647	580	577
Net financial assets/debt as of December 31	–3,431	–1,677	–843	–1,163	552
Employees as of December 31	33,861	34,407	33,556	33,298	33,650

Figures for 2009 and 2010 contain the former Energy segment as a discontinued operation.

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

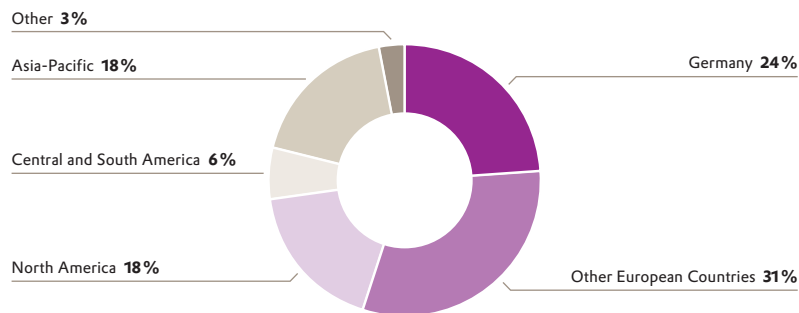
<sup>a</sup> Adjusted EBITDA = Earnings before interest, taxes, depreciation and amortization; after adjustments.

<sup>b</sup> Adjusted EBIT = Earnings before interest and taxes; after adjustments.

<sup>c</sup> Return on capital employed.

<sup>d</sup> Intangible assets, property, plant, equipment and investment property.

### C08 Sales by region<sup>a</sup>



<sup>a</sup> 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 2013 value added increased by 16 percent to €5,409 million due to the divestment of the majority of shares in the real estate activities. The largest share of value added—53 percent (2012: 57 percent)—went to our employees. 5 percent (2012: 11 percent) was paid to the state in income and other taxes. A further 5 percent (2012: 8 percent) went on interest payments. Shareholders of Evonik Industries AG received 37 percent of value added, compared with 25 percent in the previous year.

### T09 Breakdown of value added ✓

in € million	2013	2012
Total value added	5,409	4,646
<b>Split</b>		
Employees	2,848	2,624
State	258	498
Creditors	290	356
Non-controlling interests	–41	3
<b>Net income</b>	<b>2,054</b>	<b>1,165</b>

### First growth projects completed

In the specialty chemicals sector Evonik is expanding in business areas and markets where it already has—or intends to build—a strong competitive position. We are currently undertaking an investment program totaling over €6 billion. The first major projects under this program were completed or virtually completed in 2013. They include the superabsorbents plant at the joint venture with Saudi Acrylic Acid Company (SAAC) in Saudi Arabia, the production facility for organic specialty surfactants in Shanghai (China), and the production facility for hydrogen peroxide in Jilin (China).

As a consequence of our ambitious growth strategy, we raised capital expenditures for property, plant and equipment by 18 percent to €1.1 billion in 2013. The biggest single project was the methionine complex in Singapore, which is scheduled for completion in the second half of 2014.

The regional focus of capital expenditures was Germany, which accounted for 31 percent of the total, followed by South-East Asia (24 percent) and Greater China (20 percent).

#### T10 Major projects completed or virtually completed in 2013

Segment	Location	Project
Consumer, Health & Nutrition	Al Jubail (Saudi Arabia)	Construction of a new superabsorbents plant <sup>a</sup>
	Shanghai (China)	Construction of an integrated oleochemicals facility
Resource Efficiency	Lantaron (Spain)	Expansion of silica capacity
	Rheinfelden (Germany)	Expansion of capacity for functional silanes
Specialty Materials	Jayhawk (USA)	Expansion of capacity for polymer additives
	Jilin (China)	New hydrogen peroxide facility
	Rosario (Argentina)	New plant for biodiesel catalysts
	Marl (Germany)	New production plant for phthalate-free plasticizers
	Mobile (USA)	Expansion of capacity for monomer applications

<sup>a</sup> Joint venture (financial investment).

### Major events

Shares in Evonik Industries AG have been listed on the stock exchanges in Frankfurt am Main (Prime Standard) and Luxembourg since April 25, 2013. Effective September 23, 2013, they were included in Deutsche Börse's MDAX index. As of the same date, the shares were also listed on the STOXX Europe 600 index and the corresponding sub-indices, including the DJ STOXX 600 Chemicals<sup>SM</sup>. Until spring 2013, RAG-Stiftung and funds advised by CVC Capital Partners (CVC) were the sole owners of Evonik with shareholdings of 74.99 percent and 25.01 percent respectively. Before the stock exchange listing, they placed equal numbers of shares in Evonik with institutional investors. At the end of 2013, RAG-Stiftung held around 67.9 percent of Evonik's capital stock, while CVC had an indirect shareholding of around 17.9 percent. Since the placements, the free float has been around 14.2 percent of the shares.

In accordance with the focus on specialty chemicals, in July 2013 we divested the majority of our stake in the real estate operations bundled in the Real Estate segment. RAG-Stiftung, Essen (Germany) now holds 30.0 percent of Vivawest GmbH (Vivawest), Essen (Germany), Vermögensverwaltungs- und Treuhandgesellschaft der Industriegewerkschaft Bergbau und Energie mbH (VTG), Hanover (Germany), holds 26.8 percent, Evonik Pensionstreuhand e.V., (contractual trust arrangement, CTA), Essen (Germany) holds 25.0 percent, and RAG Aktiengesellschaft, Herne (Germany) holds 7.3 percent. Evonik plans to divest its remaining 10.9 percent stake in Vivawest to long-term investors in the intermediate term. All operations of the Real Estate segment were reclassified to discontinued operations in March 2013 and deconsolidated in July. The divestment gain from the sale of the majority shareholding was €1.1 billion and income from the divestment amounted to €1.5 billion.

We intend to withdraw completely from our activities in the field of electromobility and are conducting negotiations on the divestment of the lithium-ion business. Accordingly, we reclassified these activities to discontinued operations in September 2013. The prior-year figures in the income statement, statement of comprehensive income and cash flow statement have been restated.

At the end of September we launched a program to streamline our administrative structures. Following Evonik's successful repositioning from a conglomerate to a listed specialty chemicals company, the next step is Group-wide consolidation of management and administrative processes. The Administration Excellence program aims to create a uniform global administrative organization—without duplication of responsibilities or cost-intensive interfaces. The program is expected to leverage savings of up to €250 million a year by the end of 2016, and will include the reduction of around 1,000 jobs in a socially compatible manner.

In connection with this, at its meeting on September 23, 2013, the Supervisory Board of Evonik Industries AG decided to reduce the size of the company's Executive Board. Dr. Dahai Yu and Dr. Thomas Haeberle left the company by amicable mutual agreement on December 31, 2013. Effective January 1, 2014, responsibility for the specialty chemicals business was transferred to Patrik Wohlhauser as Chief Operating Officer.

On June 21, 2013, the Supervisory Board appointed Ute Wolf to succeed Dr. Wolfgang Colberg as a member of the Executive Board and Chief Financial Officer with effect from October 1, 2013.

### **Strengthening competitiveness**

We aim to gain additional headroom for growth and innovations by continuously streamlining structures and workflows at Evonik. A central element in this is the On Track 2.0 efficiency enhancement program introduced in 2012. This is expected to make a significant contribution, for example, through further optimization of global procurement, production and related workflows. This program has been running for 24 months and we are currently implementing measures with annual savings potential of over €280 million. That is twice as much as at year-end 2012. The aim of On Track 2.0 is to cut costs by €500 million a year by the end of 2016.



### Acquisitions and divestments

We aim to strengthen our core business by making selective acquisitions. We therefore conduct an intensive and systematic review (due diligence process) on potential acquisitions to examine the main risks and benefits and arrive at an appropriate valuation of the business to be acquired. Any restructuring or divestment requirements are also systematically implemented. In the event of divestments, the legal and financial terms and reliability of the transaction are very important to us. We also attach great significance to the development perspectives for the business and the associated employees. Operations that we divest should therefore form part of the new owners' core business and have good development prospects.

### Fostering good customer relations

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

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

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

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

## Segment performance

### Consumer, Health & Nutrition segment

The Consumer, Health & Nutrition segment produces specialty chemicals, principally for applications in the consumer goods, animal nutrition and healthcare sectors. The long-term development of this segment's business is driven by socio-economic megatrends. As a result of growth in the world population, demand for food based on animal protein is rising. At the same time, the rise of an affluent middle class in the emerging markets is increasing consumption of meat and leading to higher demand for better quality day-to-day consumer goods such as personal care products and cosmetics. Moreover, as a result of demographic change the proportion of older people in the developed markets will rise in the long term, leading to higher demand for cosmetics, wellness and healthcare products. This segment comprises the Consumer Specialties and Health & Nutrition Business Units.

#### T11 Key data for the Consumer, Health & Nutrition segment

in € million	2013	2012	Change in %
External sales	4,207	4,204	0
Adjusted EBITDA	910	1,055	-14
Adjusted EBIT	767	929	-17
Capital expenditures	455	303	50
Employees as of December 31	7,150	6,821	5

Prior-year figures restated.

#### Perceptible volume growth

Thanks to buoyant global demand and new production capacities, the Consumer, Health & Nutrition segment registered perceptible volume growth. Owing to the overall downtrend in selling prices, sales were in line with the previous year at €4,027 million.

#### Very good earnings

The segment's operating earnings were very pleasing but fell short of the previous year's excellent levels as a result of the reduction in selling prices. Adjusted EBITDA fell 14 percent to €910 million, while adjusted EBIT dropped 17 percent to €767 million. The adjusted EBITDA margin remained high at 21.6 percent, but was below the previous year's very good level.

#### Ambitious growth strategy

The Consumer, Health & Nutrition segment continued the systematic implementation of its growth strategy in 2013. To strengthen its leading global market positions and participate in the dynamic trend, especially in emerging markets, new production facilities were erected. Capital expenditures therefore increased to €455 million (2012: €303 million), and were well above depreciation, which amounted to €140 million.

## CONSUMER SPECIALTIES

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

### Further improvement in earnings

The Consumer Specialties Business Unit continued its successful performance in 2013. Sales grew 7 percent to €2,192 million on the back of an appreciable rise in volumes. Superabsorbents were driven by a particularly strong hike in demand and registered higher sales. Products for special industrial applications such as radiation-curing silicone acrylates for self-adhesive labels posted a very pleasing development. Volume sales of personal care products were also up, partly as a result of marketing activities in connection with the start-up of the new production plant in China. Overall, the operating results were higher, partly because of the rise in volumes, but this was tempered by higher fixed costs and start-up expenses for growth investments.

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### Start-up of new production facilities in attractive emerging markets

In fiscal 2013 Consumer Specialties successfully completed two major expansion projects in attractive emerging markets.

In Saudi Arabia, the first production plant for superabsorbents in the Middle East was completed as planned at year-end 2013. For this purpose, Evonik established the Saudi Acrylic Polymers Company as a joint venture with Saudi Acrylic Acid Company (SAAC) in 2011. The new facility, which has annual production capacity of 80,000 metric tons, was built under license from Evonik. Total investment is triple-digit millions of euros, and Evonik's share is in the double-digit millions range. The superabsorbent production plant is part of a new acrylic acid and derivatives complex at the Tasnee site in the Al Jubail Chemical Park in Saudi Arabia. It strengthens Consumer Specialties' global leadership in the superabsorbents business and meets rising demand for hygiene products in the fast-growing markets of the Middle East and parts of Africa and Asia.

A new plant for organic specialty surfactants with annual production capacity of around 80,000 metric tons came on stream in Shanghai (China). Investment was in the upper double-digit million euro range. Evonik can now offer customers in Asia a wide range of locally produced products to support their growth. Examples are specialty surfactants produced from renewable raw materials for use in personal care and hygiene products, fabric softeners and industrial applications. China, which is the largest market for cosmetic products in Asia, is expected to account for 25 percent of global growth in this market in the medium term.

In Brazil, 2013 saw the start of construction of a similar facility, which will also be producing ingredients for cosmetics and consumer household goods. Planned production capacity is around 50,000 metric tons a year, with investment in the mid-double-digit million euro range. This plant is scheduled to come into operation in 2014.

## HEALTH & NUTRITION

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

### Strong demand

There was continued strong demand for the amino acids methionine, lysine, threonine and tryptophan, which are essential for animal nutrition. This was driven by global trends such as population growth and rising incomes in emerging markets. Thanks to the continuous increase in capacity in recent years, for example, the increase in Biolys® capacity in North America in fall 2012, we were able to translate the increased demand into higher volume sales. However, selling prices were well below the very good prior-year level as a result of increasing competition. Sales of amino acids therefore declined overall. The business with healthcare products did not fully match the positive trend seen in 2012 and sales here were also down. Overall, sales of the Health & Nutrition Business Unit slipped 6 percent to €2,015 million. The operating results dropped considerably compared with the previous year's excellent figures as a result of lower selling prices, higher raw material costs and project costs in connection with growth projects.

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### Investing in further growth

We are making good progress with the global expansion of capacity for methionine and lysine. Over €500 million is currently being invested in a fully backwardly integrated production complex for DL-methionine in Singapore. It will be the most modern complex of its type worldwide and the first world-scale facility for methionine in Asia, which is the fastest growing market for this product. The facility is scheduled to come into service in the second half of 2014, with production capacity of 150,000 metric tons a year, bringing total methionine capacity to 580,000 metric tons a year.

Health & Nutrition is building a plant for biotechnological production of the feed additive L-lysine in Castro (Brazil). Evonik's L-lysine, which is marketed as Biolys®, is regarded worldwide as an extremely effective source of lysine for animal nutrition. This new plant is being built at the site operated by the US company Cargill, from which Evonik already sources the main raw material for the Biolys® produced in Blair (Nebraska, USA). The Castro site has excellent access to corn, which is used as a raw material, very good logistics connections, and is close to our customers in the growing Latin American market. A further production plant for Biolys® is under construction in Wolgodonsk, in the Rostov on Don region of Russia. It is being built by Evonik and the Russian Varshavsky Group. Evonik is the minority partner in this joint venture. The starting product will be wheat from the Rostov region. The new capacity of 100,000 metric tons a year in Brazil and Russia will give Evonik total production capacity of nearly 500,000 metric tons a year Biolys® from 2015.

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footprint.com](http://www.aminofootprint.com)

Customers can use the AMINOFootprint® web-based calculator to calculate the feed mixture that has the lowest environmental impact.



## Resource Efficiency segment

The Resource Efficiency segment provides environment-friendly and energy-efficient system solutions. Since supplies of fossil fuels are limited, we see the trend to renewable energy sources and energy-efficient and environment-friendly products as a key factor in the development of this segment's business. This segment comprises the Inorganic Materials and Coatings & Additives Business Units.

### T12 Key data for the Resource Efficiency segment

in € million	2013	2012	Change in %
External sales	3,084	3,131	-2
Adjusted EBITDA	656	663	-1
Adjusted EBIT	540	526	3
Capital expenditures	230	171	35
Employees as of December 31	5,854	5,755	2

Prior-year figures restated.

### Organic sales growth

Sales in the Resource Efficiency segment were €3,084 million, 2 percent lower than in the previous year, principally as a result of negative currency effects. In addition, the previous year's figure still contained sales from the colorants business, which was divested at the end of April 2012, and from the photovoltaic activities. In September 2012 we concluded agreements with two major customers in the photovoltaic sector, essentially on winding up long-term supply agreements and on the shutdown of one production plant and divestment of another. After adjustment for these factors, this segment posted organic sales growth as a result of higher volumes and unchanged selling prices.

### Higher adjusted EBITDA margin

The operating results were once again very good. At €656 million, adjusted EBITDA almost matched the previous year's level, while adjusted EBIT rose 3 percent to €540 million due to lower depreciation. The adjusted EBITDA margin increased slightly from 21.2 percent to 21.3 percent. Capital expenditures amounted to €230 million, and were once again well above depreciation, which totaled €114 million.

## INORGANIC MATERIALS

A central feature of the Inorganic Materials Business Unit is its integrated silicon technology platform. Key customers include the tire, electronics, construction and fiber optics industries. Its expertise in designing organic particles and their surface properties is also used in the catalysts business.

### Good volume trend

Sales decreased by 3 percent to €1,436 million in the Inorganic Materials Business Unit. The main factors behind this decline were negative currency effects, especially from the Japanese yen, and the fact that the previous year still contained sales from the photovoltaic business. After adjustment for these factors, the business unit reported organic sales growth, partly due to higher volumes. Business with fumed silicas and specialty oxides was pleasing, with high demand and good utilization of production capacity. Silicas and silanes for the tire and rubber industries also developed well. Both are used above all in tires with reduced rolling resistance ("green" tires) which enhance fuel economy. Rising demand was registered in Europe and Asia in particular, while business in North America was softer. Adjusted EBITDA was lower than in the previous year, while adjusted EBIT was in line with the previous year owing to lower depreciation.

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### Further expansion of the precipitated silicas business

Inorganic Materials is raising capacity for precipitated silicas by 30 percent by 2014 (reference base 2010). The main growth driver in this market is the trend to energy-saving tires with low rolling resistance. Using a combination of silica and silanes, it is possible to manufacture tires with considerably lower rolling resistance than conventional auto tires, resulting in fuel savings of up to 8 percent. Evonik is the only producer that offers both components, making it a competent partner for high-performance tire blends for customers in the tire and rubber industries. Through its capacity expansion, Inorganic Materials is therefore supporting the growth of its key customers in the global tire industry.

Having increased capacity at its sites in Asia and Europe, production capacity for precipitated silicas is now being raised by around 20,000 metric tons at the facility in Chester (USA). Following investment in the low double-digit million euro range, this new plant is scheduled to come into operation in 2014. A low double-digit million euro capacity expansion is also under way at the precipitated silica plant in Map Ta Phut (Thailand). This will raise capacity considerably and should be completed in the first quarter of 2014. Alongside automotive applications, precipitated silica is used by the food and feed industries and in paints and coatings. Demand from these industries is rising strongly in South-East Asia.

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## COATINGS & ADDITIVES

The Coatings & Additives Business Unit supplies high-quality functional polymers and specialty monomers to the paints, coatings, adhesives and sealants industries. It also produces high-performance oil additives and hydraulic fluids. A key attribute is its integrated isophorone technology platform. In addition, Coatings & Additives is closely meshed with Evonik's methylmethacrylate and silicone platforms.

### Higher operating earnings

2013 was another successful year for the Coatings & Additives Business Unit, which registered unchanged high demand from the automotive, construction and transportation industries for oil additives that enhance the performance of engines and gears. There was also high demand from the coatings industry and for binders. The composites business got off to a weak start in 2013 but picked up in the second half of the year. This business unit's sales slipped 1 percent to €1,648 million as the previous year's figure still contained sales from the colorants business (divested: April 2012). After adjustment for this effect, the Coatings & Colorants Business Unit posted organic sales growth. The operating results improved, principally thanks to higher volumes.

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### Investment in new markets

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

In Shanghai (China), new production facilities for isophorone and isophorone diamine costing over €100 million are also scheduled to come into service in the first quarter of 2014. Crosslinkers are important components, for example, in the production of tough industrial floorings, imitation leather, paints and coatings. They are also used in chemical synthesis and in the growing area of high-performance composites. The capacity expansion is part of the business unit's goal of supporting the growth aspirations of its key customers in Asia and elsewhere in the world.

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Coatings & Additives will be raising capacity for oil additives on Jurong Island in Singapore considerably by the start of 2015. Most of the ongoing improvements and debottlenecking measures are scheduled for completion in the first half of 2014. These optimization measures and the planned expansion will almost double production capacity at the oil additives plant in Singapore. Oil additives, which are marketed by Evonik as VISCOPLEX®, are key components in ready-to-use lubricants, which are used in the automotive industry and for other industrial applications. They improve engine performance, help raise fuel economy, and cut CO<sub>2</sub> emissions. Evonik is responding to the above-average growth in the market for oil additives resulting from rising mobility and increased demand from Asia for high-performance lubricants with a higher additive content.

## Specialty Materials segment

The heart of the Specialty Materials segment is the production of polymer materials and intermediates, mainly for the rubber and plastics industries. Progressive globalization offers market opportunities for this segment, driven by the mobility and urbanization megatrends, which are raising global demand for efficient transportation systems and sustainable construction methods. This is reinforced by the rise of an affluent middle class, especially in the emerging markets in Asia. We are also convinced that this segment's growth will be boosted by new applications resulting from the substitution of materials. This segment comprises the Performance Polymers and Advanced Intermediates Business Units.

### T13 Key data for the Specialty Materials segment

in € million	2013	2012	Change in %
External sales	4,490	4,843	-7
Adjusted EBITDA	552	853	-35
Adjusted EBIT	395	701	-44
Capital expenditures	289	344	-16
Employees as of December 31	6,268	6,134	2

Prior-year figures restated.

### Lower sales

Sales declined 7 percent to €4,490 million in the Specialty Materials segment. Alongside withdrawal from the cyanuric chloride business in China in December 2012, this was due to an organic sales decline, caused by far lower selling prices. However, volumes increased appreciably, driven mainly by the fact that the production plant for cyclododecatriene (CDT), a precursor for polyamide 12, came back into service at the start of 2013. The plant in Marl (Germany) had been damaged by an explosion and fire on March 31, 2012.

### Operating results lower than in the previous year

Operating earnings were below the previous year's high levels, mainly as a result of lower selling prices. Adjusted EBITDA fell 35 percent to €552 million, while adjusted EBIT dropped 44 percent to €395 million. The adjusted EBITDA margin was 12.3 percent, down from 17.6 percent in the previous year.

### Higher capital expenditures

To increase its global production capacity, Specialty Materials invested €289 million in property, plant and equipment in 2013, following investment of €344 million in 2012. In view of the ambitious growth strategy, capital expenditures once again exceeded depreciation, which amounted to €157 million.



## PERFORMANCE POLYMERS

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

### High demand

Sales rose 2 percent to €1,810 million in the Performance Materials Business Unit, driven by a considerable rise in volumes. However, selling prices declined. The substantial increase in volumes was mainly due to the resumption of production of cyclododecatriene (CDT), a precursor of polyamide 12, in early 2013. Following the fire on March 31, 2012, the CDT plant was rebuilt in record time and came back into service in January 2013. The damage in 2012 resulted in a clear drop in sales volumes but the reduction in earnings was largely covered by insurance. The difficult market environment in southern Europe and Asia affected methacrylate chemicals and prices came under pressure. As a result, the operating results declined.

@ [www.evonik.com/  
vestamid](http://www.evonik.com/vestamid)

### New joint venture for lightweight construction applications

In September 2013, Performance Polymers and SECAR Technologie, Hönigsberg (Austria) established Litecon Advanced Composite Products, a new joint venture for the mass production of innovative fiber-reinforced composite components for the automotive and aviation industries. Evonik owns 49 percent of the joint venture and will be contributing its expertise in materials development, especially ROHACELL® structural foam. ROHACELL® is used in sandwich structures in planes and sports cars, rotor blades for wind turbines, medical x-ray tables, and sports and leisure equipment.

@ [www.evonik.com/  
rohacell](http://www.evonik.com/rohacell)

### Substantial capacity expansion

Capacity increases for the specialty polymer polyamide 12 came on stream in 2013 in Marl (Germany) and Shanghai (China). In addition, a new polyamide 12 line is planned for Asia. Performance Polymers is planning this substantial capacity increase to meet rising demand from its customers and secure its leading position in the market for polyamide 12.

In Mobile (Alabama, USA), additional production capacity was completed for methacrylate monomers for special applications, which are developed in close collaboration with customers. Expansion of the plants in Worms (Germany) should be completed by the end of 2014.

Basic engineering for the methacrylate (MMA) production facility based on the new AVENEER® process in Mobile is well advanced. In the intermediate term, Evonik has budgeted a sum in the triple-digit millions of euros for this facility. Methacrylate monomers and their derivatives are the basis for innovative products for resource-saving solutions such as lightweight automotive construction.

## ADVANCED INTERMEDIATES

Key factors in the success of the Advanced Intermediates Business Unit are advanced chemical processes, which Evonik has developed systematically over decades. This applies in particular for the integrated C<sub>4</sub> technology platform, where C<sub>4</sub> crack is processed into specialties. This business unit has gained access to new growth markets for hydrogen peroxide thanks to its innovative capability. It is a world market leader in alcoholates, which are used as catalysts in the production of biodiesel.

### Sales and earnings down year-on-year

Sales fell 13 percent to €2,680 million. Alongside divestment of the cyanuric chloride business in China in December 2012, the principal factors were a significant reduction in the selling prices of Performance Intermediates (C<sub>4</sub> chemistry), especially butadiene. Volumes were slightly below the previous year's high levels on account of an extensive maintenance shutdown at production facilities for performance intermediates in Marl (Germany) which takes place every five years. The hydrogen peroxide business was stable, benefiting from higher demand, especially for applications produced using the HPPO process developed by Evonik and ThyssenKrupp Uhde. Demand for alcoholates for the production of biodiesel remained buoyant. However, the operating results fell short of the very good results for the prior-year period due to the lower selling prices.

### Investing in the future

The new production facility for hydrogen peroxide was completed in Jilin (China) at the start of 2014, bringing total annual production capacity for this product to over 850,000 metric tons. This investment in the low triple-digit million euro range gives Advanced Intermediates access to new markets for this environmentally friendly oxidation agent. Under a long-term agreement, most of the hydrogen peroxide from the facility in Jilin will be supplied to the neighboring propylene oxide plant operated by Jishen Chemical Industry Co., Ltd., via a direct pipeline. Jishen will produce propylene oxide, which is mainly used in the manufacture of starting products for polyurethane. The market for this is growing particularly fast in Asia.

A new plant to produce catalysts for the production of biodiesel from renewable raw materials has been completed in Puerto General San Marino (Argentina). This new plant has capacity of over 60,000 metric tons a year and will mainly serve the South American region. Through this investment Advanced Intermediates aims to participate in the fast-growing South American market for biodiesel.

Evonik has extended its offering of sustainable plasticizers through a strategic addition to its portfolio: A new production plant for phthalate-free plasticizers has started operating in Marl (Germany) following investment amounting to double-digit millions of euros. Plasticizers from Evonik are mainly used in the plastics industry, and in the automotive and construction sectors.

In Jayhawk (USA) the business unit started up a new production plant for polymer additives. This capacity increase was triggered by a new strategic alliance with a leading producer of polyamides and their precursors. In future, Advanced Intermediates will be producing a ligand exclusively for this customer for an innovative catalyst system that represents a new key technology for efficient chemical production.

@ [www.evonik.com/h2o2](http://www.evonik.com/h2o2)

@ [www.evonik.com/oxo-alcohols](http://www.evonik.com/oxo-alcohols)

## Services segment

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

### T14 Key data for the Services segment

in € million	2013	2012	Change in %
External sales	916	999	–8
Adjusted EBITDA	182	174	5
Adjusted EBIT	87	78	12
Capital expenditures	122	103	18
Employees as of December 31	12,192	11,900	2

Prior-year figures restated.

### Higher earnings

The Services segment's sales totaled €2,680 million in 2013. Internal sales with the specialty chemicals segments and the Corporate Center accounted for €1,764 million of the total. The external sales of €916 million were mainly attributable to services and procurement activities for external customers. The 8 percent drop in external sales was mainly due to lower revenues from Site Services as a result of the shutdown of a customer's plant at the site in Marl (Germany). The increase in the operating results came mainly from successful cost management at the sites. Adjusted EBITDA rose 5 percent to €182 million, while adjusted EBIT grew 12 percent to €87 million.

## Supply chain management ✓

### Our management approach

Our suppliers play a substantial part in our value chain. Careful selection and assessment of suppliers is important to ensure continued reliability of supply, gain access to new procurement markets, and allow ongoing optimization of material costs. As well as validating new suppliers, we are working intensively to extend our relationship with established strategic suppliers. We are aware of our responsibility within the supply chain, and know that our procurement volumes can have a substantial impact on both the environment and society. Sustainability criteria covering safety, health, environmental protection, quality and social aspects therefore have a firm place in our procurement strategy alongside economic aspects. The status of humanitarian development and fair business practices are taken into account, along with close alignment to the principles of the UN Global Compact. Procurement is organized centrally at Evonik, so the information presented here applies for both continuing and discontinued operations.

### Procurement in 2013

In 2013 Evonik spent around €8.5 billion on raw materials and supplies, technical goods, services, energy and other operating supplies. Petrochemical feedstocks account for about 27 percent of the total. Overall, raw materials and supplies make up around 63 percent of procurement volume.

Using renewable resources is very important to Evonik. In 2013, around 8 percent of raw materials were once again from renewable resources. The main applications for these raw materials are amino acids and starting products for the cosmetics industry.

Within our procurement process, we work together to reduce emissions. For instance, we are endeavoring to switch to the transportation of full loads, which will indirectly reduce CO<sub>2</sub> emissions. The procurement of packaging, for example for the transportation of amino acids, makes an important contribution to sustainability and can reduce the carbon footprint of the product. New waste management and recycling legislation came into effect in Germany in 2012. In line with this, the German Packaging Ordinance requires companies to take back empty used packaging (e.g. paper bags). Evonik has therefore outsourced the return of packaging materials for recycling to a range of waste disposal companies. Nationwide collection points where customers can return empty packaging followed by recycling also cuts greenhouse gas emissions. We perform internal audits to check global compliance with our own requirements. In 2013 we conducted four out of six planned internal audits; two had to be postponed for organizational reasons. ISO 9001 and 14001 certification, which we gained in the previous year, was confirmed.

See CR Report 2012,  
p.10 ff.

### Sustainability in the selection of suppliers

Our selection criteria for suppliers classified as a potential risks were extended in 2013 to ensure we continue to meet the criteria set by leading global sustainability indices in the future.

Together with chemical companies BASF, Bayer, Henkel, LANXESS and Solvay, Evonik Industries established the Together for Sustainability (TfS) initiative to improve sustainability along the supply chain through a combined approach. The twelve-month pilot phase was successful. Together for Sustainability aims to heighten transparency and efficiency and to selectively optimize suppliers' ecological and social standards. Participating suppliers only have to fill out one assessment form rather than multiple questionnaires. In other words, they only have to have a single audit. With the supplier's permission, the outcome is then shared. The next step in the initiative aims to extend these activities to further procurement markets and gain new members. As part of the initiative, training for suppliers is offered in various languages.

See p. 6 ff.

@ [www.tfs-initiative.com](http://www.tfs-initiative.com)

Based on the results of the assessments performed in the previous year, 20 candidates were identified for auditing for the first time under the supplier co-funding model as part of the TfS initiative. Seventeen suppliers participated in this model.

Together with three "shared audits", the associated CR target was therefore achieved. Where the audit process for a supplier started in 2012 and was completed in 2013, it is counted as being performed in 2013.

Supplier events and information media are to be used to increase awareness of the TfS initiative in the emerging markets. In this way, we also aim to raise understanding of this form of validation based on ISO audits. An escalation process is to be defined in the short term on the basis of an existing procedure. Shareholders and potential new suppliers will find Evonik's requirements in the new Supplier Code of Conduct in the internet. In conjunction with our general purchasing conditions, the minimum standards that have to be met are communicated in good time before concluding or renewing agreements.

The contact points for the suppliers are specially trained buyers, who are also familiar with the TfS processes. The training rate for process-related purchasing staff was 93 percent in 2013, so we exceeded our target (90 percent).

See p. 38

Using internationally recognized criteria, a total of 216 potential risk candidates were selected for supplier self-assessments in 2013. The previous year's best performers will be evaluated in the third year or when their validation certificates expire.

About 6 percent of the suppliers selected for this process in 2013 registered with Evonik's supplier management system. The other 94 percent were evaluated through the Together for Sustainability initiative and the associated supplier questionnaire was analyzed by the TfS evaluation partner EcoVadis. About 36 percent of the 216 suppliers had completed the questionnaire and returned it to us by the editorial deadline. The evaluation process was still in progress as of this date. Meeting the demands made by Evonik on suppliers is challenging. A strategy to address these challenges is currently being developed. Evonik reserves the right to terminate agreements with suppliers who are not prepared to cooperate on sustainability-related matters.



Based on the detailed analysis of the questionnaires completed and evaluated under the Together for Sustainability initiative, the picture is as follows:

3 percent of the suppliers evaluated have an advanced commitment to CR and exceed Evonik's requirements in this respect. Around 17 percent show a firm commitment to CR within Evonik's framework. However, the majority (79 percent) of the suppliers evaluated by EcoVadis did not have a full CR commitment. Talks are currently being held by procurement staff and suppliers in the last two categories to define suitable measures to eliminate or improve any shortcomings within a period of between one and three years, depending on their relevance. Only 1 percent of suppliers completely failed to meet Evonik's requirements. In such cases, a check was carried out to see whether the agreed measures had been implemented within twelve months.

Of the 6 percent of suppliers who were evaluated via the Evonik management system, 58 percent meet our requirements.

At Evonik's initiative, 17 of the suppliers selected for self-assessments in 2012 have been audited by an independent validation company. Any issues and the corresponding action, together with the deadlines, are documented in tables so they can be tracked. The follow-up checks will be performed in the coming months.

In addition, companies listed on the stock exchange in the USA have to report whether their products contain any "conflict minerals". These are defined in the Dodd-Frank Act as tantalum, tin, tungsten and gold from the Democratic Republic of the Congo and/or neighboring states. Although Evonik is not listed on the stock exchange in the USA, it is indirectly affected by the Dodd-Frank Act as part of the supply chain of such companies. Our customers expect us to inform them whether the products supplied contain such minerals. We are currently establishing a procedure to answer their enquiries.

### Training for our employees

Evonik continued its in-house training program SPADE (Shaping Procurement and Development Excellence) in the year under review. Alongside the half-yearly international series of advanced seminars in English, a further basic seminar was conducted in Germany. The aim is to ensure a high level of competency and offset the possible loss of knowledge resulting from staff turnover. Alongside employees from the procurement organization, training includes employees from "procurement-related" units.

Negotiating skills and e-commerce have been added to the range of topics for these training sessions. Wherever possible, training is based on specific situations. A key factor in the success of in-house training is intensive collaboration with experienced colleagues.

In 2014, we are continuing to set ambitious targets for supply chain management.

## Product stewardship

Very high demands are placed on the chemical industry. As well as meeting very high quality standards, it has to ensure that the transportation and use of its products satisfy legal requirements and, above all, are safe for people and the environment. That is a matter of course for Evonik. Wherever possible we endeavor to exceed statutory requirements, for example, through our commitment to our own global Environment, Safety, Health and Quality (ESHQ) Values. For us, that means taking product stewardship seriously from production right through to disposal (cradle-to-grave approach), in keeping with the chemical industry's global Responsible Care initiative.

This international initiative comprises a voluntary obligation by several thousand companies to go beyond statutory requirements. Its goals are to foster sustainability, demonstrate responsible product stewardship, increase safety at production sites and for local communities, and improve occupational health and environmental protection. As a long-standing supporter of ChemCon Conferences, the world's leading conferences on chemicals safety, regulatory provisions and trading, we provide funding and active assistance in preparing and holding these conferences. We conduct regular audits to check observance of the commitments we have entered into.

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

## Responsible handling of chemicals

We have set up an extensive information system to help us meet our responsibility in this field. Elements include:

- 130 GPS Safety Summaries with information on substances in understandable English are available on our website; for some substances they are also available in Japanese
- Support for the information portal of the International Council of Chemical Associations (ICCA)
- All safety- and substance-related data is available in special databases to which all our business units have access to ensure they can meet product safety and information requirements
- Safety data sheets in more than 30 languages
- Technical information sheets and special product information
- For highly reactive substances, we make treatment protocols available for emergencies in order to optimize medical treatment.
- 24-hour emergency hotline, including an interpreter service
- Central email addresses to register enquiries and ensure a timely response
- Additional information and details of how to contact our account managers can be found on our website via Productfinder
- The Products in the Web link on our website enables our customers to gain a preliminary overview of many of our products
- Special Regulatory Data Sheets are available for many of our products. These include information on the country inventory status, indicating, whether the product can be imported into that country, REACH status, eco labeling and the VOC content (volatile organic compounds). These information sources are being extended successively.

@ [www.icca-chem.org](http://www.icca-chem.org)

@ [www.evonik.com  
go to Products &  
Solutions/  
Productfinder](http://www.evonik.com/go-to-Products&Solutions/Productfinder)

G See Glossary p. 142

- The “Evonik’s Opinion” section contains regular information on topical issues relating to chemicals.

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

### **How we live up to our responsibility**

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

The role of our product stewardship departments includes, for example:

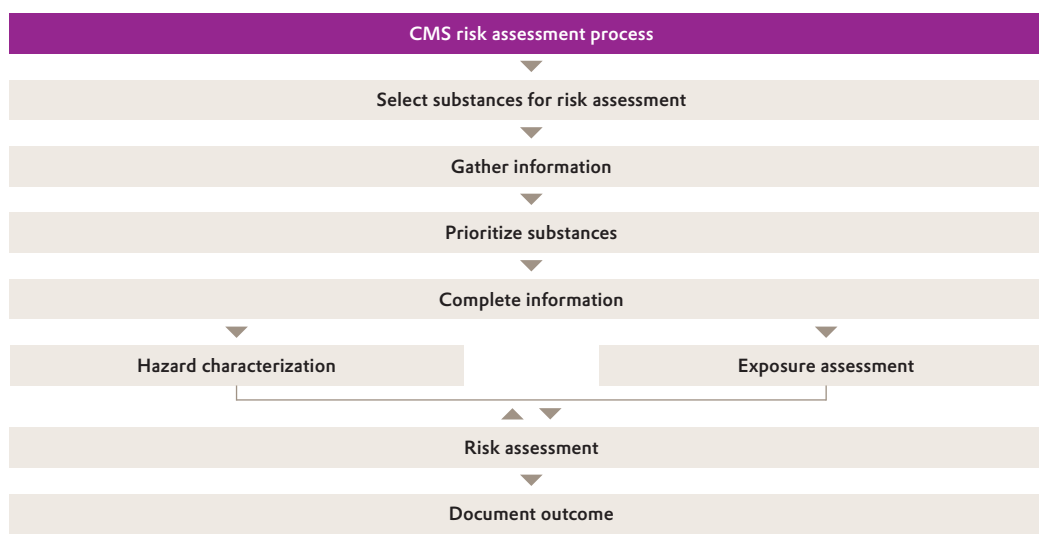
- correct classification and labeling of dangerous substances and mixtures
- performing and periodically updating risk assessments
- arranging and monitoring statutory toxicological/ecotoxicological/physical chemistry studies
- preparing safety data sheets and other instructions and recommendations on safe handling of products, including updating them and distribution to customers
- reporting and registering products in accordance with national and international legislation
- filing reports in substance inventories
- obtaining country- and application-specific permits; this applies, for instance, to chemicals, biocides, crop protection products, pharmaceutical active ingredients, animal feeds and food contact substances
- steadily expanding knowledge of the hazardous properties of products
- continuously extending knowledge of application properties and product exposure
- providing timely, risk-related information for customers and suppliers
- dealing with enquiries from customers and suppliers and taking their information into account in our own documentation
- preparing GPS Safety Summaries (ICCA)
- conducting training for customers or internally

### **The Chemicals Management System**

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

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

## C09 Risk characterization in the CMS



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

### REACH—the EU Chemicals Regulation

@ [www.echa.europa.eu](http://www.echa.europa.eu)

The revision of the European Union's chemicals legislation was designed to create a uniform regulatory basis for all EU states. The EU Chemicals Regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force on June 1, 2007.

Evonik supports the goal of protecting health and the environment in the handling of chemicals and systematically applies the REACH Regulation. Under REACH, all substances produced, imported or placed on the market in the EU in quantities of more than 1 metric ton p.a. have to be registered.

In the initial registration phase for major substances exceeding 1,000 metric tons p.a. and especially hazardous substances in quantities above 1 metric ton p.a., we registered nearly 170 substances with the European Chemicals Agency (ECHA). This phase was completed on November 30, 2010. The second registration phase, which was completed on May 31, 2013, was for substances in the range of 100 to 1,000 metric tons p.a. We registered more than 180 substances in this phase. At the same time, we registered substances in the lower ranges. In the third phase, which ends on May 31, 2018, all substances in the range of 1 to 100 metric tons p.a. have to be registered. Registration of substances is an ongoing process. By year-end 2013 Evonik had registered some 460 substances and submitted around 660 registration dossiers.

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

Alongside registration, restriction and authorization are becoming increasingly important. We constantly compare substances of very high concern and those on the list of potential candidates with our portfolio to ensure timely identification of any that are affected and take appropriate action where necessary. At the same time, we collaborate closely with our customers to work out the next steps. We also examine the raw materials we procure. If they are categorized as being of very high concern or are on the list of potential candidates, we discuss the steps to be taken with our suppliers or look for alternatives. We have set up an email address for all REACH-related enquiries from customers and suppliers to ensure they receive timely and full replies.

@ Reach@evonik.com

### **Global Harmonized System of Classification and Labeling of Chemicals (GHS)**

In 2003 the United Nations initiated a Global Harmonized System of Classification and Labeling of Chemicals, based on a hazard classification of dangerous goods and substances, and called on member states to introduce corresponding national regulations.

As a consequence, the European version of the GHS, "Classification, labelling and packaging of substances and mixtures" (CLP) came into force in 2009. This regulation establishes the GHS in the EU. Transitional arrangements apply for previous regulations, which have to be phased out by 2015.

We trained employees in changes and additions to the CLP regulation, for example, via the online training tool UWEB 2000.

The GHS is still not used uniformly around the world. To improve communication on the GHS, a database has been set up to track progress, and the changes and requirements in the various countries. Evonik makes this available to the international network of experts. In addition, the latest developments and any changes they make necessary are discussed at internal workshops, approved and implemented.

### **Global Product Strategy (GPS) sets worldwide standards**

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

Product information in accordance with the GPS standard is available in the form of Safety Summaries on Evonik's website and the ICCA's internet portal.



## Nanotechnology

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

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

## Biotechnology

Evonik uses micro-organisms for biocatalysis processes and fermentative production processes. Biotechnology is used to optimize these micro-organisms so that they either produce the desired substances in large quantities as a metabolic product in a fermentation process or produce an enzyme—also in large quantities—that can be used as a biocatalyst in production processes. Alternatively, precursors tailored for highly specific products can be generated from complete cells using a biotransformation process. Safe and responsible handling of this technology is a matter of course for Evonik. We respect the desire of our customers and the general public for transparent action and communication, and stringent action to prevent risks. We regard biotechnology as a key to growth. Our Science & Technology unit, which is part of our strategic research unit, Creavis, develops new, cost-effective methods of producing existing chemical products, in some cases in collaboration with business units at Evonik and external partners. The use of renewable raw materials such as sugar and plant residues also reduces dependence on petrochemical feedstocks and thus secures access to raw materials. The focus is, on the one hand, on developing sustainable production processes such as fermentation and biocatalysis, and on the other, on the synthesis of bio-based materials with outstanding functions or a significant cost advantage. Creavis is engaged on work, among other things, on the production of ingredients for cosmetics, for example for anti-aging products, and the development of high-performance polymers from synthetic gas, for example, from waste streams.

### Animal protection

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

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

We are involved in several international organizations that aim to develop alternative test methods, for example, the European Partnership for Alternative Approaches to Animal Testing (EPAA). We also support SET (Foundation for the Promotion of Alternative and Complementary Methods to Reduce Animal Testing).

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

We are participating in the development of an in-vitro test strategy to determine potential skin sensitization and are evaluating existing in-vitro methods of testing irritation of the skin and eyes.

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

## Research & development

### Evonik gives research more clout

Evonik—one of the world's most innovative companies. That is the vision that guides our research and development (R&D). The Group-wide Leading Innovation initiative, which is designed to step up the pace of innovation, is a key element: It is our response to the challenging market environment and increasingly short product and innovation lifecycles, and paves the way for the future success of the Evonik Group. In 2013 a number of specific measures were defined as part of this initiative, including realigning our strategic innovation unit, Creavis.

A culture of innovation is a key factor in a company's innovative capability. It determines whether—and how fast—employees are able to drive forward good ideas and convert them into additional sales and earnings. That includes the strength to halt R&D projects if their prospects of success are too low, and a constructive attitude to mistakes. Evonik sees itself as an open and learning organization and has anchored this in its innovation management and executive development activities.

To gather new business ideas within the Group, we are using creative new approaches and stepping up the use of online platforms, for example, through global, cross-unit Ideation Jams. In this way, in fall 2013 employees worldwide were able to put forward proposals for the development of new products, technologies and business models aligned specifically to the health needs of older people. More than 20 of the roughly 160 suggestions received were selected for further development.

Every year, we present an Innovation Award in various categories to honor outstanding research achievements.

Attractive innovations should continue to support Evonik's growth in the coming years and help us attain the financial targets set for 2018. We have a well-stocked pipeline with a balanced mixture of around 500 short-, mid- and long-term R&D projects. Examples of our most recent R&D highlights are a novel source of amino acid that can be used as feed additives in aquaculture, highly transparent insulation for windows, and—as an alternative to petroleum-based laurin lactam—a bio-based amino lauric acid that produces an identical polyamide 12.

In view of its strategic importance, R&D spending has been increased by an average of 9 percent a year since 2009. In 2013 it totaled €394 million, up from €382 million in the previous year and the R&D ratio was 3.1 percent. We intend to maintain spending on R&D at a high level in the future.

#### Innovation Award 2013

##### New Products/New System Solutions category

**Project:**  
Silylisocyanates—New technology platform makes automotive clear coats more scratch resistant

Coatings & Additives  
Business Unit

##### New or Improved Process category

**Project:**  
New serine production platform—Two enantiomers by a single route

Health & Nutrition  
Business Unit

##### Creative Communication Medium category

**Project:**  
CAREtain®—The communication platform for sustainable innovation

Consumer Specialties  
Business Unit

### T15 R&D at Evonik

R&D expenses	€394 million
R&D ratio	3.1%
R&D employees	approx. 2,600
Locations	approx. 35
R&D projects	approx. 500
Number of new patent applications filed	approx. 260
Patents held and applications filed	approx. 26,000
Registered/pending trademarks	approx. 7,500
Innovation projects funded by the European Union and the Federal Republic of Germany	approx. €8.8 million

In addition, Evonik invested more than €50 million in the construction of laboratory capacity and pilot facilities in 2013. Examples include a new innovation center for applications for the cosmetics industry, which the Consumer Specialties Business Unit opened in Essen (Germany) in June 2013. High-quality cosmetic ingredients are an attractive growth market. As a result of intensive research, the Performance Polymers Business Unit opened a pilot plant for the production of bio-based amino lauric acid in Slovenská L'upča (Slovak Republic) in early 2013.

The large number of first-time patent applications filed by Evonik places it at the forefront of the specialty chemicals sector. In 2013 we had around 26,000 patents and pending patents and filed around 260 new patent applications. The value of our patent portfolio has increased steadily in recent years. In summer 2013 the strength and efficiency of our R&D were highlighted by a survey by PatentSight, a company which regularly analyzes companies' patent portfolios against their global competitors.

#### Internal and external networks foster new business and technology ideas

Evonik's R&D activities are decentralized. Our global R&D network comprises some 2,600 employees from a variety of disciplines at around 35 locations. We regard this interdisciplinary collaboration as an important generator of innovations, which these days generally span the interfaces between different fields. Moreover, we bring together our in-house expertise in specialty chemicals, process technology and engineering at an early stage in projects. This facilitates rapid transfer of new processes into industrial production.

Turning successful research into business success requires a sound knowledge of the market-place. Our R&D staff therefore work closely with their colleagues from Marketing & Sales. As a result, our innovations are very closely aligned to the needs of our customers, enabling us to enhance their competitiveness through new or improved products and applications. As part of our Leading Innovation initiative we aim to integrate Marketing & Sales even more closely into our innovation processes in the future. To complement that, our product and marketing expertise for key end-markets such as the automotive, pharmaceuticals, and paints and coatings industries is bundled in special teams. That also increases our visibility to potential customers.

Since product lifecycles are becoming shorter while innovation is becoming more complex, we are making our R&D more open to external partners in the sense of “open innovation.” Development alliances with key customers, which have long been established in our day-to-day activities, are becoming even more significant. For this reason, Consumer Specialties’ new innovation center has a special workshop area that is separated from the remaining research facilities to secure collaboration with customers yet take account of the need to protect know-how.

In order to participate in the latest research findings, Evonik cooperates with leading universities around the world. In addition, in June 2013 we stepped up our established cooperation with Duisburg-Essen University in Germany by concluding an agreement to sponsor a junior professorship and fund ten new scholarships for doctoral candidates. In fall 2013 we signed a declaration of intent on a strategic partnership with Singapore’s leading national research organization, the Agency for Science, Technology and Research (A\*STAR).

We are also exploring new routes in open innovation. In August 2013 we invited more than 100 scientists in Germany working in the areas of organic chemistry, biochemistry and catalysis to submit proposals for a specific cooperation project. The goal was to find ways of synthesizing DL-methionine or L-methionine without using hydrocyanuric acid. Awards were presented to the scientists who submitted the three best proposals at Evonik’s annual research colloquium in December 2013.

Our corporate venture capital activities are a special way of networking and a strategic complement to our R&D. They give us an insight into innovative technologies and business activities aligned to our growth strategy at a very early stage of development. In the next few years, we intend to invest up to €100 million in promising start-ups. More than 300 potential candidates were examined in 2013. In 2012 we invested in the High-Tech Gründerfonds II, the Emerald Cleantech Fund III, and the Pangaea Ventures Fund III. In December 2013 we took a direct stake in FRX Polymers, Inc., a US technology company with specialist expertise in environment-friendly polymer-based flame retardants. This company has pilot facilities in the USA and Switzerland and started up its first plant for mass production of halogen-free flame retardant plastics in Antwerp (Belgium) at the end of 2013.

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### Strategic innovation unit Creavis realigned

Creavis has long been a symbol of Evonik’s research. In the past three years alone, it has initiated new business through the successful development of 20 innovation projects that have been transferred to our operating units for marketing. To make Creavis even faster and more flexible in the future, we reviewed its structures and concepts as part of our Leading Innovation initiative. The goal was to build on Creavis’ strengths: excellence in technology and project management. As a result, Creavis was given a new structure effective January 1, 2014.

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Interdisciplinary research will still be pursued in Creavis' project houses, but they will be structured more flexibly. In spring 2013 we opened our tenth project house, Composites, based in Marl (Germany) with a unit in Darmstadt (Germany). It will be developing innovative materials and systems solutions for lightweight construction. Its research focuses, among other things, on applications in the automotive and aviation sectors and regenerative energies. A further project house is planned for spring 2014. It will be working on medical technology and will be based in Birmingham (Alabama, USA), a location for the healthcare activities of our Health & Nutrition Business Unit.

### **Sustainability is an important innovation driver**

Research into sustainable products and processes that use resources efficiently is an integral element of Evonik's innovation strategy. That applies to the business units as well as to Creavis.

For example, a Creavis project led to the SEPURAN® Green hollow fiber membrane modules marketed by our Performance Polymers Business Unit, which greatly enhance the efficiency of upgrading biogas into biomethane. Evonik was awarded with the German Innovation Prize for Climate and the Environment 2013 in the Environment-Friendly Technologies category. This award is presented annually by the German Ministry for the Environment, Nature Conservation and Reactor Safety and the Federation of German Industry.

Further, scientists at the Eco<sup>2</sup> Science-to-Business (S2B) Center have developed a method of estimating the carbon footprint of a product or process at an early stage in development. Following successful completion of the S2B at the end of 2013, the Sustainable Business unit at Creavis will be extending it to other environmental and social indicators.

### **Evonik maintains close dialog with scientists**

Regular interchange with leading international researchers is important to Evonik. At the Evonik Meets Science forum in Atlantic City (New Jersey, USA) in September 2013, our experts discussed surface-active systems for consumer and industrial applications with professors from leading US universities.

Fostering talented young people is also very important to us. In the 2013/2014 academic year, Evonik is providing a total of 200 German scholarships to support students at 14 universities. These scholarships, which are awarded by the German government in collaboration with private sponsors, are designed to encourage more young people to take a university degree. Through the Evonik Foundation we have supported students and doctoral candidates with their research for many years. Regular meetings with these young scientists give them an early insight into day-to-day work in the field of specialty chemicals and position us as an attractive employer for talented youngsters.

### Further globalization of R&D

Selective expansion of our R&D in economically attractive regions, especially Asia, supports Evonik's growth strategy. The aim is to strengthen the competitiveness of our customers in these regions through research and applications technology and technological services geared specifically to local needs. To this end, we have expanded our R&D center in Shanghai (China) for the third time. The new laboratory capacity came into service in fall 2013.

Our Advanced Project House Light & Electronics is based at the renowned Industrial Technology Research Institute in Hsinchu (Taiwan), in the direct vicinity of large electronics producers. It focuses on panel lighting, display components and functional coatings. Nowhere else in the world are innovative trends, for example, for light management systems, mobile communications and electronics, set as fast as in China, South Korea and Taiwan. In 2013 this project house undertook initial sampling of newly developed optoelectronics applications with prospective customers.

In the coming years, we also intend to step up our research in NAFTA, focusing on five Evonik sites in this region. At the end of November 2013, Greensboro (North Carolina, USA) hosted Evonik's first interdisciplinary R&D colloquium in North America. Around 60 R&D experts and engineers attended to find out about the latest projects and new initiatives, so the colloquium was a good opportunity to extend personal networks and facilitate innovative impetus in the future.

### Market-oriented research & development

In 2013 our operating units once again developed and launched major innovative products and processes. Special attention was paid to environmental compatibility and efficient use of resources.

The **Consumer Specialties** Business Unit in the **Consumer, Health & Nutrition segment** has developed an innovative class of self-adhesive labels which eliminate the previously essential paper or plastic release liner. This new linerless concept was made possible by the extensive process know-how and product technologies of the Consumer Specialties Business Unit. Radiation-cured silicone acrylates can be used for in-line printing of labels. The linerless labels reduce volume and weight by more than 40 percent and completely eliminate the liner film that had to be disposed of at the end of the process.

Another environment-friendly innovation from Consumer Specialties is Tego® Care PBS 6, a versatile polyglyceryl-based oil-in-water emulsifier for challenging fluid emulsions. This product is used in the production of modern sun care products containing a high proportion of water-soluble UV filters and can also be used with other ingredients where stabilization is a problem. This new emulsifier does not contain polyethylene glycols (PEG) and is produced entirely from plant-based raw materials, principally rape seed and coconut. The first products containing Tego® Care PBS 6 are scheduled for market launch in 2014.

The **Health & Nutrition** Business Unit has developed a more economical process for enzymatic synthesis of the amino acid serine, for which it won Evonik's internal Innovation Award in the category "New or Improved Process." The new process allows fully backwardly integrated production of all enantiomer forms (L-serine, D-serine and DL-serine) as well as an attractive portfolio of serine derivatives. L-serine is a natural amino acid found in the human body that plays an important role in the biosynthesis of protein. The main applications for this product are nutrition, pharmaceuticals and cosmetics. So far the business unit has manufactured this product by purifying crude L-serine obtained from natural sources. To scale up the new enzymatic process for industrial use, the production facilities at the site in Nanning (China) have been extended.

As part of its ongoing strategic development, the Health & Nutrition Business Unit is expanding its DL-methionine activities into aquaculture. Given the scarcity of natural resources, amino acids and plant-based protein can replace valuable fishmeal, enhance feed efficiency in fish and crustaceans, and reduce environmental impact by cutting nitrogen emissions. The first production trial for AQUAVI® Met-Met was completed successfully at our site in Hanau (Germany) in 2013. AQUAVI® Met-Met is a methionine dipeptide specifically for the nutrition of shrimp and other crustaceans.

The **Inorganic Materials** Business Unit in the **Resource Efficiency segment** has introduced ULTRASIL® 6000 GR, a further highly dispersible precipitated silica. Used as an active reinforcer for automobile tires, this product combines the typical benefits of precipitated silica such as low rolling resistance and very good wet grip with the rising demands placed on the road handling properties of today's high-performance tires. This is achieved in part through customized particle size distribution. That enhances customers' ability to meet the conditions for tire labeling in the EU. Thanks to global expansion of Evonik's silicas activities, ULTRASIL® 6000 GR will be available worldwide in the future.

Thermoplastics have to be crosslinked to protect their properties. That is vital, for example, for common polyethylene pipes used to supply drinking water, otherwise they would not be resistant to water pressure or hot water. One important method is crosslinking with organofunctional silanes, but in most cases this involves the use of catalysts based on organic tin compounds that are critical from an environmental viewpoint. Inorganic Materials offers two new tin-free systems, Dynasylan® SILFIN 201 and 202, as alternatives.

Scratch-resistance is particularly important for clear automotive top coats. Alongside protection, they make sure the vehicle retains its shiny high-class appearance for longer. Thanks to Evonik's extensive expertise in silane and isocyanate chemistry, the **Coatings & Additives** Business Unit has developed a process that delivers IPMS (3-isocyanatopropyltrimethoxysilane) at competitive cost. This is marketed as VESTANAT® EP-IPMS. Extensive tests have shown that coatings produced with IPMS-functionalized binders have exceptionally high and durable scratch resistance. They also have easy-to-clean properties and good resistance to chemicals. Pilot-scale production of IPMS started in Marl (Germany) in June 2013. In 2013 this innovation won Evonik's internal Innovation Award 2013 in the category "New Products/System Solutions."

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DYNAPOL® Terra from Coatings & Additives represents a breakthrough in the search for bio-based binders for metal coatings. Pre-coated metal substrates are used in many architectural applications and in the food and beverage industry. The majority of binders for these coatings are based on saturated polyester resins produced from petroleum-based raw materials. By contrast, the products in the new DYNAPOL® range are partially or completely produced from renewable polyester resin components. Their technical properties are comparable to those of conventional binder systems.

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In the **Specialty Materials segment**, the **Performance Polymers** Business Unit is systematically extending business with the high-performance polymer VESTAKEEP® PEEK. One attractive market is medical technology, where VESTAKEEP® PEEK polymers are valued for their superior biocompatibility and biostability. In February 2013 the first spinal fusion implant based on VESTAKEEP® received 510(k) approval from the US Food and Drug Administration (FDA). The K7C™ Cervical Spacer is one of several spinal implants developed by the US company K7 LLC and produced with VESTAKEEP® PEEK. According to K7 LLC, the special mechanical properties of VESTAKEEP® PEEK were the main factor in obtaining FDA clearance.

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In addition, Performance Polymers has developed an adhesion promoter that improves the performance of hybrid components and reduces material requirements by up to 20 percent. That results in considerable cost benefits and lower CO<sub>2</sub> emissions. The co-polyamide-based VESTAMELT® adhesion promoter ensures excellent bonding to both metals and polymers. A leading automotive manufacturer uses VESTAMELT® X1333-P1 in several of its mass-produced models. Hybrid structures facilitated by VESTAMELT® make a key contribution to lightweight construction by ensuring durable and robust bonding of metals and plastics. The aluminum tubing connects both A-pillars and supports the entire dashboard—from the steering wheel to the glove compartment.

The **Advanced Intermediates** Business Unit has its own research and development laboratory in Marl (Germany) to drive forward the development of plasticizers. ELATUR® CH, a new phthalate-free plasticizer brand was brought onto the market in 2013. It is produced in a new production plant in Marl (Germany) with capacity of 40,000 metric tons a year. As a strategic addition, the portfolio will be supplemented by bio-based plasticizers in the future.

Tomorrow's small-scale production plant is compact, can be planned relatively quickly, and is suitable for a wide variety of different locations. This innovative technology platform was developed as part of the European Union's F<sup>3</sup> Factory Project, which aims to make European chemical production more resource-efficient. The goal was to develop standardized, modular production plants using the F<sup>3</sup> concept, which stands for fast, flexible, future. The solution is a container-based structure for small to mid-sized production facilities. Experts from Advanced Intermediates and Process Technology & Engineering jointly developed and tested a compact facility of this type for hydroformylation. The modular system was subsequently transferred to a container system with the assistance of Site Services.

# Employees<sup>1</sup> ✓

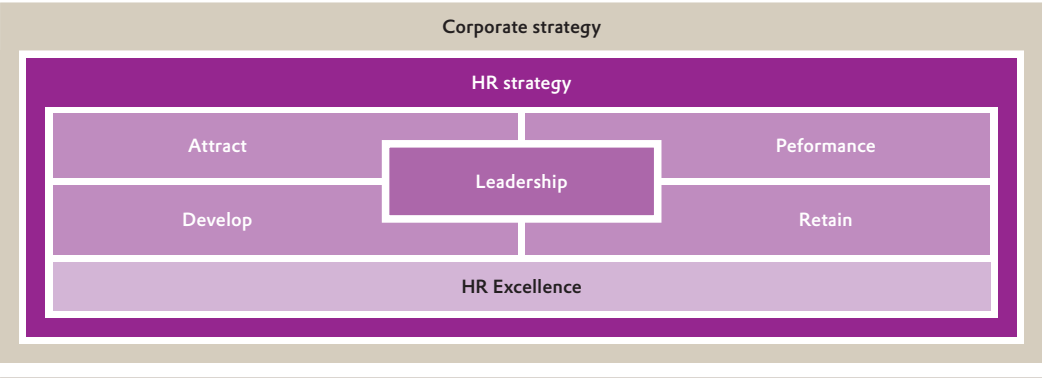
Modern, customized HR activities play an important role in raising efficiency and growth. Our goal is to ensure excellence in HR work, add value for employees and executives, and ensure that our HR work is perceived as bearing a “common stamp.” Following the transfer of around 19,000 employees from subsidiaries to Evonik Industries AG since 2011, in the reporting period we started to harmonize the roughly 1,700 different rulings applicable to human resources. In this way we will ensure uniform standards and reduce complexity. A large number of aspects including supplementing sick pay and working hours on daytime shifts have already been harmonized and more are to be standardized in 2014. Internationally too, since January 2013 we have made considerable progress in harmonizing a wide range of regulations in the United States through HR OnTheMove and introduced HR Direct USA as the first point of contact for employees in all HR-related enquiries, along the lines of the advisory center in Germany.

HR is supporting the more efficient and effective alignment of Evonik’s administrative structures, which is the aim of the Administration Excellence program, as well as driving forward change within the HR organization. We took the first steps towards this in 2013 and increased HR competency worldwide by establishing and training a project management team.

## HR strategy and strategic personnel planning

In our extensive annual strategy review we confirmed the core messages and objectives of the HR strategy.

### C10 HR strategy



<sup>1</sup> Except where otherwise indicated, all information in this section refers to Evonik’s continuing operations.



The key areas of action for our executives and HR managers are using our new employer branding concept to gain highly qualified staff, and targeted development of talented employees through extensive talent management activities. To this end, we are strengthening development opportunities for employees throughout the Group and paving the way to fill key positions primarily from within the company. Modern HR management tools and uniform and transparent remuneration systems enable our executives to establish a healthy performance culture in their teams. Even greater priority will be given to efficiency-related issues in the future. The results of the latest employee survey show that our employees and executives accept our approaches. That strengthens our resolve to continue in the same direction.

## Employees worldwide

### Employee structure

At year-end 2013 Evonik's continuing operations had 32,995 employees worldwide (33,650 including the lithium-ion business that is classified as a discontinued operation). Around 36 percent of them were employed outside Germany. The average age of the workforce is 41.3 years, and about 24 percent of employees are female. Compared with year-end 2012, the number of employees increased by 961. This increase was attributable to a large number of investment projects in various units. At the same time, there were some small decreases in headcount, for example, in the photovoltaic business. In Germany, 112 employees<sup>1</sup> left the company in 2013 at their own request. Other significant unplanned fluctuations in headcount were due to long-term illness and employees taking parental leave. In 2013, the unplanned employee fluctuation rate was 2.7 percent worldwide and 2.0 percent in Germany.

Restructuring can only be implemented successfully if there is a viable agreement with Evonik employees and their representatives and agreement can be reached on the necessary changes to Works Agreements.

<sup>1</sup> Technical basis of the survey has been altered; initially data are only provided for Germany.

**T16 Unplanned staff fluctuation in 2013<sup>a</sup>**

	Fluctuation rate in %	Unplanned turnover, (no. of employees)
<b>By region</b>		
Germany	2.0	420
Other European countries	3.7	100
North America	2.1	78
Central and South America	8.7	38
Asia-Pacific	5.1	217
Middle East, Africa	2.7	3
<b>By gender</b>		
Female	3.9	296
Male	2.3	560
<b>By age</b>		
Under 30	3.5	221
30 to 50	3.1	546
Over 50	1.1	89
	<b>2.7</b>	<b>856</b>

<sup>a</sup> Reference base: employees in continuing operations as of December 31, 2012.

**T17 Employee structure**

	2011	2012	2013
<b>Total employees</b>	<b>32,008</b>	<b>32,034</b>	<b>32,995</b>
of whom female	7,418	7,634	8,004
of whom male	24,590	24,400	24,991
of whom apprentices in Germany	1,704 <sup>a</sup>	1,750 <sup>a</sup>	1,855 <sup>a</sup>
	2,058 <sup>b</sup>	2,065 <sup>b</sup>	2,197 <sup>b</sup>

<sup>a</sup> Apprentices with a training contract with Evonik.

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

About 24 percent of employees are female. Women hold about 19 percent of positions at executive levels 1 to 3 and around 8.5 percent of positions in the top two management tiers.

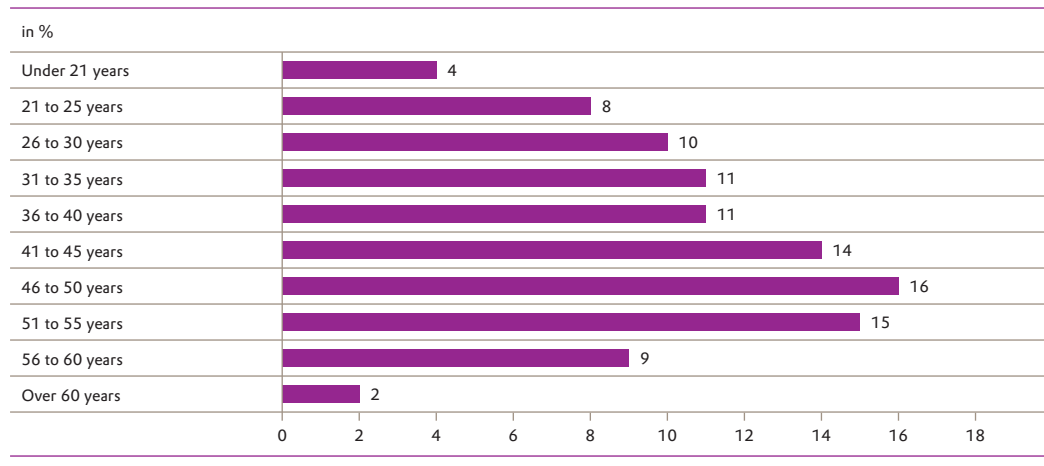
**T18 Employees by segment**

	Dec. 31, 2013	Dec. 31, 2012
Consumer, Health & Nutrition	7,150	6,821
Resource Efficiency	5,854	5,755
Specialty Materials	6,268	6,134
Services	12,192	11,900
Other operations	1,531	1,424
<b>Continuing operations</b>	<b>32,995</b>	<b>32,034</b>
Discontinued operations	655	1,264
<b>Total</b>	<b>33,650</b>	<b>33,298</b>

**T19 Employees by region**

	2011		2012		2013	
	No. of employees	in %	No. of employees	in %	No. of employees	in %
<b>Europe</b>	<b>23,191</b>	<b>73</b>	<b>23,444</b>	<b>74</b>	<b>24,059</b>	<b>73</b>
thereof Germany	20,365	64	20,708	65	21,240	64
thereof other European countries	2,826	9	2,736	9	2,819	9
<b>Americas</b>	<b>4,214</b>	<b>13</b>	<b>4,226</b>	<b>12</b>	<b>4,270</b>	<b>12</b>
thereof North America	3,795	12	3,790	11	3,763	11
thereof Central and South America	419	1	436	1	507	1
<b>Asia-Pacific</b>	<b>4,509</b>	<b>13</b>	<b>4,252</b>	<b>13</b>	<b>4,537</b>	<b>14</b>
<b>Middle East, Africa</b>	<b>94</b>	<b>1</b>	<b>112</b>	<b>1</b>	<b>129</b>	<b>1</b>
<b>Total</b>	<b>32,008</b>	<b>100</b>	<b>32,034</b>	<b>100</b>	<b>32,995</b>	<b>100</b>

### C11 Age structure in the Evonik Group



To prevent child labor, we check the age of employees as part of the recruitment process. Our youngest employees are 15-year-olds on vocational training courses.

#### Agency staff

We work with staffing agencies in Germany to cover short-term or temporary bottlenecks. We only work with agencies that have a valid permit. To make it clear that we only use agency staff to cover peak demand, Evonik has concluded an agreement with employee representatives in Germany. This provides for an investigation of jobs where agency staff have been used for more than six months to check, for example, whether they are permanent jobs and whether the personnel from the staffing agencies could therefore be offered permanent employment contracts. Alongside appropriate remuneration, we make sure that agency staff are covered by the same social and safety standards as our permanent workforce.

The chemical industry employs fewer temporary workers than other sectors of manufacturing industry because it generally needs highly qualified staff. As of December 31, 2013, around 750 temporary workers from staffing agencies were employed at Evonik in Germany. That was about 3 percent of our total workforce in Germany.

#### Structural change—a single employer

As of July 1, 2013, the management of all plants operated by Infracor GmbH and Industriepark Wolfgang GmbH (IPW) was transferred to Evonik Industries AG. Evonik is now the sole employer for around 4,500 employees at these plants. Effective April 1, 2014, the employment contracts of employees at Evonik Services GmbH are to be transferred to Evonik Industries AG. In all cases, the employment contracts and their provisions will be upheld unchanged.

## Finding and fostering the right talents

### Creative approaches to employer branding and recruitment

Evonik's new global employer branding concept "Exploring opportunities. Growing together." sharpens the company's profile on the employment market in a bid to gain and retain talented people around the world. Communication of our new employer branding concept started in spring 2013. The main focus was on our redesigned careers website and a series of adverts in printed and online media in our core markets, Germany, the USA and China. In tandem with this, we are training more and more employees from all areas of the company as internal brand advocates. Some employees were used in our corporate videos. The Human Resources Manager magazine honored our new employer branding as exceptionally innovative and creative and awarded us the Human Resources Excellence Award 2013 in the category Employer Branding Strategy. We also gained first place in the university marketing category for the collaborative Blind Applying project led by Deutsche Telekom. Under this program, Evonik and 17 other companies such as Allianz and BASF award an internship, without providing advance information on the location or field. In our recruitment strategy, we are also continuing to focus on selective use of social networks and are extending Evonik's activities in this area to include a global presence on LinkedIn, XING and Kununu.

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### T20 Recruitment of employees from the labor market in 2013<sup>a</sup>

	No. of employees	in %
<b>By region</b>		
Germany	729	3.5
Other European countries	235	8.6
North America	321	8.5
Central and South America	115	26.4
Asia-Pacific	783	18.4
Middle East, Africa	35	31.3
<b>By gender</b>		
Female	637	8.3
Male	1,581	6.5
<b>By age</b>		
Under 30	894	14.3
30 to 50	1,195	6.8
Over 50	129	1.6
	<b>2,218</b>	<b>6.9</b>

<sup>a</sup> Reference base: employees in continuing operations as of December 31, 2012.

### Scholarship program

Evonik offers attractive scholarships to high-performing employees who wish to study for a bachelor's degree after completing their training, or wish to gain a master's degree. The aim is to retain able employees in the Evonik organization and to jointly shape their professional future from an early stage. Thirteen scholarships were awarded to high-performing former apprentices in 2013.

### Preparing for work, project days and internships in Germany

110 young people took part in the pre-apprenticeship "Start in den Beruf" program established by the German Mining, Chemical and Energy Industrial Union (IG BCE) and the German Chemical Industry Employers' Federation (BAVC). More than 600 young people have completed this program since 2001. 67 percent of them subsequently started an apprenticeship, 7 percent gained places on other preparatory programs and more than 4 percent obtained other types of employment.

Evonik organizes a number of pre-training events to assist young people deciding on their future career path. A total of 3,197 school students spent 4,809 days on internships at our training sites in 2013. The programs ranged from work-experience placements linked to the school curriculum, through project days on specific topics and workshops for particular age groups, to special formats such as our science camps and taster internships. In addition, we conducted several thousand advisory interviews at more than 200 information afternoons in our vocational training centers, at careers events in schools and national vocational training fairs.

### Vocational training

In-house vocational training remains an important component of our recruitment strategy. In 2013 some 560 youngsters embarked on an apprenticeship at our sites in Germany. In addition, the new intake included around 90 young people that we are training on behalf of partner companies. In all, there were more than 2,200 young people on vocational training, pre-training and combined training and degree programs at year-end 2013. Apprentices account for about 9 percent of Evonik's workforce in Germany, which is still well above the national average. In 2013, we invested a total of around €58 million in vocational training. All Evonik apprentices who completed their training courses and were able and willing to work for the company were offered an employment contract in 2013. 55 percent of them were immediately hired on permanent contracts.

In response to the large number of school leavers resulting from a change in the German education system, we offered around 30 additional apprenticeships in 2013. In addition, we offered ten additional training places on the "Start in den Beruf" pre-training program.

We were one of the first companies in Germany to give *corporate responsibility* a firm place in our vocational training courses. Diversity is given a special place in this. When selecting new apprentices we place great value on diversity, and our team of instructors includes people of different genders, ages and nationalities. Our recruitment test has undergone external testing to make sure it is understandable to foreign applicants. A mobility project offers young staff at Evonik an opportunity to spend several weeks working at a different Evonik site in Germany or abroad. They attend a business etiquette course to learn how to deal correctly with foreign guests.

 See Glossary p. 141



In 2013, we supported schools by providing a learning encyclopedia with multimedia content on analytics, business administration, chemistry, energy and mathematics. Soft skills such as social values and behavior can also be taught in this way.

In our major regions, China and the USA, we also provide systematic support for the training of young people. Through our training library we provide multi-media materials in English and Mandarin. These can also be used for in-house training. In all, the training library has increased its offering to more than 3,000 different materials, with 500 available in English and 250 in Mandarin.

### Ongoing education and training<sup>1</sup>

Successful employees are vital for Evonik's success. Our wide-ranging development programs therefore focus on ongoing education and training aligned to employees' needs in order to foster their personal competencies and abilities and support the strategic objectives of our human resources work. We use both national and international web-based communication and training platforms. Short training courses are used for topics such as IT compliance, data protection and IT security. Around 14,000 employees have taken the data protection training course. In all, about 10,000 hours training have been delivered via these platforms. They are supplemented by a further 266,000 training units on occupational safety and environmental protection. The 230,000 hours of continuous professional training provided for personal training and development needs in Germany, principally in face-to-face sessions, equate to around 13 hours further training per employee sent on such courses. This figure includes a small proportion of employees from other companies and from outside Germany. The corresponding figure for China (Evonik Degussa Specialty Chemicals Shanghai Co., Ltd. and Evonik Degussa China Co., Ltd.) was around twelve hours.

### Talent management

Filling managerial and other key positions from within the company is an objective that Evonik has put into practice for many years. Our talent management system allows the identification, development and advancement of talented employees across hierarchical levels and functions. The development of such employees and succession planning are discussed by representatives of the business units and regions at a number of planning conferences throughout the year. To supplement our internal talent development, in 2013 we turned our attention to the external market. Through the RISE program (recruiting initiative to strengthen the talent pipeline at Evonik), we were able to attract top talents and integrate them into our talent management system, where they are now undergoing further development. Customized programs are organized in collaboration with renowned business schools and other selected partners. We also offer in-house programs for specific targeted groups such as our management talent training program. In addition, talents regularly meet with members of the top management to discuss topical issues of relevance to Evonik. In keeping with the "Exploring opportunities. Growing together" employer branding concept, we are empowering talented employees to take greater responsibility for their career development through networking and mentoring.

A new approach was introduced at our personnel conferences in 2013. For the first time, our corporate talents had an opportunity to present themselves to the Executive Board through video clips.

<sup>1</sup> The figures may contain a small proportion of data relating to discontinued operations.

We intend to develop the idea of combining voluntary work with character building, which was realized for the first time through our TalentDays 2012, and place this concept on an international basis. At the TalentDays 2014 our corporate talents will be working with local inhabitants to rebuild a village in Vietnam.

### **Executive development**

With a view to future challenges, leadership has been given a more prominent place in the context of our HR strategy and our strategic drivers "Attract, Develop, Performance, Retain." Representatives of our international regions and all business unit management teams attended workshops where we developed a common understanding of leadership aligned to the principles of profitable growth, efficiency and values and our strategy of a sustained increase in the value of the company. This common concept forms the basis for a leadership initiative that is scheduled to start in 2014 once it has been approved by the Executive Board.

Continuing the Evonik Executive Development Program introduced in collaboration with Wharton Business School in 2012, a second group of top managers undertook a seven-month "learning voyage" in 2013. This comprises three modules held in the USA, China and Germany and offers participants an opportunity to build on their personal competencies so they can help Evonik realize its growth targets.

### **Diversity is decisive**

We regard diversity as a corporate value. It provides a sustainable basis for ideas and innovations and thus makes the company more competitive. We define diversity as the interaction of different nationalities, genders, educational backgrounds, professional experience and age structures. The Evonik Group had employees of 94 nationalities at year-end 2013.

Fostering female managers and specialists is still a key element in our diversity strategy. In Germany, we therefore continued the WoMentoring program initiated in 2012. Female mentees receive personal support and advice from experienced Evonik managers over an 18-month period. Half-way through the program in 2013, the participants met up for a first opportunity to share their experience and opinions.

We also stepped up the Women@Work network. At kick-off events at various sites more than 300 female employees came up with a large number of proposals, some of which the project team has already taken up through site-specific or more broadly based activities.

## Personnel expense and social security benefits

Personnel expense was as follows in the reporting period:

### T21 Personnel expense

in € million	2013	2012
Wages and salaries	2,306	2,148
Social security expenses	316	319
Pension expense	203	133
Other personnel expense	23	24
<b>Total</b>	<b>2,848</b>	<b>2,624</b>

Personnel expense for the continuing operations totaled €2.8 billion in 2013, a rise of €0.2 billion (8.5 percent) compared with 2012. The data on wages and salaries also includes expenses related to restructuring. The increase of €70 million in pension expenses is predominantly attributable to the reduction in the discount rate used to calculate the present value of pension obligations at the end of 2012. Provisions for pensions are established to cover benefit plans for retirement, disability and surviving dependents' pensions. The level of the benefit obligations generally depends on length of service and remuneration. They are primarily funded by provisions, pension fund assets and a contractual trust arrangement (CTA). The pension plans at foreign companies may be either defined contribution or defined benefit plans.

### T22 Proportion of employees with access to health insurance

in %	2012			2013		
	Statutory healthcare system (basic)	Company plan	Mixed plans	Statutory healthcare system (basic)	Company plan	Mixed plans
Germany	100	0	0	100	0	0
Other European countries	32	10	58	33	10	57
North America	4	96	0	5	0	95 <sup>a</sup>
Central and South America	27	0	73	28	0	72
Asia-Pacific	32	14	54	23	15	62
Middle East, Africa	2	38	42	0	51	38

<sup>a</sup> New statutory regulations in the USA.

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

Disabled employees account for 6.4 percent of the workforce at Evonik in Germany. That is above the quota of 5 percent set for the country.

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

### T23 Proportion of employees with access to a company pension plan

in % (multiple entries possible)	2012			2013		
	Employer financed	Employee financed	Mixed forms	Employer financed	Employee financed	Mixed forms
Germany	3	3 <sup>a</sup>	88 <sup>a</sup>	0	0	100
Other European countries	41	1	38	43	0	36
North America	4	0	96	4	0	96
Central and South America	26	0	67	23	0	67
Asia-Pacific	15 <sup>b</sup>	0	9 <sup>b</sup>	15	0	11
Middle East, Africa	1	0	71	1	0	76

<sup>a</sup> Figure restated; prior-year figures adjusted to reflect discontinued operations.

<sup>b</sup> Figures restated due to a misunderstanding about the model used to fund company pension provision in China.

### Remuneration systems

We continued the systematic global review and harmonization of remuneration systems in 2013. Following implementation in virtually all countries and regions within Asia, the Evonik Global Grading System has been implemented in Europe, North America, the Middle East and Africa. The process will be completed with the inclusion of Central and South America in 2014. This system gives us a sound global basis for attractive, market-oriented all-round remuneration packages.

As a global corporation, Evonik offers its employees market- and performance-oriented remuneration. An evaluation of the main managerial and specialist functions provides a basis for comparability and systematic alignment to the market.

The focus here is on the function rather than on individual employees. Remuneration is therefore based on objective criteria such as responsibility, knowledge and performance; personal characteristics such as gender, age, etc. do not have any impact. More than 90 percent of our employees are covered by collective agreements on remuneration.

In view of the increasing variety of transfer arrangements, we have developed a new global transfer management system for the more than 400 expatriates in the Evonik Group, who come from 21 countries and are deployed in more than 27 countries. Through regional platforms and local experts, it ensures optimal global support for specialists and managers on foreign assignments.


### **New LTI Plan for executives and members of the Executive Board**

Following Evonik's stock exchange listing, the Long-Term Incentive (LTI) Plan as part of the remuneration of executives and members of the Executive Board was placed on a new basis. The LTI Plan focuses on Evonik's long-term performance and balances the interests of shareholders and the management. The benchmarks are the performance of Evonik's share price and a comparison with a share index reflecting the global development of the chemical industry. The MSCI World Chemicals Index<sup>SM</sup> has been selected as the benchmark. This is a total shareholder return (TSR) index calculated in local currency. The MSCI World Chemicals Index<sup>SM</sup> is a share index composed of the world's largest chemical companies. Their performance is calculated in their local currency. Since it is calculated on a total shareholder return basis, it takes account of dividends paid in the performance period. We therefore measure both the absolute performance of Evonik's share price and its relative performance against a selected share index (on a TSF basis). The LTI Plan runs four years and has two exercise options.

### **Employee participation program**

An employee participation plan was offered to employees in Germany for the sixth year in succession. Around 10,000 of the eligible employees (including apprentices) purchased participation rights with a total value of around €22.2 million. The participation rate rose to 45 percent (2012: 41 percent). The subsidy of €335 per participant brought the total amount subsidized by the company to a new record. For legal and tax reasons, the employee participation program only exists in this form in Germany. Irrespective of this, around 92 percent of our sites worldwide have performance- and profit-based incentive systems, which generally take the form of supplementary payments and/or bonuses. These systems cover around 99 percent of our employees. At some German locations, there are also incentive systems for apprentices, which are generally performance-based. The German employee participation program is to be replaced by an international employee stock program in 2014.

## Working together as partners

 See p. 40 ff.

### Respecting workers' and human rights

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

Contacts for reporting cases of discrimination are available at all sites. Moreover, appropriate measures and activities have been established in all regions to avoid discrimination. These reach more than 90 percent of our employees. A roughly equal number of employees are covered by measures to foster the integration of foreign employees or have access to training on working with foreigners.

Six cases of discrimination were reported in 2013. Four of these were followed up and action was taken to eliminate the problem.

We raise the sensitivity of our procurement staff in dealings with potential suppliers through training and our procurement terms document our expectations that suppliers will comply with our standards.

### Trustful collaboration

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

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

Cross-border interests in Europe are represented by the Evonik Europa Forum, which is composed of employee and employer representatives. Worldwide, over 95 percent of our employees work in companies with employee representation. Outside of Europe, there is employee representation for over 88 percent of our employees. Evonik does not restrict employees' rights to freedom of assembly or the right to collective bargaining.



### Employee survey

The results of the global employee survey conducted in November 2012 were presented in spring 2013. Such surveys are an opportunity for employees to play an active role in shaping the company. Participation was 83.4 percent, which was higher than in any previous employee survey. The Commitment Index was also higher than ever before, indicating the enormous identification and engagement of our employees. To ensure that action is taken on the data, measures for improvement were derived directly from the results of the survey. At Group level, the Executive Board has increased the focus on leadership and values to strengthen the Group-wide understanding of value-driven management. On a decentralized, plant-specific level, around 520 improvements have so far been defined and implementation is under way. Most of them relate to communication and collaboration, and to improving working processes and the organization of work. In all, one year after the survey, twice as many measures had been defined or initiated as after the 2010 employee survey.

### Employee performance and development review

Regular employee performance and development reviews have been a central management tool at Evonik for many years. The latest employee survey showed that worldwide 85 percent of employees use this important development instrument. Our objective is to conduct an annual performance and development review with every employee on the basis of uniform Group-wide standards.

### 360° feedback—A top-down feedback culture

Evonik has used 360° feedback successfully as a tool for employee and organizational development for a number of years. Feedback is given from a variety of angles: co-workers, colleagues, the employee's line manager and other people such as customers assess the individual's competencies and conduct on the basis of the Evonik competency model. This individual feedback is used for personal development, while evaluation in a group encourages reflection on the strengths and development needs of specific teams or units. In keeping with a proactive top-down feedback culture, the tool was first used by the Executive Board in 2011 before being rolled out first to all executives and then to all other management levels in subsequent years. Thanks to successful handling of the feedback and implementation of the findings in our sustained organizational processes, 360° feedback has become established as a key tool to strengthen our feedback culture.

## Work/life balance

 See p. 114

### **well@work—employability and quality of life as a basis for a healthy performance culture**

Healthy and motivated employees are vital for Evonik's success. The well@work program is designed to enhance their employability and quality of life. The modules and topics that make up this initiative center on issues relating to human resources and health. We offer a wide range of measures and benefits including regular health screening, training and workshops to strengthen mental health and value-oriented leadership. We also believe that it is important for executives and other employees to take responsibility for their employability and quality of life. A focal area in 2013 therefore comprised workshops to raise their awareness of their personal responsibility. This basic philosophy is also reflected in new guidelines that require both executives and other employees to use mobile devices responsibly. In 2014 we will be stepping up the internationalization of well@work, which we initiated in Europe and Asia in 2013, and rolling it out to further regions.

Around 97 percent of our employees have access to company-run social and employee counseling services at our sites. These offer employees advice, among other things, on workplace-specific problems, health issues and personal and family matters.

Evonik is committed to family-friendly management of the company, which is a key element in well@work. Examples of the many ways in which we help employees in Germany combine their work and private lives are the provision of over one hundred childcare places, vacation programs for more than 600 children, and extensive support on issues related to caring for elderly and sick relatives. The quality and continuity of our offerings is evidenced by the not-for-profit Hertie Foundation's certificate for family-friendly policies, which Evonik was again awarded in 2012. Since it is derived from our human resources strategy and provides an effective bridge between tools, conduct and values, in the long term well@work should result in a healthy performance culture. 97 percent of employees worldwide have access to local initiatives to help them combine work with family life.

In Germany, there were 402 employees on parental leave<sup>1</sup> in 2013. 43 percent of them were already on parental leave at the turn on 2012/2013. The proportion of male employees on parental leave was 35 percent. In 2013 they took an average of 1.7 months parental leave (female employees: 6.8 months). More employees returning to work after parental leave in 2013 took up full-time employment than part-time employment. However, the full-time to part-time ratio for women returning to work was around 5:1. As a family-friendly company we are proud that, with a few exceptions, the employees who returned to work after parental leave in 2012 were still working for us one year later.

<sup>1</sup> Technical basis of the survey has been altered; data currently only available for Germany.

**T24 Worktime models by region 2013<sup>a</sup>**

in %	Single shift, full-time		Single shift, part-time		Multiple shifts, full-time		Multiple shifts, part-time	
	fixed/ inflexible	flexible	fixed/ inflexible	flexible	fixed/ inflexible	flexible	fixed/ inflexible	flexible
Germany	0	66	0	8	15	9	1	1
Other European countries	22	27	3	1	39	6	2	0
North America	16	39	0	1	44	0	0	0
Central and South America	35	60	0	0	5	0	0	0
Asia-Pacific	38	26	0	0	36	0	0	0
Middle East, Africa	10	70	0	0	20	0	0	0

<sup>a</sup> Excluding apprentices.

The maximum statutory worktime in Evonik's regions is 48 hours a week (no statutory ruling in the USA). With a few exceptions, flexible worktime arrangements are possible in all regions. None of our employees has an average working week exceeding 48 hours a week. The regular, contractually defined working hours for more than 80 percent of our employees are based on collective agreements. We are not aware of any fines imposed on the company in 2013 for exceeding statutory working hours.

Statutory vacation entitlements vary enormously from one region to another and range from 5 to 30 days. In some cases, there are country-specific regulations that take account of years of service and/or the age of the employee. In most cases, our in-house vacation allowances exceed the statutory minimum. That also applies in the USA, where vacation entitlements are based on regional custom since there are no statutory provisions.

**T25 Extended periods of leave**

in %	Extended unpaid leave > 3 months	Extended paid leave > 3 months
Germany	91	91
Other European countries	68	3
North America	96	96
Central and South America	65	76
Asia-Pacific	11	4
Middle East, Africa	0	0

## The environment<sup>1</sup> ✓

We take environmental protection very seriously and continuously work towards our goal of enhancing resource efficiency and reducing environmental impact, both in our own production and through collaboration along the entire value chain. Protecting our environment and the climate is one of the major global challenges of our age, along with the limits on key resources and demographic change. Environmental protection starts during the development of new products and the planning of new production facilities. We constantly strive to improve our production processes still further, utilize resources more efficiently, and minimize environmental impact. Environmental aspects are regarded as both relevant and important at all stages from the selection of suitable suppliers to disposal of products by our customers. We offer our customers solutions that improve their ecological profile (*lifecycle assessment*), and are energy-efficient so they help reduce greenhouse gas emissions and minimize pressure on the environment. Research into sustainable products and processes that utilize resources efficiently is an integral part of Evonik's innovation strategy.

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 See p.71

### Our management approach

We have defined Environment, Safety, Health and Quality (ESHQ) Values and manage these areas throughout the Group on the basis of policies and procedures. The operational business units and Site Services are responsible for implementing them and monitor their observance through regular internal audits of sites and regions.

In addition, the Environment & Responsibility Department at the Corporate Center checks compliance with the requirements of company regulations. We conducted 23 corporate audits in 2013. Based on the findings and on analyses of internal and external monitoring activities, site inspections and reviews, talks are held on possible improvements and their implementation. The Executive Board is informed annually of the outcome of these audits.

### Environmental targets

A sustained increase in the value of the company is our overriding goal and the basis for Evonik's strategic alignment. Alongside financial and safety targets, we therefore set ambitious environmental targets. The aim is to make a contribution to climate protection, minimize our ecological footprint, and steadily improve our environmental protection performance. We defined demanding environmental targets for the period 2004 to 2014. Thanks to our joint efforts, these were achieved in 2012, two years ahead of schedule.

<sup>1</sup> All data presented in this section refer to both continuing and discontinued operations. Any deviations from this are specifically indicated.

In 2013 we therefore conducted an intensive dialog with our organizational units on ambitious new targets. These were defined as new corporate targets in March 2014 and apply retrospectively for the period 2013 to 2020.

- Reduce specific greenhouse gas emissions<sup>1</sup> by 12 percent
- Reduce specific water intake by 10 percent

#### T05 Status of our environmental targets

Change in % compared with 2012	2012	2013	Target for 2020
Specific greenhouse gas emissions	100	94 <sup>a</sup>	88
Specific water consumption	100	95 <sup>a</sup>	90

<sup>a</sup> Temporary effects in the energy supply area as a result of production shutdowns and portfolio adjustment effects.

The reference base for reporting is 2012.

In sustainable waste management, we are continuing our efforts to minimize the use of resources.

We regard specific CO<sub>2</sub> emissions as a particularly important environmental indicator and plan to use it as a key non-financial performance indicator in the future.

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## Environmental protection investment and operating costs

In 2013, we invested €29 million (2012: €39 million) to achieve a further improvement in environmental protection. Investment in environmental protection is divided among a large number of individual investments in end-of-pipe measures and measures integrated into plants and processes. They depend on specific measures in new or existing facilities and can therefore vary considerably from year to year. The decline in 2013 was due in part to the divestment of business operations. Operating costs for environmental protection amounted to €250 million in 2013, which was slightly less than in the previous year.

#### T26 Environmental protection costs/investments


in € million	2009	2010	2011	2012	2013
Operating costs for environmental protection	259	264	251	251	250
Investment in environmental protection	43	36	48	39	29

<sup>1</sup> Energy- and process-related emissions in accordance with the Greenhouse Gas Protocol.

Production inputs and output

Production inputs rose by 1 percent to 8.23 million metric tons in 2013, while output rose by nearly 4 percent to 10.06 million metric tons. Renewable resources accounted for almost 10 percent (0.79 million metric tons) of total production inputs in 2013. The slight increase compared with 2012 (0.73 million metric tons) was mainly due to the successful completion of the capacity expansion for the amino acid L-lysine for animal feed in Blair (Nebraska, USA) and its utilization to meet higher demand.

Most of the renewable resources used by Evonik in 2013 comprised dextrose and saccharose, which are used in the fermentative production of amino acids. Natural fats and oils and their derivatives are used to produce precursors for the cosmetics, detergents and cleaning agents industry and in technical processing aids.

 See p. 18 ff.

T27 Production inputs and output

in million metric tons	2009	2010	2011	2012	2013
Raw material inputs	9.06	10.13	9.51	8.16	8.23
of which renewable raw materials	0.64	0.68	0.69	0.73	0.79
Production	9.26	10.61	10.35	9.71	10.06

Energy inputs

Responsible use of energy is a priority for Evonik for both ecological and economic reasons. We therefore constantly strive to make the provision of energy more efficient, improve energy generation still further, and optimize our integrated structures and energy management systems. Since we have already achieved a high standard, it is becoming increasingly difficult to find further potential for improvement. We therefore involve our employees in this through our company suggestion plan, and special task forces and workshops. In addition, the operating units are supported by specialist departments such as Operational Excellence (OPEX), which look for ways of raising productivity and energy efficiency.

To ensure energy-efficient operation, we have established integrated structures for chemical production and energy generation at many of our sites. For example, large amounts of steam are generated in exothermic processes at various production facilities and supplied to other plants via steam networks. This reduces steam production in our power plants, which in turn reduces consumption of fossil fuels. Another example is the use of alternative liquid and gaseous fuels from production to generate energy. We also use a variety of incineration plants for waste, treatment sludge, exhaust gases and wastewater to generate steam. Alternative fuels accounted for around 9 percent of total energy inputs in 2013. The use of co-generation plants at several major sites ensures considerable savings in primary energy resources. Cooperating with external steam suppliers is another way of reducing pressure on resources. For example, since July 2012 the site in Darmstadt (Germany) has sourced its steam from the nearby combined incinerator and heat generating facility operated by Heag Südhessische Energie AG (HSE). This saves considerable amounts of natural gas.



Although production increased 4 percent year-on-year in 2013, energy inputs dropped 4 percent to 86.03 petajoules. That represents a further decoupling of growth and energy consumption.

The development of the various types of energy inputs was influenced by a number of factors. The Group-wide decline in the use of coal and natural gas and in the procurement and sale of steam were mainly due to changes at Marl Chemical Park in Germany. Large facilities operated by external customers that returned large amounts of steam to the system and had even higher demand for this input were shut down at the end of 2012. The reduction in consumption of coal was due to prolonged shutdowns for overhauls at some coal-fired power plants. However, they did not have to be offset by increased use of natural gas for the gas-fired back-up power plants. Oil only plays a subordinate role in Evonik's energy mix. The reduced consumption of this fuel in 2013 was caused primarily by a drop in output of some products and lower consumption for ignition and auxiliary firing systems. The Group-wide reduction in the procurement of power in 2013 was principally attributable to the divestment of the site in Yingkou (China) at year-end 2012. The main reason for the rise in volume sales of power in 2013 was a production-driven increase in demand from external customers in Marl (Germany).

## T28 Energy inputs

in petajoules	2009	2010	2011	2012	2013
Gaseous fossil fuels	31.14	33.88	35.63	32.72	31.74
Solid fossil fuels	23.64	25.35	22.45	23.93	22.38
Liquid fossil fuels	0.69	0.44	0.40	0.27	0.20
Alternative fuels	7.44	7.57	7.16	7.42	7.96
Power, external input <sup>a</sup>	14.43	16.07	19.89	18.98	18.59
Power, external output	6.72	8.43	11.91	11.77	12.50
Steam, external input	5.64	7.16	7.09	6.18	5.15
Steam, external output	14.01	14.87	13.46	10.51	8.26
<b>Energy input, gross</b>	<b>82.98</b>	<b>90.47</b>	<b>92.62</b>	<b>89.48</b>	<b>86.03</b>
<b>Energy input, net (after subtraction of output)</b>	<b>62.25</b>	<b>67.16</b>	<b>67.25</b>	<b>67.20</b>	<b>65.27</b>

<sup>a</sup> Including captive hydroelectric power generation.

## Emissions into the air

### Greenhouse gas emissions

Greenhouse gas emissions totaled 8.8 million metric tons in 2013, which was 3 percent lower than in 2012 (9.1 million metric tons). The scope of consolidation comprises direct and indirect CO<sub>2</sub> emissions from energy sources and other greenhouse gases.

#### T29 Greenhouse gas emissions

in thousand metric tons CO <sub>2</sub> equivalents <sup>a</sup>	2009	2010	2011	2012	2013
<b>Scope 1</b>					
CO <sub>2</sub>	7,738	8,484	7,430	5,879	5,725
CH <sub>4</sub>	17	15	15	14	14
N <sub>2</sub> O	74	68	129	63	130
HFC	8.5	7.3	7.7	7.0	6.3
Total	7,837.5	8,574.3	7,581.7	5,964.0	5,875.3
<b>Scope 2</b>					
CO <sub>2</sub> (gross)	2,351	2,746	3,252	3,126	2,925
<b>Scope 1 + 2, total (gross)</b>	<b>10,188.5</b>	<b>11,320.3</b>	<b>10,833.7</b>	<b>9,090.0</b>	<b>8,800.3</b>
<b>Output in million metric tons</b>	<b>9.26</b>	<b>10.61</b>	<b>10.35</b>	<b>9.71</b>	<b>10.06</b>
<b>Specific greenhouse gas emissions (gross)</b> in metric tons CO <sub>2</sub> equivalents per metric ton output	<b>1.10</b>	<b>1.07</b>	<b>1.05</b>	<b>0.94</b>	<b>0.87</b>
<b>Total<sup>b</sup> Scope 2</b>					
CO <sub>2</sub> (net)	523	715	907	973	859
<b>Scope 1 + 2, total (net)</b>	<b>8,360.5</b>	<b>9,289.3</b>	<b>8,488.7</b>	<b>6,937.0</b>	<b>6,734.3</b>

<sup>a</sup> GWP factors: CO<sub>2</sub>: 1, N<sub>2</sub>O: 310, CH<sub>4</sub>: 21, HFC: 140 – 11,700, PFC: 6,500 – 9,200.

<sup>b</sup> Total Scope 2 = Power and steam sourced externally less power and steam supplied to third parties.

The drop in CO<sub>2</sub> emissions was mainly due to systematic energy initiatives and a large number of individual measures to improve energy efficiency, a demand-driven reduction in the use of coal and natural gas, and divestment of the power-intensive production facility in Yingkou (China).

Direct CO<sub>2</sub> emissions (Scope 1 emissions under the *Greenhouse Gas Protocol*) come from energy generation and production, and from Evonik's fleet. Indirect CO<sub>2</sub> emissions come from purchased energy (Scope 2 emissions).

The table shows the CO<sub>2</sub> emissions associated with the purchase of electricity and steam as both gross and net values. The net figure shows the position after subtracting electricity and steam output for third parties from total inputs. That enables us to eliminate the proportion of energy-related CO<sub>2</sub> emissions attributable to third parties at our large multi-users sites and generate company-specific indicators.

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The rise in N<sub>2</sub>O emissions (expressed in greenhouse gas equivalents) back to the 2011 level was caused by process-related factors. Steps have been taken to reduce N<sub>2</sub>O emissions. Evonik's facilities that fall within the scope of the European Union's Emissions Trading System (EU ETS) emitted 4.2 million metric tons of CO<sub>2</sub> in 2013 (2012: 3.1 million metric tons CO<sub>2</sub>). The reason for the rise was that the EU ETS was extended to 29 of Evonik's facilities from 2013 (2012: 15).

### Evonik Carbon Footprint (ECF)

Evonik accepts responsibility for the environment and society, as well as for its business and its employees. In addition to logging direct emissions of greenhouse gases from its core specialty chemicals operations, since 2008 the company has continuously analyzed selected categories of indirect greenhouse gas emissions and their distribution among different sources along the value chain. In this way, we obtain an overview of greenhouse gas emissions in the key phases of the product lifecycle, from the extraction of raw materials through production to disposal. The method used for this is based on the Greenhouse Gas Protocol Corporate Standard (GHG Protocol) of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The key parameter is the carbon footprint (CO<sub>2</sub>e footprint). This shows the volume of greenhouse gases emitted by a company, process or individual product (in CO<sub>2</sub> equivalents, in other words CO<sub>2</sub> and other greenhouse gases defined in the GHG Protocol Corporate Standard). The figures given below refer exclusively to greenhouse gas emissions from Evonik's core specialty chemicals business.

The change in these emissions is shown in the table below, which covers Evonik's energy and process emissions, including the vehicle fleet and air-conditioning of offices (Scope 1), purchased electricity and heat (Scope 2), purchased production inputs, inbound and outbound transportation, commuting by employees, business trips, and the disposal and recycling of the products sold (Scope 3). It excludes, among other things, the usage phase of Evonik's products. The decline in greenhouse gas emissions in 2012 was principally due to lower volumes of raw materials. Moreover, there was a slight rise in renewable raw materials, which have low emissions factors. Due to an improvement in data capture, since 2009 volumes of chemical starting products sourced externally have been determined more accurately. Accordingly, the Evonik Carbon Footprint values for 2009 through 2011 have been restated retrospectively. The figures for 2008 are still based on the original data.

@ [www.evonik.com/responsibility/go-to-Evonik-Carbon-Footprint-ECF/2008-2012](http://www.evonik.com/responsibility/go-to-Evonik-Carbon-Footprint-ECF/2008-2012)

@ [www.ghgprotocol.org](http://www.ghgprotocol.org)

### T30 Change in greenhouse gas emissions along Evonik's value chain<sup>a</sup>

	2008	2009	2010	2011	2012
CO <sub>2</sub> e emissions in million metric tons	25.2	20.2	23.5	22.9	22.2

<sup>a</sup> Core specialty chemicals business, excluding the usage phase (2008: including the carbon black activities; from 2009: excluding the carbon black activities). Data on greenhouse gas emissions in 2013 were not available when this calculation was performed.

CO<sub>2</sub>e savings resulting from the use of Evonik products

Evonik markets many products whose use can selectively reduce emissions of greenhouse gases compared with the alternatives established on the market. In view of the large number of products, greenhouse gas reductions are only calculated for selected “lighthouse” products. These were selected on the basis of the strategy of the relevant business units. Compared with established alternatives, these “lighthouse” products generate the greenhouse gas savings shown in the table below.

**T31 Greenhouse gas savings during the application lifecycle of products sold by Evonik in each year**

	2008	2009	2010	2011	2012
Avoidance of CO <sub>2</sub> e emissions in million metric tons	43.5	38.3	45.1	47.1	50.1

Most of these savings are achieved by using the following four products: “green tire” technology, amino acids for animal feed, foam stabilizers for insulation and specialty oxides in energy-saving light bulbs. The savings are achieved over the usage lifecycle of the products, based on volume sales of the products manufactured by Evonik in the year given. The increase in these savings from 2009 is mainly attributable to an increase in the volume of these products sold.

The CO<sub>2</sub>e savings should not be compared directly with the Evonik Carbon Footprint because the Evonik Carbon Footprint refers to emissions in the manufacture of products, generally intermediates. These include production and supply chain emissions but not the usage phase of such products. By contrast, the CO<sub>2</sub>e savings are based on lifecycle emissions during the use of selected Evonik products.

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

The Carbon Footprint Estimation (CFE) method developed by Evonik, which has been assessed by external experts, is used to quantify and evaluate new products. It also allows standardized evaluation of the greenhouse gas emissions from research and development projects to assess greenhouse gas emissions at all subsequent phases of the product lifecycle. This ensures that different projects at Evonik can be compared using comparable criteria. This method, which was initially only applied to strategic research, was extended to one of Evonik’s business units for the first time in 2013.

An in-house Life Cycle Management (LCM) group is responsible for compiling data on greenhouse gas emissions along Evonik’s supply chain, calculating the avoidance of greenhouse gas emissions, and driving forward the development of the CFE method. The team regards itself as a strategic partner for the operating units on sustainability issues. Its goal is to support Evonik’s endeavors to become a more sustainable company.

@ www.cdproject.net  
@ www.evonik.com/  
responsibility  
go to Carbon Footprint  
Estimation (CFE)

### Carbon Disclosure Project

Companies that address the challenges of climate change, systematically integrate them into their business strategy, and ultimately take them into account in the structure of their portfolio of products and services stand to benefit from the growth potential offered by economically relevant aspects of climate change. Maximizing transparency and comparability in this area is the aim of the Carbon Disclosure Project (CDP), a non-governmental organization which is currently supported by more than 700 institutional investors with combined assets under management in excess of US\$85 trillion. That makes it the world's biggest and most important initiative by the financial community on climate change as an investment criterion.

Evonik took part for the first time in 2012 and was immediately awarded a score of 81/D by the CDP for extensive and transparent reporting. Through structural improvements such as implementation of climate responsibility at Executive Board level, we achieved a significant improvement in our CDP score in 2013. A score of 92/B puts us among the top 10 percent of companies that take part in the initiative for mid-sized enterprises in Germany, Austria and Switzerland ("Mittelstandsinitiative").

In view of current climate reporting developments, investigating climate-related impacts is becoming an increasingly significant factor in evaluating entire supply chains. The CDP has set up a special Supply Chain Project for this. Companies can obtain information on the climate performance of suppliers validated by the CDP. The feedback gives companies important information on potential for improvement and risks and opportunities in their supply chain.

Customers have also approached Evonik to ask for its assistance. In 2013 Evonik was singled out by the CDP as the best participating company from Germany in the category "Supply Chain Project Participants".

### Other emissions into the air

We use a variety of technical and organizational measures to control and minimize air pollution. Thanks to our environmental management systems, we can guarantee that the statutory limits are monitored and adhered to, and that we can take corrective action if they should deviate from the norm. Relevant sources of emissions are constantly monitored in accordance with statutory requirements. Our production and exhaust gas treatment facilities are fitted with emissions monitoring devices and the data are evaluated regularly.

For example, to keep the air clean we return exhaust gases to the production process. Other measures include thermal processing of residual gases with a high calorific value (as a substitute for natural gas), effective integrated and end-of-pipe environmental protection measures, and taking emissions into account when planning new facilities. For example, our power plants use electro-filters to remove particulates from flue gases. NO<sub>x</sub> removal is achieved with catalysts while sulfur is removed by scrubbers and then precipitated. Emissions reduction in our production plants relies on a variety of treatment systems based on different processes such as condensation, adsorption and thermal and catalytic incineration processes.

The range and volume of emissions depends largely on the characteristics of the fuel mix used for energy generation, and on chemical production processes.

Changes in our portfolio (divestment of carbide production) were mainly responsible for the sharp drop in CO emissions in 2010 (– 91 percent). A further significant reduction in CO emissions in the period 2011 to 2012 was attributable to the divestment of the carbon black activities in mid-2011. This was the main reason for the considerable reduction in SO<sub>2</sub>, NO<sub>x</sub>, particulates and NMVOC emissions in these two years.

The slight increase in CO emissions in 2013 was within the analytical tolerance range. Since 2012, most of the remaining SO<sub>2</sub> and NO<sub>x</sub> emissions relate to combustion processes in connection with energy generation. In 2013, they decreased by 12 percent and 5 percent respectively, mainly because of changes in the energy mix. The decline in emissions of particulates in 2013 was partly attributable to technical improvements in clean air technology and partly to the use of different types of coal in energy generation. The drop in NMVOC emissions in 2013 was partly due to changes in the product mix, while the reduction in emissions of heavy metals was attributable to the switch to a different catalyst. There have been virtually no emissions of ozone-depleting substances since 2010 as a result of a plant shutdown.

### T32 Other emissions into the air

in metric tons	2009	2010	2011	2012	2013
Carbon monoxide (CO)	87,141	7,557	4,936	1,017	1,066
Sulfur oxides (SO <sub>x</sub> /SO <sub>2</sub> )	27,335	30,959	19,463	3,652	3,215
Nitrogen oxides (NO <sub>x</sub> /NO <sub>2</sub> )	9,449	11,313	9,074	4,963	4,734
NMVOC	1,300	1,297	1,172	1,019	951
Particulates	1,064	1,188	872	441	363
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	0.73	0.84	1.16	1.38	0.85
<b>Emissions of ozone-depleting substances<sup>a</sup></b> in metric tons CFC-11 equivalents	15.6	0.04	0.05	0.05	0.07

<sup>a</sup> Ozone depletion potential (ODP) is a relative parameter indicating how dangerous substances are for the ozone layer compared with the reference substance, fluorinated hydrocarbon R11 (trichlorofluoromethane).

## Water data and emissions into water

The availability of water is a basic precondition for the manufacture of chemical products. The water used at our sites comes from a variety of sources and is treated by various methods to make it suitable for use. Water is mainly used for cooling and process purposes in production facilities, to generate steam in power plants, and for sanitary requirements. To reduce the use of fresh water, we have established integrated supply systems with graduated water qualities. For example, we use water that is no longer suitable for cooling purposes to rinse filters or in industrial cleaning processes. In addition, the water that evaporates from cooling cycles is often replaced by condensate or recycled drinking water. Total water consumption declined slightly, by 1 percent, in 2013 versus 2012 despite higher output. Alongside constant efforts to save water, this was due to one-off factors such as prolonged maintenance shutdowns at production plants. A small proportion of through-flow cooling systems also contributed to this thanks to favorable temperatures.

Use of surface water increased in 2013, mainly due to unfavorable operating conditions resulting from the temporary use of through-flow cooling in a power plant during technical modification.

About two-thirds of the water used in 2013 was surface water, mainly from rivers.

### T33 Water intake by source

in million m <sup>3</sup>	2009	2010	2011	2012	2013
Drinking water <sup>a</sup>	14.7	17.2	17.3	16.4	17.3
Groundwater	113.2	87.3	84.2	83.0	76.0
Surface water	201.2	214.2	200.2	190.0	194.1
Other <sup>b</sup>	8.2	10.0	8.4	7.8	5.4
<b>Total<sup>c</sup></b>	<b>337.4</b>	<b>328.8</b>	<b>310.0</b>	<b>297.1</b>	<b>292.9</b>

<sup>a</sup> Water from municipal or other utilities.

<sup>b</sup> Rainwater and various other sources.

<sup>c</sup> Totals may vary due to rounding differences.

Around 96 percent of water consumption in 2013 was for cooling. Water used in closed cooling circuits is included when calculating the proportion of total water that is used for cooling. In 2013, about 80 percent of cooling of production facilities used closed-circuit systems with re-cooling facilities. The remainder were cooled using through-flow systems. Cooling circuits save considerable amounts of fresh water compared with through-flow cooling, and generally cuts costs. Only amounts lost by evaporation are replaced. However, potentially higher energy requirements for the circulation, evaporation of the water in cooling circuits, and safety criteria (for example, in the event of leaks) have to be taken into consideration.



### T34 Water consumption

in million m <sup>3</sup>	2009	2010	2011	2012	2013
Cooling, without cooling circuits	274	252	241	230	233
Cooling circuits	917	1,099	1,124	1,101	1,141
Production <sup>a</sup>	64	73	69	67.4	60.2
in %					
Cooling	95	95	95	95	96
Production	5	5	5	5	4

<sup>a</sup> Including drinking water and water for sanitary requirements.

In 2013, as in previous years, the majority (75 percent) of water discharged from our drainage systems is uncontaminated water from through-flow cooling systems. In some cases, production effluent is pretreated in production facilities before full treatment in in-house or municipal wastewater treatment plants.

### T35 Water discharge

in million m <sup>3</sup>	2009	2010	2011	2012	2013
Through-flow cooling water (uncontaminated)	249.9	227.8	217.7	213.6	218.2
Process effluent	59.9	66.7	72.7	62.8	61.2
Drinking water and water from sanitary installations	1.5	1.7	1.3	1.6	1.9
Other	0.8	5.4	6.3	13.0	9.2
<b>Total<sup>a</sup></b>	<b>312.0</b>	<b>301.6</b>	<b>298.0</b>	<b>291.0</b>	<b>290.4</b>

<sup>a</sup> Totals may vary due to rounding differences.

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

### Emissions into water

The basic principles of wastewater management are the same as for waste management: “avoid over process over eliminate.” When planning new production plants, we therefore consider the use of processes that generate little or no wastewater. That takes pressure off the environment and reduces the cost of treatment. In the operational phase, we strive to improve processes to minimize or eliminate wastewater.

We have also set high safety standards for the disposal of wastewater. Separate drainage systems prevent contamination of cooling water and ensure that production effluent is not diluted by cooling water. We have also built high-performance collector systems as part of our water protection measures. These are used for intermediate storage of peak wastewater loads which could overburden the wastewater treatment facilities. In this way, wastewater can subsequently be fed gradually to

the treatment plants for environment-friendly disposal. We also incinerate some treatment sludge in our own facilities, and use the heat from the resulting incineration gases to generate steam. Wastewater discharged from our sites is carefully monitored by regular sampling and continuous measuring equipment. In addition to in-house monitoring, we are subject to supervision by the authorities in the form of unannounced control visits to verify compliance with discharge limits.

### T36 Wastewater loads<sup>a</sup>

in metric tons	2009	2010	2011	2012	2013
COD	5,558	5,960	4,890	4,787	4,977
N	475	468	484	447	469
P	46	116	114	96	97
AOX	1.6	1.6	1.6	1.8	1.7
Heavy metals (As, Cd, Cr, Cu, Hg, Ni, Pb, Zn)	4.0	5.4	4.5	5.5	5.1

<sup>a</sup> The data show the accumulated volumes of wastewater at all sites. Alongside direct discharges into receiving water, proportionate indirect discharges are included.

The slight increase in COD (chemical oxygen demand) and total nitrogen loads in wastewater was due to increased output and factors such as the change in the product mix. The total phosphorus load (phosphates stated as phosphorus) was unchanged from the previous year. The AOX loads and heavy metal emissions have stabilized at a low level.

## Waste

Our waste management priorities are as follows:

- 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.

Avoiding and minimizing waste is important to us for economic as well as ecological reasons. Apart from the high disposal costs, reduced yields of our target products represent a financial loss. We therefore constantly strive to improve our production plants and processes. For example, we use catalysts to increase yields and reduce secondary reactions. Integrated material flows also play a part. Systems of this sort have been established, for example, at our largest production site, in Marl (Germany). Here, hydrocarbon residues are used as a substitute for heating oil in the gas synthesis plant and waste sulfuric acid in the sulfuric acid plant is reprocessed. Treatment sludge can also be reused within the integrated production structure. After dewatering, it is incinerated in a separate incineration plant with integrated flue gas treatment. Some of the exhaust gases from the production plants are used as replacement fuels in this process. The incineration gases are then used to generate 20 bar steam.

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

### T37 Waste

in thousand metric tons	2009	2010	2011	2012	2013
<b>Hazardous production waste</b>	<b>182</b>	<b>228</b>	<b>250</b>	<b>227</b>	<b>218</b>
of which reprocessed	110	152	157	138	137
of which disposed of	72	75	93	89	81
<b>Non-hazardous production waste</b>	<b>168</b>	<b>170</b>	<b>164</b>	<b>160</b>	<b>152</b>
of which reprocessed	112	113	107	104	104
of which disposed of	55	57	57	56	48
<b>Hazardous building and demolition rubble</b>	<b>4</b>	<b>5</b>	<b>13</b>	<b>32</b>	<b>23</b>
of which reprocessed	0	1	2	4	3
of which disposed of	4	4	11	28	20
<b>Non-hazardous building and demolition rubble</b>	<b>47</b>	<b>55</b>	<b>125</b>	<b>96</b>	<b>97</b>
of which reprocessed	35	38	72	65	64
of which disposed of	12	17	53	31	33
<b>Total</b>	<b>400</b>	<b>458</b>	<b>551</b>	<b>515</b>	<b>489</b>

Prior-year figures restated due to reevaluation in accordance with changes in legislation.

In 2013 the total amount of waste was 5 percent lower than in 2012 due to a reduction in production waste and building and demolition rubble. Hazardous waste was 4 percent lower than in the previous year and non-hazardous waste was 5 percent lower. This was due, among other things, to an altered product mix. Building and demolition rubble can fluctuate considerably because it depends on specific projects. In 2013, hazardous building and demolition rubble was 28 percent lower than in 2012. Non-hazardous building and demolition rubble was unchanged year-on-year.

### T38 Waste management

in thousand metric tons	2009	2010	2011	2012	2013
Incineration with recycling of heat energy	55	75	70	68	66
Disposal by incineration	70	76	95	84	84
Recycling (including composting)	137	177	218	181	185
Landfill	34	43	48	58	51
Chemical/physical/biological treatment	18	14	20	24	18
Other disposal methods	22	20	51	37	30
Other reprocessing methods	65	53	50	63	56
<b>Total<sup>a</sup></b>	<b>400</b>	<b>458</b>	<b>551</b>	<b>515</b>	<b>489</b>

<sup>a</sup> Totals may vary due to rounding differences.

Prior-year figures restated due to reevaluation in accordance with changes in legislation.

The percentage of waste reprocessed rose to 63 percent in 2013, a slight rise of 2 percentage points. The reprocessing ratio comprises recycled substances, incineration with recycling of heat energy, and other disposal methods.

Major examples of recycling at Evonik are the reprocessing of PLEXIGLAS®, which can be almost completely recycled by breaking it down into its precursors for direct reprocessing, and the recycling or re-use of precious metal catalysts and industrial packaging.

## Biodiversity and ecosystem services

Ecosystem services are found all around us. Examples are the air we need to breathe, open spaces for recreation, and the groundwater and surface water used for cooling in industry and in leisure activities. We use all of these assets, which are provided by nature in many different forms, in our day-to-day lives. However, we tend to forget that even though there is no direct price tag on them, they will only be available in the long term if we use them carefully. For instance, excessive use of groundwater can reduce the groundwater level, which can affect flora, fauna and biodiversity. Biodiversity refers to the natural diversity that has evolved over millions of years. It includes the variety of habitats (ecosystems), species of plants, animals, fungi and microorganisms, and genetic diversity. As the basis for food and energy sources, biodiversity is also of economic significance. It performs its ecological function by assuring the production of oxygen, the food chain and a functioning water system. The development of society and civilization is also closely linked to biodiversity. The industrial impact of humans over the past 200 years appears to have brought the capability of our ecosystem to its limits. Worldwide, biodiversity is steadily decreasing as a consequence of climate change, exploitation of resources, pollution, over-fertilization and over-fishing. That is having a massive and detrimental effect on the functioning of ecosystems.

As a company, we are dependent on the functioning of ecosystems, but also impact them through our operations. The sustainable use of natural resources to maintain the quality of soil, water and air is Evonik's primary means of conserving biodiversity and ecosystems. In 2012 we conducted a Biodiversity Check on two business lines. The Biodiversity Check developed by the European Business & Biodiversity Campaign (EBBC), a consortium led by the Global Nature Fund, provides an overview of how a company or individual areas of business impact biodiversity. The check is based on the objectives of the United Nations Convention on Biological Diversity (CBD) and examines, among other things, the company's premises, procurement, product development and production, logistics and transportation, and products.

See CR Report 2012,  
p. 93

@ [www.cbd.int](http://www.cbd.int)

@
[www.rspo.org](http://www.rspo.org)  
See p. 22

See T07 p. 39

We closely monitor the production conditions of some renewable raw materials, including palm oil and its derivatives. Since 2010 Evonik has been a member of the Roundtable on Sustainable Palm Oil (RSPO) and publishes its targets for this substance in the RSPO’s annual progress report. The aim of the RSPO is to place global production of palm oil on a sustainable basis in the long term. Palm oil that is not cultivated in a sustainable manner destroys valuable rain forests, biotopes, and social structures. The RSPO encourages sustainable production and use of palm oil through cooperation between palm oil plantations and the subsequent supply chain. Evonik supports this process and aims to ensure that from 2015 the Personal Care Business Line switches to certified palm oil derivatives insofar as they are available and this is technically viable. In 2013, these certified raw materials were purchased for specific products, where they were available in suitable quality. RSPO supply chain certification for the sites in Essen and Steinau (Germany) was completed in the same year. The aim is to supply the first personal care products with the RSPO label from mid-2014.

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

**T39**
Evonik sites adjacent to conservation areas

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

In 2013, five sites were adjacent to conservation areas that are protected by the European Union’s Directive on the Conservation of Natural Habitats and of Wild Fauna and Flora (Council Directive 92/94/EEC). Six further sites are adjacent to conservation areas that are regulated by country-specific legislation. Evonik did not identify any significant impact on the biodiversity of these conservation areas in 2013.<sup>1</sup> Since the majority of the water consumed by the Evonik Group is for cooling purposes and is returned to the ecosystem after use, at present we do not compete directly with water for drinking and irrigation.

<sup>1</sup> At the site in Janesville (USA), which was included in the report for the first time in 2012, it has been established retrospectively that the adjacent area does not have conservation status.

# Safety and health protection

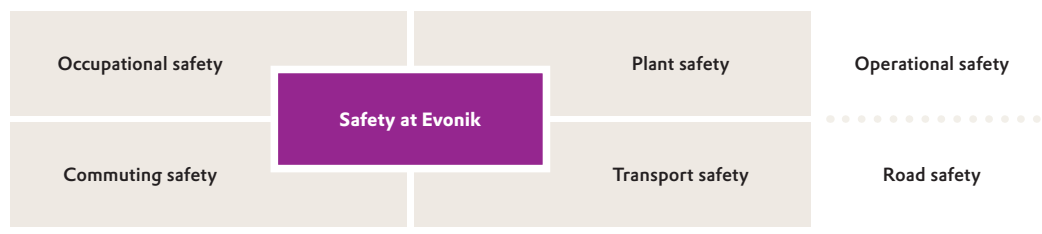
## Our management approach ✓

“Safety and protecting health are at the very top of our agenda. We give these principles top priority—even before the pursuit of sales and profits. For the sake of our employees, and of the local communities at our locations worldwide.” That is the central focus of the Safety at Evonik initiative.

Safety and the protection of health are inseparably linked. As part of this initiative, in October 2013 the Executive Board issued new guiding principles for safety. These cover all aspects of safety and show the direction in which we want to develop:

See p. 12 ff.

### C12 Aspects of safety covered by the Safety at Evonik initiative



The core statements in the guiding principles are:

- We abide by the rule of safety first worldwide—at the workplace and during our commutes and work-related travel.
- Our supervisors regard safety as an integral part of their leadership behavior and demonstrate it every day.
- Our managers and supervisors establish conditions that ensure the safety and health of our employees.
- We are responsible for our own safety and for the safety of those around us, and we act to ensure this.
- We are role models for safe and environmentally friendly behavior.
- We build and operate plants with the intention of causing no harm to the people who work there, our neighbors and the environment.
- We expect our partners, contractors and service providers to actively participate in our safety programs.

In 2014 we will be building on these guiding principles and defining binding criteria and principles that all of our managers and employees can and must apply in their work. Along with our management systems for occupational and plant safety, the goal of Safety at Evonik is to achieve a further improvement in our safety culture. Our responsibility for safety is so important to us that we define non-financial targets for occupational and plant safety.

See Annual Report 2013, p.39

## Plant safety ✓

Process safety at our production installations is analyzed in detail at regular intervals. The aim is to identify risk factors and implement preventive measures so they do not result in accidents. Process safety is a priority for us. In keeping with the Safety at Evonik initiative, our Global Process Safety Competence Center (GPSC) is responsible for this core competence. It advises plants on all major safety analyses relating to production processes. The GPSC ensures that our procedures meet uniformly high quality standards and brings together our safety experts in a competence network. We address incidents of relevance for the safety of our operations and look for solutions that can be implemented throughout the Group.

☰ See p. 17

G See Glossary p. 142

For constant monitoring of plant safety we use a process safety performance indicator based on the standards set by the European Chemical Industry Council (Cefic). Analogously to the accident frequency indicator for occupational safety, this indicator covers incidents involving the release of substances, fire or explosion, even if there is little or no damage. It is calculated from the number of incidents per 1 million working hours in the business units' production facilities. To show our positive development, this indicator has to decline over time. We therefore compare it with 2008, the year in which it was calculated for the first time (reference base: 100 points). In 2013 it stood at 50 points (2012: 46 points) and thus did not quite confirm the continuous improvement over this period. We attribute this partly to an improvement in the reporting culture and increased awareness of such incidents. Our target for 2013 was a maximum of 48 points. This has now been adopted as the target for 2014 and we are working hard to achieve it. Overall, however, the incremental improvements are becoming smaller. In our view, this is because it is becoming increasingly difficult to identify further potential for improvement.

☒ See T07 p. 39

Another plant safety indicator developed in 2011 is the activity indicator. This leading indicator identifies the extent to which the business units engaged in production perform their management tasks in the areas of plant safety at the various sites and production facilities. It is based on a survey of key plant safety aspects conducted at the sites (self-assessment by plant managers or evaluation through regular audits). The ten areas covered include directives and targets, the provision of specialist knowledge, change management in the production process, initiatives and programs. The survey was conducted in more than 60 percent of plants in 2012 and evaluated in 2013. Where it indicated a need for improvement, the plants and business units have taken the appropriate steps. This indicator is an effective way of identifying shortcomings in plant safety and communicating them to those responsible.



## Corporate security ✓

Evonik also accepts responsibility for the security of its sites and for transportation. We want to protect our employees from criminal acts and avoid security risks in our international business. Development of our management systems continued in 2013. The Logistics unit at Site Services are an example. This unit provides an effective risk analysis method for transportation. Risks arise from possible misuse of our products and from security issues related to transportation routes. Based on the risk assessment, the application experts develop suitable security concepts in consultation with the business managers to ensure specific monitoring of modes of transport and set standards for safe routes, even if they are longer.

See p. 115

Our presence in growth markets means that we have projects and activities in countries and regions where there are heightened security risks for our business. These include risks involved in the establishment of joint ventures, the construction of facilities, and transportation, and risks to our personnel, business travelers and expats. We are setting up a process to ensure early identification and evaluation of risks so security concepts can be developed. We have already introduced specific measures such as staff training to address the higher risks in countries in the Middle East and North Africa, for example, Egypt and Libya.

## Occupational safety ✓

We aim to achieve a further steady reduction in accidents involving the people working for us in the coming years. We are committed to this and are not satisfied with the good level of occupational safety that we have achieved so far. Occupational safety is a focus of our action and is therefore also a central element in the Safety at Evonik initiative. As well as protecting company employees, the aim is to prevent accidents involving contractors' employees. Plant safety activities are included in this. After all, plant safety is affected by our occupational safety performance because incidents involving the release of substances, fires and explosions always put people at risk. Avoiding all such incidents is a central responsibility and the core of the Safety at Evonik initiative.

Three employees died in 2013. At our site in Rheinfelden (Germany) an employee died in a fork-lift accident. In Qingdao (China) an employee died after falling from a work platform. A bus traveling to our site in Rayong (Thailand) was involved in an accident in which one employee was killed.

Our accident figures show that there has been a significant drop in accidents involving our employees over the years, so this indicator is now at a very low level. In our continuing operations, accident frequency (the number of accidents in the workplace involving Evonik employees and contractors' employees under Evonik's direct supervision resulting in absences, per 1 million working hours) was 0.9. Including the discontinued lithium ion operations, accident frequency was 1.0. Compared with the previous year's figure of 1.4, that shows we have halted the stagnation of the past five years and made a considerable improvement. The accident frequency rate was well

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within our defined target of a maximum of 1.5. The trend is therefore moving in the right direction—but we can and intend to do more. In 2014, we do not expect to achieve a further improvement in accident frequency (accidents per 1 million working hours) on the same scale as in 2013. Experience at other companies confirms our assumption that this indicator can fluctuate considerably. In the long term, we strive to achieve a sustained level of less than 1.0. As a first step towards this, we have reduced the upper limit for this parameter, which we set some time ago, from 1.5 to 1.3. In addition, we are continuing to work on the performance indicator for occupational safety by adding an indicator for injuries that do not result in absence from work.

 See T07 p. 39

The average number of working hours lost as the result of accidents is currently 240<sup>1</sup>, which is above the average for previous years (2012: 130<sup>2</sup>). One reason for this is hours lost in 2013 due to accidents that occurred in 2012. Our research into comparative data for our sector shows that a reduction in accident frequency is accompanied by a rise in the average number of working hours lost due to accidents. Although we are well within the sector average, we need to monitor development of this indicator.

If the accident performance of a business unit or site deteriorates, we analyze the reasons and agree on specially targeted measures. As a matter of principle, technical measures and workplace organization that foster safety always have precedence over organizational measures and personal protective equipment. All employees are issued with any necessary protective and other equipment required for their jobs. Plant and job-specific instruction and ongoing training ensure that employees are prepared for present and future requirements.

Regrettably, the positive development in accident statistics for our own employees is not reflected in the figures for service-providers and contractors at our plants who are not under our direct supervision. Our employee survey in 2011 showed that our safety culture needs to be put into practice by contractors' employees as well. That has been taken into account in the Safety at Evonik initiative. As a first step, we record the number of hours worked by such employees for statistical evaluation purposes so we can identify accident frequency (number of accidents in the workplace involving third-party employees resulting in absence per 1 million working hours). Accident frequency for such employees at our continuing operations was 3.2, well above the equivalent figure for our own employees. In a second step, we intend to motivate contractors<sup>3</sup> to improve occupational safety and integrate them more actively into our safety programs. Criteria include setting even higher standards for occupational safety performance when selecting contractors, more intensive monitoring and more systematic evaluation of contractors' employees during their work at our sites. Our contractor management ensures that our supervisors, safety professionals and plant engineers work together and that we require and support safe working practices by contractors' employees. Since the start of 2013, a team of experts has been working on enhancing contractor management.

<sup>1</sup> Continuing operations.

<sup>2</sup> Continuing and discontinued operations.

<sup>3</sup> Refers to continuing and discontinued operations at our sites in Germany and Antwerp (Belgium).

## Health protection ✓

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

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

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

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

Fulfillment of these requirements is checked regularly by corporate audits and regional ESH audits, and through an extensive occupational health reporting system. In addition, in the reporting period we introduced an occupational health performance index as an overriding indicator. This is composed of significant aspects of occupational healthcare, health management and emergency medical management and includes the quality and scope of the measures taken. It also shows the extent to which internal objectives and requirements are met. In the future, it will be used to measure progress in occupational health as part of a continuous improvement process. The index was calculated for the first time in 2013 using the data from 2012 as the baseline. At Group level, the index was 5.2 (out of a possible maximum of 6). Our target for 2014 is to improve on this. We also calculate a health ratio for our German sites. This indicator compares the reduction in the maximum number of working hours caused by illness to the maximum number of working hours. In 2013 it was 94.9.

See T07 p.39

### Emergency medical management

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

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

### **Workplace-related preventive healthcare**

Based on the results of our hazard assessment, we aim to take suitable preventive measures to avoid work-related illnesses and health problems. Wherever possible, technical and organizational measures have priority over the use of personal protective equipment. Information and training of employees in risks and preventive measures play an important role. At preventive medical check-ups, employees receive advice on their individual health risks and, where appropriate, effective precautions.

Evonik regularly reports on occupational illnesses. In 2012 we switched reporting from absolute figures to an Occupational Disease Rate (ODR), which brings us into line with international standards and requirements and improves comparability. The ODR shows the number of recognized occupational illnesses per 1 million hours worked. The calculation includes all new cases of recognized occupational illnesses in the reporting period, including latent illnesses (i.e. those where the causes lie well in the past). The ODR for 2013 will be calculated as soon as the data are available from the industry insurance association (2012: 0.16).

### **The well@work company health management program**

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

The basic program is supplemented by short-term campaigns which concentrate on different topics each year, and general medical check-ups to screen for the related risk factors and diseases. In the reporting period, the focus was on general immunization, prostate cancer and depression.

At most of our German sites we have interdisciplinary health taskforces. In the past they have focused mainly on local implementation of health promotion measures. In 2013 they were integrated into the well@work concept so they will therefore be working on Evonik's overall health management program in the future.

## Transportation safety and logistics

Globalization of logistics confronts us with major challenges. Solutions also have to be found for the new demands being made on transportation safety, and protecting the environment and resources. Evonik therefore regards validated logistics service-providers with sustainable operations as very important. Finding the right suppliers is one step in this. We also take account of aspects such as the structure of the supply chain, for example, by selecting appropriate transportation modes and giving service-providers more information about our requirements for a sustainable supply chain. These are based on the criteria set by the German Chemical Industry Association (VCI) and are available in the internet.

By participating in the Responsible Care initiative, our logistics partners already meet defined safety and quality standards. These are constantly monitored by the Safety and Quality Assessment System (SQAS), which is shared with other members of Cefic.

### T40 Outgoing shipments of hazardous goods ✓

in thousand metric tons	2011	2012	2013
Air	0.5	0.4	0.3
Ocean	807	581	563
Inland waterway	912	984	953
Rail	882	760	821
Pipeline	1,601	1,620	1,727
Road	1,559	1,634	1,537
<b>Total<sup>a</sup></b>	<b>5,762</b>	<b>5,579</b>	<b>5,600</b>

<sup>a</sup> Totals may vary due to rounding differences.

### Safety has priority

The transportation risk analysis used by Evonik is a preventive system. All transportation risks from the origin of the shipment to its destination are analyzed. These involve possible risks in loading and unloading, whether the route includes potential risk areas, and any special regulations in place in the relevant countries.

To make sure that small- and mid-sized enterprises are also able to conduct transportation risk analyses without having to consult teams of experts, Evonik was involved in developing a Cefic guideline.

Despite precautions and training, transportation accidents cannot be completely excluded. For many years, Evonik has therefore been a member of TUIS, an information and assistance system administered by the German Chemical Industry Association (VCI) to ensure that trained personnel and special technical equipment can be provided rapidly in the event of transportation accidents, even if Evonik's products are not involved. Regular training exercises, sometimes in collaboration with the local fire service and local authorities, are effective in ensuring a rapid and effective response in an emergency.

In 2013, Evonik did not have any transportation-related incidents that had to be reported on the basis of the Responsible Care criteria.

See p. 111

@ [www.cefic.org](http://www.cefic.org)  
go to Industry  
Support/Transport  
& Logistics/Best  
Practice Guidelines

**Transportation volumes—not everything is dangerous**

In 2013, shipment of goods increased by 1 percent to 9.15 million metric tons. The proportion of hazardous materials decreased slightly to 61 percent in the reporting period due to a change in the product mix.

**T41 Outgoing shipments of other goods**

in thousand metric tons	2011	2012	2013
Air	5	3	3
Ocean	768	880	954
Inland waterway	20	11	15
Rail	256	179	203
Pipeline	66	24	19
Road	2,733	2,342	2,352
<b>Total</b>	<b>3,848</b>	<b>3,439</b>	<b>3,546</b>

 See p.36

**Green Logistics Day**

In 2013, the Logistics Business Line held its first Green Logistics Day, at which experts from the company, environmental organizations and the scientific community discussed the challenges and opportunities of sustainable logistics with Evonik employees.

The approximately 50 participants agreed that the goal is to find a balance: logistics processes have to be affordable, flexible and safe yet sustainable. The presentations and discussions also showed that moving towards green logistics requires an enormous concerted effort by everyone involved.

By taking appropriate steps, Evonik wants to help counteract the forecast increase in traffic-related CO<sub>2</sub> emissions in the European Union.

The associated demands on our logistics service-providers are integrated into our procurement processes. We have developed a “green logistics” questionnaire for tenders for road transportation services.

In addition, Evonik utilizes the following general opportunities to reduce transportation emissions:

- Shifting to different means of transportation
- Increasing loading capacity
- Increasing infrastructure capacities
- Raising the productivity of transportation
- Intermodal transportation

The positive response to these and other regular constructive dialogs and training sessions shows that we can only move in the right direction in collaboration with our logistics partners.

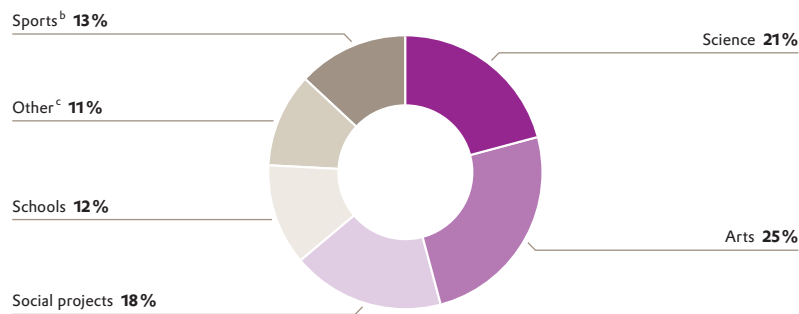
## Commitment to society

As a company, we want to contribute to the future of society and therefore play an active role in various areas of activity. The focus is on current societal challenges, which we have identified in dialog with our stakeholders, and projects linked to the essence of our brand.

### Donations and sponsorship

Through our donations and sponsorship, we aim to support the positive development of various areas of society. We therefore mainly support cultural, scientific, educational and sports projects and initiatives, and also play a part in projects to provide regional assistance.

#### C03 Donations and sponsorship of public projects in 2013<sup>a</sup> ✓



<sup>a</sup> Expenditures by the Corporate Center, business units and Innovation Management. Total: approx. €7.1 million.

<sup>b</sup> Excludes sponsorship of the Borussia Dortmund soccer club.

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

### Management approach

We have defined binding criteria for donations and sponsorship. For instance, sponsorship has to be compatible with Evonik's brand strategy and values. The Executive Board has entrusted implementation of this corporate policy to the Communications & Board Office Division.

Individual donations affecting the interests of more than one region have to be approved by the Executive Board, which sets an annual budget for such donations. These donations are then handled by Communications & Board Office. The business units and regions can make regional donations independently within an annual budget approved by the Executive Board.



### Sponsorship of the arts

Evonik positions itself as a creative industrial group. Our core competencies are creativity, specialization, self-renewal and reliability. We therefore want to foster an open and tolerant society. Culture and the arts are of outstanding significance for this: As well as being rooted in common traditions, they provide impetus for the future. At the same time, they contribute to cultural diversity.

The Ruhr Festival is a good example. For many years Evonik has been the main sponsor of this event, which is the oldest theater festival in Europe and offers top-class national and international productions for a broad range of audiences.

In addition, Evonik supports the “intonations” chamber music festival at the Jewish Museum in Berlin (Germany), which brings the Jerusalem International Chamber Music Festival founded by Elena Bashkistrova to this city. In 2013, it concentrated on works by Jewish composers who had fallen into oblivion because they were persecuted or murdered by the Nazis.

As a sponsor of the Küppersmühle modern art museum (MKM) in Duisburg (Germany) and Villa Schöningen in Potsdam (Germany), Evonik helps ensure the creative impetus of art reaches a large number of people.

To raise the interest of children and young people in music and the theater, Evonik also supports an initiative by the Essen Theater and Philharmonie (TUP) in Germany that enables children to take part in concerts and workshops.

### Educational projects

The education and training of children and young people is especially important to Evonik. Our commitment in this area demonstrates our social responsibility and is also an investment in our own future. As a specialty chemicals company, we need well-trained employees, so we give special priority to science and technology-based educational projects. For example, we have a variety of interrelated modular projects and initiatives for preschools, schools and other institutions. Our commitment in this field has a long-term focus.

### Fostering the youngest

In Germany, we build on the natural interest and curiosity that many children show in scientific phenomena. Through our Young Spirit initiative employees share their enthusiasm for science by visiting preschools and schools to conduct simple experiments with children. In this way, the children are given a hands-on introduction to chemical and physical relationships. Around 150 volunteers currently take part in this initiative, which Evonik has supported for ten years. They are given regular training to prepare them for their educational activities. The program has received a good deal recognition outside the company, and in 2013 it was nominated for the HR Excellence Award in the category employee engagement. Initiatives such as the “Kids’ University” and science camps for employees’ children are also based on the expertise of our committed employees.

In Japan, employees regularly organize a Chemical Show for children in the Tohoku region, which was badly hit by the catastrophic earthquake in 2011.

### Partnering schools

We have close contacts and partnerships with many schools close to our sites. In Germany, Belgium and Brazil, we have equipped some of our partner schools with an Evonik Cyber Classroom. This is a virtual system based on 3D technology that makes chemistry far easier to grasp and fosters interest and enthusiasm for science. In collaboration with science teachers, we have developed a wide range of chemistry modules which are now available in five languages.

The Hopewell site in Virginia (USA) also supports local schools. It funds an innovative program to help teach school children about science and technology concepts with hands-on project-based learning experiences using remote-controlled race cars.

### Training initiatives and scholarships

We have training programs and initiatives at several of our German sites. In Marl and Hanau, for example, young people who have not been able to obtain a vocational training place attend a special Career Start program to prepare them for a regular apprenticeship. A job shadowing initiative at the Hopewell site in the USA gave teachers and students an insight into real-world industry jobs, such as those in a specialty chemicals company.

We offer scholarships to support particularly talented students. Evonik takes part in a scholarship program initiated by the German Ministry for Education and Research.

See p. 84

### Sports sponsorship

As the main sponsor of the professional soccer club Borussia Dortmund (BVB) Evonik also supports the Evonik BVB Soccer School, which runs a wide range of soccer courses for boys and girls aged between seven and thirteen. Since its establishment in 2011, more than 7,500 children have received soccer instruction in Germany. The school has now established a branch in Japan, where more than 200 children have attended courses organized with support from the professionals in Dortmund.

[www.evonik.com  
go to Company/  
Sponsoring](http://www.evonik.com/go-to/Company/Sponsoring)

### The Evonik Foundation

The motto of the Evonik Foundation is "People open up future potential. We open up people potential." For many years, this company foundation has assisted upcoming scientists by awarding scholarships for academic research, especially doctoral theses, in the field of science.

The Evonik Foundation's work differs greatly from that of other foundations and goes well beyond providing financial assistance. During their scholarship the young researchers receive support from personal mentors at Evonik. The mentors give them insights into the company and a chance to build valuable contacts. In addition, the students are integrated into Evonik's talent programs. In 2013, twenty-three young scientists benefited from support from the Evonik Foundation.

Together with these students, in December 2011 the Foundation set up Professor Proto's Fantastic Institute, an informative interactive learning platform to interest elementary school children in science. It gives the children an enjoyable introduction to chemical phenomena and interactions. The website is linked to the Facebook and YouTube social media platforms and offers children, their parents and teachers many exciting discovery options. For example, videos and comics demonstrate readily understandable experiments and encourage the children to perform them themselves.

[www.evonik-  
stiftung.de/en/](http://www.evonik-stiftung.de/en/)

## Responsibility and commitment at our sites

As a responsible company, a good relationship with our neighbors is important to us. We therefore strive to develop a good relationship with local communities.


### Dialog with our neighbors

At many sites, we organize regular meetings with local inhabitants or distribute information brochures and newsletters to inform them about our latest construction projects and the development of the site.

In Antwerp (Belgium) and Lauterbourg (France) we have had Neighborhood Councils for many years. These hold three meetings a year with committed citizens, members of local environmental and community organizations, and local politicians.

To ensure that local residents can contact us directly, we have set up environmental and community hotlines at many sites. For example, eleven local residents contacted our site in Marl (Germany) with direct questions in 2013.

We regularly open some sites to visitors. For example, we take part in organized events such as the "Industry Evening" and the "Industrial Heritage Route" in Germany. Transparency is also fostered by Open Days, like the one held at our Xinzhuang site in Shanghai (China) this year. These events offer an opportunity to look behind the scenes at the site and are very popular.

 See p.24 ff.

### Community assistance projects

As well as helping us minimize risks, close dialog with local communities enables us to respond to issues that concern them. Our objective is to maintain and improve the quality of life in the areas around our sites. In 2013 apprentices and trainers at our sites in Marl and Krefeld in Germany therefore took part in 21 community assistance projects under the motto "doing a good deed". They repaired bicycle stands and assembled benches and catering equipment for sports clubs, pre-schools and the voluntary fire service. The training curriculum at our site in Rheinfelden (Germany) includes social service days when apprentices provide hands-on assistance for refugee centers, retirement homes and children's homes.

We actively live good neighborliness and are involved in many projects for the communities close to our sites. These include support for a number of emergency aid and rescue services along the U.S. East Coast, where Hurricane Sandy caused considerable damage last year. Employees in the SEAAANZ region organized collections and provided for assistance for victims of Typhoon Haiyan.

In India, Evonik and its employees jointly participate in a payroll giving program. The company doubles every donation made by employees to the Giveindia charity, which allocates the money to a variety of local projects.

We have established a range of projects to maintain the quality of the environment at our sites around the world. In Worms (Germany), for example, an organic rankine cycle plant has been taken into service. This converts unused waste heat into electricity, and has cut CO<sub>2</sub> emissions considerably.

At the Gibbons site in Canada, Evonik was able to recycle 15 percent of waste streams into the facility's steam generation system. General Electric (GE) Power & Water singled the site out for an award for this achievement and the resulting annual cost savings of over €33,000.

In Indonesia, we regularly help clear a river near our Bekasi Timur site by removing refuse and sediment.

## Advocacy

Evonik regards itself as a member of society and plays an active role in public life in many ways as a "good corporate citizen." The Hertie School of Governance's Governance Report 2013, which was sponsored by Evonik, contains an investigation of global crisis management in the wake of financial crises.

We also engage in social policy debates in a number of ways. For example, we support the political opinion-forming process through our regular political newsletter Evonik News.

Our representative offices in Berlin and Brussels are important communications interfaces with representatives of politics and public life. Our employees at these offices engage in a constant dialog with the social, economic and scientific communities and political decision-makers. They discuss a wide range of topics from energy, climate and environmental policy through fostering research and innovation to issues affecting raw materials and industrial policy. Such topics are relevant in shaping a political framework geared to maintaining the industrial hubs in Germany and Europe and enabling their continued sustained growth.

Key aspects of our advocacy work in Berlin in 2013 were the shift in Germany's energy policy and its implications for the country's industrial policy, foreign trade policy, and developments in the areas of electromobility and stationary battery storage technology.

At European level, Evonik has renewed its entry in the joint list of lobbyists maintained by the European Commission and European Parliament. Topics at European level were the reform of trading in CO<sub>2</sub> emissions allowances, preparing the 7th Environment Action Program and shaping the Horizon 2020 research program.

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

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, and of the World Business Council for Sustainable Development (WBCSD). We are committed to the global Responsible Care Initiative and have signed the Responsible Care Global Charter. In addition, Evonik plays a central role in the "Chemie<sup>3</sup>" sustainability initiative of the German Chemical Industry Association (VCI), German Mining, Chemical and Energy Industrial Union (IG BCE) and German Chemical Industry Employers' Federation (BAVC).

@ [www.econsense.de/en](http://www.econsense.de/en)

≡ See p. 36

@ [www.wbcd.org](http://www.wbcd.org)

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## Major sites

### T42 Major sites <sup>a</sup>

Employees	2011	2012	2013
<b>Germany</b>			
Marl	6,588	6,707	6,837
Hanau-Wolfgang	3,119	3,210	3,348
Essen	2,397	2,313	2,396
Darmstadt	1,538	1,585	1,648
Wesseling	1,288	1,282	1,318
<b>Other European countries</b>			
Antwerp (Belgium)	1,019	1,025	1,040
Zurich (Switzerland)	276	281	281
Slovenská L'upča (Slovakia)	188	219	243
Ham (France)	227	217	217
Gramatneusiedl (Austria)	167	171	167
<b>North America</b>			
Mobile (Alabama, USA)	712	758	753
Lafayette (Indiana, USA)	642	601	556
Parsippany (New Jersey, USA)	402	407	421
Greensboro (North Carolina, USA)	277	274	281
Hopewell (Virginia, USA)	254	265	270
<b>Central and South America</b>			
São Paulo (Brazil)	159	176	194
Mexico City (Mexico)	80	80	74
Barra do Riacho (Brazil)	54	49	46
Buenos Aires (Argentina)	34	38	39
Americana (Brazil)	33	32	37
<b>Asia</b>			
Shanghai (China)	1,018	1,296	1,386
Singapore (Singapore)	174	259	430
Nanning (China)	402	408	394
Nanping (China)	333	369	389
Qingdao (China)	185	184	186
<b>Other/Rest of the world</b>			
Midrand (South Africa)	22	29	35
Umbogintwini (South Africa)	28	31	32
Dubai (United Arab Emirates)	12	15	17
Teheran (Iran)	12	13	14

As of December 31

<sup>a</sup> The list refers to continuing operations and covers about 70 percent of Evonik employees.



# Market positions

## T43 Market positions

Product	Application	Global ranking <sup>a</sup>	Capacity in metric tons p. a.
<b>Consumer Specialties</b>			
Fat chemistry, quaternary derivatives	Fabric softeners	1	<sup>d</sup>
Amphoteric surfactants	Shampoos, shower gels	1	<sup>d</sup>
Ceramides, phytosphingosines	Cosmetics	1	<sup>d</sup>
Organically modified silicones	Additives for polyurethane foams, cosmetics, radiation-cured separation coatings	1–2	<sup>d</sup>
Superabsorbents	Diapers, feminine hygiene products, incontinence products, technical applications	1–2	480,000
<b>Health &amp; Nutrition</b>			
Exclusive synthesis	Intermediates and active substances for pharmaceuticals and specialty applications	2	<sup>d</sup>
Pharmaceutical polymers	Drug delivery systems, e.g. tablet coatings	2	<sup>d</sup>
Amino acids and amino acid derivatives	Pharmaceutical intermediates and infusion solutions	3	<sup>d</sup>
DL-methionine	Animal nutrition	1	430,000
<b>Inorganic Materials</b>			
Organosilanes, chlorosilanes	Rubber, silicone rubber, paints and coatings, adhesives and sealants, building protection materials, pharmaceuticals, cosmetics, optical fibers	1 <sup>b</sup>	270,000
Fumed silicas, fumed metal oxides, precipitated silicas, matting agents	Silicone rubber, paints and coatings, adhesives, sealants and plastics, pharmaceuticals, cosmetics, high-temperature insulation, electronics, reinforcement of rubber, consumer products, additives for the coatings and printing inks industry	1	550,000
Precious metal powder catalysts	Life sciences and fine chemicals, industrial chemicals	1	<sup>d</sup>
Activated nickel catalysts	Life sciences and fine chemicals, industrial chemicals	2	<sup>d</sup>
<b>Coatings &amp; Additives</b>			
Organically modified silicones	Binders for paints and printing inks	2	<sup>d</sup>
Polyester resins	Can- and coil coating, reactive hot melt adhesives	1	<sup>d</sup>
Amorphous polyalphaolefins	Thermoplastic hot melt adhesives	1	<sup>d</sup>
Isophorone chemistry	Environment-friendly coating systems, high-performance composites (crosslinkers)	1	<sup>d</sup>
Oil additives	Viscosity index improvers	1	<sup>d</sup>
Thermoplastic and reactive methacrylate resins	Binders for paints and coatings	1–2	<sup>d</sup>

**T43 Market positions**

Product	Application	Global ranking <sup>a</sup>	Capacity in metric tons p. a.
<b>Performance Polymers</b>			
Polyamide 12	High-performance specialty polymer applications (e.g. automotive, medical, sport, gas and offshore oil pipelines)	1	<sup>d</sup>
Methacrylate monomers	Dispersions, coatings, plastics, additives, adhesives, optical lenses	1–2	<sup>d</sup>
Methacrylate polymers (PMMA molding compounds and PMMA semi-finished products)	Construction materials for the automotive and electrical/electronics industries, specialty medical technology, architecture, design and communication applications	1–2	400,000
PEEK	Special applications in the oil and gas, automotive and aviation industries, electronics/semiconductors, specialty medical technology (e.g. implants)	3	500
<b>Advanced Intermediates</b>			
Alcoholates	Catalysts for biodiesel, pharmaceuticals, agrochemicals and other applications	1	> 200,000
Cyanuric chloride	Industrial applications and specialties (e.g. crosslinkers and optical brighteners), crop protection (especially in China)	3	31,000
Hydrogen peroxide	Bleaching of pulp and textiles, oxidation agent for the chemical industry, starting product for polyurethane	2	> 850,000
Butene-1	Co-monomer for polyolefins	1 <sup>c</sup>	235,000
Isononanol	Starting product for high-molecular plasticizers	2	350,000
DINP	High-molecular plasticizers for use in flexible PVC	2	220,000

<sup>a</sup> Evonik's assessment based on various individual market reports/information and in-house market research.

<sup>b</sup> Chlorosilanes: freely traded volumes. Overall assessment–market position differs depending on application.

<sup>c</sup> Freely traded volumes.

<sup>d</sup> No data available.

# Major shareholdings

## T44 Major shareholdings<sup>a</sup>

Name of company	Registered office	Shareholding in %
<b>Consolidated subsidiaries</b>		
<b>Germany</b>		
CyPlus GmbH	Hanau	100
Evonik Degussa GmbH	Essen	100
Evonik Goldschmidt Rewo GmbH	Essen	100
Evonik Hanse GmbH	Geesthacht	<sup>b</sup> 100
Evonik Oil Additives GmbH	Darmstadt	100
Evonik Real Estate GmbH & Co. KG	Marl	<sup>b</sup> 100
Evonik Röhm GmbH	Darmstadt	100
Evonik Services GmbH	Essen	<sup>b</sup> 100
Evonik Technochemie GmbH	Dossenheim	<sup>b</sup> 100
Infracor GmbH	Marl	100
<b>Other countries</b>		
Evonik Agroferm Zrt.	Kaba (Hungary)	100
Evonik Canada Inc.	Calgary (Canada)	100
Evonik Corporation	Parsippany (New Jersey, USA)	100
Evonik Cyro LLC	Wilmington (Delaware, USA)	100
Evonik Degussa Antwerpen N.V.	Antwerp (Belgium)	100
Evonik Degussa Brasil Ltda.	São Paulo (Brazil)	100
Evonik Degussa (China) Co., Ltd.	Beijing (China)	100
Evonik Degussa Mexico S.A. de C.V.	Mexico City (Mexico)	100
Evonik Hong Kong Ltd.	Hong Kong (Hong Kong)	100
Evonik Japan Co. Ltd.	Tokyo (Japan)	100
Evonik Methionine SEA Pte. Ltd.	Singapore (Singapore)	100
Evonik Specialty Chemicals (Shanghai) Co., Ltd.	Shanghai (China)	100
Evonik Specialty Chemicals (Jilin) Co., Ltd.	Jilin (China)	100
Evonik Oil Additives Asia Pacific Pte. Ltd.	Singapore (Singapore)	100
Evonik Oil Additives USA, Inc.	Horsham (Pennsylvania, USA)	100
Evonik Oxeno Antwerpen N.V.	Antwerp (Belgium)	100
Nippon Aerosil Co., Ltd.	Tokyo (Japan)	80
OOO Evonik Chimia	Moscow (Russian Federation)	100
<b>Joint ventures (recognized at equity)</b>		
<b>Germany</b>		
StoHaas Monomer GmbH & Co. KG	Marl	50
<b>Associated companies (recognized at equity)</b>		
<b>Germany</b>		
STEAG GmbH	Essen	49
Vivawest GmbH	Essen	<sup>c</sup> 35.93

<sup>a</sup> A list of companies included in the consolidated financial statements can be found in the Annual Report 2013 on page 176 ff.

<sup>b</sup> Utilizes the exemptions permitted under Section 264 Paragraph 3 and Section 264b of the German Commercial Code (HGB).

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

## Awards and accolades 2013

### T45 Awards and accolades

Category	Awards and accolades	Presented by
<b>Products and projects</b>		
AEROSIL®	Henkel Sustainability Award Beauty Care	Henkel
CALOSTAT®	Product innovation award	BAKA (Federal Working Group on the Renovation of Old Buildings)
SEPURAN® Green	German innovation award for climate and the environment	Federal Ministry for the Environment, Nature Conservation and Reactor Safety (BMU); Federation of German Industries (BDI)
<b>Employees</b>		
Evonik Industries AG Rheinfelden (Germany)	First place in the Responsible Care competition with the "Walk the Future – an environmental protection and sustainability course"	Chemical Industry Association (VCI)
Evonik Industries AG	Human Resources Excellence Award 2013 in the category Employer Branding Strategy	Human Resources Manager magazine
Evonik Industries AG Evonik Degussa (China) Co., Ltd.	Top Employers China	Corporate Research Foundation (CRF) Institute
PT Evonik Sumi Asih	Responsible Care Silver Award	National Committee of Responsible Care
<b>Awards from customers</b>		
Evonik Industries AG	Excellent Supplier Award	Triangle Tire
Evonik Industries AG Evonik Degussa (Brasil) Ltda.	Excellence award for successful improvement of the process for bleaching pulp	Cenibra (Celulose Nipo Brasileira S/A)
Evonik Industries AG	Supplier-of-the-year award	Life Technologies
<b>Other</b>		
Consumer Specialties Innovation Center	German gold standard for sustainable construction	Germany Society for Sustainable Construction (DGNB)
Evonik Industries AG, Evonik Degussa (China) Co., Ltd.	Responsible Care Merit Award	Association of International Chemical Manufacturers (AICM)

## Membership of networks and initiatives



### Responsible Care

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



### World Business Council for Sustainable Development

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



### econsense

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



### Global Reporting Initiative

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



### UN Global Compact

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

## About this report

### Evonik's Sustainability Report 2013

This is the sixth full Sustainability Report (CR Report) published by Evonik Industries and continues the tradition of reporting introduced by the companies from which Evonik was formed. The report covers the 2013 fiscal year (January 1 to December 31, 2013). It has been written to give our customers, employees, owners and investors and the general public an insight into how we run our business and live our values. The Sustainability Report focuses on ecological and societal issues and thus supplements the annual report for 2013. The next report will be published in 2015.

### Method

 See Glossary p. 141

This report is based on the current G3.1 guidelines of the *Global Reporting Initiative (GRI)* and focuses on reporting core indicators. It addresses all standard information and core indicators required by the GRI. We have provided background information and verifiable performance indicators where necessary. The GRI has checked the report for adherence to its sustainability reporting guidelines and has confirmed successful application of Level A+ throughout. This report also represents Evonik's progress report for the UN Global Compact. In addition, we fully meet the provisions of the German Sustainability Code (GSC).

### Scope of reporting and data capture

Evonik Industries AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), while the separate annual financial statements for the company are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). Alongside Evonik Industries AG, the consolidated financial statements include all material German and foreign subsidiaries directly or indirectly controlled by Evonik Industries AG. 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 2013 the Evonik Group comprised 52 German and 112 foreign companies.

Reporting focuses on the continuing operations. In 2013 we compiled relevant data on working hours, employee rights, social benefits, diversity, equal opportunities and work-life balance for the Group's continuing operations using the HR Information Collector software of Cundus AG.

The ecological data for the core specialty chemicals business in 2013 comprise emissions and consumption at 87 production sites in 23 countries and thus cover 95 percent of total output.

Occupational safety data include other small production sites and non-production locations (mainly administration), so the data here cover 125 locations in 35 countries. All data for our core specialty chemicals business are compiled with sustainability reporting software designed for this purpose (SuRe). The reporting segments reflect Group and business unit interests in order to provide a detailed reflection of production activities. In some cases, data are reported at plant level to ensure this.

All reporting segments are clearly coded to allocate them to organizational and business units and geographical region. This allows consolidation at management and legal entity level as well as a detailed regional analysis of the data.

The ecological data are updated annually without taking changes in the Group into account. The prior-year figures are not adjusted for changes in the portfolio of companies consolidated. The figures for each company are included in full, without adjustment to reflect Evonik's stake in them.


### **Major acquisitions/divestments of relevance for ESH in 2013**

There were no major acquisitions or divestments of relevance for ESH in the reporting period. Small portfolio adjustments did not have a significant effect on the data reported.

### **Updated data**

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

### **External review**

The "Employees" and "Environment" sections and selected sections and data from the sections headed "Sustainability management", "The business", "Safety and health promotion" and "Commitment to society" were subject to a limited assurance engagement by Pricewaterhouse-Coopers AG (PwC) (labeled with ) . The corresponding independent assurance report is printed on pages 137 and 139. In addition, parts of the report on the business and the section on research and development are taken from the annual report for 2013. In this context they were subject to an external audit by PwC.



## GRI statement



### Statement GRI Application Level Check

GRI hereby states that **Evonik Industries AG** has presented its report "Here we are! Sustainability Report 2013" 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. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

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

Amsterdam, 11 April 2014

Ásthildur Hjaltadóttir  
Director Services  
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](http://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 3 April 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

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

More information about GRI, the UN Global Compact and the German Sustainability Code can be found online at [www.globalreporting.org](http://www.globalreporting.org), [www.globalcompact.org](http://www.globalcompact.org) and [www.nachhaltigeitsrat.de/en/](http://www.nachhaltigeitsrat.de/en/).

## T46 GRI index, UN Global Compact and the German Sustainability Code (GSC)

Global Compact Principle	GRI Indicator	GSC	Topic	Page	Reporting status
<b>Strategy and Analysis</b>					
	1.1	1	Foreword by the Chairman of the Executive Board	4–5	
	1.2	1, 2, 3, 4	Description of key impacts, risks and opportunities	32–39, 41 ff., 49, 62 ff., 71–77, 80, 83 f.	
	2.1–2.10		Organizational profile, markets, structures, data and facts	Inside front cover, 32, 47–50, 52–61, 124–128, 130, 144, Annual Report 2013: 45	
	3.1–3.4		Report parameters	130, 144	
	3.5–3.13		Report content, limitations, verification	32–39, 47, 52, 55, 58, 61, 79, 82, 88, 106, 130–131, 134–135, 137–139	
	4.1–4.7	8	Corporate governance	32–34, 41, 49 f., 89, Annual Report 2013: 9, 18–29, 126 ff., <a href="http://corporate.evonik.de/en/investor-relations/Pages/default.aspx">http://corporate.evonik.de/en/investor-relations/Pages/default.aspx</a>	
	4.8–4.13	3, 5, 6, 7, 8	Obligations and commitments	33–34, 36, 38–45, 65–70, 98–101, 107 f., 115, 121, 129, Annual Report 2013: 18–29, 98, 102–118	
	4.14–4.17	9	Stakeholders	33–37, 51, 63, 91, 110–112, 117–121	
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			<b>Management Approach</b>	4–5, 24–29, 47–61, 117–121, 125 f.	
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7	EC2		Implications of climate change	34–35, 72, 95	
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Global Compact Principle	GRI Indicator	GSC	Topic	Page	Reporting status
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8	EN3–EN4	12	Energy consumption: direct and indirect	96–97	
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8	EN21		Wastewater	104 f.	
8	EN22	12	Waste	106 f.	
8	EN23		Significant spills	110, 115	
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8, 9	EN27		Reclaimed packaging	62, 106	
8	EN28		Non-compliance with environmental regulations		Not reported <sup>b</sup>
7, 8, 9	EN30	13	Environmental protection expenditures and investments	95	
<b>Social Performance Indicators</b>					
<b>Labor Practices and Decent Work</b>					
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1	LA6	14	Percentage of workforce represented on occupational safety committees	113–114	Partially reported <sup>c</sup>
1	LA7–LA8	15, 16	Occupational safety	111–114, 120	
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	SO8	20	Legal compliance: fines/sanctions		Not reported <sup>b</sup>

Global Compact Principle	GRI Indicator	GSC	Topic	Page	Reporting status
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8	PR3		Product labeling	65–70	
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1	PR9		Fines for non-compliance with laws and regulations		Not reported <sup>b</sup>

<sup>a</sup> 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.

<sup>b</sup> Any risks arising from litigation and other claims are disclosed in the Annual Report.


<sup>c</sup> No worldwide data including small and mid-sized sites are available.

<sup>d</sup> Evaluation by gender is not material to us.

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

# Independent Assurance Report<sup>1</sup>

## To Evonik Industries AG, Essen

We have been engaged to perform a limited assurance engagement on selected data set out in the German printed version of the Sustainability Report 2013 of Evonik Industries AG, Essen (subsequently referred to as “the company”), entitled “Evonik ist da! Nachhaltigkeitsbericht 2013” for the financial year from January 1 to December 31, 2013 (subsequently referred to as the “Sustainability Report”).<sup>2</sup> The sustainability information selected by the company and evaluated by us has been marked by a symbol  in the Sustainability Report.

## Management's responsibility

The company's Executive Board is responsible for the preparation of the Sustainability Report in accordance with the criteria set forth in the Sustainability Reporting Guidelines Vol. 3.1 (pages 7 – 17) of the Global Reporting Initiative (GRI):


- materiality
- stakeholder inclusiveness
- sustainability context
- completeness
- balance
- clarity
- accuracy
- timeliness
- comparability and
- reliability.

This responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Sustainability Report.

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

<sup>2</sup> Our engagement refers to the German version of the Sustainability Report.




### Practitioner's responsibility

Our responsibility is to express a conclusion based on our work as to whether any matters have come to our attention that cause us to believe that the data marked with the symbol  in the Sustainability Report have not been prepared, in all material respects, in accordance with the criteria set out in the Sustainability Reporting Guidelines Vol 3.1 (pages 7 – 17) of the GRI. We were also engaged to make recommendations for the further development of sustainability management and sustainability 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 ethical standards and plan and perform the assurance engagement, under consideration of materiality, to provide our conclusion with limited assurance.


In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, (for example, an audit of financial statements in accordance with § (Article) 317 HGB (“Handelsgesetzbuch”: “German Commercial Code”) and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment.

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

- Inquiries of personnel of departments responsible for the preparation of the sustainability report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;
- Inspection of documents regarding the sustainability strategy as well as obtaining an understanding of the sustainability management structure, the stakeholder dialogue and of the development process of the company's sustainability program;
- Inquiries of personnel in the corporate functions that are responsible for the chapters of the Sustainability Report marked with the symbol .
- Recording of the systems and processes for collection, analysis, validation and aggregation of sustainability data marked with the symbol  and inspection of its documentation as well as performing checks on a sample basis;
- Performance of site visits and web conferences as part of the inspection of processes for collecting, analyzing and aggregating selected data at the corporate headquarters in Essen, as well as at selected group companies in Marl (Germany), Mobile (USA), Parsippany (USA), Slovenská L'upča (Slovakia), Shanghai (China);
- Analytical procedures on sustainability data marked with the symbol  in the Sustainability Report;
- Comparison of selected data with corresponding data published in the company's annual report 2013;
- Gaining further evidence for selected data of the Sustainability Report due to inspection of internal documents, contracts and invoices/reports from external service providers.



## Conclusion

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

## Emphasis of Matter—Recommendations

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

- Further development of a systematic and linked approach towards activities in the area of sustainability management, in particular with respect to the continuing development of the sustainability strategy, programmes and targets
- Further formalisation of the internal control system for sustainability information
- Further integration of sustainability information and performance indicators into existing management systems or standard processes

Berlin, April 28, 2014

**PricewaterhouseCoopers**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**

Michael Werner

ppa. Susanne Klages

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# Glossary

## Accident frequency

### (occupational safety indicator)

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

## Audit

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

## Compliance

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

## Corporate governance

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

## Corporate responsibility (CR)

See sustainability.

## Diversity

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

## Global Reporting Initiative (GRI)

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

## Greenhouse Gas Protocol (GHG Protocol)

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

## Incident frequency (plant safety indicator)

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

**International Labor Standards**

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

**Lifecycle assessment**

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

**Materiality**

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

**Megatrends**

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

**Plant safety**

See incident frequency.

**REACH**

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

**Responsible Care**

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

**Stakeholders**

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

**Sustainability**

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

**Together for Sustainability**

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

**UN Global Compact**

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

## Credits

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